

The complaint

The estate of Mrs W complains that ReAssure Life Limited stopped making annuity payments to her in 2017 without any explanation or notification. They went on to say that when ReAssure re-started payments, an avoidable large tax liability was incurred as a consequence of the lump sum that was paid to make up for the missed payments.

The estate of Mrs W wants compensating for the delayed annuity payments and tax burden that's been suffered as a consequence of ReAssure paying the withheld monies as a lump sum.

What happened

The late Mrs W held an annuity with ReAssure that provided her with a monthly income for the rest of her life. Given the nature of the product, ReAssure has a system in place where they write to the annuity holder at least annually to confirm that they're still alive and therefore, still entitled to receive the annuity income.

On 2 December 2016, ReAssure wrote to Mrs W enclosing a 'certificate of existence' that asked her to provide that confirmation. After ReAssure received no response to that mailing, they issued a follow-up mailing three weeks later and a third three weeks after that.

After ReAssure received no response to their three letters, they paused the annuity after the March 2017 payment was made. In August 2019, ReAssure undertook Equifax searches in an attempt to trace Mrs W but that endeavour proved unsuccessful. In late 2020, Mrs W passed away.

In or around January 2021, after reviewing her bank statements, Mrs W's financial adviser spotted that her ReAssure annuity had stopped in 2017. After contacting ReAssure, Mrs W's representatives were advised that as they'd not received any response to their letters from 2016 and 2017, the annuity payments had been stopped in line with their normal procedures.

Shortly afterwards, the estate of Mrs W decided to formally complain to ReAssure. In summary, they said that ReAssure had been negligent in stopping the annuity because the checks that they'd conducted weren't exhaustive enough.

After reviewing the complaint, ReAssure concluded that they were satisfied they'd done nothing wrong. They also said, in summary, that having written to Mrs W on three occasions and having not received any response from her, they didn't feel they'd acted unreasonably by pausing the annuity payments.

ReAssure subsequently determined that Mrs W hadn't received annuity payments totalling around £74,500. After deducting income tax, ReAssure made a payment to bring the annuity up to date and they also explained that a new annuity had to be set up to facilitate that. In addition, ReAssure explained that they were paying £125 to apologise for the delay in

adding the power of attorney to Mrs W's plan (which was a side issue raised as part of the wider complaint) and a further £125 for the delay in setting up the annuity.

Mrs W's representatives were unhappy with ReAssure's response, so they referred the complaint to this service. In summary, they explained that ReAssure's actions had resulted in the late Mrs W having to encash an investment to help fund her income needs. They went on to say that had ReAssure's checks been more robust, Mrs W would've had the monies that she needed to meet her needs. Mrs W's representatives also explained that they were unhappy such a significant amount of tax had been levied (approximately 42%), when had the payments been made when they should have, they'd have only be subject to 20% tax.

The complaint was then considered by one of our Investigators. She concluded that ReAssure had acted fairly by pausing the annuity payments. That's because, she said, ReAssure weren't informed of Mrs W's new address so the 'certificate of existence' letters were being sent to her old one.

Mrs W's representatives, however, disagreed with our Investigator's findings. In summary, they said that the Investigator had a poor understanding of Mrs W's situation. In addition, they also said:

- They failed to understand how ReAssure couldn't be held accountable for stopping the annuity payments for four years.
- ReAssure hadn't been able to provide copies of the letters that they claimed had been sent to Mrs W.
- Other large annuity providers check digital records before pausing annuity payments. They felt that ReAssure could have done the same.
- The way in which the paused annuity income was subsequently brought up to date and paid was to the detriment of the estate. That's because tax at 42% rather than 20% had been levied.

Our Investigator wasn't persuaded to change her mind as she didn't believe any new evidence had been submitted. The case now comes to me for a 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.

I have summarised this complaint in less detail than Mrs W's representatives have done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

My role is to consider the evidence presented by the estate of Mrs W and ReAssure in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice. Where there's conflicting information about what

happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm not upholding the complaint - I'll explain why below.

I think it's important to explain that when a consumer takes out an annuity, it's designed to provide them with an income for the rest of their life. But, an annuity it isn't a 'set up and leave' policy as far as the product provider is concerned. That's because the income is only typically payable until death so it's important that as soon as the plan holder dies, the product provider is informed – that's to avoid any overpayments being made and a debt accruing in the estate. That's why product providers need to regularly check in with their plan holders to ensure nothing's changed – and, ReAssure say that they did just that.

The late Mrs W's financial adviser has explained that they've not seen any evidence that ReAssure wrote to Mrs W in December 2016 (or the months that followed) asking her to complete the 'certificate of existence'. ReAssure have stated that they're unable to provide copies of those three letters because they were issued through their bulk mailing system. However, just because ReAssure can't produce copies of those letters, I've no reason to doubt that they were issued and that's because it's in their commercial interest to do so. I say that because once the annuitant passes away, assuming there's no guarantees or spousal benefits payable on the plan, ReAssure is no longer obligated to pay the ongoing income.

It would seem that the reason why Mrs W didn't receive those letters is because she moved into a care home in December 2014 and ReAssure were writing to her at her former address. But, it would appear that ReAssure weren't informed of Mrs W's new address until February 2021 when they were contacted about the missing payments. I've not seen any evidence to persuade me that ReAssure were advised any sooner than February 2021 that Mrs W had moved into a care home so it's not unreasonable that they would attempt to contact her at the address they held for her at that time.

When ReAssure stopped making the payments in April 2017, it would appear that neither Mrs W nor her wider family members or financial adviser contacted ReAssure to question why the annuity was no longer going into her bank account. I have seen evidence that Mrs W's health was starting to deteriorate around 2020 when a power of attorney was registered with the Office of Public Guardian – but the annuity payments stopped three years earlier and ReAssure heard nothing back at that point. In the absence of a response to any of ReAssure's three prompt letters, and no contact from the wider family or her financial adviser, I don't think ReAssure acted unreasonably by pausing the annuity payments in April 2017. Ultimately, it's up to the plan holder (or their representatives) to keep the business informed of their correct address. And, if the plan holder is unable to do so because of a medical issue, it's up to their personal representatives to undertake that task.

I've thought about the comments that Mrs W's financial adviser has made about the veracity of ReAssure's checks. He says that ReAssure's checks weren't exhaustive enough because other businesses undertake a search of death databases. It's not within the remit of this service to direct firms how they should undertake their endeavours, that's an operational decision for them. We're not here to regulate businesses – that's the role of the Financial Conduct Authority.

Mrs W's financial adviser has stated that she suffered from dementia and as such, even if ReAssure's letters were sent, she wouldn't have been aware of them. I'm conscious of the impact that condition can have on individuals but from what I can see, ReAssure weren't made aware of Mrs W's health issues until after the annuity had been paused. And in any

event, it's up to the wider individuals supporting Mrs W to make the business aware of any conditions that could make the customer vulnerable so they can alter their approach accordingly. But in any event, the power of attorney wasn't registered with the Office of Public Guardian until 2020 which was after the letters were sent so if Mrs W's health was starting to deteriorate prior to then, it was up to her representatives to ensure any letters issued by ReAssure were acted upon.

When ReAssure were notified of Mrs W's new address in February 2021, they started taking steps to reactivate the annuity and pay the income that she'd not received since April 2017. Taking account of the 5% indexation increase option that Mrs W held on her annuity, ReAssure determined that for the period of April 2017 (which is when they paused payments) to May 2021, she'd missed out on income of £74,461. Given the nature of the plan Mrs W held, ReAssure were also obligated to deduct income tax from the payment that was remitted to her bank account.

Mrs W's children are unhappy that ReAssure paid the outstanding annuity payments as a single lump sum, resulting in an income tax bill of around £32,400. However, for me to be able to instruct ReAssure to either structure the payment differently or cover the income tax burden, I'd have to be satisfied that ReAssure's earlier actions (that led to the higher tax charge) were in some way deficient – but I've not seen anything to persuade me that ReAssure incorrectly paused the annuity payments. And in any event, from what it appears of the level of income that Mrs W should have received over the course of 2017 onwards, it was more likely than not that those monies would have been liable to income tax anyway (although I accept not necessarily at the level that's since been levied). So, I'm not going to ask ReAssure to restructure how the payment was made or cover all or part of the income tax liability.

Mrs W's financial adviser has explained that she had to encash an investment that would likely never have been accessed had ReAssure not paused the annuity payment. They went on to say that investment was set up to help with her inheritance tax planning needs. But, as I've already said, it's the responsibility of the customer, or their representatives (if they're unable to do so) to keep the annuity provider up to date with their correct address. And, had ReAssure been informed of Mrs W's new address at the point at which she moved into the care home, I think it's more likely than not that the annuity wouldn't have been paused and the large income tax bill that followed wouldn't have been at the level experienced.

Following the complaint, ReAssure made two payments to Mrs W's bank account - £125 for the delay in adding the power of attorney document to her records and a further £125 as an apology for their delay in setting up and paying the annuity to her. I see no reason to comment on either of those payments as they appear fair and reasonable in the circumstances.

My final decision

I'm not upholding the complaint and as such, I'm not instructing ReAssure Life Limited to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mrs W to accept or reject my decision before 16 January 2025.

Simon Fox

Ombudsman