

## The complaint

Mr R complains that ReAssure Limited has refused to backdate his pension payments to his 65<sup>th</sup> birthday.

Mr R has been helped in this complaint by his independent financial adviser (“IFA”).

## What happened

Mr R had a personal pension with Legal & General (“L&G”). In 2020 responsibility for administering the policy transferred to ReAssure Limited (“ReAssure”), so that business is responsible for answering the complaint.

The plan had a guaranteed minimum pension (“GMP”), arising from contracting out of SERPS, and the post-1988 element includes a 3% annual escalation.

In 2016 Mr R had attempted to take benefits from the plan at the original minimum age of 60. But as the fund value wasn’t sufficient to cover the GMP liability, Mr R was told his pension would be payable from age 65, which would be in August 2021.

In June 2021 ReAssure sent Mr R a “*Pension Pot Summary*” document which showed his retirement date had been raised to his 75<sup>th</sup> birthday and confirmed his entitlement to the GMP from age 65 (for men).

Around this time, in preparation for taking his pension at age 65, the IFA contacted ReAssure to ask about Mr R’s options. ReAssure said it required a new letter of authority, which was provided in early July, but due to an oversight nothing was sent out. The IFA chased ReAssure in September and the retirement options pack was sent out in early October. In order to benefit from the GMP, Mr R was limited to ReAssure’s retirement offering, an annuity provided by L&G. So through his IFA Mr R applied for an L&G annuity for the amount of the GMP. The annuity was set up with effect from 8 November 2021, providing a pre-1988 GMP of £136.34 per month, and a post-1988 GMP of £252.43 per month escalating at 3% per year, paid in advance with a 50% spouse pension.

ReAssure paid the funds to L&G to purchase the annuity in January 2022, so the payments couldn’t actually start until then, although they were backdated to November 2021. Mr R expected the annuity to be paid automatically from his 65<sup>th</sup> birthday in August. So he and his IFA feel he’s missed out on three payments for August, September and October 2021.

ReAssure apologised for the delay in sending out the pack, for which it paid compensation of £225. It said it would carry out a loss calculation for the late payment but didn’t agree to backdate the payments to August. In June 2022 ReAssure calculated Mr R’s loss as £19.13, which it had rounded up to £50, which brings the total compensation to £275.

Mr R’s IFA said this was insufficient as Mr R had missed three payments to which he was entitled. So he brought Mr R’s complaint to this service.

One of our investigators reviewed the case and thought ReAssure was responsible for 36 days of avoidable delays, without which Mr R's payments would've started a month earlier. So he said ReAssure should pay Mr R the missing October payment, plus interest at 8%, deducting the £50 already paid. But he didn't increase the £225 compensation figure.

ReAssure accepted the view and confirmed L&G had paid Mr R £1,166.31 gross (£1,142.71 net) on 13 January 2022, being the combined payments for November and December 2021 and January 2022. And thereafter the payments would be £311.17 on the 8<sup>th</sup> of every month.

On receipt of Mr R's acceptance, they agreed to pay the October payment plus 36 working days interest at 8%, deducting the £50 already paid. ReAssure subsequently advised that although the investigator had capped the interest at 36 days, L&G had already calculated the 8% interest on the October payment on the full period from October 2021 to January 2022 as £12.05. And as this is already covered by the £50 already paid they'd just pay £311.17 in respect of the October payment, if Mr R accepted.

However Mr R didn't feel this went far enough as he still felt the payments should've automatically been backdated to his 65<sup>th</sup> birthday.

I issued a provisional decision as I'd reached slightly different outcome to the investigator.

#### Provisional decision

In the provisional decision I made the following findings (in summary)

- While Mr R was entitled to access his pension at age 65, payment wouldn't happen automatically, he'd still need to claim his pension and consider his options at the time;
- L&G's letter dated 21 July 2016 explained that as his fund wasn't sufficient to cover the GMP he'd have to wait until 65. It concluded "*We will contact you again shortly before you reach 65 to remind you that you **can** take benefits at that time*" (my bold emphasis). So I thought Mr R should've expected to receive a reminder of his entitlement, not that the pension would be paid from his 65<sup>th</sup> birthday regardless.
- While in practice his options may have been limited, ReAssure still had to provide Mr R with information about his options, and the recommendation to seek advice before deciding.
- His IFA expected a retirement options pack to be provided, as they requested one (from L&G) in June 2021.
- The June 2021 pension pot summary letter didn't provide figures. But Mr R had already decided to take benefits at 65 based on what he already knew about the GMP he could expect. So anything in excess of that was a bonus not the deciding factor.
- On receipt of the 21 June 2021 letter Mr R could have asked ReAssure to arrange payment as soon as possible after he turned 65. Instead Mr R wished his IFA to arrange this for him.
- The transfer of business from L&G to ReAssure in September 2020 had been in progress for a number of years prior to being finalised, so policy holders would have known about it. But Mr R's IFA was apparently unaware of it as he initially contacted L&G rather than ReAssure in June 2021.

- The IFA's authority over Mr R's policy had already expired when the transfer from L&G took place. So ReAssure couldn't deal with the IFA until a valid authority was in place, which wasn't until early July. I thought that was too short notice for the annuity to be in payment in August.
- ReAssure's failure to send the retirement pack didn't arise from the transfer from L&G, but because Mr R's retirement date had automatically been amended to his 75<sup>th</sup> birthday (the latest he could take benefits), in the absence of knowing his intentions. As Mr R and his IFA were aware he intended to take benefits as soon as possible I didn't think it was unreasonable for them to have chased ReAssure for a retirement pack earlier than September when one didn't arrive.
- On 15 September 2021 Mr R's IFA was told the retirement pack would be issued in nine working days. It was actually issued 13 working days later on 3 October 2021, Mr R signed L&G's annuity application form in late October and his IFA counter-signed and submitted it on 3 November 2021, exactly a month after receipt. It looks like processing took five days as the annuity is paid on the 8<sup>th</sup> of the month.
- Following this timescale, ReAssure would've issued the pack around 26 July, being 13 working days from 6 July 2021 when it received the IFA's new letter of authority. And the IFA would've returned it to ReAssure a month later, around 26 August, meaning the payments could've commenced in early September.
- ReAssure already agreed to make a payment plus interest for October 2021's payment. But I thought in addition ReAssure should also make a payment plus 8% simple interest for September (£311.17 plus interest of approximately £40) to reflect that Mr R's annuity would have commenced from September 2021.
- But because L&G received the funds to purchase his annuity around seven weeks after Mr R's selected retirement date, it quoted the annuity, to Mr R's benefit as annuity rates had risen. So the delay has resulted in the monthly payments for both elements of the GMP being marginally higher than they would have been had it been calculated sooner.
- Putting Mr R in as close as possible to the position he'd be in if things had happened as they should, wouldn't involve simply making up the missing payments, as the amount of those payments wouldn't be the same.
- It would require recalculating the annuity to start from September 2021, which may mean Mr R's entitlement being lower than he's currently receiving. The higher amount applies for the life of the annuity including any spouse pension, so it's not clear the delay has left him worse off overall. And in any case once an annuity is in payment it cannot be changed, so a recalculation isn't possible.
- So to put things right, I said a fair and reasonable outcome would be for ReAssure to make two payments of £311.17 for September and October 2021, plus 8% simple interest from the date each payment should have been made (for ease I said ReAssure should use 8 September 2021 and 8 October 2021) to the date of my final decision if Mr R accepts.
- ReAssure has already paid Mr R £50 to cover the loss of interest (£19.13) on the November 2021 payment. So it can add together the interest on all three payments and pay the balance after deducting the £50 already paid.

- And ReAssure should pay Mr R the £225 it has already offered if it hasn't already done so.

### Responses to the provisional decision

Both parties responded accepting the provisional findings and offered no further comments.

### **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.

Having reviewed the case again, and as both parties have accepted the findings in the provisional decision, I see no reason to depart from the conclusions reached.

### **Putting things right**

ReAssure Limited should pay Mr R two payments of £311.17 adding 8% interest from 8 September and 8 October 2021 to the date of my final decision, if Mr R accepts.

Once these two amounts of interest have been calculated, it can add these together with the £19.13 calculated in respect of the November 2021 payment and pay this to Mr R after deducting the £50 it has already paid in respect of this. If the £50 hasn't actually been paid to Mr R no deduction should be made.

It should pay Mr R the £225 it has already offered, if not already done so.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 June 2023.

Sarah Milne  
**Ombudsman**