

The complaint

Mr S complains about Legal and General Assurance Society Limited (“L&G”). He’s unhappy L&G won’t allow him to take benefits from his Stakeholder Pension via flexi-access drawdown. And he doesn’t think it’s fair that L&G won’t agree to set a minimum sale price for investment units.

What happened

Mr S holds a Stakeholder Pension which was originally set up under an employer’s Group Stakeholder Pension Scheme. L&G administers Mr S’ plan.

Having decided he was ready to take benefits, Mr S told L&G that he wanted to take 25% Tax Free Cash (TFC) and be able to access the rest of his funds when required. L&G began to facilitate the transfer of the proceeds of Mr S’ plan to a Personal Pension Plan (PPP) but as Mr S was unhappy with the investment choices available, he asked for the transfer to be cancelled. L&G reversed the transaction and restored Mr S’ Stakeholder plan and investments.

Mr S later asked L&G to find an option where he could take benefits as he wished while remaining invested where he was. L&G explained that this wasn’t possible, and Mr S complained. He also asked L&G to set a minimum sale price for investment units, so he’d be protected from market fluctuations and capital loss whenever he chose to withdraw funds.

L&G responded to Mr S’ complaint and didn’t uphold it. In summary, it said:

- Taking benefits via flexi-access drawdown wasn’t an available option under its Stakeholder plan, but it was possible under its PPP.
- The PPP had a fund range which differed from that available under L&G’s Stakeholder. L&G understood Mr S wasn’t happy with this as he wanted to remain in his existing fund.
- L&G’s Personal Pension Drawdown proposition offered four different investment options aligned to customers’ 5-year objectives for their retirement pot. It was designed to support customers wanting to move into drawdown who might not be confident in choosing investment funds themselves. There were no plans to extend this range; this decision had been taken by L&G after careful examination of the needs and aims of most customers using this option.
- It couldn’t facilitate Mr S’ request to take 25% TFC and take benefits via drawdown while remaining in his existing product and investment fund. So, Mr S might want to investigate transferring his funds to another provider which offered the flexibility he was looking for.
- It couldn’t agree to set a minimum sale price for investment units as this wasn’t something it could facilitate. It processed each transaction in line with a product’s terms and conditions, and there were underlying transaction costs associated with buying and selling units when moving into different funds.
- It was sorry for any disappointment caused.

Unhappy with L&G, Mr S referred the matter to our Service.

One of our investigators considered the matter and concluded that L&G hadn't done anything wrong. He said L&G was entitled to make a business decision about the products and investments it offered. And regarding Mr S' request for a minimum sale price for investment units to be put in place, he didn't think L&G had unfairly turned down this request.

Mr S disagreed, saying he'd invested via his Stakeholder plan based on the understanding he'd have more flexibility. He added that couldn't understand why L&G weren't providing protection from market fluctuations in the way he was requested.

As no agreement could be reached, the complaint was 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.

Having done so, I'm afraid I won't be upholding Mr S' complaint. I'll explain why.

It's clear that accessing retirement benefits flexibly and safeguarding the value of his pension fund are things Mr S feels very strongly about. So, I can understand why he's unhappy that L&G won't allow him to take benefits in the way he'd like, invest where he wants, and set a minimum sale price for his investments.

I know that Mr S would like me to direct L&G to do as he's asked. But as Mr S will now be aware, it isn't the role of this Service to regulate and tell a financial business how to operate – That's the role of the industry regulator, the Financial Conduct Authority (FCA). The FCA is responsible for checking how financial businesses are carrying out services and setting rules for them to follow. It isn't within our Service's powers to tell a business to change its processes or adopt new ones. We look to resolve individual complaints between consumers and businesses. And where we decide that something has gone wrong, we direct a business to put things right.

I have therefore considered whether L&G has treated Mr S unfairly by not allowing him to take benefits via flexi-access drawdown under his existing plan, while remaining invested where he is. I've also thought about his request for minimum sale prices to be set for investment units.

Although Mr S has said he invested using a Stakeholder plan on the understanding that he'd have more flexibility with his retirement benefits, I'm mindful that L&G's Stakeholder plan terms and conditions clearly stated that flexi-access drawdown wasn't an available option. Specifically, they said:

"Taking a flexible regular income (...). This option is not available under the Group Stakeholder Pension Scheme. However, you can transfer to an alternative pension product either with [L&G] or another provider. This option will allow you to take up to a quarter of your pension savings as [TFC] and leave the rest invested to provide a regular income (...)."

L&G repeated this in the retirement pack it sent to Mr S when it was time for him to consider his options.

Based on what I've seen, I'm satisfied that L&G is under no obligation to offer flexi-access drawdown as an option for Mr S under his Stakeholder pension. L&G's position on this is a commercial decision. Therefore, it's entitled to exercise its commercial judgment and not offer this option.

L&G has explained what options are available to Mr S if he wants to take benefits via flexi-access drawdown. However, I understand he's not happy with these as they'd involve transferring to another product and losing the ability to stay invested where he is. While I appreciate Mr S' reluctance to invest elsewhere when he's satisfied with his current fund's performance, the fact remains that the fund he's invested in is limited to L&G's Stakeholder Pension Scheme. Unfortunately for Mr S, L&G has no plans to make the fund in question available under its PPP drawdown provision. Again, this is an example of a business exercising its legitimate right to make such a decision. The position is the same for Mr S' request that L&G sets a minimum sale price for investment units to protect the value of his pension fund. So, overall, I'm not persuaded that L&G has done anything wrong in the way Mr S has claimed.

If Mr S is not happy with the options available under his Stakeholder plan or the funds available under L&G's PPP, I think L&G's suggestion that he consider what other providers offer is reasonable.

I don't doubt Mr S' sincerity in bringing his complaint to this Service or his strength of feeling on the matter. But for the reasons outlined above I won't be asking L&G to do anything further. I understand Mr S will be disappointed with my decision, but the products and services L&G chooses to provide to its customers is very much a commercial decision that it wouldn't be appropriate for this Service to intervene on.

My final decision

For the reasons I've given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 April 2024.

Chillel Bailey
Ombudsman