

## **complaint**

Mr C complained that The Prudential Assurance Company Limited had refused to pay the annuity it guaranteed in a quotation. That was even though he had accepted the quotation well within the guarantee period.

## **background**

Mr C had a pension policy with Prudential. He was about to retire and asked for quotations for his pension. He received a quotation that said: "*the fund value at 12 February 2014 will be worth £61,638.00*". A number of options were given and Mr C selected an annuity of £3,699.60 with a spouse's pension after tax free cash.

The quotation then said "*we guarantee to hold these figures for 30 days from 21 January 2014*". Mr C accepted the quotation within the guaranteed period.

Prudential then wrote to Mr C and explained it had made a mistake. It sent him a revised quotation for a lower amount.

Prudential apologised to Mr C for its mistake and sent him a cheque for £200. Mr C destroyed the cheque and insisted he should be paid the annuity which had been promised.

One of our adjudicators investigated this complaint. He concluded that £200 compensation wasn't enough. That's because Prudential hadn't explained what the error was. But, he didn't think that Mr C was entitled to the annuity which had been quotation in error.

Neither party agreed with this conclusion, so the complaint was referred to me.

I reviewed the file and asked Prudential to explain what the error was and why it didn't have to pay the annuity it had promised to Mr C. In particular, I made the point that the quotation said that the fund value at 12 February 2014 will be worth £61,638.00 (my emphasis). The pension fund and the annuity payments were clear and the terms were certain. I said that I thought a legally binding contract had been made. Unless Prudential could explain why I was wrong, or if a contract had been formed, why it didn't have to pay the annuity, I intended to issue a decision on that basis.

Prudential agreed with me that it was obliged to pay Mr C the amounts he accepted.

## **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 think that Mr C is entitled to the amount quoted by Prudential. The quotation was an offer by Prudential. Mr C's acceptance of it made it a binding contract.

My conclusion is that Prudential has a contract to pay Mr C an annuity of £3,699.60 a year, with tax free cash of £15,409. I understand that this was due to start in March 2014.

Prudential says that the actual payments which have been made are a tax free cash amount of £15,750 and an annual pension of £3,425.04 from 1 July 2014.

I think that Mr C has been upset and inconvenienced, over a long period, as a result of Prudential's error. Mr C was upset that Prudential promised to pay him one amount and then said it had made a mistake. It didn't explain that properly and wasn't entitled to alter that contract. That was at the time when Mr C was retiring. I agree that a sum of £500 is fair to compensate Mr C for the distress and inconvenience caused to him.

More errors have been made after Mr C's complaint. Prudential has compensated Mr C separately for those errors. That compensation is separate to my award.

### **my final decision**

I uphold the complaint. My final decision is that The Prudential Assurance Company Limited must

- Increase Mr C's annuity, to the rate of £3,699.60 gross a year.
- Pay Mr C the net amounts he should have been paid since March 2014. That includes the tax free cash of £15,409.
- Pay Mr C the difference in the net annuity he should have been paid and the net annuity he has been paid since July 2014.
- Deduct the actual tax-free cash amount paid in July 2014.
- Simple interest must be added at the rate of 8% gross a year from the date each payment was due until the date the payment is made.
- Pay Mr C the sum of £500 to compensate him for the trouble and inconvenience caused to him.

Roy Milne  
**ombudsman**