

The complaint

Mr R complains that The Prudential Assurance Company Limited ('Prudential') delayed the payment of a tax deferred allowance ('TDA') from a With-Profits Bond he holds with his wife. Mr R also complains that Prudential failed to provide an explanation why the value of the Bond had fallen between March 2022 and March 2023.

What happened

Mr R contacted Prudential in March 2023 as he was unhappy with the performance of his With-Profits Bond. Mr R said the reduction in the overall yield declared by Prudential for 2023 had a significant impact on the value of the With-Profit Bond he held jointly with his wife. Mr R said this was more than he had expected when compared to the previous year. Mr R asked for an explanation and Prudential provided a written response. Shortly after this Mr R called and requested details of how the final bonus is calculated. Mr R complained to Prudential that it hadn't provided this information.

Around the same time, Mr R asked to withdrawal the unused TDA in the Bond subject to Prudential providing clarity whether a market value reduction ('MVR') would apply, or whether the amount withdrawn would be split between the terminal bonus and the fund value. Mr R said he wouldn't complete the withdrawal until Prudential provided this information. Mr R complained to Prudential that it didn't respond to his request.

Prudential provided a response to Mr R's complaint in July 2023. Prudential explained the approach it took to paying bonuses on the With-Profits Fund and said it would pay Mr R £150 as an apology for the distress and inconvenience he experienced when it didn't complete call-backs as requested. Mr R didn't feel Prudential had fully explained why there was such a significant difference between the 2022 and 2023 overall yields and that Prudential hadn't clarified how it would treat his TDA. Mr R felt that £150 wasn't enough to recognise the number of telephone calls he made to Prudential and the time it had taken up.

Mr R brought the complaint to the Financial Ombudsman Service and one of our Investigators looked into things. The Investigator thought that Prudential did provide a reasonable explanation to Mr R about why the overall yield reduction had impacted the value of his With-Profits Bond in the way it did. The Investigator thought the amount Prudential paid Mr R for the distress and inconvenience its failure to return calls caused him was a fair and reasonable amount in the circumstances of the complaint. In respect of the payment of the TDA, the Investigator thought that Prudential should honour paying the withdrawal without the deduction of an MVR.

Mr R asked that an Ombudsman decides the complaint.

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 understand Mr R will be disappointed, but for very much the same reason as the

Investigator, I've decided that Prudential should pay Mr R the TDA it should have paid on 8 March 2023, without any MVR. Prudential should also pay interest at 8% per annum simple on this amount for the period until it is paid to Mr R. In respect of the payment of £150.00 Prudential has paid Mr R for the distress and inconvenience its failure to deal with the call-backs Mr R requested, I've decided that this – along with an additional payment of £75 Prudential made in February 2024, is fair and reasonable to resolve the complaint. I will now explain why.

With-Profit yields

Mr R says that the crux of his complaint is not about how a With-Profits Fund works, as he understands this, but is about why a reduction of 0.2% in the yield in 2023 had such a significant impact on the value of his investment.

In March 2023, Prudential did provide Mr R with a reasonable explanation that the reduction in the overall yield in the With-Profits Fund applies to every year the bond had been in place. So, although it may seem on the face of it that a 0.2% reduction in overall yield in 2023 would not have a significant impact on the overall value of the Bond, the 0.2% reduction applies to the overall yield for the whole of the time the Bond has been held. Prudential later provided further clarification of how the reduction in yield impacted Mr R's With-Profit Bond with an example relating to the initial investment Mr R made.

I appreciate that Mr R is unhappy that Prudential didn't provide him with its calculation of how it arrives at its overall yield figures for each year, but Prudential is not obliged to provide this to its customers - and the Financial Ombudsman Service doesn't have the power to tell Prudential to disclose this to customers. However, Prudential does publish a Principles and Practices of Financial Management ('PPFM') document showing how the fund is being managed and it has a With-Profits Committee to ensure it treats all policyholders fairly in managing the fund. The Financial Conduct Authority oversees all of this - its rules require that businesses must take reasonable care to ensure all aspects of its operating practices are fair to the interests of its With-Profits policyholders.

Taking this into consideration, I don't think Prudential did anything significantly wrong in this regard, so I don't uphold this part of Mr R's complaint.

Delay in dealing with the TDA

Mr R's says he was awaiting confirmation from Prudential about how it would treat any TDA before he committed to take it.

Mr R received a letter from Prudential dated 10 March 2023 indicating there would be no MVR on the withdrawal. However, Prudential accepts that when Mr R called a week later, he was told that any TDA would be 50% from the fund and 50% from the terminal bonus. Mr R made it clear to Prudential that he wouldn't confirm the withdrawal until it told him whether or not an MVR would be applied.

A TDA is a return of the capital a customer puts into an investment Bond. If Prudential had treated the withdrawal as a withdrawal from both the With-Profits Fund and the terminal bonus, then Mr R may have suffered a potential capital gain, and an exposure to capital gains tax. So, I understand why Mr R sought clarity from Prudential about how it would treat his withdrawal and whether there was an MVR to be applied.

In October 2023, during our investigation, Prudential wrote to Mr R again and said it would pay him a further £75.00 for the poor service it had provided, but said it believed Mr R had cancelled the withdrawal. However, I'm satisfied that the withdrawal didn't complete because

Prudential failed to provide Mr R with clarification about how the withdrawal would be taken from the investment Bond – and didn't confirm whether an MVR would apply. Although our Investigator thought Prudential should pay Mr R £150 for the distress and inconvenience, I've noted that Prudential has since confirmed it has paid Mr R a total of £225.00 in respect of this complaint after the complaint was received by our service. Mr R has also confirmed he's received this amount from Prudential, so the amount and the fact that it has been paid isn't in dispute.

Taking into account the circumstances surrounding this part of Mr R's complaint, I'm satisfied that Prudential were responsible for Mr R's request for the TDA withdrawal being delayed. Prudential has identified that if it had caused no delays, it would have been in a position to pay Mr R the TDA amount of £2,821.32 on 8 March 2023, but that it didn't pay him this amount until 15 January 2024. Prudential has since made a further payment to reflect interest on the TDA withdrawal from the date it should have been paid to the date it was paid.

I considered whether I should issue a provisional decision for this complaint as the Investigator believed £150.00 was a reasonable payment for the distress and inconvenience Prudential caused Mr R. However, as I'm satisfied that Mr R and Prudential are fully aware that the extra payment of £75.00 has been received by Mr R, it would be pragmatic for me to consider whether £225.00 is a fair and reasonable remedy for the distress and inconvenience Prudential caused Mr R. In this case, I've decided it is a fair and reasonable remedy. It reflects that Mr R was caused more than just frustration and annoyance when Prudential didn't call him back. Mr R made more than one call to Prudential to try and get an answer to his query but didn't get an answer until he brought the complaint to our service. This involved more of his time than he would have expected and also the cost of telephone calls.

In respect of the delay in Mr R receiving the TDA, I'm satisfied from what Mr R and Prudential have told me that Prudential should pay Mr R the sum of £2,821.32 without any MVR. I'm persuaded that Mr R's intention was to withdraw this amount from the With-Profits Bond, and that Mr R was deprived of this amount from 8 March 2023. Therefore, Prudential should pay Mr R 8% simple interest on £2,821.32 from 8 March 2023 until the day it's paid to him.

My final decision

For the reasons I've outlined above, I've decided to partially uphold Mr R's complaint against The Prudential Assurance Company Limited and that:

- The payment of £225.00 The Prudential Assurance Company Limited has already paid to Mr R to resolve the complaint is a fair and reasonable one; and
- The Prudential Assurance Company Limited should also pay Mr R £2,821.32 (the TDA) without any MVR and pay Mr R 8% simple interest* from 8 March 2023 until the day it's paid to him.

*If The Prudential Assurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr R how much it's taken off. It should also give Mr R a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 2 April 2024.

Paul Lawton
Ombudsman