

## The complaint

Mr H is unhappy that Royal London Mutual Insurance Society (Royal London) didn't complete a switch request in 2019 and caused delays when he contacted them for an annuity quote, he wanted his annuity to begin on 31 August 2023. He says he was unaware of an early exit charge, and he is also unhappy that Royal London no longer offer annuities, when they did at the time he took out the personal pension plan (PPP).

## What happened

Mr H held a PPP with Royal London, which had the benefit of a guaranteed annuity rate (GAR).

In October 2019 Mr H completed a change of investment form and sent it to Royal London. I have been provided with a copy of this form, part two is entitled 'New investment choice' and sets out:

*"I would like to:*

- *Invest in individual funds from the Fund range"*

This is ticked, the form explains "***Please now complete Part A only***".

Part A is completed with Mr H filling out the two tables indicating that he wanted to switch from RLP managed fund (100%) to:

- RLP American – 20%
- RLP Global equity – 20%
- RLP Global managed – 20%
- RLP Pacific – 20%
- RLP Worldwide – 20%

Part B is also completed indicating that Mr H be invested in the "*Opportunity Retirement Investment Strategy*".

Royal London have provided a copy of an email sent to Mr H in October 2019 which explains the change of investment can't take place as he can't be invested in both the funds selected and the strategy. The email asks Mr H to get in touch and let Royal London know how he would like to proceed. Mr H says he did not receive this email – he said that due to the email address being surrounded by single quotation marks it would not have been sent or delivered.

As Royal London did not hear from Mr H, no changes were made to the funds held within his PPP. Royal London have said that, had the changes been made in October 2019, the value of his PPP, upon taking it in September 2023 would have been higher than it was.

Royal London provided a copy of the terms and conditions of Mr H's PPP. Within Schedule III – Part A at point 5 it sets out that the value of account "*On any other date before Retirement Date*" will be "*reduced by an amount determined by the Actuary*".

Mr H was sent annual statements, I've been provided with copies from 6 August 2022 and 5 August 2023 both set out that there would be an exit charge of 1%. The 2023 statement provided a plan value of £60,223.17 and transfer value as of 1 August 2023 of £59,620.94 and stated:

*"Your transfer value may be lower because we've applied an early exit charge. Early exit charges are now capped at a maximum of 1% of the plan value for customers who, at the time the transfer value is requested, are eligible to access their retirement savings. A 1% cap will therefore normally apply from age 55."*

Mr H got in touch with Royal London on 27 July 2023, then on 8 August 2023 Mr H chased for a response as he had not heard from them. He asked for some information about taking his annuity at age 60 – this was emailed to him on 10 August 2023. On 14 August 2023 Mr H asked for a call to go through the annuity bureau. Some dates were offered for this call, Mr H says he asked for 29 August 2023 but his email request was missed and the member of staff was not able to facilitate a call on this day. They arranged to speak on 30 August 2023.

Mr H was unhappy that his annuity wouldn't be set up on 31 August 2023 as he had wanted, so Royal London contacted the annuity firm (Firm C) and asked them to prioritise the transaction. The annuity was set up on 4 September 2023 – which was a Monday. The fund value was uplifted to £68,732.58 due to the GAR.

Mr H raised a complaint with Royal London, he wasn't happy that his annuity didn't begin on 31 August 2023, that the changes in 2019 were not implemented and that an exit fee was deducted. He said he had lost out financially.

Royal London responded to Mr H's complaint, they didn't uphold the complaint in full but offered Mr H £350 compensation to account for some servicing issues and the time it took them to review the complaint. Mr H remained unhappy so he referred the matter to our service for an independent review.

An investigator reviewed Mr H's complaint, they felt the compensation offered was fair. They concluded that Royal London acted reasonably by sending an email to Mr H asking him to clarify what he wanted them to do with his fund in 2019, that they are satisfied the email was sent to Mr H and so it wouldn't be fair for them to ask Royal London to adjust the annuity. The investigator also thought Royal London were able to deduct an early exit fee, as per the terms of Mr H's policy with them, and that Royal London had expedited the transfer of funds so they didn't think there had been a delay which needed to be compensated for in excess of the offer already made by Royal London of £350.

Mr H didn't agree he said:

- He didn't receive the email in October 2019. He said as there were single quotation marks around his email address it would not have been sent to him.
- Messages were sent inconsistently from Royal London with some encrypted and some unencrypted. All communications should be sent encrypted to allow for correspondence to be recorded as read.
- A chaser should have been sent to him when he did not respond to the email.
- Had the change to his fund been made, the value of his PPP would have been £10,000 more. Increasing his yearly annuity by around £500.
- An in-house annuity was available at the time of taking out the PPP, so should be available to existing consumers.
- It isn't fair for terms and conditions provided such a long time ago to be considered. And he isn't a financial expert so can't be expected to notice if his funds had changed within his annual statements.

As Mr H did not agree with the investigator's opinion, he asked for an ombudsman to review the complaint.

### **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.

I understand this will come as a disappointment to Mr H but, having reviewed all the available information so I'm not upholding his complaint.

#### October 2019

In October 2019 Mr H sent Royal London an application form to ask for a change to be made to his fund. This was not carried out as the form had been incorrectly filled in by Mr H. Royal London emailed Mr H to ask him to clarify what change he wanted them to make.

Mr H has argued that the email they sent would never have been received by him due to it being sent to him with single quotation marks around his email address. He's also said that changing between encrypted and non-encrypted emails is confusing, if all emails were sent via encryption there would be a way for Royal London to see if correspondence had been received. And he makes the point that Royal London should have done more to chase him up when they didn't receive a response from him.

Royal London say that they use an encryption service when they are sending sensitive information to their consumers, but don't always use this service if it's not necessary. I think that is a reasonable thing for Royal London to do. In both instances an email would have been sent to Mr H, either with the message in the body of the email, or with a link to access the encrypted information. So, the argument about whether or not Royal London asked Mr H, via email, to clarify what he was requesting from them, would still be the same.

Royal London have provided evidence of the email having been sent on their system and they say that they didn't receive a 'bounce back' email.

The email address Royal London used was the correct one for Mr H. So, I've considered whether or not the email address being surrounded by single quotation marks means that it was not sent.

I asked Royal London to provide me with evidence that their system saves sent emails in this format and evidence that those emails have been received.

Royal London provided me with a screenshot of an email that was sent to this service on 14 November 2023 at 14.34. It showed our email address surrounded by single quotation marks. This email was successfully received by our service and stored within our casefile. This is persuasive evidence that successful emails sent by Royal London are stored within their system with the email address displayed within single quotation marks. Based on this, and that the email address is correct, on balance, I think it's more likely than not that the email of October 2019 was correctly delivered to Mr H's email account.

I'm satisfied that Royal London acted reasonably by emailing Mr H upon receipt of his application form, to clarify things with him. I've considered whether Royal London ought to have done more to chase a response from him, but I don't think they were required to do more.

Whilst it might have been good customer service for them to get in touch again, I think equally Mr H could have checked on the application to make sure it had been received and the changes completed. He didn't receive confirmation that the changes had been made to his fund, which I think he should have expected to receive. Based on this, I am satisfied that Royal London did what they should have done in October 2019, so I'm not holding them responsible for the fund changes not going ahead.

### Annuity

Mr H wanted his annuity to begin on 31 August 2023, it started on 4 September 2023. I can only hold Royal London responsible for periods of delay if I find them to have been unnecessary.

Mr H was offered a number of dates for an annuity meeting in mid-August 2023, but he asked for one on 29 August 2023. The meeting didn't take place until 30 August 2023. Following the meeting, and receipt of the documents Royal London required from Mr H, the funds were sent to Firm C within two days and the annuity set up within four working days.

Royal London say they expect this kind of transaction to take around four weeks usually. But due to Mr H's complaint they sped this process up. I think Royal London acted reasonably here and the transaction was carried out within a much shorter period of time than I would usually expect. As such I'm not asking Royal London to do anything in relation to this point.

Royal London assisted Mr H to set up an annuity with Firm C, and they ensured that he received the value attributed to the GAR on his policy by uplifting the fund value to reflect the GAR. I appreciate Mr H took out this policy at a time when Royal London did offer annuities and his expectation was that they would provide him with an annuity at retirement. This has been a source of frustration to Mr H. However, Royal London are free to make commercial decisions about the type of pensions they provide. They have decided not to offer annuities in-house, I'm not in a position to comment on that decision, and Mr H has not lost out as a result of that decision.

### Early exit fee

Mr H has said that he wasn't aware of an early exit fee, and it is unfair for terms and conditions from many years ago to be relied on when considering if a fee is chargeable.

Mr H's PPP was taken out many years ago, the terms and conditions set out how the PPP operates. For instance, describing how his GAR ought to be calculated. As such they are an important consideration when determining if a fee is permitted to be charged under these circumstances.

Within the terms and conditions of Mr H's PPP it sets out that the value of his policy, if taken prior to his retirement date, would be "*reduced by an amount determined by the Actuary*". So, there was provision within the terms of Mr H's policy for a fee to be charged.

The rules around early exit charges were updated following a HM Treasury led consultation. The Financial Conduct Authority (FCA) issued a policy statement outlining the rules, which set out that plans sold after 31 March 2017 had a 0% early exit fee cap, pensions arranged before this date were capped at 1%.

I appreciate this is an old document which Mr H may not have had sight of recently. However, within the recent statements Royal London sent to Mr H in August 2022 and August 2023 they set out there was a difference between the value of his plan and the transfer value, this is explained as:

*“Your transfer value may be lower because we’ve applied an early exit charge. Early exit charges are now capped at a maximum of 1% of the plan value for customers who, at the time the transfer value is requested, are eligible to access their retirement savings. A 1% cap will therefore normally apply from age 55.”*

So, whilst Mr H may not have seen the original terms and conditions of his policy since it was taken out, until recently, he did have sight of annual statements within which Royal London make it clear that an early exit charge would be levied and set out the rate of that fee, which is within the rules set by the FCA.

Based on the evidence provided I’m satisfied that Mr H’s policy allowed for an early exit fee to be charged, that Royal London made this charge clear to Mr H within his annual statements and that it was in line with what they were permitted to deduct. So, I’m not asking them to do anything in relation to this point.

### Service

Royal London awarded Mr H £350 compensation for the distress and inconvenience they caused him. There were instances where Mr H’s emails went unanswered for example – on 27 July 2023 when he initially contacted Royal London. In that instance he had to chase them up. And he emailed to ask for a call to go through the annuity bureau on 29 August 2023, this email wasn’t responded to by Royal London. I have considered the service provided to Mr H and feel the amount offered by Royal London is fair and reasonable. This is because I can see that these delays caused an inconvenience for Mr H but didn’t ultimately mean that the annuity was delayed.

### **My final decision**

I understand this will come as a disappointment to Mr H but I have not upheld his complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr H to accept or reject my decision before 29 May 2024.

Cassie Lauder  
**Ombudsman**