

The complaint

Mr T complains about poor and incomplete information from The Prudential Assurance Company Limited (the Prudential) regarding his pension policy.

What happened

Mr T said he felt he had not received information from Prudential to enable him to make an informed decision about his pension.

The Prudential said Mr T complained his annuity income quote had reduced from £100 per annum to £85.00 per annum. It said it sent a retirement options pack in February 2020. Mr T requested a further value in May 2020 and asked if it could be backdated to March 2020. It said this was not possible as Mr T did not make a claim at that date. It issued an up-to-date quote and options pack. It didn't receive any further instruction until early 2022.

Mr T also complained that it told him in January 2022 that it would send a new quote but it did not include the forms to make a claim. The Prudential said it accepted it caused a delay from 26 January 2022 in the initial process of his claim. It sent a new retirement options pack on 27 April 2022. It recognised the poor service and arranged to send a cheque for £150 by way of apology and for any trouble and upset caused.

It said that due to delays in the claims process the process should have been completed on 16 February 2022 rather than 28 June 2022. But in February the amount would have been around £1900 (net) but by June 2022 it was around £2,100 (net). Interest at 8% per annum simple on the amount that would have been paid would have been around £43. As Mr T had received more than the amount that would have been paid plus interest he was not worse off.

The investigator said he didn't think the Prudential needed to take any further action. He noted that Mr T had decided to take his pension as cash due to the low valuation and had received around £2,100 in June 2022. The Prudential had provided 8 values over the time from March 2020 to June 2022. The Prudential had been clear that the valuations were not guaranteed but each quote was guaranteed for 30 days. He appreciated it was difficult to make a decision when the value was changing but didn't have concerns about the information provided by Prudential in relation to the policy.

Mr T didn't agree. He said that the Prudential initially said his policy was worth more with a higher yield. It then said there was a mistake and the yield was about £100 per annum. The investigator commented on total value but not on the yield. Mr T said that while the policy increased in value from about £1500 to about £2500 the yield did not increase by the same amount.

The Prudential commented further that the policy was a retirement annuity policy which guaranteed to pay a 'guaranteed basic annuity' when the policy benefits were taken to provide an annuity in a certain way. It was designed to pay an annuity on retirement. The guaranteed basic annuity was set when the policy was arranged and did not change over the term of the policy. However the value of the policy was calculated based on the cost of

buying that annuity therefore as market conditions changed so did the cost of buying that annuity.

The investigator clarified that the annuity rate and policy value were not linked. That was because the annuity rate set at the start had not changed. Mr T was however provided with different options such as the length of guarantee and whether or not to include a dependant pension. The value was linked to the market cost of buying the annuity and changed with time. This was explained in the policy terms.

Mr T still didn't accept the conclusion and said the change in annuity rates over the period from 2019 to date from £1500 to around £2500 didn't make sense. He wanted someone independent to check the calculations.

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.

I must first decide if the Prudential did anything wrong. If it did, I can make an award for any financial loss due to that error and an award for distress and inconvenience.

For completeness I should also mention that Mr T was at one stage given a much higher figure of around £750 of annual income. That was incorrect and was the subject of a separate complaint, so I have not considered it here. I can however understand that it has affected Mr T's view of the information he is provided with and his faith in its accuracy.

Based on the evidence I have seen it appears that Mr T would have been able to take an annuity income in early 2020. He was supplied with quotes but did not request a payment. So it does not seem that the Prudential did anything wrong at this stage.

Mr T made further contact in 2022 and the Prudential accepts that it didn't send all the relevant papers and this caused a delay in the payment of his lump sum. I can therefore consider an award for financial loss. The Prudential has however shown that the lump sum value Mr T was paid in June 2022 was higher than the lump sum amount would have been had he been paid sooner and even if interest at the rate we apply (8% per annum simple) is added. So it does not seem that he suffered a financial loss as a consequence of that delay.

I have considered an award for distress and inconvenience due to that delay. Such an award is not intended to punish the Prudential but to reflect the impact of the mistake on Mr T. I can understand that the delay must have been frustrating for Mr T. We all experience inconvenience in day-to-day life, but I think this was more than that. However the papers were provided and the claim was paid. On balance I think that an award of £150 is fair and reasonable in the circumstances and I won't be asking the Prudential to pay any more.

I have considered that Mr T feels the valuation figures have changed with time and that there is a mismatch between these and the annuity income figures. As I said at the start I can appreciate that the historic error suggesting a much higher income figure may well have influenced Mr T's view of the reliability of the information he was sent. But the relationship between value and income has already been explained by Prudential and by the investigator and I don't think any further explanation is required.

I say that because I think the explanation and the policy documents I have seen support the fact the policy offered an annual pension. The quotes provided over time showed a variety of figures according to whether Mr T wished to include a guarantee period and/or dependants pension and/or increases in payment. I think this explains the variations in annuity income

amount shown in each quote that was issued.

Further while the quotes show various levels of income depending on the income option selected, the overall value of the policy remains the same in the quote. For example I have seen options that quoted annual annuity income varying between around £114 per annum and £93 per annum depending on the option taken. However the policy value for all options is shown as around £2,000. I think this supports the explanation provided by Prudential.

I note also that the policy value available has changed and increased as time has passed since 2019. I would expect this where it is related to the cost of buying that income in a market, and given Mr T's increasing age and the fact that since early 2020 he was entitled to take the pension if he wished. I can also see that multiple sets of figures have been provided between early 2020 and summer 2022 and I think there is a consistent pattern in these.

I think the explanation provided is reasonable and I don't have any evidence that the figures are wrong so I cannot make any further direction.

I note Mr T wanted the figures checked by a third party. But even if I had thought there was an error or the explanation unreasonable I could only have asked the Prudential to recalculate and provide confirmation that the figures had been checked internally. I could not in any event have directed a third-party review of their figures.

So I think that Prudential has acted in a fair and reasonable manner in relation to the mistake it did make.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 27 July 2023.

Colette Bewley
Ombudsman