

The complaint

Mr W complains that The Prudential Assurance Company Limited ("Prudential") has failed to treat him fairly when he applied for a transitional tax-free amount certificate ("TTFAC").

What happened

Mr W has been assisted in making his complaint by his financial advisor. But in this decision, for ease, I will generally refer to all communication as if it has been with, and from, Mr W himself.

Mr W holds pension savings with Prudential. Following the abolition of the Lifetime Allowance on 5 April 2024 and the introduction of the new Lump Sum Allowance and the Lump Sum and Death Benefit Allowances on 6 April 2024 there became the possibility that some consumers who had previously taken some of their pension benefits might be able to access more tax-free lump sums from their pensions.

In order to benefit from those changes, affected consumers need to apply for a TTFAC. HMRC set out various rules for that application to be valid including that the application needed to be made after 6 April 2024, but before any lump sum benefits (known in the legislation as a Relevant Benefit Crystallisation Event ("RBCE")) were paid in that tax year.

Prudential required that TTFAC applications were made using a paper application form that it produced. Mr W made his application on 15 April, and it was marked as being received by Prudential on 17 April. But Mr W received a regular income payment on 18 April, that had likely been processed by Prudential some days earlier. So Prudential told Mr W that it would be unable to issue him with the TTFAC.

Mr W complained to Prudential about what had happened. He said it was unfair that he wasn't able to make his application electronically and using paper had delayed his application. And he said that other providers had backdated TTFACs to the date the application was received – in this case he said that was before any income had been paid to him.

Prudential didn't agree with Mr W's complaint. It said that its form, and the advisory note it had issued, clearly said that a TTFAC must be issued before any income is paid. It says it warned that this meant any income due to be paid should be suspended until a TTFAC request was completed. But Prudential accepted it hadn't dealt with Mr W's complaint as well as it should have done. So it paid him £100 for the inconvenience he'd been caused. Unhappy with that response Mr W brought his complaint to us.

Mr W's complaint has been assessed by one of our investigators. He didn't think Prudential had acted unreasonably by asking for applications to be made by post. And he thought that the notes accompanying the TTFAC form were clear that no application could be approved if an income payment had already been made that tax year. So the investigator didn't think Prudential had done anything wrong.

Mr W didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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 deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr W and by Prudential. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority ("FCA"). Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

As I have said earlier, Mr W has been assisted in making this complaint by his financial advisor. That firm is itself regulated by the FCA and was involved in the TTFAC application that Mr W made. Although I imply assistance from the firm in making that application in this decision, I do so without any implication of fault. Should Mr W conclude, after reading this decision, that the financial advisor has made an error he would need to make a separate complaint about those actions.

Prudential required consumers to complete a paper application form should they wish to receive a TTFAC. It is for Prudential to decide how it wished those applications to be made. There was nothing in the HMRC legislation that required firms to take applications by electronic means such as email or an internet-based application. And I have seen that Mr W was able to successfully complete the required application although I accept that might have been sent to Prudential a little later than he had hoped.

The application form provided some guidance about the steps that would be needed before a TTFAC could be issued. Of particular relevance to this complaint the form said;

"You can't apply for a TTFAC if you've had a Relevant Benefit Crystallisation Event (RBCE) on or after 6 April 2024."

And it went on, in a section headed "Important Notes" to set out some HMRC rules that applied. It said;

"An application for a TTFAC must be made before you receive your first lump sum benefit (RBCE) from a pension on or after 6 April 2024. If you're due to have an RBCE with us or another provider you'll need to delay this payment until your certificate has been issued."

"We must either refuse your application or issue your certificate within 3 months of your application."

So I think it was made clear that any RBCE that took place before a certificate was issued would cause the application to fail. And it was also clear that it might take Prudential up to three months for the issuing of the TTFAC to be completed.

Mr W received a regular income payment on 18 April 2024, although I think it quite likely that Prudential's processing took place a few days earlier to allow for the payment to be received by Mr W on time. It was not for Prudential to delay that payment on the basis that it might receive, or have received, a TTFAC application from Mr W. And given the volumes of applications it would have received around that time I think it most unlikely that Prudential would have been aware of Mr W's application until several weeks after the income had been paid.

I have considered that Mr W says other providers have allowed the issue of a TTFAC where the application was received by the firm before any income was paid. Given the processing times here it isn't entirely clear whether that would assist Mr W since his income was most likely processed (and could therefore be argued to have been paid) before his application was received. But in any case I don't think Prudential's interpretation of HMRC's rules, as it clearly set out on the application form, for a certificate to be actually issued before any RBCE takes place is unreasonable.

I appreciate that this decision will be disappointing for Mr W. But I don't think Prudential's application process for the issue of a TTFAC was unfair, or unduly onerous. And I think that Prudential has acted within its stated understanding of HMRC regulations in refusing to issue a TTFAC after a RBCE had occurred.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 5 March 2025.

Paul Reilly
Ombudsman