

The complaint

Mr M complains that ReAssure Limited failed to provide him with clear and accurate information about some pension benefits that he was entitled to receive. And he further complains that ReAssure failed to send him the vesting application forms that he requested in a timely manner, resulting in delays to the commencement of the payment of his pension benefits.

What happened

I issued a provisional decision on this complaint in April 2022. In that decision I explained why I didn't think the complaint should be upheld. Both parties have received a copy of the provisional decision but, for completeness and so those findings form part of this decision, I include some extracts from it below. In my decision I said;

Mr M holds pension benefits with ReAssure. Those benefits arose from a Section 32 Buy Out policy that Mr M opened in October 1987. When the policy commenced, it was set up with an expected retirement date of Mr M's 60th birthday, in April 2019.

In 2019 Mr M says that he had a number of discussions with ReAssure about his pension benefits. But he says those conversations, and the documentation he was subsequently sent, failed to make it sufficiently clear that the Guaranteed Minimum Pension ("GMP") benefits the policy was set to provide could be paid earlier than the statutory retirement age of 65. So he says that he did not take those pension benefits at that time.

In 2021 Mr M was made redundant by his employer. He had also suffered some serious health problems in 2019. In February 2021 Mr M started further discussions with ReAssure about taking his GMP benefits. He says those conversations were difficult and underlined that ReAssure staff did not fully understand the pension policy that he held.

However, after further escalating the matter, Mr M says he was provided with a full understanding of his available pension benefits. So, in early May 2021 ReAssure told Mr M that it would send him the forms he needed to complete in order to put his pension into payment. It appears that request was overlooked, and Mr M says that he chased the missing forms on a number of occasions.

The required paperwork was sent to Mr M on 10 June. Once completed the forms were returned to ReAssure by Mr M, and their receipt was recorded by ReAssure on 16 June. That is the date that ReAssure used to commence payment of Mr M's pension benefits. But due to some further processing delays, Mr M didn't actually receive his first payment (albeit containing some backdated income) until around two months later.

Mr M has actually made two separate complaints to ReAssure that were responded to in different final response letters. But ReAssure and Mr M have consented to both complaints being dealt with in a single final decision. And so my findings here will

consider both the information Mr M was given before he put his pension into payment, and any delays in the start of those payments.

When Mr M made his complaint ReAssure accepted that it hadn't provided him with the information he'd asked for about his GMP benefits as quickly as it should have. So it said that it would send him £250 as an apology. But it didn't agree that Mr M had been prevented from taking his pension benefits at age 60. And ReAssure also agreed that it hadn't put Mr M's pension benefits into payment as quickly as it would have expected. So it said it would send him a further £200 for the trouble and upset he'd been caused by the delay between the receipt of his completed vesting forms, and the start of his pension payments.

I think it would first be helpful for me to set out what I understand of the pension plan that Mr M held with ReAssure – and I think doing so will help to highlight why Mr M's situation was a little more complex than might be the case for other consumers.

Section 32 plans were created by transferring some benefits from an existing occupational pension scheme into a personal pension. Once set up, section 32 plans couldn't accept further transfers from other workplace pensions, or contributions from the consumer or their employer.

The transfer that was made for Mr M comprised guaranteed benefits called a guaranteed minimum pension (GMP). ReAssure agreed to take on the responsibility to pay the GMP when Mr M reached age 65 regardless of how well the pension had performed.

In many cases the assumptions about investment growth that were made at the time of the transfer have proved to be overly optimistic. So the pension savings that a consumer holds in their section 32 plan are insufficient to purchase an annuity equivalent to the GMP they are entitled to receive. In those cases the pension provider is required to make good any shortfall to ensure that the GMP is received from age 65.

But, like Mr M's pension plan, the retirement age that was set on the policy at inception was sometimes earlier than age 65 – Mr M's retirement age was set at 60 years. But where there was a shortfall in the pension value, providers would only be required to pay the GMP from age 65. And that sometimes led to a delay in pension benefits being provided. So pension providers might show an understandable degree of caution when discussing any benefits that would be due from a section 32 plan.

Mr M's pension investments had however performed well. And, by the time he reached age 60, they were sufficient to purchase an annuity that would be equal to the GMP he'd been promised. So it would have been possible for Mr M to take his pension benefits earlier than the statutory age of 65.

I can see that Mr M did have a number of conversations with ReAssure in early 2019 about the benefits that he held. It is clear that he understood the valuable nature of the GMP benefits that he held. ReAssure hasn't been able to provide us with recordings of those calls, but I have reviewed the brief notes that were made at the time. From those I would tend to agree with Mr M that ReAssure wasn't always able to answer his questions immediately – there are a number of instances where call backs, or letters, were promised to provide him with the explanations he sought.

But I think the most important communication that I should consider is the written details that ReAssure sent to Mr M about the pension benefits that were available to

him. I think those letters, that were clearly templated, were designed to cover both the situation where a GMP wasn't sufficiently funded – and so couldn't be paid until age 65 – and those where an immediate pension of equal value could be taken. So although the quotation that was sent to Mr M clearly told him that an annual pension of £5,903.04 (equal to the GMP) could be paid when he reached age 60, it didn't specifically tell him that he wouldn't lose out on his GMP benefits by taking his pension income before age 65.

But I don't think that was something that ReAssure was required to explain to Mr M. It wasn't providing him with advice, or a recommendation, about what he should do. Instead it was simply required to set out the options that were available. And I think it clearly told Mr M the amount of the pension annuity that could be paid when he reached 60 years of age.

Mr M didn't take his pension benefits at that time. I am mindful that he suffered some very serious health problems around that time. And, of course, he was still employed and enjoying his normal income. Mr M has told us that he wasn't made aware that he would be made redundant until November 2020. So it could be that Mr M, at the time, had no need to take his pension benefits. But since his pension plan had now passed the originally selected retirement age, the retirement age on the plan was automatically updated (in line with the policy terms) to age 75. That didn't, of course, mean that Mr M was precluded from taking his benefits until that time – they were still available to him on request. But it did mean that the routine information ReAssure sent to him, such as annual statements, now reflected the pension benefits that were expected to be available when he reached 75, rather than those he could take immediately.

So whilst I entirely understand why Mr M might have been confused by the changes in the information ReAssure had sent to him, I don't think it reflects an error that needs to be corrected, or something that ReAssure has done wrong.

Although I don't think ReAssure has done anything wrong here, I will just briefly touch on one other aspect of this part of Mr M's complaint. He has said that he has missed out on two years' worth of income through not taking his benefits immediately.

It is clear that what Mr M says here is true. But that missed income is offset by him now receiving an annuity in excess of the GMP that he was entitled to receive. I appreciate that Mr M says it will take around 20 years before the additional annuity income makes up for the two years of missed payments. But that would seem to me to be reasonable – the annuity is paid for Mr M's remaining lifetime, and based on current mortality assumptions that period of time seems in line with the time for which the additional sums will be paid. So even if I thought ReAssure had needed to communicate differently (which for the avoidance of doubt I don't), then Mr M won't have suffered a direct financial loss.

Following his further discussions with ReAssure in April and May 2021, Mr M decided to take his pension benefits. On 4 May he requested that ReAssure send him the paperwork he would need to complete in order for his pension benefits to be put into payment. It seems clear to me that request was overlooked, and I can see that Mr M chased the paperwork from ReAssure on a number of occasions over the following weeks. It wasn't until 10 June that ReAssure sent the forms to Mr M.

Mr M appears to have accepted ReAssure's apology for the time it took from him returning those forms to the pension being put into payment, although I will comment on the compensatory payment that ReAssure offered a little later in this decision. And

it seems that the income payments due to Mr M were backdated to the receipt of the forms by ReAssure on 16 June. So those delays haven't caused Mr M to miss out on any pension income.

But I agree entirely with what Mr M says here. If ReAssure had sent the forms out to him when they were originally requested on 4 May, his pension would have started earlier than it did. And that isn't income that Mr M can get back – his pension is naturally limited by his lifespan, so any delays to its start will result in a direct loss. I have no reason to think that the timeframe for Mr M returning the paperwork would have differed if the forms had been sent out when they were originally requested. So I think that Mr M has lost out on 37 days of pension income as a result of ReAssure initially failing to issue the retirement paperwork.

As I said earlier, ReAssure has offered a total of £450 to Mr M in respect of the trouble and upset he has faced as a result of its failings in providing information to Mr M about his pension policy, and the delays in putting the pension into payment. Mr M says that those payments haven't been received by him. I think that the amounts ReAssure has offered are reasonable and in line with what I would normally direct in circumstances similar to these. So I think those payments should also be made to Mr M. If ReAssure thinks those payments have already been made it should provide evidence in response to this provisional decision, so that I can amend my findings before a final decision is issued.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. Although Mr M doesn't agree with my findings in relation to the information he was given by ReAssure, he hasn't offered any further arguments or evidence. Mr M says that he is pleased to accept the remainder of my findings.

ReAssure doesn't agree with my findings on the second part of Mr M's complaint. It says that its records suggest that Mr M didn't ask to be sent the vesting information for his pension benefits until the call he had on 10 May. It accepts its failure to issue the paperwork at that time could have caused a slight delay in setting up Mr M's pension benefits but says that all but 2 days of that delay was cancelled out by its action in expediting the processing of Mr M's instructions. It says that if its normal processing SLA had applied, Mr M's pension wouldn't have been paid much earlier even if the forms had been sent out immediately they were requested. ReAssure says that on 13 January 2022 it paid £250 of the compensation it offered to Mr M. It says it will pay the remainder when my final decision has been issued.

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.

Given the discrepancy between Mr M's recollection of when he asked for the vesting paperwork, and what ReAssure said happened, I asked ReAssure to provide a copy of any call recording from 4 May. ReAssure had previously been unable to locate a copy of that recording.

ReAssure did provide the call recording and I have listened carefully to the entire call. From that I agree with ReAssure that Mr M didn't make any request for the vesting paperwork to be issued at that time. So, as ReAssure says, the request was first made on 10 May. I have asked the investigator to discuss that discrepancy with Mr M, and he has said he is happy to accept my revised findings that the date of his request was 10 May.

ReAssure has said that it expedited the processing of Mr M's instruction to put his pension into payment as it was aware of the delays it had caused in sending out the paperwork. So it says I should base my findings on its normal SLA, rather than the actual timescales that applied. And it says if that were the case, Mr M would only have suffered a two-day delay.

I've thought carefully about what ReAssure has said. But I'm not persuaded that would be a reasonable approach to take. By the time Mr M made his request for the vesting paperwork ReAssure was already dealing with his complaint – it was well aware from the conversations that it had held with him that he was unhappy he hadn't received more comprehensive information about the funding status of his GMP benefits and so he had been delayed in taking them. So I don't think it would have been unusual for ReAssure to take additional care when processing his application, and ensured that things moved as quickly as possible.

I don't think it would be right to use the SLA that ReAssure refers to, as the average, or most common, length of time for processing. There are many other factors that might influence how long processing an instruction takes – and in my experience processing takes less time than the SLA in many cases. So I think it most reasonable that I base my expectation of how long it would have taken to process Mr M's instruction on the time that it actually took. So, with the exception of a different starting date (10 May rather than 4 May) I've not been persuaded that I should change the redress I set out in my provisional decision.

So I think that Mr M has lost out on 31 days of pension income as a result of ReAssure initially failing to issue the retirement paperwork and it needs to pay him some compensation.

Putting things right

As I have explained above, and in my provisional decision, I think that ReAssure's failure to send the retirement paperwork to Mr M has resulted in him missing out on 31 days of pension income. So ReAssure should make a compensatory payment to Mr M equivalent to 31 days of annuity income. But that payment would have been subject to income tax, so it is reasonable for ReAssure to reduce this compensation by Mr M's marginal rate of taxation in the relevant tax year.

Neither ReAssure nor Mr M have disputed my assumption that Mr M was likely to have been a basic rate taxpayer at the time his annuity started, so the reduction would equal 20%.

ReAssure should add simple interest at a rate of 8% per annum to the total additional annuity amount from the 16 May 2021 to the date of settlement.

ReAssure has shown that it has already paid Mr M £250 in compensation for the trouble and upset he has been caused. ReAssure should now pay to Mr M, the remaining £200 that it has previously offered.

My final decision

My final decision is that I uphold part of Mr M's complaint and direct ReAssure Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 September 2022.

Paul Reilly
Ombudsman