The complaint

Mr S is concerned that his pension fund lost significant value when he decided to switch from The Prudential Assurance Company Limited (Prudential) to a new provider. He says this was despite a significant increase in the stock market over the same period.

What happened

Mr S says he decided to switch his Prudential pension to Vanguard and provided his instruction on 7 March 2022. He says at that time his fund was worth £288,000, although he hasn't been able to provide evidence showing this was the case.

Prudential has provided screen shots from its system showing that the transfer value of Mr S's fund on 7 March 2022 was £271,285. It says it received a request from Vanguard for the switch of his pension on 8 March 2022. The value then was £273,936.

Mr S says that his fund didn't reach his new provider until 21 March 2022. He was concerned that over the period of the switch while his funds had been eroded, the FTSE 100 had increased significantly. He also noted that a second smaller pension that he'd switched from another provider to Vanguard around the same time had actually increased in value.

Mr S raised his concerns with Prudential. He didn't understand what had happened to erode his main pension fund during the switch. Prudential responded to his complaint on 15 August 2022. It said that pension fund values fluctuate on a daily basis and it wasn't responsible for these market dynamics. However, it went on to apologise for the customer service he'd received and to uphold his complaint in the following terms:

"I understand that we received the request to transfer via ORIGO on 8 March 2022, however, we transferred your fund over to Vanguard on 16 March 2022. We usually aim to complete transfer requests within 5 working days, however, I can see that we failed to do so on this occasion. I can confirm that your fund value has not been impacted by this as we used your transfer value as at 8 March 2022 (the date that we received the ORIGO request)."

"However, I am aware that our delay in sending these funds over to Vanguard may have resulted in financial detriment in terms of delays reinvesting your funds. In order to establish if there has been any loss to your fund as a result of our delays, I have contacted Vanguard. Once I hear back from them, I will be back in contact with you."

"I both understand and agree that we have provided an unsatisfactory service in this instance and we could have done more to ensure that you received a higher level of care. I am sorry that we have failed to provide you with the customer service that you deserved."

Mr S responded to Prudential saying he thought it should pay him compensation of around £30,000. This was equivalent to about 10% of the pension he'd switched from it to Vanguard. He again drew on movements in the stock market and what had happened to the value of his smaller switched pension to make his case. I can't see that it responded to his communication.

Mr S brought his complaint to this Service. An Investigator considered his case but didn't uphold it. She thought there was never any guarantee associated with the transfer value of his pension plan. Nor was Prudential responsible for any volatility in the market. She thought it had done enough to put things right. Mr S disagreed, he didn't think it had provided proper compensation for what had happened.

As both parties couldn't agree with the Investigator's findings and conclusions, Mr S's complaint was passed to me to review afresh. I issued my provisional decision last month. Prudential provided additional commentary about its service levels, which I've considered in arriving at this final decision.

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.

Where there's conflicting information about the events complained about and gaps in what we know, my role is to weigh the evidence we do have and to decide, on the balance of probabilities, what's most likely to have happened.

I've not provided a detailed response to all the points raised in this case. That's deliberate; ours is an informal service for resolving disputes between financial businesses and their customers. While I've taken into account all submissions, I've concentrated my findings on what I think is relevant and at the heart of this complaint.

I'm upholding Mr S's complaint. I'll explain why.

The first thing I've considered is the extensive regulation around transactions like those performed by Prudential for Mr S. The FCA Handbook contains eleven Principles for businesses, which it says are fundamental obligations firms must adhere to (PRIN 1.1.2 G in the FCA Handbook). These include:

- Principle 2, which requires a firm to conduct its business with due skill, care and diligence.
- Principle 6, which requires a firm to pay due regard to the interests of its customers.
- Principle 7, which requires a firm to pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

So, the Principles are relevant and form part of the regulatory framework that existed at the relevant time. They must always be complied with by regulated firms. As such, I need to have regard to them in deciding Mr S's complaint.

I recognise Mr S's frustration about the loss in value of his pension fund during the period he decided to switch providers. I note his points in relation to his experience with his smaller pension plan transfer and his observation about the performance of the stock market around the same time. But as the Investigator found, the performance of different funds depends on a range of factors including investment strategy, asset base, fund structure and exposure to risk. So the comparisons he's made aren't particularly instructive.

It's also the case that fund valuations change daily and wouldn't be guaranteed until the funds were sold down to cash in advance of Mr S's pension being switched. Market factors affect fund value, and events around the world have been a contributing factor in the increased volatility we've seen in recent years.

Next I've considered how Prudential actually handled the switch of Mr S's pension. In its final response to him it acknowledged that it got some things wrong. It said that it aimed to complete requests like his within five working days.

I think it's also useful to understand what service levels firms should be aiming for when switches take place between providers. In this regard the sector best practice issued by the Transfers and Re-registration Industry Group (TRIG); whose membership included several trade bodies is instructive. In 2018 it published an Industry-wide framework for improving transfers and re-registrations. It noted:

"When moving investments, assets and entitlements between institutions, people have a legitimate right to expect the industry to execute their instructions in a timely and efficient manner. Furthermore, customers' service expectations are increasing due to the relative simplicity of switching in other markets. Slow transfers can cause detriment to customers; and the actions of one party can reduce the efficiency of all parties in the chain."

In this publication TRIG established what it considered to be reasonable timeframes for firms to adhere to for transactions like those being performed for Mr S. At paragraphs 30-32 the best practice guide said:

"The TRIG believes that organisations should adopt a maximum standard of two full business days for completing each of their own steps in all transfer and re-registration processes within the scope of this Framework, with the exception of pension cash transfers…"

"This approach would enable each counterparty in a process to be equally accountable for ensuring that an efficient transfer and reregistration process is in place. Similarly, organisations will not be accountable for the underperformance of counterparties that are outside of their control."

"This window would comprise two full business days, with a 'business day' defined as a day when the London Stock Exchange is open. Each firm would process its step by 2359 of the second business day following the day of receipt. This means that, in practice, some firms might have more than 48 hours to process their step, e.g. if they received an instruction at 0900 on day one, and did not complete their step until 2300 on day 3."

In responding to my provisional decision Prudential said:

"The crux of the decision relates to the framework of best practice suggested by TRIG. We feel we can defend our complaint outcome as we were not participating in STAR at the time of this transfer and therefore feel the timeline within our own complaint investigation is fair and reasonable."

"We believe TRIG is a part of STAR; therefore the 2 day timeline is in relation to full STAR MI [management information] (where each section of the journey has an ideal 2 day turnaround). On this basis, there are a few important things to note, as follows:

- *The complaint…would fall within the initial STAR accreditations for Core MI which were announced in November 2022 (covering Q4 2021 to Q2 2022 transfer performance). However Prudential did not participate.*
- *STAR is a voluntary initiative.*
- *Full MI is not yet being measured.*
- *STAR's ambition is that Full MI will replace Core MI from 2025.*
- *STAR membership doesn't commit us to meeting any specific SLAs.*

- *STAR cannot guarantee or enforce that date, but ultimately participating in Full MI, like Core MI, does not commit us to 2-Day SLAs – underperformance will simply be reflected in our annual accreditation.*
- *Prudential are founder members of STAR and are rated by STAR (Core MI) as Bronze for Individual transfers and Silver for Occupational transfers.*
- *STAR measures and accredits organisations based on transfer performance. Currently STAR measure firms on overall end to end Journey times (known as Core MI) and Prudential (bronze award) is one of 15 organisations accredited by STAR in relation to individual pension transfers. However, there are another c60 organisations who are members of STAR but not yet accredited (and countless others that haven't signed up).*

I'm grateful for Prudential's observations. I'd note the description of the problem the STAR industry accreditation has been established to address, available on its website:

"Industry systems and processes are inconsistent and transfer timeframes vary between providers. Service expectations are increasing due to the relative simplicity of switching in other markets and the availability and technological advancements."

"Registration processes in the financial services industry can take between 2 and 450 days which the regulator, industry, consumers and government believe is unacceptable."

"Leading investment and pension trade associations established the Transfers and Re-registration Industry Group (TRIG) to provide a solution. STAR was created as a partnership…to implement and deliver the TRIG framework, which is to define and shape recognised, industry-wide standards to promote good practice in transfers."

So, the work of STAR to build on the framework put in place by TRIG is welcome. Once established the regime should provide consumers with a more transparent understanding of what service levels they can expect from different firms. With that knowledge up-front, they will be better placed to understand matters such as service levels, fund performance and price, and any trade-offs between these, when selecting their providers.

I note Prudential views the STAR development as a work in progress. And it says it didn't participate in the relevant accreditations covering the period when Mr S's complaint arose.

Having considered Prudential's arguments carefully, I'm not persuaded to depart from the findings and conclusions in my provisional decision. I'm satisfied the TRIG framework applied pragmatically is a fair and reasonable guide of what should've been possible in this case.

Prudential has confirmed it used the Origo system to effect the switch of Mr S's pension to Vanguard. And the transfer value it used was from 8 March 2022 of around £274,000. It's not clear why the monies weren't sent to the new provider until 16 March 2022.

While Prudential acknowledged it had been responsible for a delay in the transaction and that it needed to conduct an assessment to understand if Mr S had lost out as a result, it said the length of the delay was 1 day. I disagree with this basis for calculation. Taking the framework of best practice suggested by TRIG, a reasonable notional date for it to assume Vanguard received his funds is 11 March 2022, not 15 March 2022 as it proposed.

Putting things right

I'm upholding Mr S's complaint, so he needs to be returned to the position he'd have been in now, or as close to that as reasonably possible, had it not been for Prudential's failings.

Redress isn't always a scientific matter. But I do think the framework I've set out below is fair and reasonable.

I require The Prudential Assurance Company Limited to assess what Mr S's notional position would be now had it provided a more effective service. In doing so it should assume his pension funds were received by Vanguard on 11 March 2022. So it needs to understand what his pension pot would be worth at the date of calculation had it been invested in the same funds in the same proportions, at the prices available at that earlier date. This is value A.

The Prudential Assurance Company Limited should then assess Mr S's position as it stands, for the relevant funds within the scope of this dispute, so making adjustments for any additional contributions or withdrawal of monies that he's made, so as to arrive at a like for like comparison. This is value B.

If value A is greater than value B, Mr S has suffered a financial loss. The Prudential Assurance Company Limited will be required to make good this sum, less any redress it has already paid. It will need to do so within 28 days of being notified that Mr S has accepted my final decision. After this it will need to add 8% simple annual interest on the outstanding sum.

If value B is greater than value A, Mr S hasn't suffered a financial loss and The Prudential Assurance Company Limited will just need to give effect to my provisions for distress and inconvenience (as set out below).

The Prudential Assurance Company Limited should provide Mr S with a breakdown of the redress calculations in a clear and simple format.

When I'm considering a complaint like Mr S's I think about whether it's fair to award compensation for distress and inconvenience. This isn't intended to fine or punish a business – which is the job of the regulator. But when something's gone wrong, recognition of the emotional and practical impact can make a real difference.

We're all inconvenienced at times in our day-to-day lives – and in our dealings with other people, businesses and organisations. When thinking about compensation, I need to decide that the impact of a firm's actions was greater than just a minor inconvenience or upset. It's clear to me that this was the case here.

The Prudential Assurance Company Limited accepted it got things wrong for Mr S and that its failings had caused him trouble and upset. It apologised and offered him £200 for this. I think that award is fair and it should honour that payment if it hasn't done so already.

My final decision

For the reasons I've already set out, I'm upholding Mr S's complaint. I require The Prudential Assurance Company Limited to put matters right in the way I've directed.
Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 September 2023.
Kevin Williamson
Ombudsman