

complaint

Mr A complains that The Prudential Assurance Company Limited failed to communicate with his financial advisor in a timely manner. As a result of those delays the transfer value of his pension plan was significantly reduced.

background

Mr A held pension benefits with Prudential. In 1988 Mr A had transferred his pension benefits from his employer's pension scheme to Prudential. And as a result of that transfer he had received a guarantee from Prudential that his ultimate pension payments would be no lower than if he'd remained a member of his employer's scheme.

In September 2017 Prudential was contacted by Mr A's financial advisor – I'll call this company "F". It asked for a quotation to transfer the benefits due to Mr A to another pension scheme. Around a week later Prudential emailed F to ask for some more information about Mr A's intentions, so it could calculate the value of the guarantee it had given to him. And it chased this information the following week when no response had been received. I can see that F responded to that request in early October.

Approximately two weeks later Prudential provided Mr A with the quotation for the transfer value of his benefits. But it confirmed that this quotation was subject to change and would only be valid for the date on which it was issued. It also provided Mr A with the forms that he, his financial advisor, and the new pension provider, would need to complete to allow the transfer to go ahead.

Mr A and F signed these forms towards the end of November 2017 and they were then passed to the new pension provider – I shall call that company "M". M returned the forms to Prudential just less than two weeks later.

When it received the paperwork Prudential recalculated the transfer value of Mr A's benefits. And due to a change in annuity rates, the transfer value had fallen by just under £3,000. So Prudential requested confirmation from F that Mr A still wanted to go ahead with the transfer. Mr A, although disappointed, agreed to the new transfer value and the transfer was completed.

Mr A's complaint has been assessed by one of our investigators. She didn't think that Prudential had caused any excessive delays in the transfer process. And as a result she didn't think Prudential should be held responsible for the fall in the transfer value. So she didn't recommend that Mr A's complaint be upheld.

Mr A didn't agree with that assessment. So, as the complaint hasn't been resolved so far, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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've also taken into account the law, any relevant regulatory rules and good industry practice at the time.

There were a number of parties involved in this transfer including Mr A, his financial advisor that I'm calling F, the new pension fund that I'm calling M, and of course Prudential. But it is

Prudential that is the subject of the complaint. So it is only right that I restrict my findings in this decision to what Prudential did, rather than any of the other parties. And I want to be clear that here I am not making any findings whether, or not, the other parties acted in a timely manner during the transfer process.

I think first it would be useful to explain my understanding of the guarantee that Prudential had given to Mr A about his pension. That guarantee was, in simple terms, that he would receive the same pension as he would have if he had stayed in his employer's scheme. But of course things were made more complex by the changes to pension legislation and the additional choices that Mr A now had available to him.

The pension fund that Mr A held with Prudential was in the form of a cash sum invested in a with profits fund. But the benefits that he would have received from his employer's scheme were in the form of monthly annuity payments. So Prudential needed to compare the two on a like for like basis. To do that it worked out how much cash Mr A would need to buy a monthly annuity of the same value as he would have received from his employer. And then it topped up his invested cash sum to that amount when the funds were transferred.

But annuity rates change regularly. In the time between Mr A receiving his initial quotation in October and him returning his authorisation in late November, Prudential says there had been two changes to the annuity rates it used. So that is why, in each of the quotation letters that Prudential sent to Mr A, it said that the quotation would only be valid for that day.

But what is important is that the guarantee that Prudential had given to Mr A was based on him taking his pension in the form of a monthly annuity, not a cash equivalent transfer. So the two transfer values it quoted to him in October and December 2017 would have been sufficient to buy exactly the same amount of monthly income – and so met the guarantee that Prudential had given Mr A when he first transferred his benefits from his employer's pension scheme. So, on that basis, Mr A didn't lose out as a result of the reduction in the transfer value – although I entirely accept that would only be the case if he intended to take an annuity at that time, which it seems he didn't.

So given that Mr A wasn't intending taking an annuity at that time I have gone on to consider whether the time Prudential took to process his transfer request was reasonable. The initial calculations that Prudential needed to perform were specific to Mr A and the guarantee it had given him. I can see that when F first requested that information Prudential explained that it might take between four and six weeks to provide the information. I don't think that is unreasonable. And Prudential actually provided the transfer value quotation to Mr A just two weeks after F had responded to its questions about Mr A's intentions.

The only other involvement that Prudential had in this process was once the transfer forms had been completed by Mr A, F and M. It says it received these forms on 5 December 2017. And I can see that was the day after the forms had been completed by M. I can see that Prudential contacted F with details of the revised quotation just a week later. And then it made the transfer to M just a week after that.

I don't think the timeline that I have described above suggests that Prudential has caused any unreasonable delays in the processing of Mr A's transfer. I understand that the change in annuity rates, and so the reduction in the amount of the transfer, is disappointing for Mr A. But I don't think this is something that I can hold Prudential responsible for. And I don't think that the way Mr A's transfer value has been calculated by Prudential is unfair.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 24 November 2018.

Paul Reilly
ombudsman