DRN-3779980

The complaint

Mrs G complains about the time taken by Prudential Pensions Limited (Prudential) to pay the benefits from her late husband's pension policy.

What happened

Mrs G said it took the Prudential five months to pay out the benefits from her husband's pension. Mrs G says she had to chase the Prudential continuously and said she was told in March 2021 that the value of the policy was around £48,000.

The Prudential said it sent out a trace letter in August 2020 and Mrs G replied in October 2020. It took some time to sort out security, in part as Mrs G had a different address to the one recorded on its file. All documents were supplied to it by early December 2020 but the security access issues were not resolved until late January 2021.Mrs G was paid around £43,000 in mid May 2021. The Prudential apologised for the delay and offered her £200 for the delay. It accepted that it could have paid the claim by 15 January 2021 and offered to pay interest from that date at 8% per annum simple, which was around £950.

The investigator initially upheld the complaint. She felt Mrs G should be paid the value of the policy on 15 January 2021 plus interest at 8% per annum simple up to the date of settlement for loss of use. She thought that the offer of £200 for distress and inconvenience was in line with what she felt was fair and reasonable. Prudential later explained that its policy was to encash the pension as soon as it was notified of the member's death. In fact it didn't do this until April 2021. The policy value at the original encashment date was around £40,000 but by the time it was actually encashed in 2021 it was worth around £43,000 and this was the amount paid out. She had benefited from the delay. The Investigator said that this service would not have directed the Prudential to pay the higher amount. Interest on that amount from 15 January was around £900. The investigator thought this was a fair offer.

Mrs G didn't agree. She felt the compensation for the impact on her should be significantly higher and that she should get the around £48,000 she was told it was worth.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The Prudential accepts it caused a delay from January to the date of payment. Where there is an error I can make an award for financial loss and distress and inconvenience suffered as a consequence of it.

In making an award for financial loss my aim is to put Mrs G back, as closely as possible, in the position she would most likely have been in but for the error. I need to decide what that position was.

The Prudential accepts there was a delay in payment. Mrs G said she had notified the Prudential of her husband's death in October 2020 and supplied all the documents it needed by December 2020. But she wasn't paid until 17 May 2021.

Part of the problem delaying the payment seemed to be security as the Prudential did not update her address. She said the Prudential had written to her husband and her at this new address and assured her that it was correct on the system. But the problem recurred. She said she supplied a copy of the death certificate which showed the address at the date of death, council tax bills and copy records from Companies house to help Prudential verify and correct the address record. It told her it had written to the last address on its file and it was returned not at this address. She had made about 25 calls each taking at least an hour to get through and some calls went dead before she got through. Prudential never called her back.

I have seen copy letters from the Prudential to Mrs G and many of her notes of the dates and times of calls and the person she spoke to. She also had a copy of a letter sent to her husband in May 2020 asking him to confirm his contact details. The letter was correctly addressed and he had written on it that he had replied by post on 21 May 2020. I have seen a copy of the reply. But Prudential wrote again on 8 June 2020 and chased on 9 July 2020 to say that it could not update records using the information provided but it didn't get a reply. It wrote via the Department of work and pensions (DWP) on 9 August 2020. The DWP replied and it received a letter on 12 October 2020 to say that Mr G had died.

So it seems that the Prudential did make reasonable efforts to find and validate the correct address for Mr G and avoid the delay in payment. So I don't think there was unreasonable delay beyond the delay the Prudential accepts from January 2021. I can however understand that the process was frustrating for Mrs G, especially given the number of calls she made. This is something I have taken into account when considering an award for the impact on Mrs G.

I also asked the Prudential about its terms and conditions and what these said about the timing of the move into cash as that affects the amount that Mrs G is entitled to receive. It now accepts it should have switched the funds to the cash fund when it received the death certificate. I think that is reasonable because the terms and conditions says that it can move both before and after the time they have all the information they needed. Receipt of the death certificate is one of the earliest times and reflects what they said was their policy. It said the death certificate was received on 7 December 2020. Had it moved to cash on that date it said the fund value would have been £45,413.60 which was £2,096.01 higher than the amount it actually paid (which was around £43,000) .

It still felt that it could not have paid the amount until all the information was received. I think that is reasonable and cannot see that it could pay out before it had all it needed. The earliest date it seems that was possible was 15 January 2021. It confirmed it was happy to pay interest at the rate of 8% per annum simple from 15 January 2021. This is the level of interest that this service would have awarded.

It also said that if it had been moved into the cash fund in December 2020 the amount would not have increased in the time up to January 2021, as the unit price in the cash fund did not change during that time. So I think it is reasonable to accept that the amount that would have been paid in January 2021 was £45,413.60

I need to seek to put Mr G as closely as possible back into the position she would most likely have been in had the Prudential not delayed the move into the cash fund. Under the terms and conditions I think that would have meant the policy was moved into cash in December 2020 so I think the proposed higher amount plus interest thereon is fair and reasonable.

Mrs G says she was told the policy payment would be around £48,000. I can understand that she feels she has lost out as the amount she was pad was less than this.

I asked the Prudential if it could identify why Mrs G was told the policy value would be around £48,000. It said that the annual statement from 2019 quoted an amount the policy *could be worth at the selected retirement date* as around £48,000. It suggested that this is where the figure may have come from. This seems like a reasonable explanation to me.

But Mrs G isn't entitled to the higher amount of £48,000 even though it was quoted to her. The law would say that Mrs G should be put in the position she would have been in but for the mistake (which was incorrectly quoting around £48,000) and not as if the mistake was correct. So I would not direct she is awarded the £48,000 mistakenly quoted to her as this wasn't the amount she was entitled to receive.

I appreciate Mrs G is disappointed not to receive around £48,000. But after the Prudential has paid the additional around £2,000 amount plus interest at 8% per annum simple, she will have been paid what she is entitled to, for the reasons given above.

Impact on Mrs G

I asked Mrs G for more information about her circumstances at the time. She said that having lost her husband it was extremely stressful and upsetting time and she didn't expect the Prudential to add more stress and tears to her grief and take over 7 months to sort it out.

She said she was now a single mum living in rented accommodation she needed the pension money to fund her everyday expenses such as rent and bills. She was around £15,000 in arrears of debt when her husband died and would have planned her husband's funeral differently had she been in receipt of the money sooner. The delay caused her a lot of worry that she wouldn't be able to afford to pay off the debts. When her husband died she notified the credit card companies who froze the interest on the outstanding debts. She paid them off when she received the payment from Prudential.

I have considered an award for distress and inconvenience in the light of what she has told me. Such an award is to reflect the impact on Mrs G not to punish Prudential. At the time of the delay Mrs G was already vulnerable due to the death of her husband and was clearly worried about debt, funeral costs and day to day living costs. I think this must have been very stressful. I can see Mrs G put a lot of effort into trying to contact Prudential and I have seen evidence in Prudential records of this but it still it took several months to resolve the issues, something the Prudential accepts.

Given the payment was triggered by Mr G's death the Prudential might reasonably have been aware that delays in payment could cause distress to the recipient of the pension money who was likely to be vulnerable due to Mr G's death. I think the delay caused considerable distress, upset and worry and required a lot of extra effort from Mrs G over a period of months. I think an award of £500 would be fair and reasonable in the circumstances. For the avoidance of doubt the total award is £500 so if Prudential has already paid £200 it need only pay a further £300.

I asked both Mrs G and the Prudential to comment on this proposed increased amount. Mrs G said that she still felt she should receive the difference between what she was paid and the around £48,000 she was told would be paid. But I have already considered that and explained why I cannot make an award on that basis.

The Prudential questioned whether I was awarding an additional £500 or additional £300. I clarified it was an additional £300 assuming it had paid £200 to date. It later confirmed it was happy to increase the payment by a further £300.

Putting things right

In order to put things right I think that the Prudential needs to pay Mrs G a further £2,096.01.

Further Mrs G has lost the benefit of the use of this higher amount since January 2021 and the Prudential should pay interest on the additional £2,096.01 at the rate of 8% per annum simple from 15 January 2021 to the date of payment to her.

Prudential accepts there was a delay from January to May 2021 in paying the around £43,000 it actually paid Mrs G. If it has not already done so it should also pay interest at the rate of 8% per annum simple on that amount for the loss of use of the money from January 2021 to the date it actually paid her in May 2021.

Finally the Prudential should also pay (to the extent it has not already done) a total of £500 for distress and inconvenience

My final decision

I uphold this complaint.

I direct that Prudential Pensions Limited should within 30 days of this service notifying it that Mrs G has accepted this decision pay Mrs G:-

1. a total of £500 for distress and inconvenience, (but if it has already paid Mrs G £200 it need only pay a further £300.) and

2. a further £2,096.01 to increase the amount paid to her to £45,413.60, and

3. interest at the rate of 8% per annum simple from 15 January 2021 to 17 May 2021 on the amount of £43,317.59 (if it has not already paid this amount) and

4. interest at the rate of 8% per annum simple on the amount of £2,096.01 from 15 January 2021 to the date of actual payment under this direction.

Income tax may be payable on any interest paid. If Prudential Pensions Limited deducts income tax from the interest, it should tell Mrs G how much has been taken off. Prudential Pensions Limited should give Mrs G a tax deduction certificate in respect of interest if Mrs G asks for one, so she can reclaim the tax on interest from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 13 February 2023.

Colette Bewley
Ombudsman