

complaint

Mr S complains The Prudential Assurance Company Limited (Prudential) delayed the transfer of his deferred annuity contract, which resulted in a significant financial loss.

background

Mr S requested two pension transfers on 15 March 2017, following advice from his IFA. The first was an external transfer to another provider and the second an internal transfer from his prudential deferred annuity contract to a Prudential drawdown account. The transfer value of the second application was given as £330,568.

The first transfer to the external provider was completed on 23 March 2017 but the second didn't complete until after the 01 April 2017. Prudential say this was because an Appropriate Advice Declaration (AAD) was missing from the second transfer application and they were unable to complete the transfer without it.

Mr S's IFA says he complied with the written instructions Prudential gave and provided all the information they asked for on the 15th March but when the first transfer completed and the second hadn't he contacted them to find out why. Prudential said the AAD was missing from the second transfer application and they were unable to complete the transfer without it. As this was on 29 March 2017, the IFA queried why they hadn't requested this earlier and returned the information needed the same day.

On the 31st March 2017, Prudential took a business decision to change the way transfer values were calculated and as Mr S's transfer took place after this date, his transfer value was reduced to £303,000.

Prudential say it was the IFA's responsibility to ensure they had all the correct documentation to process the application, and once they received it, they processed his transfer in a timely manner. They accepted there had been some delays for which they compensated Mr S but although unfortunate that the transfer value calculations were amended during this period without the correct documentation, they couldn't carry out his instruction any earlier.

Our adjudicator looked into matters for Mr S and initially thought Prudential had acted reasonably and didn't ask them to do anything further but Mr S's IFA provided further written evidence which was sufficient to persuade her to change her view and uphold his complaint. She then asked Prudential to put Mr S back in the position he would have been in had the transfer completed before 01 April 2017.

Prudential disagreed and asked an ombudsman to review the case and make a final decision.

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 have considered the periods that applied to the correspondence between Mr S's IFA and Prudential. This chain of contact started on 13 March 2017 and continued through to the end of March 2017. As the parties were corresponding by email and online application, the information was shared quickly and in most cases the same day. I can see that Mr S's IFA requested clarification in his email of 13 March on exactly what was needed to complete the transfer into a retirement account as he was struggling to locate the forms.

The administration team at the Prudential clarified this for him stating "*the only paperwork we will require is an Online Declaration signed by the client*" and provided the appropriate link to this on their systems. There is no mention of an AAD or any additional requirements to complete the transfer.

The Prudential have given me a detailed insight into their internal workings and how each team processes different elements of the transfer and have given this as an explanation as to why the missing document wasn't picked up until much later. I have also considered their service standards, which aim to process transfer requests within five working days of receipt of all the paperwork.

But, I'm afraid it seems the missing AAD wasn't picked up at all until Mr S's IFA telephoned them to query why the second transfer hadn't completed, it was only then he was informed additional information was required. And so, it seems, on this occasion, their internal systems failed to highlight a missing document the administration team had never asked for it in the first place.

I'm not minded to accept the argument that the IFA "should have been aware" of the documents Prudential require to complete a transfer. The IFA has provided evidence he sought to clarify exactly what was needed and then complied with the information he was given by the Prudential's administration team and did so in a timely manner. The online application was completed on 15 March 2017 and on the same day; the Prudential sent Mr S a letter confirming his application was being processed. It included a summary, an illustration, the terms and conditions and a Key Features Document. The letter confirmed the transfer value exceeded £30,000 but didn't include an AAD for completion.

I'm persuaded there were several opportunities for Prudential to have picked up the AAD was missing and had they done so earlier, or pointed this out, when Mr S's IFA clarified what was required I have every reason to think this transfer would have completed before 01 April 2017 and this is the crux of the matter.

The dates here are crucial because the business made took a policy decision which affected transfer values after 31st March 2017. A decision neither Mr S nor his IFA were aware of. Whilst Prudential have every right to make such a decision, the delay in carrying out the transfer request meant Mr S suffered a far greater loss than he would otherwise have done so. This is because his pension was already within a deferred annuity contract and dependent on annuity rates rather than a unit linked investment, which would be subject to the fluctuations of the market. By this I mean that there were no external factors that would have led to such a significant loss – it was the timing of the policy decision coupled with the delay in transferring his fund to a retirement account.

I'm satisfied both Mr S and his IFA did all that was required and asked of them at the time to comply with what was needed to transfer his deferred annuity into a retirement account with the same provider. The fact that he completed another transfer to an external provider within

Prudential's service standards shows their internal systems can work well and efficiently but in this occasion they failed to flag up an essential piece of information was missing.

Prudential have acknowledged there were delays in processing Mr S's retirement account. I'm persuaded they failed to clarify the need for the AAD in the beginning and when the illustration was sent out to Mr S with a clear value exceeding £30,000.

Whilst I am unable to intervene in commercial decisions taken by Prudential or comment on the reasons why those decisions were taken, I don't think it's fair and reasonable Mr S should suffer such a significant loss because a policy decision to reduce bonus rates was taken in the midst of these delays.

my final decision

For the reasons I have given I'm upholding this complaint and direct that Prudential Assurance Company Limited should-

1. Recalculate the transfer at the value that would've applied prior to 31 March 2017 with the benefit of the transfer value at the time and provide confirmation of the amount to Mr S.
2. Pay Mr S the difference between the amount he was paid and the amount Prudential Assurance Company Limited calculated under the point above. Plus simple interest at the rate of 8% per annum from 31 March 2017 to the date of actual payment to Mr H's new fund.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 1 June 2018.

Wendy Steele
ombudsman