

complaint

Mrs K complains that The Prudential Assurance Company Limited made mistakes and delayed in surrendering part of her investment bond. This caused her a great deal of worry, inconvenience and upset.

background

Mrs K has an investment bond with Prudential which she gets a monthly income from. The bond is made up of a number of individual segments.

Mrs K asked Prudential to surrender just one of those segments and have the money paid directly to her bank account. But, by mistake, Prudential surrendered Mrs K's entire bond.

Mrs K and her financial advisor told Prudential about the mistake and it asked her to pay all the money back to it. It would reinstate the bond and then pay her the amount of the segment she had wanted to cash in.

But the matter took a significant amount of time to be put right. Mrs K and her financial advisor asked to be reassured that the money had been received safely and that Mrs K would be receive the money for the segment's surrender. But Prudential didn't contact Mrs K when it said it would. It was only when Mrs K complained about what had happened that the money was paid to her. By this time Mrs K had missed two month's worth of her income payments from the bond, which she relied upon to supplement her retirement income. She'd also had to ask for her bank to give her an overdraft for the time she was waiting to get her money.

Prudential apologised that Mrs K had been let down with the service she'd received. It said the bond had been fully surrendered because of a clerical error. It acknowledged that Mrs K and her financial advisor hadn't been kept up-to-date with what was happening and that there had been delays in sorting out the problem. It offered to pay Mrs K £500 for the upset she'd been caused and said that the money from the surrendered segment would be paid into her account in a few days, along with the two months' of missed income payments. Prudential also offered to pay Mrs K £25 for her call costs, £25 to represent the interest lost on the income payments and £63.62 to represent the interest lost on the amount she had wanted to surrender.

Although the money for the surrendered bond segment was then paid to Mrs K when Prudential said, the income payments didn't go into her account until a day later. This was because the amounts had gone down when the segment of the bond had been surrendered. Prudential offered to pay Mrs K a further £100 for this inconvenience.

Our adjudicator looked at the particular circumstances of the original complaint and thought that Mrs K had been caused a substantial amount of trouble. She thought the £500 offered at that time should be raised to £750. She said the additional amounts Prudential had offered including the £100 for the extra inconvenience with the income payments should be paid on top of the £750.

The adjudicator also said that Prudential should compensate Mrs K for the interest she was charged for needing to use an overdraft.

Prudential didn't fully accept the adjudicator's findings. Although it offered to pay any bank charges Mrs K had incurred, it felt the offer it had made was fair.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mrs K uses her bond with Prudential to supplement her retirement income by taking a monthly income from it. She's told us that her bond has a number of separate segments which she cashes-in when and if she needs to.

Mrs K needed a sum of money and asked Prudential to surrender just one segment of her bond. Prudential made a mistake by surrendering her bond in full. It wrote to Mrs K to say that this was a chargeable event and that she may have incurred a tax liability.

I've looked at the actions Prudential then took to resolve the mistake it made. Mrs K was asked to return the full amount she'd been paid, which meant that she needed to visit her bank and arrange for the money to be sent back to Prudential.

I appreciate that this is a significant amount of money for Mrs K, especially considering how she relies upon it in her retirement for an income. But she was left without knowing that Prudential had safely received her money back; when it was reinstating her bond and when it would pay her the surrender amount of the bond segment that she needed.

From Mrs K initially asking for her money, it took Prudential over two months to get this to her. She also didn't receive her normal monthly income payments during that time. She's told us that she had to ask her bank for an overdraft to help her. I also understand that she was concerned about whether she'd be able to pay for a booked holiday and that she had to delay on a car she'd agreed to buy.

Looking at what happened, I think that the situation is likely to have caused a great deal of worry and upset to Mrs K. Both Mrs K and her financial advisor phoned and wrote to Prudential to find out what was happening with her money a number of times during that period. Promised phone calls weren't always returned and Mrs K was led to believe that the payment was being processed, when this wasn't the case.

In these particular circumstances, I think that a payment of £750 would have been more reflective of the substantial upset Mrs K was caused and the trouble she was put to, rather than the £500 Prudential initially offered. It fairly offered to make sure that Mrs K wasn't financially disadvantaged by the situation. This included a £25 bank transfer charge, £25 for her call costs, £25 for the delay and lost interest on the income payments; and £63.62 in lost interest on the surrender amount.

When it wrote to Mrs K about her complaint, Prudential said she would receive her surrender amount and the two income payments in a few days' time. But she needed to contact Prudential again when only the surrender amount was paid to her account. Prudential said that the amount of the income payments was reduced by the surrender of part of her bond, and this caused the delay. It offered to pay her a further £100 to recognise this extra inconvenience which I think is fair.

Overall, I think that a payment of £750 would more fairly compensate Mrs K for the substantial inconvenience she was caused through Prudential's mistake. The payments for Mrs K's call costs; lost interest; and transfer charges should be paid in addition to that amount, as should the £100 for the extra delay with the missing income payments. Prudential should also refund any bank charges or interest Mrs K incurred through needing to use an overdraft.

I understand that Prudential has already sent Mrs K a cheque for its initial offer which totalled £613.62, but Mrs K may not have cashed that cheque. If that cheque has now expired, then the full amount of compensation should be paid to Mrs K.

my final decision

My decision is that I uphold this complaint. I require The Prudential Assurance Company Limited to pay Mrs K £750 for the trouble she was caused through the mistake with the surrender of her bond and £100 for the additional inconvenience with the income payments.

The other payments for lost interest, call charges; bank transfer charges and any overdraft fees should be paid in addition to this, as Prudential has already agreed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 6 November 2015.

Cathy Bovan
ombudsman