

The complaint

Mr H complains that his premiums to his Prudential Free-Standing Additional Voluntary Contribution (FSAVC) pension plan stopped when he reached his normal retirement date, even though he had contacted Prudential to tell it he wanted them to continue.

What happened

Mr H holds an FSAVC plan with Prudential with a normal retirement date in June 2024. He was making contributions of £60.78 net per month. In April 2024 Prudential made contact to remind him that this retirement date was approaching and setting out the options he had for taking benefits.

Mr H called Prudential back on 2 May 2024. He informed Prudential that he wanted to continue contributing and wanted to increase the premium level. Mr H says that whilst Prudential agreed that the premiums could continue as usual, it said he would need to call back after June 2024 to increase the level.

Prudential then wrote to Mr H on 3 August 2024 saying that as he hadn't specified a new retirement date, it had updated his retirement date to June 2029. This letter also confirmed that his premiums had stopped in May 2024, but could be restarted at any time.

Mr H told Prudential on 19 August 2024 that he was unhappy his contributions had stopped. Prudential responded two days later attaching a form to restart the contributions. The following day Mr H asked Prudential to send an illustration and forms to increase his contributions, saying he had been trying to do this for three years. These were provided on 2 September 2024.

Prudential received Mr H's signed forms on 9 September, but he had to chase on 17 and 26 September to check it had received them. On 26 September Prudential confirmed that it had restarted the contributions and from 1 October 2024 the premium would increase to £100 net per month. However due to system constraints it would first collect a double payment of £200 on 1 November 2024 and then continue to collect £100 per month thereafter.

However, the premiums weren't collected in November 2024. Mr H had some health issues in the months between November 2024 and April 2025, so he didn't immediately notice that this hadn't happened. When he looked at his secure messages with Prudential he found a direct debit confirmation dated 27 September 2024, informing him that Prudential will collect £0.00 on 15 November and £0.00 each month thereafter.

He complained to Prudential in April 2025 about "*the dismal service I have received from Prudential over the last 11 months, & ongoing*". He wanted compensation for the loss of contributions since May 2024. He also made reference in his complaint to having tried unsuccessfully to increase his premiums over the past three years. On the same day as Prudential acknowledged Mr H's complaint, on 14 April 2025 it explained what it would do about restarting the payments:

"Due to administrative error, we were unable to collect the premiums from 1 October 2024. We will now collect the total payment of £800 on 1 May 2025, which will cover the premiums

from 1 October 2024 up to and including 1 May 2025, namely £100 net for each month. The premiums will be invested from the date they were originally due, so that the plan is not financially disadvantaged. We apologise for the inconvenience.”

Mr H didn't agree with this. He asked for the first payment to start on 1 May at £100 and each subsequent month. He said he couldn't pay the arrears of £800 as this would cause financial hardship. Prudential agreed to do this but maintained that *“The premium will be invested from the date it was originally due, so that the plan is not financially disadvantaged.”*

When Mr H asked Prudential to clarify what this meant, it explained, *“We will collect the first payment on 16 May 2025 and invest it effective from 1 May 2025, as the original due date is 1 May 2025.”* However, the instruction Prudential put in place was for a £200 payment from 1 May onwards. It wrote to Mr H on 24 April 2025 confirming this before sending another confirmation dated 28 April 2025 for £100 payments. Although this caused him some concern, only the £100 contribution was taken – albeit from early in May 2025 and not 16th.

With effect from the 1 June contribution (collected in late May 2025), an automatic 5% annual indexation already on the policy increased the premium to £105. (There is a letter dated 20 April 2025 on file advising Mr H of this future increase.)

In its final response to the complaint, Prudential accepted that Mr H had received poor customer service throughout the process of delaying his retirement. It agreed he was told payments would continue and that this didn't happen. When Mr H told it of the problem in August 2024, it should have rectified it immediately, but instead Mr H had to complete forms and contact Prudential several times in order to get the payments reinstated. Prudential also said there were delays in responding to his queries via the secure messaging service.

Regarding Mr H earlier attempts to increase his premiums, Prudential noted he'd been in touch on 6 June 2022 with such a request. At that time, Mr H was told someone would call him back within 48 hours to complete the arrangement, but no action was taken. Overall Prudential offered Mr H £400 compensation for the trouble and upset its actions had caused him. Mr H asked for this to be sent to him by cheque, but also referred his complaint to our service as he didn't think this was sufficient compensation.

Our Investigator asked Mr H if he was in a position to make up for the contributions he'd missed, because without him doing that she didn't think it was fair to make Prudential pay for any investment loss. Mr H explained that he had lost faith in Prudential and had invested the missed contributions in an ISA instead. As a result, he wasn't prepared to pay the arrears.

Our Investigator thought Prudential had already made a fair offer, but Mr H didn't agree. In summary, he said that:

- Prudential repeatedly failed to action clear and timely instructions relating to the FSAVC contributions, despite multiple contacts from him over an extended period.
- This led to repeated chasing and wasted time on his part, including completing forms, confirmations, and corrections that should have been handled internally – and time spent reviewing correspondence and checking bank statements.
- Knowing that contributions were not being collected, and repeatedly discovering new administrative errors, caused him considerable stress at a time when he was already in poor health.
- This was a prolonged service failure by Prudential, not a one-off mistake.
“Compensation awards in similar long-running service failures often exceed the amount Prudential has offered.”
- While he isn't seeking compensation for investment loss, the scale and duration of the error should be reflected in the compensation level awarded for distress and inconvenience.

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.

Firstly, I note that Prudential's final response to the complaint does also address Mr H's claim to this service that Prudential's mismanagement 'prevented' him from increasing his FSAVC premiums at earlier points in the past three or so years. When Prudential looked into this it found evidence of one call from Mr H to ask about making a premium increase, and a promise to call him back which wasn't honoured. I wouldn't regard this additional evidence as adding a lot of weight to the case Mr H already has for Prudential's mismanagement between May 2024 and May 2025, which I'll consider below.

Mr H hasn't challenged Prudential's response that he only made one attempt to increase premiums during that earlier time period. If Mr H was serious about increasing his premium before 2024, I'd expect to see some evidence of him calling Prudential back and pointing out that no-one had returned his call. As it stands, the evidence suggests he may have been unsure or simply changed his mind at that time. Although I can take Prudential's admitted failure to return one call in 2022 into account, it won't weigh in significantly in relation to the much greater number of errors made between 2024 and 2025.

On the rest of the complaint, I don't have a lot more to add to what our Investigator has already said. As they explained, where there has been an error, we usually look to put a customer in the position they would have been but for that error.

Had it not been for Mr H's poor experience with Prudential, it's likely that instead of making new contributions to his ISA he would have paid the premiums (plus increases) he'd wanted to make to Prudential. But now that those contributions have been made to the ISA instead, they will experience a different tax regime and different level of growth than they would have earned in Prudential's with-profits fund.

That was a conscious decision Mr H made to change the way he invested. In my view Prudential can't reasonably be expected to compensate Mr H for the difference between the two regimes. However, it was open to Mr H to consider making a withdrawal from his ISA (and/or using the compensation he was due to receive for distress and inconvenience) in order to return the missed contributions to Prudential so that it could reinvest them as at their original dates. As Mr H has confirmed he is no longer seeking the backdating of contributions as compensation, I won't comment on it further.

I also agree with the Investigator that Prudential stopping the contributions in error and its repeated mistakes with restarting and increasing them caused Mr H significant distress and inconvenience. Prudential has already offered to pay £400 compensation for this. Even when taking into account Mr H's health problems and the worry caused in particular by the £800 and £200 direct debit notifications, and the additional failure to return the phone call in 2022, I consider this to be a fair and reasonable offer overall.

Mr H suggests that based on 'Ombudsman precedents', awards in the region of £400 are typically made for short-term mistakes, limited inconvenience, issues resolved within weeks, and cases involving minimal repeated contact. (I assume that he is referring to our scheme rather than the Pensions Ombudsman which is a separate body and which he also mentioned in his correspondence with Prudential.)

We publish guidance on our website¹ about the sizes of awards we make for distress and

¹ <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>

inconvenience. That guidance says that an award in the range of £300 to £750 would normally be considered to be fair where the impact of a mistake has caused considerable distress, upset and worry over many weeks or months – and/or significant inconvenience and disruption that needs a lot of extra effort to sort out. This bears little resemblance to Mr H's reference to short-term problems only causing a little inconvenience – those would typically receive compensation of £300 at most.

I think all of these descriptions of considerable distress and inconvenience, putting the complainant to a lot of effort, spread over many months, apply to Mr H's case. (For the avoidance of doubt, he wouldn't fall into category above £750 where our guidance refers to situations involving substantial distress, with examples including a business committing a serious offence, causing humiliation or disrupting a complainant's daily life).

The question is therefore whether the offer Prudential already made sits at an appropriate level in this £300-£750 band. I and my colleagues will give some credit for the fact that a business has already recognised its error and made an offer at an early stage – in this case, before the complaint was even referred to us. As our role is to resolve disputes informally we're unlikely to make a relatively small change to an offer that was broadly reasonable already. And I don't think the severity of Prudential's errors, while concerning not least for Mr H, mean they fall at the upper end of this range in any event. I note Mr H's point that they lasted about a year, but I think that's already reflected in the size of the award. So there isn't a reasonable basis for me to consider increasing it.

Mr H is also seeking a clear assurance that Prudential will implement necessary improvements to prevent similar issues in the future. However my decision is confined to his particular dispute with Prudential. I can't speculate on what errors might happen in future or to other people. If Mr H encounters an issue in future unrelated to the current dispute, he will be able to make a separate complaint about that.

My final decision

Prudential Pensions Limited has caused Mr H significant distress and inconvenience and has already made him an offer of £400 for this, which I consider is fair and reasonable in all the circumstances of the complaint. Prudential must pay Mr H this sum if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 27 January 2026.

Gideon Moore
Ombudsman