

The complaint

The estate of Mrs S complained about The Prudential Assurance Company Limited (The Prudential). The executors have tried to get The Prudential to pay an inheritance tax bill using a HMRC form, but they have said it has refused. They said this has cost the estate in interest, for late payment. They have asked that The Prudential compensate the estate for the additional interest that it has had to pay.

Mrs T is one of the executors of her mother's estate, along with her brother. She has been the representative all along in this complaint and so I have referred to her throughout.

What happened

Mrs S had an investment account with The Prudential. When she died in March 2023, there was an inheritance tax liability, and the executors to her estate, her daughter Mrs T and her son, contacted The Prudential to ask it to pay the remainder directly, using proceeds from the account.

Mrs T said the money from her mother's current account with another company along with The Prudential investment account funds would produce the monies needed to pay all of the inheritance tax bill. Mrs T said to release the money, HMRC required the executors to complete form in a scheme called IHT423. She said she did this and sent it to The Prudential, but after a long dispute with it, it refused to release the money to pay the tax bill.

Mrs T said she was angry and disappointed with The Prudential, and at a suggestion it made of her applying for a bridging loan to pay the bill. She said by not paying the bill promptly the estate incurred interest charges from HMRC. She said incurring interest was not fair, considering The Prudential could have paid funds directly to HMRC a lot sooner.

The Prudential said in response that it was unable to pay the death claim on the investment plan, until it saw a copy of the grant of probate. It said this was in accordance with the law.

The Prudential then suggested, as Mrs T had mentioned, that if an estate wasn't able to obtain the grant of probate without first paying a tax liability, that it (the estate) may need to consider a bridging loan. It said it was unable to make payment to a third party and payment could only be made to the executor, to a recognised financial institution or a firm of solicitors.

The Prudential then wrote again to Mrs T in response to her complaint and said a grant of probate was a court order issued by the probate registry that gives executors the power to make and receive payments from an estate. It said obtaining a grant of probate was a requirement under law and that each individual business had its own decision-making process for requesting this document.

The Prudential said its process was to not release any funds until it had sight of this document. It said it did not believe this was an unreasonable stance for it to take. It said The Prudential had a duty of care to ensure that it received suitable evidence to support all claims.

Mrs T was not happy with The Prudential's response and referred the estate's complaint to our service. Since the complaint had been referred to us, on 15 December 2023 the claim was settled by The Prudential and the proceeds from the investment plan paid to a nominated bank account. In addition, The Prudential paid the estate an interest payment to reflect the period of time that the claim was outstanding.

An investigator looked into the estate's complaint. He said he was not upholding the estate of Mrs S's complaint. He said:

- He understood why Mrs T was upset The Prudential didn't use the government direct payment scheme to make the inheritance tax payment to HMRC. He said he could see this would have been frustrating for her.
- The Prudential were an investment company and didn't offer bank accounts or savings accounts, that the scheme was primarily for. He said it didn't appear as if the scheme was compulsory.
- Our service couldn't force a business to change its processes and it was free to operate its business as it chose.
- Our service also required a grant of probate, for us to look into the estate's case. He said the document proved that Mrs T held the legal power to represent her mother's estate. So, with this in mind, he didn't feel it was unreasonable for The Prudential to confirm it needed a grant of probate before it could proceed.
- There was a delay until the grant of probate was received by The Prudential, but he didn't think it could be held liable for this. He noted it settled the claim on the day after it received the document and that it had paid interest that was due whilst the claim was outstanding, meaning the estate hadn't been financial disadvantaged.
- He didn't think The Prudential had made an error and so he wouldn't be requiring it to do anything further.

Mrs T was not in agreement with the investigator's view. She said she was extremely disappointed with the investigator's findings. She said she found it unbelievable that The Prudential could opt out of a Government scheme that was set up to pay inheritance tax directly. She said she was not told The Prudential had not agreed to take part.

Mrs T said the estate had to pay over £2000 in interest to HMRC, and that it was not fair considering The Prudential could have paid it sooner, through the scheme. She said The Prudential showed little sympathy towards her and her brother. She would like a further investigation into why The Prudential could opt out of a scheme which can cost the executors greatly.

Because the parties are not in agreement, the estate of Mrs S's complaint has been passed to me, an ombudsman, to look into.

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 have independently reviewed the estate of Mrs S's complaint and have arrived at the same outcome as the investigator, for the same reasons. I will explain why.

First of all, having read all of the correspondence between the parties, I can see clearly that Mrs T had a frustrating time trying to request that The Prudential use a HMRC scheme, that allows businesses to pay inheritance tax directly. I can see that this would have made

matters easier for Mrs T and her brother, at a difficult time for both of them. I do empathise with them and understand why they would have wanted The Prudential to do as they asked.

Most banks and building societies are part of HMRC's direct payment scheme called IH423, that is designed to make things easier for executors, and help find solutions for them to pay any inheritance tax liability that an estate has incurred, in quick time. That said, most financial businesses that have signed up, I can see, relate to bank and savings accounts. Not as many investment companies are, and this includes The Prudential, where additional work needs to be carried out to process a claim. The Prudential has been clear to the executors and also to our service about its stance and process: it needs to have sight of the grant of probate. So, in the circumstances of this complaint, it required sight of the grant of probate before it processed the estate of Mrs S's claim.

I don't think The Prudential did anything wrong here. HMRC's direct payment scheme, as helpful as it is, is not a compulsory requirement for firms to adopt and it is down to The Prudential to assess its own processes and see if it is something that it can provide. It told the executors in a response to their complaint that it needed a copy of the grant of probate and that it was down to each financial business to decide about the risk it was willing to take. I don't think I can say it has been unfair to the executors or the estate of Mrs S, with what it has said here – after all it is ensuring that it is dealing with the lawful representatives of the estate's money and has put in safeguards to protect the funds in this regard. I can't find fault with it for doing that or can see that it treated the executors unfairly here either.

I can see that the executors did have to wait a long time before they received the grant of probate, but The Prudential was not involved in this, so I can't hold it responsible for any detriment that would have been caused to the estate by the delay that occurred here, including the interest payment that Mrs T said the estate had to pay, presumably to HMRC, for around £2000. That said, I do note that The Prudential did pay the estate an interest payment on the claim amount, so I can see that it did make sure in any case, that it was not financially disadvantaged during the time period in question.

In conclusion, I don't think The Prudential has done anything wrong here when it has dealt with the estate of Mrs S's request to directly pay inheritance tax, using a HMRC scheme. It wasn't signed up for using this, and it isn't an obligation or compulsory requirement. The Prudential instead, required a copy of the grant of probate before it did this. I don't think it did anything wrong when it decided to do this, for the reasons I have given. I also don't think it was responsible for the delay, and subsequent interest the estate had to pay HMRC. I can see it did pay an interest payment on the total amount that it did pay the estate in December 2023.

I appreciate that my decision will be disappointing for Mrs T, and I acknowledge the strength of her feelings in the submissions provided. But based on everything I have read and the findings I have given, I don't uphold the estate of Mrs S's complaint.

My final decision

My final decision is that I do not uphold the estate of Mrs S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mrs S to accept or reject my decision before 11 February 2025.

Mark Richardson
Ombudsman