

The complaint

Mr H complains that Royal London Mutual Insurance Society Limited (RL) acted unfairly in administering his pension policy. He complains about:

- the time it took RL to process his transfer, as the value of his pension fell significantly in the interim.
- his funds remaining invested during this period, and therefore subject to risk whilst the transfer was being arranged.
- the transfer going ahead despite his instruction for it to stop.
- RL's decision to change how his policy would be administered, resulting in negative bonuses being applied to his policy.

Mr H would like RL to honour the initial transfer quote he received in January 2023.

What happened

Mr H set up his pension policy with his original provider in 1988. He started a Section 226 Retirement Annuity Contract written as a deferred annuity. This had a start date of 15 January 1988, and was set up to provide an annuity of £1,000 each year, plus any bonuses, as long as the premium was paid for the specified period.

Mr H said he paid the premiums as specified to the full end of his contract. In 2014, his original provider was bought by RL. And it took over the administration of the policy.

Mr H said his original provider's letter of 6 August 2014 had noted that the transfer of the policy to RL wouldn't change the benefits he'd receive. The letter stated that the transfer to RL wouldn't affect the bonuses already added.

Mr H said that he received a pension statement in July 2022. He said this stated that if he continued contributing until January 2023 he'd be entitled to an annuity.

In September 2022, after receiving a "wake up" pack in August 2022, Mr H called RL. The pack had explained his pension options, including taking an annuity or accessing a lump sum. The value of the pension was quoted as £63,377.60. RL said that during this call, it told Mr H that he'd need to take advice from an independent financial adviser (IFA) if he wanted to transfer his pension.

After the call, RL sent Mr H pension information on 9 September 2022. This gave the current value of his pension as £63,569.50. On 29 September 2022, it sent him a retirement option pack. This confirmed the requirement to take advice from an IFA for Mr H's intended option.

RL issued a retirement options pack on 23 November 2022 for Mr H's originally selected retirement age in January 2023.

Mr H said he contacted his IFA and explained that he wanted to take a cash lump sum from his pension rather than an annuity. The IFA wrote to RL on 13 December 2022 to ask it to transfer servicing rights for Mr H's pension to it.

RL said it received a letter of authority from the IFA on 22 December 2022. It then issued the information it'd requested on 10 January 2023, including a transfer discharge pack and a Financial Advice Confirmation Form (FACF). The value of the pension was £64,238.97 and this was guaranteed until 31 March 2023. RL told Mr H that after that date a recalculation would be required.

Mr H called RL again on 13 January 2023. He told it he wanted to withdraw his pension before the end of the tax year. And that he'd engaged his IFA to help with this.

The IFA advised Mr H to transfer his pension to a Self-Invested Personal Pension (SIPP) with a provider I'll refer to as provider H. It arranged for provider H to submit a transfer request to RL, which it said it received on 30 March 2023. RL said it couldn't progress the transfer at that time, as the IFA hadn't provided the required completed FACF.

In early April 2023, provider H sent an Origo transfer request. RL couldn't process it as it was still waiting for the FACF. It said it needed evidence that financial advice had been taken before it could transfer the benefits.

On 16 May 2023, Mr H called RL to cancel the transfer to provider H.

Mr H had changed his IFA. His new IFA had recommended that he transferred his RL funds to a provider I'll refer to as provider Q.

Mr H's new IFA sent RL a letter of authority and an adviser declaration to support a transfer request. RL said it received the FACF, which had been signed by the IFA on 23 May 2023, on 25 May 2023.

RL also received an Origo request from provider Q on 25 May 2023. It rejected this as it contained incorrect policy information.

On 8 June 2023, RL responded to Mr H's IFA's request for information about his policy.

On 15 June 2023, provider Q sent RL a paper transfer request. At this point the transfer value was around £53.5K. RL rejected the request as it said it could only accept its own transfer forms or Origo requests.

On 19 June 2023, provider H chased RL for an update on the original transfer request. RL confirmed on 20 June 2023 that it'd now received the FACF.

RL said it contacted provider H on 22 June 2023 to tell it that it was aware of another receiving scheme (provider Q). It said it'd emailed Mr H's IFA for advice. But it hadn't received a response.

On 29 June 2023, RL emailed Mr H's IFA in response to its request for an explanation of why Mr H's fund value had fallen. It said it didn't receive a response.

On 13 July 2023, Mr H's IFA emailed RL to ask it to confirm the transfer had been stopped as instructed. On the same date, RL told Mr H that it had sent £53,521.92 to his chosen scheme.

On 21 July 2023, RL told Mr H that provider H had failed to close down the transfer request.

It said it'd received a notification from provider H on 11 July 2023 chasing the transfer. And as it hadn't been clear that the transfer should be stopped, it'd gone ahead on 13 July 2023.

RL apologised for what'd happened. And said it had, that day, asked provider H to return the funds to it. But it took some time for the funds to be returned.

Mr H complained to RL about the transfer going ahead against his instruction.

RL issued its final response to the complaint on 12 September 2023. It upheld it, acknowledging that it'd received clear instructions on 16 May 2023 to stop the transfer.

RL said it had asked provider H on several occasions to return the funds to it. It said that provider H had said that the delay at its end was reclaiming the adviser fees from the IFA.

RL offered Mr H £350 compensation for the transfer taking place against Mr H's wishes. It sent a cheque for this amount on 13 September 2023.

RL said it couldn't process the transfer request without confirmation that Mr H had received the required financial advice. It said it'd only received the FACF on 25 May 2023. Therefore it couldn't reasonably have processed the transfer before 1 April 2023, when Mr H's policy had fallen in value. RL said that the fall in value at that date had affected all similar policies.

RL wrote to Mr H on 4 October 2023 to confirm that £53,261.58 had been returned to it on 22 September 2023. It said that Mr H's policy had now been revived back to its original state with it.

In November 2023, Mr H wrote to RL with additional complaint points. He felt that RL had no right to manage his funds beyond January 2023, which he felt was the end of his contract with it. He said RL hadn't asked him how he wanted his funds to be invested after that point. He felt either that this should've happened, or that RL should've transferred his funds into cash or a low-risk fund for his safety.

Mr H felt that his original provider had confirmed in its August 2014 letter that there would be no change to his benefits once RL took over. He didn't think RL had honoured its commitment. He felt that RL had decided to add a negative bonus to the funds on 1 April 2023. And that it did so for no other reason than to reduce his fund. He felt this was a change of contract which RL had no right to make.

RL issued a response to Mr H on 1 December 2023. This explained why his fund value had fallen on 1 April 2023. It explained that it still wasn't adding any further annual bonuses to Mr H's policy. But that the guaranteed benefits under his policy were currently, and were likely to remain, much higher than the value of the assets held in respect of his policy.

RL issued a further final response letter on 25 January 2024. It didn't uphold the complaint.

RL acknowledged that Mr H had felt that his funds would only be invested until January 2023. It said this wasn't correct, and that Mr H could in fact take his pension benefits at any time up to age 75. RL also noted that its 23 November retirement options pack had explained that if Mr H deferred taking his pension benefits after his selected retirement date his money would remain invested, and that his fund could go up or down in value.

RL said that it didn't offer a safe fund to invest in as a customer approached retirement. It also said that although Mr H had contacted it in January 2023 to request a transfer, the paperwork it'd said it would need hadn't been provided in time for the transfer to go ahead before the rate change on 1 April 2023.

Unhappy, Mr H brought his complaint to this service in March 2024. He said his pension pot value had fallen dramatically from £64K in January 2023 to £53K on 1 April 2023. Mr H was unhappy that his full options weren't explained to him earlier. He said that the transfer delays had affected his retirement plans.

Our investigator asked RL for some specific information relevant to the complaint, including a copy of the terms and conditions for Mr H's policy. But it hasn't replied to that request.

Our investigator didn't think the complaint should be upheld. He felt it'd been Mr H's responsibility to contact RL or an IFA to understand if he had other options in respect of taking his pension benefits before RL had provided him with details in August and September 2022.

Our investigator didn't consider that RL had caused any delays to the transfer. He said it was clear that the transfer value was only guaranteed up to 31 March 2023. And that it was the IFA's responsibility to make sure that RL received what it needed to process the transfer before the guarantee expired. He said there was no evidence to show that the IFA had sent RL what it needed in time for the transfer to go ahead before the guarantee expired.

Our investigator also said that he hadn't seen any evidence that RL had changed how it administered Mr H's policy from how his original provider had. He felt that the options that Mr H had available to him were based on the pension that he'd taken out. And that if he'd wanted to move his funds to lower risk or cash funds, it was up to him to explore his options.

Mr H didn't agree with our investigator. He gave the following reasons for feeling that he hadn't been dealt with fairly:

- He felt RL hadn't presented any documentary evidence to support its bonus methodology. He also felt that it hadn't provided any proof that it could make any negative valuation or market fund reduction.
- He felt that when he requested a transfer in 2023, RL hadn't taken any steps to notify him – or other policyholders - that there was an impending reduction to transfer values.
- He felt that RL's requirement to take advice was a deliberate attempt to make the transfer process unreasonably long.
- Mr H said that his pension fund was now around 20% lower than it'd been in January 2023, despite markets rising in the same period between 3% and 10%.
- Mr H said he'd done the right thing when he'd looked into his options for taking his pension. And had followed RL's instructions to the letter, including contacting Pension Wise and getting a financial adviser to act in his best interests. He said that adviser had told him to take his £64K fund so he could be in control of his own money. He said that after that, he found out from RL that his pot was now only worth £53.5K. He said he told RL to cancel the transfer at that point, but it transferred it anyway.
- He felt that RL had simply told him that his pot had decreased due to its decision to add negative bonus. And that RL had changed its policy that bonuses didn't form part of pension pots. Mr H didn't think it was reasonable for RL to reduce his pension pot value by 20% at its discretion. He thought it must've decided on the reduction long before 1 April 2023. And felt it had delayed his pension transfer so it could be reduced.

- Mr H felt that RL should've informed him about his pension pot before August 2022. He felt that by not doing so, he hadn't been made aware of his right to early withdrawal of his funds.
- Mr H said that the situation had caused him and his family mental health issues and stress.

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 done so, I'm not going to uphold it. I know this will be disappointing for Mr H. I'll explain the reasons for my decision.

I first considered whether RL caused avoidable delays to the transfer, leading to the 31 March 2023 guarantee deadline being missed. This also meant that Mr H's pension fund was significantly reduced following RL's rate review. So I've also considered if it carried out that review fairly.

Did RL cause avoidable delays to the transfer?

Mr H feels that RL's requirement to take advice was a deliberate attempt to lengthen the transfer process.

Having carefully considered the evidence, I'm satisfied that RL didn't cause any avoidable delays to the transfer process. I say this because legislation required Mr H to take advice from an IFA, and then complete a FACF as proof of that advice, before he could transfer his safeguarded benefits from RL.

The evidence shows that RL told Mr H about the potential need for a FACF in September 2022. And when Mr H requested a transfer in January 2023, RL issued the transfer forms and the required FACF on 13 January 2023.

I consider that it was clear that the transfer value guarantee would expire on 31 March 2023. So Mr H's IFA would've known that it needed to ensure that all the required transfer forms and the completed FACF would need to be returned to RL before then. But the evidence shows that this didn't happen. RL didn't receive a FACF until May 2023.

I can also see that RL responded to information requests in a timely manner. Therefore I'm not persuaded that RL did anything wrong here.

I acknowledge that Mr H feels that RL delayed the transfer process so that it could pay him a lower transfer value. And that RL should've notified him – and other policyholders - that there was an impending reduction to transfer values. But I can't fairly agree.

I say this because of how with-profits policies such as Mr H's work. While the guaranteed benefits continue to be guaranteed, regardless of market performance, the fund values of such policies do go up and down depending on market conditions, and other factors such as how the with-profits fund is smoothed over time.

It wouldn't be reasonable to expect RL to tell its policyholders in advance of a rate review whether that review will increase or decrease their transfer values. I say this because if it did,

policyholders who were contemplating a transfer might take one before a negative review, or delay their planned transfer until after a positive one. Both of these actions would mean that the remaining policyholders would be disadvantaged.

Therefore, regardless of when RL knew that there would be a reduction to transfer values on 1 April 2023, I can't reasonably or fairly expect it to let its policyholders know until the review actually takes effect. Therefore I'm satisfied that it acted correctly here.

I did also consider Mr H's point that RL should've informed him about his pension pot before August 2022. But I don't agree. The evidence shows that RL provided Mr H with the information it was supposed to provide him with in advance of him reaching his selected retirement date. If Mr H had wanted information before that, it was up to him to approach RL to request it.

I next considered if there's any evidence that RL unfairly changed how Mr H's policy was administered.

Is there any evidence that RL changed how the policy was administered?

RL hasn't provided this service with the terms and conditions of the policy. However, policies like Mr H's tend to work in the same way. As I noted earlier, there were guaranteed annuity benefits under Mr H's policy, but the fund/transfer value wasn't guaranteed.

Mr H feels that RL hadn't presented any documentary evidence to support its bonus methodology. He also feels that it hadn't provided any proof that it could make any negative valuation or market fund reduction. He therefore didn't think it was reasonable for RL to reduce his pension pot value by 20% at its discretion.

I can see that the 2014 letter from Mr H's original provider stated that there would be no reductions to guaranteed benefits or annual bonuses already added to his pension. And that he then reasonably expected RL not to change this when it took over administration of his policy.

But I haven't seen any evidence that RL has changed this after it took over the administration. Although Mr H's fund value did fall after the rate review on 1 April 2023, I've not seen any evidence that RL reduced Mr H's guaranteed benefits.

It's clear that the rate review did cause a significant reduction to the transfer value of Mr H's pension. I appreciate that this would've been shocking for him. But it's normal practice for with-profits arrangements to carry out such reviews. And the information RL sent Mr H in 2022 and 2023 made it clear that the fund value wasn't normally guaranteed.

I next considered whether RL was correct to continue to invest Mr H's pension past his selected retirement date.

Did RL act correctly when it continued to invest Mr H's pension pot past his selected retirement date?

Mr H feels that RL should've moved his funds into safer investments once he'd reached his selected retirement date.

Although I agree that Mr H's funds remained invested after his selected retirement date, I'm satisfied that RL did nothing wrong.

RL has explained that Mr H's pension can remain invested up to age 75. It's also noted that

other “safer” funds aren’t available to Mr H under his policy. But even if they were available, I wouldn’t have expected RL to make an investment decision for Mr H.

RL is the administrator of Mr H’s pension, not his IFA. It can’t make investment decisions for him, or give him advice. Therefore I don’t uphold this part of the complaint.

I finally considered RL’s acknowledged failure to cancel the transfer instruction. I did this to see if I was satisfied it’d taken reasonable steps to put things right.

Has RL taken reasonable steps to put things right?

It’s clear from the evidence that Mr H told RL to cancel the transfer, but it transferred his pension anyway.

RL said it’d noted Mr H’s cancellation request on the diary notes for his policy. It said it’d also asked Mr H to notify provider H. It said that it hadn’t passed Mr H’s cancellation request on to its transfers team, which would’ve cancelled the Origo request it’d received from provider H on 11 April 2023. It apologised for this. And asked provider H to return the funds to it. Although this took some time, I’ve not seen any evidence that Mr H lost out financially.

RL paid Mr H £350 compensation for the distress and inconvenience of the transfer going ahead despite his instruction to stop it.

The evidence shows that RL took reasonable steps to put Mr H back into the position he should’ve been in but for its mistake. It also paid him compensation for the distress and inconvenience caused.

While I don’t underestimate the stress and health issues Mr H said that this situation has caused, I consider that RL has done enough to put things right here. And I won’t be asking it to take any further actions. I therefore don’t uphold the complaint.

My final decision

For the reasons explained above, I don’t uphold the complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr H to accept or reject my decision before 6 November 2024.

Jo Occleshaw
Ombudsman