The complaint

Mrs C complains that AJ Bell Management Limited (AJB) caused avoidable delays to the set-up of her annuity with it, leading to a financial loss.

Mrs C is represented in her complaint. But I'll only refer to her in my decision.

What happened

Mrs C's late husband held a Self-Invested Personal Pension (SIPP) with a AJB. I understand that he sadly died in July 2023. And that Mrs C informed AJB of his passing in August 2023. It confirmed Mrs C as sole beneficiary on 29 September 2023.

Mrs C wanted to buy an annuity with her late husband's pension funds. A provider I'll refer to as provider L sent her a quote dated 25 October 2023 for an enhanced single life annuity with RPI increases and no guarantee. The quote was for an approximate purchase price of £140K and said it would provide an annual annuity of £6,208.80, with a provisional start date based on the date of Mrs C's late husband's death.

The quote stated that it was guaranteed until 4 December 2023. It explained what would happen after expiry. It said:

"*If the annuity is purchased outside the quote guarantee period, current rates will apply. As a result your actual pension payment may be less than the amount shown in this quote*."

Mrs C completed the annuity application form and provider L received it on 22 November 2023.

Provider L requested the pension funds from AJB on 27 November 2023, using Origo. I understand it added a note to Origo because the funds for Mrs C's annuity were coming from her late husband's SIPP. The note stated:

"*Death In Service case. Please confirm when sending us the funds if the original member passed away before the age of 75 for tax purposes. Also please confirm the date you were notified of the death*."

AJB replied to provider L a few minutes later to say that some of the details provided didn't match. Provider L replied to that note a week later on 4 December 2023. It said: "*The case is a death in service request hence why the details do not match the details you hold*."

AJB replied the same day to repeat that the customer details provided didn't match.

I understand that provider L then said: "*hi, please refer to the original notes when we requested the funds*." However, provider L hasn't provided the date or time it added this note to Origo.

The annuity quote expired on 4 December 2023.

AJB placed an instruction to encash the SIPP on 12 December 2023. The cash proceeds were received on 14 December 2023.

Provider L said that AJB didn't tell it through Origo what it needed. It said it therefore contacted Mrs C on 13 December 2023 to ask her to contact AJB. It said she provided it with a response the same day. AJB said that it told Mrs C that provider L would need to issue discharge paperwork to it so it could proceed with the transfer.

Provider L's notes recorded that it received an email from Mrs C on 18 December 2023 which explained that AJB would need discharge paperwork, bank account, sort code, payment reference and SIPP number to proceed with the transfer. And that it raised a task for its administration team to process this request.

Provider L then sent AJB a paper transfer request with all the requested details by email on 19 December 2023. The email contained HMRC screenshots that I understand had been extracted on 4 December 2023.

AJB said that it completed the payment of funds to provider L on 8 January 2024. And that it wrote to it to confirm that payment on 10 January 2024. It said it'd also provided an email confirmation of the payment the same day.

Mrs C called provider L on 9 January 2024 for an update. It told her that it was still waiting to hear from AJB, and would chase it.

Mrs C called provider L again for an update on 29 January 2024. Provider L's notes recorded that it then realised that it'd received the funds on 11 January 2024. It raised a priority task for its administration team to start work as soon as possible.

On 30 January 2024, Mrs C called AJB. She said that provider L was waiting for a transfer declaration before it could complete. I understand that AJB issued the required forms to provider L the same day.

AJB said that on 5 February 2024, provider L responded to its email asking it to provide a provider L policy reference or an application reference number that the discharge form related to. It said it responded the following day to say it didn't have that information, but it provided Mrs C's name as the beneficiary.

Provider L confirmed the new quote on 14 February 2024. Mrs C accepted the new quote but questioned why the income was lower than that on her original quote. This was because annuity rates had worsened since the last quote. She made a formal complaint to AJB the same day.

AJB said its bereavement team contacted Mrs C on 15 February 2024 to provide a timeline of events. This showed that the delay in encashing the SIPP had led to a gain in the SIPP's value.

On 19 February 2024, AJB offered Mrs C an ex-gratia payment of £300 due to the delays. But Mrs C didn't think this was fair. She said her annuity would now lower than it should be because of the delays. She felt either AJB or provider L should ensure she didn't lose out.

AJB issued its final response to the complaint on 8 March 2024. It didn't think it was responsible for the quote expiry. But repeated its ex-gratia offer of £300 for any inconvenience caused.

AJB acknowledged that it'd caused a delay to the disinvestment of the funds, but felt this'd had no overall impact on the transfer given it'd settled on 14 December 2023, which was before it'd received provider L's transfer request on 19 December 2023. It said the request was received after the original quote had expired, and that it hadn't in any event been made aware of the expiry date. It also said the disinvestment delay had meant that the assets had gone up by almost £2K.

AJB said that provider L hadn't made it aware that it needed its discharge paperwork until 30 January 2024. It also said that provider L had tried to request the transfer through Origo. It said that when it'd made that request, provider L would've been provided with a Ceding Provider Product note which stated:

"Please note we cannot accept annuity requests via Origo . . .. We will need our annuity paperwork to be completed."

Mrs C brought her complaint to this service in June 2024. She felt that both AJB and provider L had caused delays to her annuity being set up. And that this had led to her being £50.95 a month worse off. She didn't think either business had treated her - a vulnerable customer - in the way they should have. And said she'd suffered a lot of emotional stress and anxiety.

Our investigator felt that AJB was responsible for 50% of the delays to the set-up of the annuity, with provider L being responsible for the rest. He felt that neither AJB nor provider L had shown how clear and thorough they'd been throughout the transfer process. He noted the following areas of potential delay caused by AJB:

- He felt it was reasonable for AJB to check the details on the Origo request. But felt that it already knew that Mrs C's husband had passed away. And as it'd confirmed her as the sole beneficiary, it knew that Mrs C intended to take the death benefits. He felt AJB should've contacted Mrs C under its own bereavement process rather than treat the transfer as standard.

- Our investigator also felt that although he hadn't seen the 4 December 2023 notes AJB said it'd placed on Origo, which it said had confirmed its requirements to proceed, evidence from provider L suggested that AJB hadn't looked at the "*options notes*". He also noted that on 13 December 2023, provider L had said that AJB had failed to find Mrs C as a customer. He felt both AJB and provider L were both responsible for making their notes clear and reading them.

- He felt AJB should've made Mrs C aware of what it needed before 13 December 2023, when she'd called it.

- He felt AJB had taken too long to complete the transfer, noting it'd taken more than ten working days (11 in total) from 19 December 2023 to 8 January 2024, despite the funds having been in cash since 14 December 2023.

Our investigator felt that both AJB and provider L had lacked clarity in what was needed and in executing that in a timely manner.

Our investigator didn't think that the initial quote could've been achieved, even if there hadn't been any delays, as he felt that it usually took around a month for the transfer of funds to buy an annuity. And he didn't consider this was unreasonable given the checks that needed to be conducted.

Our investigator felt that but for the delays caused by both parties, the annuity would've been based on a new quote date of 15 December 2023. And that the annuity could've been set up by 5 January 2024.

However, our investigator felt that the annuity should've been set up earlier than it was, but for the avoidable delays. He felt AJB and provider L were equally responsible for these. To put things right, he recommended AJB and provider L shared the cost of putting Mrs C back in the financial position she would've been in but for the shared delay.

Mrs C's representative made the following points on her behalf.

- He felt that when a quote stated that it was valid until the 4 December 2023, it would be normal for a purchaser to assume that if it was returned before this date, it would still be valid. He asked our investigator to consider putting Mrs C back to the position of the original quote.

- He wanted confirmation that any future annuity loss calculated would be paid through an increased monthly annuity.

- He said Mrs C wouldn't be a taxpayer until she started to receive her state pension.

Our investigator said he couldn't fairly ask for the original annuity rate to be honoured as he didn't consider it could've been achieved, regardless of what Mrs C had assumed. He said he would recommend that an annuity be paid if a future loss was identified.

AJB accepted our investigator's view. It said it'd approached provider L around the additional annuity purchase required, noting that this would cost £7,557.02 overall. It said that given its 50% liability of this amount, in addition to the £300 it'd offered for the distress and inconvenience caused, it was prepared to arrange a £4,078.51 payment to Mrs C to allow her to complete the purchase.

As provider L didn't agree that it was responsible for any avoidable delays, 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 agree with our investigator that AJB and provider L share the responsibility for the avoidable delays. I therefore uphold the complaint. I'll explain the reasons for my decision.

I first considered Mrs C's representative's points.

Should the original quote be honoured?

Mrs C's representative felt that the original quote should be honoured, given Mrs C had returned it to provider L before the quoted expiry date. He said it came as quite a shock to her when she did eventually find out it wasn't going to be honoured.

While I understand why Mrs C feels the way she does, the original quote clearly stated that it was guaranteed until 4 December 2023. It explained what would happen after expiry. It said:

"*If the annuity is purchased outside the quote guarantee period, current rates will apply. As a result your actual pension payment may be less than the amount shown in this quote*."

I think this clearly explained that if the annuity purchase, rather than the application, wasn't completed by the expiry date, the annuity quoted could change. I therefore can't reasonably ask AJB and provider L to honour the original quote, as I'm not satisfied that the annuity purchase could've been made before the quote expired even if there'd been no avoidable delays to the process.

I next considered whether the compensation AJB has offered for the distress and inconvenience caused is reasonable under the circumstances.

Distress and inconvenience

AJB offered Mrs C £300 compensation In recognition of this delayed asset disinvestment.

While I don't doubt the stress and inconvenience caused by this complaint, I'm satisfied that this level of compensation is reasonable under the circumstances. It's also in line with what I would've otherwise recommended.

I'll cover the other points Mrs C's representative made in the "Putting things right" section later in my decision.

I next considered whether AJB was responsible for any avoidable delays.

Was AJB responsible for any avoidable delays to the process?

AJB responded within minutes of provider L's 27 November 2023 Origo request. It said that some of the details provided didn't match the information it held. While I think this was a reasonable course of action at this point, AJB simply repeated this point a week later, when provider L was still having problems with the Origo request. I think it could've provided clearer information about what the issues were at this point, as could provider L.

I consider that AJB should've reviewed provider L's Origo request on 4 December 2023. It should've then let Mrs C and provider L know what it needed. It should've also told both provider L and Mrs C at this point what paperwork it needed for Mrs C's transfer.

I acknowledge AJB's point that provider L should've been provided with a Ceding Provider Product note when it tried to request the transfer through Origo, and that this would've explained that it couldn't accept annuity requests in that way, but needed its annuity paperwork to be completed. But I haven't been provided with any documentary evidence that this actually happened in this case.

I'm therefore not persuaded that AJB made it clear to provider L as soon as it should have that it couldn't use Origo for this transfer.

AJB didn't encash Mrs C's husband's assets until 12 December 2023. It said it should've encashed the funds in Mrs C's husband's SIPP after it received Mrs C's SIPP options form on 22 November 2023. This clearly contributed to the transfer delays.

Provider L sent AJB a paper transfer request with all the requested details by email on 19 December 2023, but AJB didn't complete the payment of funds to provider L until 8 January 2024. I think it should've transferred the funds as cash much sooner than it did.

While I've not gone into any detail about the delays I consider provider L caused, I agree with our investigator that AJB and provider L are equally responsible for the avoidable delays. I went on to consider when the annuity should've been purchased.

What should've happened?

Our investigator set out in detail what should've happened in his view. I've carefully considered the evidence provided and confirm that I agree with our investigator on all of the dates he proposed.

Therefore, in summary, I think the following should've happened.

22 November 2023 (change from 12 December 2023) - AJB should've encashed the funds in Mrs C's husband's SIPP after it received her SIPP options form on 22 November 2023. I understand this would've led to a cash transfer value of £143,561.49.

27 November 2023 (no change to date) - AJB should've received the Origo request.

4 December 2023 (no change to date) – AJB should've reviewed provider L's Origo request. It should've then let Mrs C and provider L know what it needed. AJB said it needed paperwork for Mrs C's transfer. It should've told both provider L and Mrs C at this point.

8 December 2023 (change from 19 December 2023) – as it took provider L four working days to respond to Mrs C's 13 December 2023 email outlining what AJB needed, I think it would've taken the same time to respond in this alternative scenario. So provider L should've sent its response to AJB by this point. And the response should've been completely clear about what provider L still needed.

12 December 2023 (change from 8 January 2024) – AJB should've transferred the funds as cash two working days later.

15 December 2023 (change from 11 January 2024) – provider L would've received the cleared funds. I therefore consider that Mrs C's annuity should've been based on her new quote being produced on 15 December 2023.

22 December 2023 (change from 30 January 2024) – discharge forms should've been received no more than a week later.

5 January 2024 – seven working days later, the annuity should've been set up.

Putting things right

When considering fair compensation our aim is to put a consumer back into the same position they would've been, or as close to that as possible, had the error not occurred.

I'm satisfied that if AJ Bell Management Limited and provider L hadn't caused avoidable delays to the processing of Mrs C's annuity application, she may have received a higher annuity rate than she actually secured.

But for the delays caused by AJ Bell Management Limited and provider L, I think that provider L would've received the funds on 15 December 2023. AJ Bell Management Limited must therefore work with provider L to calculate the rate of annuity that Mrs C would've received if it had received the funds to purchase the annuity on 15 December 2023. It should then use this rate to calculate the annuity income that Mrs C should've been receiving since July 2023, based on her fund value on 15 December 2023.

Once provider L has calculated the annuity income Mrs C should've been receiving, AJ Bell Management Limited must use that when considering past losses, as follows:

A) The accumulated total of the net payments which Mrs C should've received from the annuity since July 2023 to the date of my final decision, with interest added to each payment at 8% per year simple from the date it was due to the date of my final decision.

B) The accumulated total of the net payments which Mrs C actually received from her annuity to the date of my final decision, with interest added to each payment at 8% per year simple from the date it was due to the date of my final decision.

C) If A - B shows a past loss has been incurred, compensation should be paid directly as a lump sum after making a notional reduction to allow for income tax that would otherwise have been paid on taxable income and interest payments at Mrs C's likely rate of income tax. Mrs C's representative has told this service that Mrs C is currently not a taxpayer. But AJ Bell Management Limited should confirm this with her before it finalises the correct payment.

In respect of the future loss that may be incurred AJ Bell Management Limited must consider:

D) The notional gross pension per year which Mrs C should've been receiving from the date of my final decision onwards.

E) The actual gross pension per year Mrs C currently will receive from the date of my final decision onwards.

F) Future Gross Loss per year = D – E. If the answer is negative, there's a future gain and no redress is payable.

G) AJ Bell Management Limited must then work out what it would cost to replace any lost income in F) by buying an annuity on the open market with these features. This is Mrs C's preferred option. It will need to refer to published annuity rate tables and get a quote from a competitive provider.

H) If it isn't possible to purchase an annuity, the purchase price of the annuity found in G) is Mrs C's gross future loss. This should be paid directly to her as a lump sum after making a notional reduction to allow for income tax that would otherwise have been paid at her likely rate on the income in F. As noted in C) above, AJ Bell Management Limited should confirm with Mrs C whether she remains a non-taxpayer.

I think it's fair and reasonable to offset any past losses and future gains or vice versa. That may mean that there is no overall loss or that a residual loss is payable however offsetting can only be done after tax adjustments have been made as outlined above.

If payment of compensation is not made within 28 days of AJ Bell Management Limited receiving Mrs C's acceptance of my final decision, interest must be added to the compensation at the rate of 8% per year simple from the date of my final decision to the date of payment.

Income tax may be payable on any interest paid. If AJ Bell Management Limited deducts income tax from the interest, it should tell Mrs C how much has been taken off. AJ Bell Management Limited should give Mrs C a tax deduction certificate in respect of interest if she asks for one, so she can reclaim the tax on interest from HMRC if appropriate.

For the avoidance of doubt, AJ Bell Management Limited must pay 50% of any losses calculated as set out above. And provider L must pay the other 50%.

It's unclear whether or not AJ Bell Management Limited has paid Mrs C the £300 compensation it offered her. If it hasn't yet paid this, it must also pay Mrs C £300 compensation for the distress and inconvenience it’s caused her.

My final decision

For the reasons set out above, I uphold Mrs C’s complaint. AJ Bell Management Limited must take the actions detailed in “Putting things right” above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs C to accept or reject my decision before 10 February 2025.

Jo Occleshaw
Ombudsman