

The complaint

Mrs C complains that Legal and General Assurance Society Limited (L&G) 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 provider I'll refer to as provider A. I understand that he sadly died in July 2023. And that Mrs C informed provider A of his passing in August 2023. Provider A confirmed Mrs C as sole beneficiary on 29 September 2023.

Mrs C wanted to buy an annuity with her late husband's pension funds. L&G 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 L&G received it on 22 November 2023.

L&G requested the pension funds from provider A 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."

Provider A replied to L&G a few minutes later to say that some of the details provided didn't match. L&G 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."*

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

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

The annuity quote expired on 4 December 2023.

L&G said that provider A 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 provider A. It said she provided

it with a response the same day. Provider A said that it told Mrs C that L&G would need to issue discharge paperwork to it so it could proceed with the transfer.

L&G's notes recorded that it received an email from Mrs C on 18 December 2023 which explained that provider A 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.

L&G then sent provider A 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.

Provider A said that it completed the payment of funds to L&G 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 L&G on 9 January 2024 for an update. It told her that it was still waiting to hear from provider A, and would chase it.

Mrs C called again for an update on 29 January 2024. L&G'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 provider A. She said that L&G was waiting for a transfer declaration before it could complete. I understand that provider A issued the required forms to L&G the same day.

Provider A said that on 5 February 2024, L&G responded to its email asking it to provide an L&G 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.

L&G 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 the same day.

In its final response letter to Mrs C, provider A said that L&G had tried to request the transfer through Origo. It said that when it'd made that request, L&G 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."

L&G emailed Mrs C's representative on 5 June 2024. It acknowledged Mrs C's desire for its original quote to be honoured. But said that as the funds hadn't been sent to it within the quote guarantee period, it couldn't do this. It said Mrs C's complaint about this had been referred to its complaints department.

Mrs C's representative replied on 7 June 2024. He expressed his and Mrs C's surprise that her complaint had only just been referred to L&G's complaints department, as they felt that'd already happened earlier that year.

L&G's file notes recorded that it'd backdated the annuity payments to July 2023.

L&G issued its final response on 12 June 2024. It apologised for the delayed response to the complaint. It didn't agree it'd delayed the annuity being put into payment. It said that provider A had taken 30 working days to transfer the funds and then a further ten to issue the declaration form it'd needed. So it couldn't honour the original quote.

L&G agreed that it'd given Mrs C incorrect information about her complaint date. It offered to pay her £500 compensation for the distress and inconvenience it'd caused her.

Mrs C brought her complaint to this service in June 2024. She felt that both L&G and provider A 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 L&G was responsible for 50% of the delays to the set-up of the annuity, with provider A being responsible for the rest. He felt that neither L&G nor provider A had shown how clear and thorough they'd been throughout the transfer process. He noted the following areas of potential delay caused by L&G:

- He felt that L&G had required a transfer declaration form from provider A before it could complete the purchase, but it hadn't told provider A this until 30 January 2024. He also noted that L&G had needed a policy or application reference and that provider A said it had neither. He felt L&G ought to have clearly set out what was needed given it had been made aware of provider A's paper-based requirements.
- He felt L&G ought to have procedures in place so that it became aware when customers' funds had been received.

Our investigator felt that both L&G and provider A 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 L&G and provider A were equally responsible for these. To put things right, he recommended L&G and provider A 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.
- He said that although L&G had offered to pay Mrs C £500 it had never paid it. He felt this payment should now have interest added to reflect the time that Mrs C had been without it.

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 also said that this service didn't award interest on distress and inconvenience compensation. He said he would recommend that an annuity be paid if a future loss was identified.

L&G didn't agree with our investigator. It made the following points:

- It felt the transfer declaration was industry practice. It said it didn't receive this until 30 January 2024.
- It said it did have a process in place to identify when it received customers' funds. And that that process was based on the transfer declaration confirming the exact amount that had been transferred so that the fund could be matched to the correct customer. It felt this process was reasonable but that it relied on receiving the correct information from other providers.
- It felt that it'd made its requirements clear to provider A. It said its fund request letters stated: *"Written confirmation of your PSTR number, amount of tax-free cash paid (if applicable) and LTA% (if applicable) – Please make sure you confirm the correct amount paid."*

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 agree with our investigator that L&G shares the responsibility for the avoidable delays with provider A. 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 L&G 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 L&G 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 L&G has offered for the distress and inconvenience caused is reasonable under the circumstances. And whether it should be increased due to late payment.

Distress and inconvenience

L&G offered Mrs C £500 compensation for: *"slight delays, miscommunication and poor service from us."* In its final response letter, it said it'd: *"paid £500 direct to the bank account we hold on file"* for Mrs C.

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.

Mrs C's representative said that although L&G had offered to pay Mrs C £500 compensation, it'd never paid it. He felt this payment should now have interest added to reflect the time that Mrs C had been without it.

While I understand why this point is being made, I can't fairly require L&G to increase its compensation offer. I say this because whether or not L&G paid the compensation at the time it was offered, it's clear that Mrs C didn't accept it. I will however require L&G to make the compensation payment it offered if it hasn't already done so.

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 L&G was responsible for any avoidable delays.

Was L&G responsible for any avoidable delays to the process?

L&G received Mrs C's application on 22 November 2023. Three working days later, it asked provider A for the funds using Origo. I can't fairly say that there were any delays here. Nor can I criticise the use of Origo under the circumstances.

I acknowledge provider A's point that L&G 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 provider A 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 L&G became aware at this point that provider A couldn't use Origo for this transfer. L&G has also confirmed that its process is to always request funds through Origo first as it is the quickest method.

L&G added a note to its initial Origo request on 27 November 2023 because the funds for Mrs C's annuity were coming from her late husband's SIPP. But because the provider A pension was held in Mrs C's husband's name, the details L&G had provided didn't match. It took a week for L&G to reply to provider A's note about this. And it simply responded that this was *"a death in service request"* which meant that *"the details do not match the details you hold."*

I'm not persuaded this was a proper response to provider A's note. Instead of trying to quickly clarify with provider A what the issue was, L&G took a week to repeat that the case

was a death in service case. I think it was reasonable for provider A to require details to match before it would send the funds. And I don't consider that L&G's response was sufficient to clear things up.

I can see that L&G recorded a note on 4 December 2023 to state that provider A "*did not look [at] options notes, have reallocated and left further notes.*" But I think it could've taken further steps to find out what it needed to provide to provider A so that the transfer could progress.

The evidence shows that a further seven working days went by until L&G asked Mrs C on 13 December 2023 to contact provider A. I'm not persuaded that L&G couldn't have responded to the Origo notes more quickly or called provider A itself much sooner than this. If it'd done either of these things it could've cleared things up much more quickly and the annuity purchase would've happened sooner.

Provider A could've also been more helpful here, although I can see that it did respond quickly to the Origo notes, even if those responses weren't completely helpful.

It wasn't until 18 December 2023 that L&G picked up Mrs C's email from 13 December 2023 which confirmed exactly what provider A needed to progress the transfer. Under the circumstances, I would've expected L&G to have been looking out for this email given it'd asked Mrs C to contact provider A.

Looking at L&G's rationale for holding provider A fully responsible for the delays, I can see it said that provider A took 30 working days to transfer the funds.

It's 30 working days between 27 November 2023 - the date of L&G's first transfer request - and 11 January 2024, when it received the funds from provider A. But it's only 11 working days from 19 December 2023 - when L&G sent the paper transfer request provider A needed to it - to 8 January 2024, when provider A completed the payment of funds.

Provider A informed L&G on 10 January 2024 that the transfer had completed on 8 January 2024. Despite this, L&G only seems to have realised it had Mrs C's funds on 29 January 2024, 12 working days later.

L&G also said that it took provider A ten working days to issue the transfer declaration form. But it appears that provider A sent this on the day Mrs C told it L&G needed it. I acknowledge L&G's point that the transfer declaration form is industry practice, and that it formed part of its process to identify when it received its customers' funds. But I can't fairly agree that it needed this to realise Mrs C's funds had arrived.

I say this because the evidence shows that L&G noticed during a call with Mrs C on 29 January 2024 that it'd received her funds on 11 January 2024. But from what I've seen, it should've realised when provider A sent L&G written confirmation that the payment had been made on 10 January 2024. It therefore should've been aware that it held Mrs C's funds since 10 January 2024, even without the transfer declaration. But if it still needed the transfer declaration, which I don't consider unreasonable, L&G should've asked provider A for it soon after its 10 January 2024 confirmation that the funds had been sent.

I also acknowledge that L&G did make its requirements clear to provider A in its 19 December 2023 letter to it. I agree that it was only able to send this letter because it'd asked Mrs C to contact provider A on 13 December 2023 to ask it how it should proceed. But I consider that this could've been made clearer much sooner. And I'm satisfied that if it had been, the annuity would've been purchased sooner.

I also note that in its complaint file, L&G appears to accept that it caused some delays. I say this because its complaint report stated:

“Small delay in processing the annuity caused by legal & General...”

It also states that it offered Mrs C £500 compensation for: *“slight delays, miscommunication and poor service from us.”*

Overall, I agree with our investigator that L&G and provider A 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) - Provider A 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) - Provider A should've received the Origo request.

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

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

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

15 December 2023 (change from 11 January 2024) - L&G 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 Legal and General Assurance Society Limited and provider A 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 Legal and General Assurance Society Limited and provider A, I think that L&G would've received the funds on 15 December 2023. Legal and General Assurance Society Limited must therefore calculate the rate of annuity that Mrs C would've received if L&G 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 it has calculated the annuity income Mrs C should've been receiving, Legal and General Assurance Society 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 Legal and General Assurance Society Limited should confirm this with her before it finalises the correct payment.

In respect of the future loss that may be incurred Legal and General Assurance Society 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) Legal and General Assurance Society 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, Legal and General Assurance Society 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 Legal and General Assurance Society 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 Legal and General Assurance Society Limited deducts income tax from the interest, it should tell Mrs C how much has been taken off. Legal and General Assurance Society 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, Legal and General Assurance Society Limited must pay 50% of any losses calculated as set out above. And provider A must pay the other 50%.

Mrs C's representative said that Legal and General Assurance Society Limited has yet to pay the £500 compensation it said it'd paid her. If it hasn't yet paid this, it must also pay Mrs C £500 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. Legal and General Assurance Society 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