

The complaint

Mr H complains that The Prudential Assurance Company Limited failed to provide him with appropriate information or service when he asked to put some pension benefits into payment in 2021.

What happened

Mr H has held pension savings with Prudential (albeit previously with Scottish Amicable) since 1981. Those pension savings were divided into seven equal segments. Over the years Mr H had taken benefits from three segments, leaving four segments still invested.

Mr H has explained that his current preferred approach is to take benefits from one segment each year. Taking those benefits provides Mr H with a pension commencement lump sum ("PCLS – generally known as tax free cash) that he uses each month to supplement his income. And he receives some additional annuity income to supplement that he is receiving from his earlier segments.

So, in August 2021 Mr H requested quotations from Prudential showing the value of his pension savings. There was then an extended period in which either no information was provided, or incorrect valuations were issued, before being corrected shortly afterwards. Ultimately it wasn't until November 2021 that Mr H was in a position to proceed with taking this part of his pension benefits.

But Prudential then made a further error. It encashed all four remaining segments of Mr H's pension savings, paying him the PCLS, and transferring the remainder to the firm it had appointed to provide the annuity benefits. Prudential did, however, identify that error shortly afterwards, recalling the incorrect payments, and replacing them with corrected amounts representing just one segment of Mr H's pension savings.

Over a number of response letters, Prudential has accepted that its service fell short of what Mr H might expect. It has paid Mr H a total of £725 for the inconvenience he has been caused. It has compensated him by paying an additional three months' annuity payments to reflect the delay in the annuity being set up. And it has paid Mr H interest on both those delayed annuity payments, and the delayed PCLS payment.

Mr H's complaint has been assessed by one of our investigators. She thought that Prudential had reasonably identified the errors it had made when dealing with Mr H's requests, and that the compensation it had paid to Mr H was fair and reasonable. So she didn't think that Prudential needed to do anything further.

Mr H didn't agree with that assessment. He asked the investigator to provide him with evidence that the valuations Prudential had provided him on his pension benefits had been correct. Our investigator sought confirmation from Prudential about those valuations but explained to Mr H that she was unable to provide any additional validation. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr H and by Prudential. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

In the earlier part of this decision I have only summarised, at a very high level, the extent of the communications between Mr H and Prudential. I don't do this to, in any way, lessen the problems that Mr H has faced. Our investigator has set out in some detail all the communications that took place, and there seems little dispute from either party about that timeline. I think it is clear that Prudential has failed to provide an acceptable level of service to Mr H over a number of months.

Given the general consensus about what has happened, and bearing in mind my role as an arbiter of specific complaints rather than a regulator, I see little benefit in a detailed review of the communications between Mr H and Prudential. I think it is clear that the payment of Mr H's pension was delayed. And I think that delay was due to the failings of Prudential. So what is most important for me to consider is the impacts of those delays, and whether they have caused Mr H to suffer a financial loss.

Earlier in this decision I briefly set out some of the timings that were applicable to this complaint. From those I think it is reasonable to conclude that there was a period of around three months when Prudential's actions delayed Mr H from putting the relevant segment of his pension benefits into payment. It is during that period of time that I should consider whether any losses have occurred.

By Mr H putting his pension benefits into payment, two things would happen. He would receive a PCLS – a lump sum payment that Mr H says he would then use over the following twelve months to supplement his income. And he would start to receive an additional annuity that would be paid for the remainder of his life. I will deal with each in turn.

The delay to the payment of the PCLS didn't mean that Mr H wouldn't receive that payment, or that its value would have changed. So Prudential's delays haven't resulted in Mr H receiving a lower PCLS payment – he hasn't lost out on the capital value of that payment. But there was a period of around three months when Mr H lost the opportunity to use those funds. In situations such as these I would normally award interest, at a rate of 8% simple, on the delayed payment. And I can see that is precisely what Prudential has already paid to Mr H. So I don't think any further compensation is warranted in respect of the delayed PCLS payment.

Prudential has confirmed with the annuity provider that the annuity Mr H has received is the same that he would have received had his application been completed three months earlier. But, as I explained above, the annuity is paid for life. So a delayed start to the annuity will never be recovered – those payments will simply be lost. So in the case of the annuity I think it reasonable to conclude that Mr H has lost out on receiving his normal annuity payment for the first three months.

But, Prudential has also paid Mr H compensation equivalent to those three annuity payments that were lost. And it has added interest, at a rate of 8% simple, on those payments to reflect the time that they were missing. So I also don't think any further compensation is warranted in respect of the missing annuity payments.

There is no doubt that the delays will have caused inconvenience to Mr H. He has explained a clearly set out plan for how, and when, he will use the retirement benefits available to him. Those plans will have been affected, at least in the short term, by the delays Prudential caused. So I think a compensatory payment is warranted for the inconvenience Mr H was caused. Prudential has already paid a total of £725 to Mr H in that regard. Having carefully thought about the matter I don't think any higher payment is warranted.

Mr H has expressed concern about the various valuations of his pension benefits that he has received from Prudential. There do appear to have been some discrepancies in those valuations, and that would naturally lead Mr H to question Prudential's competence in performing those calculations.

As our investigator has explained, the calculation of the benefits due from Mr H's pension plan is complex, and needs the support of Prudential's actuary. I am not in a position to check those calculations, given they are underpinned by what would be considered to be market sensitive information. But I am satisfied that Prudential has rechecked its calculations and is now satisfied that the information it has provided to Mr H is accurate.

I understand the frustration that Mr H will feel with my decision. There is no doubt that the service he has received from Prudential has fallen well short of what he might reasonably expect. But I am equally satisfied that the steps Prudential has taken to put things right are entirely in line with, or even perhaps in excess of, what I would have recommended. So I don't think there is anything more for Prudential to do in order to put things right for Mr H.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 20 March 2023.

Paul Reilly
Ombudsman