

The complaint

Mr B has complained about the service he received from The Prudential Assurance Company Limited.

He is unhappy that he was not able to take benefits from two of his Personal Pension Plans (PPP) as income drawdown and with delays in the start of his annuity and poor communication. He would like £2,500 compensation and for the annuity payments to be backdated to May 2023.

What happened

Mr B contacted the Prudential in February 2023, as he wanted to take pension benefits from two personal pension plans (PPPs) as income drawdown. He tried to obtain valuations online, but he was unable to as he is resident overseas.

Mr B complained when he understood that he would need to obtain financial advice in order to access income drawdown. The Prudential responded to this in March 2023. They offered Mr B £150 compensation.

In April 2023 Mr B contacted Prudential to complain he was unhappy that he was unable to take benefit from his PPPs via income drawdown.

Following an internal review, Prudential apologised for failing to contact Mr B earlier. They increased the compensation award previously offered by £50 to £200. They also provided some additional information on Mr B's arrangements and asked him to confirm if he was also complaining the plans had originally been mis-sold as he said he had always believed he could take his benefits by way of drawdown.

Mr B spoke to the Prudential about setting up annuities, using his PPPs later in April. And decided to proceed at the start of May 2023.

Prudential responded to Mr B's earlier complaint about the sale of his PPPs in May 2023. They said that income drawdown was not an option when Mr B took his policy out and so he wouldn't have been told about it at the time of starting the PPPs. And, they didn't offer it as an option from the plans he had. They explained that income drawdown could be accessed through their Retirement Account product and that financial advice would be required to switch to this product. Their linked advisory service is unable to advise customers living overseas.

We have been provided with a number of historic documents including Mr B's initial PPP Terms and Conditions (dated 1988). These set out what the options were at the time.

Within Mr B's annual statement of May 2021 it sets out that there have been changes to the regulations over the years and so there are now several options in relation to taking benefits. Under a section entitled '**You can choose what to do with your retirement benefits:**' some options are set out, then under these options it states:

“Your plan's rules might not let you take all the options. We will advise you of the specific options available to you, when it comes to taking your benefits

These options are in line with current regulations. Future governments could change the minimum age when you can start taking benefits, and the way you can take them.

Deciding what to do with your pension is one of the most important decisions you're likely to make, so we recommend you get guidance or advice to help you. If you're over 50, you can use Pension Wise, a government service from MoneyHelper that offers free, impartial guidance to help you understand your retirement options.”

Between May 2023 and early July 2023 Mr B repeatedly chased Prudential for annuity quotes and application forms.

Mr B received the annuity quotes and application forms via email on 7 July 2023, he signed and returned them to Prudential in the post as requested.

Mr B received his first annuity payment on 4 August 2023, set up from his first policy and his first annuity payment purchased by his second PPP on 4 September 2023.

In September 2023 Prudential provided a further response to Mr B's complaint. They apologised for the service provided. Overall, they offered Mr B an additional £400 compensation and £5,420.80 to reflect the loss they had calculated due to the delay in setting up Mr B's annuities.

An Investigator considered Mr B's complaint. They thought that the offer made by the Prudential was fair. Mr B didn't agree and his case was referred for an Ombudsman's decision.

I issued a Provisional Decision, within which I set out:

“I think the updated offer from Prudential - which was made after the complaint was referred to our Service - is fair.

Income drawdown

When Mr B started the PPPs with Prudential, income drawdown was not an available option. I have seen the initial terms and conditions of the PPPs, within which the pension benefit options are set out – income drawdown is not one of them. Indeed, it was not introduced as an option in the UK until 1995. As an option it has developed in more recent years. In addition, within Mr B's historic annual statements Prudential set out that benefit options can change, based on legislation, and that not all of the options will be available from Mr B's PPP.

Whilst I have seen Mr B originally complained that his PPPs must have been mis-sold as he had been told when he started them that he would be able to take his benefits by way of a drawdown arrangement, I don't think that is right.

Based on the above I don't agree that these policies were mis-sold. Income drawdown was not an option when the plans were taken out, as drawdown was not an option at that time and the original terms set out the position accurately.

I have seen Prudential's explanation to Mr B that he would need to transfer his benefits to a plan allowing income drawdown for an overseas resident and their apology that their linked

advice service didn't offer advice to overseas residents. I can understand why this was disappointing for Mr B, but that doesn't mean Prudential's position was wrong here.

Service provided

Prudential accepted that the service they provided to Mr B was not at the standard that it ought to have been.

I can see Mr B suffered inconvenience at intervals throughout his interactions with Prudential in 2023 when he came to take benefits from these two PPPs. From his initial contact in February 2023 until the annuities were set up. I appreciate the frustration he felt during this period of time.

In particular, Mr B was promised phone calls to discuss his concerns and arrangements, repeatedly, which were not provided to him. In reaching my thinking I have taken into account that post communications are likely to have taken longer between Mr B and Prudential as he is overseas than if he was in the UK.

In recognition of this, Prudential have now offered a total of £600 compensation. This is fair in the circumstances, and in line with what I would have awarded had Prudential not made this offer, so I don't intend on directing them to do anymore. I think it sufficiently reflects the repeated nature of the failures in customer service over an extended period and the undoubted impact on Mr B.

Delays to the annuity payments

The Prudential have accepted they caused unnecessary delays to Mr B's annuities being set up. They have calculated Mr B's loss from the initial date of his contact with them in February 2023 until the second annuity was set up in September 2023 – eight months. Mr B didn't start the application process for the annuities until May 2023 once he understood the position on what was needed if he wanted to pursue the drawdown option.

When looking at complaints of this nature, I would usually only consider making an award for any loss which occurred during the period of time where the Prudential had caused unnecessary delays.

The calculation carried out by the Prudential consisted of:

- Identifying any annuity payments which Mr B missed out on for this eight-month period.*
- And adding 8% simple interest per annum on each sum from the date it would have been paid until the date of settlement. To account for the loss of use of the funds.*

Prudential have explained they have used the date when Mr B first came to look into taking his benefits in February 2023, which is significantly earlier than the time when he first came to arrange the annuities. Prudential have explained this enables the calculation to reflect the period of time when their service fell short.

Having considered the offer, I find it fair and reasonable. My approach would usually be to put Mr B as close the position he would have been in had their service not been unsatisfactory on a number of occasions. Here Prudential's offer puts Mr B in the position he would have been in, had the annuities been set up in February 2023 up to September 2023. I think this offer is fair and may cover a wider period than I might have otherwise considered, so I don't intend on asking them to do anymore."

Neither party made any new submissions for my consideration.

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.

My decision remains the same as before (and as set out above). In the absence of any further submissions on the matter, I don't have anything to add to what I said in my provisional decision. That means I'm upholding Mr B's complaint for the reasons I've previously given.

My final decision

I uphold Mr B's complaint and direct The Prudential Assurance Company Limited to pay Mr B the sum set out in the increased offer made, if they have not already done so. This should be paid within 28 days of the date which Mr B accepts my final decision.

For clarity this is:

- £600 compensation to reflect the distress and inconvenience Mr B was caused by the failures in the service provided.
- £5,420.80 to address the loss incurred by Mr B due to the missed annuity payments.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 March 2024.

Cassie Lauder
Ombudsman