

The complaint

Mr M has complained about the process of setting up a Legal and General (L&G) annuity with the proceeds from his The Prudential Assurance Company Limited (Prudential) pension. Mr M has stated that Prudential caused undue delays in the setting up of his annuity which meant his income should have commenced earlier. In addition, during these delays the value of his pension and the applicable annuity rate changed, resulting in additional losses being suffered.

What happened

Mr M decided to utilise his Prudential pension fund to purchase a L&G annuity, as such on 31 October 2022 L&G wrote to Prudential asking for the pension funds to be transferred so the annuity could be set up.

This request was received by Prudential on 2 November 2022. A request for appropriate identification was sent to Mr M on 21 November 2022. This request was repeated on 13 December 2022.

With earlier attempts to provide this identification not being successful, and to progress the annuity process, Mr M provided the identification requested again on 19 December 2022. This letter also expressed Mr M's concerns about the time it had taken to set up the annuity.

On 23 December 2022 Prudential confirmed that an amount of around £281,000 had been sent to L&G.

Prudential issued their response to Mr M's complaint on 5 January 2023. This accepted that there had been a delay and stated that without this, a higher amount of around £284,000 should have been transferred to L&G on 22 November 2022. The response explained that they had contacted L&G for further information that would allow a loss assessment to be carried out to put Mr M back into the position he would have been in had it not been for the delays. In addition, an amount of £125 was offered in recognition of the distress and inconvenience the issue had caused Mr M.

At the same time as the response above, Prudential also wrote to L&G asking for the further information needed to enable them to complete their redress calculations. Prudential asked L&G what income would have been payable to Mr M had a higher amount of around £284,000 been sent on 22 November 2022 (rather than the £281,000 that was actually sent on 23 December 2022), what tax free cash had been paid to Mr M and when, what tax free cash would have been paid had the larger amount been sent in November 2022, and details of all income payments that had been made to Mr M.

Mr M responded on 12 January 2023 stating that he had become aware that during the delay period the annuity rate available to him had reduced, as such he requested that this be considered within the redress calculation. In addition, Mr M noted that the £125 offered to cover the distress and inconvenience the issue had caused him had been accepted despite the fact it bore *"no relationship to the time I have had to spend getting to the bottom of the problem"*.

A further complaint response was issued by Prudential on 16 January 2023. This offered an additional £100 to cover the distress and inconvenience caused and confirmed that the redress calculation would consider Mr M concerns about changing annuity rates.

In addition, Prudential also chased L&G for the information detailed above at this time.

On 7 February 2023 L&G responded to Prudential's information request and provided the detail needed for the redress calculations.

On 27 February 2023 Mr M contacted the Prudential to confirm that despite the complaint not being resolved he could not wait any longer as he needed income. As such he had instructed L&G to commence the annuity with whatever funds they currently held.

L&G wrote to Prudential on the same day. This was an additional response to the previous information request and explained that to provide the increased annuity (had there been no delay) additional funds would need to be sent by Prudential as soon as possible. No funds were sent, and the annuity was set up based on the later commencement date with the lower transfer value.

With no resolution to the complaint, Mr M referred the case to this service on 5 April 2023.

Whilst the complaint was being investigated by this service Prudential issued a third response to Mr M on 6 July 2023. This stated that the complaint handler did not have all the information needed to complete the redress calculation and that this had been requested from L&G. A further amount of £200 was offered to cover the additional distress and inconvenience caused.

Prudential received a response from L&G on 25 July 2023 and subsequently issued another complaint response letter to Mr M on 9 August 2023.

This letter confirmed that were it not for the delay Mr M would have received an additional £1,449 on 25 November 2022 and his monthly income payments would have been £69 higher. A lump sum was to be sent to L&G to allow them to amend and backdate the annuity payments from commencement, with Prudential making a payment to Mr M to compensate for the lost £1,449 with interest added at a rate of 8% on both the £1,449 and the missing £69 monthly income.

Our investigator looked into things and concluded that the redress methodology used by Prudential to rectify the delays Mr M suffered was in line with what we would recommend in such circumstances and as such did not recommend Prudential take any further action in that regard. The investigator did however state that the delays in both setting up the annuity and in correcting the issue had caused significant distress and inconvenience to Mr M and as such recommended that the total figure paid to Mr M be increased to £500 to cover this.

Mr M confirmed he accepted the redress methodology used to correct the impact of the delays to his annuity, however, did not accept the redress recommended to cover the distress and inconvenience the issue had caused him. Mr M noted that he had spent a considerable amount of time and effort trying to rectify the issue, additionally noting that L&G had in fact provided Prudential with the information they needed in February 2023 before the same information was re-requested July 2023 – leading to even further delays. Mr M requested that the payment to cover his distress and inconvenience be at least doubled.

For their part Prudential noted that their total offer of £425 for Mr M's distress and inconvenience was within the expected compensation range for issues such as these and as such did not believe an increase of £75 to a total of £500 was warranted.

As our investigator was not minded to change the findings issued, and with both parties disagreeing with the amount of redress to cover Mr M's distress and inconvenience, the case was passed to me.

I issued a provisional decision which stated:

"Firstly, I am pleased that the approach recommended by Prudential to ensure Mr M has suffered no actual financial loss because of the delays he suffered has been agreed and accepted by all parties.

As per the investigators findings the methodology outlined by Prudential in their July 2023 letter is what I would expect in circumstances such as this as it ensures Mr M will receive the correct monthly income going forward and will be repaid the funds he missed out on because of the delay, plus interest at the appropriate rate of 8%.

Given the only remaining area of disagreement between the parties relates to the compensation payable to cover the distress and inconvenience the process has caused Mr M, this is where I have focussed the remainder of this decision.

There are no set rules regarding what should or must be awarded for non-financial losses such as those suffered by Mr M. Each case this service investigates is considered on its own unique circumstances. That said, to try and provide consistency for both consumers and businesses we do provide case studies on our website giving examples of what we would generally consider reasonable in various scenarios. This information can be found here: <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>.

It must also be pointed out that awards for distress and inconvenience cannot be used as a way of punishing a business.

In this case I can see that whilst the initial delay in transferring funds to L&G was relatively small, the process of rectifying the issue took many months and certainly could have been completed sooner.

I fully appreciate that Prudential needed information from L&G to complete their redress calculations however the evidence on file shows this was initially received in February 2023.

It appears that little action was taken by Prudential upon receipt of this information, with a further (and largely identical) request for information being sent in July 2023, before a final complaint response was issued to Mr M in August 2023.

I have also considered Mr M's point that he spent considerable time and effort in chasing Prudential for a resolution in this case, however, do not believe his request for a doubling of the redress offered by Prudential (or that recommended by our investigator) is merited.

Whilst I do not doubt the effort put in by Mr M, I do not consider the overall financial impact of Prudential's errors to be significant enough to merit a doubling of the offer made.

Regarding the increase of £75 (to £500) that was made by our investigator, I would simply note that within this decision I have primarily considered whether the response and offer made by Prudential is fair, reasonable and in line with what I would normally expect to see.

In this case I have decided that Prudential's offer meets all these criteria and as such I see no reason to change it.

Overall, whilst I appreciate the delays and errors made by Prudential, I have concluded that their overall offer to Mr M is broadly in line with what I would expect to see. It is clear errors were made, and as such I am upholding this complaint, however I am not asking Prudential to increase their offer to Mr M."

In addition to the above I asked both parties to provide any additional evidence or commentary they wanted me to consider by 2 November 2023, before a final decision was issued.

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.

Prudential have not provided any additional evidence or commentary in response to the provisional decision issued.

Mr M did not provide any additional evidence for consideration but noted his surprise that the redress amount had been reduced from that recommended by our investigator. In addition, Mr M stated that he would only accept the decision once Prudential had transferred the funds to L&G and written confirmation of this had been received.

Having looked at the chain of events above I appreciate the frustration felt by Mr M, not only at the initial error but also in the delays suffered in trying to rectify the issue, with Prudential having all the information required to calculate Mr M's losses in February 2023 but a suitable offer not being made until August 2023.

The fact that I consider Prudential's offer as fair should not be taken as an acceptance of their conduct in both making the original error and in trying to fix it, it is simply that their most recent offer of correcting the delay issue, in combination with the additional payments for distress and inconvenience, are in line with what I would expect any business to do in similar circumstances.

Whilst the overall offer covering Mr M's inconvenience is lower than the amount recommended by our investigator, the first consideration I make in any case I look into is whether the offer made by the business is reasonable.

As such, in this case, where the amount offered by Prudential and the amount recommended by our investigator are considered broadly similar (especially considering the overall redress costs), I do not consider it appropriate to make changes to Prudential's offer.

Whilst I appreciate this may not be the outcome Mr M wanted, hopefully my rationale above explains why I have reached this decision.

Regarding Mr M's further point stating that he will not accept this decision until he has written confirmation that Prudential have made the appropriate payment to L&G, I must explain that the rules which govern this service mean that this decision only becomes binding on The Prudential Assurance Company Limited **after** it is accepted by Mr M.

I can appreciate that Mr M's experiences from October 2022 have led to his current stance, however I am unable to amend or change the rules under which this service operates, and as such if Mr M chooses not to accept this offer before 12 December 2023 then The Prudential Assurance Company Limited will not be bound by it.

Overall, I remain of the opinion that the outcome laid out in my provisional decision remains

fair and reasonable and as such I am not making any changes to it.

Putting things right

As above, I agree with the redress already offered by The Prudential Assurance Company Limited in respect of both the delays to Mr M's annuity and the distress and inconvenience caused.

As such The Prudential Assurance Company Limited needs to take no further action other than to ensure the redress process has been completed and paid as offered (if it has not already done so).

My final decision

I am upholding this complaint against The Prudential Assurance Company Limited and require them to finalise the redress already offered (in line with the above) as soon as possible.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 December 2023.

John Rogowski
Ombudsman