

complaint

Mr B's complaint against The Prudential Assurance Company Limited ('Prudential') is about an error in its valuation of pension policies that were transferred to his wife as part of a divorce settlement. Prudential initially offered him £273.10 as compensation, but subsequently said that the error occurred on policies that were transferred to his ex-wife and that she was entitled to that compensation.

background

As part of a divorce court order Mr B was required to transfer into his ex-wife's name some specific pension policies that he had with Prudential. In addition, he was required to make a balancing payment to equalise their pension provision.

Whilst Prudential rejected Mr B's complaint, on the basis that the error related only to the policies transferred to his ex-wife, it accepted that he had been caused some distress and inconvenience by its handling of the matter. It paid Mr B £200 for that distress and inconvenience.

One of our adjudicators investigated this complaint. She concluded that Prudential owed Mr B half of the undervaluation. She explained that, had a higher valuation been used when calculating the balancing payment, the impact of the error would have been shared equally between Mr and Mrs B, giving a loss to Mr B of £136.55. However, given that Prudential had already paid Mr B £200, which was more than half the undervaluation, the adjudicator concluded that no further compensation should be paid.

Mr B did not agree with the adjudicator's opinion. He said, in summary, that the £200 paid by Prudential for distress and inconvenience was insufficient. Mr B said that he wanted Prudential to pay him £409.65. He accepted that, had the valuation error not been made, the additional value would have been divided by two when the balancing payment was calculated. Therefore, he considered that Prudential owed him £136.55. In addition to this, he said that Prudential should pay him £273.10 as he spent this amount when it had told him in error that it was due.

Prudential said that the valuation error only occurred on the segments that were transferred to Mr B's ex-wife therefore she was due 100% of the compensation. It also said that the payment of £200 to Mr B was for the distress and inconvenience it caused when it raised Mr B's expectations.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

As part of Mr and Mrs B's divorce settlement it was agreed that Mr B would transfer some of his pension policies to Mrs B, and additionally make a balancing payment to equalise the pension provision. In effect, the balancing payment sought to give Mrs B half of the total value. The order specified the amount required "*...in order to equalise her pension provision.*"

Prudential has explained that the error occurred on the policies that were transferred to Mrs B. It therefore considers that any correction in the value of those policies belongs solely to Mrs B.

However, as the error meant that Mr B's Prudential pension was undervalued by £273.10, this resulted in the *total* value of Mr B's pension provision being undervalued by this same amount. I accept that as part of the court order 100% of the relevant pension 'segments' were to be transferred to Mrs B. But in looking at the *overall* position, because the value of the total transferred to Mrs B was understated, the balancing payment was higher than it should have been. Had the value of the policies transferred to Mrs B been recorded as being £273.10 higher, the balancing payment would have been £136.55 lower.

Whilst I acknowledge that 100% of the value of the policies transferred belong to Mrs B after the divorce settlement, Mr B was ultimately £136.55 worse off because he had to make a higher balancing payment.

I have not been persuaded that Prudential should pay Mr B £273.10 for informing him in error that he was due this amount. I think it would be prudent to wait for clearance of a payment before spending it, and Mr B would have had the use or enjoyment of any goods or services that he purchased.

However, Mr B has been deprived of £136.55 since the settlement. And I consider that he has been caused additional distress and inconvenience because Prudential did not take into account the impact of its error on the balancing payment. Accordingly, I am satisfied that it is reasonable for Mr B to be re-imbursed the £136.55, with appropriate interest for loss of use of that money at 8% simple per annum, and a further small payment made for the distress and inconvenience caused - £250 in total (inclusive of the interest, but in addition to the payment already made).

my final decision

For the reasons outlined above, I uphold this complaint, and order The Prudential Assurance Company Limited to pay Mr B an additional £250.

David Ashley
ombudsman