

The complaint

Ms S complains that Legal and General Assurance Society Limited (L&G) caused delays when she tried to encash her stakeholder pension.

What happened

Ms A held a stakeholder pension with L&G. When she turned 55, she decided to encash the pension. She wanted to encash this before the new tax year started to make full use of her personal allowance in the 2019-2020 tax year. She called L&G on 2 March 2020 to begin the process.

During the call, L&G explained that Ms S should receive the forms she needed for the first part of the process within five working days. They also told her that once the initial forms had been completed, she should return them to a central mailbox. The relevant email address was provided. They further explained that when those forms had been received by L&G, further documentation would be sent to Ms S. Ms S was told she'd need to complete further forms and produce proof of identity before the process could move on to payment. Ms S was also told that payment would take between 5 and 15 working days.

Ms S contacted L&G again on 9 and 10 March 2020 as she hadn't received the initial forms. L&G apologised and sent them on 11 March 2020. According to L&G's Service Level Agreement, this part of the process should've been completed by 9 March 2020.

Ms S completed and returned the forms the day she received them - 11 March 2020. She returned the completed paperwork directly to the L&G call handler who she'd spoken to on 2 March 2020. That agent had told Ms S to send them to the central mailbox. Ms S's email enclosing the paperwork asked a further question about the proof of identity she'd need to provide.

The L&G call handler replied to this email on 12 March 2020. He explained that upon receipt of the initial forms a Quote pack would be issued. This would include a Payment Instruction Form. He told Ms S that once L&G had received a completed Payment Instruction Form and identity documentation payment could be made. He gave the correct email address for the paperwork to be submitted to. Ms S returned the required proof of identity to the correct email address. But didn't send the previously completed initial forms (the Options Form and Risk Questionnaire) to that address as she'd already sent them to the L&G call handler at his email address.

Ms S didn't hear from L&G so chased them on 14 and 19 March 2020.

Ms S next heard from L&G on 21 March 2020, when they contacted her to ask for policy information and her National Insurance Number. She provided this information on 23 March 2020. With the end of the tax year approaching Ms S chased L&G again on 27 March 2020. But when she called she could only get through to a recorded message. So she sent an urgent email explaining her situation. And asking for confirmation that her pension had been closed.

Following the end of the tax year, and with the encashment not completed Ms S complained to L&G.

On 23 April 2020, L&G replied. They asked Ms S to forward her email of 27 March 2020 as they'd been unable to locate it. Ms S forwarded the email trail from her secure L&G email box. On 28 April 2020, L&G emailed to tell Ms S that they didn't have her completed Options Form and Risk Questionnaire. She replied the same day. And told L&G she no longer wanted to encash her pension.

On 13 May 2020 L&G issued their final response to Ms S's complaint. This stated that L&G had never received the completed paperwork Ms S had sent to the call handler on 11 March 2020. Therefore they said they couldn't have progressed her encashment request. L&G acknowledged that some elements of the service Ms S had received had been poor and offered £100 compensation.

Ms S accepted the compensation 'without prejudice'. And replied to L&G on 13 and 14 May 2020. She suggested alternative redress including compensation in respect of the additional income tax she would now have to pay when she encashed her pension.

Unhappy with L&G's response, Ms S brought her complaint to this service at the end of May 2020.

L&G issued a further response to Ms S's additional complaint points on 3 June 2020. They said that as the pension hadn't been encashed, there'd been no additional tax liability. They also noted that the value of the pension had increased since March 2020, so Ms S had suffered no loss.

Our investigator issued his first view on 2 July 2021. He felt that Ms S would've encashed her pension prior to the end of the 2019-2020 tax year were it not for errors made by L&G. To put things right, he felt that L&G should compare the value at 26 March 2020, plus interest at 6.4% (8% net of tax), plus the reclaimable tax figure, with the eventual encashment value Ms S would receive. He felt that if the actual amount she received was higher, then no loss has occurred, and no redress would be payable. He also felt that L&G should pay Ms S a further £100 compensation in respect of the trouble and upset she'd suffered.

L&G didn't agree. They said that their claims process can take between 6-8 weeks, due to the regulatory requirements in place for claims, and because their paperwork needed to be sent out at different stages. They said there was a service level attached to each step of the process. And that the payment part of the process took 5-15 working days. Therefore, when Ms S started her claim just over a month before the end of tax year, they couldn't guarantee the money would arrive with her before 7 April 2020. L&G said that when their call handler first spoke to Ms S, he pointed out the time frame was tight. They also said that a cut off point for receipt of the Payment Instruction form (the second part of the process) is put in place around 5th March every year. And this is the last point they could fully guarantee payment in time. So they felt it would've been unlikely the claim would've completed in time, even without any issues.

Ms S made some further points in support of her complaint. Our investigator considered them. But didn't change his view.

L&G didn't accept our investigator's view. They said they'd looked at the best-case scenario, and this had shown that the earliest point the payment would've credited Ms S's account was 7 April 2020, given their two-stage process. So they felt they couldn't be held responsible for any tax liability. They didn't agree with our investigator's assumption that the

claims process should complete within a month. And also said that as it was the end of the tax year their claims teams were extremely busy. They also said that it was the beginning of the pandemic at that time. L&G agreed their communication could've been better. And said that although the agent Ms S had spoken to did note that time was tight, he could've been clearer that the claim was unlikely to complete before the end of the tax year. They said they'd already upheld the complaint regarding the service Ms S had received. But that they maintained their position that they weren't responsible for any financial loss. They also said that Ms S hadn't yet incurred any tax liability. And that she'd gained over £2,000 in her pension plan over the period. So they felt this outweighed any loss of interest.

Our investigator considered what L&G had said. He acknowledged that they disagreed with his findings. But proposed that as his recommended redress would only be payable if the encashment value was lower than the figure he'd asked L&G to calculate, it seemed possible that his suggested redress could result in a no loss outcome. So as Ms S was in the process of encashing the pension, he asked L&G to carry out the redress calculation he'd recommended. He confirmed that this approach would be on the understanding that L&G didn't agree with his findings, but that it could lead to an earlier resolution of the complaint.

L&G agreed to carry out the recommended redress calculations after Ms S had encashed her pension in August 2021. These showed that she'd not suffered a financial loss.

Our investigator issued a second view on 8 October 2021. He said that L&G had completed the recommended redress calculations. And that these had shown no loss. But that they'd disagreed on the date he'd recommended the redress calculations to be based on. He said that he'd originally suggested that 26 March 2020 be used as an assumed encashment date. But that he was satisfied that if this date were to be used, L&G's internal processes, their two-stage process and associated timescales and the payment system timescales would mean that the payment couldn't have reached Ms S before the end of the 2019-2020 tax year. So he agreed with L&G's argument that an earlier date, which would've ensured payment would've reached Ms S before the end of the tax year, should be used. And he agreed that a fair date to use would be 17 March 2020. He said that L&G had carried out the redress calculations he'd recommended using this date. He detailed the calculation that had been carried out. And noted that as the amount Ms S had actually received was greater than the hypothetical amount calculated using the redress recommendations he'd made, she'd suffered no loss. He remained of the view that L&G had caused delays in the encashment process. But as the calculations had shown no loss, he didn't consider that L&G needed to take any further action.

Ms S didn't agree that there'd been no loss. She felt that a selection of dates should be assessed, with the best outcome for her used. She also considered that the additional tax she'd have to pay should be added as a separate amount and not included in the pension performance comparison.

As agreement couldn't be reached, the complaint came to me for review.

I issued my provisional decision on 22 February 2022. It said:

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

Having done so, I intend to uphold it. But I don't agree with our investigator that L&G should be held responsible for the encashment not being completed in the 2019-2020 tax year. And therefore I don't agree that L&G caused Ms S to suffer a financial loss. However, I consider that the compensation L&G have offered for distress and inconvenience is insufficient under the circumstances of the complaint. I'll explain why.

In my decision, I will consider the crux of the complaint. This is whether L&G should be held responsible for Ms S's pension encashment not being completed in the 2019-2020 tax year. I have read all of Ms S's points but won't be answering each individual one here.

Should the encashment have completed on or before 5 April 2020?

Ms S considers that L&G's call handler told her that they could achieve the encashment within the timescale she'd told them she needed. She feels that she sent the correct paperwork in good time and that her encashment should've been completed on or before 5 April 2020. She returned the completed paperwork directly to the L&G call handler. Ms S's email enclosing the paperwork asked a further question about the proof of identity she'd need to provide. And as the call handler had replied to her email she had no reason to think that her paperwork wasn't being processed. Ms S also said that the call handler told her at that start that her pension would be closed five days after the return of the necessary documentation. So she felt that the process would be completed by 20 March 2020.

L&G said the agent Ms S had spoken to had noted that time was tight for the encashment to complete to Ms S's desired timescale. They acknowledged that he could've been clearer that Ms S's encashment was unlikely to complete before the end of the tax year. L&G also acknowledged that as Ms S had noted she'd sent the paperwork with the email she'd sent to the call handler, he could've confirmed that it hadn't arrived with him. But said that their call handler had told Ms S to send paperwork to the central mailbox – which was the correct email address for the paperwork to be submitted to. They said that if she'd followed the instructions, the correct team would've had all the information they needed to proceed to the next stage of the process.

L&G said that personal mailboxes have email limits that mean they won't always receive documentation emailed to them via attachments. And this is why they ask customers to use their operational mailboxes instead. They said that they confirm in their option pack that once they've received confirmation of the customer's option, they issue a quote. But that without the initial option form and the completed risk questions, they weren't in a position to proceed with Ms S's claim and issue her with the required quote and application form. They said that once this is signed and returned, it provides them with the mandate to pay the customer's claim as it includes the payment instruction. L&G also said that even without the elements of poor service, and if Ms S had sent her forms to the stated mailbox, it still would've been unlikely the payment would've been made in time. They said it: "would've required instant turnarounds at each stage which doesn't take into account the service levels that apply to these stages". So they didn't agree they were at fault for not paying the claim before the end of the tax year.

I've carefully considered what both parties have said. And the information they've provided. I've also listened in full to the phone conversation between Ms S and L&G's agent.

I can see that Ms S returned the required proof of identity to the correct email address. And I can understand why she didn't re-send the previously completed initial forms (the Options Form and Risk Questionnaire) to that email address. She'd already sent them to the L&G call handler. But I'm satisfied that he didn't receive the forms. And therefore couldn't have acted on them, even if that had been his role. While I acknowledge that the call handler could've told Ms S he'd not received the forms, I also acknowledge that Ms S could've re-sent them to the correct email address. I'm also satisfied that Ms S was given the correct email address to use at all stages of the process. Therefore, as I'm satisfied L&G didn't receive the required forms, it wouldn't be fair or reasonable for me to hold L&G responsible for the encashment not completing on time.

I've found no evidence that L&G ever told Ms S that they could definitely complete her

encashment before 5 April 2020. And I've also not found evidence that L&G materially failed any of their service terms.

I acknowledge that L&G took a couple of extra days at the start of the process. But I'm not persuaded that this caused the failure of the encashment.

Distress and inconvenience

It's not in dispute that L&G's service wasn't what Ms S could've hoped for. L&G acknowledged that some elements of the service and communication Ms S had received had been poor and offered £100 compensation.

L&G accepted that their call handler caused two days of delay to the process when he failed to promptly issue the option request form. He apologised for his oversight at the time. L&G said that the completed forms Ms S said she sent to the call handler's email address weren't received. They said that while Ms S should've sent the completed forms to the correct email address, their call handler: "still should have noticed there were attachments and sent these on for you". However, L&G also said that their call handler's role involved him taking between 40 and 50 calls a day. And that he'd asked for everything to be sent to the claims mailbox as he wasn't in the best position to manage the documentation.

L&G also acknowledged that on 19 March 2020 Ms S emailed to request confirmation of receipt of her identity documents. She wanted to check they had everything they needed to close her pension. But they didn't reply until 21 March 2020, when they asked for identity confirmation, but didn't answer Ms S's question. And they acknowledge that they didn't reply to Ms S's 23 March 2020 email which expressed her concern about the closure of her plan. Or the follow up email she sent on 27 March 2020. L&G said that they should've checked and noted that they didn't have a record of receiving her options forms. They said that due to the pandemic, some of their teams had been running a reduced service. And apologised that this had affected the service Ms S had received.

Ms S said that L&G caused her acute and sustained stress and inconvenience. She said: "After all my efforts to keep this pension closure on the rails I could not believe that nothing had been done, or the casual way in which this failure was expressed". She also said that L&G's: "inaction and unwillingness to put things right directly left me feeling financially insecure, and I found the unnecessarily protracted correspondence to be stressful and exhausting". Because of this, she asked this service to consider asking L&G to increase the compensation they'd offered.

I understand that Ms S considers that £1,000 would be an appropriate compensation amount, given the extreme financial and emotional distress she considered she experienced. She gave an example of another occasion when she'd been awarded £500 compensation for a situation which had been far less distressing. But I don't agree that the circumstances of this complaint warrant the level of compensation Ms S has requested.

I can see that the difficult claims process would've been stressful and time-consuming for Ms S. From what I can tell, L&G made three separate errors. They caused a small delay in the process. Their call handler could've been more proactive in getting to the bottom of the information Ms S had incorrectly sent to him. And L&G failed to respond to several emails Ms S sent regarding her encashment. As I've discussed earlier, I don't agree that the first two errors caused the failure of the encashment in the 2019-2020 tax year.

However, I can see that the process has caused Ms S distress. Although there was no requirement on L&G to pull out all the stops in order to ensure Ms S's encashment happened in the 2019-2020 tax year, I don't consider that they treated her fairly when they

failed to respond to her requests for information. Therefore, I'm not satisfied that the compensation L&G offered Ms S was reasonable under the circumstances. Taking all three errors into account, I intend to ask L&G to pay Ms S a total of £300 compensation. If L&G have already paid Ms S the £100 compensation they offered her, they can allow for this in any future payment.

I'm sorry that Ms S wasn't able to complete her encashment when she wanted. But, as I've explained above, I don't consider it would be fair or reasonable for me to hold L&G responsible for the failed encashment. But, having considered the service Ms S received, I intend to ask L&G to pay her a total of £300 compensation for the distress and inconvenience she suffered.

Response to my provisional decision

L&G said they were comfortable with my provisional decision.

Ms S didn't respond.

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.

No other new information has come to light to change my opinion. So I remain of the view I set out in my provisional decision.

Putting things right

I require Legal and General Assurance Society Limited to pay Ms S a total of £300 compensation for the distress and inconvenience they caused her. If L&G have already paid Ms S the £100 compensation they offered her, they can allow for this in any future payment.

My final decision

For the reasons given above, I uphold this complaint. I require Legal and General Assurance Society Limited to pay Ms S a total of £300 compensation for the distress and inconvenience they caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 19 April 2022.

Jo Occleshaw
Ombudsman