

The complaint

Mr P complains that he has lost out financially due to failings by The Prudential Assurance Company Limited (Prudential). In particular, he says it failed to promptly process the instruction it received from his Independent Financial Adviser (IFA) to fully crystallise the funds in his pension pot and pay the maximum tax-free cash available, despite having acted on similar instructions from other clients on the day the instruction was given.

As a result of Prudential's poor service, he says that the tax-free cash (TFC) lump sum he requested on 13 March 2020, was affected by a Unit Price Adjustment (UPA) applied on 17 March 2020.

To resolve matters Mr P wants Prudential to pay him the difference between the TFC lump sum he received, and the amount he would have received if his instruction had been processed on the day it was submitted, before Prudential applied a UPA.

Mr P is represented in this matter by his IFA.

What happened

On 13 March 2020, Mr P's IFA submitted a request to Prudential to fully crystallise the funds in his pension pot and take the maximum TFC available. At the time of the request the value of Mr P's pension pot was £915,504.77. Based on this valuation the TFC lump sum he expected to receive was £228,876.19.

Shortly after making this request, Mr P's IFA emailed Prudential to ask whether it was possible for the TFC to be taken from Mr P's PruFund holding, and to avoid cashing in any of his Vanguard holding.

Prudential replied that day to say that it was, '*Waiting on the team to ensure the Vanguard holding is left*'. On 16 March 2020, having received updates from Prudential about withdrawal requests made on behalf of other clients, Mr P's IFA chased Prudential about his withdrawal request.

Prudential replied shortly afterwards. It said:
No update on [Mr P's request] as of yet. I have asked my manager to get involved on this one. Will keep you updated.

The following day, Prudential emailed Mr P's IFA again and said:
I am just waiting on a manager with [Mr P's request]

In mid-March 2020, equity markets were falling significantly. In response Prudential applied a UPA of -11.7% on 17 March 2020 to its PruFund. It is not in dispute that Prudential was entitled to apply a UPA.

On 18 March 2020 Prudential contacted Mr P's IFA again. It said:
The money hasn't went for [Mr P] due to the product and ongoing adviser fees not clearing for [Mr P].

I am stating the facts, it was keyed in plenty of time and this should have been actioned, this is not your fault nor is it the client's fault.

I am still trying to get them to proceed and do what they were meant to do, many managers are involved. I will keep on at it, if a complaint has to be logged it will be as this is not you or your client's fault.

I am not backing down on this one so sorry for the limited updates cause I am not willing to give up just yet. I am like a dog with a bone. Honestly I will sort this one way.(sic)

Prudential later explained that, as a regular product charge was due to be deducted from Mr P's account on the same day the TFC was requested, its systems did not allow the request to be processed immediately via its straight through processing system.

The records available show that on 17 March 2020, an internal email was sent by Prudential to say that the request Mr P's IFA had submitted would need to be cancelled and re-submitted if the TFC was to be taken from a specific fund. However, it appears this instruction was not passed on to Mr P's IFA and the request was not cancelled and re-submitted.

On 20 March 2020, Prudential emailed Mr P's IFA to say:

I am sorry but the team never got this processed and tax free cash out without the UPA, £203,004 08 will be paid to client, I am sorry this has dropped significantly. They could not authorise the payment whilst the charges were still being processed. I have tried everything I can to get this out without the drop but can't. I am so sorry. I have logged a complaint detailing everything that has happened ensuring the client will be fully compensated. I cannot tell you how gutted I am over this case.

Mr P received the lower TFC lump sum on 26 March 2020.

Having considered the complaint Prudential said it didn't think it had treated Mr P unfairly. It said that his request to take a TFC lump sum '*...could not be processed as there was a pending product charge due to be taken on 13 March 2020, meaning the TFC could not be authorised until this was paid.*'

It said its internal processes involved carrying out a series of automated checks when a TFC lump sum was requested. It said Mr P's request had not passed the checks as a product charge was due to be taken on the same day as the request. It said this meant his request could not be processed automatically. As his request could not be processed automatically it said it had been passed to an '*account specialist*' to be actioned.

It also said that when Mr P's IFA asked for the TFC to be taken from his PruFund, and not his Vanguard fund, the request was sent to its servicing team on 16 March 2020, who replied the next day (17 March 2020) to say that the original request would need to be cancelled and then a new request be re-submitted selecting the PruFund only.

It noted that the request was not cancelled and re-submitted and the TFC, including some of Mr P's Vanguard holdings was authorised on 20 March 2020.

As a UPA of -11.7% was applied by Prudential on 17 March 2020, the TFC lump sum Mr P received was reduced accordingly. Prudential said it did not think it had acted incorrectly and it noted that its terms and conditions set out that a UPA can be applied at any time.

It said it accepted that it was '*unfortunate*' that Mr P's TFC had been reduced as it was authorised after the UPA had been applied. But it said the lump sum had been paid '*nine working days from the date of the request being keyed*' and it did not believe it had '*delayed the payment in any way*'.

Mr P was not satisfied with Prudential's response and his representative referred the matter to this service.

Our investigator said she didn't think Prudential had acted incorrectly in this matter. She said, in summary, that she felt Prudential had dealt with the request in a timely manner and she didn't think it needed to compensate Mr P for the reduction in the tax-free cash lump sum he received as a result of the UPA it had applied.

She noted that Mr P's representative had said that it felt the request should have been processed on 13 March 2020, or 16 March 2020 at the latest. But she said that Prudential worked to an internal service standard of ten days to process crystallisation and TFC requests and she noted that Mr P's request had been completed within nine working days.

She also noted that Mr P's IFA had referred to other clients' requests, made at the same time as Mr P's request – and these requests had been processed before the UPA was applied - but she said she didn't think this meant Mr P's request should have been processed more quickly.

Mr P did not accept our investigator's view and the complaint was passed to me to determine.

I issued my provisional decision on Mr P's complaint on 3 October 2022. In it I explained that I had reached a different view to that of our investigator and my provisional decision was that Mr P's complaint should be upheld. I explained why I had reached this decision as follows:

I carefully considered the points Prudential had raised and I also reviewed the terms and conditions it had provided.

I noted that Prudential had said that as a product charge was due to be deducted from Mr P's account on 13 March 2020, the day the full crystallisation and TFC lump sum request was received, it wasn't able to process Mr P's TFC request until the product charge had 'settled'.

I said I didn't think Prudential had treated Mr P fairly in this matter. I noted it said that it couldn't process the TFC request and take a product charge at the same time. I said it appeared this was due to its own internal processes, rather than any regulatory or legal requirement.

In its response to this service Prudential referred to its terms and conditions, but I said I hadn't seen anything that set out it wouldn't act on requests to crystallise funds and release TFC, until a regular product charge had 'cleared'.

In this instance I said I didn't think Prudential's processes adequately considered the requirement to treat Mr P fairly. In particular, I said I didn't think it was fair for it to have delayed processing Mr P's TFC request simply because of the way its own internal processes had been set up.

In reaching this view I took into account that it appeared the product charge that caused Mr P's TFC request to be delayed was for £190.35. I noted there was no possibility of insufficient funds being left in Mr P's account to pay the fee, even after a 25% TFC lump sum had been deducted, as his pension pot was valued at over £915,500.

By failing to act on Mr P's request, until nearly a week after the product charge had been taken, I said I thought Prudential had failed to treat Mr P fairly.

I said I didn't think there was any legitimate reason for Prudential to fail to carry out Mr P's request, other than its own internal processes didn't allow it to do so.

In reaching this view I said I was mindful that in March 2020 equity markets were falling rapidly. I thought Prudential ought reasonably to have known that Mr P would not want his TFC request to be delayed (as there was a risk that the smoothed price on Mr P's PruFund holding might be reset due to market conditions).

Even if, for whatever reason, Prudential had been unable to over-ride its internal processes and allow the TFC request to be processed on 13 March 2020, I said I thought it should have made every effort to ensure that Mr P's request was processed on the next working day, 16 March 2020. I noted however, that its records showed that Mr P's request was given a 'priority' rating of 'medium' and there appeared to have been no effort made to ensure that Mr P's request was approved as soon as the product charge had been taken.

Despite the product charge having been taken on 13 March 2020, Mr P's request for a TFC lump sum was not approved until 20 March 2020, a full week after the request had been made.

I also noted that Prudential had failed to respond to Mr P's IFA when it asked, shortly after the initial request had been made on 13 March, if the TFC could be taken from Mr P's PruFund holding only. As a result, the TFC lump sum was taken from both Mr P's Vanguard and PruFund holdings.

I said I thought Prudential's failure to promptly notify Mr P's IFA that it would need to cancel the request and re-submit it, selecting the appropriate fund, if the TFC was only to be taken from Mr P's PruFund holding, was further poor service.

I noted that if Prudential had responded to Mr P's IFA promptly on this query, even if its processes prevented the request for TFC made on 13 March 2020 from being approved automatically, Mr P's request could have been cancelled and re-submitted with the instruction to take the TFC from his PruFund holding early on 16 March 2020. Mr P's request would then have passed the necessary checks for straight through processing, as the product fee had been taken on 13 March, and his request would have been approved before the UPA was applied.

Having very carefully considered this matter my provisional decision was that this complaint should be upheld. I said I thought Prudential had failed to treat Mr P fairly when it delayed actioning his request to take a TFC lump sum because a product fee fell due on the same day the request was made. And I said I thought it had also failed to treat Mr P fairly when it failed to respond to his IFA when it enquired if the full TFC lump sum requested could be taken from his PruFund holding.

Prudential did not respond to my provisional decision. Mr P's representative responded to say that he was satisfied with the provisional decision and the redress I had set out.

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.

As Mr P's representative has accepted my provisional decision and Prudential has not responded or provided any fresh information or evidence, I find no basis to depart from my earlier conclusions.

I remain of the view that Mr P's complaint should be upheld.

Putting things right

In order to put matters right Prudential should pay Mr P the difference between the value of the TFC lump sum payment it made, and the value of the TFC Mr P would have received if his request had been processed on 13 March 2020, and no UPA had been applied.

Prudential should also apply 8% simple interest per year to this payment to compensate Mr P for the loss of the use of this money.

In addition, Prudential should pay Mr P a further £300 for the worry and upset this matter has caused him.

If appropriate Prudential should also provide Mr P with a tax deduction certificate in respect of the interest.

My final decision

My decision is that I uphold this complaint. In order to put matters right Prudential should pay the redress as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 2 December 2022.

Suzannah Stuart
Ombudsman