DRN-4703185

The complaint

Mr W is unhappy with how Legal and General Assurance Society Ltd (L&G) dealt with his request to access his benefits, causing him a financial loss.

What happened

Mr W approached L&G in 2022, enquiring (online) about transferring funds from one of his existing pension schemes (the ceding scheme), and taking out a 'Fixed Term Retirement Plan' (the plan) with them. L&G provided Mr W with a quote on 15 January 2023, as follows:

- Total Plan value to be transferred - £225,000.
- Tax free cash (TFC) to be taken (maximum 25%) - £56,250.
- Fixed Term yearly income of £26,000.04 to be paid for the next three years.
- Guaranteed Plan maturity value (GMV) at the end of this period - £106,189.48.
- These rates were guaranteed until 24 February 2023 and were based on a plan start date of 7 April 2023.

However, due to an L&G oversight, the plan wasn't set up until June 2023. A new quote was provided, which had reduced the GMV to £101,037.05 (all other figures remained the same).

Unhappy with this, Mr W complained to L&G, who upheld certain elements of his complaint. They accepted they'd accidentally placed Mr W's enquiry "on hold" after he'd phoned them on 19 January 2023. The 'hold' should have been released later that day after Mr W contacted them again. It was only after Mr W contacted them again on 20 April 2023, requesting an update, when they realised this mistake. And it was only at this point that L&G requested Mr W's funds from his ceding scheme. L&G received the funds on 9 May 2023.

L&G admitted, had they requested the funds on time (when his plan was due to start), they'd have likely been received by 11 April 2023. They paid him the TFC he was due, and the pension payment that he'd missed. They also paid him £778.78 (net of basic rate tax) in respect of interest on these late payments and a further £200 compensation for the distress their mistakes had caused.

However, Mr W felt L&G hadn't addressed all of his concerns. He explained that he'd asked for a retirement quote in January 2023 and had been quoted the GMV of £106,189.48. At no point had he been made aware that this wasn't a 'guaranteed' sum and entered into the contract with L&G in good faith on the basis that this was the GMV sum his plan would provide. He'd made it clear from the outset that he wished his plan to start on 7 April 2023 and felt the GMV provided in January 2023 was the one that would, and should, apply.

Unhappy that L&G disagreed, Mr W brought his complaint to this service. However, one of our Investigators didn't think L&G had done anything wrong here, pointing out that Mr W was made aware at the outset that the 15 January 2023 quote was only guaranteed for a limited amount of time – to 24 February 2023. As Mr W had always been clear that he didn't want to start accessing his benefits until the new tax year (7 April 2023), it should have been clear the 15 January 2023 quote would have expired.

Despite further exchanges between Mr W and our Investigator, our Investigator's conclusion remained the same. Mr W asked for his complaint to be considered afresh by an Ombudsman, and having done so, I issued a Provisional Decision on 7 March 2024 in which I said Mr W should receive a further £300 compensation for the distress L&G's actions had caused him. I include the substantive text of my Provisional Decision below.

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.

My Provisional Decision:

I need to begin by looking at the documents that L&G provided to Mr W after he applied for the policy. L&G provided Mr W with a quote dated 15 January 2023. The documentation begins by saying the following at Page one:

> *"This quote has been prepared using a provisional start date of 7 April 2023 and this may be subject to change"*

Page two of the quote sets out the plan details, as listed in the 'What happened' section above. Of importance here is text which says as follows:

> *"Value of your plan at the end of the term…will be £106,189.48. This is known as the 'Maturity Value'" and "See the Fixed Term Retirement Plan summary for further details".*

That summary is contained within page three of the quote, which says:

> *"What will be the value of my plan when it ends? The value will be £106,189.48".*

Finally, page four of the quote sets out some "Important Information", including:

> *"The rate used in this quote will be guaranteed until 24 February 2023, if all the details remain the same….If you purchase your plan outside the quote guarantee period, current rates will apply. As a result, your actual payment may be less than the amount shown in this quote….If you require your plan to be set up on a different basis from the one quoted for here, then a revised quote will be issued but the rate used may be different".*

It should also be noted that each page of the quote alerts Mr W of the need to read the quote alongside the Key Features Document, which contains the following relevant text:

> *"What will the value of the plan be when it ends?*
>
> - *The value of the plan at the end date will be the fixed maturity value. The value will be shown in your policy schedule that we'll send to you when you start your plan.*
>
> *Your quote – How long is my quote guaranteed for?*
>
> - *We can guarantee your quote for a limited period. We must receive the money from your pension pot(s) before the date shown in the 'important information' section in your quote. If we receive the application or the money after this date, we'll have to send you a new quote and the amount of income you receive could be different.*
>
> *What if the date in the 'Important Information' section of my quote has passed?*

- *We'll send you a new quote that will reflect the amount of income and maturity value we'll be able to offer you at that time."*

I appreciate the text in these documents may have caused confusion. The first three pages of the quote appear to suggest Mr W's plan will have a GMV of £106,189.48 at the end of the 3-year plan period. Mr W had approached L&G and been clear that he wanted his plan to start on 7 April 2023 (in the new tax year). And I can understand that he'd have read the first pages of the quote and believed that the £106,189.48 GMV was 'locked in'.

However, the documentation is also clear the quote Mr W had been provided was only guaranteed until 24 February 2023. The Key Features document, which each page of the quote pointed Mr W towards, reinforces the quote was only valid for a certain period of time. So, whilst I accept the documentation would have caused Mr W confusion, even appearing contradictory in places, I think the documents would have (or at least should have) alerted Mr W to the fact his 15 January 2023 quote may not have remained constant until his chosen plan start date. Put another way, I'm satisfied that L&G made Mr W aware, in writing at least, that his 15 January 2023 GMV quote was time sensitive. And I'm satisfied that L&G did nothing wrong by removing the initial GMV quote when it expired.

Against that, I need to consider what Mr W was told, or not told, in his conversations with L&G's agents in the days after he obtained the quote. Mr W tells us that, during a phone call with an agent, he was told clearly that he didn't need to do anything else until the plan start date in April 2023. He tells us he queried when L&G would be able to request the inward transfer of the funds from the ceding scheme and queried why L&G would need to wait until immediately prior to the start of the plan rather than request them immediately. He tells us that at no point in these conversations did L&G give any indication that his GMV quote had an expiry date. I've no reason to doubt his testimony here.

However, I think L&G should have been clearer with Mr W. The plan specifically limits the length of time a quote is valid for. And the L&G agent would have known (or should have realised) in their conversations with Mr W that his GMV quote would expire before they were able to (a) request the funds from the ceding scheme, and (b) start the policy. It was clear that Mr W wanted the plan to start many weeks after the expiry of the quote, and I think L&G's agent should reasonably have alerted Mr W to the effect of this. I think the agent's apparent failure to do this likely prevented Mr W from taking action in the intervening period to assess whether the L&G quote/product was one that he still wished to proceed with. It prevented him from asking L&G for an updated quote or to explore other market options.

Clearly, I have no way of knowing for certain what Mr W would have done after the first quote expired, and indeed whether he'd have chosen to explore other market options or chosen to ask for (and accept) an updated L&G quote. However, I am satisfied, based on what Mr W has said, he would likely have explored other options (comparing them against any updated quote L&G supplied) in anticipation of starting his plan on 7 April 2023.

Put another way, I don't think he would have chosen to start the L&G plan within the initial quote period (to take advantage of a higher GMV), because his intention was always to start the plan in the new tax year – he'd have most likely chosen (and indeed needed) to seek another quote that was valid for his intended start date. I'm unable to assess what other quotes he may have been able to obtain from the open market, so am unable to say whether he's lost out by not undertaking a market comparison that could have generated a higher GMV quote than the one he eventually accepted.

But I think Mr W has experienced a loss of opportunity here, which he wouldn't have done if L&G's agent had provided clearer information when speaking with him in January 2023. So, I think L&G should pay Mr W some compensation. I'll comment on the amount below.

The timing of the funds being requested from the ceding scheme

I also want to respond to Mr W's question regarding why L&G didn't request his funds from the ceding scheme earlier than they did (or, as L&G have agreed, when they should have). Firstly, as mentioned above, I think it was made sufficiently clear to him that funds wouldn't be requested until April 2023. Furthermore, it's usual for a pension company to request funds from a ceding scheme only at around the time that its new policy is due to start, rather than requesting them and holding them in cash (not generating any investment returns) for an extended period of time.

I acknowledge that his ceding scheme had, as I understand it, already sold his investments down to cash by January 2023, and so the funds were capable of being transferred at that time. But I don't think that's relevant here. Placing the funds in cash wasn't done at L&G's request, or on their advice. Presumably, that was something that Mr W requested at the time, in anticipation of those finds being transferred. Accordingly, I don't think L&G did anything wrong here by delaying their request to transfer the funds from the ceding scheme until when Mr W's plan was due to start.

L&G's updated quote

I know Mr W is also unhappy that the updated quote he received was considerably lower than his initial quote. He's referenced the change in market conditions, and that annuity rates increased in the period between the two quotes, and so surely his updated L&G quote would/should have been much higher than it was.

The Ombudsman Service is unable to comment on whether any business has given a fair quote to a customer. We don't employ actuaries to assess such a question, and any business is entitled to use its own criteria, and market analysis, when preparing any quote.

That said, on a general note, I agree annuity rates did increase between the dates of the two quotes, coinciding with a number of Bank of England interest rate rises. However, it's worth pointing out Mr W's plan wasn't an annuity, it was a fixed term retirement plan. It guaranteed a maturity value after three years – which could then be used to purchase an annuity

L&G have told us, and provided a screen shot to show, the (backdated) GMV updated quote they provided was based on rates available as at 24 February 2023 – when the initial quote expired. I've no reason to doubt the accuracy of that information. And L&G have confirmed that any quote is valid for 40 days (which is the same period between 15 January 2023 and 24 February 2023), and 40 days from 24 February 2023 is 7 April 2023 – the date Mr W wanted his plan to start from. Accordingly, I'm satisfied the backdated quote provided is appropriate in the circumstances, and importantly wouldn't have expired (and needed another re-quote as per the terms of the plan) before the plan became live. And so I don't think L&G need to do anything further in relation to the updated quote they provided.

Delays

L&G have already accepted they caused unnecessary delays in the way they eventually processed Mr W's plan. They made a mistake in not removing the 'hold' on the plan in January 2023, and only realised this when Mr W contacted them for an update.

L&G have already taken steps to try to rectify those mistakes, undertaking a loss calculation based on having requested the funds at the beginning of the tax year (when the plan was due to start), and based on receipt of those funds by 11 April 2023. This, in principle, is what I'd have expected them to do in these circumstances.

Compensation for distress and inconvenience (D&I)

The amounts this Service awards for D&I are fairly modest in value. Our D&I awards are not designed to punish a business, but rather to put a monetary value on distress a business' actions have caused. Guidelines setting out our approach to such awards can be found on our website. L&G have already paid Mr W £200 compensation for the distress their actions have caused. I think it's clear L&G did cause Mr W distress and inconvenience. Their mistake in not removing the 'hold' on his account delayed him receiving his TFC and his yearly payment.

And were it not for Mr W contacting L&G, that mistake would likely not have been identified. However, the delay period was approximately six weeks in all, and so I think £200 is a fair reflection for the distress caused here. However, as I've said above, I also think L&G's actions caused Mr W to experience a loss of opportunity to explore other options. And having considered all of the evidence here, I think L&G should pay Mr W a further £300 compensation in recognition of this.

Conclusion

I appreciate this may not be the outcome Mr W was hoping for. I recognise the strength of feeling he has about what's happened here. However, for the reasons I've stated, I don't think L&G need to honour the 15 January 2023 GMV quote. I think L&G have complied with the terms of Mr W's plan. And I've also got no reason to question the value of their updated GMV quote. But I do think L&G should have done more to alert Mr W to the fact the initial GMV quote was incapable of being honoured and intend to make an award for L&G to pay Mr W a further £300 compensation in recognition of this.

Responses to my Provisional Decision

No response has been received from L&G. However, Mr W has responded and, whilst he has accepted it, has expressed his frustration at the final outcome. He remains resolute that L&G should be obligated to honour what he describes as a 'forward starting contract', and feels their own systems were not sufficiently constructed to handle a request such as his. However, whilst I continue to acknowledge his frustration, I haven't been provided with any further information that would lead me to alter my provisional conclusion, and accordingly my final decision here will be as set out above.

My final decision

For the reasons set out above, I uphold Mr W's complaint against Legal and General Assurance Society Ltd and require them to pay him a further £300 compensation for the distress their actions have caused him.

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

Mark Evans
Ombudsman