

complaint

Mr P complains that The Prudential Assurance Company Limited (“Prudential”) failed to set up an annuity payment in a timely manner. As a result the start of his annuity was delayed and so he has lost income that would have been due to him.

background

The background to this complaint was set out in the provisional decision I issued in July 2018. An extract from this is attached and forms part of this final decision, so I will not repeat that information here.

In my provisional decision I set out why I was minded to uphold the complaint. I invited both parties to let me have any further comments and evidence. Both Mr P and Prudential have said they accept my provisional findings.

my findings

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

Given that both Mr P and Prudential have said they accept my provisional findings I see no reason to depart from the conclusions I previously reached. I think that Prudential caused Mr P’s application to be delayed by approximately two months. Prudential needs to pay Mr P some compensation.

putting things right

I think that Prudential should;

- Pay the equivalent of two month’s annuity payments to Mr P less basic rate tax. I can see that Mr P’s annuity is paid at the gross rate of £329.95 per month. So I calculate the amounts due here to be two payments of £263.96.
- Add simple interest at a rate of 8% per annum to these amounts from 12 May 2017 and 1 June 2017 respectively to the date of settlement*.
- Pay Mr P simple interest at a rate of 8% per annum on his tax free lump sum of £20,950.60 for a period of two months. I calculate this sum to be £279.34 (gross)*.

*HM Revenue & Customs requires Prudential to take off tax from these interest payments. Prudential must give Mr P a certificate showing how much tax it’s taken off if he asks for one.

my final decision

My final decision is that I uphold Mr P's complaint and direct The Prudential Assurance Company Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 30 August 2018.

Paul Reilly
ombudsman

EXTRACT FROM PROVISIONAL DECISION

complaint

Mr P complains that The Prudential Assurance Company Limited (“Prudential”) failed to set up an annuity payment in a timely manner. As a result the start of his annuity was delayed and so he has lost income that would have been due to him.

background

Mr P held a pension fund with Prudential. In February 2017 he approached Prudential to request quotations for enhanced annuity payments due to medical conditions that he was suffering from. Mr P says that Prudential sent him an extensive questionnaire to complete before telling him that it wasn’t needed and the information had to be collected in a phone call. And then he says Prudential introduced further delays before transferring his pension fund to a third party that would provide the annuity.

The third party then questioned some of the information Mr P had provided about his medical conditions. But Mr P says Prudential insisted on the additional information being sent via it rather than direct to the third party. And these further delays resulted in the annuity not being put into payment until October 2017.

When Mr P first complained to Prudential it didn’t think the delays he had experienced had been excessive or that his payments had been purposely delayed. But Prudential accepted that the communication it had provided to Mr P had been poor. As a result it paid Mr P £100 for the inconvenience this had caused. But Mr P was still unhappy with the time it had taken to set up his annuity so he brought his complaint to this Service.

Mr P’s complaint has been assessed by one of our investigators. She thought that Prudential had been responsible for some of the delay in Mr P’s annuity being put into payment. So she asked Prudential to pay Mr P an additional £100 for the inconvenience these delays had caused.

my provisional 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.

It seems to me that there were two distinct phases in Mr P’s annuity being put into payment. There was a period of time – until 3 July 2017 – when his relationship was entirely with Prudential. After that time, although Prudential encouraged Mr P to remain in contact through it, the set-up of Mr P’s annuity was in the hands of the third party. I will deal with that part of the process first.

Prudential sent the funds for Mr P’s annuity to the third party in early July 2017. The annuity quotation that Mr P had received was enhanced due to some health issues that he had. These had been declared to Prudential during telephone conversations. I understand that the third party randomly selects some applications to seek confirmation from the consumer’s doctor of the health issues that have been declared. That is what happened in Mr P’s case.

The information that Mr P’s doctor provided didn’t entirely match the medical information that Mr P had given to Prudential. So the third party reasonably sought some additional evidence from Mr P and his doctor to confirm his entitlement to the enhanced annuity. It appears this process took some time, but by early October the third party was satisfied that Mr P was entitled to the full enhanced annuity. Mr P’s annuity was put into payment and back-dated to 12 July 2017.

At this stage it would be useful to note that the role of this service isn't to regulate or punish businesses. Where we find a consumer has lost out as a result of something a business has done wrong we look, as far as possible, to put that consumer back into the position they would have been in if the error hadn't occurred.

So here, although there may have been a delay in Mr P's annuity starting, his payments were backdated to when the third party received the funds from Prudential. And whilst I accept that this means Mr P didn't have the use of the annuity payments or his tax free lump sum for a period of around three months I haven't seen enough to make me think these delays were because of something Prudential had done wrong. Instead I think the delay was caused by the third party needing to check the medical information provided by Mr P and his doctor. And in this decision I'm not considering whether the time taken by the third party to make these checks was reasonable – just whether Prudential did anything wrong.

Turning now to the earlier stage of the process. I can see that Mr P first contacted Prudential about enhanced annuity rates at the end of February 2017. He was sent a medical questionnaire to complete two weeks later. This was a long document (it was 23 pages long) so it isn't surprising that it took Mr P a couple of weeks to complete. And it also isn't surprising that Mr P was annoyed when he called three weeks later only to be told that Prudential now gathered the medical information by telephone and so it wouldn't be using the questionnaire he was sent.

There then followed a number of telephone calls with Mr P discussing both his medical conditions and the options available to him. He was also required to complete two application forms and provide Prudential with identity documents. It seems to me that Mr P responded promptly to all of these requests, whereas there were delays of a couple of weeks each time the documents were returned to Prudential.

When Prudential ultimately sent Mr P's application to the third party it was advised that the quotations sent to Mr P had expired. As a result the third party confirmed that Mr P's annuity payments would be £9.36 per annum lower. But the ultimate annuity that was paid to Mr P was higher than both the original and the revised quotation. I don't know what has caused that difference – it might be because of improved annuity rates following further investigation of his medical condition. But overall I don't think the original quotes expiring caused further loss to Mr P.

I currently think that Prudential caused Mr P's application to be delayed by approximately two months. I think a reasonable processing timescale would have seen his annuity request be sent to the third party at the start of May 2017. So I think these delays have caused Mr P to lose out by him not receiving annuity payments in May and June 2017 and not having use of the funds from his tax free lump sum for a similar period. I note that Prudential has already paid Mr P £100 for the inconvenience it has caused him and so I am not making any further award in that regard.