

The complaint

Mr R has complained about the way The Prudential Assurance Company Limited handled a claim for death benefits under his late son's group personal pension.

What happened

Mr R's son, who I'll refer to as Mr A, had a group personal pension plan with Prudential. Sadly, Mr A passed away in March 2022.

Mr R Notified Prudential of Mr A's death and Prudential started gathering information in order for it to process the claim for death benefits. Mr R informed Prudential that Mr A had been married, to a person I'll refer to as Mrs E, but that they were separated and she had started divorce proceedings in the months before Mr A's death. Mr R also told Prudential that Mrs E had given him permission to manage the late Mr A's estate as his next of kin.

Prudential told Mr R it had written to the Coroner's Office for some information and it couldn't finalise the claim until this had been received. It didn't receive the information it needed from the Coroner until August 2022.

Following receipt of this information, Prudential wrote to Mr R and Mrs E asking for information about the potential beneficiaries of Mr A's pension plan. Prudential received this information from each party by letter but in November 2022 it provided forms for Mr R and Mrs E to complete asking for the same information.

Mr R explained that the late Mr A did not have a will and as such there were no beneficiaries of his estate. But Mr R explained he was his next of kin and the late Mr A had expressed who any remaining money should go to after his debts were paid off.

In November 2022 Mr R complained about the delays and misinformation he'd been provided with in respect of the status of the claim.

Prudential accepted that it had caused delays and offered Mr R £400 to compensate him for the distress caused by the poor service provided.

Mr R made a second complaint in January 2023, after Prudential informed him that it had paid the death benefits from Mr A's pension to Mrs E. He felt that Prudential hadn't taken account of the circumstances of Mr A's death, and particularly his late son's wishes. Mr R provided Prudential with further information about his late son's relationship with his wife and explained how his son wanted any money from his estate to be distributed.

Prudential issued a second final response letter, explaining why it had decided to pay the plan proceeds to Mrs E. It said it had considered the evidence submitted by each side and had also taken account of the Nomination of Beneficiary form signed by the late Mr A when the pension was set up, which named Mrs E as the sole beneficiary. Prudential explained that although it had taken account of this, ultimately the death benefits were paid at its discretion. And as the late Mrs A was still legally married to Mrs E at the time of his death, it decided she was entitled to receive the plan proceeds.

Mr R remained unhappy and referred the complaint to the Financial Ombudsman Service. Mr R said at the time of Mr A's death, he was going through divorce proceedings and he had started to sort out his Will. Mr R said Mr A didn't want to leave anything to Mrs E. He wanted Prudential to reverse the decision, or at least pay some amount to the late Mr A's estate.

The Investigator didn't uphold Mr R's complaint. He was satisfied that Prudential had acted fairly when dealing with the claim and thought the compensation paid to him was a fair sum to acknowledge the delays.

Mr R didn't accept the Investigator's view. He said Prudential had stated it didn't have to pay the plan proceeds to the person named in the Nomination of Beneficiary form, but the fact it did so shows a gross error of judgment. Mr R said Prudential clearly hadn't taken account of what was happening between his late son and his wife in the years and months leading up to his death.

Mr R said Mrs E had allowed him to obtain the Letters of Administration to manage the estate and pay off his late son's debts. But he said Mrs E now refused to hand over any money to reimburse him, and so he was taking her to court. Mr R added that this could have been avoided if Prudential had waited for the Letters of Administration and paid the proceeds to him, as the person dealing with the late Mr A's estate.

What I've decided – and why

I first wish to offer Mr R and his family my sincerest condolences for the loss of his son. I don't doubt that this has been a very difficult time for him and I'm sorry for any upset caused by the reference to these matters in my decision.

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'm not upholding it for largely the same reasons as the Investigator gave. I know this will be very disappointing for Mr R, so I'll explain why.

In determining whether Prudential has acted fairly when distributing the proceeds of the late Mr A's pension, I've considered the plan terms and conditions, which set out how Prudential should deal with the pension in the event of the plan holder's death.

"17. Benefits payable on the Member's death

17.1 Notification of death

Before we pay any death benefits, we must receive notification of the Member's death in a form and from a source acceptable to us.

17.2 Payment of death benefit

- (a) If the Member dies before taking all of his or her benefits, we will (subject to section 17.1) sell the units which are then allocated to the Member's plan, in accordance with sections 13 and 14.***

The value realised will be added to any amount realised from selling units which took place before death but which has not by then been applied to provide benefits. The total will be applied in line with the rest of this section 17.2.

- (b) If we do not have sufficient information to pay the benefit, we will sell any unit-linked fund units and switch the total value realised into units of the Prudential Cash Fund (or any successor fund having the same or similar investment objectives).*
- (c) Once we have sufficient information to pay the benefit, we will sell all the relevant units in accordance with section 17.2(a). The value realised will then be used to provide death benefits.*
- (d) Any benefit that is payable will be subject to the limits and requirements set out in the Rules. The benefits available and the requirements surrounding their payment are covered in detail in the Technical Guide."*

So, the terms and conditions refer to the pension Technical Guide for the requirements relating to the payment of death benefits. As such, I've considered the Technical Guide for Mr A's plan.

Section 8.2 of the Technical Guide says:

"Lump sum death benefit

- (a) The Rules require Prudential as Scheme Administrator to choose who will receive the lump sum death benefit. We have discretion to choose rather than you because if you control the benefit it may be liable to inheritance tax. As we have the choice, such a payment will usually be free of inheritance tax.*
- (b) We can choose from a range of people, including your widow or widower or surviving civil partner, dependants, relations, any person named in your Will or your estate. We can choose more than one recipient.*
- (c) You can give us details of whom you would like to receive the lump sum death benefit by using the Nomination of Beneficiaries Form available from us. We will take your wishes into account, but because recipients are selected by us under our discretionary powers, we do not have to follow your nomination.*

You should ensure that your nominations are updated as your circumstances change."

So, I'm satisfied that Prudential ultimately has discretion as to who the death benefits are paid. As Prudential's decision is discretionary, that isn't something I'm able to interfere with. However, I can consider whether that discretion was exercised fairly. And having considered all of the evidence and commentary provided, I'm satisfied Prudential exercised its discretion as to who to pay the death benefits due from the late Mr A's pension fairly.

I say this because I can see it gathered information from Mr R and Mrs E, asking who the potential beneficiaries of the plan might be. It also explained who would qualify as financially dependent and interdependent for the purpose of determining potential beneficiaries. And I think Prudential weighed up the information it received before making a decision, including taking account of what Mr R had told Prudential about the status of Mr A's marriage before he died. However, as Mr A and Mrs E were still legally married at the time of Mr A's death, Prudential ultimately decided to pay the benefits to her. And I don't think that decision was unreasonable given no other beneficiaries had been put forward that could be categorised as financially dependent or interdependent and Mr A didn't leave a Will or any other formal document setting out his wishes.

I appreciate Mr R's point that Prudential said it had considered Mr A's Nomination of Beneficiary form – which named Mrs E and hadn't been amended prior to Mr A's death – but wasn't bound to follow it. He believes that Prudential ultimately still chose to follow this instruction, despite what he'd told Prudential about Mr A and Mrs E's relationship and Mr A's wishes at the time of his death. But while I think Prudential took account of the Nomination of Beneficiary form, I'm satisfied it ultimately decided to pay the death benefits to Mrs E because she was still legally married to Mr A. And I don't think that was unreasonable in the circumstances.

Prudential accepted that it took too long to finalise the claim following the notification of Mr A's death and I can see that it paid Mr R £400 for the trouble and upset caused. Overall, I think that sum fairly compensates Mr R for the delays experienced at what was clearly an upsetting time for him and his family. So, I make no other award here.

My final decision

The Prudential Assurance Company Limited has already offered Mr R £400 for the distress and inconvenience caused by the handling of the claim under the late Mr A's pension policy. I think this offer is fair and reasonable in the circumstances.

So, my decision is that The Prudential Assurance Company Limited should pay £400 to Mr R to settle the complaint if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 25 March 2024.

Hannah Wise
Ombudsman