

The complaint

Mr B's complaint is about problems he's had with The Prudential Assurance Company Limited's online portal which Mr B uses to manage his pension fund.

What happened

Mr B has a stakeholder pension with The Prudential Assurance Company Limited (Prudential). Mr B frequently makes fund switches, using Prudential's online portal. Unfortunately he's experienced multiple problems since Prudential updated its online process in 2020. I'm not going to set out all that's happened, just some of the key developments.

Mr B sought assistance from us in July 2022. He'd earlier, on 3 February 2022, written to Prudential's Chief Executive Officer. Mr B said, over the last year or so, he'd reported various concerns, in the main via the online portal. On several occasions, his complaints weren't acknowledged. Prudential had apologised in August 2021 for an unactioned switch request the previous month and had paid £200 compensation. Prudential had also paid £250 in April 2021 for a pricing error. The issues were serious and concerned fund pricing discrepancies and delayed actioning of switch requests. On the assumption the requests had been lost, Mr B had repeated them. When, months later, they'd been actioned, the duplicate switches had to be reversed. Mr B said, at the very least, he expected all fees since 20 November 2020 to be reimbursed.

Prudential had upheld Mr B's complaint. In its final response letter dated 30 March 2022 Prudential said it had been migrating its systems to new and improved versions. Despite thorough testing, there were some unexpected issues. Prudential said the switches and reversals had been completed and Mr B had been contacted about them and to confirm the valuation of his fund. The concerns he'd raised regarding forward pricing and the unit price difference had been discussed over the telephone and by email. Prudential said it would be sending Mr B a further £500 for the poor service and the distress and inconvenience he'd been caused.

Mr B had remained unhappy and had written to Prudential on 12 May 2022 explaining why. Amongst other things he said, between 1 October 2020 to 31 March 2022, Prudential had deducted fees totalling £10,788.13. Throughout that period Mr B had submitted multiple complaints, almost all of which weren't acknowledged or addressed. The failings had not only caused distress and inconvenience but also financial loss. He didn't agree that all the relevant switches and reversals had been completed and that his account was now in order.

Prudential had confirmed in March 2022 that the valuations reported for one fund were incorrect. A system correction request had been raised but it hadn't yet been actioned. Mr B said he'd made decisions about switches in and out of the fund based on the only data available to him and which quoted an incorrect price. He'd calculated the cumulative loss from the incorrectly quoted pricing on his fund holdings since December 2020 as a loss on investments of £2,968 and £2,970 on disinvestments so £5,938 in total.

In addition he was seeking £300 for his time and expenses in resolving the error (over six hours at £50 per hour); a further goodwill gesture of £1,000 for identifying what he termed a catastrophic fund value misstatement – Mr B said he suspected, if a consultant had been employed, Prudential would've been charged tens of thousands of pounds; and reimbursement of fees totalling £10,788.13. That was £18,026 in all from which the £500 Prudential had offered could be deducted. Mr B also said he expected detailed answers to the complaints previously submitted relating to duplicated and unactioned switch requests and, if Prudential was unable to answer those complaints because of the time that had passed, he'd accept £500 per unanswered complaint which made (based on eleven unanswered complaints) a further £5,500.

Prudential hadn't replied to Mr B's letter and so he'd referred his complaint to us.

Our investigation hasn't been straightforward. Our investigator had to make a large number of further enquiries and a significant amount of further information has been provided. And, by the time our investigator started to look into what had happened, Mr B had made a further complaint. Mr B explained that for a number of weeks in July/August 2022 he'd been unable to use the online switching service because his fund balances were incorrectly shown and it looked like he was fully invested with nothing held in cash. He said he'd queried it three times without response when suddenly, and presumably as a result of a systems correction, his fund balances reverted to what he'd been expecting to see. Mr B had received a response to that complaint and he supplied a copy of Prudential's final response letter of 16 September 2022.

Prudential hadn't upheld the complaint. In summary it said its technical team had confirmed there'd been no further system errors or processing delays in relation to the fund switches Mr B had requested. And the technical team couldn't see any errors with Mr B's record and all the switches he'd requested had been completed or were awaiting fund prices to become available prior to completion.

Mr B provided screenshots setting out the complaints he'd made on 11 July, 25 July and 3 August, together with images of his pension dashboard showing what he'd viewed. We asked Mr B if he could say if all the fund switches he'd requested had been made. Mr B said he'd gone through his spreadsheet and he set out some fund switches he wasn't sure had been actioned or when.

We passed on what Mr B had told us to Prudential. We asked Prudential if the other issues Mr B wanted us to look into could all be dealt with as a continuation of his earlier concerns, to which Prudential agreed.

Prudential provided fund switch details. It said Mr B had requested many switches – every few days for some months. And there'd been many occasions when he'd requested another switch before the previous switch had been processed and so the system was playing 'catch up'. There were times when his fund switch requests were invalid as he hadn't taken into account the transactions that had yet to be completed.

The investigator asked both Prudential and Mr B for some further information. Mr B provided further details as to how he'd calculated his financial losses in respect of the forward priced fund and the impact of Prudential's pricing discrepancy – which Mr B confirmed appeared to have been corrected.

Prudential explained how forward pricing worked and which wasn't the same as share dealing. Prudential said the pension funds were intended for long term investment and not daily trading by way of serial fund switches.

As it wasn't clear if Prudential had seen the screenshots Mr B had provided as to what had happened in July and August 2022 we sent copies to Prudential. We explained that Mr B had said he'd sold units in one fund on 11 July 2022 before purchasing units in the same fund on 10 and 15 August 2022. There was also a discrepancy in another fund holding – the 15 August 2022 screenshot showed an increase in the units held but Mr B had said he didn't buy any units in that fund during the relevant period.

Looking into what had happened turned out to be complicated and seems to have involved Prudential reconciling a large number of transactions. It also came to light that there were switches requested at the end of 2022 that may not have gone through and corrections had to be made. About the switches in July 2022, Prudential said earlier switches hadn't been properly completed. Prudential acknowledged it hadn't been possible to keep the policy up to date throughout so there'd have been times where the policy and what was shown online won't have been accurate.

Once the investigator was satisfied she had enough information she wrote (on 19 May 2023) to Prudential (with a copy to Mr B) setting out her view and her reasons. She said Mr B's complaints were:

- Prudential had delayed in putting through some of the fund switches he'd requested and, although Prudential had told him those issues have been resolved, Mr B wasn't convinced that's correct.
- The unit price for one of his funds is always incorrect and so his investment decisions have been based on the wrong information.
- For a period in 2022, the online portal showed Mr B's fund to be in an incorrect position which prevented him from making investment switches for about a month.
- Prudential hadn't always acknowledged and/or responded to the various issues Mr B has had to raise over the past few years.

The investigator said Mr B was seeking compensation for financial losses, a refund of the fees taken by Prudential and additional compensation for having to deal with the problems he'd had. The investigator went on to set out her findings. In summary:

- About the forward priced fund, it seemed Prudential agreed that what Mr B had said was correct and there had been a pricing discrepancy. Mr B's position was that, because of the error, he suffered a financial loss each time he requested to buy or sell units in the affected fund. But the investigator said the decision to switch funds was Mr B's and the actual buy or sell price wasn't known at the time. The correct unit price will have been applied to any fund switches relating to the particular fund. And, looking at the movement in the unit price, it wasn't certain Mr B would've made a different investment decision, had the date shown been correct. In any case, he'd identified there was an issue with the pricing, so he'd have known that on any subsequent switches.
- The delay in fund switches appearing online was a complex issue. Prudential's literature refers to the length of time it should take to switch from one fund to another. But there were different permutations and not just one specified timescale. The date the switch request was made and when the switch was completed was sometimes a few days and sometimes a few weeks apart. The latter might seem unreasonable.
- But Prudential had explained that sometimes the requested switches hadn't been able to be put through because an earlier requested switch hadn't been completed. Mr B requested frequent fund switches. He has a stakeholder pension plan which isn't a product designed for high volumes of trading and that had made it difficult, at times, for Mr B to operate his pension fund as he wanted to.
- The investigator didn't think it would be fair for Prudential to have to refund the fees

Mr B had paid. But Prudential hadn't always been able to keep Mr B's fund updated online or provide him with information that switches were pending. The online provision offered to Mr B had caused him a great deal of inconvenience. The investigator noted in particular the problems Mr B had reported to Prudential in July and August 2022 and when his cash holding – the fund he typically uses to switch into and out of other investment funds – was a lot lower than he expected.

- The investigator accepted Mr B was likely to have made fund switches over that period, based on his usual pattern and that he clearly logged into his account on multiple occasions over that period. But she didn't think that meant Mr B had suffered any financial loss. Based on how he was managing his pension fund, it was difficult to say, had the funds been available sooner, and without the benefit of hindsight, what switches he'd have carried out over this period. On balance the investigator couldn't be sure that any investment decisions made during that period would've put Mr B's fund in a more favourable position.
- Looking further back, Mr B was aware his fund switches didn't seem to be put through as he'd asked. He took steps to repeat his instructions where necessary or to make alternative switch requests. Again, based on the frequency Mr B was reviewing and changing the funds within his pension plan, it was difficult to say any financial loss had resulted from the problems he'd encountered.
- The investigator recognised that Mr B would say, if no financial loss had occurred, that was wholly due to his vigilance. And to a large extent the investigator agreed. But Mr B was able, and did make changes, to his pension during this time, aimed at making money or at least avoiding losing it.
- The investigator said Prudential should pay a further £250 for the inconvenience caused in July 2022 and because Mr B had to raise further issues with Prudential.

Prudential agreed with the additional £250. Mr B didn't accept the investigator's view. His initial response was that it seemed a mispricing error was acceptable and the customer had no right of redress. He was also concerned by what had been said about a pension being a long term investment and customers shouldn't rebalance their portfolio or switch in and out of funds on a regular basis when there was demonstrable evidence of significant superior performance in actively managed funds. He said he was only operating within the facilities provided.

When Mr B responded in more detail he told us he'd had further problems which he felt illustrated that the problem wasn't the frequency of switches but the unreliability of Prudential's systems and the competence of staff. Mr B made a number of further comments. I've summarised the main points:

- Mr B maintained that, where the price of a fund was stated incorrectly, compensation to the value of the lost units was fair. Whether he subsequently became aware the pricing was wrong and continued to make switches was irrelevant. He had no choice but to manage his pension which was with Prudential. He'd made fund switches to reduce the exposure of his funds to market volatility and to position the funds for hoped for superior performance. He had every contractual right to expect the switches to be processed using the price quoted.
- The issue of the price quoted and whether forward pricing – which means the future price is uncertain – was an excuse for the pricing error by Prudential which they'd now accepted. The future price is a straightforward calculation of the past price plus the movement for the current day. The past price is quoted on the Prudential system and it was this price that was misquoted. The movement for the current day for, say, a tracker fund is easily accessible from a look at the market movement for the day from any published index. It may not be 100% accurate because it will not reflect the actual Prudential fund, but it will be 99% accurate.

- Mr B compared his situation to buying a product from a supermarket with a shelf price and a discount voucher. You'd expect to pay the price shown less the discount and so, if you then saw you'd been charged more and were then told the shelf price was higher than shown, you'd have reason to complain. Prudential had accepted that the price quoted was incorrect. Mr B had shown how that had led to a difference in the number of units he was able to procure through the switch and he'd asked to be compensated for the lost value.
- He recognised the request for a refund of fees during the period of the problem may seem excessive, given the amount requested. But that just reflected what he'd paid. He said fair compensation for the errors, inconvenience and stress caused should take into account the duration of the errors, the level of fees paid for the service provided and the gravity of the errors, given that it was his pension fund that was affected.

The investigator told Mr B and Prudential that the complaint would be referred to an ombudsman. I understand that Prudential are looking into the further issues which Mr B mentioned when responding to the investigator's view.

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.

Having done so, I agree with the investigator's findings and which I've summarised above.

I've made some further comments below. I'm not going to comment on everything, just what I see as key.

I don't think there's any dispute that Mr B has experienced multiple problems with Prudential's online portal following the system 'upgrades'. I understand why Mr B has shared with us the more recent problems he's had. I don't want to comment on those matters directly as they don't form part of this complaint. But it will only have added to Mr B's disappointment and frustration if things still aren't going smoothly.

The investigator split Mr B's complaint into two main areas: forward priced investments and the delays in fund switches being shown online.

On the first issue, there was a problem with one particular forward priced fund. Mr B understands how forward pricing works and that the unit price that will actually apply to the transaction isn't available prior to the switch. Forward priced funds are priced once per day after the close of the market based on the end of each day's net asset value (NAV). The unit price used in a switch is the one that's been declared (by the fund managers) for the effective date the instruction has been received. But that won't be known at the time the instruction to buy or sell is given. Cut off times may also mean that the next business day's forward price is used instead.

Mr B noted an error in the information he was able to view online. Before the changes to the online portal, the valuation date for all his funds wasn't the same but afterwards it was. That meant, for the forward priced fund, the wrong valuation date was shown online. It should've been a day earlier. Prudential accepted in March 2022 what Mr B was saying and that the online portal was showing incorrect information. I think Mr B accepts Prudential has now – since about August 2022 – corrected the issue.

On the second matter, I can see that the delays between some switch requests and them being actioned has caused Mr B significant problems. Prudential has accepted that it hasn't

been possible to keep the policy up to date at all times so there'd have been times where the policy and what was shown online won't have been the same and accurate. It's clear Mr B looks to rebalance his pension portfolio regularly and he makes frequent fund switches. Prices move on a daily basis so if the switches aren't actioned promptly and are queued that creates difficulties and has sometimes resulted in duplicate fund switch requests with reversals then becoming necessary which will have caused confusion and tracking difficulties.

Checking what's happened and if all Mr B's switch instructions have been carried out, including any necessary reversals, has turned out to be a large task. From what I've seen, Prudential has undertaken detailed investigations and reconciliations. And Mr B has kept his own records. As far as I'm aware, he accepts that all of his fund switches and any necessary reversals have been correctly actioned – aside from any issues arising from the more recently reported errors.

Against that background I've focused on what I see as the outstanding issue for Mr B – what would be fair compensation for Prudential's shortcomings. Mr B's position is that he's suffered financial loss in consequence of errors made by Prudential. And he views the sum suggested as compensation for distress and inconvenience as inadequate. He also wants Prudential's charges to be reimbursed.

I've considered first Mr B's claim for financial loss. My understanding is that it's based on the incorrect valuations reported for the forward priced fund. Mr B's position is that he made decisions about switches in and out of the fund based on the only data available to him and which quoted an incorrect price/date. He's calculated the cumulative loss from the incorrectly quoted pricing on his fund holdings since December 2020 as I've set out above (£2,968 on investments and £2,970 on disinvestments, so £5,938 in total).

I've thought about what Mr B has said very carefully but I'm unable to agree he's suffered those losses as a result of the pricing discrepancy. First, when Mr B's instructions for fund switches were actioned, the correct price was used – the unit price declared for the applicable date and which wouldn't have been known when the request to switch was placed. On that basis, Mr B's switch instructions have been processed correctly and his fund will reflect the correct values so he's suffered no financial loss.

I've considered Mr B's analogies but I don't think the situation is the same or that it's simply a contractual matter. As I've said, and as Mr B accepts, the price at which the buy or sell transaction is settled won't be known in advance. So it isn't as if he'd bought something in a shop where the price was incorrectly shown or he was charged a different price from the marked price or not given a discount that he was expecting.

Further, I think Mr B's financial loss claim is based on the number of units he could've bought/sold if the pricing information shown had been correct. But our usual approach to compensation is to try to put the complainant in the position they'd be in if things had been dealt with correctly. So we wouldn't usually make an award which, in effect, treats any incorrect information that's been given as if it had been correct.

I know Mr B's position is that he made his decisions – whether to buy or sell units in the particular fund – based on the information available to him and which wasn't correct/ up to date. To uphold a claim for financial loss based on incorrect information having been given, I'd need to be satisfied that Mr B relied on the incorrect information to his detriment – that he'd have made different decisions if he'd been given the correct information and that the outcome would've been that he'd have been better off. As it's not possible to say, after the event, with certainty what would've happened, I decide those questions on the balance of probabilities, that is what I consider is likely to have happened.

But here my starting point is that it's difficult to say Mr B relied on the incorrect information when it seems he was aware, for most of the time at least, that the pricing was wrong. Prudential confirmed in March 2022 that there was a discrepancy. Mr B says he'd been saying that for over a year. Even if it took him a while to persuade Prudential there was an issue, the fact is that Mr B seems to have recognised that himself but he continued to instruct fund switches.

I accept that his fund was with Prudential and so effectively he had no choice. If he wanted to make changes to limit his exposure to market volatility or switch to what he hoped would be better performing funds that meant switching his Prudential funds. But if he knew there was a pricing discrepancy then he'd also have known that he couldn't rely fully on the price/date quoted. And it was his decision to switch, knowing the price wasn't as quoted.

I understand what Mr B says about how, in ordinary circumstances, the price would be adjusted anyway to reflect trading the following day and he could make a rough estimation about that. But, because the quoted price was a day out, he'd need to first correct that price before looking at movements for the following day and making an assumption as to the unit price that would actually apply based on that. But it's still the case that, if Mr B did know there was a pricing discrepancy, he knew he'd need to undertake that further analysis before making a decision to buy or sell units. I agree he shouldn't have had to do that and he should've been able to rely on the information Prudential provided. But if Mr B did know there was a discrepancy then it's difficult to say he relied on the information.

Even if I could say he'd relied on it I'd also need to be satisfied that he'd have made different investment decisions if the correct information had been shown. Looking at the unit price movements for the fund concerned I don't think that's an obvious conclusion. And, in any event, Mr B seems to have kept a very close eye on his account, so it's not obvious that he'd have made different decisions and over and above the switches he requested anyway to rebalance his portfolio.

But I mention that largely in passing as I can't say Mr B relied on the incorrect pricing anyway. So I don't think it's reasonable to award compensation for any financial loss suffered because the valuation/date was shown incorrectly.

Although Mr B's claim for financial loss, as he's set it out, relates to the forward priced fund, I've also thought about if he suffered any financial loss because the online system didn't always show the correct and up to date position, taking into account all the fund switches that Mr B had requested. But again I think it's very difficult to say there was any financial loss when Mr B was monitoring his account so closely and making further fund switch requests to adjust his holdings.

I also bear in mind what Prudential has said about the frequency of Mr B's fund switch requests being somewhat unusual with this type of pension. I agree that stakeholder plans are relatively unsophisticated pension arrangements, offering capped charges and a limited range of funds. I take Mr B's point that he isn't operating the account other than in accordance with the terms and conditions but it seems that Prudential's systems aren't set up to cope with the volume and frequency of fund switches that Mr B seeks to make.

The upshot is that I'm not making any award for financial loss.

I've gone on to consider the other elements of Mr B's claim. He's seeking £300 for his time and expenses in resolving the issue, based on an hourly rate of £50. In deciding what would be fair compensation we take into account time spent by the complainant in sorting out the

mistake. We don't usually consider an hourly rate but we'll look at the overall impact a business's mistake has had in considering what inconvenience has resulted.

We give some information on our website about the levels of compensation that might be awarded and the factors we take into account. We say an award of over £750 and up to £1,500 could be fair where the impact of a business's mistake has caused substantial distress, upset and worry and where the effect may have been felt over many months, sometimes over a year.

I think £250 is fair and reasonable, taking into account the other amounts that Prudential had paid earlier totalling £950, and when the current issues might be viewed as a continuation of or linked to earlier problems, all arising from the updated online system.

I don't think the claim for a further £1,000 is justified. I recognise that Mr B's monitoring and analysis of his own account brought to light a serious issue, affecting not just his own account, but potentially other customers' too. But that was the wider effect of Mr B's time and efforts in respect of his own account for which an award is being made. As the investigator acknowledged, Mr B may feel, with some justification, that he's undertaken a lot of work himself which he shouldn't have had to and that his vigilance is the only reason his account has been corrected together with the wider issue affecting forward priced funds. But I think the compensation that's been paid, together with the further award, reflects that fairly.

Mr B also made a claim in respect of unanswered complaints. I think Prudential has since covered off the relevant points but, in any event, this aspect of Mr B's claim feels more like an attempt to fine Prudential for perceived failings and which isn't something we can do.

That leaves Mr B's claim for reimbursement of Prudential's fees of £10,788.13. The problems Mr B has experienced all relate to Prudential's online system and have arisen since it was updated. I can see the importance of that facility to Mr B and the use he makes of it. So I can understand why he might consider a refund is justified, given the multiple problems he's experienced.

But it may not be fair and reasonable, where there's been a failing in respect of an aspect of the overall service that a business is being paid to provide, to say that all fees charged should be refunded, especially where the business appears to have tried hard to put things right. Mr B might say that it's up to Prudential to carry out his legitimate instructions promptly. But again I take into account what's been said about the service that Prudential is able to offer for the product Mr B has. And, as the investigator pointed out, Prudential's charges incorporate other services and include any underlying fund charges.

All in all I don't think, taking into account that significant problems did arise, that a refund of fees is justified or proportionate. So I'm just making an award for £250 for distress and inconvenience. I realise Mr B is likely to be disappointed but I hope I've been able to explain why I'm unable to agree that the sums he's claimed should be awarded.

My final decision

I uphold the complaint but only in part. The Prudential Assurance Company Limited must pay Mr B £250 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 October 2023.

Lesley Stead
Ombudsman