

The complaint

Mr A complains that The Royal London Mutual Insurance Society Limited (RLM) caused delays in setting up his annuities, leading to him having to wait several months for his first income payments.

RLM has upheld the complaint. It felt it had caused a six-week delay to the process. And offered to pay total compensation of £976.46 to Mr A.

But Mr A considers that the delay RLM caused was longer than six weeks. And isn't happy with the level of compensation offered.

What happened

Mr A had two pension plans with RLM which both included a guarantee. His original pension date was 1 June 2028.

Mr A's Independent Financial Adviser (IFA) contacted RLM in early June 2022 to request various retirement quotations. He said he wanted the annuities to start later that month. He asked for quotes with the maximum Tax-Free Cash (TFC) and with no TFC. And also asked RLM to confirm the current fund and transfer values, if there was any enhanced TFC available, if there were any penalties and if there was a Guaranteed Annuity Rate (GAR).

RLM sent Mr A his retirement options by post on 24 June 2022. The pack was based on a planned retirement date of 1 August 2022. It also showed that Mr A would receive a much higher income with the GAR his pensions included.

The pack included the current value of Mr A's two pension plans. And showed estimated annuity values with and without the GAR. And then provided Mr A with various options about how he wanted to access his benefits.

RLM sent a copy of the retirement options pack to Mr A's IFA on 5 July 2022, after he'd called to chase it. RLM's call notes recorded that the pack had been posted to Mr A rather than the IFA.

RLM's call notes also recorded that Mr A's IFA called it on 6 July 2022 to ask it about how Mr A could proceed with taking out an annuity. RLM told the IFA that the annuities would be dealt with by the GAR Annuity Board.

The IFA told RLM that Mr A wanted to take the benefits from his plans as annuities. RLM explained that its standard process was the same whether there was an IFA or not.

Mr A's IFA didn't think he needed to go through the standard process as he felt it was obvious that the open market option wasn't anywhere near as good as the guaranteed rate. He felt that Mr A's health wouldn't improve the rates already offered. But RLM said that it still had to gather health information. Mr A's IFA then asked RLM to simply send out everything in the post. He said he didn't want a phone call. Mr A's IFA said that Mr A just wanted what was quoted in the 24 June 2022 pack

RLM told Mr A's IFA that the call process was much faster than the paper route. It explained that the process would involve two calls. One would cover health and lifestyle details for the open market option, after which quotes would be obtained and provided. Then there would be a second call to discuss the quotes.

Mr A's IFA said he declined the offer of quotes and just wanted to take the figures provided in the 24 June 2022 pack. But RLM continued to explain the process it used and asked the IFA whether he wanted an appointment to be booked, or an application in the post. Mr A's IFA confirmed he wanted the application in the post.

Mr A's IFA complained to RLM on Mr A's behalf about its process on 6 July 2022. He made the following points:

- he'd sent letters dated 1 and 27 June 2022 to ask for urgent annuity information given when Mr A had wanted to take his benefits. But RLM had chosen instead to send Mr A a standard letter direct. He said that RLM hadn't included any of the requested annuity quotes.
- he didn't think the pack had been clear on how to take advantage of the guaranteed annuity.
- He was unhappy that RLM had refused to action his request for Mr A to take the guaranteed annuity on an execution only basis. He felt that RLM's process of two calls was pointless, as Mr A simply wanted to get the GAR offered in the 24 June 2022 pack without any calls.

Mr A's IFA said that to put things right, RLM should send Mr A the guaranteed income application forms for the income confirmed in the 24 June 2022 pack. And compensate him for what he felt was a lost month of pension.

RLM issued its final response to the complaint on 11 July 2022. It explained the process of getting annuity quotes. It acknowledged that Mr A's IFA might advise Mr A to take the guaranteed figures, but said it still had to follow its process to find out how the annuity was to be paid, and by which provider.

RLM confirmed that it couldn't process annuity claims by execution only. And said that its process ensured all of its customers got the best possible retirement income.

RLM acknowledged that it should've sent the retirement pack to Mr A's IFA, and that this had led to a delay in starting the annuity claims process. It apologised and offered £150 compensation for the delay.

Mr A's IFA was unhappy with this response. He replied to RLM on 11 July 2022 to say that the response didn't address Mr A receiving his income. He said that although he'd been promised a paper form to complete, nothing had come.

RLM replied to Mr A's IFA the following day. It said that either he or Mr A would need to follow the usual process if Mr A wanted to keep the GARs.

On 14 July 2022, RLM spoke to Mr A's IFA. It told him that it couldn't send him the paper application. And that he would have to go through the phone process. Mr A's IFA said that the paper application should instead be sent to Mr A.

RLM's call notes recorded that the call was cut short, so it didn't get the chance to explain the timescales of the paper route. These were 12 to 16 weeks, whereas the phone route was

four to six weeks.

RLM's call notes recorded that on 20 July 2022, it tried to call Mr A's IFA to find out how he wanted to proceed, after it had fully explained the respective timescales involved in the paper route against the phone route.

RLM tried to call Mr A's IFA again on 29 July 2022. When it couldn't get through, it sent him an email explaining the timing of the phone route and the paper route.

The email also stated that RLM's typical process involved a step which normally took between 10 to 15 working days, and which had already been completed. It also said that although its process normally involved two phone calls on separate days, it could arrange to carry out the entire process in one appointment. It said it wasn't normally allowed to do this, but that it would arrange this given the delays Mr A had already experienced.

RLM called Mr A's IFA on 2 August 2022 to explain the process and timescales for both the paper based and the phone journey. Its call note recorded that the IFA was: "*now a lot more receptive to the phone journey as he understood the differences in timescales*". A single appointment was set up for 5 August 2022.

Mr A and his IFA were both on the 5 August 2022 call, but the IFA took the lead. Mr A was asked about his health and lifestyle. RLM confirmed that Mr A could potentially still get a GAR if he took a joint life annuity.

The IFA confirmed that Mr A didn't want to take TFC. RLM explained that if Mr A wanted to take the GAR, he would need to include a 10-year guarantee, the pension would need to be level and to be paid quarterly in advance. It also explained the two options for a joint life pension. And said it could quote for both.

Mr A's IFA asked for joint life quotes to be produced as, depending on the rate, he might change his mind. RLM's call notes recorded that the IFA was aware that if the joint life option was taken a follow up appointment would be needed to take the spouse's health and lifestyle information and then requote.

RLM provided various quotes for each pension with effect from 1 September 2022. It also confirmed that the open market option couldn't beat the GAR, and noted which provider would be used.

After the call, RLM acknowledged receipt of the application form in an email dated 11 August 2022. RLM said that the total processing time for the application would be in the region of four to six weeks from receipt of all completed documentation.

On 10 October 2022, RLM wrote to the annuity provider to tell it Mr A was going to proceed with the annuity quotation it had offered. It asked it to process the application as a matter of urgency.

Also on 10 October 2022, Mr A's IFA complained to RLM about its failure to get the pension set up and paid out in September 2022. He felt it had failed to meet the four to six weeks the process was expected to take. And that it had failed to communicate the delays.

Mr A's IFA called and emailed RLM further about Mr A's complaint. He asked RLM to send Mr A his first annuity payment, noting he'd already been waiting since June for it.

RLM replied to Mr A's IFA on 11 October 2022. It explained that it had received the final information it needed from Mr A on 18 August 2022. But that it was still waiting for updated

values which it'd initially requested on 5 August 2022, chased on 2 and 29 September 2022 and only received on 7 October 2022.

RLM said it couldn't make a payment to Mr A. But that it would look into whether any compensation should be paid as part of the complaint.

RLM also wrote to Mr A on 12 and 13 October 2022 to tell him it'd sent payment for his annuities to the annuity provider.

RLM issued its final response to the delay complaint on 14 October 2022. It said that after it had received the completed application packs on 12 August 2022, only one of the applications was submitted to the new pension provider. It said that the payment request was subsequently received on 16 August 2022. So that claim should've been paid by 1 September 2022 at the latest. It said that one of the claims had been processed and paid on 10 October 2022 and the other on 12 October 2022.

RLM said that the other plan had been incorrectly referred for an updated fund value before submitting the application. And that this had led to the income payable reducing from £2,048.08 a year to £2,038.84.

RLM apologised for the service it had provided. And for the stress and inconvenience it may have caused. And offered to pay total compensation of £976.46 to Mr A. The compensation figure was made up of:

- £184.80 in respect of the difference between the original income payable and the revised income following the incorrect request for an application requote. (Calculated as £9.24 each year payable over a 20-year period.);
- An equivalent income payment of £591.66 representing the six-week delay incurred in paying both of the claims; and
- £200.00 for the distress or inconvenience caused

Mr A's IFA didn't agree with RLM's calculations. He asked for some clarification. He also wanted the loss calculation to take account of the points he'd made, and additional compensation for the distress and inconvenience caused.

RLM didn't respond, so Mr A brought his complaint to this service. He felt the compensation RLM had offered for a 6-week delay wasn't correct. He said it had been four months since he'd wanted the pension to start. He also felt that the compensation offered for distress and inconvenience was too low.

Our investigator felt that the complaint should be upheld. He felt that RLM had been poor in its information gathering process. And that it had required unnecessary phone calls. He also felt it had caused delays in obtaining values. He felt that all the necessary details and forms could've been returned to RLM and processed by 29 June 2022 (7 working days from 21 June 2022). And therefore that was when Mr A's annuities ought to have started.

Our investigator felt that the total distress and inconvenience payments RLM had offered were fair and reasonable. But that its financial redress offer wasn't right. He felt it should backdate the annuities' start dates to 29 June 2022. He outlined how this should be done, including an allowance for the compensation RLM had already paid.

RLM didn't agree with our investigator. It said it wouldn't have been possible for the pensions to have been in payment in the timescales our investigator had outlined. And that the

process couldn't go faster simply because an IFA was involved. It felt its offer of redress was fair.

As agreement couldn't be reached, the complaint came to me for a review.

I issued my provisional decision on 8 June 2022. It said:

I've considered all the evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I don't intend to uphold it. I don't agree with our investigator that the pensions should've been processed by 29 June 2022. And I agree with RLM that its offer of compensation is reasonable under the circumstances. I know my decision will be disappointing to Mr A. I'll explain my reasons for it.

Where a business has made an offer to settle a complaint – as RLM has done – what I have to decide is whether, in all the circumstances, that offer is fair and reasonable.

In this case, RLM has acknowledged that it delayed the annuities by 6 weeks. And has carried out a loss assessment based on what the annuities would've been but for the delays it caused. It's also offered a total of £350 compensation for the distress and inconvenience it may have caused.

Mr A doesn't agree with the loss assessment. He thinks that the delay was much longer than 6 weeks. And that the compensation offered isn't enough.

As our investigator noted, when a business does something wrong, and makes an offer, this service will assess whether the offer is sufficient to fairly put things right. We want, as far as reasonably possible, to put Mr A back into the position he would've been in but for the delays RLM caused.

In reaching this decision, I've relied upon what I consider would've happened - on the balance of probabilities – if RLM hadn't delayed the process. To do this, I've looked at Mr A and his IFA's response times as well. I've also based my decision on what I consider to be reasonable timescales for RLM to have carried out an action.

RLM's annuity process

I first considered RLM's annuity process. Mr A and his adviser feel that the two-step process for obtaining a guaranteed annuity is unnecessarily time-consuming, and that it shouldn't be needed when an IFA is involved.

In its July 2022 final response letter, RLM acknowledged that Mr A's IFA might've advised him to take the guaranteed figures included in his 24 June 2022 pack, but said it still had to follow its process to find out how the annuity is to be paid, and by which provider. It said that its process ensured all of its customers got the best possible retirement income.

From the evidence I've seen, while Mr A did receive a quote for his pension plans in the 24 June 2022 pack, he hadn't yet specified what annuity he wanted. For example, he hadn't decided whether he wanted a single life or a joint life pension, or if he would take any TFC. He also hadn't considered whether he wanted to include a pension guarantee, or if he wanted his pension to increase in payment or not.

Mr A's IFA was aware of the decisions Mr A would need to make about his annuity. I say this because he asked RLM for information about Mr A's pension plans in July 2021. RLM

explained the circumstances under which Mr A would keep his GAR. It said:

“You will keep the Guaranteed Annuity if you take your benefits between age 60 and age 75 and choose a regular income which:

- is payable for life; this is known as a single lifetime annuity;*
- on your death it becomes payable to your dependant at the same rate as your regular income; this is known as a 100% joint-life lifetime annuity;*
- has a 10-year guaranteed period. This means that in the event that you die within 10 years of taking your regular income, we still pay an income at the full rate for the rest of the 10-year term;*
- does not increase once in payment;*
- is paid to you quarterly in advance”.*

As our investigator noted, it isn't appropriate for this service to tell RLM how to operate. It's entitled to run its processes how it likes, as long as it meets the conditions imposed by its regulator. And the processes aren't unfair to its customers.

I don't agree with our investigator that RLM's process caused a systematic delay to the annuity process because it doesn't now provide annuities itself, but instead outsources its annuity provision. I say this because I'm satisfied that RLM's process would be the same or similar if it sold annuities itself. I'm satisfied that it still would've tested the GAR against any possible enhanced rate available on the open market. So it would've needed the same information from Mr A, regardless of who ended up providing the annuity.

Although I don't agree with our investigator that RLM's two-stage process caused systematic delays, I can see that RLM did cause some delays. I next considered the length of the delay it caused.

How much delay did RLM cause?

RLM felt it had caused six weeks of delay when it failed to submit one of the applications to the annuity provider. It said the claims should've been processed by 1 September 2022 at the latest. But the claims were only processed on 10 and 12 October 2022.

Mr A told this service that he received the first quarterly payments from his annuities on 25 and 31 October 2022.

I agree with our investigator that after Mr A's IFA's 8 June 2022 information request to RLM, it should've replied to him within 10 working days. If this had happened, Mr A's IFA would've received the information pack on 21 June 2022. He actually received the pack on 5 July 2022, after which he called RLM the following day. So, if he'd received the pack on 21 June 2022, it's reasonable to assume he would've called RLM on 22 June 2022, rather than 6 July 2022. This means I'm satisfied RLM caused a two-week delay here.

As I noted earlier, I consider that RLM's two-call process is in the best interests of its policyholders, therefore I don't agree with our investigator that RLM should've waived the requirement for two calls simply because Mr A was receiving financial advice.

I also don't agree with our investigator that Mr A's IFA had confirmed exactly what Mr A wanted during his initial call to RLM on 8 June 2022. Nor do I agree that RLM could've asked

Mr A's IFA for any further information it needed to assess Mr A's eligibility for an enhanced annuity during that call.

I say this because I'm not persuaded Mr A's IFA would've had the detail required for a full assessment of Mr A's health and lifestyle needed to assess whether an enhanced annuity would be available. And I can also see that Mr A hadn't yet decided the exact "shape" of the annuity he wanted. As I noted earlier, he hadn't specified whether he wanted a single or joint life policy, nor had he stated whether he wanted to take TFC, amongst other things. So I'm not persuaded RLM should've been clear exactly what annuity Mr A wanted to take.

Therefore I can't fairly agree with our investigator's conclusion that the annuities should've been processed by 29 June 2022.

From what I've seen, there was a delay between 6 July 2022 and 18 August 2022 which I can't fairly say was caused by RLM. I say this because the evidence shows that Mr A's IFA didn't fully engage with RLM's process, as he didn't agree with it. As I noted earlier, it wouldn't have been possible for RLM to set up Mr A's annuities until he had decided on the basis for them. And when Mr A's IFA declined the two-call process, RLM didn't get the chance to explain how much longer the paper-based application would take.

The record shows that RLM tried on several occasions during this period to call Mr A's IFA to explain the relative timescales, but he was on holiday. So RLM ended up emailing Mr A's IFA to explain the timescales. In the meantime, it did what work it could to progress Mr A's case. And once Mr A's IFA had accepted that the best option was to follow the two-call process, RLM arranged for both calls to take place during a single appointment, which it booked quickly.

I'm satisfied that the final part of the delay – the period between 11 August 2022 – when RLM received Mr A's application - and 18 August 2022, when it said it had received the final documentation it needed from Mr A, was outside of RLM's control.

I acknowledge that Mr A's IFA felt that RLM had confirmed that Mr A's application would take between four and six weeks to conclude after his 11 August 2022 application. But I understand that RLM didn't actually receive all the documentation it needed from Mr A until 18 August 2022. Our investigator felt that RLM should've asked for all required documentation earlier, and therefore held it responsible for the delay between 11 and 18 August 2022. But I've not seen any evidence that shows RLM was responsible.

After RLM received all of the required documentation, the annuities were processed around eight weeks later. But, according to the information RLM had given Mr A, they should've been processed in four to six weeks. So RLM caused at least a two-week delay here. And possibly up to a four-week delay.

Overall, I'm satisfied that RLM caused a total delay of between four and six weeks.

Distress and inconvenience

RLM has paid Mr A a total of £350 for the delays it caused.

While I acknowledge that the delayed annuities caused Mr A some distress and inconvenience, I consider that this amount of compensation is reasonable under the circumstances of the complaint.

As RLM has also already compensated Mr A for a six-week delay, I consider that it has already taken reasonable steps to put things right. Therefore I don't intend to uphold the

complaint. And I don't intend to ask RLM to do anything further.

Response to my provisional decision

RLM accepted my provisional decision.

Mr A said that he mostly agreed with my provisional decision. And had nothing further to add.

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.

As no new information has come to light to change my opinion, I remain of the view I set out in my provisional decision.

My final decision

For the reasons set out above, I don't uphold Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 27 July 2023.

Jo Occleshaw
Ombudsman