

The complaint

Mr A complains about aspects of the service he received from The Royal London Mutual Insurance Society Limited (Royal London) when administering his personal pension plan.

Mr A is represented by his wife in bringing this complaint. But for ease of reference, all actions and comments will be noted as Mr A's.

What happened

Mr A holds a personal pension plan with Royal London. He says there have been various issues to do with its handling of his policy. Those include incorrect information being given, or in some instances not being given responses to queries at all.

In a response sent in January 2022, Royal London recognised that it hadn't always dealt with Mr A's emails. It apologised for the delays he experienced and offered him £100 compensation.

Mr A complained to Royal London in February 2022 that it hadn't told him a charge would apply if he took a payment holiday. In its response dated 10 March 2022 Royal London recognised and apologised that Mr A had been given the wrong information regarding premium holidays and their charges. It agreed to a premium holiday for 12 months free of charge, which it backdated to November 2021. Similarly, it recognised Mr A was given the wrong information about making the plan 'paid up' (meaning he could stop making premiums and the plan could be treated as paid up with a one-off charge being applied). It offered a further £100 compensation for any upset or inconvenience that caused.

Mr A contacted Royal London about removing the early exit charge from his policy. Mr A's policy was made up of two distinct parts: protected rights and non-protected rights which had different retirement dates. In a response dated 1 April 2022, Royal London explained that his policy had a selected retirement date of February 2023 (Mr A's 55th Birthday) for the non-protected rights part of the plan. But the retirement date for the protected rights part was February 2033 (Mr A's 65th birthday). So, if Mr A decided to take benefits or move the plan before the relevant retirement date, an early penalty charge would apply. That said, Royal London did point out that new legislation introduced in March 2017 meant that once Mr A became eligible to access retirement benefits, charges are usually capped at 1% of the plan's value. It said a 1% cap will therefore normally apply from age 55. However, it confirmed that no charges at all would apply if Mr A waited until the agreed retirement date before transferring to a new provider. Royal London acknowledged that Mr A wasn't happy about having to pay an early exit charge – particularly given the service issues he'd experienced. But it said it couldn't remove it because it was built into the plan and was part of its terms and conditions.

Mr A wasn't happy with Royal London's response, so he brought his complaint to our Service. He said he'd been misinformed by Royal London on several occasions. Consequently, he wanted to move his plan to another provider without incurring any penalties. One of our investigators looked into the complaint and agreed that there had been some issues regarding Royal London's handling of things. She also noted that Royal London

had paid £200 compensation, which she thought was fair. However, she said she wouldn't expect Royal London to waive any early exit charges given that they're part of the terms and conditions of the policy.

Mr A didn't accept the investigator's assessment. In short, he said he felt strongly about being able to move the policy penalty free due to the service issues he'd experienced. As no agreement could be reached, the complaint was passed to me to decide.

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.

I appreciate Mr A's strength of feeling about what happened and why he might now think Royal London should have allowed him to transfer to a new provider without incurring an early exit penalty. But I don't agree that would be the fair and reasonable thing to do. I say that for a few different reasons.

First, as our investigator explained, the early exit fee appears to have been built into the policy terms and conditions at the outset, so is something that Mr A would have signed up to when he took out the plan. It seems likely therefore that Mr A would have known in the event that he opted to end the term much earlier than expected – as he tried to do here - he'd incur a fee.

Mr A isn't complaining about the early exit fee per se. What he seems to be saying is that he shouldn't have to pay it because of some service issues he faced. But the early exit fee isn't contingent on Royal London doing everything it should do when administering the policy. It's a completely separate fee. Royal London didn't go into great detail in its response about *why* an early exit charge is applied, save to say that it's generally applied when a policyholder opts to take their benefits or transfer their plan ahead of the retirement date agreed. It seems likely therefore that it's intended, in part at least, to recover charges or other administrative costs that might otherwise become due.

In any event, Royal London isn't disputing that its standard of service wasn't always at the level expected. And whilst not ideal, as I've indicated, I'm not persuaded those service issues mean that Royal London should waive a completely separate fee.

But that's not to say that Royal London shouldn't still recognise the impact of its poor service on Mr A. And I'm satisfied it's done that. I think the £200 compensation payment that Royal London made together with agreeing to a penalty free payment holiday for 12 months, is a fair and reasonable settlement of this complaint. So, I'm not intending to direct it to do anything else.

That said, it seems from a recent update I've seen that Royal London has indicated it's now willing to allow Mr A to transfer his policy free of charge. Whilst that doesn't alter my findings about Mr A's specific complaint and whether Royal London acted fairly and reasonably in relation to that complaint, it is something that Mr A probably wants to discuss with Royal London directly if he hasn't done so already.

My final decision

I'm satisfied that The Royal London Mutual Insurance Society Limited has made a fair and reasonable offer in settlement of this complaint when it said it would pay £200 compensation and agreed to a backdated payment holiday. So, I'm not directing it to do anything else.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 23 March 2023.

Amanda Scott
Ombudsman