

## **The complaint**

Mr H complained to The Royal London Mutual Insurance Society Limited after being told his annual annuity payment was suspended. In his complaint to this service he has asked that it allow him to cash in the whole of his annuity.

## **What happened**

Mr H initially complained to Royal London after it suspended his annuity in 2024. It did this because as part of its administration it required him to verify his details. And Mr H hadn't kept his address up to date and so hadn't received the letter. Mr H then just in advance of the date of his annual payment, called Royal London to let them know of his new address and bank details. Mr H was unhappy about having to complete forms to continue to receive his payments and felt he'd been given conflicting information about what had happened.

Royal London explained why the form was required and tried to assist Mr H in getting the annuity payment as quickly as possible. The payment was received by Mr H six days after he had met all of Royal London's requirements. In recognition that Royal London could've used a faster payment method and should've done so in the circumstances, Royal London made a payment to Mr H of £100 for the trouble and upset this had caused.

Mr H then made contact with our service. In his complaint form, he complained about Royal London not contacting him by phone or email (regarding the process that led to his annuity being suspended). And they'd just wanted to keep hold of his money. He asked that it let him cash in his annuity.

Our investigator looked into matters. She told Royal London that the complaint seemed to have shifted some-what towards that he couldn't cash in his annuity. She noted this was something he had mentioned to Royal London over the phone in the process of making his complaint.

Royal London responded to our service to explain why it would not allow the annuity to be cashed in.

Our investigator concluded that Royal London didn't need to do anything more in relation to the suspended payment. She felt it had acted fairly by sending the required form by post, as it didn't have Mr H's email or telephone number on record. And that as he had to sign and return the form, post was an appropriate method for this communication. She felt the offer of £100 was fair in the circumstances. And that whilst at one point Royal London had referred to payments, which could've caused confusion as there was only one payment in question regarding the suspension – it had clarified the 'payment' had been made. And there is no evidence any other payments hadn't been made.

In terms of Mr H asking for his annuity to be cashed in to settle the complaint. The investigator explained Mr H had previously been told in 2017 in a final response that he couldn't have the annuity as a cash lump sum. She said as Royal London hadn't objected specifically to us looking at this and she thought it would be helpful to provide an overview, she went on to explain her view on this matter. She explained that when the policy was

taken out it made clear the annuity couldn't be cashed in, in the future. However, legislation in 2016 had changed allowing annuities to be cashed if the provider decided to allow it. The investigator explained with reference to the current legislation in place, why she believed Royal London had been fair in its explanation to us about why it would not allow the annuity to be cashed in.

Mr H responded and said he accepted all the investigator had said apart from that Royal London could fairly decline his request for the annuity to be cashed in. Mr H said the pension was his money and he was being ripped off by it keeping it.

The investigator explained to Royal London that Mr H hadn't accepted her view. She said that there was a question of whether the cashing in part would be in time as he'd previously received a final response on this issue. Although arguably his request now was a new event. The investigator said in the circumstances she felt that it was pragmatic and best for all parties to continue to a final decision on the merits but Royal London should tell her if it disagreed.

Royal London said it noted what the investigator said and enclosed a copy of the 2017 final response about the request to cash in the annuity. The letter was very short and it said in essence HMRC wouldn't allow it.

### **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.

And having done so I agree with the findings of the investigator and for broadly the same reasons. I appreciate Mr H will be unhappy with this but I'll explain why.

#### *The complaint I am considering*

Mr H's original complaint was about the suspension of the annuity. But his complaint form asked for things to be put right by allowing him to cash in his annuity. This was something Royal London had previously answered in relation to a direct request to cash in his annuity in 2017. However, I do think it can be argued his complaint now is a new and separate event, for two reasons. His request stems from his unhappiness with Royal London's recent administration of his annuity – which was a complaint made within time. And secondly, Royal London's original response in 2017 didn't reflect that legislation had changed since Mr H took his annuity out and annuities can now be cashed in at the discretion of the provider. In 2017 Royal London said in essence HMRC wouldn't allow it but whilst that might have been true at the time of the complaint, I don't think it is now. I note at the time Mr H hadn't reached the minimum pension age of 55 and had been allowed to take his pension early seemingly due to ill-health, which may possibly be the reason for its answer then that HMRC wouldn't allow it.

Under the legislation in place now and Mr H's being over the age of 55, I can't see that this would prevent him from taking his annuity as a cash sum if Royal London agreed to allow it.

Therefore, I agree with the investigator, and it appears Royal London agree as well, that the pragmatic approach is to provide an answer to this complaint issue as part of this complaint brought by Mr H. Rather than requiring Mr H to make a new separate complaint that Royal London under the current legislation had unfairly declined his cashing in annuity request, which may be considered a separate complaint and event to that answered in 2017 anyway and so within time.

As Mr H agreed with the investigator regarding her findings related to the suspension of the annuity, I only need to comment here on his request to cash in his annuity due to his belief that Royal London is unfairly holding onto his money. The investigator has relayed Royal London's response to our service relating to this point to Mr H. And I've considered whether it has acted fairly in explaining why it will not allow Mr H to cash in his annuity.

Legislation does now allow pension providers such as Royal London to allow cashing in annuities, but providers have a choice to whether or not they choose to offer this.

Royal London has told us it is unwilling at this point in time to offer a cash in value to Mr H or to any of its customers. Essentially because the annuity product wasn't designed to be cashed in, so it would be difficult to offer that option now without incurring significant cost and inconvenience – and possibly to the detriment of other customers.

More specifically it has said:

- To offer it would incur considerable cost including dealing with re-insurers, setting up systems to process applications and value annuities etc.
- By the time the costs are taken into account the lump sum offered would be poor value and disappointing for its customers, unless it subsidised the process.
- It had concerns about whether cashing in the annuity was necessarily in the customer's best interests if they hadn't taken advice.
- The cost of advice wouldn't be cost effective for customers considering the size of the sums likely payable.
- And as a Mutual (customer-owned) company it wouldn't be fair to its members to subsidise offers.

Presuming Mr H does now meet the criteria of the legislation as someone who is eligible to cash in an annuity. It appears his circumstances would make him eligible under the current legislation, I then need to consider whether Royal London has acted fairly in deciding not to offer this to Mr H.

And having done so, I think it has acted fairly. I have thought about this very carefully, and I think Royal London's points here are fair ones. I don't think it simply disregarded Mr H's interests in choosing not to offer this to him. Its position is based on its considerations of what allowing cashing in annuities could mean for its customers and business model more widely.

I'm sorry to hear Mr H is struggling financially. It strikes me Royal London could avoid many of the challenges it has raised if it were to treat Mr H's case as exceptional. The cost and impact in this one case would be small for a business the size of Royal London. But sadly there will be many other customers with small annuities that also have financial and or other issues. And so I don't think given what I've set out above, it is practical for Royal London to treat Mr H as an exception – without then also taking into account all the other exceptions and situations of its other customers. And if it were to do so, the issues set out above would come into play.

I've kept in mind that Mr H says he would be better off with a cash lump sum. I've balanced this against the fact that commutation wasn't something Mr H has a right to. And while Royal London is likely free to allow his request, I'm satisfied it does have other legitimate interests to weigh up, including the way the annuity product was designed, the impact on Royal

London's existing systems and processes, the interests of its customers more widely and the potential cost. On balance, I don't think it is unfair or unreasonable for Royal London to decline Mr H's request. In doing so it is acting in line with the contract and the rules and treated Mr H in line with other customers.

### **My final decision**

For the reasons explained, I do not require The Royal London Mutual Insurance Society Limited to do anything more in relation to this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 14 January 2025.

Simon Hollingshead  
**Ombudsman**