DRN-5287612

The complaint

Mr P complains that The Prudential Assurance Company Limited ("Prudential") has failed to pay pension benefits he was entitled to receive, in a timely manner.

What happened

Mr P held two pension plans with Prudential. Although I briefly mention here what happened with both plans, the complaint only relates to one of the plans. The other plan was encashed at Mr P's request in December 2023 and within the timescales he would expect. In this decision when I refer to "the pension plan" or similar I am only referring the plan that forms the subject of this complaint – the pension plan that was encashed in April 2024.

Mr P complained to Prudential that it had taken too long for his benefits to be paid from the pension plan. He said that he started the claims process in September 2023, and at all stages Prudential's actions were deliberately designed to delay the payment of his pension benefits. Mr P said the later payment had meant a fall in the value of his pension benefits. And he said the delays had caused him other financial problems too.

Prudential didn't agree with all of Mr P's complaint. It accepted that it hadn't handled all of Mr P's enquiries as well as it should have done. And it said that it would consider whether any delays it had caused had resulted in a financial loss once the payment of Mr P's pension benefits was completed. It paid Mr P £250 for any inconvenience he'd been caused.

Following the payment of the pension benefits Prudential provided an additional response to Mr P. It said that, if nothing had gone wrong it thought his pension benefits could have been paid to him by 20 February, rather than 25 April as actually happened. So it paid some further compensation to reflect the delay to the payment. And it paid Mr P a further £100 for the stress and inconvenience he'd been caused.

Before our investigator had assessed Mr P's complaint Prudential sent him a further letter about his complaint. It said that it now thought the earliest it could have paid the benefits to Mr P was 19 March. But Prudential said it had rechecked its calculations of the loss Mr P had experienced and so it would be paying him some additional compensation. And it made a further payment of £300 for the distress and inconvenience Mr P had been caused.

Mr P's complaint has since been assessed by one of our investigators. She thought that the estimate Prudential had made of when the benefits should have been paid was reasonable. And she thought that the compensation Prudential had paid as a result of that estimate, and for the inconvenience Mr P had been caused, was fair. So the investigator didn't think Prudential needed to do anything further in relation to the complaint.

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

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 deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr P and by Prudential. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Our investigator has set out in some detail the various points at which Mr P interacted with Prudential to discuss taking his benefits from this pension plan. It doesn't seem there is much dispute about when those various conversations took place. So in this decision I will focus on what I consider the content of those discussions to have been, and whether Prudential acted correctly at each stage.

I think the most important thing for me to establish here is when it should be considered Mr P gave Prudential a clear instruction for the payment of the benefits from this pension plan. I have seen that Mr P thinks we should consider that Prudential was asked to pay the benefits in September 2023. But I'm sorry to tell Mr P that I don't agree.

The pension plan that Mr P held with Prudential was relatively old fashioned. So the way in which the benefits from the plan could be paid didn't take account of many of the changes that were introduced in 2015. That meant that the requests Mr P made to be paid a pension commencement lump sum ("PCLS" – otherwise known as tax free cash) whilst leaving the remainder of his pension savings in a drawdown account could not be accommodated in that plan. Mr P was told that he would need to transfer his pension savings to an alternative plan, with the assistance of a financial advisor, if that was the approach he wished to take.

In the early part of 2024 Mr P engaged at least two financial advisors to assist him with taking his pension benefits. And towards the end of January he told Prudential that he now wanted to take his PCLS and set up an annuity with the remaining funds. But two days later Mr P notified Prudential he had changed his mind, and his financial advisor would be getting in touch with new instructions.

I think it would be helpful at this stage to reflect on the nature of the benefits that Mr P held within this pension plan. The pension plan was set up as a deferred annuity plan. That meant that the benefits were expressed in the form of guaranteed annuity amounts – those were derived both from the initial pension contract, and subsequent bonusses that were added by Prudential from time to time.

But if Mr P wanted to transfer his pension benefits to another provider he would need to do so in the form of a cash payment. So Prudential also provided an equivalent cash transfer value to Mr P. That value would take account of both the expected cost to Prudential of providing the benefits that were guaranteed to Mr P, and the value of Mr P's share of the underlying investments held to support those pension payments.

The transfer values that would be due to Mr P would be regularly revised to reflect the addition of regular bonus calculations that increased his guaranteed pension, and also the changes in the market costs of providing the benefits. So any cash transfer value quotations given to Mr P would not be guaranteed until the point at which he transferred his pension savings to another plan, or provider. It wouldn't therefore be unexpected that they might have fallen, as was the case here, between the valuation given in December 2023, and when they were paid to Mr P four months later given what was happening in the wider economy at that time.

So I don't think any falls in the value of Mr P's pension investments reflect any wrongdoing on the part of Prudential. Instead they are a normal reflection of both changes in the investment values of the underlying assets, and changes in the cost of providing the guaranteed pension annuity to Mr P that arise from changes in the wider economic circumstances.

But I share the conclusions reached by Prudential, and supported by our investigator, that ultimately Mr P's pension benefits could have been paid to him sooner. There is some difficulty in determining an exact date when that payment should have been made due to the changing and conflicting instructions that Mr P gave to Prudential in the early part of 2024. But there were some unreasonable delays in providing answers to Mr P and his financial advisor about the options available to him.

I think it is fair to conclude that, had information been provided in more reasonable timescales, Mr P would have been able to take his benefits sooner. From the information I have seen, and assuming that Mr P's decision-making process took a similar amount of time, I think it reasonable to consider a date of 19 March for when the benefits should have been paid to Mr P. That is just over a month earlier than the actual payment date.

That delay might have caused Mr P to lose out in two ways. Given what I have said about the fluctuations that took place in the transfer values of Mr P's pension savings it is possible that the proceeds he received might have been higher had the benefits been paid earlier. And of course there is a period of time during which Mr P didn't have the use of those funds.

I've looked carefully at what Prudential has said about the compensation it has paid to Mr P. Prudential has calculated that the actual transfer value of Mr P's pension savings would have been higher at the earlier date. And it has added interest, in line with our normal expectations, to the net payment that Mr P would have received to reflect it being paid a month later. I am satisfied that the compensation Prudential has paid to Mr P is fair and reasonable.

I have considered that Mr P says he suffered other financial detriment as a result of the delayed payment. He hasn't provided either us, or Prudential, with any evidence of those other losses. And I am mindful that, when claiming for those losses, Mr P was basing his assessment on receiving the pension benefits in December 2023. On balance I'm not persuaded that there is sufficient evidence for me to conclude that Mr P incurred other losses as a result of the payment being made in April 2024, rather than March 2024.

But there is little doubt that the delays to Mr P receiving his pension benefits, and the extended response times to his requests for information, will have caused some distress and inconvenience to him. In total Prudential has now paid Mr P £650 for the inconvenience he has been caused. I've thought carefully about what levels of compensation I would normally think appropriate in circumstances such as these. And I have concluded that the compensation Prudential has already paid to Mr P for his distress and inconvenience is in excess of what I would expect to award. So I'm satisfied that Prudential doesn't need to pay anything further in this respect either.

I appreciate that this decision will be disappointing for Mr P. But I think it reasonable to conclude that his pension benefits should have been paid to him around 19 March 2024. And I am satisfied that the compensation Prudential has paid to Mr P, both for the delayed payment and his inconvenience, is fair.

I have seen that Mr P has considered taking this complaint to the small claims court. Should he decide to reject this decision he would remain free to take that action. But I think it fair I should warn Mr P that it is unlikely that he could accept my decision and then go to court to ask for further compensation.

My final decision

For the reasons given above, I don't uphold the complaint. I think that the compensation The Prudential Assurance Company Limited has already paid to Mr P is fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 28 March 2025.

Paul Reilly
Ombudsman