

The complaint

Mr M is unhappy that Aviva Life & Pensions UK Limited (Aviva) provided him with an incorrect annuity value in January 2023.

What happened

Mr M has a Section 32 pension plan with Aviva, which had a guaranteed minimum pension (GMP). At the end of December 2022, Mr M's independent financial adviser (IFA) got in touch with Aviva to ask for the details of Mr M's pension. Aviva provided this information on 30 December 2022.

On 17 January 2023, Mr M's IFA asked Aviva to provide some annuity quotes. On 23 January 2023, Aviva provided Mr M with a retirement quote. This sets out:

"Your plan's value

The retirement fund value used in this pack is what your plan was worth on 23 January 2023. Remember, as the funds in your plan remain invested, this value can change, and it could go down as well as up"

And:

"More details about your retirement fund

We'll work out the final value of your plan on your actual retirement date or when we have received everything we need, if this is a later date. Please remember your value could go down as well as up and is not guaranteed."

Then on 16 February 2023 Mr M's IFA asked for a retirement pack to be issued to Mr M. On 27 February 2023 Aviva say they sent the pack to Mr M's IFA.

On 10 May 2023 Mr M's IFA called Aviva to chase them for an update. Aviva let the IFA know that they had not received any signed forms back from Mr M. A copy of the retirement pack forms was emailed to the IFA on the same day.

On 11 May 2023 Mr M's IFA returned some forms to Aviva which had been signed by Mr M on 8 March 2023 – the part of the pack that had been signed by Mr M was in reference to transferring his pension on the open market. Not to request Aviva set up an annuity.

On 16 May 2023 Aviva asked Mr M some questions about the open market option as this related to the forms Mr M had returned. As Mr M didn't want to take the open market option, he signed the correct part of the form (the annuity section) on 25 May 2023. The signed annuity part of the form was received by Aviva on 30 May 2023.

On 3 June 2023 Aviva asked Mr M about his spouse as this information was needed for the annuity to be set up. Mr M provided them with this information in a telephone call on 12 June 2023.

Mr M called Aviva on 6 July 2023 and 17 August 2023 to chase for his annuity payments to begin. Aviva advised him that the payment was in processing.

On 24 August 2023, Aviva let Mr M know that they had made an error in their retirement quote. They explained the new quote was lower than the one they provided in January, due to an assumption they had made about his spouse's date of birth. A letter was issued to Mr M to confirm the drop in the quote value on 30 August 2023.

On 19 September 2023 Mr M let Aviva know he was not happy to accept the reduced quote. Aviva provided a letter which set out that there was a difference in the quotes due to Mr M's spouse's date of birth being incorrect within the original quote on 27 September 2023.

Mr M was unhappy, so he raised a complaint on 5 October 2023. He said that he wanted Aviva to pay the amount that he was originally offered – as it was around £2,500 per year more. He said that he wouldn't have retired in February had he been provided the correct figures.

On 24 October 2023 Aviva issued their final response letter. They agreed that they had provided Mr M with poor service, and they accepted that the annuity quotation provided in January 2023 was incorrect due to their error. They said that they should have asked Mr M or his IFA for Mr M's spouse's information before providing the quote. They offered £450 by way of an apology for the distress and inconvenience this had caused him.

Mr M asked for another annuity quotation and on 7 November 2023 Aviva sent the information to him. Mr M signed the application form that had been included with the quotation and returned it to Aviva. But on 27 November 2023 Aviva let Mr M know that they had made a mistake again and the quotation was incorrect.

On 2 January 2024 Mr M referred his complaint to this service. Aviva got in touch to increase their offer of compensation to £750. They also said that had they not made the error the annuity would have begun on 13 June 2023 and so they would backdate annuity payments to this date – adding 8% simple interest per annum to each payment from when it ought to have been paid until the date it is.

An investigator let Mr M know that Aviva had made this increased offer, but Mr M didn't accept it. He asked the investigator to review everything. The investigator issued their assessment, they said that they weren't going to ask Aviva to honour the incorrect valuation they had provided to Mr M in January 2023 because he was never entitled to that amount of annuity. He was warned within the documents that the value was not guaranteed. And the investigator didn't think it was reasonable for Mr M to make firm retirement plans until the annuity had begun. The investigator agreed that Aviva had caused Mr M significant distress and inconvenience, but they thought their offer of £750 was fair and reasonable when considering the circumstances.

Mr M wasn't happy with the assessment and asked for an ombudsman to review his complaint. He said that the warnings within the valuation received in January 2023 referred to market fluctuations in the value – not errors that might be made by Aviva. He said Aviva have not tried to place him back into the position he would have been in had they not made this error – for example to meet in the middle.

Mr M has not yet taken an annuity with Aviva. The complaint has been passed 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.

Aviva accepts that they've made a number of errors while Mr M has been trying to take an annuity. So what I have to decide is whether what they have offered to do to put things right is fair. I appreciate this will come as a disappointment to Mr M but having done so I am not going to ask Aviva to increase the offer that they have made to him. I will go on to explain why.

Mr M has said that he doesn't feel Aviva have tried to mediate in order to help him be placed back into the position he would have been in – but for their error. But, Aviva have offered to backdate his annuity payments to replicate when he would have started receiving them, had they not provided him with incorrect information. And they have offered him £750 compensation by way of an apology for the severe distress their actions have caused him.

Mr M has suffered a significant loss in expectation as the valuation he was provided in January was not correct. He thought that he would be receiving a higher monthly annuity payment than he will receive. And Aviva's error caused him a significant delay in his annuity payments beginning. Had Aviva not offered compensation I would have awarded an amount to reflect this, which would not have been more than £750. I think the compensation Aviva have offered Mr M is fair given the circumstances. So, I will be directing Aviva to pay the £750 to Mr M due to them providing him with an incorrect quotation in January 2023 which was more than it should have been because Aviva made an assumption about Mr M's spouse's date of birth. This caused him significant distress and so I feel £750 is fair compensation.

Mr M says he retired in February 2023 based on the valuation he received from Aviva in January 2023. But, that valuation noted that it might change, and set out that it would not begin until Aviva had all they needed to set up the annuity. Mr M has pointed out that the warnings are in reference to market fluctuation and not an error in the annuity calculation. But, even so, the warnings were in place, and let Mr M know the amount he would receive was not guaranteed. So, I don't think it was reasonable for Mr M to have taken action on his retirement until he had received confirmation that the annuity was in place.

For this reason, I haven't considered any consequential financial losses Mr M may have occurred.

When would the annuity have begun – had there been no error?

Aviva have offered to back date Mr M's annuity. They have said that based on the timeline, had they done the right thing his annuity would have begun on 13 June 2023.

Mr M has said he thought that his annuity would begin on 20 January 2023. But I don't agree it would have started this early, even without the errors Aviva made.

Within the retirement quotation that Mr M received on 23 January 2023 there is an assumed retirement date of 20 January 2023. This is confusing considering that date had passed. However, the document is clear that the annuity value would be recalculated on the actual date of retirement. And the actual retirement date would be once Aviva had received

everything that they needed from Mr M in order to set up the annuity. So, the actual retirement date, and start of the annuity would never have been 20 January 2023.

I have considered the documents that I have been provided with to determine when the annuity would have been set up – had Aviva provided the correct valuation to Mr M in January 2023.

Following receipt of the quotation in January 2023, Mr M's IFA asked Aviva for a retirement pack to be sent on 16 February 2023, this was sent by Aviva on 27 February 2023. This was sent within a reasonable amount of time so there was no delay caused by Aviva here.

Aviva did not receive any forms back from Mr M or his IFA. So they wouldn't have been able to set an annuity up at that time.

On 10 May 2023 Mr M's IFA called Aviva for an update. Aviva let them know that they had not received the completed forms. A copy of the forms were emailed to the IFA on the same day. As Aviva were waiting for the documents needed to take the next steps, they have not caused a delay here and still didn't have enough information to set the annuity up at this point.

On 11 May 2023 Mr M's IFA provided Aviva with a completed form, which asked for Mr M's pension to be transferred out to another provider on the open market. This form had been signed by Mr M on 8 March 2023 – so the original pack sent by Aviva on 16 February 2023 had been received by Mr M's IFA, they just hadn't yet provided Aviva with the completed form.

Aviva contacted Mr M on 16 May 2023 in response to the form they had received, to ask him some questions about his request to transfer his pension to another provider. They responded to the information they received on 11 May 2023 within three working days, which I think is reasonable. Aviva didn't cause any delays up to this point and still didn't have the information they need to set the annuity up.

On 30 May 2023 Aviva received the correctly signed annuity forms from Mr M. They then asked him on 3 June 2023 about his spouse. Mr M responded to this question within six working days.

Had Aviva acted correctly they would have asked Mr M about his spouse at the start, before providing him with a valuation. So, whilst it shouldn't have been asked here in the timeline – it did need to be asked and Mr M would have needed to respond. So, it is fair to add this time to the process. Which brings us to 13 June 2023.

Based on the above timeline which I have created with the evidence I have been provided, I agree with Aviva's suggestion that had they acted correctly, Mr M's annuity would have begun on 13 June 2023. It's therefore fair that they have offered to backdate his payments as if it had begun at this point. In addition to adding 8% simple interest per annum to the payments from the date they should have been paid, to the date they are paid. This is fair as Mr M has been without these annuity payments for this period of time.

Summary

Mr M was not entitled to the amount Aviva quoted to him in January 2023 and so I am not asking Aviva to pay him this increased value.

Mr M has suffered significant distress and inconvenience from an error Aviva made in January 2023. They have offered a reasonable amount of compensation to reflect this, in the sum of £750, so I'm not asking them to increase this.

Aviva have also offered to backdate Mr M's annuity payments to reflect when he would have been able to begin receiving his annuity payments, adding 8% simple interest to each payment from the date it would have been paid, to the date of payment. They said that his payments would have started on 13 June 2023 had they given him the correct quotation at the beginning. Having considered all the documents and order of events, I agree with Aviva that the annuity ought to have begun on 13 June 2023.

Mr M has not yet taken an annuity with Aviva – I think it is fair for Aviva to backdate the annuity payments only if Mr M does take an annuity with them, and that he does so within a reasonable amount of time. I say that because Aviva have agreed to add interest to the monthly payments which have been missed – it wouldn't be fair to ask them to do this indefinitely. And it wouldn't be fair to ask them to backdate the payments should Mr M decide to take his benefits in any other way.

Putting things right

In order to compensate Mr M for the significant distress, inconvenience and loss of expectation Aviva's error in his valuation caused him, Aviva should pay Mr M the £750 compensation offered, if this has not already been paid to him.

It is my understanding that Mr M has not yet taken an annuity with Aviva. If Mr M decides to take his pension benefits in another way, then Aviva do not need to award any further compensation.

If Mr M wants to go ahead with the annuity with Aviva, and he lets them know in a timely manner by completing any documents Aviva require to set the annuity up, Aviva should backdate his annuity payments to 13 June 2023. Each annuity payment that Aviva backdates should have 8% simple interest applied from the date Mr M should have received it, to the date of this decision.

My final decision

I uphold Mr M's complaint and direct Aviva to compensate Mr M as set out above.

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

Cassie Lauder
Ombudsman