

The complaint

X has complained about the delays caused by Phoenix Life Limited in establishing their annuity. X has said that the matter has caused them stress and anxiety over a five month period. X has requested that Phoenix pay them £10,000 in compensation.

What happened

X requested a Retirement Options Pack on 14 June 2023, which Phoenix issued on the same day. X confirmed on 23 June 2023 that they wished to take an annuity, but Phoenix's representative who was in charge of the process took a leave of absence due to illness. This meant that no action was taken on X's annuity until X called Phoenix again on 16 October 2023.

Phoenix confirmed that, had the delays not been incurred, it would have paid the tax free lump sum to X on 30 June 2023 and they would have received £8,758, which was £61 higher than the amount they actually received on 16 November 2023. It offered to pay this to X, with the addition of £100 compensation in respect of the trouble and upset caused to them. It paid the amount of £373 to X on 24 November 2023.

Dissatisfied with the response, however, X referred the matter to this service. Following this, Phoenix revisited the matter and calculated that, had the annuity begun on 30 June 2023, X would have been receiving £159 pm rather than the amount they were now receiving of £153 pm, a difference of £6.

Assuming that X would receive the annuity for a further 25 years, Phoenix offered a lump sum of £1,875 in respect of this lower future annuity as a result of the delays.

Phoenix also calculated that X had missed annuity payments amounting to £797, with late payment interest of £20.

And finally, Phoenix offered X £600 compensation for the trouble and upset it had caused through the delays.

Having considered the matter, our investigator thought that the revised offer from Phoenix was fair in the circumstances. She agreed that the start date of the annuity would have been 30 June 2023 and that the way Phoenix had assessed the financial loss to X was fair and in line with a direction which this service would make.

She also thought that the £600 in respect of trouble and upset caused to X was fair in the circumstances, and in line with the types of award which this service might award in similar situations.

X disagreed, however, saying that they maintained Phoenix should pay them £10,000 in resolution of their complaint. In support of this position, X said the following in summary:

- They hadn't received the letter from Phoenix dated 22 February 2024 in which it had set out its offer. X queried as to why this was the case.

- The compensation offer had increased tenfold since X had referred the matter to this service.
- Phoenix had provided X with very poor service, beginning in June 2023. X reiterated what Phoenix had said about this in its letter of 22 February 2024. But X said they were shocked to learn that Phoenix had only investigated the losses after they'd complained to this service.

The investigator noted X's further points, but said that her view remained unchanged. She said that she'd previously provided X with a link to our website where it explained the types of award which this service might make in respect of the impact a business' error has had on an individual.

She said that X would be able to see from the link that the highest award of over £5,000 would only be recommended in the most extreme circumstances.

Whilst she recognised the poor customer service X had received from Phoenix, this wouldn't warrant that kind of payment.

But as agreement couldn't be reached on the outcome, it's been referred to me for review.

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.

And having done so, I've reached similar conclusions to the investigator, and for broadly the same reasons.

There isn't much I can meaningfully add to what the investigator has already said. But I would say that I agree that the manner in which Phoenix has sought to address the actual financial loss caused to X is appropriate. We would expect a business which has delayed setting up an annuity to calculate any loss caused by the difference in the tax free lump sum payable, the missed annuity payments, and any difference in future annuity payments.

And having considered Phoenix's revised loss assessment, with the addition of interest, I think it has achieved this. If any aspect of the payment hasn't yet been made, and subject to X's acceptance of Phoenix's offer, it would need to update the interest to the date of settlement. But broadly speaking, on a fair and reasonable basis, I think its redress proposition, including the assumption of X's life expectancy and so duration of future annuity payments, is appropriate.

Turning then to the amount in respect of distress and inconvenience caused to X over the several months it took to resolve matters, I've noted what X has said about the loss assessment only being properly undertaken after the complaint was referred to this service. And I agree that this is unfortunate, and poor customer service.

But the aim of this service is to right financial wrongs, not to punish businesses for poor customer service. We seek to put consumers in the position they would otherwise be in, but for the business' error. And in this instance, although it took some time for the loss assessment to be properly undertaken, I think Phoenix reached the right outcome in the end.

So I'm satisfied that X won't be financially disadvantaged by Phoenix's offer. And as set out by the investigator, by reference to our website, I'm also satisfied that the circumstances

here wouldn't warrant the kind of compensation in respect of distress and inconvenience which X has requested. X will no doubt have been caused not inconsiderable anxiety due to the delays incurred here, but once Phoenix realised the error, it acted to correct matters.

As I've said above, it's unfortunate that it then took a while longer for the proper loss assessment to be undertaken, but Phoenix did achieve this without being directed to do so by this service. It did take several months and some effort from X to resolve, and so by reference to the examples given on our website, I think the offer made by Phoenix should quite reasonably fall into the "up to £750" band.

I've further noted what X has said about not receiving Phoenix's letter of 22 February 2023, but this was correctly addressed to X. And in any case, the content was then conveyed to X by the investigator, so I don't think that this should mean that any higher payment would be warranted.

Taking into account all that's happened here, therefore, I think the amount of £600 is appropriate.

Putting things right

Phoenix Life Limited should pay to X the sums set out in its offer of 22 February 2024, with the interest payments being brought up to the date of settlement.

My final decision

My final decision is that Phoenix Life Limited should pay X the sums as set out in its letter of 22 February 2024, with the interest payments being brought up to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 14 August 2024.

Philip Miller
Ombudsman