

complaint

Mr H complains that The Prudential Assurance Company Limited (“Prudential”) failed to correctly calculate his fund value when he retired. He also complains that the customer service provided to him, his wife, and his financial advisor was not to a sufficient standard.

background

Mr H has been represented in this complaint by his wife, Mrs H. But for simplicity I will refer to all communication as taking place with Mr H.

Mr H held two retirement policies with Prudential. One policy matured on 1 April 2017 and the other on 1 June 2017. Both policies provided guaranteed annuity payment amounts to Mr H. The amount of each payment was subject to a terminal bonus. This was revised by Prudential, usually in January and April each year. So at these times any transfer value quotation (that was calculated by multiplying the annuity payment by a factor representing life expectancy) was likely to be updated to reflect that change.

Mr H received a quotation for retirement benefits in January 2017 in relation to his policy expiring in April. That quotation was valid for a period of one month. He completed the paperwork to accept his benefits in late March 2017 and submitted this to Prudential.

Prudential didn't honour the quotation that it issued in January 2017 – it said that Mr H had accepted it too late. And as a result he was given a new quotation that was much lower – reflecting a change in the terminal bonus applied on 1 April.

There were a number of customer service delays in providing Mr H with quotations of his benefits for both policies. As a result his two annuity payments didn't come into payment until August 2017. Prudential has acknowledged that these errors were due to its failings and has adjusted the start date of the annuity payments, and the amounts of tax free cash that Mr H would have been due, to reflect the start dates that should have been achieved. And it has offered Mr H a further £200 to reflect the trouble and upset he has been caused by the customer service delays.

Mr H has accepted, without prejudice, the revised quotations and the adjustments to his pension payments to reflect a more appropriate start date. But he hasn't accepted the payment offered for the trouble and upset he's been caused. He also still believes that Prudential should honour the quotation it provided him in January 2017.

Mr H's complaint has been assessed by one of our adjudicators. He thought that it had been reasonable for Prudential to require Mr H to take a new quotation for his pension in March/April 2017. And he thought that what Prudential had offered in respect of the delays to the pensions being put into payment, and the trouble and upset caused to Mr H was reasonable. So he didn't think Prudential needed to do anything more. Mr H didn't agree with that assessment so the complaint has been passed to me, an ombudsman, to decide.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time.

At the outset it is worthwhile here to be clear about the role of this Service. It is not intended to regulate or punish financial businesses. That is the role of the Financial Conduct Authority. Instead, this service acts to resolve complaints between consumers and financial businesses in an informal manner, as an alternative to court proceedings. In order to do so, should I find something has gone wrong, I would look to put a consumer back into the position they should have been in if nothing had gone wrong.

I will first deal with what has happened regarding the start of Mr H's pensions. It is clear, and Prudential accepts, that the customer service Mr and Mrs H and their advisors received when putting the pensions into payment fell short of the standards they might expect. They received confusing information on a series of telephone calls and that resulted in a delay to Mr H's payments commencing.

But I think what Prudential has done here is reasonable. Mr H hasn't lost out as a result of the delays in receiving updated quotations from Prudential. It has backdated his payments to what they would have been if the quotations had been issued in a more timely manner. And it has added interest to those backdated payments.

The awards that this Service makes for trouble and upset are generally modest. And I haven't seen anything in this case that would make me think I should depart from that general approach. I think that the £200 Prudential has offered to Mr H is reasonable compensation for the inconvenience he has been caused.

I will now turn to the calculation that was performed to determine the value of Mr H's pension for the policy that matured on 1 April 2017.

It is generally a matter for Prudential how it calculates the terminal bonus applied to a policy. Those calculations will involve a number of factors such as market conditions and investment performance. It won't usually be appropriate for this Service to interfere in the legitimate commercial judgement that Prudential exercises when calculating a terminal bonus.

Mr H's policy provided him with a guaranteed annuity as long as he made the necessary payments over its life. And over the years that annuity would be increased by a number of guaranteed bonuses. But the final value of the policy would be determined by the addition of a terminal bonus. Over the years Prudential would estimate the likely size of that bonus, based on the information it had at that time. But the confirmed value wouldn't be available until a policy matured. And Prudential would reassess the size of its terminal bonuses twice each year. So it wouldn't be unusual to see material changes in policy values at the time of those changes.

I can see that Prudential sent Mr H a valuation of his pension in January 2017. But that quotation is clear that it is only valid for a period of one month. It says that if the necessary documents aren't received by the end of that period the income will need to be requoted and might change. Mr H didn't respond to Prudential until a month after the deadline had passed. So I think it is entirely reasonable for Prudential to decide not to honour its original quotation.

Mr H responded to Prudential on 27 March 2017. So given what I have said above Prudential needed to provide him with a new quotation. But that was made more complicated since Prudential knew that its terminal bonuses would be revised at the start of April, and that it expected them to reduce. So I would expect any new quotation that Prudential produced at that time would take account of that change, notwithstanding that Prudential says it can take up to five working days for a new quotation to be generated anyway.

I don't think that the information Mr H's financial advisor received from Prudential at that time was clear enough. The advisor recognised that the quotation was out of date and the figures would need to be revised. But I think Prudential's staff mistakenly suggested that if the forms were received before the end of the month the new quotation would be based on the terminal bonus before it was updated. Whilst that incorrect information was disappointing I don't think it made any difference to the value of Mr H's pension. It was already too late by that point for Mr H to benefit from the old, higher, terminal bonus.

So I think it was fair for Prudential to calculate Mr H's payments on the basis of the new, lower, terminal bonus. The reason Mr H wasn't able to take advantage of the old, higher, terminal bonus was that he returned his paperwork to Prudential too late. And I think the quotation he received in January was clear in terms of the deadline it gave him.

I appreciate that my decision will be disappointing for Mr H. And I am in no way underestimating the frustration that he must have been caused last year. But I think the compensation that Prudential has offered is a fair reflection of the trouble and upset he was caused. And I think the terminal bonus that was used to determine his annuity for the policy maturing on 1 April was fair. So, except for making the payment that it has offered to Mr H, there is nothing more for Prudential to do.

my final decision

Prudential has already compensated Mr H for the late payment of his pensions. It has made an additional offer to pay £200 to Mr H for his trouble and upset. I conclude that this offer is fair and reasonable in all the circumstances of this complaint.

My decision is that The Prudential Assurance Company Limited should pay Mr H the sum of £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 June 2018.

Paul Reilly
ombudsman