DRN-4934752

The complaint

Mr W complains that Scottish Widows Limited (SWL) provided a poor service and caused delays when it set up his annuity. And that this led to his annuity being lower than it should've been.

Mr W used an annuity arrangement service provided by a business I'll refer to as business H. He has also brought a complaint he's made to business H to this service. This decision will only consider Mr W's complaint against SWL.

What happened

Mr W had a personal pension with a provider I'll refer to as provider P. I understand that he spoke with provider P on 20 September 2022 as he was considering using his funds to buy an annuity.

Provider P's call records show that it told Mr W that it'd stopped offering annuities. So it provided him with the details of business H - but said that he didn't have to use that arranger. Mr W chose to use business H to help him to buy an annuity with his provider P pension.

Business H booked an appointment call with Mr W on 10 October 2022. During this call, it took him through the risks involved in taking an annuity and asked him how he wanted it to be set up. It also took details about his medical history and health and lifestyle. And told him that the value of his pension fund could change between now and the date the money was transferred, which meant that the final income could be higher or lower than the values it'd just quoted. Business H also said that the quote had an expiry date. And therefore if it got a later quote, it could be higher or lower.

Business H had a follow-up call with Mr W on 26 October 2022. During that call, business H told Mr W that SWL was offering the highest rates. Its quote was for an income of £2,028.12 each year, or £169.01 each month. Mr W agreed to buy the annuity with SWL.

On 27 October 2022, business H sent an application pack and a copy of the quotation to Mr W. This was based on Mr W's pension with provider P having a transfer value of £28,305.71 to be used for the annuity purchase. The quotation stated:

The quotation is guaranteed if:

- *the personal details, including your current main residential postcode, are correct, and*
- *the Single payment shown and application form is received by 24/11/2022.*

Mr W signed the SWL annuity application form on 9 November 2022. Business H date stamped this on 10 November 2022, but said it received it on 11 November 2022.

Business H generated an updated annuity illustration on 21 November 2022. This was based on the same annuity purchase price of £28,305.71 as the previous quote, and still showed SWL as the highest provider. But it now showed income of £1,889.16 each year, or £157.43 each month. On the same day, business H sent the completed application to SWL.

Business H said it'd re-run the quotation as Mr W had changed the year he'd retired on the health and lifestyle form from 2018 to 2019. It said it tried to contact Mr W to discuss this, but it couldn't reach him. Business H said that as the re-quote was within its 10% tolerance, it continued with the application.

If none of the personal details or purchase amount changed, the 21 November 2022 re-quote was guaranteed until 20 December 2022.

Business H said it chased SWL to confirm receipt of Mr W's application on 30 November 2022 and then again on 7 December 2022.

I understand that Mr W called business H on 21 December for an update. It said it confirmed that it had submitted his application form to SWL but that it hadn't heard from it. It agreed to chase SWL again that day. Business H said that SWL then confirmed it'd received the application and said it'd requested funds from provider P that day. But it couldn't provide business H with any further timescales as it had a backlog.

SWL said that it emailed business H on 21 December 2022 to confirm that it would need to receive the annuity purchase price by 5 January 2023 to be able to secure the annuity rate it'd based the 21 November 2022 quotation on. It said it'd requested the transfer of funds from provider P through Origo, so the expected completion date was 2 January 2023.

SWL said it received the annuity purchase price through the Origo system on 7 January 2023.

Business H said that on 10 January 2023, provider P emailed it to say that Mr W had made a further contribution to his plan on 25 December 2022. Provider P said it was reviewing if this needed to be included in the funds to be used to purchase the annuity or refunded to Mr W. Business H spoke to Mr W about the additional contribution on 11 January 2023.

SWL received a notification through Origo from provider P on 18 January 2023 to say it'd written to Mr W to ask him for confirmation that he accepted the Market Value Reduction (MVR) on that plan.

I understand that Mr W called business H on 18 January 2023 as he wasn't happy that he'd received a letter from provider P which said that as he hadn't told it what he wanted to do with his contributions, his plan would continue until 2027.

I understand that provider P paid Mr W a tax-free lump sum of £9,711.99 on 24 January 2023. It paid the remaining fund of £29,135.98 to SWL.

SWL issued Mr W's policy documents on 30 January 2023. It also confirmed his right to cancel the annuity within 30 days of receiving the letter. The documents showed a higher annuity purchase price of £29,135.98, but a lower yearly income than Mr W had been expecting. The documents said that £1,944.60 would be paid each year, or £162.05 each month. The annuity start date was shown as 27 January 2023.

SWL said it emailed business H on 8 February 2023 to confirm it had received and applied Mr W's funds to his annuity. It also sent business H a copy of the settlement documents.

Mr W complained to business H about the lower than expected annuity. It then raised a complaint with SWL on 22 February 2023. The recorded complaint points were:

- Mr W didn't accept the income offer on the completion documents, as he was expecting £168.51 each month, or £2,022.12 each year. He felt that someone from business H had told him that once the quote was received back within the deadline, it wouldn't be changed again, so the income offer would remain the same.

- Mr W had paid another contribution into his provider P policy in December 2022 and therefore felt that he should've received a higher income, not a lower one.

- He also felt that the delays he'd experienced in setting up the annuity were unacceptable, and that he hadn't caused them.

Mr W wanted compensation for the financial detriment the delays had caused. He also wanted compensation for the stress and anxiety he'd suffered.

SWL issued its final response to the complaint on 1 June 2023. It acknowledged it'd caused avoidable delays to the annuity set up. But it didn't agree that Mr W should now be receiving the higher income that was stated on his quote, rather than the actual amount he was receiving.

SWL said it would pay Mr W £150 compensation in respect of the delays it'd caused in setting up his annuity and to apologise for how long it'd taken to address his complaint. It acknowledged this had caused Mr W distress.

SWL explained why fund values in quotes could differ from the value given once the annuity started. It confirmed that it'd honoured the annuity rate that Mr W had initially been quoted. It also said that it would address any loss of interest or reduction in fund value caused by the delays it'd caused. It said it was waiting for provider P to confirm what Mr W's pension fund would've been worth if it'd requested the transfer of funds in a timely manner. SWL said that although provider P had sent those details, they didn't appear to be correct. It said it'd asked provider P to clarify. And said that once it'd received the correct information, it would carry out a loss assessment.

Provider P confirmed on 15 June 2023 that the value it had provided was for the total funds held under Mr W's plan, rather than just the remaining balance after the tax-free cash had been paid to him. It confirmed that the correct value of the fund available to purchase an annuity as at 9 December 2022 was £28,707.16.

SWL provided Mr W with an update about his complaint on 20 July 2023. It incorrectly told him that provider P was yet to provide it with the information it needed to carry out the promised loss assessment, as that response hadn't been logged on its systems.

SWL issued a further final response to Mr W on 4 October 2023. It explained that it'd asked provider P for his transfer value as at 9 December 2022, as that was the date it could've requested the funds, if it'd processed his claim in a timely manner. It said provider P had confirmed that the transfer value on that date would've been £28,707.16. As this was less than the figure that was actually transferred to SWL on 27 January 2023, it said that Mr W hadn't been financially disadvantaged by any delays.

SWL acknowledged that its delays meant that Mr W's annuity wasn't set up until 8 February 2023. It said that it'd amended the entry date of his annuity policy to 9 December 2022, and that this meant that Mr W was due a backdated monthly income instalment. It said it'd paid Mr W an additional income payment of £159.67 on 3 October 2023 for the month of January 2023, as this was the amount he would've received but for the delays it'd caused.

SWL said it would pay Mr W a further £100 for the upset and inconvenience caused for the poor service it had provided. It said it could've finalised his complaint sooner. It also said it would pay him £7.70 in net interest on the January 2023 annuity payment he had received late at 8% each year for the time Mr W didn't have the money.

Mr W brought his complaint to this service on 25 March 2024. He felt that SWL had taken too long to set up his annuity. And that this had led to his annuity being lower than the guarantee business H had given him. Mr W didn't believe that SWL really had honoured the original annuity rate, although it maintained that it had. He said if SWL had honoured that rate, his annuity would've been £173.97 each month, rather than £162.05. He felt this meant that there was a shortfall in payments over the next 20 years of £2,856. Mr W also felt that the compensation SWL had already paid didn't fairly reflect the stress and anxiety both he and the person he was full-time carer for had suffered.

Our investigator felt that SWL had taken reasonable steps to put things right. He explained the various factors that influenced annuity rates, and therefore caused them to go up and down. And confirmed that it was the annuity rate, not the annuity income amount, that was guaranteed for a short period.

Our investigator noted that business H had produced an annuity illustration on 26 October 2022 that showed a fund of £28,305.71 could buy an annuity with SWL of £2,208.12 each year, or £169.01 each month. He said the annuity rate for this quote was 7.165%. He said that business H had then needed to re-run the quote as the lifestyle information Mr W had provided to it had changed. It'd done this on 21 November 2022. And then sent the completed application based on that updated quote to SWL the same day. He said the 21 November 2022 quote and subsequent application to SWL used the same purchase price as the 26 October 2022 quote of £28,305.71, but showed a lower income of £1,889.16 each year, or £157.43 each month. He said the annuity rate for this quote was 6.674%.

Our investigator confirmed that when SWL had issued Mr W's policy documents on 30 January 2022, the final purchase price was £29,135.98, providing yearly income of £1,944.60, or monthly income of £162.05. He said this showed that SWL had used the same annuity rate as that used for the 21 November 2022 quote – 6.674% - even though it hadn't confirmed that the annuity had been set up until 8 February 2023.

Our investigator felt that SWL had acknowledged that it was responsible for processing delays which could've caused Mr W financial detriment. He said SWL accepted that it could've received the funds from provider P by 9 December 2022 if it'd processed the application without delay. He felt this was reasonable under the circumstances, as he felt that other delays were outside of SWL's control. Our investigator also considered that SWL had then reasonably carried out a loss calculation based on the funds that would've been available to buy an annuity on 9 December 2022. He said that this had shown that if the fund transfer had been completed on 9 December 2022, Mr W would've received lower monthly annuity income than he was receiving. He said he would've received £159.67 each month.

Our investigator said that SWL had determined that if the transfer had completed sooner, Mr W would've received an additional monthly instalment of £159.67. He noted that SWL had paid this amount to Mr W in October 2023 with the addition of 8% interest, net of tax. Overall, he felt that SWL had addressed Mr W's complaint fairly and reasonably.

Our investigator felt that the compensation SWL had paid Mr W for the distress and inconvenience it'd caused him was reasonable under the circumstances of the complaint.

Mr W didn't agree with our investigator. He felt that the compensation SWL had paid him for the distress and inconvenience it had caused him didn't fairly take into account the fact that he is a full-time carer. He also felt that the person he cares for should be compensated.

As agreement couldn't be reached, the complaint has come to me for a 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.

Having considered all the circumstances of this complaint, I'm not going to uphold it. I know this will be disappointing to Mr W. I'll explain the reasons for my decision.

I understand that to date, SWL has paid Mr W the following:

- An initial £150 in respect of the delays it'd caused and to apologise for how long it'd taken to address his complaint. Then a further £100 for the upset and inconvenience caused by the poor service it had provided.

- SWL has also carried out a loss assessment which showed that although the delay hadn't caused Mr W's fund to fall in value, Mr W's annuity wasn't set up until 8 February 2023, when it should've been set up earlier. If it had been set up when it should've been, Mr W would've received an additional monthly income payment of £159.67 in January 2023. SWL has paid this amount to Mr W with net interest at 8% in recognition of the time Mr W didn't have that money.

I first considered the delays SWL caused and the impact they had on Mr W's income.

Delays caused by SWL and their impact

The evidence shows that there were a number of delays to the set up of the annuity. Some of these were caused by provider P, for example when it provided an incorrect fund value to SWL. Further delays were caused by the additional contribution Mr W made to his provider P pension after the 21 November 2022 quote but before the annuity was set up.

However, SWL took from 21 November 2022, when business H sent Mr W's application to it, until 21 December 2022 to request Mr W's funds from provider P. It then took provider P some time to confirm Mr W's acceptance to go ahead with the transfer, and he had difficulty reaching the right team to discuss this.

SWL felt that it should've uploaded the 21 November 2022 application form by the end of the week it was submitted, so 25 November 2022. It said that if it'd then processed the application and contacted Origo for the transfer of funds within 10 working days, this would've taken to 9 December 2022. SWL therefore asked provider P what Mr W's pension fund would've been if it'd requested the funds on 9 December 2022. It also agreed to set up the annuity on the basis that had been guaranteed up to 20 December 2022 on the 21 November 2022 quote.

Based on all the evidence, I'm satisfied that the timeline SWL has suggested here is reasonable, and in line with the service standards I would expect for a process like this.

Provider P then told SWL that the value of the pension funds on 9 December 2022 had been £28,707.16. Mr W's annuity was actually purchased in early 2023, using a value of £29,135.98. But this included an additional £300 from his December 2023 contribution to his provider P pension.

In its loss assessment, SWL removed the additional £300 contribution from the fund value that had been used to buy the annuity, to leave the fund it felt Mr W could've transferred on 9 December 2022. It said this was £28,835.98. It said that as this was bigger than the value provider P had said the fund had been worth on 9 December 2022, Mr W had been better off because of the delay.

I consider that SWL's loss assessment was fair, and that it reasonably took into account the additional contribution Mr W paid after his 21 November 2022 application.

SWL also acknowledged that if it'd acted without delay, Mr W's annuity could've been set up earlier, meaning that he could've received an additional monthly income payment. It has therefore paid him an additional month's income payment plus net interest to put things right.

Overall, I'm satisfied that SWL has taken reasonable steps to put Mr W back into the position he would now be in but for the delays it caused.

I do acknowledge that Mr W expected to get a higher monthly income. He felt his monthly annuity should've been £173.97, rather than £162.05. I can see that he's used the annuity rate the 26 October 2022 quote was based on – 7.165% - to calculate this number. But he can't reasonably use that annuity rate, as it was based on incorrect information and was therefore never valid.

I'm satisfied that Mr W is receiving the correct income, based on rates applicable for the 21 November 2022 quote, which I can see that SWL has honoured, despite the annuity being set up after the expiry date of that quote, due to the various delays.

I say this because although a higher value was used to purchase the annuity than was used for that quote - £29,135.98 rather than £28,305.71 - the original annuity amount Mr W should've expected from that quote was an annual income of £1,889.16, or a monthly income of £157.43. And the eventual amount Mr W received, based on the higher purchase price was also based on the same annuity rate of 6.674%. It therefore should've provided:

£29,135.98/£28,305.71 X £1,889.16 each year, or £1,994.60. This is £162.05 each month, which is what Mr W is receiving.

Based on everything I've seen, I'm satisfied that Mr W is receiving the correct amount of income. And that SWL has fairly carried out a loss assessment in respect of the delays it caused. Therefore I don't require it to take any further steps here to put things right.

I next considered whether the total of £250 compensation SWL has already paid Mr W in respect of the distress and inconvenience it has caused is reasonable.

Distress and inconvenience

Mr W felt that the compensation SWL had paid him for the distress and inconvenience it had caused him didn't fairly take into account the fact that he is a full-time carer. He felt that the person he cares for should also be compensated.

I do understand why Mr W feels this way. I can see that it's been somewhat time-consuming and inconvenient for him to sort out the issues he's faced. So I can understand how this might've had an impact on the person he cares for.

However, Mr W is the only eligible complainant on this case. This service can only look into complaints brought by eligible complainants. And we can only award compensation – including awards for distress or inconvenience – to eligible complainants. We do rarely award additional compensation to an eligible complainant if a business's error has impacted a third party, and that impact on the third party had a knock-on effect on the eligible complainant. But if the eligible complainant hasn't been clearly affected in this way, then we wouldn't make an additional award.

While I do understand that it can't have been easy continuing to be a full-time carer while making this complaint, I haven't been provided with any evidence that it led to such a great impact that it then had a knock-on effect on Mr W.

Overall, I agree with our investigator that the £250 SWL has paid Mr W in respect of the distress and inconvenience caused is reasonable. I say this because SWL acknowledged it'd caused delays. And then took steps to gather the information it needed so it could put things right. This process took some time, but it was to some degree out of SWL's control. I therefore consider the £250 SWL has already paid Mr W to be reasonable under the circumstances.

I'm satisfied that SWL has taken reasonable steps to put things right. Therefore I don't uphold the complaint.

My final decision

For the reasons explained above, I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 18 September 2024.

Jo Occleshaw
Ombudsman