

The complaint

Mrs C complains that ReAssure Limited (ReAssure), then Guardian Financial Services, gave misinformation which led her to believe she'd be entitled to a spousal annuity upon her late husband, Mr C, passing away.

What happened

As the events are well known to both parties, I'll only set out what I think is key to reaching my decision here.

In 2011, Mr C used the benefits in his personal pension plan to purchase a protected rights annuity. The statement of benefits named his then wife as annuitant B. The accompanying annuity guide said that if annuitant B was Mr C's spouse or civil partner at his retirement date, the pension will be paid to them if he died before them. And that annuitant B would always be entitled to the pension, even if Mr C remarried.

In May 2016, ReAssure wrote to Mr C explaining the policy was set up on a named spouse basis, meaning it would pay his then wife if he died before her, even if they divorce. And that this can't be changed under the rules of the annuity. And, in July 2017, ReAssure wrote to Mr C again re-confirming this.

In June 2018, Mr C asked ReAssure to amend the annuity to reflect that he'd divorced his wife who was named on it and had married Mrs C. And, in response, on 2 July 2018, ReAssure responded with the same content as its previous letters, explaining why this wasn't possible.

On 18 July 2018, Mr C disputed this and sent ReAssure information confirming his ex-wife had relinquished all rights to future his pension payments. And, in August 2018, it responded confirming 50% of the protected rights benefits will be payable to whoever Mr C's married to when he passes away. And while it noted he'd like the dependents pension to also be paid to his partner, it said it would require proof of financial dependency.

In March 2022, Mr C sadly passed away, so Mrs C got in touch with ReAssure. And, in April 2022, it said a reduced income would be due to Mr C's ex-wife, who was named as beneficiary on the policy.

Mrs C complained to ReAssure about this and that she'd had to chase its response, which was sent to her neighbour as it didn't include her full house number. Mrs C says she spent time on the phone to it distraught, during the worst time of her life. And, in mid-April 2022, ReAssure wrote to Mrs C at the wrong house number again, acknowledging her complaint.

At the start of June 2022, ReAssure told Mrs C she could make a financial dependency claim. And, following this, on 9 June 2022, ReAssure wrote to the wrong house number – despite Mrs C having asked it to amend this on 22 April 2022 – explaining that a survivor's annuity or pension can be paid if, in the scheme administrator's opinion, there's financial dependency. But that this is subject to their decision and success isn't guaranteed.

On 9 June 2022, ReAssure also sent Mrs C its final response letter to her correct address. It apologised for the incorrect and misleading information in its August 2018 letter, as well as the confusion this caused Mrs C during a sensitive time. It explained though that the policy was taken out on the basis the spousal annuity was payable to the spouse named at the time. And that it had confirmed on other occasions that this can't be changed. ReAssure offered Mrs C £350 compensation for the impact of its error though. And it reiterated that while she could claim under dependency rules, the outcome wasn't guaranteed.

In mid-June 2022, Mrs C told ReAssure that, in summary, she was still receiving letters to the wrong house and her neighbour wasn't happy with this, leading to a difficult conversation and time spent collecting these from a post office. Mrs C said that ReAssure's August 2018 letter misled her that she'd be paid the annuity. And that she and Mr C married to ensure she would be his next of kin and to avoid situations such as this, which has caused her anxiety and upset, as well as inconvenience. Mrs C also said that suggesting she complete a dependents claim gave her false hope and meant she spent time explaining their circumstances, which ReAssure dismissed without reason.

On 14 June 2022, ReAssure wrote to Mrs C increasing the total compensation it had offered her to £425, to take into account that it had written to her at the wrong address after she'd clarified this with it. And, on 21 July 2022, ReAssure wrote to Mrs C explaining it wouldn't be able to pay her financial dependency claim, as the annuity terms mean the benefits remain payable to the spouse named when it was set up.

In August 2022, Mrs C brought her complaint to our Service. One of our Investigators looked into it and said she wasn't asking ReAssure to do anything further. She said that while it had made errors, in particular it had incorrectly said the annuity would be payable to Mrs C, she felt £425 in total compensation was enough to make up for this.

Mrs C didn't agree. She said, in summary, that the misinformation in August 2018 was a major error, which caused her shock and financial distress. And that we should listen to her calls with ReAssure, as she was told this was a serious matter that she should be compensated for. Mrs C clarified she doesn't dispute the wording of the annuity but feels that ReAssure's misinformation about this and continued errors means it ought to do more. Mrs C also said the £425 it offered was for customer service and administration, rather than the August 2018 error. And that she still doesn't understand why ReAssure told her she could submit a financial dependency claim, which built her hopes and causing her stress.

So the complaint's been passed to me for a 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.

Having done so, I'm not asking ReAssure to do anything further, for largely the same reasons as our Investigator. I'll explain why.

Mrs C doesn't dispute that policy wording says that Mr C's wife named at the time the annuity was purchased would be entitled to his pension if he passed away, regardless of whether he remarried. And that ReAssure made an error in August 2018 when it instead said this would be payable to whoever he was married to at that time. So I haven't considered this any further.

What's left for me to decide is whether ReAssure needs to do anything more to make up for the impact of this error on Mrs C.

I've taken into account that Mrs C was understandably upset and frustrated to learn ReAssure had made an error in its August 2018 letter to Mr C. And that Mrs C discovered this during an already difficult time for her.

I haven't felt it necessary to listen to the calls Mrs C had with ReAssure about this to reach my decision though, as I don't doubt that it recognised to her that this was a significant error. And I think the customer service ReAssure provided Mrs C with could have been better at times, for example it didn't always call her back when it said it would. ReAssure also incorrectly addressed what appears to be three letters to Mrs C, even after she'd raised this with it on one occasion. And, while Mrs C still received these, albeit with a bit of delay as a result, this understandably caused her frustration and inconvenience, particularly as she's said this led to difficult conversations with her neighbour.

That being said, I can see ReAssure has recognised this and apologised. I note Mrs C hasn't suggested or evidenced that she'd be in a different position now if not for ReAssure's error in August 2018, for example that they'd have made other means of financial provision for her in place of the spouse annuity. And I've also borne in mind that ReAssure had already told them on three occasions what the policy said before making this error. So, it's reasonable to think that when Mrs C was more recently told again that the annuity wasn't payable to her she already had some understanding of why, I think lessening the impact of the error somewhat.

While I recognise Mrs C also feels with hindsight that making a dependency claim was a hopeless task and that ReAssure falsely raised her expectations about this, I don't think it did anything wrong by telling her she could do so. This was another avenue for Mrs C to try, while already in the knowledge of what the policy said. And I can see ReAssure tried to set Mrs C's expectations when it told her on a few occasions that a successful outcome wasn't guaranteed and was at the scheme administrator's discretion.

Mrs C has said the £425 ReAssure offered her was just for the customer service and address issues, but I can see from the final response letter that the £350 it initially offered was also to make up for the impact of its error in August 2018. And, in any case, I've considered what I think is fair and reasonable compensation overall, in all the circumstances of this complaint. And, for the reasons given, I think the £425 in total compensation that ReAssure has already offered Mrs C is a fair and reasonable amount to make up for the considerable distress and inconvenience caused to her by this matter. I'm not asking it to do anything more.

My final decision

ReAssure Limited has already made an offer to pay Mrs C £425 in total compensation to settle the complaint and I think this is fair in all the circumstances. So, for the reasons I've given, my final decision is that it should pay Mrs C this, if it hasn't already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 19 June 2023.

Holly Jackson
Ombudsman