

The complaint

Mr N has complained that The Prudential Assurance Company Limited (Prudential) has treated him unfairly by changing the basis on which it valued his pension benefits prior to him transferring them to another provider.

He believes that this has caused him a financial loss for which he would like to be compensated.

Mr N is being assisted with his complaint by his wife, Mrs N. For purposes of simplicity I'll refer to all correspondence as if it had come from Mr N.

What happened

Mr N held a personal pension with Prudential, invested on a with-profits basis. This policy was designed to be converted to an annuity at his selected retirement age. On 3 February 2023 Mr N's independent financial adviser (IFA) contacted Prudential to request a cash equivalent transfer value (CETV) for Mr N's benefits, which was given as c£92,000. Mr N and his IFA then discussed the options he had for taking his benefits and agreed that he transfer his benefits from the Prudential to a new provider (Scheme A).

Mr N's IFA issued a transfer request to Scheme A on 29 March 2023, Mr N also checked his CETV through Prudential's online portal that day and found that it was c£92,500.

He checked this again on 2 April 2023 to find the CETV had fallen to c£79,000. Mr N contacted Prudential to ask why the value had fallen so significantly in three days. Prudential responded the following day to explain that it had changed one of the factors used in the calculation of CETV. Mr N's IFA contacted Scheme A and asked them to place the transfer on hold.

Prudential contacted Mr N's IFA to ask that they complete an appropriate advice declaration (AAD) form as the CETV was in excess of £30,000, as the copy of the form it had received on 29 March was incomplete.

Mr N complained about the fall in value on 2 May 2023. Mr N contended that the request for the transfer should have been treated as a new transfer quote and guaranteed for 30 days. Consequently his transfer value would have been unaffected by the change in the way Prudential valued his benefits which took effect on 1 April 2023.

Prudential contacted Mr N's IFA on 11 July 2023 to say it had cancelled the transfer at the request of Scheme A. It wrote again on 14 July asking if Mr N wished to proceed with the transfer, based upon a new, lower CETV.

Prudential responded to Mr N's complaint on 9 August 2023. It apologised for failings in its service and offered Mr N £300 in respect of his distress and inconvenience.

Prudential then wrote to Mr N's IFA on 22 August to request completion of the AAD and authorisation to transfer the lower CETV to Scheme A.

Mr N replied on 8 September 2023 to say that the response to his complaint had not addressed his main point, that his CETV should have been based upon the date at which the request was submitted. He asked Prudential to investigate this complaint but received no further response. On 26 October 2023 Mr N received another letter from Prudential to say that as it had still not received a completed AAD from the IFA, it had now closed its transfer request on its files.

Unhappy with the response from the Prudential, Mr N brought his complaint to this service. Our investigator reviewed all the evidence in this case and formed the view that Prudential had not treated Mr N unfairly and felt that the compensation it had offered was fair and reasonable in the circumstances.

Mr N was unhappy with this view and so the complaint has been passed to me to make a final decision.

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.

Having done so, I have reached the same conclusion as our investigator and do not uphold this complaint.

I can appreciate that this will be disappointing to Mr N, so I will explain how I have reached my conclusions.

Firstly, I think it's important to reflect upon the role of this service. Our role is to impartially review the circumstances of a complaint and make a decision on whether a business has made errors or treated a customer unfairly. Where it has, we expect a business to compensate a customer for any financial loss and distress and inconvenience they have suffered as a result.

I also think it's important to explain that the policy Mr N held was designed to use his benefits on retirement to provide him with an annuity. Prudential explained:

Your plan promises to pay you a set income every year when you reach your chosen retirement date. If you aren't interested in receiving that income from us – for example, you'd like to transfer your money to another provider - then we need to calculate the cash equivalent claim value (or transfer value) for the income. The way we calculate the transfer value is regularly reviewed because of changes in market conditions. The transfer value can therefore rise and fall, which is why our quotes are guaranteed for 30 days

Mr N's pension was also invested on a with-profits basis, which effectively means that he did not have an individual 'pension pot' but was instead entitled to a share of the total value of the pooled investments owned collectively by all the members. The regular recalculation of CETV's are required to ensure that any member does not receive an unfair level of assets upon transferring away from the scheme. That such a recalculation is going to take place is not communicated in advance to members, to avoid volatility spikes just prior to them taking place. On this basis, I'm satisfied that Prudential acted correctly in not informing Mr N that it was about to review the factors underlying its CETV calculations.

Having said that, I consider the crux of this matter is whether Prudential was right in not treating Mr N's transfer request as a new CETV quotation and guaranteeing it for 30 days. To do this, I have considered several points.

Firstly, it's clear from Mr N's communications both with Prudential and this service that he was aware that the CETV he was originally provided was guaranteed for 30 days, so I can't see that Prudential failed to inform him of that. He received this on 3 February, and did not request the transfer until 29 March 2023, when the guarantee had lapsed. Given this, I can't see that Prudential has done anything wrong in considering that this value was no longer guaranteed.

Secondly, Mr N feels that the transfer request itself should be used as the date when his transfer should be valued, and this value should again be guaranteed for 30 days from the date of the request. As our investigator explained in their view, it is industry best practice and what we would expect to see at this service, that a provider used the date at which all its information requirements are met to value a transaction. In this case, the lack of a completed AAD form meant that the transfer could not proceed as requested, as a regulatory requirement had not been met. Consequently, I can't see that Prudential has done anything wrong in this regard.

I've also considered that Mr N had checked the value of his CETV through the online portal as the transfer request was made and was reassured that the value was largely similar to that he had been originally quoted. While I can sympathise with him, I consider that it is clear that the online values quoted are not guaranteed. The portal makes this point clearly.

Having said that, I'll now consider whether I think that the sum of £300 Prudential paid to Mr N in compensation for the distress and inconvenience for poor service. To do this, I've considered the issues Mr N had faced, the impact he has stated these had upon him and the guidance this service has published to ensure fairness and consistency in compensatory awards. Having done so, I'm satisfied that £300 is appropriate in the circumstances of this case.

In conclusion, and although I can appreciate that this will be disappointing news for Mr N, I can't see that Prudential has treated him unfairly in the circumstances of this complaint.

Consequently, I do not uphold this complaint. I won't be asking Prudential to do any more than it has already offered to resolve this complaint.

My final decision

For the reasons explained above, I do not uphold Mr N's complaint.

The Prudential Assurance Company Limited does not need to take any further action to resolve this complaint above the compensation it has already offered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 5 September 2024.

Bill Catchpole
Ombudsman