

The complaint

Mrs G complains that Pension Insurance Corporation plc (PIC) sent her an incorrect retirement quote for her defined benefit pension benefits. She said this left her with financial difficulties. She also said PIC provided a poor service as it caused delays to the receipt of her retirement benefits.

What happened

Mrs G had a defined benefit pension with a previous employer. PIC was responsible administering those benefits.

I understand that in May 2019 Mrs G requested, through her Independent Financial Adviser (IFA), an early retirement quote from PIC. The quote was based on a retirement date of 21 June 2019.

Mrs G's IFA then repeatedly chased PIC to ask it when they could expect the retirement quote. PIC's call notes recorded that the IFA made a complaint regarding the delay of the retirement quote on 27 June 2019.

PIC's call notes also recorded that on 1 July 2019 it called Mrs G's IFA to apologise for the quote delay. And to explain that it was due to a manual calculation being required. The notes also recorded that the IFA said the issue was that they were never given a timescale or an explanation for the delay. PIC apologised and told the IFA they would have the retirement quote by email in three days' time at the latest.

PIC said it sent the retirement quote to Mrs G's IFA on 2 July 2019. But it wasn't received. So it was sent again on 8 July 2019 by email. The quote showed an option of tax-free cash of £73,676.04 plus a reduced annual pension of £11,051.41. The quote noted that the benefits had been adjusted to take account of early payment. And asked Mrs G to provide certain completed paperwork and proof of identify if she wanted to take her retirement benefits. These included her original birth and marriage certificate, and her husband's original birth certificate.

The quote also stated it was an estimate based on current factors. And that PIC would recalculate the final benefits. It said that if the benefits were more than 5% lower, it would confirm the figures.

Mrs G decided to take the quoted retirement benefits. She said that she was going to use them towards a house purchase. She completed the retirement form, which she signed on 2 October 2019 to accept the 2 July 2019 retirement quote.

PIC said that, as part of its standard practice, it completed a review of the pension benefit calculation when it received Mrs G's form. And that it identified that the quote was incorrect. So it recalculated Mrs G's retirement benefits. It said it completed the recalculation on 16 October 2019. And issued a new quote with the correct figures.

PIC's call notes recorded that Mrs G's IFA had called on 16 October 2019 to chase the

pension payment. PIC told the IFA it was at the recalculation stage.

The recalculated retirement quote produced on 16 October 2019 stated that Mrs G could choose to take £64,458.92 of tax-free cash, plus reduced pension of £11,008.65 each year. The pension would still effectively be paid from Mrs G's selected retirement date of 21 June 2019. The quote stated that if Mrs G wanted to take her retirement benefits, she'd need to complete the paperwork and provide documents as before.

Mrs G contacted PIC on 18 October 2019 to ask it when she'd receive her retirement benefits. She hadn't yet seen the reduced 16 October 2019 quote. She was told PIC had written to her to ask her to provide original copies of her birth certificate, marriage certificate and her husband's birth certificate. And that when these had been received, it would then take another few weeks for the money to be sent. PIC's call notes recorded that Mrs G told it she needed her case looking into urgently as she was buying a new house and needed the money from her pension or she might lose the house.

A further call note from the 18 October 2019 recorded that PIC told Mrs G it'd sent a new letter and would need to receive the forms again. At this point, Mrs G raised a complaint.

PIC said that at this point, it told Mrs G it'd made a mistake, and that she would actually only be receiving a tax-free cash lump sum of £64,458.92.

Mrs G said she explained to PIC that the delay and change in the amount she would be paid would impact her impending house move, as she'd been relying on her tax-free cash lump sum. She felt she was now almost £10,000 down on what she'd expected. She felt this meant she'd have to withdraw money from her husband's pension, which would lead to further tax being paid, to make up the difference.

PIC said it'd investigate the mistake and would ensure the correct figure was paid as soon as possible.

PIC then arranged for the payment of Mrs G's tax-free cash lump sum and her monthly pension arrears to be made on 21 October 2019. It wrote to her on that date to confirm the pension benefits that had been paid in respect of her 21 June 2019 retirement date. These were a £64,458.92 tax-free cash lump sum. And £3,971.17, gross of income tax. The letter explained that the £3,971.17 gross payment represented the total pension payments due from 21 June 2019 to 31 October 2019. It also confirmed that it would make the first regular monthly pension payment of £917.39 on 1 November 2019. The letter stated that Mrs G would have to pay emergency tax.

PIC's call notes recorded that on 21 October 2019 Ms G called to say she'd received less than what she'd been quoted. PIC explained it was due to her being taxed on the pension arrears payment.

PIC's call notes also recorded that on 23 October 2019 Mrs G's IFA called to question why the selected retirement date had been chosen, as it wasn't Mrs G's birthday. PIC confirmed that Mrs G's record stated that was the date she'd requested for her retirement.

PIC issued its final response on the complaint on 4 November 2019. It apologised for the distress and inconvenience it'd caused. And said that its service hadn't been of the standard Mrs G should expect from it, as it had found that there had been delays and errors in its service while processing Mrs G's retirement. It also said it should've contacted Mrs G sooner to let her know that it'd recalculated the benefits.

PIC apologised for telling Mrs G on 18 October 2019 that it would take a few weeks to

process her retirement. And that it would need identification documents from her. It said this wasn't correct as she'd already successfully passed its electronic identification check. It also said that it had arranged for both calculations to be reviewed by its actuaries to ensure that the pension benefits that had been put into payment were correct. And that its actuaries had confirmed that the final benefits detailed in its 21 October 2019 letter were correct.

PIC also explained why its original quote had been wrong. It said it was due to an error during the calculation in the way Mrs G's guaranteed minimum pension had been applied to her benefits, which had led to it not being proportioned correctly. It apologised that it hadn't identified this error at the time.

PIC offered Mrs G £150 compensation for the distress and inconvenience the error and the delays she'd experienced had caused. But acknowledged that she had rejected its offer on the basis that it didn't cover the impacts to her. This was because her husband had needed to take additional funds from his pension benefits to complete the house purchase.

Unhappy, Mrs G brought her complaint to this service. She said that PIC should pay her the higher amount it'd originally quoted. But she was open to discuss a settlement. She felt the £150 PIC had offered was an insult given it'd admitted it'd made errors.

Our investigator got in touch with PIC about its compensation offer, as it'd said that the £150 offered was no longer in line with its current guidelines. PIC confirmed that if it was to review the case in line with its current complaints procedure, it would look to offer Mrs G £300. It said it would now offer Mrs G £300 compensation in acknowledgement of the delays to the original quote, the errors in that quote, and the errors in the information it'd given her when she contacted it. It also noted that it had issued a quote to Mrs G in 2018. It felt that the earlier quote would've suggested that the figures it'd quoted in July 2019 were incorrect.

Our investigator felt that PIC's revised offer fairly reflected the impact of its mistakes and delays. He said he couldn't make PIC pay the original quote. And that he felt it'd been clear in saying it was an estimate. He also said that Mrs G wasn't entitled to the higher figure as it was a genuine error which PIC later corrected.

Mrs G didn't agree with our investigator. She still didn't consider that PIC's compensation offer was fair. She said that she didn't believe the difference between the estimated figures and the final figures would be so large. She said it had caused her and her husband so much stress. And that the error had caused worry about losing the house they were in the process of buying. She said that if her husband hadn't taken £10,000 from his pension the house sale would've fallen through.

Mrs G said she acknowledged that she wouldn't be able to receive the difference between the two quotes from PIC, but felt that it should offer her a more reasonable compensation given the errors and delays it had caused.

As agreement couldn't be reached, the complaint has come to me for a 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.

Having done so, I'm going to uphold it. I agree with our investigator that PIC's original offer of £150 wasn't fair. But I consider that its updated offer of £300 in respect of the distress and inconvenience caused is fair. Although I've upheld the complaint, given the changed offer from PIC, I acknowledge that Mrs G will still be disappointed. I'll explain the reasons for my

decision.

The benefits Mrs G was entitled to from her old employer's scheme were defined under its Trust Deed. PIC's role was to calculate the benefits in line with that Trust Deed. Both the correct and the incorrect quotes stated the following about the figures:

The estimated figures we have quoted have been calculated in line with the Trust deed and rules. We have made every effort to make sure the figures are accurate but if there is any error, your benefits will be limited to your entitlement under the Trust deed and rules.

The July 2019 quote also stated:

The figures we quote are estimates based on current factors and we will need to recalculate your final benefits at your actual retirement date. We will pay your recalculated benefits in line with the option you choose on the retirement decision form, unless the benefits are more than 5% lower, in which case we will confirm the revised figures

When Mrs G had confirmed the retirement option she wanted to take on 2 October 2019, PIC followed its standard practice and reviewed the calculations the July 2019 quote had been based on. This process identified that the July 2019 quote had been incorrectly calculated. The correct calculations showed that the July 2019 tax-free cash figures had been overstated by over £9,000. This was considerably more than a 5% difference. So PIC confirmed the revised figures by getting its actuaries to review the calculations. It identified the reason for the incorrect calculation and explained what had happened to Mrs G.

From what I've seen, PIC did explain in the July 2019 quote that the figures were estimates. And it noted that it was possible that the eventual benefits would be more than 5% lower than those quoted. Once it'd identified that an error had been made after Mrs G had sent her retirement form back on 2 October 2019, it issued the correct figures.

I don't consider that the 16 October 2019 quote that PIC sent to Mrs G took into consideration that the figures it contained were substantially lower than those that had been sent in July 2019. I think it would've been better if the letter had explained why the figures were so different. However, Mrs G didn't find out about the correct figures from this letter. Instead, she was told during a phone call with PIC on 18 October 2019.

When Mrs G told PIC why it was important that she received her tax-free cash funds quickly during a call on 18 October 2019, I consider it took reasonable steps to mitigate the issues she was facing. It arranged for payment to be made quickly.

Having said that, I appreciate that PIC's mistake had a worrying impact on Mrs G. She had relied on the information in the July 2019 quote being correct for her impending house purchase. And I understand why Mrs G was shocked at quite how different the eventual retirement figures were from those quoted in July 2019.

As our investigator noted, this service doesn't check calculations the business has provided. However, PIC did provide all of the calculations it based the quotes on to this service. And I'm satisfied that it fairly checked that the October 2019 calculations were correct. Therefore I consider that Mrs G did receive the correct level of tax-free cash and pension that she was entitled to under the Trust Deed and Rules of her former employer's scheme.

I also note that PIC said that it had issued a quote to Mrs G in 2018. And that PIC's call notes recorded that Mrs G had requested retirement figures in March 2019. The 4 March 2019 call note PIC provided to this service stated that as Mrs G was due to meet her IFA, she'd called to ask them for the values of her pension. It said it had provided the requested

figures.

A further phone note from 18 March 2019 states that Mrs G called to ask for her deferred benefit amount and the amount at her normal retirement date. And also a transfer quotation. The transfer quote was chased by Mrs G's IFA on 10 April 2019. And the IFA further queried with PIC whether Mrs G had any additional voluntary contributions on 23 April 2019.

PIC felt that the 2018 quote would've suggested that the figures it'd quoted in July 2019 were incorrect. Although I haven't been provided with a copy of this quote, I take the view that Mrs G had seen other figures over the recent past that could've indicated that the July 2019 quote might be incorrect. I don't consider that she should've known the figures were incorrect. But I am of the view that she may have felt they were inconsistent with figures she'd previously been given. This, alongside the warning on the July 2019 quote that it was only an estimate, persuades me that Mrs G shouldn't have relied on the quote being completely accurate.

As I believe that Mrs G has received the correct benefits, it wouldn't be fair or reasonable for me to ask PIC to honour the quote it sent in July 2019. But I can consider whether the £300 compensation it has now offered in respect of the distress and inconvenience it caused Mrs G was sufficient under the circumstances.

The fact that Mrs G was relying on her pension money for her upcoming house purchase clearly made an already stressful situation much worse. So I've gone on to consider how the incorrect quote, and PIC's other mistakes and the delays it caused, impacted Mrs G.

From what I've seen, PIC took longer than it should to provide the July 2019 quote. Mrs G and her IFA both had to chase this several times. However, it then took several weeks for Mrs G to submit her completed retirement form. She did this on 2 October 2019.

Although I can see that it was an inconvenience to chase the first quote, I don't consider that this delayed the process of Mrs G accessing her funds. I say this because she didn't return the required form until 2 October 2019.

When PIC re-ran the calculations after receiving Mrs G's form, it didn't immediately tell her about the error it had identified. In fact, the 16 October 2019 quote it sent to Mrs G didn't mention that an error had been made with the July 2019 quote, or try to explain why the figures now being quoted were so different. I consider this letter should've fully explained what had happened and why the figures were so different from those quoted in July 2019.

However, Mrs G actually found out about the incorrect July 2019 quote during a phone call on 18 October 2019. And when she explained why it was important that she received her pension money soon, PIC quickly arranged for the funds to be paid. PIC also explained, in its final response letter issued just over two weeks later, why its July 2019 quote had been incorrect. And confirmed that Mrs G had been given the correct pension.

I've also seen that PIC gave Mrs G incorrect information about the proof of identity information it would need, and how long it would take to pay her pension. From what I've seen, this error was corrected the same day.

I acknowledge that the incorrect calculation could've reasonably led to the expectation that Mrs G might be entitled to a higher pension than she actually was entitled to. But I'm satisfied that this was a genuine mistake, which was corrected before the pension was paid. This service doesn't have a remit to punish a business which has made a genuine mistake. We can only look to put a complainant back to the position they would've been in but for the error. I'm confident that Mrs G is already in that position, as she's received the pension

benefits she was entitled to.

I also acknowledge that the initial delays to the quote and the incorrect information would've been frustrating. PIC has accepted that it could've provided a better service. And offered compensation for the distress and inconvenience it had caused.

Mrs G said the process left her and her husband drained and anxious. And that she only found out about the mistake when it was too late to back out of the house sale.

Our investigator has already explained in detail why this service is unable to consider the impact of PIC's delays and errors on Mrs G's husband. I acknowledge that he's had to withdraw additional funds from his pension due to the lower than expected tax-free cash Mrs G received from PIC, and that he may have had to pay tax on this withdrawal. I'm sorry that he's been inconvenienced in this way. But I agree with our investigator that Mrs G's husband isn't an eligible complainant under the rules this service operates under. So I can't consider the impact on him.

Overall, I consider that PIC's increased compensation offer of £300 is fair. I say this because PIC has acknowledged that it made the mistakes I've covered above. It apologised, and took what I consider reasonable steps to put things right. However, it also considered the impact that its mistakes had had on Mrs G. And, in acknowledgement of the delays to the original quote, the errors in that quote, and the errors in the information it'd given her when she contacted it, offered £300.

I'm satisfied that Mrs G has been paid the correct pension benefits. I'm also satisfied that PIC processed the payment of those benefits quickly once Mrs G had explained her urgent need for the funds. I appreciate that Mrs G had a loss of expectation about the benefits she was going to receive. But I'm satisfied that PIC had made it clear that the quote was only an estimate, which would need to be recalculated.

I acknowledge that Mrs G won't consider that £300 compensation is enough. But I consider that it fairly reflects the distress and inconvenience the delays and errors have caused her. So while I'm upholding this complaint, I consider that PIC's offer of £300 compensation is fair. And I don't require it to take further steps to put things right.

Putting things right

I require Pension Insurance Corporation plc to pay Mrs G £300 compensation for the distress and inconvenience it has caused her.

My final decision

For the reasons I've given above, I uphold this complaint. I require Pension Insurance Corporation plc to pay Mrs G £300 compensation for the distress and inconvenience it has caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 22 December 2022.

Jo Occleshaw
Ombudsman