

## **The complaint**

Mr B complains that Legal and General Assurance Society Limited (L&G) failed to set up his pension annuity in a timely manner, failed to respond to queries and haven't fairly compensated him for the inconvenience and loss of interest during the delay. And, when the annuity was set up, the rate used was less than it should have been. He wants compensation for his losses and the distress and inconvenience caused.

## **What happened**

Mr B wanted to purchase an annuity with his Aegon pension fund. Having researched The MoneyHelper website he decided to proceed with L&G and applied online. Based on health information entered on the application by Mr B, L&G offered a higher than standard annuity rate. L&G says it requested that Aegon transfer Mr B's fund to it on 12 April 2023 using the Origo electronic transfer system. Aegon updated Origo on 2 May 2023 that it had sent the funds to L&G. But as he hadn't heard anything from L&G, Mr B chased it by email on 16 May 2023. And then called it on 23 May 2023. L&G recorded a complaint and on checking realised it had received the funds from Aegon. Mr B continued to call and email L&G chasing for updates.

On 29 June 2023 L&G called Mr B saying he needed to agree to a change in the annuity as more funds had been received than expected. Mr B was on holiday and said he wouldn't proceed until he was back home and could review the figures. He says he checked the income rate offered by L&G compared to that on The MoneyHelper website, which was higher, which he queried.

L&G sent Mr B a final response letter on 12 July 2023. It apologised for the delay and errors and said it was honouring the original annuity rate it had quoted. It said it would set the annuity up if he confirmed he wished to proceed and backdate the arrangement to when it received the funds on 2 May 2023. It said it would pay interest on the late payments for June, and July 2023. It also paid Mr B £300 in compensation for the inconvenience caused. Mr B says he wasn't sure he wanted to proceed because of the problems but he reluctantly agreed to do so.

Mr B referred his complaint to our service. He said L&G had held nearly £60,000 of his money for months and should pay him interest on it.

Our investigator asked L&G to send its file, but it didn't respond. So, he considered the complaint based on the evidence and information provided by Mr B. He said the complaint should be upheld.

Our investigator said there had been errors and delays, but it appeared L&G had set the annuity up correctly, using the original annuity rate offered and it had backdated payments to when these should have started. He said the £300 compensation it had paid for the distress and inconvenience caused was fair under the circumstances. But he said L&G hadn't added interest to the late annuity payments as it should have done in order to put Mr B back into the position he should have been in. He said it was fair that interest only be added to the late

payments rather than the total amount invested into the annuity because Mr B hadn't been deprived access to the capital sum, only the income.

L&G apologised for the delay in providing its file. It said it would calculate and pay the interest up to date and it offered Mr B a further £50 compensation for the distress and inconvenience caused. Our investigator advised Mr B of this.

Mr B didn't agree with our investigator. He said this wasn't adequate compensation. He said it didn't reflect the stress and time taken to chase L&G up which included ignored emails and very long telephone call queuing times. Or the length of time he'd been left with nothing whilst L&G had the use of his funds. And he said the main part of his complaint, that L&G hadn't offered the annuity rate available on The MoneyHelper website hadn't been considered, and this could cost him thousands of pounds over the lifetime of the annuity. He said he'd contacted The MoneyHelper website who'd confirmed there was no reason why L&G shouldn't have used the higher rate.

Our investigator said the screenshots Mr B had provided showing annuity rates from The MoneyHelper website were only a guide and not a full quote from L&G. He said it had honoured the correct rate from when the annuity should have been set up. Mr B said this wasn't right and that L&G's complaint process wasn't satisfactory as it didn't address its failures of service and that independent customer reviews showed more than 50% of consumers consider L&G's customer service to be exceptionally poor. He said it should be held properly to account for its failures.

As Mr B doesn't agree it has come to me to decide.

### **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.

Having done so I am upholding the complaint, but to be clear to Mr B I won't be telling it to do any more than our investigator has suggested.

Our service doesn't regulate financial firms, so I can't tell L&G to change its systems or procedures or punish it for perceived failings. But I can award compensation if I think errors or problems have resulted in unfair outcomes.

Here L&G accepts there was a problem in setting up the annuity and that it didn't sort this out soon enough or respond to Mr B's queries and complaints about this promptly. It said it had been dealing with very high levels of business and hadn't met its service standards in this case. It said by the time it realised it had received the funds from Aegon (only after Mr B had chased it repeatedly) the original quotation and underwriting decision had expired and unacceptable delays between the different departments then held matters up further.

This has been an unfortunate experience for Mr B but having considered all the evidence I do think L&G has taken the correct steps to put Mr B back in the position he should have been in. Apart from its further failure to add interest to the income payments it has paid late.

When errors have resulted in payment delays, as they have here, our service thinks it is fair the injured party be put back into the position they should have been in but for the error. And L&G has backdated income payments to when these should have started and has used the original annuity rate it offered. That is fair, provided that interest is also added to reflect the delay in payment. Because Mr B's loss was that he was deprived of the use of the income that should have been paid to him in June, July, and August 2023, not the full amount of the

funds invested with L&G. It paid the late income payments in September 2023, and if it pays fair interest on these it is putting Mr B back into the position he should be in.

Mr B says the actual annuity rate and thus level of income should be higher, based on the figures on The MoneyHelper website. I understand why he thinks this, and it may be that annuity rates increased during the delay. But the figures quoted on The MoneyHelper website were not a firm quotation from L&G and didn't reflect the actual circumstances that an application was in progress, albeit delayed. Had annuity rates instead declined I'd expect L&G to honour the rate originally offered. Which is fair because that was the intention of the parties. So, using the original annuity rate does put Mr B back into the position he should have been in.

Mr B was undoubtedly inconvenienced by the errors, with his time being wasted chasing things up by telephone, and I understand the frustration he feels. But it has now offered a total of £350 in compensation for the distress and inconvenience caused. I think this is a fair amount of compensation which is in keeping with what we would award in similar circumstances.

### **Putting things right**

I think setting up the annuity as originally intended was fair, given the missed payments have been made good. But L&G must add interest at 8% per year simple from the date each payment should have been made until the date it makes settlement to Mr B.

Income tax may be payable on this interest. If L&G deducts income tax from the interest, it should tell Mr B how much has been taken off. L&G should give Mr B a tax deduction certificate in respect of the interest if Mr B asks for one, so he can reclaim the tax on the interest from HMRC if appropriate.

L&G should provide Mr B with a simple calculation of how it arrived at the figures.

I think the compensation offered of £350 in total is fair in the circumstances of the complaint and L&G must now pay the outstanding £50 of this to Mr B if it hasn't already done so.

### **My final decision**

My final decision is that I uphold the complaint against Legal and General Assurance Society Limited

I direct Legal and General Assurance Society Limited to calculate and pay the redress set out above to Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 December 2023.

Nigel Bracken  
**Ombudsman**