

The complaint

Mr C complains that the projected final bonus added to his Retirement Annuity Contract (RAC) has been reducing and that ReAssure Limited (ReAssure) have not provided a satisfactory explanation for this.

Mr C also complains that there were unexplained adjustments on his statements within the online portal.

What happened

Mr C held a Retirement Annuity Contract with ReAssure (formerly held with National Mutual), and decided to take benefits when he turned 68 years old in October 2022.

He started looking into his options in September 2022, and noticed that the ReAssure portal referenced Late Payment Adjustments and an Unpaid Premium Deduction applying to his policy. He emailed ReAssure to query these adjustments and raised a complaint and when he didn't have a response, he emailed again on 7 October 2022.

Following this, Mr C continued to monitor his RAC via the portal, and noticed that following his email in September, the value of his projected final bonus applying to his policy had been reduced. Mr C chased the complaint in December 2022 and received a response from ReAssure on 8 February 2023. ReAssure explained, in summary, that the "Unpaid Premium Adjustment" related to the way that premiums are applied to the policy, and relates to future premiums – it does not indicate that any premiums had been missed. A further letter was sent to Mr C on 9 February explaining that his additional questions had been raised with the relevant servicing team who would be in direct contact. The response also offered £300 to Mr C by way of apology for the delays in responding to his query, which was being sent directly to his home address.

Mr C referred his complaint to this service on 14 March 2023. He remained dissatisfied relating to the terminology used within the portal relating to his RAC, and was concerned about the reductions to the projected final bonus he had noticed on the portal, specifically the fact he believed they were linked to the complaint made to ReAssure.

ReAssure wrote to Mr C On 4 May 2023. They apologised for the delay but confirmed that the value of the bonus was determined by current bonus rates in the current market and was not guaranteed.

Following an investigation, the Financial Ombudsman Service investigator provided her view to Mr C. She noted that she was satisfied that the complaint point relating to the terminology for the adjustments on the ReAssure portal had been resolved, and that the policy was paid to date, albeit she acknowledged that the terminology used may have caused Mr C some concerns.

The view from the investigator focused on the complaint about the reduction in final bonus. Having investigated this, she agreed with ReAssure's final response, that confirmed that the amount of bonus is not guaranteed, and a complaint about the final bonus could only be

upheld if there was evidence to suggest that the pension had been maladministered or that the reduction was due to a business error. As this was not the case, she did not uphold Mr C's complaint, but agreed that the £300 paid to Mr C was reasonable to reflect the delay in providing him with the information he requested.

Mr C did not agree with the investigator's findings and remained dissatisfied with the explanation relating to the reduction in the projected final bonus. The complaint has therefore been referred 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.

Mr C's complaint related to two key points – the terminology used on the portal, which relate to adjustments to the policy, and secondly, the reductions to the projected final bonus. In his request for a final decision, Mr C confirms that the position re these adjustments is understandable albeit that the terminology itself is not. He stated that he is happy to put to one side the terminology issue, therefore I have focused my decision on the issue relating to the final bonus.

Having carefully considered the points that Mr C has made regarding ReAssure's failure to explain the reduction in his final bonus, I agree with the investigator and for broadly the same reasons. Whilst I am upholding Mr C's complaint because ReAssure could have provided him with a fuller explanation relating to the reasons for the reduction in the projected final bonus rate, I have not been provided with any evidence to suggest there have been errors made in the calculations, and do not agree with Mr C's assertions that the reductions in the final bonus have been triggered by his communications with ReAssure. I'm of the view that the offer ReAssure have made to put things right is fair. I'll explain why below.

Mr C stated that each time he complained, he noticed that the projected value of his final bonus showing on the ReAssure portal was reduced, and believes that the reductions were triggered by his communications with ReAssure. Having reviewed the information available, I do not consider that this was the case. Although ReAssure has discretion relating to how bonuses are calculated and declared, this is based on factors such as past experience of the fund as well as prospects for the future and the level of guarantees. The calculation often includes an element of "smoothing", where money may be held back in years of strong performance in order to pay out in years where there has been weaker performance in the fund. The element of discretion is related to the calculation of bonuses for specific groups of policyholders, and would never be applied at an individual level.

The following extract is from the ReAssure website, relating specifically to the National Mutual With-Profits Fund;

Regular bonus

Once added, a bonus increases the guaranteed policy benefits, so cannot be taken away. For conventional policies we aim to increase the amount payable at the end of the term of your policy by adding a bonus each year. For unitised policies we aim to increase the price of the units allocated to policies at a rate that we review at least once a year. The regular bonus rates are currently at very low levels. We would only increase them if we believed that to do so would be in the interests of policyholders generally. Low regular bonus rates have two principal attractions:

- *we can maintain our investment flexibility, as a higher level of guaranteed benefits would*

- require us to invest more conservatively (more in fixed interest securities) to ensure that we remain able to meet the guarantees under almost any circumstance; and*
- *we have greater flexibility to set benefits which are fair to all policyholders.*

Final bonus

We may add a further 'final' bonus when we pay your benefits. At present we review final bonus rates quarterly. We set the rates so as to increase policy benefits from their guaranteed level to an amount that fairly reflects the asset share underlying your policy. If this latter amount falls below the guaranteed benefits, then a final bonus would not normally be paid.

The level and nature of bonuses declared by ReAssure on its with-profits funds is the result of a commercial decision taken by them acting on the advice of its Actuaries, which impacts *all* policyholders invested in that fund. As a result, it is not within the remit of this service to either sense check ReAssure's decisions or scrutinise their calculations.

The document quoted above states that bonus rates are reviewed quarterly. Mr C has stated that he noticed reductions in the projected final bonus in September 2022, December 2022 and March 2022. It is therefore reasonable to conclude that it is more likely than not that Mr C's contacts with ReAssure were at approximately the same times as the quarterly review and can be considered as entirely coincidental. I can find no evidence to suggest that the reductions were triggered by Mr C's communications to ReAssure, or applied specifically to Mr C's policy in isolation.

I can very much sympathise how concerning it must have been for Mr C to see the value of his pension fall so close to retirement. I acknowledge that Mr C requested details of the projected bonuses, and was provided with a generic response, which did not fully allay his concerns. And, I can well understand why he wished to have sight of wider information to help him shape his retirement plans, but I cannot direct ReAssure to disclose its calculations to Mr C as this could involve revealing commercially sensitive information and I don't consider that fair or reasonable.

Notwithstanding this, I am of the opinion that ReAssure could have gone further to deal with Mr C's complaint and provided a fuller response. I also note that ReAssure have already paid Mr C £300 by way of apology for their responses. This is broadly in line with what this service would instruct a firm to do in cases such as this, therefore I am not requesting that ReAssure make a further payment to Mr C.

My final decision

For the reasons stated above I uphold Mr C's complaint against ReAssure Limited. As they have already paid £300 to Mr C, there is nothing further for them to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 7 March 2024.

Joanne Molloy
Ombudsman