DRN-3746511

The complaint

Mr S complains that ReAssure Limited (ReAssure), over a period of around nine months, provided him with incorrect valuations for his pension plan (PP). He says ReAssure continually said it would escalate the matter to senior managers but failed to resolve the issue. He feels that its continuing failure to amend the calculations has caused him "*stress and anguish and reduced his ability to extend his fee earning capacity.*"

What happened

In 1986 Mr S took out a PP with Legal & General, the administration of which was taken over by ReAssure in 2019. The plan was set to age 70. Each year he received an annual statement which, up to the 2019 statement hadn't shown a fund value more than £100,000. ReAssure has told us that the total investment into the PP was below £25,000. But in April 2021, he received a "yearly review" of his PP which said that the value of the plan was £250,855.70 and would provide a yearly annuity of £15,058.82. By August 2021 the fund value given by ReAssure to Mr S was over £500,000 and continued to increase with subsequent valuations.

In October 2021 Mr S contacted ReAssure for a policy value. He was told it was £547,596.51. Mr S thought this was an inflated figure and asked for a breakdown of the value. ReAssure confirmed it thought the figure was correct but said it would provide a full breakdown of the transfer value to date. It further explained that Mr S would need to contact the previous pension provider for information about an annuity if he wanted to draw his benefits as it wasn't able to provide one.

Mr S and his adviser made further contact with ReAssure about the incorrect figure during December 2021. In January 2022 ReAssure apologised for its errors and paid Mr S £150 for the inconvenience caused. But Mr S wasn't happy with the offer and in March 2022 then set out the full details of his complaint to ReAssure:

- He hadn't received a reply to his verbal complaint from December 2021 – which was beyond the eight weeks in which ReAssure ought to have responded.
- When he was informed by ReAssure that his PP was valued at around £250,000 in April 2021, he began to consider his retirement options with his adviser. Subsequent valuations of up to and above £500,000 over the following nine months led him to decide to scale back his self-employed earnings in favour of his PP income.
- In October 2021 he discussed his options around taking an annuity with the original pension provider. He asked his adviser to produce a formal report so that he could confirm he'd received financial advice before accepting the annuity offer or potentially transferring the PP to his self-invested personal pension.
- He made the decision to transfer his PP benefits in November 2021 and his adviser called ReAssure to confirm the transfer value – which was stated to be £575,156.13. But in December 2021 the adviser was informed that there had been an error and the transfer value was actually around £90,000. He couldn't be sure what figure was correct and still hadn't received a breakdown from ReAssure to explain what caused the initial error.

- He hadn't received an explanation for why he'd received a cheque for £150. But in any case, he didn't think that sum was a satisfactory resolution to the matter.
- He had made "life changing" decisions based on what he thought were correct calculations. This was principally to accelerate his retirement and reduce his workload from April 2022. He had also suffered anxiety and stress from ReAssure's failure to provide correct valuations as well as wasting a significant amount of time trying to find out the correct figures.

ReAssure said it had reviewed its previous offer of compensation for the error it had made and believed this was the right outcome. So Mr S brought his complaint to us where one of our investigators looked into the matter. He said that, while the valuations ReAssure provided from the April 2021 statement onwards were "implausible", it seemed incapable of providing corrected and credible figures to Mr S over an extended period of time. He thought this would have raised Mr S's expectations around his annuity payment and caused him distress and inconvenience trying to resolve the matter so that he could organize his retirement options. He thought ReAssure should pay Mr S a total of £400.

ReAssure said it would increase its payment for the distress and inconvenience caused to the £400 that the investigator recommended.

But Mr S didn't agree He thought he should be compensated further for his time in dealing with the complaint and the loss of earnings during the long periods he had to spend on the telephone to – and waiting for – ReAssure to respond. He thought it was reasonable for him to take ReAssure's information at face value and look into his retirement options, which were to annuitise or transfer his funds to a self-invested personal pension.

He wanted his complaint to be looked at by an ombudsman – so it's been passed to me to 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.

And having done so I agree with the outcome the investigator reached here. I know Mr S will be disappointed with this outcome and I've seen the strength of his feelings that he should be further compensated for the trouble and upset this matter has caused here. This was especially with regards to the changes he said he made to his self-employment situation because of the incorrect information ReAssure provided.

But I think the level of compensation recommended here was correct – so I'll explain my reasons.

<u>*The incorrect valuations*</u>

I know the investigator was satisfied that ReAssure had made an error with the valuations it provided from April to December 2021. And I've seen that Mr S understands that "*compensation/monies cannot be paid from a pension policy which does not exist."*

But for completeness I've also considered this matter based on the evidence I've been provided with. I've seen that ReAssure (or the previous provider) issued statements and verbal valuations along the following lines:

- A statement dated 22 May 2017 showed the transfer value of the plan was £64,556 – which would provide a yearly income of £4,403.76.

- A verbal valuation of £76,213 was given on 28 October 2019.
- The 2018 annual statement received in May 2019 noted the plan would provide a yearly annuity of £8,621.31.
- The 2019 statement received in June 2020 noted a future annuity of £8,661.39.
- In April 2021 a "yearly review" letter noted the value of the plan was £250,855.70 and would provide a yearly annuity of £15,058.82.
- In October 2021 Mr S was given a policy value of £547,596.51.
- A letter dated 2 November 2021 gave policy information which said, "*total annuity £15,058.82 at age 70, current transfer value £574,830.37.*" Although it also stated, "*please note that all values quoted are not guaranteed as the funds are revalued on a regular basis*."

By January 2022 – when it issued its first "retirement options pack" - the transfer value was noted as £90,105.64 which it was stated would provide a guaranteed annual income of £5,999.52. The pack from April 2022 showed a rise in the transfer value to £93,110.06 – with a guaranteed annual income of £6,242.38.

So I think it's clear that there was an anomaly in April 2021 when the transfer value of the plan was nearly three times the value it had been in the previous annual statement, and this value doubled again within the next six months. But as the money was invested in a cautious with-profits fund, this meant it would have been more likely to have grown organically with the addition of bonuses which were usually only declared once a year.

So all the evidence I've seen would suggest that the figures provided throughout 2021 were incorrect and bore little or no resemblance to the actual value of the plan, which was noted to be between £60,000 and £90,000 for the years immediately prior to the erroneous valuations. I think this was simply an error from ReAssure which it has explained arose from the migration of systems from the original plan provider and seemed to be as a result of including future premiums that Mr S wasn't going to pay into his plan. I haven't looked at the breakdown of the valuations ReAssure provided to try to validate this reason as I don't think it's material to the complaint – but I think it's a reasonable explanation of what may have gone wrong.

But in any case, even if that explanation isn't complete, the fact remains that I'm satisfied the valuations from April 2021 were incorrect and it wouldn't be fair to tell ReAssure to honour them when providing the funds to the original provider to set up Mr S's annuity.

But this was a *significant* error from ReAssure for two main reasons. Firstly it repeated the error on a number of occasions when questioned by Mr S and his adviser, and it compounded the problem by increasing the valuation figures it provided during the whole nine months or so the problem existed. In addition, this was an important time for Mr S who wanted to consider all his retirement options and needed an accurate picture of his retirement provision to be able to decide whether he could afford to reduce his workload and begin a gradual phased retirement plan.

So I've gone on to consider the impact of ReAssure's actions and the level of compensation that's been recommended and offered for the distress and inconvenience caused by the errors.

<u>The impact of the errors and compensation award</u>

Mr S has explained the impact ReAssure's errors had on his circumstances at that time. He says because of the amount he thought he would receive from his pension he had begun not to follow up new leads in his business. He says he was repeatedly assured of the exaggerated sum, although he acknowledges that he had "*huge scepticism for a long period* *of time".* He says his pension adviser made numerous contacts with ReAssure because it wanted to formulate its “retirement” recommendations for Mr S as he wanted to bring forward his retirement plans and reduce his work as a self-employed consultant.

Mr S has also complained about the lack of responses he received from ReAssure who, he said, made numerous promises that his concerns would be addressed by “senior management.” In summary he doesn’t think the £400 that’s been suggested by our investigator covers the time and effort he’s made here – as well as the losses suffered from scaling back his workload in anticipation of a partial retirement.

I can understand Mr S’s position here and I can only imagine the frustration he’s suffered – over an extended period – from being advised by his pension administrator that he was entitled to an annuity of between two or three times more than was actually the case. And I can see that he and his adviser tried hard to get this matter resolved because they wanted to finalise his retirement plans. Although the evidence would suggest that Mr S remained highly doubtful that the 2021 figures were correct which is why he continued to question them at the end of 2021. However, this doesn’t diminish the significance of the errors that ReAssure continually made during this time.

We don’t usually make a specific award for someone’s time, or calculate it using a set amount, like £10 an hour. Nor do we make specific awards for example around the loss of business opportunities Mr S may have suffered during this time, but we will factor in the inconvenience someone may have experienced spending time dealing with a matter. I’ve also taken into account that Mr S has said that he was looking to reduce his workload from April 2022 by which time the error had been corrected, and I also think Mr S might have been better advised not to have made any of the changes he’s told us about until his annuity had been formalised and the payments begun. I can understand what Mr S was intending to do, based on the inflated information and figures he received, but there’s little evidence to support the claim that he had already made these changes – or indeed should have made them, and suffered business losses.

But even if my assessment of the situation isn’t correct, it’s important that we’re fair to both sides when making awards of this kind – so while Mr S might want us to punish ReAssure, that’s not what were here to do. Our role is to make an award that recognises the impact ReAssure’s mistake had on Mr S.

I don’t take lightly the impact this had on Mr S over an extended period of time. I’m sure the frustration of continually being reassured that the figures were correct – when he obviously had doubts, would have been high. And I don’t doubt that some of the initial plans his adviser discussed would have had to be amended when the error finally came to light. But having carefully considered all of this information – and the impact on Mr S, I think the award suggested by the investigator is fair and reasonable and within the range of what I’d expect to see for such a combination of repeated errors and the subsequent impact on Mr S.

Putting things right

ReAssure Limited should pay Mr S a total of £400 for the impact of the distress and inconvenience its errors caused him. This total includes any amounts that have already been paid to him.

My final decision

For the reasons that I’ve given I uphold Mr S’s complaint against ReAssure Limited. ReAssure should pay Mr S the amount set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 20 April 2023.

Keith Lawrence
Ombudsman