DRN-5786912

Financial Ombudsman Service

The complaint

Mr J complains about the way that The Prudential Assurance Company Limited (Prudential) treated him in connection with the payment of pension policies.

What happened

The events leading to this complaint are well known to both parties involved. So, I only intend to refer to key events by way of background information.

Mr J set up a pension with Prudential many years ago.

Prudential wrote to him sometime around February/March 2023 in connection with his policy.

Mr J had no recollection of taking the policy out. Over a period of about three weeks from early March 2023, he made several calls to Prudential to query the situation. I've included some of what was discussed and have mentioned some of the correspondence that Prudential sent Mr J around that time.

3 March 2023 – Mr J explained that he'd received a letter but had no idea what it was about. He initially wondered if it was in connection with a policy his late father (who'd apparently died the year before) might have taken out. Although he provided about four addresses in total (including those he'd lived at previously), Prudential said none of them aligned with its records. However, it confirmed it held a policy in Mr J's name.

8 March 2023 – Mr J called Prudential again as he was keen to get more information about his policy. Prudential again queried the various addresses Mr J had lived at over the years and asked him whether he'd ever lived in an area with an entirely different postcode. He indicated he hadn't. Prudential said it was satisfied it held the correct National Insurance number for Mr J and would be writing to him again soon.

Prudential wrote to Mr J that day (8 March 2023). It thanked him for updating his contact details and confirmed it had completed the necessary identity checks. It added that as it may not have held his correct contact details for a while, he'd likely missed out on important information about his policy. It explained how he could access this information on its portal.

13 March 2023 – Mr J called Prudential again concerning the policy, repeating that he had no prior knowledge of it. He said it's one of those things *"you hear about on the news that never happens to you".* The call handler transferred him to the Pensions Department.
In a subsequent conversation, Prudential indicated to Mr J that it held more than one policy in his name (so, not just the one he'd initially been told about). Mr J described it as "*mind blowing"* to find out about two pension policies he knew nothing about. Prudential again confirmed certain personal details with Mr J, many of which accorded with the details it held. Concerning the second policy that Mr J had previously been unaware of (which was a little higher in value than the first) Mr J said "*I'm thinking, have you got the right guy"?* When Prudential shared other information with Mr J, such as policy values, he said "*life changing isn't the word".* He then told Prudential that his mind was at rest *"knowing I'm the right guy*

and it's real". Prudential said it was pleased it had been able to clarify things for Mr J and was able to confirm it was his money.

17 March 2023 – Mr J confirmed he'd received some policy information from Prudential. But included with it, was a letter dated 17 August 2022 addressed to someone with a similar name to him who lived at a different address. Prudential couldn't say why there was a discrepancy with the information but indicated it would look into it. Mr J asked if "*it's definitely my policy"?* Prudential confirmed it was.

Prudential then transferred the amounts from two policies to Mr J's account in April 2023. It paid a total of £148,116.34.

From around April 2023 onwards, Mr J made regular withdrawals of varying amounts. Those included a withdrawal of £85,000 (before tax was deducted) in June 2023. It later transpired that only one of the policies paid to Mr J was his (with a value of £73,080.04). The other policy with a value of £75,036.30 belonged to another policyholder of a similar name. Prudential later explained to Mr J that he'd been paid an amount of money he wasn't legally entitled to. It told him he was required to repay the sum that was paid in error.

Mr J complained to Prudential. In a letter dated 24 September 2024 it explained how the error had arisen – it hadn't identified that two policies had effectively been merged when Mr J first asked to access the benefits from his policy. Therefore, an additional £75,036.30, which Mr J was not entitled to, was included in the payment. Prudential attached a summary showing the withdrawals that Mr J had made since. It also noted that only £10.27 remained in Mr J's account. Despite the time that had elapsed since Mr J last withdrew funds, Prudential said it still needed to take steps to recover the amount paid in error. Not least, because, legally, Mr J wasn't entitled to the additional sum paid. Prudential said if Mr J wasn't in a position to repay the full amount straightaway, he should get in touch so it could help him to decide the best way to repay the money. It added that, under normal circumstances, it would have paid Mr J £1,000 in compensation to recognise the distress caused. However, in the circumstances, it said it would deduct this amount from the total sum it was seeking to recover. That meant a total of £74,036.30 remained payable.

Mr J wasn't happy with Prudential's response, so he complained to the Financial Ombudsman Service.

One of our Investigators was assigned the complaint. Whilst the investigation was underway Prudential explained some of its recent contact with Mr J in an attempt to recover the amount paid in error.

The Investigator noted that whilst Prudential was entitled to ask Mr J to repay the money paid in error, we'd expect it to do so in a fair and reasonable way – especially when the funds had been spent before Mr J was notified of the mistake. She noted that Prudential had offered to consider a repayment plan in order to recoup the funds and to complete an income and expenditure assessment to determine the amount that Mr J could afford to repay. The Investigator thought that was a reasonable step to take.

Mr J didn't think the Investigator had been given the full facts, so he questioned how she could come to the right conclusion. He also described Prudential's compensation offer as "*disgusting"* given what it had put him through. The Investigator invited Mr J to submit any additional information that he felt relevant to the matter. She also asked him for further evidence about how the funds were spent. Mr J confirmed that he'd used a lot of the money (after a significant sum was paid in tax) to pay off debts and to buy other items.

The Investigator took account of the additional information Mr J supplied and issued an updated assessment. In short, she said there was no doubt that Mr J had benefitted from Prudential's error. However, taking account of his specific circumstances, she felt attempts to recover the overpayment would negatively impact Mr J's lifestyle – especially when he had no means of repaying the funds back and had spent them in good faith. Therefore, she concluded that it wouldn't be fair for Prudential to recover the amount paid in error. She recommended that Prudential should pay Mr J £500 to recognise the distress and inconvenience caused by its error.

Prudential made a number of comments in reply. It said it needed more information before it could respond fully to the Investigator's assessment. It added, amongst other things, that despite its error, that doesn't mean it shouldn't try to recover the money.

The Investigator put further questions to Mr J. He indicated that the situation was causing him severe stress and was affecting his wellbeing. He asked for the matter to be referred to an Ombudsman. It's been passed to me to decide.

In order to help me fairly consider this complaint and determine an outcome, I asked Mr J to provide financial evidence such as bank statements and an explanation of how the funds were spent. He provided additional information for me to consider.

My provisional decision

I sent Mr J and Prudential my provisional decision on 18 August 2025. I've included the relevant extracts below.

"*Before I address the crux of Mr J's complaint, I'll say first that I can entirely understand his strength of feeling about the circumstances leading to it. Given the extensive efforts he made to try and satisfy himself that the policies were his, it must have been something of a blow for him to find out some time later that wasn't the case. Prudential fully accepts responsibility for the mistake that occurred. Given that, I don't think I need to say too much more about what led to it.*

I will say though that prior to Mr J finding out about the mistake, I think it was reasonable for him to rely on the information he'd been given in good faith, not once, but several times over. Mr J had previously described it as "mind blowing" and "life changing" to find out he was entitled to the proceeds from two policies he had no recollection of. I imagine most people who suddenly find themselves with an unexpected 'windfall' of the size involved here, would likely describe the situation in a similar way. And in these particular circumstances and as he'd been assured that both policies were his, I can see why Mr J might have felt entitled to spend the money in ways that he saw fit.

However, the fact is, Prudential made a serious mistake. And, as things stand, there's little doubt that Mr J has benefitted from that mistake.

As a starting point, I think it's reasonable for a business to try to recover an overpayment when it becomes apparent that a customer has received funds they're not entitled to. I'm aware that on discovering the error, Prudential asked Mr J if he was willing to agree a repayment plan. I think that was a reasonable first step to take. However, Mr J said he wasn't in a position to agree a payment plan.

That appears to have prompted Prudential to ask Mr J further questions and for evidence of what he'd spent the money on. It seems that those conversations didn't progress very far and, as he'd approached us by that point, Mr J said he wanted those types of questions to *be directed via this Service. Given everything that has happened, I can understand Mr J's position.*

Here, I have to keep in mind that regardless of how the issue arose, I don't think that Mr J has a legal entitlement to the funds Prudential paid to him in error. And, if it had chosen to, Prudential could have tried to recover the funds through the courts. In the event that had happened, it seems highly likely that a court would have required Mr J to provide full disclosure of all of the relevant financial and other information in order to make a determination.

But we're not the courts. I make my decisions on the basis of what's fair and reasonable. In order to reach my determination, I explained to Mr J that I'd also need to see some evidence of his financial position and how he'd spent the funds. Mr J's given me some of the information I asked for. For example, he's indicated a proportion of the money was used to repay 'debts', although I don't have detailed information about the types of debts that were repaid. I've also seen extracts from Mr J's bank statements. Although he's indicated he does have another bank (savings) account, he's suggested that's now empty. I haven't seen specific evidence of that. Mr J's also indicated that having to provide such evidence now, given the background to this situation, is causing him further distress. I can entirely appreciate that.

I don't wish to cause Mr J further distress. But not having all of the information that might have been useful does mean that I don't have a complete picture of Mr J's financial position and how the money was spent. I've thought about this situation very carefully.

Given the absence of tangible evidence, particularly around what Mr J has spent the money on or other outgoings he has committed to because of it, alongside full detail of his current financial position, I can't say that Prudential is acting unfairly and unreasonably in trying to recover the funds paid in error. Had I been satisfied Mr J had demonstrated that he had spent, or committed to spending, the money that Prudential paid him in error, then it's likely I would have said he was only in that position as result of Prudential's confirmation that the money was his. In those circumstances, it's likely I'd say it wouldn't be fair for it to try to recover those funds. As that could leave Mr J in a financially precarious position which was not of his own making.

But Mr J hasn't provided me with all of that evidence. That means I can't be certain that he doesn't still have access to most, or even some, of those funds. And I think it's worth repeating that, ultimately Prudential could reasonably try to pursue the overpayment through the courts. So, given that Mr J hasn't fully evidenced that he's not in a position to repay some or all of the funds, I think it's fair for Prudential to try to recover those from him. In the event that Prudential chooses to exercise its right to take legal action, I'd expect it to do so fairly and sensitively given that this wasn't a situation of Mr J's making.

Finally, there's no doubt that Prudential has caused Mr J a significant amount of distress as a result of its error. And that's something I'm intending to say Prudential needs to recognise in a meaningful way.

I can only imagine the impact that these events have had on Mr J. He's gone from a situation that he described as "mind blowing" and "life changing" to one where he potentially faces the prospect of legal action. That would be daunting for most people. Mr J has described to me the impact that these circumstances have had on him and his wife. And it appears that their existing health conditions may have been exacerbated as a result. My role here isn't to punish Prudential for what's gone wrong. But I do need to recognise the impact of Prudential's mistakes.

When thinking about that, I'll take account of things such as the severity of the error; the period over which it happened and the lengths that the consumer might have had to go to to put things right. Here, the situation still isn't resolved despite it being identified around a year ago. And this may well be a situation that Mr J is facing for some time to come yet – especially if Prudential does decide to take legal action. However, I'd expect Mr J to engage positively with Prudential in order to help achieve a resolution to this matter.

In these particular circumstances, I'm intending to say that Prudential needs to pay Mr J compensation of £5,000. We don't often make awards at this level. And when we do it will usually be where a business' actions have had an extreme impact on an individual. I'm satisfied that's the case here. Mr J took reasonable and repeated steps to query with Prudential that he was legally entitled to the proceeds from two pension policies. And it assured him, repeatedly, that he was. Yet, over a year later, he not only discovered he wasn't entitled to all of the money received, but that there was a prospect of Prudential taking legal action against him. I'm satisfied that meets the definition of "extreme impact" that warrants a payment at this level. Further, regardless of any next steps Prudential decides to take in respect of the overpayment, it should pay this sum directly to Mr J and not reduce the overpayment by this amount".

Responses to my provisional decision

Mr J provided statements relating to his current and savings accounts.

Prudential made a number of comments:

- It said it would always try to avoid going down the legal route where possible – especially if Mr J provided the evidence it and this Service had requested. It reiterated that it would be happy to agree a repayment plan with Mr J.

- It acknowledged it made a mistake when paying Mr J two policies and accepted that a compensation payment was due. But it didn't agree with the level of compensation (£5,000) I said I was minded to award. Prudential believed it had given Mr J correct information at the time about whether the policies were his. And, it said that, until last year, neither it nor Mr J were aware that the second policy belonged to a different policy holder. So, Prudential disagreed that the issue had been going on for some time. And it said matters had been prolonged because Mr J wouldn't engage with it directly regarding recovery of the funds.

- Further, it felt a compensation award at this level suggested redress for future distress Mr J might suffer. It also felt an assumption had been made about whether it would recover the overpayment, fully or partly, and use legal means to do so. Prudential said these events may not happen – especially if Mr J replied to reasonable requests for information.

- Finally, whilst noting that each case is considered on its own individual merits, it cited other cases where it felt mistakes had had far greater and longer-term impacts on the consumer, yet a smaller amount of compensation was awarded.

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’ve given very careful thought to the information and comments that Mr J and Prudential have given me.

I’ll start with Mr J’s response. Neither of the bank statements he’s provided show balances, that are equivalent to the amount he received in error. And whilst the current account balance appears to have been topped up as Mr J took withdrawals from his pension, the balance at other points was fairly modest. The savings account appears almost empty. That does tend to suggest that Mr J may no longer have access to the sum of money he received in error. That said, I’m mindful that it’s entirely possible Mr J could have other accounts or realisable assets.

Further, I still don’t have a complete picture concerning Mr J’s financial position – especially concerning all of the ‘debts’ that he says he settled using the money Prudential paid him. Again, that means I can't be certain about how the money was used.

Taking these factors together, I’m not inclined to change what I said in my provisional decision. Based on the limited information before me, I still can’t fairly say it’s unreasonable for Prudential to try to recover the funds paid to Mr J in error.

Turning now to Prudential’s response. Having carefully considered its comments, I recently wrote to Prudential to explain that it was unlikely my findings would change from what I said in my provisional decision. However, I explained that I’d be expanding on some of the points I’d made, largely because I don’t think Prudential’s response takes account of all of the key facts.

First, Prudential is adamant it didn’t know the total amount paid to Mr J wasn’t due to him. I accept that current Prudential staff might not have known the second policy wasn’t Mr J’s, as it seems unlikely it would have paid benefits to someone who wasn’t entitled to them. However, there’s a note in Prudential’s file as far back as the 1990s, suggesting that two policies might have been merged. It appears that Prudential intended to look into this at the time. I don’t know if that ever happened. But if it did, it seems unlikely it would have told Mr J he was entitled to benefit from two policies when that wasn’t correct.

Second, from several calls I’ve listened to, Prudential was clearly concerned that the address Mr J cited didn’t match what it held on its system (although the National Insurance number did). I’m assuming that’s because Prudential was looking at the other policyholder’s address. This prompted Mr J to list every address he’d ever lived at, none of which matched the details Prudential could see on its system. I think that should have prompted Prudential to question and investigate the mismatch. But it didn't do so. This was a further opportunity lost to prevent the overpayment.

Third, Mr J specifically told Prudential that he could see a letter addressed to a policyholder of a similar name at a completely different address on his online portal. Prudential couldn’t explain why he’d have access to a different policyholder’s letter and appears to have committed to looking into this. I’ve seen no evidence that it did so. But if it had, it seems likely it would have identified and prevented the error.

All of these things point to the fact that Prudential had likely been aware of a potential problem for many years. If it had taken the opportunity to look into things as it suggested it would, the problem may have been resolved before payments were made to Mr J. In turn, that’s likely to have avoided a significant amount of distress to him.

Prudential thinks I’m trying to award compensation to Mr J for any future distress he suffers. To be clear, I am not. Mr J found out, over a year after he’d been assured he was entitled to the proceeds from two policies, that only one belonged to him. And whilst I accept that

Prudential may ultimately decide that legal action to recover those funds isn't necessary or viable, the possibility for such action has already been communicated to Mr J. And I have to keep in mind here that it's an option which remains open to Prudential if it sees fit.

It's absolutely clear to me that these events have already been a source of great distress for Mr J. Especially as he says his and his wife's existing health issues have been exacerbated by Prudential's actions. Mr J has told me he's spent the money so has no easy way of paying it back. So, this isn't a situation where Mr J had put the money to one side in the hope of spending it in future. In those circumstances I imagine it would be quite upsetting and disappointing to find out the money wasn't his to spend after all. But in a situation like this, where Mr J has already spent the money (because he thought he was entitled to it) with no easy way of paying it back, I'm satisfied that's a pretty distressing situation for Mr J to find himself in. In short, I don't agree with Prudential that I'm trying to compensate for future distress Mr J might suffer. I'm satisfied he's already experiencing severe distress.

Prudential's also commented on other cases where it believes we've made smaller compensation awards in situations that it feels have had a longer or greater impact on the consumer. However, as Prudential is aware, when deciding to award compensation – and if so, how much – we look at the individual circumstances of the complaint. We think about how a business's errors or omissions have impacted the consumer. We then consider that impact alongside the guidance we follow and our expertise in making such awards. That's what I've done here and having done so, I'm satisfied that £5,000 compensation is fair and reasonable in the specific circumstances of this complaint.

My final decision

I uphold this complaint. I now require The Prudential Assurance Company Limited to pay Mr J compensation of £5,000 for the reasons set out in my provisional decision and as expanded upon above.

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

Amanda Scott
Ombudsman