



The complaint

Mrs C has complained about the value of her pension held with The Royal London Mutual Insurance Society Limited ('Royal London').

The policy was originally taken out with Abbey Life with the administration of the policy being taken over by Royal London in 2008.

What happened

The commencement of this policy was agreed in September 1996 with the first premium being paid by Mrs C in December 1996.

Documentation on file shows that the initial gross contribution was £62.20 per month with the premiums being split equally between the unitised with profits fund and the managed fund.

Mrs C paid premiums until February 1998, with total contributions amounting to £942.30 (gross) in total.

Mrs C moved home in December 2000 however Abbey Life and Royal London were not aware of this, as such pension statements continued to be sent to an old address.

Mrs C updated her address with Royal London in June 2020 with up-to-date policy information being provided from this point forward.

Having received her December 2022 pension statement showing a value of around £4, Mrs C complained to Royal London and questioned how the policy value had fallen to such a low level.

Royal London issued their response on 28 February 2023 explaining that whilst contributions to the pension had ceased in February 1998, policy charges had continued to be applied and that these charges had eroded the fund value over time.

Unhappy with this response Mrs C forwarded her complaint to this service.

Our investigator looked into things but did not uphold the complaint.

Mrs C did not agree, stating that her pension had not been managed correctly.

As no agreement could be reached the case has been 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.

Overall, I have reached the same conclusions as our investigator.

The total gross premiums paid into this policy total £942.30. Whilst I accept this contribution

level is significantly higher than the current value of the pension, this is primarily due to the charges levied on the policy and the fact that premiums were ceased soon after the policy commenced.

This type of pension policy was designed to be held - and contributed to - over an extended timeframe. As part of this design, the charges levied on the policy were front loaded, with significant charges in the early years being offset by lower charges in the later years.

For example, in the first 12 months of the policy only 15% of the premiums paid were allocated to buying units in the pension, with the remainder being taken to cover the costs of setting up the policy.

Given premiums were paid for only just over 12 months, a significant amount of the premiums paid went on these early charges.

To illustrate this, and as indicated by the findings issued by our investigator, in the first 12 months of the policy the contributions totalled £746.40, 15% of this was invested into units within the pension - £111.96.

Royal London have confirmed that on 17 December 1997 the policy had a value of £79.29 which seems consistent with the figures above.

I say this because the other charges levied on the policy (such as the bid-offer spread, the monthly policy fee, and the annual fund management charge) also must be considered.

Mrs C has noted that the amount left after other such charges should still have been higher than the £79.29 value quoted by Royal London, however the contribution level after charges are deducted was also subject to investment value fluctuations. The contributions were invested into with profits and managed investment funds, which exposed the monies to the risk of financial loss. Taking all of this into account the value quoted by Royal London is considered consistent with what I would expect to see given the type of policy and contribution history.

Once premiums ceased, the policy was still exposed to ongoing charges such as the monthly policy fee which continued to be a drag on the policy value. Over time the limited fund value was not able to grow sufficiently each year to cover the fees being deducted, resulting in a fund which reduced in value each year culminating in the current situation where the policy is only of nominal value.

The details of all these charges are included in the initial key features document on file, which would have been provided to Mrs C at the time of advice.

Within her submissions to this service Mrs C has queried whether she could be faced with a future bill for pension charges which cannot now be covered by the remaining fund value. However, I would like to reiterate what has already been said by our investigator, that any charges Royal London levy must be in line with the terms and conditions of the policy and taken from the policy itself, with there being no prospect of Mrs C being issued with any bill for charges which the policy itself cannot cover.

I accept that Mrs C may have sought to act and make changes to the policy over the years since premiums were ceased to try and make better use of the funds which were left, had she been aware of the reducing value of the pension.

However, Royal London did provide ongoing pension statements showing the value of the pension to the address they held for Mrs C.

Mrs C has confirmed she moved to her current address in September 2001, however Royal London were not informed of this until 2020, and as such statements were sent to an old address. Mrs C's 2019 pension statement for example was sent to the address Mrs C vacated in December 2000.

As none of these statements were returned as 'gone-away' or 'undelivered' I have concluded Royal London provided these statements in good faith with their being no reason for them question things further.

I note Mrs C has also stated that she was not informed that the policy had moved from Abbey Life to Royal London in 2008. However, as above, I consider it most likely that the relevant documentation was sent to Mrs C's old address at that time, with there being no reason for either company to question whether Mrs C had moved.

Mrs C has also questioned the purchase of her policy by Royal London and asked how much was paid for her policy.

Here I would note that the changes to the ownership and administration of this policy would have been agreed as part of a bulk process with there being no prices set for individual policies. For example, as part of the chain of events which led to the policy now being administered by Royal London, the entirety of Abbey National Life Limited (including all the pensions they administered) was bought by Resolution plc in September 2006, with subsequent purchases and business name changes resulting in the policy now being administered by Royal London.

Again, the dates of these changes are before Royal London were provided with a correct address for Mrs C and as such, I consider it most likely that the relevant documentation was sent to the incorrect, old address in good faith.

Overall, whilst I can fully appreciate Mrs C distress and disappointment that the contributions she made to her policy in 1997 – 1998 now only have a nominal value, I do not believe this is something Royal London can be held accountable for. They have administered the policy fairly and as per the terms and conditions. Statements have been provided with it being unreasonable to hold Royal London responsible for the fact that these were sent to Mrs C's old address.

As such I am not upholding this complaint.

My final decision

In line with the rationale above I am not upholding this complaint against The Royal London Mutual Insurance Society Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 19 April 2024.

John Rogowski
Ombudsman