

The complaint

Mr D complains that Legal and General Assurance Society Limited (L&G) delayed and unfairly reduced his annuity quote. He also complains that it provided a poor service.

What happened

Mr D wanted to buy an annuity. I understand that L&G told his adviser that as there was a minimum 12-week delay in getting quotes direct from it, he should carry out a quote comparison which would provide a personalised illustration. Mr D's adviser said he did this using the same medical information Mr D then supplied to L&G. And that he was quoted a medically enhanced annual annuity figure of almost £19K. Mr D said he was happy to proceed based on that quote.

Mr D signed his annuity application form on 11 December 2023. And sent that application and medical forms to L&G on 14 December 2023.

L&G said that it received Mr D's application on 18 December 2023. As this was for an indicative quote, its administration team then asked its medical underwriting team for a guaranteed quote.

Mr D's adviser emailed L&G on 4 January 2024 to ask it to confirm it'd received Mr D's application. He also emailed it on 9 January 2024 for the quote number. And again on 10 January 2024 to ask it when he could expect the finalised quote. Mr D's adviser also said that he'd had difficulty contacting L&G by phone.

L&G said that it received the guaranteed quote from its medical underwriting team on 15 January 2024. And that it processed Mr D's application the following day. It said it received Mr D's pension funds for the annuity purchase on 22 January 2024. And that it then checked the final figures before sending them to Mr D on 30 January 2024.

I understand that Mr D wasn't deemed eligible for a medical enhancement to the annuity L&G offered. And that the guaranteed quote was for an annual annuity of around £15K.

Mr D's adviser complained to L&G on 30 January 2024 as he was unhappy about constantly having to chase for updates on Mr D's policy. He also said that Mr D had now missed his usual drawdown income payment for that month because of the delays.

Mr D's adviser said Mr D still didn't know if the annuity income level would be approximately the same as the personalised illustration. He said this was the basis on which he'd decided to proceed with the annuity purchase.

Mr D's adviser also emailed L&G on 1 February 2024. He said that as it'd held Mr D's application form for almost a month from 18 December 2023 to 16 January 2024 before requesting the required pension funds, Mr D wanted to know if L&G would backdate his annuity payments to around 18 December 2023. He also wanted to know if L&G would apply the annuity rate he should've received, but for the delayed request for funds.

I understand that L&G issued the guaranteed quote to Mr D and his adviser on 7 February 2024. Mr D's adviser called it the following day to say Mr D wasn't happy with the new figures. He said L&G hadn't told him the initial quote was indicative. And asked for the case to be put on hold while Mr D decided what he wanted to do. L&G then re-checked the quote with its medical underwriting team, which confirmed on 14 February 2024 that Mr D didn't qualify for an enhancement on his annuity.

Mr D's adviser called L&G on 15 February 2024 to check Mr D's annuity purchase was still on hold. L&G's phone note recorded that Mr D was still looking at other options and that he might want to transfer his funds elsewhere.

I understand that L&G then tried to find out whether or not Mr D's original pension provider would be able to take his pension funds back.

Mr D's adviser emailed L&G on 20 February 2024 to ask it to address the following points:

- The quote dated 7 February 2024 hadn't been sent or received. Nor had it been tracked.
- How it was possible for the guaranteed annuity quote to have fallen so far given it had been based on the same medical information as the indicative quote.
- Why L&G wasn't prepared to offer interest on Mr D's pension funds for the period it'd held them.

Mr D's adviser emailed L&G to tell it that Mr D wanted to cancel his annuity purchase with it on 20 February 2024. L&G cancelled the annuity purchase on 26 February 2024, and requested that the funds be returned to the original provider on 27 February 2024.

Mr D's adviser called L&G to chase the return of funds on 5 March 2024. L&G's phone note recorded that it could take between seven and ten days once requested, plus a further three to five working days for payment.

L&G issued its final response to the complaint on 17 May 2024. It didn't consider it'd done anything wrong with the annuity quotes. It said it'd received an indicative quote, which had stated it wasn't guaranteed, on 18 December 2023. L&G said it'd then needed to ask its underwriting team for a guaranteed quote. And that its underwriting team had provided that guaranteed quote on 15 January 2024. L&G said it'd then checked the quote and issued it on 30 January 2024.

L&G acknowledged that Mr D had received poor service from it. It apologised that his adviser had faced long hold times and that it hadn't replied to his emails. It also apologised for the delay in issuing the quote. L&G said it had arranged for £300 to be paid to Mr D's bank account to say sorry for the trouble and upset caused.

Unhappy, Mr D brought his complaint to this service. He said that L&G hadn't told him about the reduced quote. And that it'd held his pension funds from 17 January 2024 to 1 March 2024. He felt L&G had deprived him of his pension for a considerable time. He also considered that the delays L&G had caused might've contributed to a further reduction in the ultimate amount he'd receive.

Mr D felt that L&G had been slow to act. He also felt that quoting much higher figures than were possible could be considered a fraudulent business activity. To put things right, he wanted L&G to pay interest on his pension funds for the 45 days it'd held them. He also wanted L&G to effectively honour the original quote.

Mr D told this service that although L&G said it'd paid the £300 compensation it'd offered him into his bank account, he hadn't received it. He also said he wouldn't accept it.

Our investigator didn't think that L&G should be required to honour the original quotation or pay interest on Mr D's pension funds for the period it'd held them. But she felt that L&G should pay additional compensation of £150 for the impact of its mistakes on Mr D.

Mr D didn't agree with our investigator. He didn't think there was a calculation to support the decision that £450 was sufficient compensation, given how long L&G had held his pension funds for.

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 persuaded that L&G should be required to honour the original annuity quote. Nor am I persuaded that it should be required to pay interest on the pension funds it held during the process. I know this will be disappointing to Mr D. I'll explain the reasons for my decision.

I first considered whether or not L&G should be required to honour the original quote.

Should L&G honour the original quote?

From what I've seen, Mr D's adviser was aware that the initial quote wasn't guaranteed. I say this because his 10 January 2024 email to L&G stated:

"Just chasing to see when we can expect the finalised quote for the above?"

And his 30 January 2024 email to L&G explained that Mr D still didn't know if the annuity income level would be approximately the same as the personalised illustration.

When Mr D completed his application form, his quote stated the following:

"Your pension has been enhanced owing to your lifestyle or ill health".

It also stated:

"Important information

- *This quote is not guaranteed as it will need to be reviewed by our underwriting team if you choose to proceed. If you apply for this quote, please be aware that the final figures could be different."*

The quote also noted that Mr D would have cancellation rights if he chose to purchase the quoted annuity. He'd have 30 days to decide.

I think the quote was clear that it wasn't guaranteed. And that L&G's underwriting team would need to review it.

Overall, I'm satisfied that Mr D was aware that his initial quote wasn't guaranteed. But I acknowledge how much of a shock it must've been to receive a final quote that was so much lower than the original one. Having said that, Mr D wasn't entitled to the initial quote as he

didn't meet the underwriting criteria for it. Therefore, I can't reasonably ask L&G to honour it.

However, I can consider the loss of expectation Mr D suffered and I'll do that later in my decision.

I next considered whether L&G should be required to pay interest on Mr D's pension funds for the period it held them.

Should L&G be required to pay Mr D interest on his pension funds?

Mr D said that L&G held his funds for a 45-day period from 17 January 2024 to 1 March 2024. I can see that this meant that he wasn't able to take his usual drawdown income payment from his pension funds in January 2024.

The evidence shows that L&G received Mr D's funds on 22 January 2024.

L&G then had to check the final figures. It didn't make Mr D aware of his final figures until 12 working days later, on 7 February 2024. Once it had done so, Mr D's adviser told it on 8 February 2024 to put the annuity purchase on hold while Mr D decided what he wanted to do. He effectively reconfirmed this hold on 15 February 2024. In the meantime, L&G had re-checked the figures with its underwriting team.

The evidence shows that Mr D's adviser first asked L&G to cancel Mr D's annuity purchase on 20 February 2024. It did this on 26 February 2024, requesting the funds to be returned on 27 February 2024.

L&G held Mr D's funds from 22 January 2024 until 27 February 2024. While I acknowledge that the process for the return of those funds then took a few days, I can't fairly hold L&G responsible for how long that part of the process takes.

Having considered the evidence, I'm not persuaded that L&G caused any material delays to the return of the funds. I say this because I'm satisfied that it'd only held the funds for 12 working days by the time it'd informed Mr D about his guaranteed quote. Although I think it would've been a better service to have told him sooner, I'm not persuaded that this is far outside of a reasonable service standard. I also consider that L&G acted in a reasonable timeframe once Mr D had decided to cancel his annuity purchase.

Overall, while I'm sorry that Mr D wasn't able to take his usual drawdown payment in January 2024, I can't fairly ask L&G to pay him interest on the funds it held as part of the annuity purchase process, for the period of time when Mr D was still deciding whether he wanted to buy the annuity on offer or not.

I finally considered the compensation L&G has offered Mr D for the distress and inconvenience it caused him.

Distress and inconvenience

L&G acknowledged that it delayed issuing the new quote. And that Mr D's adviser had experienced long call waiting times. It also accepted that it hadn't responded to that adviser's emails. It offered £300 for the distress and inconvenience this had caused.

Our investigator also felt that Mr D had suffered a loss of expectation when he wasn't able to access the medically enhanced quote he thought he'd get.

Having considered all of the evidence, I can see that while L&G knew that Mr D didn't qualify

for the medical enhancement he'd expected from 15 January 2024, it didn't tell him about this until 7 February 2024. In the meantime, it progressed the annuity purchase without giving Mr D the opportunity to decide whether this was what he still wanted to do. I agree with our investigator that this must've been extremely upsetting for Mr D, as he'd only made the decision to buy the annuity on the basis of the initial higher quote.

I can also see that L&G didn't provide the updates Mr D wanted during the process. And that it was difficult to contact it by phone. I think this would've been worrying for Mr D.

Overall, I agree with our investigator that it would be fair and reasonable for L&G to pay Mr D a total of £450 compensation for the distress and inconvenience it has caused him.

Putting things right

L&G said it'd already paid £300 compensation into Mr D's bank account. Mr D said he hasn't received this.

I therefore require L&G to confirm with Mr D whether or not it has paid the £300 it offered him.

If L&G has yet to pay the £300, it must pay Mr D £450 compensation in respect of the distress and inconvenience caused by its poor service and the resultant loss of expectation. If it has already paid the £300 it originally offered, L&G must pay Mr D a further £150 compensation.

My final decision

For the reasons set out above, I uphold Mr D's complaint. Legal and General Assurance Society Limited must take the action detailed in "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 30 January 2025.

Jo Occleshaw
Ombudsman