

complaint

Mrs J complains that The Prudential Assurance Company Limited didn't follow her instructions when she asked for only the non-protected rights portion of her pension to be encashed. Instead, it paid out all of her pension and this caused significant trouble and upset, and a financial loss.

background

In early 2017 Mrs J wanted to encash a portion of her pension. She communicated to Prudential that she only wanted the non-protected rights portion of her pension encashed. In March she was sent the relevant forms to fill in, and this suggested Prudential would pay out all of her pension, amounting to around £59,000. The non-protected rights portion of her pension was worth around £38,200 while the protected rights portion of her pension was worth around £20,800. Mrs J says she called Prudential to confirm that she only wanted the larger amount paid out to her, and she was told Prudential was aware of her requirement.

Shortly after this, Prudential went ahead and paid out all of her pension. Mrs J immediately complained about this. Initially, Prudential told her that it was her responsibility as she had signed the forms. It then acknowledged the mistake, and arranged to put matters right for her. It calculated what it should've paid out, and what the tax would've been on that. It asked Mrs J to pay back the additional amount she had received via same day transfer (costing her £25), and it recovered the additional tax she had paid from HMRC. It then put these amounts back into the protected rights pension pot, giving her the value she would've had had her entire pension not been encashed. It also offered to pay her £250 for the trouble and upset her error had caused her, and the £25 transfer costs. It confirmed that it didn't think she had suffered any other financial loss as a result.

Mrs J didn't agree. She said she wasn't clear what information HMRC had about the payments, and wasn't convinced Prudential had given it the correct figures which would allow her to calculate her tax liability for the financial year ending 2017 accurately. She wasn't persuaded £250 was enough compensation for the trouble and upset she had been caused, and she said that she thought she had suffered a financial loss of around £700. She explained that a few days after she had received the paperwork, she spoke to Prudential who told her the non-protected rights portion of her pension was actually worth around £38,900.

I issued some provisional findings in December 2017. I explained that, having reviewed Mrs J's case, I couldn't see any evidence that she had suffered a financial loss. Prudential confirmed that figure of £38,900 which she had been given over the phone was a 'projected' value, which *might've* been payable if she had chosen to encash her pension in April 2017. So I'm satisfied this isn't a figure she would've been entitled to had Prudential not made any errors. I also explained that the evidence I'd seen from Prudential confirmed that it had communicated to HMRC what the correct payment should've been, and recovered the additional tax she had paid as a result. However, I agreed with Mrs J that Prudential should issue a revised p60 with the correct figures. And I also agreed that £250 didn't seem enough compensation, given the degree of trouble and upset this error had caused Mrs J. I asked Prudential to increase its award to £400, plus £25 transfer costs. I also asked it to issue a revised p60 form confirming precisely how much it had paid out and how much tax Mrs J had paid on that sum.

Prudential agreed. It issued a revised p60 which confirmed the correct figures before this final decision. Mrs J didn't agree. She said she was still unclear about exactly what Prudential had told HMRC. And she said that she still believed she had suffered a financial loss. She said she was never told the £38,900 figure was a 'projected' total.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I've not been persuaded to change my provisional findings.

I've sent Mrs J the exact information which Prudential gave me about what it told HMRC. I'm persuaded that it has asked HMRC to amend its records, and has given it the correct figures to do so. I acknowledge that the first revised p60 form was incorrect, but Prudential has since sent a second revised p60 to Mrs J. This confirms precisely the taxable amount paid to Mrs J (after she sent back the overpayment) and the tax that was due and deducted from that taxable amount. I'm satisfied there isn't anything more which Mrs J needs from Prudential at this point.

I'm also satisfied that Mrs J hasn't suffered a financial loss. I don't disbelieve her when she says that she wasn't told the higher amount of £38,900 was 'projected'. But this doesn't mean that she has suffered a financial loss. Prudential has confirmed the value of the non-protected rights portion of her pension, and I'm satisfied that Mrs J has been paid out the correct sum which should've been paid out from the beginning

All that being said, I have an enormous amount of sympathy for Mrs J and the trouble and upset this error has caused her. I can understand this matter has inconvenienced Mrs J, and has been very confusing in relation to what impact this all might have on her tax affairs. For this reason, I consider an award of £400 to be fair and reasonable compensation. On top of this, Prudential should refund Mrs J the costs incurred in transferring the overpayment on the same day. This amounted to £25.

my final decision

My final decision is that I uphold Mrs J's complaint. The Prudential Assurance Company Limited must pay Mrs J £400 for the trouble and upset its error caused her, and £25 costs she incurred, within 28 days of when we tell it she has accepted my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 28 February 2018.

Alessandro Pulzone
ombudsman