

The complaint

In summary, Mr T is unhappy with the delays in setting up his annuity. He thinks ReAssure Limited are responsible for those delays and that it should pay him additional compensation for the inconvenience caused by the delays, together with interest on the delayed payments he has now received.

What happened

Mr T contacted ReAssure in January 2021 and asked to take an annuity from his pension policy. His retirement date was 26 March 2021 and the retirement forms were sent to him shortly before this date.

Mr T sent ReAssure the documentation it had asked him to provide to enable him to take benefits from his pension policy. This was received by ReAssure, but it accepted it failed to review the completed documents.

Mr T didn't receive call backs as to how his request was progressing. This resulted in him losing confidence in ReAssure, so he made the decision to transfer to another provider. In its response to Mr T's complaint of 2 June 2021, ReAssure apologised for the delay he had experienced. It said a loss assessment would be carried out once he had completed his chosen course of action. And it arranged for £500 to be transferred to his bank account by way of compensation.

Mr T took advice and was told he would potentially lose out by transferring his pension due to the guaranteed minimum pension that applied to it. So, he went back to ReAssure and asked it to set up his pension. And he asked that his payments be backdated to March 2021.

ReAssure initially didn't agree to do this. Mr T complained again. In its response of 24 November 2021, it accepted he had been given incorrect information again. It also accepted Mr T had been forced to look at other providers as a result of the service he received. It agreed to backdate his annuity to his chosen retirement date of 26 March 2021. ReAssure also said that all income due from that date would be paid with interest. And it agreed to use the original application forms he had provided. It said the annuity should be set up within 10-15 working days. It understood Mr T would now withdraw his complaint from our service.

Mr T didn't receive the interest he was expecting so he asked our service to look into his complaint. One of our investigators reviewed the case and explained why she thought ReAssure should pay an additional sum in respect of the inconvenience Mr T had been caused, and interest on the lump sum and delayed annuity payments at a rate of 8% simple a year.

ReAssure didn't agree. It said that it didn't think 8% interest on a late payment was fair as it wasn't the level of return that would be received on an investment if it had been made on time. And while recognising that the initial payment had been received in December 2021, it didn't believe another £250 was fair or reasonable. It thought the £500 that had already been paid was sufficient.

As no agreement could be reached, the case has been passed to me for review.

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.

It's not in dispute that ReAssure caused delays in the setting up of Mr T's annuity. I simply have to decide whether the compensation proposed by our investigator is appropriate. Having reviewed everything, I've been provided with; I've decided to uphold Mr T's complaint. I'll explain why.

I'm satisfied that Mr T initiated the process of taking benefits from his pension with ReAssure in January 2021, with an intended retirement date in March 2021. The process of setting up an annuity isn't instantaneous. But Mr T received his first annuity payment in December 2021. And ReAssure recognises that the delays it caused and the service he received from it, resulted in Mr T having to investigate taking his pension with other providers. And I think an approximately nine-month delay, is a significant delay for someone such as Mr T to be delayed receiving their retirement benefits.

ReAssure accepts that the service Mr T received from it fell short of the standard it strove to provide, and that it had let him down. Its letter to Mr T of 2 June 2021 offered £500 compensation for the inconvenience he had been caused. It's also paid Mr T the backdated annuity payments.

I've noted that Mr T had to raise his ongoing concerns with ReAssure about the service provided by it, including incorrect information it gave him, after it issued its first response to his complaint. And in its letter to him 24 November 2021, it apologised for the incorrect information he had been given. So, I'm a little surprised that as ReAssure had to apologise again for the ongoing problems Mr T had experienced some five months after the first response it provided to him; that it doesn't agree that further compensation is appropriate.

I think it was appropriate for our investigator to recommend additional compensation for the continued problems Mr T experienced with taking retirement benefits, which ReAssure accepts responsibility for. And I think it's also right that ReAssure should pay interest on the delayed annuity payments and lump sum. I don't accept its arguments as to why interest at the rate of 8% simple a year shouldn't be applied to the delayed payments from Mr T's pension.

I say this because ReAssure should be aware of our service's approach to awards where consumers have been deprived of the use of their money. And an award of this type isn't just to reflect lost opportunities to save or invest for a consumer such as Mr T. It is also to compensate Mr T for having been deprived of the use of that money, to spend on items that he might have benefitted from, if he had that money available to him when it should have been. And it also reflects the current statutory interest on judgement debts. So, in the particular circumstances of Mr T's case, I've seen nothing that leads to me to think that an interest rate of 8% simple a year isn't appropriate.

I also consider an additional £250 to be an appropriate payment to be made to Mr T to reflect the ongoing inconvenience he has been caused in having his annuity payments and lump sum payment further delayed. And I think interest should be paid on the delayed annuity payments and lump sum in addition to that.

Putting things right

- Only if it hasn't already done so, ReAssure Limited should pay Mr T £500 for the distress and inconvenience he's been caused. If that has already been paid to Mr T then it doesn't have to pay that sum. ReAssure Limited should also pay Mr T an additional payment of £250 in respect of the inconvenience he has been caused by the ongoing delays in setting up his annuity since June 2021.
- Pay interest on the delayed annuity payments and lump sum, at the rate of 8% simple a year from the dates the payments should have been paid to the date of payment.
- *If ReAssure Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr T how much it's taken off. It should also give Mr T a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

My final decision

For the reasons I've set out above, I've decided to uphold Mr T's complaint about ReAssure Limited. If Mr T accepts my decision, ReAssure Limited needs to pay compensation using the methodology that I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 12 July 2022.

Simon Dibble
Ombudsman