

## **The complaint**

Mr R complained that The Prudential Assurance Company Limited (Prudential) caused a delay to the transfer of his existing pension benefits to a new retirement account (RA) with it leading to a financial loss in terms of a reduced transfer value. He believes that these delays were due to poor identification and verification checks (ID verification) and incorrect information being provided to him.

He is seeking compensation for these losses, together with compensation for the distress and inconvenience he has suffered.

Mr R is being assisted in this claim by his financial adviser (IFA).

## **What happened**

I issued my provisional decision in November 2023, the relevant parts of which are reproduced below and forms part of my decision:

*Mr R is an existing client of Prudential, already holding substantial investments with it. In early May 2022 he began the process to transfer pension benefits held with another provider to a new RA with Prudential, instructing his IFA accordingly. The IFA had access to an account manager at Prudential, with whom he communicated, as well as submitting information online to support the transfer request.*

*On 11 May 2022, the IFA wrote to Prudential stating:*

*We are looking to establish the application online but need to input the Bank details. As the client is not yet 55 he does not want to give his details, which I get. Is there a work around on this as it might be a deal breaker if we push him.*

*2 days later, on 13 May 2022, the IFA wrote to the account manager stating:*

*I have submitted the online application and there isn't any forms to sign but PRU require the following:*

*Date of birth verification: Valid and in date passport, and in date drivers licence. Bank verification: Bank statement showing the client's name and account number. It must dated within the last 6 months.....*

*Given that we have supplied the details requested why is this necessary as you said the submission would suffice. The clients are long standing clients of both me and Prudential- they have around £[X] in prfund already! They will go bananas when I ask for additional info as I told them last night as per our conversation- this would sort it. I am happy to sign a "I can confirm I know this client" type form*

*Prudential replied within 15 minutes of this email to say that it appeared that electronic verification of Mr R's identity had failed. If this were the case, then the date of birth and bank verification information would have to be supplied.*

*In three further emails in the next hour, the IFA explained that the banks details that he had supplied were those of a sole trader account in Mr R's name, as this was intended to be the source of future contributions to the RA. In this correspondence, Prudential suggested that the current application be cancelled and a new application be submitted with correct bank details. The IFA agreed but asked for the new application to be completed with the same bank details, but just in Mr R's name, and omitting the trading name of his account.*

*Mr R subsequently received a letter dated 13 May 2022 that indicated his RA had been established, giving an account reference ending 695. This related to the first application, which was cancelled. A second similar letter dated 25 May was received on 28 May 2022, giving an account reference ending 263 for the resubmitted account details.*

*Mr R made a complaint to Prudential about the ID verification process on 27 May, unhappy with the service he had received.*

*The IFA initially sent identification to Prudential on 7 June 2022, although this information was sent to the account manager, rather than the team dealing with the account opening. The information was not passed on internally and was sent once more by the IFA on 7 July 2022. Prudential completed the ID verification the next day, 8 July 2022.*

*Prudential sent the previous provider a request to transfer Mr R's benefits through origo on 11 July 2022, the next working day. The provider duly sent through c£390,000 on 19 July 2022, a further six working days later. Prudential invested this amount on 20 July and confirmed this to Mr R on 21 July.*

*Mr R's IFA contacted Prudential once again on 22 September 2022 to chase up the complaint he had made on 27 May.*

*Prudential issued its final response on 6 October 2022. It upheld some parts of the complaint he had made, acknowledging that it had supplied incorrect information relating to the need for ID verification to be carried out and that the supply of bank details would suffice in this regard. This incorrect information had caused the failure of the first RA application in May, as it's processes meant that certified identity and address documents are required in all such cases.*

*Prudential also accepted that communications were not of the standard required, with multiple points of contact and information sent to the account manager not being passed on internally. It rejected the aspects of the complaint that said its ID verification process was not fit for purpose but accepted that it had taken too long to reply to Mr R's complaint. It offered Mr R £400 compensation in relation to the distress and inconvenience that its mistakes had caused him and undertook to carry out a loss assessment to check if he had suffered a financial loss and to compensate him if he had.*

*Prudential sent the results of its calculations to Mr R on 18 October 2022. It accepted that its mistakes had led to a delay in the transfer of Mr R's benefits from his previous provider. It concluded that the delay meant that it should have requested the transfer on 13 June and invested Mr R's benefits by 27 June 2022. Comparing the values from these dates to the values actually achieved, it concluded that Mr R was almost £2,000 better off, and so no compensation was due to him as he had not suffered a loss.*

*Mr R, via his IFA, rejected this view on 19 October. He felt that an earlier investment date - by 20 May 2022 - should have been possible if the mistakes and miscommunication had not occurred and Mr R's Identification had been accepted. He asked for the financial loss calculation to be repeated using this earlier date.*

*Prudential responded to Mr R to reiterate that it did not accept his complaint about its identification verification process and it stood by the conclusion to its' investigation into his complaint. It did, however, undertake to have the complaint re-investigated by another member of staff.*

*Prudential undertook this review and issued a second final response 24 November 2022. In essence this agreed with the original investigation, except that it concluded that the financial loss calculation should be based on an earlier investment date, 22 June 2022. It stated that the result of the calculation was the same, that Mr R had in fact benefited by the same amount as in the earlier calculation.*

*This response also explained in more detail Prudential's position related to the identification and verification checks. It included the statements:*

*We must process new checks when setting up a new plan and we are unable to use existing information from previous plans.*

*These requirements are universal and all new clients setting up an RA plan are required to supply this information*

*Prudential are not able to request the transfer of funds until all our requirements are met.*

*In conclusion, Prudential's loss assessment still showed no loss and it felt the £400 it had offered in respect of distress and inconvenience was reasonable in the circumstances.*

*Mr R remained unhappy with this conclusion, and his IFA wrote again to Prudential setting out his reasons 16 December 2022. Prudential then agreed to escalate the complaint and again review the circumstances.*

*As a result, Prudential issued another final response on 7 February 2023. Essentially, it remained satisfied that it had investigated Mr R's complaint correctly and reached a fair conclusion.*

*Our investigator reviewed all the evidence provided by both parties and reached a view that they felt although they agreed with the substance of Prudential's investigation, they concluded that it was fair and reasonable that the date used for the financial loss calculation should be 7 June 2022, rather than 22 June 2022. They also felt that the compensation for distress and inconvenience should be increased to £500.*

*Prudential disagreed and so the complaint has been passed to me to make a final decision.*

Following my provisional decision, Mr R accepted my decision. Prudential replied to say that it did not agree with my finding that the financial loss calculation should be calculated from 1<sup>st</sup> June 2022. It reiterated its view that the IFA's reluctance to provide the correctly certified identification documents had contributed significantly to the delay.

### **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.

In my provisional decision I said:

*I'm mindful of the fact that I've summarised this complaint in far less detail than Mr R and*

*his IFA have done. However, the purpose of my decision isn't to address every single point raised. My role is to consider the evidence presented by Mr R, his IFA and by Prudential to reach what I think is an independent, fair and reasonable decision based on the facts of the complaints. In deciding this, I must consider the relevant law, regulation and best industry practice, but it is for me to decide, based on the available information that I've been given, what's more likely than not to be a fair and reasonable outcome.*

*Having reviewed all the evidence in this case, I intend to uphold this complaint, but my conclusions aren't quite the same as our investigator's, so I think it is fair to explain that to both Mr R and Prudential and give them the chance to respond before I make my final decision. I shall explain my reasoning here.*

*Essentially, I have two decisions to make; the first is whether Prudential's identification and verification system meant that Mr R was unfairly treated, according to the Financial Conduct Authority's principles for businesses, most pertinently*

- *Principle 6 (a firm must pay due regard to the interests of its customers and treat them fairly)*

*Secondly, I have to consider whether Prudential's decision that the financial loss calculation be based on a notional value of Mr R's benefits as at 22 June 2022 is reasonable, or whether using a different date would give a fairer and more reasonable outcome. It is worth restating that it is not the role of this service to seek to punish Prudential for any mistakes it may have made, but to restore Mr R's benefits into the position they would have been in financially if the mistakes had not occurred.*

*I shall look firstly at the issue of Prudential's identification and verification process. Again, it is worth reiterating that it is not the role of this service is to dictate to Prudential how it implements and manages its systems and procedures in running its business, but to look at whether the implementation of the rules in this case were fair to Mr R.*

*Prudential is required to ensure that it is able to verify both the identity of its clients and the source of the funds that they seek to invest with it. In this case, Mr R was an existing customer, using an IFA who also had frequent and regular contact with Prudential. The issue here, therefore, is whether Prudential could or should have been able to verify Mr R's identity more easily than it would an entirely new customer.*

*I have carefully considered both Prudential's and Mr R's evidence in this respect and have reached the conclusion that Prudential was correct to require Mr R to complete the identification verification checks. In its response to Mr R on 24 November 2022, it stated:*

*...we have strict requirements in place as to what is an acceptable means of identification we can accept;...*

*...These requirements are universal and all new clients setting up a new RA plan are required to supply this information. This is also detailed within the Retirement Account Terms and Conditions, Section one....*

*The section of the terms and conditions it referred to state*

*1.3 We must receive a completed application and any other documents which we require for you to apply to join the scheme."*

*There is no mention in the terms and conditions of the account that an investors' identity is able to be verified through any other mechanism and so I find it reasonable that Prudential did nothing wrong in requiring Mr R's identity to be correctly verified.*

*Where Prudential did make mistakes was in the application and communication of its requirements to Mr R and his IFA. One of the reasons for this was the confusion that arose with both the IFA's account manager and Prudential's administration staff communicating with Mr R and his IFA. There were a number of issues raised and communications between these parties, of which I shall address the two most pertinent.*

*The first of these was that the account manager incorrectly told Mr R's IFA that if they supplied Mr R's bank details that would remove the need for further identification verification checks. Prudential accepts that this information was wrong. The fact that this incorrect information was supplied, caused a considerable amount of confusion and contributed significantly to the first account application failing. I also find that the reluctance of Mr R's IFA to ask Mr R to provide further identification once he was correctly informed that verified identification and proof of address was required contributed to the failure of the application.*

*A second failure of communications arose around need for the bank account details Mr R's IFA provided. They sent details of Mr R's sole trader account – from which it was intended to make future contributions to the RA – which Prudential wrongly identified as a company account. The confusion continued until Mr R returned and completed a form sent to him by the administration team on 7 July, and Prudential completed all the necessary checks on 8 July 2022. During this exchange of emails, Mr R's IFA indicated that he had sent the same information that allowed Prudential to complete the identification verification checks to the Prudential account manager on 7 June 2022. This information, as Prudential agreed, was not passed on internally by its account manager.*

*In its responses to Mr R's complaints, Prudential stated that it did not believe that the failure to pass on this information made a material difference to the overall delay to the transfer of Mr R's benefits. I disagree with this contention. I think it's reasonable to assume that if the information provided on the 7 July allowed Prudential to complete its verification checks on 8 July, then if the information was provided to Prudential via its account manager on 7 June, passing on that information would have allowed the checks to have been completed on 8 June 2022.*

*Give this, it seems fair and reasonable to conclude that the rest of the transfer would follow the timings that did transpire i.e. the payment request could have been made on 9 June 2022, with the transfer completed six working days later, on the 17 June and Mr R's benefits invested on 20 June 2022, the next working day.*

*Having said that, I must consider whether it is reasonable to assume that the transfer could have happened even sooner than this date. The first application, on 13 May 2022, failed because the identification verification checks were not successfully completed. I find it reasonable to assume that any applicant for an account – whether direct from an individual or via an IFA – should be clearly informed of the qualifying criteria for that account at the point of making the application. In this situation, this lack of clarity about the need for specified and certified proof of identity caused the application to fail. If Mr R and his IFA were aware of the requirements, I find it unlikely that the application would have been submitted without the required information.*

*I accept that Mr R's IFA demonstrated a certain reluctance to ask Mr R for the information required to pass the identity verification checks, but I think that most likely stems from him initially passing on the incorrect information Prudential had supplied about his bank details being sufficient for this purpose. If Mr R and his IFA had been aware of the requirements, I would expect that it may take two working days for this information to be obtained, so I find that the original application would have been submitted on 18 May 2022.*

*Taking this as the starting date, if Prudential accepted the application the following working day, 19 May, I find that it should have made the transfer request on 20 May 2022, receiving the funds six working days later on 31 May. Following this timeline, I find it fair and reasonable to conclude that Mr R's benefits should have been invested by Prudential on 1 June 2022.*

*In terms of the compensation relating to the distress and inconvenience caused to Mr R, I find that the sum of £400 already offered by Prudential is appropriate in the circumstances of this case.*

I have considered again Prudential's point of view relating to the IFA's reluctance to provide the certified identification documentation that was required, and reviewed again the evidence provided. Having done so, I remain satisfied with my view that on balance, this reluctance stemmed from the incorrect information that Prudential had provided. Given this, I have not changed my view on this aspect of the complaint and find that the financial loss calculation be based on 1 June 2022.

### **Putting things right**

My aim is that Mr R should be put back as closely as possible into the position he would probably now be in if the transfer had taken place without the delay which I find is attributable to Prudential. I find for the reasons given above that the date by which Mr R's funds should have been invested for purposes of this calculation should be 1 June 2022.

I'm also satisfied that this matter will have caused Mr R considerable distress and inconvenience over a prolonged period. I agree with Prudential that £400 is a fair and reasonable amount for this.

To compensate Mr R fairly, The Prudential Assurance Company Limited must:

- Request the notional transfer value of Mr R's benefits on 31 May 2022 from the previous provider.
- Complete a financial loss assessment based on the notional value of Mr R's benefits if they had been invested with Prudential on 1 June 2022, compared to the actual value achieved on 20 July 2022.  
If the actual value is greater than the notional value, no compensation is payable. If the notional value is greater than the actual value, there is a loss and compensation is payable.
- If there is a loss, Prudential should calculate how many additional units of the investment the notional value on 1 June would have allowed to be purchased, and purchase the same number of additional units to place into Mr R's pension plan to increase its value accordingly. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.
- If Prudential is unable to pay the compensation into Mr R's pension plan, it should pay that amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the compensation should be reduced to notionally allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount – it isn't a payment of tax to HMRC, so Mr R won't be able to reclaim any of the reduction after compensation is paid.
- The *notional* allowance should be calculated using Mr R's actual or expected marginal rate of tax at his selected retirement age.
- If it is assumed that Mr R is likely to be a basic rate taxpayer at the selected retirement age, so the reduction would equal 20%. However, if Mr R would have been able to take a

tax free lump sum, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 15%.

- If either Prudential or Mr R dispute that this is a reasonable assumption, they must let us know as soon as possible so that the assumption can be clarified and Mr R receives appropriate compensation. It won't be possible for us to amend this assumption once any final decision has been issued on the complaint.
- Pay Mr R £400 in respect of distress and inconvenience.
- Provide details of the calculation to Mr R in a clear, simple format.

### **Why is this remedy suitable?**

I've chosen this method of compensation because I think this most closely reflects what Mr R would have done.

### **My final decision**

For the reasons explained above, I uphold the complaint.

The Prudential Assurance Company Limited should pay the amounts calculated above, taking into account any payments it has already made to Mr R.

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.

Bill Catchpole  
**Ombudsman**