

The complaint

Mr H complained that Liverpool Victoria Financial Services Limited (LV) had frozen the value of his with profits retirement plan when he reached the age of 75, causing him a substantial financial loss.

He would like LV to compensate him for any loss he has suffered and for the distress and inconvenience this has caused him.

What happened

Mr H took out a with-profits retirement plan with LV on 14 May 2002. His selected retirement date (SRD) was set for April 2020.

In January 2020, LV sent Mr H a retirement pack, which included his current plan valuation, outlined his options for taking his benefits, provided information about PensionWise and obtaining financial advice as well as information about potential pension scams. It asked him to let LV know which option he wished to take by 18 March 2020.

Mr H spoke to LV in March 2020, advising it that he was thinking about taking income drawdown and would be speaking to Pension Wise about his retirement options.

Mr H emailed LV on 2 April 2020, to say that he planned deferring taking his pension until his 76th Birthday. In the resulting exchange of emails, LV apologised that it had not realised that Mr H was almost 75 years of age, before informing Mr H on 11 April 2020 to say:

I will be unable to defer your policy as you will have reached the maximum age for investment.

By all means you can leave the pension where it is, however, there will be no further growth as we would pay out the value as of your 75th birthday. Please can you advise whether you would like to proceed with a claim?

Mr H replied on 15 April 2020 to say that he confirmed that he would like to leave his pension invested until his 76th birthday.

LV subsequently issued a further retirement information pack to Mr H on 18 April 2020.

Mr H contacted LV to request an up to date valuation of his fund, as he was considering transferring his benefits to a scheme that would allow him to continue to contribute to his pension. This valuation was sent to him on 18 May 2020, valuing his benefits at c£138,000.

Mr H contacted LV in June 2020 to discuss the possibility of him using his benefits to fund a fixed term annuity, but this did not come to fruition.

LV continued to issue annual statements to Mr H, and the statements that were issued in 2021, 2022 and 2023 incorrectly showed the value of Mr H's benefits increasing, with the statement in 2023 showing a value of c£164,000.

In mid 2023, Mr H contacted LV to discuss transferring his benefits to a new provider. He was informed at that time that the increased values shown on his annual statements were incorrect. Consequently, as the value of his benefits had been frozen in April 2020, he would only be receiving the value as at his SRD, which was c£18,000 lower than indicated on his most recent statement. Unhappy with this, Mr H complained to LV on 6 July 2023. LV responded to his complaint on 27 July, not upholding his complaint. It said,

The transfer value the most recent statement showed was [c£164,000]. This is wrong and the statements shouldn't have been sent out showing an increasing value.

It offered him £300 for the distress and inconvenience it's mistake had caused.

Mr H contacted LV again, unhappy with the response he had received. LV wrote a second response to Mr H's complaint on 1 September 2023, in which it gave more detail and context to explain its decision. LV said that transcripts of some of the calls showed that Mr H was aware that the value of his benefits was 'on hold at c£135k'.

LV also increased its offer of compensation to £500.

LV issued a third and final response to Mr H on 14 September 2023, again not upholding his complaint. It quoted two of the scheme rules for his plan which illustrated that payment of benefits under the terms of the policy had to take place no later than the policyholders 75th birthday.

Unhappy with this response, Mr H brought his complaint to our service. Our investigator reviewed the information provided by both parties and formed the view that Mr H's complaint regarding the loss of growth to his policy should not be upheld and that the compensation LV had paid for distress and inconvenience was appropriate in the circumstances of the complaint.

Mr H was unhappy with this view, and so the complaint has been passed to me to make 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 agree with our investigator and do not uphold this complaint.

I can appreciate that this will be disappointing to Mr H, so I will explain how I have reached my decision.

Firstly, I think it's important to reflect upon the role of this service. Our role is to impartially review the circumstances of a complaint and make a decision on whether a business has made errors or treated a customer unfairly. Where it has, we expect a business to compensate a customer for any financial loss and distress and inconvenience they have suffered as a result.

Mr H contends that LV should honour the growth in the value of his benefits as shown in the annual statements he received. LV believes that Mr H should only receive the value of his benefits as at his SRD, as outlined in the scheme rules that apply to his with profits retirement plan.

I've carefully reviewed the information provided, and unfortunately for Mr H, I find that LV is correct in valuing his benefits as it has, based on the value at the time of his SRD. Although LV has admitted that it made a mistake in showing the value of Mr H's investments growing in subsequent annual statements, it is clear from the evidence provided that the value of Mr H's benefits did not accrue any more growth after his SRD. In particular, the email of 11 April 2020 when LV informed Mr H that:

By all means you can leave the pension where it is, however there will be no further growth as we would pay out the value as of your 75th birthday.

I think illustrates that LV had correctly told Mr H the situation regarding the lack of further growth to his benefits, regardless of the subsequent mistakes it made with the annual statements. As it is a principle of this service that a consumer should be put back into the financial position that they should have been in had any mistakes not occurred, I can't agree that Mr H should receive the higher figure, as he was never, in reality, entitled to it.

In the circumstances of this complaint, however, it is also important to note that LV agrees that it has made mistakes which have caused Mr H distress and inconvenience which it has acknowledged. It has also paid Mr H £500 compensation in respect of these mistakes, so I must also decide whether I think he has been fairly compensated in this respect..

To do this, I've considered the mistakes LV have made and the effect these have had on Mr H. When deciding if I believe that a proposed level of compensation is appropriate, I have to consider the guidelines this service has published to ensure consistency and fairness of awards as well as the impact the mistakes have had on Mr H and his wellbeing. In the circumstances of this complaint, I find that the payment of £500 that LV has already made to Mr H is fair and reasonable in the circumstances and also in line with the guidance this service has published.

Given this, I won't be asking LV to do any more than it has already offered to resolve this complaint.

My final decision

For the reasons explained above, I do not uphold Mr H's complaint.

Liverpool Victoria Financial Services Limited does not need to take any more action than it has already offered to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 20 August 2024.

Bill Catchpole
Ombudsman