

## The complaint

Mr T says that The Prudential Assurance Company Limited (Prudential) treated him unfairly when it wrote to him to explain his options following a historic mistake it made in calculating his annuity. Mr T thinks that he was misled about how much increase there would be to his annuity.

## What happened

The background details are not in dispute and so I set out only the main points here.

Mr T has been in receipt of an annuity from Prudential since 2017 that benefitted from a Guaranteed Annuity Rate (GAR).

In March 2024, Prudential wrote to Mr T informing him it had identified an underpayment in his pension as a result of a review it had conducted. Prudential said an additional amount of £29,970.01 was available to Mr T and offered him four options for how this amount could be used. One option was to apply the amount to increase his existing annuity.

Mr T subsequently asked Prudential to clarify how the additional amount had been calculated and whether the full amount would be used to increase his annuity payment in line with his GAR.

Between March and August 2024, Mr T contacted Prudential on multiple occasions to chase a response. Prudential failed to respond promptly and did not provide a detailed explanation until September/October 2024.

It was during these later communications that Prudential explained that the £29,970.01 figure reflected the “base redress” amount of £9,500.56, GAR uplift and allowance for growth. Mr T could effectively use this amount as a new pension pot and take a new annuity, lump sum or transfer it away. However, if Mr T wanted to instead select the option to top up his existing annuity, only the base redress amount of £9,500.56 could be used to purchase additional income in line with the policy terms. And this would result in a lump sum for missed payments and a monthly increase of £68.87 to his annuity going forward.

Prudential acknowledged delays and poor service and offered to pay Mr T a total of £500 compensation for the distress and inconvenience caused.

Mr T wasn't satisfied with this and referred a complaint to our service. He said that Prudential's letter in March 2024 clearly set out that the *full* £29,970.01 figure could be used to increase his existing annuity in line with the 8.7% GAR. He said this should give him a monthly increase of £217.28 to his annuity. He was also concerned about possible tax implications that might arise due to any increase in his annuity.

One of our investigators looked at the complaint. His view was that Prudential's letter in March 2024 was unclear and it hadn't dealt with Mr T's enquiries fairly thereafter. But he thought that Prudential's offer to pay Mr T £500 was fair compensation for this. And he didn't

think Prudential was obliged to pay Mr T a higher annuity as a result of the initial confusion it had caused. The investigator also acknowledged that Prudential had offered to reimburse Mr T for any additional tax liability as a result of receiving back dated payments as a lump sum. So, the investigator didn't uphold the complaint.

Mr T didn't agree with the investigator's findings. He said:

- The investigator hadn't addressed the fact this was in fact the second time Prudential had made an error.
- £500 for the failure to deal with his enquiries was fair compensation.
- But the March 2024 letter should be binding on Prudential – their serious error in that letter means that the consequence should be that a higher annuity is paid to him.
- Prudential had breached the regulator's Principles for Businesses and so payment of a higher annuity will be an incentive for it to conduct its business appropriately.
- Prudential had clearly not taken any steps to rectify its communications – Mr T had received another letter in March 2025 in almost the same terms as the earlier March 2024 letter.

### **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 want to make clear that I've considered Mr T's submissions in their entirety. But my decision focuses on what I consider to be the central issues. The purpose of this decision isn't to comment on every individual point or question the parties have made, rather it is to set out my findings and reasons for reaching them.

I don't uphold this complaint – essentially for the same reasons as our investigator.

Prudential's letter in March 2024 wasn't clear. It is understandable that Mr T would have believed that his annuity could be topped up by £29,970.01 using his GAR rate. And Prudential dealt with his subsequent queries poorly. So Prudential did breach its obligations to Mr T and didn't treat him fairly.

But Prudential has now explained the implications to Mr T if he wants to top up his existing annuity as a result of the mistake in the fund calculation in 2017. It has said that the original mistake was to undervalue his fund by £9,500.56 and so, if Mr T wants to top up his existing annuity, that amount (not £29,970.01) will be used to calculate back dated payments that would have been paid since 2017 had the fund been properly calculated at the outset, together with interest. And going forward, Mr T's annuity will be increased by an additional amount that reflects what Mr T would be receiving but for the error.

We haven't checked Prudential's underlying calculations - but Prudential's approach with respect to topping up the existing annuity is reasonable. Prudential has also offered to review evidence of any additional tax liability Mr T may incur as a direct result of backdated payments being made in a single year. So, overall, I think Prudential's approach is fair.

I don't agree with the crux of Mr T's complaint - that because Prudential made a mistake in its communications (and repeated this mistake in March 2025) – Prudential is obliged to increase Mr T's annuity as if the mistake were a true representation of his options. Our role isn't to punish a business – it is to fairly compensate complainants where mistakes have been made. Prudential has clarified the position and I think Mr T is now clear about his options and that the increased fund of £29,970.01 is not available if he wants to top up his existing annuity. The increased fund is only available to Mr T if he wants to use the money as a new pension pot.

There was an earlier mistake by Prudential in calculating Mr T's fund that was identified in 2020. So I understand why Mr T has lost faith in Prudential after its repeated errors in its dealings with him. And I accept that Mr T has been caused trouble and upset and that he has spent time pursuing this latest matter. However, in all the circumstances, and bearing in mind the general levels of awards our service makes in this area, I think the offer of £500 that Prudential has made to Mr T is fair and reasonable. So if it hasn't done so already, Prudential should pay this to Mr T.

It doesn't look like Mr T has decided which option to exercise to correct the underpayment by Prudential. So the calculations will need to be updated. And if Mr T wants further details on the specific calculations used for each option, I expect Prudential to deal with such enquiries promptly.

### **My final decision**

I don't uphold Mr T's complaint against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 6 November 2025.

Abdul Hafez  
**Ombudsman**