DRN-5217633

The complaint

Mr M complains that The Prudential Assurance Company Limited has failed to treat him fairly when it delayed the payment of some pension benefits due to him.

What happened

Mr M is terminally ill. So in this complaint he has been represented by a family member who I will call Mrs H. Mrs H holds a lasting power of attorney ("PoA") that allows her to deal with Mr M's affairs. And, in part, it is the way that Prudential has handled its relationship with Mrs H that forms the basis for this complaint.

In March 2024 Prudential attempted to restore contact with Mr M about some unclaimed pension benefits using the tracing service provided by DWP. It seems that Mr M had changed his name some years before but that change hadn't been notified to Prudential.

As a result of the tracing letter Mrs H got in touch with Prudential. She provided some information to show that she held a PoA over Mr M's affairs. Prudential accepts that it didn't deal with Mrs H as well as it should have done. Whilst Prudential says that it was important for it to request some additional information it now thinks it had sufficient information to pay Mr M his pension benefits by 20 June 2024. The actual payment wasn't made until almost five months later on 8 November.

Mrs H initially complained to Prudential about how it had dealt with the registration of her PoA in August 2024. At that time the pension benefits hadn't been paid. Prudential paid £200 for the inconvenience it had caused in the way the PoA had been registered. And it said that it would look at whether any delays had caused a financial loss once the pension benefits had been paid. Unhappy with that response Mrs H brought the complaint to us.

Whilst we were looking at the complaint Prudential received an application from Mrs H, on behalf of Mr M, for the payment of his pension benefits. He asked that they be paid as a lump sum due to his serious ill health. Prudential paid the benefits to Mr M but, in line with HMRC regulations, it deducted income tax from the payment. So Mrs H made a further complaint about some incorrect information she'd been given on the telephone about the applicable taxation.

In a second final response letter Prudential confirmed that it had been correct to deduct income tax from the payment since Mr M was over 75 years in age. But it accepted that it hadn't made that requirement sufficiently clear when it spoke with Mrs H before the benefits were put into payment. Prudential also looked at whether the delays it had caused to the registration of the PoA had caused Mr M to lose out. It told Mrs H that the value of the pension savings had risen over that time so Mr M received more than he would have if the payment had been made earlier – even after adding interest to reflect the late payment. Given the distress and inconvenience it had caused Prudential made a further payment of £800. Unhappy with that outcome Mrs H asked us to continue looking at the complaint.

The complaint has been assessed by one of our investigators. She explained that our rules only allow us to consider any distress and inconvenience that had been caused to Mr M – we can't make awards for inconvenience caused to other parties such as Mrs H when acting on his behalf. So the investigator thought the payments Prudential had already made were fair and reasonable. And, given that Prudential had shown the delays hadn't caused any financial loss given the increase in the value of Mr M's pension savings, the investigator didn't think any further compensation needed to be paid.

Mrs H didn't accept 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.

I understand that Mrs H has recently made a further complaint to Prudential about the amount of tax it deducted from the payment, and the way in which it has reported that deduction to HMRC. Whilst in this decision I am able to consider whether tax should have been deducted, the subsequent reporting of the deduction, and its amount, are part of a new complaint. So, should Mrs H be unhappy with any response she receives from Prudential about those deductions, she would need to make a new referral to us on that matter.

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 M, by Mrs H on his behalf, 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. 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 explained earlier, there are some matters that fall outside what I am considering as part of this decision. I am not looking at what has happened since the payment to Mr M was made, and in particular how Prudential has reported the tax it deducted to Mr M and to HMRC. And I will also not be considering what happened before Mrs H first got in touch with Prudential in March 2024 – and specifically why the firm lost touch with Mr M.

Prudential accepts that it didn't deal with the registration of the PoA as quickly as it should have. It seems that it asked Mrs H for information that it already held on more than one occasion. And it repeatedly sent letters to a previous address of Mrs H rather than the one she had supplied when she contacted the firm. Those failings contributed to an extended delay in Mr M being able to take the pension benefits that were due to him.

But I am satisfied that those delays didn't cause any financial loss to Mr M. The value of the pension benefits that were ultimately paid to him were higher than they would have been had they been paid when Prudential first had all the information it reasonably needed. And the difference in that value is greater than the interest I would normally award, at a simple rate of 8% per annum, on payments that had unreasonably been delayed. I have considered that

Mrs H indicated to Prudential that she had needed to take alternative finance to fund some of Mr M's care costs. And I am pleased to see that Prudential has offered to consider any evidence of these additional costs. But in the absence of anything further from Mrs H in this regard, I am not persuaded there is any further loss for me to reasonably consider here.

It does seem that Prudential failed to provide sufficiently clear information to Mrs H about whether any payment to Mr M would be taxed. HMRC regulations are clear that, since Mr M is older than 75 years, any pension payments are subject to income tax. That tax should be applied by considering any payments as part of a consumer's normal income. And the nature of the taxation system means that an initial payment of the size made to Mr M might attract a greater tax deduction than might ultimately be required. That isn't the fault of Prudential, and simply a reflection of the PAYE regulations currently in force. If Mr M has ultimately paid too much tax, any excess will be repaid by HMRC.

I've thought carefully about whether the incomplete information Prudential provided to Mrs H might have caused Mr M to make a different decision about how to take his pension benefits. But I'm not persuaded that is the case. Mr M claimed his pension benefits on the basis of his serious ill health – in other words because his life expectancy was likely to be less than one year. So the other forms of taking pension benefits such as a lifetime annuity would seem to have held little attraction for him. And, given his age, any benefits that Mr M took from his pension savings would be subject to income tax regardless.

It seems that for some of the time at the outset of these problems Mr M's health challenges meant that he was unaware of the delays. But from the evidence I have seen that doesn't seem to have been the case more recently. Mrs H has provided us with a video recording of Mr M expressing his frustration at the delays and the inconvenience caused to Mrs H. That is certainly not something I would expect anyone would want to see being experienced by someone nearing the end of their life.

So I think it is right that Prudential should make a substantial payment for the distress and inconvenience the delays have caused to Mr M and his family. As I said earlier Prudential has already paid £1,000 compensation in that regard. I think a payment at that level is in line with what I would expect in circumstances such as these. So I will not be directing Prudential to pay anything more.

It is beyond doubt how distressing the delay in the payment of the pension benefits will have been for Mr M and his family. At a time when he, and his family, should have been focussing on enjoying the latter stages of his life, they were instead spending time and money in providing unnecessary information to Prudential. No award that I make could recover that lost time. But I am satisfied that Prudential has reasonably accepted its responsibilities for those delays and has paid fair and reasonable compensation for the distress and inconvenience the delays caused. So I don't think any further compensation is warranted here.

My final decision

My final decision is that I uphold Mr M's complaint. But I am satisfied that the compensation already paid by The Prudential Assurance Company Limited is fair and reasonable, and so nothing further is required from the firm in relation to this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 January 2025.

Paul Reilly
Ombudsman