

The complaint

Mr H complains that Legal and General Assurance Society Limited (“L&G”) failed to treat him fairly when he purchased an annuity earlier this year.

What happened

Mr H purchased an annuity from L&G earlier this year. Part of the funds used for the purchase were held by L&G, but the remainder were transferred from another pension provider. Mr H had received an initial quotation for his annuity benefits in late 2023, but that quotation was only guaranteed for set period of time. L&G received the transferred funds being used to part fund the annuity on 5 January 2024 – after the guarantee period had expired.

Given the expiry of the guarantee period, L&G needed to recalculate the annuity it was willing to offer to Mr H. It sent an updated quotation to Mr H’s financial advisor on 9 February although the financial advisor says that email was not received. L&G says that further emails were sent on 12 February, 20 February, and 21 February.

It seems that the payment of the annuity to Mr H was somewhat protracted. L&G has sent us recordings of calls it had with Mr H on 1 and 13 February. On the second call it seems there was a misunderstanding between L&G and Mr H. L&G thought that Mr H had been given information about the revised quotation and had accepted it. So L&G then put the revised annuity into payment for Mr H.

Mr H says that the revised annuity was around 7.8% lower than the previous quotation he’d been given. So he complained to L&G about the reduction and asked that the original quotation be honoured. L&G told Mr H that it wouldn’t be able to pay the annuity at the rate of the original quotation since the transferred funds had been received after the expiry of the guarantee period. But it accepted that it hadn’t given him correct information on his phone calls, and that there had been some delays in putting the annuity into payment. So it offered Mr H £500 for the inconvenience he’d been caused. And it told Mr H that it would offer him an additional 30 day cooling off period if he wanted to cancel his annuity purchase. Mr H didn’t accept that offer and brought his complaint to us.

Mr H’s complaint has been assessed by one of our investigators. She didn’t think Mr H had any entitlement to receive the higher annuity rate. So she thought he’d suffered a loss of expectation rather than any direct financial loss. The investigator thought that the offer L&G had made to compensate Mr H for his inconvenience was fair so she didn’t think L&G needed pay anything more.

Mr H didn’t agree with that assessment. So, as the complaint hasn’t been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mr H accepts my decision it is legally binding on both parties.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr H and by L&G. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

There seems to be little dispute about the underlying facts of this complaint. Mr H was given an annuity quotation that had a guarantee period by which time any transferred funds would need to be received by L&G. Mr H accepts that the transferred funds arrived after that date. Mr H then discussed his annuity on two calls with L&G in early February. On the first call he was given some incorrect information – he was told about the originally quoted annuity rate rather than it needing to be recalculated. And on the second call the advisor failed to make it sufficiently clear that a new quotation had been issued to Mr H's financial advisor, and it was the revised quotation he was being asked to accept.

I think I should start by saying that I agree with our investigator that Mr H had no entitlement to receive the annuity shown on his original quotation once the funds had been received after the guarantee period had expired. I can see that Mr H doesn't think the rate should have changed by such a large amount given there had been no changes in interest rates. But the calculation of any annuity is both complex, and a commercial decision for L&G. It is up to the firm to decide what rate it is willing to offer at any time. So, given the guarantee had expired, L&G needed to take a commercial decision about what annuity rate it now wished to offer to Mr H.

If nothing had gone wrong, Mr H would have needed to decide whether to accept the revised quotation or, as he suggests, seek an alternative quotation from elsewhere in the market. The revised quotation was sent to Mr H's financial advisor. That is a regulated firm. I am making no findings in this decision about the conduct of that firm, and whether it treated Mr H fairly in how it dealt with the revised quotation L&G sent. But here, I cannot reasonably conclude that L&G failed to send the revised quotation, for Mr H's attention, to his financial advisor.

I have no way of knowing whether Mr H would have chosen to seek alternative quotations if he had been told about the reduction in the annuity L&G was offering. And, had he done so, I have no way of knowing whether or not he would have found a better rate elsewhere in the market. But in L&G's final response letter, that was issued to Mr H just a couple of weeks after the annuity was put into payment, that was the option that was given to Mr H. L&G told him that it would provide an additional 30 day period should he wish to reverse the annuity purchase. Mr H didn't take up that opportunity so I can only conclude that he either didn't want to take an annuity from another firm, or that he was unable to find a better rate elsewhere.

Having listened to the phone calls that Mr H had with L&G it does seem clear that the firm missed several opportunities to ensure that he understood his guarantee period had expired, and that his annuity would need to be recalculated. And when asking Mr H for his agreement

to the new figures, it might have been helpful to detail the actual amount of his revised annuity to ensure no misunderstandings. So it is clear that Mr H will have been disappointed when the annuity that was put into payment was so much lower than he had been expecting. So I think it right that L&G should pay some compensation to Mr H for that disappointment.

I appreciate that this decision will be disappointing from Mr H. But I am satisfied that the late arrival of his transferred pension savings meant that he had no entitlement to receive the annuity that had previously been offered. So I think the annuity amount that he was paid is a fair reflection of his entitlement from L&G. But it was possible that, had he received better information, he might have instead purchased an annuity from another firm. I think that was the opportunity that L&G gave Mr H in its final response letter. And I think that the compensation L&G has offered for Mr H's distress and inconvenience is fair.

Putting things right

Unless it has already done so, L&G should pay Mr H £500 for the distress and inconvenience he was caused by the delays to his annuity being put into payment, and the poor information he was given about its value.

My final decision

My final decision is that I uphold a part of Mr H's complaint and direct Legal and General Assurance Society Limited to put things right as detailed above.

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

Paul Reilly
Ombudsman