

complaint

Ms S has complained about The Prudential Assurance Company Limited. She is unhappy about the way it's managed her pension. In particular, she's complained about an overpayment it made and that it applied an incorrect tax code to her regular payments which led to an underpayment of tax.

background

Ms S has a pension with Prudential. She had been receiving regular payments from the pension but in September 2018 she asked for a one-off lump sum payment of just over £17,000. This payment was made as requested but Prudential then made further large payments over the following months. Ms S brought this to their attention and the pension was reinstated with the overpayments being repaid and tax adjustments made.

Prudential accepted that it was at fault. It explained that due to human error the payment for £17,000 had been set up as a regular monthly payment and not just as a one-off payment.

The error had a significant impact on Ms S. The higher payments impacted on her pension credit payments which in turn led to her being chased for outstanding rent and council tax. She's explained that she was worried that she was a victim of fraud and this all took place over the Christmas period when she was busy looking after her son. She is his carer.

Then a second error was discovered which related to Ms S's tax code. Prudential has accepted that due to its error the incorrect tax code was applied to Mrs S's pension payments during 2018/19 and 2019/2020. The error led to an underpayment of tax and Ms S found herself being pursued by HMRC for an underpayment of around £1,500. This was very distressing for Ms S as she had no way of paying the outstanding tax. Fortunately, HMRC has subsequently decided that it wouldn't be pursuing her any further.

Prudential upheld Ms S's complaint and offered her a total of £600 for the distress and inconvenience it had caused her, £300 for each complaint.

Ms S didn't accept and the complaint was referred to this service where it was considered by an investigator. In relation to the overpayment, the investigator felt that the offer of £300 didn't take into account the full extent of the impact on Ms S. It was clear that the payment had impacted on her pension credit which had led to her being pursued for arrears of rent and council tax over a period of months. Although Prudential had put things right quickly, the impact was over an extended period.

So the investigator recommended that Prudential should pay £600 for the trouble and upset it had caused.

In relation to the error about Ms S's tax code, the investigator decided that Prudential's offer of £300 was fair. She acknowledged the upset caused to Ms S by this error. Ms S had been pursued by HMRC for money she couldn't afford to pay but ultimately HMRC weren't pursuing this further and so she had benefitted from underpaying tax. The gain was around £1,500. The investigator didn't think it would be fair to tell Prudential to pay this amount to Ms S when she had not actually lost it.

Prudential accepted the investigator's conclusions.

Ms S didn't agree and said, in summary, that she had not just suffered inconvenience; her whole financial situation had changed. She had a long period with the HMRC debt hanging over her and the £300 offered didn't go near to covering the rent payments which were over £1,600. It took seven months to resolve the pension credits and this involved making a tribunal application. These were gross errors by Prudential, paying £34,000 that it shouldn't have done and the errors were not identified until she noticed them.

As no agreement has been reached the case has been referred to me for 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 agree with the investigator and with her reasoning. I uphold the complaint but I'm satisfied that the payments Prudential has agreed to make, which total £900 are fair in all the circumstances.

I don't underestimate the impact these errors have had on Ms S. It must have been distressing to face the loss of her pension credits with the impact this had on her housing benefit and council tax. She was left facing claims for payment which she couldn't make and then received a tax bill she was not expecting. These problems were caused by Prudential's errors. The impact of the errors clearly extended over a period of months. Ms S was still being pressed for arrears payments in April 2019 and the HMRC didn't waive its claims until November 2019.

However, I need to take into account that Prudential has offered to pay a total of £900 for the distress caused. Prudential has also made a tax payment of £720 to HMRC for part of the underpayment of tax. This is a payment it has made which hasn't been deducted from Ms S's pension. And, in addition, HMRC has confirmed that it has waived any claim in relation to the remaining underpayment of tax which amounted to almost £1,600.

The payment of £720 and the tax waived of £1,600 are both, in effect, benefits to Ms S. They are liabilities she would have had if these mistakes hadn't been made. So I think it's fair to consider these and take them into account when deciding whether there should be any further award for distress and inconvenience. Having done that, I think the award of £900 is fair in all the circumstances.

I appreciate that this isn't the decision Ms S was hoping for, and I don't wish to underplay the stress and difficulties these errors have caused, but for the reasons given I think the award is fair.

my final decision

I uphold this complaint. The Prudential Assurance Company Limited must pay Ms S £900 for the distress and inconvenience caused by its errors (it may deduct any sums already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 17 April 2020.

Keith Taylor
ombudsman