

## **The complaint**

Mr W complains that due to an error made by Aviva Life & Pensions UK Limited (Aviva), his annuity is lower than Aviva quoted to him when he applied to take the benefits from the three personal pensions policies he held with it.

## **What happened**

Mr W had three personal pension policies with Aviva. Although he said he had Guaranteed Annuity Rates (GAR) on all three of these, Aviva said that not all of the funds held within each policy benefited from a GAR.

In February 2024, Mr W contacted Aviva to ask it for retirement quotations for his policies. He wanted to take his benefits in June 2024.

Mr W asked for an annuity that was paid in advance, with a 10-year guarantee and a 50% spouse's pension. Aviva issued quotes on 6 March 2024. One of the quotes was issued on the correct in advance payments basis, but the other two were issued based on an incorrect basis of in arrears payments.

The quotes stated that they were illustrations based on the fund value on 5/6 March 2024.

The quote for the policy number ending xxx24 stated that Mr W's then fund of £24,224.02 could be used to purchase an annual annuity of £2,226.19. But instead of providing a quote for an in advance annuity as requested, this quote was based on the payments being made in arrears. The quote stated:

*This illustration assumes that the total pension would be payable by regular monthly instalments payable in arrears.*

The quote also stated:

*This quotation is not guaranteed.*

The quote for the policy number ending xxx57 stated that Mr W's then fund of £32,177.43 could be used to purchase an annual annuity of £2,957.11. This quote had also been incorrectly based on the payments being made in arrears.

The quote for the policy number ending xxx81 stated that Mr W's then fund of £137,377.65 could be used to purchase an annual annuity of £10,468.18.

Based on these quotes, Mr W expected to receive a total annual annuity on the basis he'd requested of £15,651.48, or £1,304.29 each month.

Mr W completed his annuity application forms, signing the declarations on 19 May 2024. The first two points under the declaration stated:

*1. I authorise Aviva to use my pension fund to pay a tax-free lump sum and/or purchase an annuity. I accept that the amounts previously quoted are not guaranteed and may change*

*depending on when the payment is made.*

*2. I understand I do not have the right to cancel my decision to retire under my plan [as] my request has been accepted by Aviva and will not be able to reinstate my plan (you have a statutory cancellation period on the annuity purchase which means that within this period you can decide to either change the provider of the annuity or the basis on which it is payable).*

I understand Aviva received the application forms on 22 May 2024. The forms stated that Mr W wanted his pension to start in June 2024, and that he wanted them to be in line with the quotations provided.

Mr W selected the following basis for his annuities: 50% spouse's pension, level, paid in advance, 10-year guarantee.

Mr W contacted Aviva on 7 June 2024 to check it'd received his paperwork and for an update. He said he'd received another quote from Aviva for one of his policies, but not for the other two. He was confused about why this had been sent. Aviva's call notes recorded that it arranged for Mr W to be called back. I understand Aviva unsuccessfully tried to call Mr W back on 7 June 2024 to tell him to ignore the recent quote.

On 10 June 2024, Mr W called Aviva again. He said it'd asked him to complete forms that it hadn't enclosed with its recent letter. Aviva told Mr W he could ignore the letter as it'd received the forms. During this call, Mr W asked Aviva to confirm that his annuity would be set up for June 2024. He also asked to be put through to Aviva's complaints team.

On 12 June 2024, Aviva sent Mr W a message asking him to get in touch with it. It wanted to confirm he wanted to proceed with the annuity basis he'd selected on the forms he'd sent. Aviva's notes recorded that this basis included payment in advance.

Aviva called Mr W on 13 June 2024 to confirm the correct annuity basis.

Mr W said Aviva called him again the following day asking him for the same information. He said he confirmed his requirements, and asked Aviva to confirm that he would receive his first payment on his chosen date in June 2024. He said the call handler was very vague and couldn't confirm anything. Aviva's call notes recorded that Mr W had called him on 14 June 2024 to request paperwork for his annuity quotes. And that it then emailed his annuity application forms to him.

Aviva's call notes recorded that on 17 June 2024, it called Mr W to confirm whether or not he wanted to take tax-free cash before buying his annuities. He confirmed that he wanted to use all of his funds to purchase the annuity. Aviva also asked Mr W if he wanted his application put on hold as he'd requested the quotations again on 14 June 2024.

Mr W called Aviva on 17 June 2024 about his first annuity payment. He confirmed he didn't want his application put on hold and asked that it was processed as soon as possible.

Aviva processed Mr W's annuity purchase on 19 June 2024. It set up an annual annuity of £15,093 - or £1,257.75 each month - on the basis he'd originally requested.

Mr W called Aviva again on 20 June 2024 as he still hadn't received a payment or any form of communication from it. Aviva told him that the first payment for £1,257.75 had been made and should show in his account within five days.

Mr W wasn't happy that his annuity was lower than Aviva had quoted. He'd been expecting

to receive £1,304.29 each month. So he raised a complaint with Aviva on 28 June 2024. Aviva told Mr W that two of the quotes it'd issued to Mr W had been based incorrectly on the payments being made in arrears.

I understand that Aviva re-issued the quote for xxx81 on 9 July 2024. The quote was still based on fund values as at 6 March 2024, but quoted an annual pension value of £10,523.13. I also understand that on the same date, Aviva told Mr W that he was still within his 30-day cancellation period, so he could amend his annuity if he wanted to. Aviva's call notes recorded that Mr W didn't want to change his annuity. Instead, he wanted Aviva to honour the quote it'd sent in error.

Aviva issued its final response to the complaint on 19 August 2024. It acknowledged it'd made errors when it'd issued the annuity quotes on Mr W's policies. It said that it must've been frustrating, confusing and inconvenient for Mr W to have asked for quotes on an in advance basis, but to have quotes for two of his policies issued on an in arrears basis.

Aviva said it'd reviewed the figures it'd provided to Mr W and what the annuity would've been if it'd been taken on an arrears basis on the date processed. It said that if Mr W had taken his annuity on an arrears basis and claimed on the same date, his annuity would've been £15,020.33 annually rather than the £15,093 annual amount he was actually receiving.

Aviva also noted that the figures it was now quoting were different from those in Mr W's quotes. It said this was because his plan values had changed when his annuities were purchased. It noted that the quotes it'd sent Mr W had been for illustrative purposes.

Aviva said it would pay Mr W £150 compensation for the errors and the frustration, confusion and inconvenience these had caused.

Unhappy, Mr W brought his complaint to this service in September 2024. He said he'd previously had to complain to Aviva about its lack of customer service and support. He felt that Aviva should pay him the annual amount of £15,651.48 that it'd quoted, rather than the £15,093 it was paying him. He said he'd always requested his annuity to be paid in advance. He felt that because he had GARs on his policies the amounts quoted shouldn't have changed. And felt Aviva had sent him accurate figures rather than estimates.

To put things right, Mr W said he wanted Aviva to either honour its March 2024 quotes, or cancel his annuity and start again.

Mr W also made the following points about the service he'd received during the annuity purchase:

- He said Aviva hadn't always made the call backs it'd promised.
- He said he'd been put on hold for over an hour on several occasions, only then to be disconnected.
- He felt there'd been a total lack of communication, This had made him feel that Aviva didn't care.
- He said Aviva didn't always send him the information he requested on all three of his policies, sometimes only sending out information for one policy, which meant he would have to contact it again to ask for the other two. Then it would send out information for the first policy again. He said he often received information that was then out of date so he'd have to start the process all over again.

- Since June 2024, Aviva had sent him two further letters, one with a new amount on one of the pensions that was higher than the one previously quoted, and another telling him it was going to defer his pension for another year. He said that Aviva told him it'd sent these in error.

Our investigator felt that the £150 compensation Aviva had paid Mr W for its error was fair. She didn't think Aviva had caused him a financial loss. She said Mr W would never have received the annuity quoted in March 2024 because two of the quotes were on the wrong basis. Although she acknowledged two of the March 2024 quotes had been issued on the wrong basis, she said that the quotes had stated they weren't guaranteed and could change depending on the value of his policies on the claim date compared to the value when the quotes were issued.

Mr W said he didn't understand why the figures quoted didn't match the amount he was receiving. He still didn't know why he was receiving £500 less each year than the quote.

Mr W felt that Aviva had sent him accurate figures in March 2024 based on his GARs. And that he'd agreed to the figures quoted when he'd completed the application form. He felt that the GARs on his policies should've meant that the amounts shouldn't have gone down. He felt this was evidenced by the new quote Aviva had sent him for policy xxx81 on 9 July 2024.

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.

Before I look at the details of this complaint, I'd like to say that I have fully reviewed all of the points Mr W included on the complaint form he sent to this service. But I've only been able to consider those I can see he's already asked Aviva to look into in this decision. This means that I haven't specifically reviewed the service-related points Mr W noted, which I've listed above as bullet points. However, if Mr W wants to make a separate complaint about those points to Aviva, he can.

Aviva has acknowledged that two of its three March 2024 quotes were based on annuity payments being made in arrears rather than in advance. So I first considered if Aviva's error has caused Mr W a financial loss.

#### *Did Aviva's error cause Mr W a financial loss?*

Mr W considers that Aviva should pay him the annual amount of £15,651.48 that it quoted to him in March 2024, rather than the £15,093 he actually receives.

Mr W said he'd always asked for his annuity to be paid in advance. He also felt that because he had GARs on his policies, the amounts quoted shouldn't have changed. He said he didn't understand why he was receiving around £500 less each year than the March 2024 quote.

In respect of whether the quotes should've changed or not, I note that the March 2024 quotes could never have been entirely accurate. This is because Mr W's actual final fund value, which would be used to purchase his annuity, wasn't yet known. It wouldn't be known until his annuity was purchased. Additionally, two of the March 2024 quotes had been

produced assuming in arrears payments rather than in advance. Therefore they weren't correct.

I'm satisfied that both the March 2024 quotes and the annuity application form made it clear that the quotes weren't guaranteed. I say this based on the wording I've included in the background to this complaint.

I acknowledge how frustrating this error has been for Mr W. I can see that he was always consistent about what annuity he was asking for. Unfortunately Aviva made an error here.

The evidence shows that if an annuity calculated on an arrears basis on the same date had been set up it would've paid a fairly similar annual amount to that which Mr W is actually receiving. So I'm not persuaded that the basis error had a significant impact on the quotes sent in March 2024.

While I acknowledge that Mr W did have GAR elements on his policies, the evidence shows that not all of his funds benefited from GARs. This meant that the annuity that could be purchased from the non-GAR funds Mr W held with Aviva would go up and down with both annuity rate changes and when Mr W's funds went up or down in value. The annuity he would achieve on those funds could only be determined at the point that the value of the non-GAR element of his funds was finalised and the annuity rates then in force would be applied to those funds.

Aviva said that the main reason that the annuity Mr W purchased in June 2024 was smaller than that quoted was because of the non-GAR elements of the policies. For example, it said that the non-GAR element of policy xxx81 would've achieved an annuity of £5,210.52 on Mr W's selected basis when it sent the March 2024 quotes. But actually only achieved £5,073.72.

Overall, even though Mr W's total fund value increased from £193,779.10 in March 2024 to £199,841.98 when his annuity was actually purchased, the non-GAR elements of his fund meant that he ended up receiving a lower annuity value than that quoted in March 2024.

I can see that Aviva carried out new calculations as at Mr W's actual retirement date - using his then fund value of £199,841.98 - for the exact annuity Mr W wanted. That is, a level annuity with a 50% spouse's pension, guaranteed for 10 years and paid in advance. This showed that the correct annual annuity was £15,093.

I'm therefore satisfied that Mr W is receiving the correct annuity. And I don't consider that Aviva's error caused him a financial loss.

I next considered Mr W's point that he'd agreed to the specific figures Aviva had quoted in March 2024 when he'd completed his application form. And that Aviva didn't tell him about its quote error until after he purchased his annuity. He felt that if he'd known about the error, he might not have carried on with his annuity purchase.

*Would Mr W have made a different decision about his annuity if Aviva had told him about its error?*

The evidence shows that Aviva told Mr W during a call on 9 July 2024 that he was still within his 30-day cancellation period. The application form also noted that Mr W had cancellation rights on his annuity. I'm therefore satisfied that, although I haven't seen any evidence that Aviva informed him about its quote error before he completed his application form, Mr W had the chance to cancel his policy if he wasn't happy with the annuity he was actually going to receive. The evidence also shows that when he was given the opportunity, Mr W didn't ask

Aviva to cancel his annuity.

Therefore, while I acknowledge that it would've been better customer service for Aviva to have told Mr W about its error before it completed his annuity purchase, I'm not persuaded that it would've made any difference to the eventual outcome. I say this because when Mr W was told he was still within the cancellation period, he decided not to cancel his annuity, despite it being lower than he'd expected.

I finally considered the compensation Aviva has paid Mr W.

*Is the £150 compensation Aviva has paid Mr W fair?*

Aviva has paid Mr W £150 compensation for the errors and the frustration, confusion and inconvenience caused.

I think this is fair and in line with what I would've otherwise recommended.

Overall, I think that Aviva has done enough to put things right after making a basis error with two of Mr W's policies in its March 2024 quotes. I therefore don't uphold the complaint.

### **My final decision**

For the reasons I've set out, 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 3 January 2025.

Jo Occleshaw  
**Ombudsman**