

The complaint

Mr M complains that Rothesay Life Plc, trading as Rothesay, delayed providing information to his independent financial adviser ('IFA') which resulted in his transfer value quotation expiring.

What happened

Mr M was a deferred member of a defined benefit occupational pension scheme. That scheme transferred the obligation to pay benefits to Rothesay as part of a buy-out. Mr M then became a policyholder of Rothesay and has an individual pension annuity policy with it.

In October 2021, a transfer value quotation ('TVQ') was requested from Rothesay as Mr M was taking advice from an IFA.

On 8 November 2021, Rothesay provided the requested quote. This confirmed that the cash equivalent transfer value ('CETV') of Mr M's pension benefits was £182,101.57. This value was guaranteed until 5 February 2022.

Mr M's IFA requested additional information from Rothesay on 30 November 2021.

Rothesay needed to refer this enquiry to the scheme actuaries. The initial request was not referred until 8 December 2021.

Rothesay received a reply from the actuaries on 17 December 2021. But it says it realised that it had made a clerical error when passing the initial request to the actuaries, and it hadn't requested the right information. A further request was sent to the actuaries, for the correct information.

Rothesay received the requested information from the actuaries on 14 January 2022. This was sent to the IFA on 19 January 2022.

The IFA raised a follow up query with Rothesay on 20 January 2022. It again referred this to the actuaries, although the information it has provided again indicates this wasn't done until 26 January 2022. The actuaries appear to have responded on the same day, pointing out that the information Rothesay had now asked it to confirm was already contained in the response previously provided. Rothesay responded to the IFA's query on 1 February 2022.

I understand, because of the delays, the IFA asked Rothesay if it would honour the November 2021 TVQ, beyond the original guarantee date. But Rothesay declined.

The IFA has said it was not able to complete its analysis and provide advice, prior to the TVQ expiring. As a result, a new TVQ was requested from Rothesay.

Rothesay issued a revised TVQ on 24 February 2022. This said that the CETV of Mr M's benefits at that time was £163,961.03. This TVQ was guaranteed until 22 May 2022.

Mr M complained to Rothesay via his IFA. He said that the delays had caused him a financial loss as he'd been unable to accept the higher CETV.

Rothesay agreed that it had made errors and caused delays. It accepted that the initial request was not referred to the actuaries as soon as it should've been and that it hadn't requested the correct information to begin with. Which it agreed had caused delays. It also accepted that the answers to the follow up query from the IFA were available to its administration team and should've been responded to sooner. But it said Mr M retained his rights to the same retirement benefits under the pension, so hadn't suffered a loss.

Unhappy with this response, Mr M asked our service to consider his complaint.

One of our Investigator's looked into the complaint. He agreed that Rothesay had made errors and caused delays. And recommended that it pay Mr M £250 for the distress and inconvenience caused. But he also noted that advice around whether to transfer had not taken place and Mr M retained his benefits in the pension scheme. So, the Investigator also agreed that Mr M hadn't incurred a financial loss.

Rothesay said, in order to bring matters to a close, it agreed to the recommendation. But it noted that all of its communication had been with the IFA. So, Mr M hadn't been involved in the communication or caused any direct frustration. It also added that all of the information shared had been around retirement dates in the future, to understand the benefits, and said that there hadn't been an intention to transfer shown.

Mr M did not accept the Investigator's opinion and asked for the complaint to be reviewed by an Ombudsman. As a result, it has been 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.

Rothesay has acknowledged it made mistakes here. There were delays of several days in it sending requests for information to its actuaries, the requests were summarised incorrectly to begin with, resulting in the wrong information being provided, there were further delays of several days in sharing information and it failed to realise information in a follow up request was already available to it. And it accepted that the service it provided, when responding to the IFA's requests, was poor. As there isn't any dispute that an error has been made, what is left for me to decide is what a fair way to address this is.

Mr M has said he has been caused a financial loss as his CETV fell from £182,101.57 in November 2021 to £163,961.03 in February 2022 and he was unable to take advantage of the higher figure in the event of a transfer.

A CETV is not though the same as the fund value of a unit linked pension, which rises and falls solely in line with market conditions. Mr M's pension with Rothesay guarantees to provide safeguarded benefits at a level determined by the scheme rules. And Rothesay bears the risk regarding funding these guaranteed benefits. While Mr M holds his pension with Rothesay he is always entitled to these guaranteed benefits. And I understand he has not transferred his benefits. So, he still holds the same benefits he was always entitled to. So, has not lost any of these benefits.

The CETV represents what Rothesay is willing to offer in the event Mr M transfer's his benefits away from his scheme and is a calculation of the cash amount it assumes would be required to obtain the same benefits as the existing scheme through a different pension arrangement, on the date it is produced. There are a number of different factors that go into calculating a CETV, including assumptions about, amongst other things, inflation, cost of living, the policy holder's mortality and other circumstances, interest rates for discounting

future benefits to today as well as market conditions. And this is why CETV's are only valid for a fixed period of time – as market conditions and assumptions change.

Rothesay acknowledges that the second CETV was lower. But it says this is because, by that time, this is what it calculated would be required to replicate Mr M's benefits elsewhere, as conditions had changed. I've seen nothing to suggest this calculation was flawed.

I'm conscious it also was not certain that Mr M would've always transferred his benefits from his Rothesay pension. Where a transfer payment would be greater than £30,000 the regulator, the Financial Conduct Authority ('FCA'), requires policy holders to take regulated financial advice on any potential transfer. Mr M had engaged an IFA. And it does seem to have been gathering information to understand the pension, in order to advise Mr M about it. But I understand no advice has been given. And it is possible the IFA could've advised Mr M against a transfer – particularly bearing in mind that the FCA states in COBS 19.1.6G that the starting assumption for a transfer from a pension scheme with safeguarded benefits is that it is unsuitable. So, an IFA should only consider recommending a transfer if it could clearly demonstrate that the transfer was in the policy holder's best interests.

And in the event the IFA did recommend a transfer, it is also possible that the guarantee date of the original CETV would still have been missed, even if there hadn't been delays. There could've been other factors which meant the guarantee date was exceeded as providing pension transfer advice is not a straightforward process. Indeed, in its correspondence with Rothesay about the delays, the IFA noted that *“the three-month period to analyse a CETV and provide advice to stay or transfer, is a challenging timescale to fulfil even when all information is freely available.”* And the TVQ noted that the transfer process can take upward of six months and that the original CETV would not be guaranteed for longer and would need to be recalculated in such circumstances.

I understand that the difference in the two monetary values were stark and why Mr M feels he has lost out. But again, the underlying pension benefits he was entitled to have not been altered. So, he hasn't lost these. And he hasn't been advised to transfer or made an application to do so. And so, I don't think it'd be fair to require Rothesay to honour a previous CETV – as that would mean it paying a different figure than the benefits were valued at, at the time of any transfer.

While Rothesay is correct that its correspondence was largely with the IFA, I still think the delays would've caused Mr M distress and inconvenience. He was clearly seeking advice from an IFA about his pension arrangements and the errors by Rothesay meant this process took longer than it should have, which I don't doubt would've been frustrating. So, with that in mind, I do think it would be appropriate for it to make a payment to reflect the distress its mistakes and delays have caused Mr M. But, while I know this may come as a disappointment to Mr M, I think the award of £250 recommended by our Investigator, which Rothesay has previously agreed to, is fair and reasonable in the circumstances.

My final decision

For the reasons I've explained, I uphold this complaint.

To settle the complaint, I require Rothesay Life Plc, trading as Rothesay, to pay Mr M £250 for the distress caused by its errors.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 May 2023.

Ben Stoker
Ombudsman