DRN-2752518

The complaint

Mr F has complained about how The Prudential Assurance Company Limited handled the switch of the investments in his pension.

What happened

Mr F's pension was held with Prudential and his money was invested in a fund that was categorised as higher risk. In March 2020 he had several telephone conversations with Prudential's agents about moving his money to a lower risk fund:

9 March – Mr F said his pension pot had reduced by 10% over the previous eight weeks and he felt the market was volatile and it wasn't the time to gamble with his pension; so he asked the agent to switch his investment to Prudential's cash fund; the agent confirmed the switch would be done effective that day.

10 March – Mr F said he'd been keeping an eye on his pension and on 16 January it was valued at £76,000 but it had lost £10,000 in eight weeks, he also said it had dropped approximately £2,400 since the previous day; Prudential's agent confirmed it would take nine working days for the switch to be processed, but it would be backdated to 9 March; Mr F thought he'd been hasty in asking for the whole of his pension to be switched to cash, so he asked if 70% of it could be switched back to the previous fund; the agent said he would need to check how that would work and come back to Mr F. No changes were made during the call.

11 March (call one) – Mr F said that on 9 March the value of his pension was showing as £67,658 and it had dropped £2,500 by 10 March and a further £5,000 since then; the agent said the switch from 9 March wasn't showing as it hadn't been processed yet, and she again confirmed it would be backdated to 9 March; she also confirmed switches normally took up to nine days to process.

11 March (call two) – the agent Mr F spoke to on 10 March called him back but Mr F said he'd decided to keep all his investment in cash; he again mentioned that his pension had dropped £15,000.

16 March – Mr F said he could see that his investment had been switched into the cash fund, but the value of his pension had dropped to £59,919 (from the £67,658 that was showing on 9 March); he felt this loss was due to the investment remaining in the higher risk fund while Prudential was processing the switch; the agent said the switch would have been processed with effect from 9 March, so the value of Mr F's pension on that day must have been £59,919; she said she'd need to look into it further.

Prudential later told Mr F that any pension value he saw online was calculated using forward pricing as it took several days for the actual fund price to be provided by the fund manager. It also confirmed the value of Mr F's pension that was switched to the cash fund was correct. It nevertheless accepted that Mr F had received a poor level of service because if it had mentioned the forward pricing in any of the phone conversations he would have been aware that the pension value he saw on 9 March might not have been the amount that would be switched. It therefore apologised and offered Mr F £125 compensation for the inconvenience caused (Prudential later offered Mr F a further £100 compensation, but this was because he hadn't received its initial response ie it wasn't because of the forward pricing issue).

Mr F complained to us because Prudential never told him about the forward pricing. He said if he'd known about this he would have contacted Prudential earlier and made different decisions that would have avoided a financial loss.

Prudential provided our investigator with further information on what a customer will see online about the value of their pension. The upshot of what Prudential said is that the information shown online is out of date because it doesn't know the value of a pension on a particular date until that date has passed. It gave an example of prices showing on 2 March 2021 being the prices for 24 February 2021. Prudential also said that when a customer looked at the value of their pension online they received a message that the values were based on the latest unit prices but weren't guaranteed.

Our investigator thought the complaint should be upheld. He noted the reality was that the value of Mr F's pension on 9 March was £59,925 (rather than Mr F's understanding that it was £67,658). He felt the "lag" between the actual fund value and what was shown on the website ought to have been made clear to Mr F during the calls. Ultimately our investigator concluded that Mr F had suffered loss of expectation once the switch was processed. To put things right, he felt Prudential should increase its compensation by £225. He didn't think there were grounds to compensate Mr F for any financial losses he might have suffered because although he might have switched funds earlier it wasn't possible to determine when he would have acted had he known about the forward pricing.

Prudential accepted our investigator's conclusion but Mr F didn't. He felt the compensation wasn't relative to the loss of expectation given the amount he thought would be switched. He said Prudential accepted they were at fault and it had opportunities to correct any misunderstandings about the pension values he'd seen. He said he made decisions based on incorrect information that have led to financial losses.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In this type of complaint I firstly look at whether or not the financial business did anything wrong or treated the consumer unfairly. If they did, I go on to look at whether the consumer was disadvantaged and, therefore, whether anything needs to be done to put matters right. I don't have the power to punish or fine businesses just because they get something wrong; any monetary award I make is to compensate for any financial losses, distress and/or inconvenience the consumer suffered.

Did Prudential do anything wrong/treat Mr F unfairly?

I think this boils down to two issues – the first is whether Prudential switched Mr F's investment with effect from 9 March 2020; the second is whether it gave him sufficiently clear information during the telephone conversations.

Mr F told our investigator that he was always led to believe the fund switch would be done with effect from 9 March and this didn't happen. Mr F was given a consistent message that there would be a delay before the switch was processed, and that when the switch was processed it would be backdated to 9 March. So I think the impression Mr F formed as to when the switch would take place was reasonable. However, in my view, switch was done with effect from 9 March.

I think the problem here is that the pension valuation figures Mr F was seeing online were out of date ie they were the figures from a few days earlier. This is because there is a delay in Prudential receiving the figures from the fund manager. I've already given one example of this above, but Prudential has given us another example – in that the values 6 March weren't available until 12 March. What this effectively means is that on 9 March when Mr F saw a value of £67,658 that figure was the value of the pension a few days earlier. And on 10 March when he saw that the value had dropped £2,500 from the previous da, that drop had already happened a few days earlier. A similar thing happened when he saw the further drop of £5,000 on 11 March. The drop Mr F saw from 9 to 11 March essentially mirrors the drop from £67,658 to £59,925.

So I don't think Prudential treated Mr F unfairly in respect of the amount it switched to the cash fund. I think it's most likely that the amount Prudential switched equalled the value of Mr F's pension on 9 March.

In respect of the information given to Mr F during the telephone conversations, Prudential has already accepted that it should have told Mr F about the forward pricing. As I've alluded to above, I don't think the forward pricing was necessarily the main issue here – it was the difference between the 'online' value of Mr F's pension and the 'real' value that has caused the problem. I accept Prudential didn't know the actual value of Mr F's pension at the time of the various telephone conversations (and it wouldn't have known until a few days later). But, it did know there was a difference between the 'online' value and the 'real' value. And I think there were opportunities during the phone calls to explain this to Mr F. Had it done so, Mr F's expectations would have been managed and I think some of the confusion would have been eliminated.

Was Mr F disadvantaged?

I've concluded above that I think the amount Prudential switched equalled the value of Mr F's pension on 9 March. So I don't think Mr F suffered a financial loss due to any delay in Prudential processing the switch.

There is nevertheless the issue of whether Mr F suffered any loss, distress or inconvenience due to not being fully informed about the difference in pension values during the calls. Had Prudential given Mr F clearer information there were only three decisions I think he could really have made:

1. to switch the investment to cash with effect from 9 March – which is obviously what he did do
2. to delay switching the investment to the cash fund – I think this was unlikely given Mr F's view at the time on the volatility of the market and not wanting to gamble with his pension
3. having decided to switch the investment to the cash fund, to switch some or all of it back to the original higher risk fund – again I think this was unlikely, for the same reasons as point '2'.

With that in mind, I think it's unlikely that Mr F would have acted differently had Prudential explained to him in any of the calls that the values he was seeing online weren't the actual values of his pension on that day. Accordingly, I conclude that the lack of information given by Prudential during the calls didn't lead to Mr F suffering a loss.

There was no opportunity for Prudential to have told Mr F about the difference in fund value figures over the phone before the call on 9 March. So I don't think there's a persuasive argument that clearer information from 9 March onwards would have led to Mr F switching the investment to the cash fund earlier than 9 March.

However, I think it's clear that Mr F has suffered some distress and inconvenience – not least because his expectations in respect of the amount transferred weren't managed. However, following our investigator's assessment of the complaint Prudential has offered to pay Mr F a total of £450 compensation. I think that's fair and in line with what I would have awarded had nothing already been offered. So there are no grounds in my opinion for me to ask Prudential to pay any more.

Summary

For the reasons outlined above, I conclude that:

- Prudential did what it said it would do in that it switched Mr F's investment to the cash fund with effect from 9 March 2020
- Prudential treated Mr F unfairly as it didn't explain in any of the phone calls that the value of his pension he'd seen online didn't accurately reflect the value of his pension
- Mr F didn't suffer any financial loss due to a delay in Prudential processing the switch or due to Prudential not explaining the difference in pension values during the phone calls
- £450 is fair compensation for the distress and inconvenience Mr F suffered.

My final decision

I uphold this complaint. I require The Prudential Assurance Company Limited to pay Mr F £450 compensation (less anything it has already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 28 April 2022.
Paul Daniel
Ombudsman