

The complaint

Ms B is unhappy with ReAssure Limited's confusing and contradictory messages regarding the value of her pension, and their refusal to honour a minimum pension payment that she felt her policy entitled her to.

Ms B has been represented by a financial advisor throughout her dealings with our Service, but for ease of reference I'll refer only to Ms B in this Decision.

What happened

Ms B set up a personal pension in 1988, which was eventually taken over by ReAssure in 2016. Between 2021 and 2022, Ms B was sent various letters from ReAssure, setting out the value of her policy and the likely retirement income she'd be able to receive. These letters contained different figures, causing Ms B confusion regarding what pension payments she'd eventually be entitled to. Ms B made various enquiries with ReAssure to seek clarification regarding what she was properly due, only to receive responses that were either contradictory or subsequently found to be incorrect. She complained to ReAssure about this.

ReAssure responded, acknowledging previous letters contained incorrect pension value information. They told Ms B that information contained within a letter they'd previously sent her on 1 March 2021 was in fact correct. They also explained her policy confirms the maximum benefit the scheme cannot exceed, rather than guaranteeing the total pension payments she would receive. ReAssure apologised for their mistakes and paid Ms B £250 compensation for the distress they'd caused. They offered to reimburse the cost of Ms B's advisor in relation to work undertaken dealing with ReAssure on this, and directly related matters. And they also offered to complete a loss assessment to reimburse Ms B in the event she'd lost out as a result of the problems they'd caused – if she chose to take retirement benefits within 28 days of their latest retirement benefits letter (sent the day of their final complaint response letter).

Ms B was unhappy with this response, as she still had unanswered questions regarding the value of her pension bonuses, and the widower pension deductions that were being applied, and so brought her complaint to this Service. However, our Investigator felt ReAssure had acknowledged their errors, and provided a fair offer of redress – explaining why she felt ReAssure had applied the terms of Ms B's policy correctly, and why taking benefits at an age before her normal (scheme) retirement date (NRD) would impact the amounts she'd be paid.

Ms B didn't agree with our Investigator's view – she was still unhappy with the information ReAssure had provided about her bonus, and when and how much would be paid. Our Investigator made further enquiries with ReAssure, who agreed to send Ms B a new pension projection (based on a single life basis). Our Investigator also provided clarity on how Ms B's advisor should calculate and present their fees that ReAssure should reimburse.

Despite further exchanges, and whilst appearing to accept ReAssure and our Investigator's explanation relating to the policy benefit limits, Ms B remained unhappy with explanations she'd received regarding the amount of pension she'd get, and how the bonus element of

that was calculated. She asked that an Ombudsman review this element of her complaint – so it was passed to me to consider further and issue a Decision.

Having considered the complaint, and whilst broadly agreeing with our Investigator's outcome, I decided to issue a Provisional Decision (PD) – I wanted to provide greater detail on the way redress was calculated, and award a higher amount of compensation for distress. My PD said as follows:

What I've provisionally decided – and why

There's no dispute ReAssure have provided conflicting information in their communications with Ms B before she raised her complaint with us. They've acknowledged that. So, I'm not going to include specific details of each communication that has taken place before then. Both parties are aware of the letters, and there is no need to repeat details of their contents here. Instead, I'm going to focus on the communications between Ms B and ReAssure since they sent their final response letter (FRL) to Ms B in April 2022, as confusion remains.

The FRL confirmed Ms B's policy provided a guaranteed pension (GP) of £3,031.80 pa when she reached the age of 65 (her NRD), and it would attract bonuses. It also confirmed a widower's pension equivalent to 50% of Ms B's GP would be paid to her surviving spouse, and that bonuses would also be paid (at a 50% reduction) if Ms B died on or after her NRD.

The FRL confirmed Ms B was likely to receive a pension, at 65, of £5,214.77 - made up of the GP of £3,031.80 plus bonuses accrued to that date of £2,182.97. It also explained when Ms B reached age 65, the value of the bonuses may have increased, depending on fund performance and allocation. A retirement options letter was also sent to Ms B in April 2022 (when aged 63), confirming she could receive an immediate pension income of £4,646.88.

Subsequently, on 14 August 2022, ReAssure sent a yearly pension review letter to Ms B quoting an estimated retirement income, at her NRD, of £5,105.70. On 12 September 2022, they sent Ms B a retirement options pack quoting her pension at that date could be worth £4,861.68 pa. They also sent a separate letter to Ms B on that date, again confirming a GP of £3,031.80 at age 65, plus bonuses applied to that date which equalled £3,297.20 (giving a total annuity of £6,329 pa from age 65). Finally, on 19 October 2022, they wrote to Ms B to confirm the £4,861.68 figure quoted in their 12 September 2022 letter correctly showed the amount of pension she'd receive if she retired at that date, and if she retired at age 65, she'd receive a total annuity of £5,229.93 pa – made up of the GP of £3,031.80, plus bonuses to date of £2,198.13. They confirmed the £3,297.30 bonus previously quoted was incorrect.

Conscious of the continuing inconsistencies with the amounts contained in the above letters, I asked for further enquiries to be made with ReAssure. In response, they explained the bonus amount included in the 12 September 2022 letter (£3,297.20) equated to the total coverage of Ms B's and her spouse's bonus benefit, whereas the bonus figure in the letter of 19 October 2022 (£2,198.13) related to Ms B's bonus benefit only. The combined benefit (£3,297.20) equates to the single life benefit (£2,19.13) plus the 50% spouse benefit (£1,099.07). That point having now been clarified, I'll address Ms B's complaint points.

Question about the 'bonus'

Ms B has repeatedly asked why, when ReAssure have said bonuses represent amounts accrued 'to date', she can't be paid those amounts in full if she chooses to retire early. She says it's confusing and contradictory when ReAssure send reduced 'early retirement' quotes. And, Ms B essentially wants me to be able to tell her exactly how much she'll be paid if she retires early, or at her NRD, and what 'bonus' she'll be paid.

Whilst I appreciate her continuing confusion – I think the above referenced communications show that ReAssure still haven't provided a clear and consistent answer to her questions – I won't be telling her how much ReAssure should pay her when she retires. Neither I, or this Service, is able to calculate whether the amounts quoted in any retirement projection is correct or not, nor whether they are fair and reasonable. We're not a checking service, and we don't employ actuaries who are better qualified to undertake these types of checks.

However, I can try and provide some explanation to Ms B here. In this case, it's accepted the policy provides a GP of £3,031.80 per annum, payable from when Ms B reaches 65 years of age (her NRD). If she retired before then, that GP amount would be actuarially reduced. And it's accepted her policy accrues bonuses each year, based on fund performance – with the value of this 'bonus pot' likely increasing each year also (based on fund performance).

The figures quoted – both in terms of the GP and the bonus amount – represent amounts that will be paid when Ms B reaches her NRD. The 'bonus applied' figures represent amounts allocated to Ms B's bonus pot that will become payable when she reaches her NRD. They give an indication of the likely minimum pension she'll get at 65 – bearing in mind further bonuses may be applied in the years up to that age, subject to fund performance, that could increase the final 'bonus pot'.

But if she retires before her NRD, and needs to take an actuarially reduced pension, this reduction will apply to both her GP amount, and the amounts in her 'bonus' pot – both will need to be paid over a longer period than the scheme was initially set up to cover, causing GP and bonus elements of her pension to reduce accordingly. Which means, the 'as at' bonus figures won't be due to Ms B if she retires before her NRD.

As regards the difference in bonus figures in the 12 September and 19 October 2022 letters, I'm satisfied ReAssure have now provided a clear explanation why those figures are different. It'll be for Ms B to decide, when finally applying to take her benefits, whether to take a single or joint life annuity, and ReAssure will need to provide updated quotes – in a clearly explained and unambiguous format – at that time.

I then set out in detail my thoughts on how ReAssure should pay redress – in relation to paying and/or reimbursing the costs of Ms B's advisor, and the circumstances in which ReAssure would need to calculate a loss assessment. I repeat the detail of these below. I also suggested a further compensation award for distress of £200.

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.

ReAssure have responded to my PD, confirming they have nothing further to add.

Ms B has also responded, accepting the proposed outcome as set out in the PD. However, she asks some further questions, which I can address as follows:

Ms B confirms it's her intention at this stage to take her pension when she reaches her NRD, on a single life basis. She asks if I (or this Service) can check it, to make sure it's correct. More specifically, she asks what the GMP and bonus will be at age 65, and how will it change moving forward.

In response, I'm afraid I must echo the point I made in my PD – this service is not a checking service, and I (or this Service) can't check whether a quote is correct. ReAssure have confirmed the GP amount, at her NRD of 65, is £3,031.80. And bonuses will continue to be

added to that amount up to the date of her NRD. I appreciate Ms B is now approaching her 65th birthday and will reach her NRD in early 2024. As such, any quotes she receives now are likely to be very close to the amount she will receive when (and if) she retires next year as anticipated – but I still can't check they are correct.

Ms B has also asked for ReAssure to provide updated retirement quotes, both at NRD and on an early retirement basis. Ms B asks for these so that she can decide whether to at least explore the early retirement option. I think this is a fair request in the circumstances, and means I've provided modified requirements (compared to what I'd set out in my PD) in relation to the issue of whether a loss calculation needs to be carried out.

Ms B has also asked if her GMP will increase in line with RPI. In response, I'd refer her to Part 3 (3) of her original 'Buy-Out' Policy, which sets out the mechanism for calculating any increases in payment once her pension starts. If Ms B needs further clarification, that's something she'll need to approach ReAssure for.

Putting things right

Reimbursing the costs of Ms B's advisor

ReAssure, in acknowledging their mistakes, offered to cover the costs of Ms B's adviser – in relation to work they'd undertaken that was directly attributable to helping her in dealing with this matter. There's no indication ReAssure have withdrawn this offer. And in any event, given the repeated problems Ms B has experienced regarding conflicting information, I think it's fair that ReAssure cover this cost.

But I think it's also fair to both parties that I provide some guidance regarding the extent of ReAssure's liability here. So, when calculating the amounts ReAssure should pay, I think it should be limited to:

- The time cost of all enquiries made by Ms B's advisor with ReAssure on her behalf – in relation to the issue of her retirement/early retirement options only - together with a reasonable amount of time to consider ReAssure responses.
- Similarly, the time cost of all exchanges between the advisor and Ms B in relation to the above matters.
- Where any of the above advisor/Ms B exchanges included unrelated matters, the advisor will need to ensure the cost of this 'unrelated' time is removed.
- And the advisor will need to provide ReAssure with redacted (as necessary) copy fee notes, should they require these, as evidence of the time spent.
- If Ms B has already paid the advisor for any of this work (as defined above) ReAssure will need to reimburse Ms B these amounts. And because Ms B will have effectively been deprived of the use of these funds, ReAssure will need to add 8% simple interest to any such payments – in line with our usual practice for late or delayed payments.
- ReAssure will need to make these payments, whether to Ms B or separately to her advisor, within 28 days of being provided with full and satisfactory evidence of these sums being due, as calculated above.

For the avoidance of doubt, I'm not asking ReAssure to cover the cost of her advisor's exchanges with this service. It's relatively unusual for us to award costs where they were incurred for assistance in bringing a complaint to us. As a free service, with an inquisitorial remit to resolve complaints, we don't typically consider it necessary for customers to be represented in bringing complaints to us. The nature of this complaint is not particularly complex, and I think is one a consumer should be able to bring to us. That's clearly not to be

read as a criticism of Ms B's decision to ask her advisor to deal with us – that is after all her choice. But it means I can't fairly conclude ReAssure should be liable for the costs Ms B has chosen to incur in this way, and so I won't be asking ReAssure to cover that element of those related advisor costs.

Potential loss assessment

Again, this is something ReAssure agreed to undertake if Ms B decided to take early retirement within 28 days of their retirement benefits projection in April 2022. The date for comparison was 11 October 2021, the date ReAssure first provided conflicting information. However, there remained outstanding questions and inconsistencies, preventing Ms B from making an informed decision, which I'm satisfied have only now been addressed. As such, I think it's fair and reasonable that the offer of a loss calculation is extended.

But, in the interests of fairness to both parties, this can't be an open-ended obligation. So in relation to Ms B considering taking her benefits before her NRD (and ReAssure's obligation to undertake a loss calculation) I think a fair outcome here would be the following:

- ReAssure must provide Ms B with an updated retirement projection, on a single life basis, based on taking benefits at her NRD, within 14 days of being notified of her acceptance (assuming she does) of this Decision.
- ReAssure must also provide an early retirement projection, on a single life basis, within the same 14-day period.
- Upon receipt of this new early retirement projection, Ms B has 21 days to confirm to ReAssure that she's chosen the early retirement option.
- In that situation, ReAssure should then undertake a potential loss calculation, using 11 October 2021 as the comparison date as before.
- ReAssure must undertake the early loss calculation within 14 days of receipt of Ms B's signed retirement documentation.
- And if there is a loss, ReAssure must pay that amount to Ms B – with 8% simple interest added as appropriate – within a further 14 days).
- If ReAssure considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms B how much it's taken off. It should also give Ms B a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

For the avoidance of doubt, this loss calculation only needs to be done in the event Ms B *chooses* to take early retirement benefits, within the timeframe set out above – it doesn't need to be calculated as a purely hypothetical exercise or to inform Ms B's decision-making in this regard. Ms B is of course able to request another (or further) early retirement quote at a later stage, but no loss calculation would be required in these circumstances.

Distress and Inconvenience

ReAssure have already paid Ms B £250 as compensation for the inconvenience they'd caused up to the date of their FRL. Whilst putting a value on distress isn't an exact science, I think that figure provides a fair level of compensation, and is in line with the amount I'd have been likely to award. However, as can be seen above, there were further instances of poor communication after the FRL was sent, causing Ms S further inconvenience. Accordingly, I think ReAssure will need to pay Ms B further compensation for this – and I think an additional payment of £200 is a fair award here.

My final decision

I uphold Ms B's complaint against ReAssure Limited and require them to pay Ms B redress as set out in the 'Putting things right' section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 21 August 2023.

Mark Evans
Ombudsman