

The complaint

Mr C complains that the compensation offered by The Prudential Assurance Company Limited following delays to the payment of some pension benefits is insufficient.

What happened

I issued a provisional decision on this complaint last month. In that decision I explained why I thought that the complaint should be upheld. Both parties have received a copy of the provisional decision but, for completeness and so those findings form part of this decision, I include some extracts from it below. In my decision I said;

Mr C holds pension savings with Prudential. In May 2022 Mr C asked to withdraw a gross payment of £42,000 from those pension savings. The payment was made to Mr C on 23 June 2022.

Prudential accepts that it took too long to make that payment. It told Mr C that it should have completed the processing of his request by 23 May 2022. So it offered him some compensation. It says that it calculated (using the statutory rate of 8%) the interest that should be paid to Mr C for the late payment of his pension income. It assessed that interest as being £276.15. And it added some further interest for the period until the compensation was paid. Prudential also paid Mr C £175 for the inconvenience he'd been caused. So in total Prudential paid £452.37 to Mr C.

In its response to the complaint Prudential accepted that it had taken too long to process Mr C's payment. It said that the processing of the payment should have been completed by 23 May 2022. And it seems that Mr C is satisfied with Prudential's assessment of when the payment should have been made. So what remains for me to consider in this decision is what needs to be done in order to put things right.

As I said earlier Prudential has paid Mr C some interest to reflect the time during which his payment was delayed. I think that a payment of that nature is appropriate. There was a period of time, of approximately one month, during which Mr C went without the payment he had requested from his pension savings.

But I haven't seen anything that explains in detail how Prudential has calculated the value of that compensation. And I haven't been able to reconcile the payment through my own calculations. So I ask that Prudential provides me with further information about that payment in response to this provisional decision.

But I agree with Mr C that the compensation that Prudential has paid to him doesn't reflect all the losses that the delay caused as I will now go on to explain.

Mr C's pension savings were entirely invested in a single Prudential fund – the Prudential UK Smaller Companies fund. So, when he asked to take money from his pension fund, Prudential needed to sell some of his investments in order to make the payment. But the payment that Mr C requested was described in terms of the cash

value. So the number of units of his investments that would need to be sold would be directly influenced by the price of that investment as the relevant time.

As I said earlier, Prudential has said that it should have completed the payment to Mr C by 23 May. But in fact Prudential processed Mr C's instruction on 13 June. During that time the unit price of Mr C's pension investment fell by around 2.5%. So that means the number of units of the investment that Prudential needed to sell on 13 June to raise the requested £42,000 was higher than if the transaction had been completed at the earlier date. So that leads to a reasonable conclusion, as Mr C says, that his residual pension investments are now less than they would have been had Prudential not delayed the processing of his withdrawal instruction.

Prudential has paid Mr C £175 to reflect the inconvenience he has been caused. I think a payment of that value is reasonable under the circumstances here. So I don't intend to ask Prudential to pay any further compensation of that nature to Mr C.

As I have explained above, I think that Mr C's losses from the delay are twofold. There was a period of time that he was without use of the money he requested. A payment of compensatory interest for that period is appropriate, and Prudential should confirm the basis of its calculations in response to this provisional decision. And the delay to the sale of part of Mr C's pension investments meant that he was left with fewer invested units than he should have been. So Prudential needs to calculate that loss and put things right.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. Mr C has told us that he has nothing further to add to his previous submissions. Prudential has said that it agrees with my provisional decision and is happy to carry out the loss assessment that I suggested.

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.

Given that neither party has provided me with any new evidence or further comments I see no reason to alter the conclusions I reached in my provisional decision. So it follows that I think that Mr C's losses from the delay are twofold. There was a period of time that he was without use of the money he requested. A payment of compensatory interest for that period is appropriate. And the delay to the sale of part of Mr C's pension investments meant that he was left with fewer invested units than he should have been. So Prudential needs to calculate that loss and put things right.

Putting things right

Prudential has failed to explain, as I requested it to, how it has calculated the compensatory interest it has paid to Mr C for the delay in making the payment. So I am setting out my expectations below. Prudential should check its calculations against the methodology I have set out, and if necessary pay any additional amount to Mr C. It should also calculate whether Mr C has lost out as result of the delay in selling some of his pension investments.

So to put things right, Prudential should;

- Calculate the interest payable, at a simple interest rate of 8% per annum, on the value of the income payment it made to Mr C from the date it should have been paid

to the date of actual payment. HM Revenue & Customs requires Prudential to take off tax from this interest. Prudential must give Mr C a certificate showing how much tax it's taken off if he asks for one.

- Should the interest calculated above be greater than the sum already paid to Mr C, Prudential should pay him the difference.
- Calculate the number of investments units that would have needed to be sold in order to raise the requested payment of £42,000 at the earlier processing date.
- Compare those units with those that were actually sold in June 2022.
- If fewer units would have been sold in May 2022, the difference should be added back to Mr C's pension savings.

Should Prudential be unable to add the additional units back into Mr C's pension plan, it should instead pay him some cash compensation calculated as the number of additional units valued as at the date of this final decision. But had it been possible to add the compensation into Mr C's pension plan, it would have provided a taxable income. Therefore any cash compensation should be reduced to notionally allow for any income tax that would otherwise have been paid.

The notional allowance should be calculated using Mr C's expected marginal rate of tax when he would take the income. I think that it's reasonable to assume that Mr C is likely to be a basic rate taxpayer at that time, so the reduction would equal 20%. However, as Mr C would have been able to take a tax-free lump sum, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 15%.

My final decision

My final decision is that I uphold Mr C's complaint and direct The Prudential Assurance Company Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 May 2023.

Paul Reilly
Ombudsman