

The complaint

Mrs B complains ReAssure Limited caused unreasonable delays and provided poor customer service when she wanted to release tax-free cash from her pension.

Mrs B has been assisted by her financial adviser Mr R, from firm "I" which was named on her ReAssure policy.

What happened

I issued a provisional decision on this complaint in February 2023, in which I set out the events leading up to Mrs B's complaint in some detail. The background doesn't appear to be in dispute, so rather than repeat it in full here, I'll just summarise the key points.

Mrs B had two paid up personal pension policies (plan numbers ending *449 and *483), which were formerly with Legal & General and are now with ReAssure Limited ("ReAssure"). Her financial advisers "firm I" have been servicing agents since 2019.

She'd kept these policies with ReAssure rather than transferring to provider "A" with her other plans as they were subject to a "*pension review guarantee*" (PRG). This ensures Mrs B wasn't worse off by investing into a personal pension rather than a workplace pension following the industry wide pensions review. Rather than carrying out the redress calculation at the time of the review, the PRG on Mrs B's policies would be calculated and added to the policy value when benefits were taken.

In early December 2020 Mrs B wrote to ReAssure to request a pension valuation. She was thinking of taking a tax-free lump sum in 2021 to use as the deposit on a house, leaving the remainder invested. ReAssure emailed Mrs B on 14 December 2020 to explain the calculation of the PRG would take four to six weeks, but she would be kept regularly updated. ReAssure sent Mrs B a pension valuation dated 12 March 2021 of just under £235,872, valid for three months, which confirmed a PRG applied to both policies.

From this point there was a lot of back and forth while Mrs B and her adviser chased ReAssure, being aware the 90-day guarantee period was due to elapse. ReAssure provided inaccurate information and valuations, which didn't reflect the PRG on several occasions, and communication with them was difficult. Mrs B experienced poor customer service and found the whole process stressful and frustrating, as around this time house prices were rising, and she couldn't proceed with her purchase without these funds.

Mrs B complained about the delay and received £250 to apologise for the poor service, but no explanation or resolution to the problem. ReAssure eventually agreed with Mrs B's adviser that her case was being fast tracked. The funds were still not received by June 2021 despite the intervention of two of firm I's senior management.

Mrs B finally received a TFC payment around 6 July 2021 of £63,197, and the transfer values for both policies. By this time she had decided to transfer to provider A rather than retain her drawdown funds with ReAssure. So the adviser asked for updated policy valuations, transfer valuations and any bonuses or penalties to enable her to do that. And

requested that ReAssure ensure all figures quoted reflected the applicable PRG. But unfortunately ReAssure quoted a valuation of policy *449 of just over £64,327 which didn't reflect the PRG. Each time the policy valuations needed to be recalculated Mrs B was told it would take a further 4-6 weeks, despite the promised fast-track. Mrs B referred her complaint to this service in July 2021, more than six months since her original request to ReAssure.

ReAssure's administrative errors continued, as it told the adviser it had overpaid Mrs B's TFC by just over £7,234 which she'd need to repay. And when he queried this, ReAssure questioned his authority over Mrs B's plans. This issue was quickly resolved when he provided evidence his firm had been servicing agents since 2019.

Mrs B returned just over £4,229 to ReAssure on 9 September 2021, and transferred her policies to A in October 2021, at which point they were reinvested. Our investigator upheld Mrs B's complaint and set out how she thought things should be put right.

But while Mrs B accepted the outcome, ReAssure didn't respond, despite being chased. So in May 2022 the case was made ready for an ombudsman's decision. In October 2022 ReAssure finally responded, agreeing to settle the complaint as the investigator had suggested. While disappointed it had taken so long, Mrs B agreed, on the condition she'd be given the loss calculations. The investigator told ReAssure Mrs B had accepted its offer and left it to them to put things right. In November 2022, almost two years since she first contacted ReAssure, Mrs B had heard nothing further from ReAssure, so she let us know she now wanted an ombudsman's decision.

On 12 December 2022 Mrs B received a cheque for £2,784 from ReAssure, but without an explanation or the calculations she was expecting. Mrs B was eventually told this figure reflected the 8% interest on the tax-free lump sum. But ReAssure hadn't completed the loss calculation on the transfer delay, as it was waiting for information from A.

So in January 2023 the case was passed to me for review. ReAssure had by this time received the information from A, but still hadn't fully compensated Mrs B.

My provisional findings

In February I made the following provisional findings (in summary):

- The service provided by ReAssure to Mrs B (and her adviser) when she requested a pension valuation, and subsequently to transfer her policies to A, has been inadequate.
- The ReAssure policies formed a substantial proportion of Mrs B's pension provision, so it was important for her financial future to know where she stood. Particularly as she intended to use the TFC towards a house purchase the following year, prior to the expiry of the stamp duty holiday in September 2021.
- As the calculation of pension review redress isn't automated and has to be done manually, it was reasonable for ReAssure to have warned Mrs B to allow four to six weeks for the calculations to be carried out.
 - Mrs B had allowed sufficient time for a potential house move in the summer of 2021 by asking for the information she needed in December 2020;

- She'd taken steps towards getting a mortgage arranged so once the TFC was available, (or she had an accurate idea of how much to expect) she'd be in a position to proceed;
- I thought Mrs B had a reasonable expectation that ReAssure would provide her with an accurate valuation of both policies in a timely fashion, and that once given those values could be relied upon.
- ReAssure's system notes suggest the PRG calculation could only be done once the completed forms were received back from Mrs B. While the precise figure may not be known until the final calculation, it wasn't helpful of ReAssure to issue policy valuations which didn't include the PRG, as the difference was substantial (increasing the value from around £64k to over £235k) which would have a significant impact on the TFC entitlement.
- ReAssure had sent Mrs B forms showing incorrect valuations but told her adviser they'd manually correct the figures to include the PRG when they were returned. But when Mrs B returned the completed forms, ReAssure then said it couldn't accept them. Yet it was also unable to produce forms showing the correct figures when they were requested.
- While 4-6 weeks was fair for the initial PRG calculation, I didn't think it was reasonable to apply this timeframe every time calculations needed to be corrected due to ReAssure's own errors, as this simply added to the significant delays.
- Like the investigator I thought 1 February 2021 was a reasonable date for the PRG calculation to have been completed, as it allowed around eight weeks from Mrs B's original request. ReAssure provided a valuation on 12 March 2021 which it guaranteed for 90 days. The transaction didn't complete within the 90-day guarantee period, due to delays and errors on ReAssure's part.
- I acknowledged many members of ReAssure staff from various departments had tried to help, but this itself made the process rather disjointed with no overall ownership. And the outstanding issues of the lack of calculations or documentary evidence to support the compensation remain unresolved.
- Around six months after her original request, Mrs B received a tax-free lump sum payment into her bank account, which was different to the amount she'd been told to expect and with no paperwork to show how it had been calculated.
- And then ReAssure said it had overpaid her by £7,234, but with no evidence or explanation. Mrs B repaid a sum to ReAssure which appears to be less than it had originally requested, but she has still not received the calculations.
- The PRG valuation which ReAssure agreed to honour, despite the 90-day guarantee period having expired was a total of just under £235,872, releasing a TFC figure of £58,967. I'd asked ReAssure to confirm that this valuation was correct and reflects both policies, as the paperwork only quoted policy *449. And to show Mrs B has received the correct amount of TFC (after adjusting for the alleged overpayment and the proportion of it which she returned).
- Once the correct amount of TFC has been confirmed, ReAssure should pay interest for the period between 1 February 2021, when it should have been paid, to the date it

finally was paid (around 7 July 2021), which again ReAssure and Mrs B should confirm.

- And it should perform a loss calculation based on Mrs B's policies being encashed and transferred to A on 8 July 2021 rather than in October (and to confirm the date and amount which had actually been transferred).
- In October 2022, ReAssure paid Mrs B £2,784, representing the interest on the delayed tax-free cash, but I couldn't tell whether this figure was right, as the TFC figure hadn't been confirmed, and it wasn't clear how many days delay the interest payment represented. I said ReAssure was entitled to deduct amounts already paid to Mrs B from any interest calculation it carries out as a result of this decision.
- In respect of the transfer of the policies to A in October 2021, which Mrs B only decided to do as a result of ReAssure's poor service, I said I hadn't seen confirmation of the amount transferred and Mrs B hadn't been provided with closing statements for her ReAssure policies.
- It appeared Mrs B advised ReAssure of her intention to transfer to another provider around 18 June 2021, but it's not clear from what I've seen when Mrs B completed the necessary paperwork or customer journey process to enable the policies to be transferred to A. So unless I saw evidence to the contrary I suggested ten working days from 18 June 2021 is a reasonable timeframe for the transfer to be completed. Which meant the transfer would have happened around the time the TFC was paid to Mrs B.
- As well as performing a loss calculation and paying interest, I thought ReAssure should pay more compensation for the distress and inconvenience Mrs B had experienced. So I needed to consider the impact on Mrs B.
- Mrs B received the TFC sum in July 2021 yet decided not to proceed with buying a property, at least until her complaint was resolved. I understood her disappointment in not achieving her goal. But didn't think it would be fair to hold ReAssure solely responsible for it not happening. There were a number of factors outside of its control, such as price inflation arising from increased demand for properties in the area, and the stamp duty holiday, interest rate rises affecting affordability, and Mrs B's mortgage was to be in joint names, and we had no information about the circumstances of the joint party. So as I couldn't say she'd definitely have bought a property but for ReAssure's actions, I didn't award compensation specifically for this.
- I accepted it had taken a lot of the adviser's time (he said around 35 hours), but I didn't think ReAssure should compensate Mrs B's adviser personally for helping her. Nor did I think ReAssure needed to reimburse Mrs B for any professional fees she paid to her adviser. While I had no doubt Mrs B found the support of her financial adviser helpful and reassuring, I didn't think it had actually been necessary for what she wanted to do. And I thought it might have contributed to the confusion and delays as Mrs B hadn't fully delegated responsibility for liaising with ReAssure to the adviser and continued contact with ReAssure herself. So as it was Mrs B's choice to employ the adviser to this extent, it wouldn't be fair to ask ReAssure to cover his professional fees.

So I provisionally decided to uphold the complaint. And I set out the steps ReAssure needed to take to calculate the redress, with the aim of putting Mrs B as close as possible in the

position she'd be in if things had proceeded as they should have. I also said ReAssure should provide the loss calculations to Mrs B in a clear and simple format.

In terms of compensation for the trouble and upset, ReAssure had already paid Mrs B £250, and our investigator recommended it should be increased to £500. But I thought that was no longer sufficient, given the time that has passed with the issue still not fully resolved. So I said ReAssure should pay Mrs B an additional £750 (so £1,000 in total).

Responses to the provisional decision

Both parties responded.

ReAssure accepted the findings and said it had no further comments to make. But it didn't respond to the questions I'd posed or provide any of the requested information or confirmations.

Mrs B accepted the findings, but wanted to make two points for my consideration:

- It was due to her loss of confidence in ReAssure that she decided to transfer her policies to A. Her adviser's fee for arranging this was around £3,077 which she thought ReAssure should reimburse.
- Although A provided the information requested, ReAssure still hasn't carried out the loss calculation for the period while her funds remained in cash rather than invested.

So I'm now in a position to issue the final decision.

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 thank ReAssure for accepting the findings and agreeing to the compensation as set out in the provisional decision. But I'd like to draw attention to the queries raised within the findings that it will need to answer in order to carry out the redress calculation accurately.

In response to Mrs B's request for reimbursement of her adviser's fees, my comment would be in line with what I said in the provisional decision. I completely understand why she decided not to remain ReAssure's customer. But she already had a policy with A, so there was no need for the adviser to make a recommendation, and Mrs B could've instructed the switch to A herself, there's no need to use an adviser. So while she no doubt found the adviser's input helpful and reassuring, given the difficulties in communicating with ReAssure, the adviser's fee isn't something it would be fair to hold ReAssure responsible for. As mentioned in the provisional decision, my aim is to put Mrs B in the position she should've been in, which would originally have been a drawdown plan with ReAssure. So I'm not going to direct ReAssure to reimburse Mrs B for those fees.

I understand Mrs B's frustration at the lack of progress, but once a consumer has asked for an ombudsman to review a complaint, it's not unusual for a business to wait for a final decision before carrying out any redress calculation. Actuaries are often required to perform the loss calculation, so they need to know exactly what they have to do, and this way avoids the potential for needing to do it twice, if things change in the final decision. Given the history of errors with the calculations, I think it's reasonable for them to wait until Mrs B has formally accepted the decision.

As neither party has raised any objections to the way things were put right, I see no reason to depart from the conclusions reached in the provisional decision.

So I uphold this complaint and ReAssure should put things right as set out below.

Putting things right

Fair compensation

My aim is to put Mrs B as close as possible in the position she'd be in if her tax-free lump sum was paid when it should have been, the transfer to A had been carried out when it should have been in July 2021, and the funds invested in line with the remainder of her policy with A shortly after that.

To put things right ReAssure must:

- 1) Confirm the 12 March 2021 valuation of Mrs B's policies (£235,872) and the 25% tax-free lump sum based on that amount (£58,967) have been calculated correctly to include the PRG on both policies.
- 2) Show its calculation of 8% simple interest on that figure from 1 February 2021 when it should have been paid to Mrs B, to the date it was paid (which I understand was around 8 July 2021).

If this figure is greater than the £2,734 in interest already paid, ReAssure should pay Mrs B the difference. If the calculation shows Mrs B has been overpaid, ReAssure shouldn't claim the overpayment back.

Note: If ReAssure considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs B how much it's taken off. It should also give Mrs B a tax deduction certificate if she asks for one, to enable her to reclaim the tax from HM Revenue & Customs if appropriate.

- 3) Calculate, as at the date of the final decision, the notional current value of Mrs B's current pension plan with A had the ReAssure policies been encashed and transferred to A around 8 July 2021 and reinvested in line with the approach taken by A (as evidenced by the information A has provided to ReAssure).
- 4) Compare the value in (3) to the actual value of Mrs B's pension with A at the date of any final decision along these lines. If the notional value is greater than the actual value, then Mrs B has suffered a financial loss and should be compensated accordingly. If the notional value is less than the actual value there's no loss and no investment compensation is due.

The compensation should be paid into Mrs B's current pension plan with A. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance. If ReAssure is unable to pay the total amount into Mrs B's pension plan, it should pay that amount direct to her.

But, had it been possible to pay into the plan, it would have eventually provided a taxable income. So, the total amount paid in this way should be reduced to notionally allow for any income tax that would otherwise have been paid. The notional allowance should be calculated using Mrs B's expected marginal rate of tax at

retirement. I said it's reasonable to assume that Mrs B is likely to be a basic rate taxpayer at retirement, so the reduction would equal 20%. However, as Mrs B would have been able to take a 25% tax free lump sum, the 'tax' reduction should only be applied to 75% of the compensation, resulting in a fair overall 'tax' reduction of 15%. Neither Mrs B or ReAssure have said this isn't a reasonable assumption so the calculation should proceed on that basis.

- 5) ReAssure should provide details of these calculations in a clear and easy to read format. It should also provide the closing statements of her policies if those are still outstanding.

As I understand ReAssure now has the information about the investment of Mrs B's plan with A. So if settlement is not made within 28 days of being notified of Mrs B's acceptance of my final decision (if she does so), ReAssure should add 8% simple interest per year from the date on which they are notified of Mrs B's acceptance to the date of settlement.

In addition to the sums arrived at in steps 1-5 above, ReAssure should pay Mrs B a further £750 (so a total of £1,000 in addition to the £250 paid in May/June 2021) in respect of the distress and inconvenience she has experienced. This figure also goes some way towards the fees charged by her financial adviser.

My final decision

I uphold this complaint. ReAssure Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 29 March 2023.

Sarah Milne
Ombudsman