

The complaint

Mr P has complained that The Prudential Assurance Company Limited completed an Uncrystallised Funds Pension Lump Sum withdrawal from his pension plan when instead he wanted to only take his tax-free lump sum entitlement. Mr P has claimed that he's suffered a financial loss as a result.

What happened

Mr P holds a Retirement Account with The Prudential Assurance Company Limited (Prudential). On 19 February 2024 Mr P telephoned Prudential to ask questions about withdrawing his tax-free cash entitlement from his Retirement Account. Later, on the same day, Mr P completed online instructions to make a withdrawal from his Prudential Retirement Account. Mr P then contacted Prudential on 29 February 2024 to say that he'd asked Prudential to cash in 25% of his pension pot and had received the amount as he'd requested. Mr P asked Prudential to send him written notification of the withdrawal and details of any tax he'd paid.

Prudential responded to Mr P on 1 March 2024 to say that the instructions that he'd completed on its online portal was for an Uncrystallised Funds Pension Lump Sum withdrawal from his pension plan, and not to withdraw his 25% tax free cash entitlement. As a result, 25% of the amount that Mr P had withdrawn was paid to him free of tax, with the remaining 75% being subject to income tax.

Mr P messaged Prudential on 8 March 2024 to say that when he had been completing his online withdrawal instruction form, he'd come across a section which said that he would be charged tax on his withdrawal. Mr P said that he'd stopped filling in the application and had contacted Prudential by telephone the following day, which was 19 February 2024. Mr P claimed that the Prudential representative he spoke with had told him to go ahead and complete the online form. Mr P said he understood that he'd made a mistake and had completed the wrong form. He asked Prudential to resolve this matter for him.

Prudential explained to Mr P that the payment request that he'd completed didn't have any cancellation rights. However, Prudential said that it had raised Mr P's case with its technical team to see if it was possible for his withdrawal request to be cancelled. On 14 March 2024 Prudential messaged Mr P to say that its technical team had completed a review of his request to cancel his withdrawal request and had confirmed that Prudential couldn't cancel the Uncrystallised Funds Pension Lump Sum withdrawal as clear instructions had been given to Mr P by its call handler before Mr P had completed his online form.

On 15 March 2024 Mr P complained to Prudential. Mr P said that he had been misguided by Prudential and that its website was not clear or helpful and that this had caused him to make the mistake when he'd completed his online form.

Prudential responded to Mr P's complaint on 9 April 2024. Prudential said that when Mr P had contacted its offices on 19 February 2024, before he had submitted his online application, its representative had confirmed what the process was to request a tax-free cash withdrawal and had also told Mr P that he could call Prudential back once he'd completed his online application, so that Prudential could confirm that Mr P had completed the application correctly.

Prudential went on to say that when Mr P had submitted his online application, the online portal would've generated an illustration for him to review and accept. Prudential said that the illustration that Mr P accepted said: "*You will receive a £14,205.33 Tax-Free amount and £42,616.00 will be taxed like a salary*". Prudential didn't uphold Mr P's complaint.

Mr P contacted Prudential again on 29 May 2024 to say that he wanted Prudential's response to his complaint to be reviewed. Prudential wrote back to Mr P on 20 June 2024 to say that having completed a further review, it still didn't uphold his complaint.

Mr P was unhappy with Prudential's response, so he referred his complaint to the Financial Ombudsman Service. One of our Investigators reviewed Mr P's complaint. Their view was that Prudential hadn't made an error when it had processed Mr P's online withdrawal application. Our Investigator didn't uphold Mr P's complaint.

Mr P didn't agree with our Investigator's view so asked for his complaint to be considered by an Ombudsman.

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.

Mr P has claims that he was misguided by the Prudential representative he spoke with on 19 February 2024. I've therefore listened carefully to a recording of this telephone call. In this call Mr P tells Prudential that he's on its website and is trying to take money out of his pension but needs to ask a couple of questions. Mr P goes on to explain that he's trying to withdraw 25% of his pension as tax-free cash but one section on the website says that depending on how he takes his money out, the withdrawal may be subject to income tax.

In response, the Prudential representative says that the "*big word is depending*". The representative tells Mr P that when he started the online process to make his withdrawal, he was given options on the type of withdrawal he wants to make. Prudential's representative then goes on to say that there are different withdrawal options, some of which are combined with taxable income whilst some are not. Mr P is then told that if he's looking to take tax-free cash only then this will be one of the drawdown options available to him online.

At the end of the telephone call Mr P is told by the Prudential representative that to take his tax-free cash he needs to follow the drawdown option for this withdrawal, and that once he's submitted his online request, he can call Prudential back so that his online request can be quickly checked to make sure that he's only requested tax-free cash. Mr P then thanks the Prudential representative and the call finishes.

I think that during this telephone call Mr P is told by the Prudential representative that there are different withdrawal options that he needs to choose from on Prudential's website, and that some of these withdrawal options do include taxable income. I also think that Mr P is told that he needs to complete the withdrawal option to just take tax-free cash, and that once he's done this then he can call Prudential back so that he can have his option request checked to make sure that he has submitted the correct withdrawal request.

However, I've not seen any evidence to show that Mr P did call Prudential back after he'd submitted his online withdrawal request. I think it's reasonable to assume that if Mr P had called Prudential back as soon as he'd submitted his online request, then he would've been told that he had completed the wrong withdrawal request to take tax-free cash only and would then have had the opportunity to re-submit his correct withdrawal request.

Mr P has also claimed that Prudential's website was not clear or helpful and that this had caused him to make the mistake when he'd completed his online form. Prudential has sent this Service screenshots of the information that Mr P would've seen on its website when he completed his online form. The information that Prudential has sent is generic and sets out pages in respect of its *"Guided Cash Out Service"*.

On the first page of the screen shots provided by Prudential, under the heading *"How can you take money out of your Retirement Account?"* the page goes on to say: *"A combination of tax-free and taxable money from your Savings Account Also known as – "Take some or all of your pension as cash" You can usually take some, or all of your money, from your Savings Account (this is where money is paid in). Each time you take money from your Savings Account, usually 25% will be tax-free and the remainder of that withdrawal will be subject to income tax"*. I think it's reasonable to assume that this is the withdrawal that Mr P requested from Prudential, in error.

The page on the website then goes on to say: *"Tax-free money from your Savings Account Also known as – "Flexible Cash and Income" or "Drawdown". Or you can usually take a sum of money from your Savings Account, of which 25% will usually be tax free, and move the other 75% to your Income Account. After that, any money you take from your Income Account will be subject to income tax. This means that you can choose to take money from your tax-free amount first and then take the taxable amount when you need it"*. I think it's reasonable to assume that this is the withdrawal that Mr P had wanted to complete from his Retirement Account but didn't successfully do so as he submitted the wrong forms.

The screen shots from Prudential's website set out various withdrawal options, which Mr P would've been able to choose from. At the end of this section the following statement is given: *"You've now explored your options for taking money out of your pension pot and have selected the option below. Remember – this is your choice, this isn't financial advice. If you go ahead without advice you'll be taking responsibility for your choices and your own decision"*.

The page then sets out details of the withdrawal choice that has been selected. From the screenshots that I've seen, details are given of any income tax that will be deducted from the withdrawal payment.

On a web page headed *"The impact of taking money out"* the following is stated: *"Please download, read and keep the illustration below. This will show you the impact of taking money out of your Savings Account or Income account"*. At the end of the page there is a box for Mr P to tick, alongside which is the statement: *"Tick here to confirm you have downloaded and read this illustration"* Prudential has said that for Mr P to have continued with his withdrawal request, he would have needed to have ticked this box.

I've seen the illustration that Mr P would've downloaded. The illustration is set out over eight pages and on page three the following statement is given: *"Single payment of £56,821.34 from your Pension Savings Account (XXX). For the purposes of this illustration, we have assumed your money will be paid today. However, it may take longer. You will receive a £14,205.33 tax-free amount and £42,616.00 will be taxed like a salary. We'll make your payment after tax has been taken off. You may have to claim tax back or pay more tax. We'll send details of all payments to HMRC and they will ensure you pay the right amount of tax. Please note that tax treatment is not guaranteed and may be subject to change in the future"*.

My conclusion from studying the screenshots is that Mr P should have understood that as he was proceeding with his withdrawal without taking advice then he would be taking responsibility for his choices and his own decision. I also think it's reasonable to assume that when Mr P had made his choice of the withdrawal option he wanted to complete, he would have seen details of the income tax that would be deducted from his withdrawal payment. Mr P also had to confirm that he'd read the illustration produced for him by Prudential before he could complete his withdrawal application. This illustration set out details of how much of his withdrawal would be paid tax free and how much would be subject to income tax. I think it's reasonable to assume that on reading this, Mr P should have understood that not all his withdrawal would be paid tax-free. However, Mr P still proceeded and completed his withdrawal application and then didn't telephone Prudential to check that he'd submitted the correct application, despite being told by Prudential that he could do this.

As I've said above Mr P has claimed that Prudential's website was not clear or helpful and that this had caused him to make the mistake when he'd completed his online form. But Prudential's website explains that its *"Guided Cash Out Service"* is designed for someone who is *"confident in making their own financial decisions"*. The website also gives details of how Mr P could contact Prudential's customer service executives. Mr P had spoken with Prudential on 19 February 2024, so I think it's reasonable to assume that if he was still finding Prudential's website unclear then he could have contacted Prudential again to request further guidance before he finally submitted his online application. But I've not seen any evidence to show that Mr P did contact Prudential again to ask for help in completing his online withdrawal application, or to ask for his withdrawal application to be checked.

I therefore don't think that Prudential has done anything wrong. Instead, I think that Prudential had provided information to Mr P which said that income tax would be taken from his withdrawal payment, but Mr P still completed his withdrawal application. I am therefore unable to uphold Mr P's complaint.

My final decision

My final decision is that I don't uphold Mr P's complaint against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 4 March 2025.

Ian Barton
Ombudsman