

The complaint

Mr B complains that The Prudential Assurance Company Limited ("Prudential") has failed to fairly compensate him for an error it made when it transferred some pension benefits he held to another provider in 2005.

What happened

I issued a provisional decision on this complaint last month. In that decision I explained why I thought the complaint should be upheld and what Prudential needed to do in order to put things right. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

Mr B previously held pension savings with Prudential. In 2005 those pension savings were transferred, at Mr B's request, to another provider that I will call A. But more recently Prudential wrote to Mr B to explain it had made an error in the calculation of the final bonus it added to his pension savings before the transfer. It told Mr B that his transferred pension savings were undervalued by £2,218.31.

Initially Prudential paid the shortfall to Mr B, plus some compensatory interest, as a partly taxable lump sum income payment. Mr B complained about that, and Prudential agreed, following confirmation from A that it could accept the payment, to instead make an additional transfer to Mr B's pension savings still held with A.

Prudential has told Mr B that it undervalued the pension benefits it transferred to A in 2005 by £2,218.31. So it has now sent an additional transfer to A, to be added to Mr B's pension savings, to reflect that shortfall.

But Mr B has been without those monies for a considerable period of time. It doesn't seem that Mr B has encashed all his pension savings, so over that extended period of time the shortfall would have been receiving investment returns in line with the remainder of his pension savings. So I am not satisfied that the interest Prudential has calculated – using an interest rate of the Bank of England base rate plus 1% - is a fair reflection of the loss Mr B has experienced.

So I intend to direct Prudential to work out whether additional compensation should be paid to Mr B. I will ask it to obtain details of the investment returns enjoyed by Mr B's pension savings since the transfer took place in 2005. If that return, when applied to the transfer shortfall, is greater than the interest that Prudential has already paid to Mr B, then some additional compensation should be paid.

There is little doubt that discovering this error, so long after the transfer took place, will have caused some distress and inconvenience to Mr B. Whilst I entirely accept that for the majority of the intervening years Mr B was unaware of the error, I don't think that means no further compensation should be paid. But I'm not minded that the amount of any additional compensation should be significant. I agree with our investigator that an additional payment of £250 would fairly compensate Mr B for the inconvenience he has been caused.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. Prudential has said it has no further comments to make. Mr B has told us that he still considers the amount I have proposed awarding for his distress and inconvenience to be insufficient. He has noted that his awareness of the problem underpinning this complaint arose in April 2024 and still remains unresolved. And he says that despite the investigator's directions Prudential has not yet calculated the compensation he would be due.

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.

As I set out in my provisional decision, 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 B 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.

And I repeat my reflections 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.

Mr B has raised some concerns about Prudential's failure to act on the investigator's findings. So I think it might be first helpful to set out our approach to resolving complaints. Following an investigator's assessment, either party is able to ask that the complaint be considered again by an ombudsman. Until the complaint has been reconsidered a business wouldn't be expected to act on any redress recommendations – it is entirely possible that an ombudsman's decision might change the way in which redress should be paid.

Here, following the investigator's assessment, Mr B said he was not satisfied with the compensation the investigator has proposed. So he asked for the complaint to be dealt with by an ombudsman. So I don't think it unreasonable for Prudential to delay making any assessment of the loss Mr B has suffered, or paying any compensation, until this final decision has been issued.

I set out in my provisional decision why I thought the additional payment of £250 recommended by the investigator would fairly compensate Mr B for the inconvenience he has been caused. I've thought carefully about the additional comments Mr B has provided about why he still thinks that compensation is insufficient. But I'm sorry to tell him that I don't agree. I think a payment of £250 fairly reflects the inconvenience he has been caused and is in line with awards I would make in similar circumstances. I don't think any additional time taken for the complaint to be resolved, as a result of Mr B asking it to be considered by an ombudsman, should fairly result in Prudential needing to pay additional compensation for his inconvenience.

So I will now direct Prudential to work out whether additional compensation should be paid to Mr B for any investment losses. It should obtain details of the investment returns enjoyed by Mr B's pension savings since the transfer took place in 2005. If that return, when applied to

the transfer shortfall, is greater than the interest that Prudential has already paid to Mr B, then some additional compensation should be paid. And Prudential should pay Mr B an additional £250 for the inconvenience he has been caused.

Putting things right

I don't think that the method used by Prudential to calculate the compensation that should be paid to Mr B is fair and reasonable. So I direct Prudential to do the following;

- Obtain from A the investment growth of Mr B's pension savings between the date they were transferred to the firm in 2005 and the date of this final decision.
- Apply that investment growth to the amount of the transfer that was underpaid (£2,218.31). If the growth Mr B should have received is greater than the interest Prudential has already paid to him, Mr B has lost out and needs to be paid additional compensation equal to the difference in the two amounts.

Any additional compensation should also be transferred by Prudential to Mr B's pension savings with A. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.

Although I think it unlikely given the way the compensation has already been paid, if Prudential is unable to pay the additional compensation into Mr B's pension plan, it should pay that amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the total amount should be reduced to notionally allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount – it isn't a payment of tax to HMRC, so Mr B won't be able to reclaim any of the reduction after compensation is paid.

The notional allowance should be calculated using Mr B's actual or expected marginal rate of tax at his selected retirement age. I think it reasonable to assume that Mr B is likely to be a basic rate taxpayer at the selected retirement age, so the reduction should equal the current basic rate of tax. However, as Mr B would have been able to take a tax-free lump sum, the reduction should be applied to 75% of the compensation.

The compensation should be paid to Mr B within 28 days of Prudential being notified of his acceptance of this final decision and it receiving the required investment growth calculations from A. Should the compensation not have been paid within that time Prudential should add simple interest at a rate of 8% per annum to the compensation amount from the date of my final decision to the date of settlement.

- Prudential should pay Mr B £250 to reflect the inconvenience he has been caused.

My final decision

My final decision is that I uphold Mr B's complaint and direct The Prudential Assurance Company Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 3 April 2025.

Paul Reilly

Ombudsman