

## The complaint

Mrs B complains about the service she received from ReAssure Limited when she was setting up her pension annuity.

## What happened

Mrs B had a personal pension plan with ReAssure. In July 2022 Mrs B contacted ReAssure about her retirement options and it issued her with her retirement options pack on 23 August 2022. ReAssure explained that Mrs B's pension included a feature known as a Guaranteed Minimum Pension ('GMP') which had replaced part of her state pension and guaranteed that Mrs B would receive a minimum amount of retirement income from the age of 60 providing she took a pension offered by ReAssure at her 60<sup>th</sup> birthday. ReAssure went on to state that if Mrs B chose to take a retirement option other than its 'own offering' of an annuity, then any guarantee may be lost or revalued.

The retirement options pack stated that the current value of Mrs B's pension 'pot' was £79,278.37 and that ReAssure's own offering for Mrs B was either to take an annual income of £4,407.52 plus a '*transitional*' tax-free cash ('TFC') amount of £4,295.17 or to take no TFC and an annual income of £4,518.85 per year. And it went on to state that at Mrs B's retirement date (her 60<sup>th</sup> birthday on 2 October 2022) the amount needed to support her GMP could be £135,765.48 but that the amount currently available in her pension pot to cover the GMP was £74,983.20. ReAssure said, '*We'll make up the difference so the amount shown earlier on is what you will get*'.

The options pack also mentioned that in order to take an income using ReAssure's retirement offering, it was referring its customers to another pension provider (who I shall refer to as 'L') to provide the annuity. ReAssure said that L's annuity provided a guaranteed income for life.

On 1 September 2022 Mrs B called ReAssure to ask for further information. She said she wanted to know what her annuity would be if she took TFC of 25%. ReAssure said it would send her a further quote. When she didn't receive anything, Mrs B contacted ReAssure again on 12 September to see how her request was progressing.

ReAssure sent Mrs B a second retirement options pack on 23 September 2022. A telephone call followed on 26 September 2022 in which the various options open to Mrs B were discussed namely that she could take a full annuity (with no TFC) of £4,525.92 or alternatively take TFC of £4,003.06 and an annuity of £4,407.52. On 28 September 2022 ReAssure called Mrs B and explained what she needed to do to take her benefits which included calling L.

Mrs B complained to ReAssure about the time it was taking to provide her with the retirement quotes she'd asked for. She said she'd found ReAssure's paperwork to be confusing and that she'd understood she could take 25% of her pension as TFC but this now appeared not to be the case. Mrs B also said she was only told late in the day that she would have to make an appointment with L to discuss her options.

ReAssure looked into Mrs B's complaint and issued her with its final response letter on 30 September 2022. It said the retirement options pack it had sent Mrs B on 23 September 2022 didn't reflect the request for further information she'd made and it said it was also issued to her outside of its standard response time for which it apologised. ReAssure acknowledged some of the information it provided could have been clearer and it recognised there had been delays in providing Mrs B with the information she had requested and in registering and accessing her policy information online. For the inconvenience it had caused Mrs B, ReAssure said it was sending her a cheque for £200.

Mrs B then had an appointment with L to set up her annuity after which she complained to ReAssure again that she'd been given misleading information over the last weeks and that she'd twice been told by ReAssure that she could take 25% of her pension pot as TFC as well as taking an annuity. Mrs B said ReAssure hadn't said an any point (before 28 September 2022) that she'd need to make an appointment with L and that it should have told her at the start that that was what she needed to do.

ReAssure sent Mrs B a second final response letter on 25 October 2022 in which it acknowledged her disappointment with the options open to her but assured her that it had undertaken a full review of her complaint and would monitor her situation going forward. For the incorrect information, lack of clarity and delays ReAssure reviewed and increased its original offer of compensation to £400.

On 15 November 2022 Mrs B received her TFC lump sum of £3,936.02 into her account. As it was £67 less than she'd been led to believe she would receive, Mrs B complained again. On 23 November 2022, ReAssure wrote to Mrs B to explain that the amount paid was correct and that the quote for £4,003.06 provided to her on 26 September 2022 was an illustration so had not been guaranteed. ReAssure said its standard process was to contact policyholders where the policy funds being paid had dropped in value by more than 10%.

On 29 November, ReAssure wrote to Mrs B to confirm it had paid £98,488.41 to L so it could provide her with an annuity for life. On 5 December 2022 L paid her three months' worth of pension payments. Mrs B then started to receive her pension payments monthly.

Unhappy with the delays and stress she had been caused over the last 3½ months, Mrs B complained to this service. She said that ReAssure had never acknowledged that it'd told her she could take 25% of her pension pot as TFC and she said she was also unhappy that the TFC amount she received was £67 less than she had been led to believe she would get. Mrs B said she would like ReAssure to honour what it had told her.

ReAssure told this Service that it had been reviewing the complaint and was concerned about the delay in releasing Mrs B's pension benefits. It said that whilst they had been correctly calculated using her retirement date of 2 October 2022 there was a delay in making payment. ReAssure said it had calculated interest on the late payment of Mrs B's TFC cash at this service's usual rate of 8% simple per year from the date it should have been paid (17 October 2022) to the date it was paid (14 November 2022). ReAssure said that this amounted to £19.31 which it had rounded up to £20. ReAssure also said it had arranged for its specialist team to carry out a loss assessment on Mrs B's case.

Our Investigator put ReAssure's offer to Mrs B but she declined it. She said she'd been told twice she could take 25% of her fund as TFC.

Our Investigator looked into Mrs B's complaint and issued his findings. He explained how Mrs B's pension was such that she wasn't entitled to take 25% of it as TFC. Our Investigator thought that the reasons for this could have been better explained to Mrs B by ReAssure, but as this was the case he was unable to recommend that it pay her more TFC.

Our Investigator also thought that ReAssure had made it clear that the figures quoted in its paperwork were illustrations and were subject to market fluctuation. So our Investigator didn't think it would be fair to ask ReAssure to cover any shortfall in TFC that Mrs B had ultimately received. And whilst ReAssure could have made it clearer in its phone calls with Mrs B that she would need to speak to L about her annuity, our Investigator noted that the paperwork Mrs B received had made that clear. So although ReAssure could have handled this better for Mrs B, our Investigator thought the impact it had had on her had been addressed within the £400 compensation payment it had paid her. Finally our Investigator thought that ReAssure's offer to calculate and pay late payment interest ('LPI') for the period Mrs B was without her TFC was fair.

Mrs B initially accepted our Investigator's findings and her complaint was closed. A short while later Mrs B contacted our Investigator to say that she had received £20 into her bank account but not the £400. Our Investigator replied to Mrs B to say that ReAssure had transferred £400 to her bank account shortly after its second response letter was sent on 25 October 2022. Mrs B replied to say she thought she would be receiving an additional £400. She also said the money in her pension should be available to her in whichever way she wanted to take it and she said that a business should honour information provided by staff they employ. Mrs B asked for her complaint referred for an ombudsman's decision.

Our Investigator let ReAssure know that Mrs B felt she had accepted his findings under a misconception and asked if it wanted to provide any further comment. ReAssure said it remained of the view that the £400 and the LPI it had paid Mrs B and the offer to carry out a loss assessment was a fair and reasonable response to her complaint.

ReAssure then informed our Investigator that it had carried out a loss assessment and was able to confirm that there had been no loss and that Mrs B's GMP annuity had been calculated using the earliest permissible commencement date namely her 60<sup>th</sup> birthday. It said the delay in sending funds to L had had no impact on the annuity income but it had meant Mrs B had had to wait longer for her first payment.

Our Investigator contacted ReAssure. He said he noted that ReAssure had admitted to a delay in sending the funds to L to set up the annuity which meant Mrs B had had to wait longer for her first (and second) pension payment. Consequently our Investigator thought that LPI was fairly owed to Mrs B for this delay as well.

An LPI calculation was carried out based on Mrs B's monthly pension payments being £328 and the assumption that the earliest date on which she could have received her first payment being her 60<sup>th</sup> birthday on 2 October 2022. As L made its first payment to Mrs B on 5 December 2022 (which included two months' backdated payments) this would mean her first pension payment was made a maximum of 64 days late and the second payment was made a maximum of 33 days late. Using this service's usual rate of interest at 8% simple per year it was calculated Mrs B was owed maximum LPI of £6.97.

Our Investigator asked ReAssure if it would be willing to pay LPI to Mrs B. He suggested that an amount of £15 would, in the circumstances, fairly cover what Mrs B was owed. ReAssure replied to say it was happy to pay Mrs B £15 which it felt would more than cover any minor discrepancies in interest calculations.

Our Investigator then wrote to Mrs B explaining that LPI of £6.97 was fairly owed to her for the late payment of her pension had agreed to pay Mrs B £15 to cover any LPI she was due. Mrs B responded to say that whilst she wasn't happy she felt she had no alternative but to accepted the decision.

The complaint was passed to me for a 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.

#### *Tax-free cash*

It appears to me that, for Mrs B, the most important aspect of her complaint is that she says she was told by ReAssure that she could take 25% of her pension pot as TFC (this would have been an amount of approximately £20,000). She has said it is her pension and she should be able to access it as she wishes. And to put things right, Mrs B would like ReAssure to honour what it told her.

ReAssure has provided us with its call log but I've seen no record of it telling Mrs B she would receive 25% of her pension pot as TFC. I can see there were two phone calls on 26 September 2022. In the first, ReAssure confirmed to Mrs B that there was a benefit under her plan for transitional TFC but did not confirm that there was any additional TFC. ReAssure noted that Mrs B wanted the TFC confirmed. In a second call just over an hour later ReAssure set out the options for taking her benefits that Mrs B had on her policy, including the specific amounts. ReAssure told Mrs B that if she took the second option (TFC plus an annuity) she was entitled to TFC of £4,003.06.

And whilst I've seen a screenshot of what is purportedly ReAssure's online portal, there is nothing to denote that it is or what information was input to generate a TFC quote of £20,724 and an annuity of £203.42.

But the absence of definitive evidence that Mrs B was told by ReAssure that she could take 25% of her pension pot as TFC isn't why I think ReAssure shouldn't be made to pay her a larger amount of TFC. Even if there was clear evidence that ReAssure had made a mistake and told Mrs B, in error, that she could take 25% of it as TFC, I still could not reasonably make it pay her anymore; I'll explain why.

The rules around pensions are complex. Mrs B isn't wrong in believing that it's possible to take 25% of a pension pot as TFC. For many pensions this is indeed the case. Unfortunately for Mrs B her pension operates somewhat differently. Hers is a pension that includes a GMP. A GMP pension provides a guaranteed minimum amount of pension income for the pension holder. A GMP is built up by opting out of the State Earnings Related Pension Scheme ('SERPS') through an employer's pension scheme. Basically it replaces part of the state pension and guarantees that the pension holder receives a minimum amount of retirement income usually from the age of 60 for women. The GMP is usually the same, or more than, the additional state pension that a policyholder would have got had they not been contracted out of it (by an employer).

The pension pot that is built up is used to support the guaranteed income the GMP is set to provide at the policyholder's retirement date. I can see that the retirement options pack sent to Mrs B on 23 August 2022 states that the then current value of Mrs B's entire pension pot was £79,278.37. Under a heading that read, '*Money used to support your guaranteed income*' the options pack went on to state that at Mrs B's selected retirement date (her 60<sup>th</sup> birthday) the amount needed to support her GMP (cited on 23 August 2022 as £4,407.52 per year) was £135,765.48 however, the amount available in her pension pot to cover this was only £74,983.20. Despite Mrs B's pension being significantly underfunded, ReAssure, as required, stated that it would make up the difference so that Mrs B received the guaranteed income she was entitled to. Because of the 'guarantee' her pension provided, ReAssure was

required to make up what was a significant shortfall in order to ensure Mrs B received the GMP she was entitled to thereby making her better off for life than she otherwise would have been.

But a consequence of the underfunding meant that most of Mrs B's pension fund had to be used to support the provision of her GMP. Consequently it wasn't possible to take 25% of the fund as TFC because all of it was needed to provide the GMP due to the significant underfunding Mrs B's pension faced.

And I can see that the retirement options pack ReAssure sent Mrs B also states, "*For policies like yours, the pension savings are split into two categories: money used to support your guaranteed income and money not used to support your guaranteed income.*" The next section was entitled, '*Money Not Used to support your guaranteed income*' where it was stated there was £4,295.17 available. It also said that this was the total amount of money available for Mrs B to choose what she wanted to do with. The two amounts - £74,983.20 and £4,295.17 make up Mrs B's total pension pot of £79,278.37.

But elsewhere in the retirement options pack, under the heading, '*Tax Free Lump Sum*', it was stated, "*You are entitled to an enhanced tax-free lump sum which means you can take more than the normal amount maximum amount of 25%. This is sometimes known as transitional tax-free cash. The amount you can take is limited by the amount out money left over once your guaranteed income has been secured. **Your transitional tax-free cash amount is: £4,295.17***' [ReAssure's emphasis].

I have some sympathy with Mrs B as I think the options pack could have clearer. I can see how, when she read that she was entitled to an '*enhanced tax-free lump sum*' so she could take more than the '*normal maximum amount of 25%*', she understood this to mean she could take more than 25% of her total pot as TFC. I know that ReAssure goes on to say that the TFC is limited by the amount of money left over *after* the GMP has been secured and that further down it states that this amounts to £4,295.17, but I do think how Mrs B's pension benefits actually worked could have been better explained to Mrs B. If they had been better explained, any misunderstanding could have been avoided. And ReAssure has admitted that some of its communications were misleading. So I can understand how Mrs B felt she could take 25% of her fund as TFC and how disappointing it must have been to find out that she couldn't.

I should say that the figures I've used here when addressing the part of Mrs B's complaint that relates to how much TFC she believes she should get are based on those set out by ReAssure in the first retirement options pack it sent her on 23 August 2022. Obviously by the time Mrs B's pension claim was processed these had changed due to market fluctuations but I've used them to illustrate the process of paying a GMP and to set out how Mrs B's TFC was calculated.

So despite my view that ReAssure could have better explained how the GMP worked, how it was underfunded, what effect that had on Mrs B's TFC entitlement and how her TFC had been worked out I can't fairly require it to pay any more TFC to her. That's because I've seen no evidence that Mrs B was told she could take 25% of her fund as TFC and, as I've explained here, she isn't entitled to take any more under her pension plan. Even if I was of the view that ReAssure had, in error, led Mrs B to understand she could take 25% of her fund as TFC, she would have suffered, as a result of that mistake, a loss of expectation. In other words, for a short while Mrs B expected to receive approximately £20,000 but she was never entitled to that amount of TFC.

But I can't agree that it would be fair to make ReAssure honour something to which Mrs B was never entitled to in the first place. To do so wouldn't be reasonable and wouldn't be placing Mrs B in a much better position than one she was entitled to.

### *Delays*

By its own admission, ReAssure failed to provide Mrs B with the additional retirement quotes and other information she'd asked for within its standard response time. It also said there were delays in Mrs B being able to register and access her policy information online. ReAssure has apologised to Mrs B for its shortcomings and has taken them into account when paying Mrs B the £400 compensation payment it made her. I'll comment further below on whether I think ReAssure's compensation payment was fair and reasonable given the impact the overall experience of claiming and setting up her pension had on Mrs B.

And ReAssure has also admitted that there had been delays in it paying Mrs B her TFC. Whilst it was satisfied that the TFC had been correctly calculated ReAssure noted that there had been a delay in payment and that Mrs B had been without her funds from 17 October 2022 to 14 November 2022. ReAssure calculated it owed Mrs B late payment interest of £19.31 for this period. ReAssure rounded up the amount due to £20 and paid it to Mrs B. ReAssure calculated the interest Mrs B was owed using this service's usual rate of 8% simple per year. Whilst I recognise that the delay in receipt of her TFC would have been frustrating for Mrs B, I think the interest paid by ReAssure is fair in the circumstances and in line with how this service usually issues such as this. So I think this is a fair resolution to this aspect of Mrs B's complaint.

ReAssure has also now accepted it was responsible for a delay in sending the funds to L so that it could set up Mrs B's annuity. ReAssure has agreed to pay Mrs B LPI on the two late pension payments and I've set out above how much LPI I think is due – namely £6.97. I'm pleased to note however, that ReAssure has agreed to pay Mrs B £15 which is more than double this amount. In agreeing to pay £15 to Mrs B, ReAssure has ensured any minor discrepancy in the interest calculation that might exist has been covered and it means that Mrs B has been compensated for the financial detriment of being out of pocket in relation to her first two pension payments. I think this is a fair resolution to this aspect of Mrs B's complaint.

### *Drop in value of TFC*

On 15 November 2022 when she received her tax-free lump sum, Mrs B was disappointed to discover that it was £67 less than had been stated in the second retirement options pack she was sent on 26 September 2022. There the TFC amount Mrs B could expect was quoted as being £4,003.03 whereas, when it was paid, Mrs B received only £3,936.02. I can see that Mrs B complained to ReAssure about this and that it responded to her on 23 November 2022 to confirm that the amount Mrs B had received was correct. It also said that the quote she had been given on 26 September 2022 was provided as an illustration and was not guaranteed. ReAssure said that was because her fund was linked to the financial markets and was subject to fluctuation. And its process was to contact policyholders only when the funds being paid had dropped in value by 10% from the figure quoted in the options pack which, in Mrs B's situation, had not been the case.

I can see from the second options pack dated 26 September 2022 that ReAssure sent Mrs B that it contained the following statement in the '*guarantee illustration section*': "*The figures quoted are for illustration purposes only*". And that further down it says: "*Your actual retirement income will depend on a number of things, such as performance of your investment and how much it costs to buy an annuity when you retire. These may be different to the rates we've assumed*".

I appreciate that Mrs B will have been disappointed to receive less TFC than had been illustrated for her in the second options pack. However, I think that ReAssure made it clear that the figures it quoted therein were just a quotation and were subject to market fluctuation. In the circumstances, as ReAssure made Mrs B aware that the figures quoted could change, I can't reasonably ask it to make up the shortfall and pay her £67. The decrease in the TFC amount was something that was outside of ReAssure's control.

And I don't think ReAssure treated Mrs B unfairly by not giving her advance warning of the decrease. As ReAssure explained, its internal processes were such that it only notified policyholders in circumstances where the amount being paid had decreased by 10% or more. It is up to ReAssure to decide what its own internal processes are; they aren't usually something this service would interfere with unless there was evidence that a consumer had been singled out and treated differently. I've seen no evidence that that was the case for Mrs B.

### *Communication*

Mrs B has complained about not being told by ReAssure before 28 September 2022 that she would need to make an appointment with L to discuss the setting up of her annuity. I appreciate that that would have been frustrating for Mrs B, however, I note that the options pack sent to her on 26 September 2022 stated: *"Rather than offering our own annuity, we're introducing our customers to [L] who can give you a quote."* I can see the same statement appeared as well in the first retirement options pack ReAssure sent Mrs B on 23 August 2022.

So whilst I can understand that Mrs B would have been frustrated not to have been told verbally by ReAssure during an earlier phone call that she needed to contact L to set up her annuity, I can't agree that ReAssure hadn't made that clear to Mrs B in the paperwork it sent her that this was what she needed to do. In any event, I can see that the impact of this has been addressed by ReAssure in the compensation payment of £400 it paid her. I'll comment on this further below.

### *Compensation*

Where a business, through its words or deeds, causes additional trouble and upset to a consumer above and beyond that which is normally associated with the business being transacted between them, this service can require it to pay compensation. Here I can see that the provision of misleading information, lack of clarity, poor communication and various delays has impacted Mrs B causing her distress and some inconvenience above and beyond that which is normally associated with setting up a pension annuity and claiming TFC.

ReAssure has accepted that it has provided Mrs B with service that falls below that which it normally seeks to provide to its customers. It has accepted that it has delayed providing information to Mrs B and that some of the information it has provided has been misleading and lacked clarity. For the shortcomings in its customer service ReAssure has paid Mrs B total compensation of £400.

When a business has made a payment of compensation this service will take that into account when resolving the complaint. Where we think a business hasn't sufficiently compensated a consumer (or failed to compensate a consumer at all) where its actions have caused trouble and upset, we can require it to pay compensation to the consumer. But here I think, taking all the circumstances of Mrs B's complaint into account, ReAssure has compensated her fairly and reasonably for the impact the shortcomings in its service has had on her.

I think that the amount of £400 is fair and reasonable and in line with awards made by this service to consumers in similar circumstances where a business' mistakes have had significant short-term impact on a consumer. So whilst I agree with Mrs B that she hasn't had a positive experience in her dealings with ReAssure I think that ReAssure's payment of £400 fairly and reasonably compensates her for that. If Mrs B's complaint had passed across my desk without any compensation payment already being made, it is unlikely I'd have awarded any more than this. So whilst I note that Mrs B thinks she should receive a further £400, for the reasons I've given, I'm unable to agree. I can't reasonably award any more.

For the reasons I've given here, I think that ReAssure has fairly and reasonably compensated Mrs B for the trouble and upset it has caused her.

After Mrs B referred her complaint to this service, ReAssure also offered to carry out a loss assessment of Mrs B's pension benefits as it was concerned that the delays in setting up her benefits could have been detrimental to her. Our Investigator agreed that this was fair in the circumstances.

ReAssure has now completed the loss assessment and has confirmed that there was no loss. In doing so it contacted L and ascertained that as Mrs B's annuity was a GMP annuity it had used the earliest commencement date when calculating it that it was allowed to, namely the date of her 60<sup>th</sup> birthday. L said that because GMP income is related to the commencement date, the annual income it was currently paying Mrs B of £4,407.60 wouldn't have changed regardless of when it received the funds from ReAssure. L also said that the delay in ReAssure sending over the funds had no impact on the annuity income it paid Mrs B or the date it was paid from.

It follows that I'm satisfied that the delay in ReAssure sending Mrs B's funds to L hasn't impacted either the amount of Mrs B's annuity or the date it was calculated from.

### **Putting things right**

Since making her complaint to this Service, ReAssure has accepted that Mrs B has suffered financial detriment as a result of the late payment of her TFC and her annuity.

ReAssure has already paid Mrs B interest of £19.31 (rounded up to £20) for the late payment of her TFC. It need do no more.

ReAssure has agreed to pay Mrs B £15 to cover the interest fairly and reasonably due on the late payment of her first two pension payments caused by its delay in sending the funds to L. It should now make this payment to Mrs L.

ReAssure offered, and has since completed, a loss assessment of Mrs B's pension the outcome of which has shown Mrs B has suffered no financial loss to her annuity as a consequence of the delay in ReAssure transferring her funds to L. I'm satisfied the loss assessment has been fairly carried out. ReAssure need do no more.

HM Revenue & Customs may require ReAssure to take off tax from this interest. If asked, it must give Ms B a certificate showing how much tax it has taken off.

### **My final decision**

My final decision is that I uphold this complaint in part and I require ReAssure Limited to take steps I've set out above in the *'Putting Things Right'* section.



Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 25 July 2023.

Claire Woollerson  
**Ombudsman**