

The complaint

Mrs L complains that Legal and General Assurance Society Limited (L&G) delayed setting up an annuity and reduced the income rate available. She wants compensation for the losses.

What happened

Mrs L had a pension with Royal London and wanted to take her benefits. Royal London Marketing Ltd (RLM) acted for her in arranging an annuity with L&G on enhanced terms reflecting medical factors. RML obtained an annuity illustration from L&G dated 6 November 2023 offering an income of £261.78 per month. This illustration was guaranteed until 16 December 2023. RML says it sent this and the application pack to Mrs L on 7 November 2023, which it says she returned on 30 November 2023, but some information was missing. She provided this on 4 December 2023 and L&G received the application from RML on 11 December 2023. L&G processed this and requested the funds from Royal London on 18 December 2023, which it received on 2 January 2024.

L&G noted the rate had expired and confirmed the new lower income rate of £234.55 per month to RLM, who confirmed this to Mrs L. She complained about this and RLM contacted L&G who also logged a complaint. RML said the application had been received before the illustration expiry date, but L&G hadn't requested funds until after it had expired. RML said L&G hadn't advised the new income rate until 37 days after the illustration expired and that it should have confirmed the rate had expired before requesting the funds.

L&G didn't uphold the complaint, it said the primary cause of the rate being lost was the delay in the application being received. And it said there was no way it would have been able to request and receive the funds from Royal London in the five days between receiving the application and the illustration date expiring.

Mrs L said the application had been submitted in time, and L&G and RML were blaming each other for the lower rate being available. And she said the income being paid to her had reduced after the first month without explanation. Our investigator looked into the complaint, and he upheld it in part.

Our investigator said the illustration was only guaranteed if L&G received both the application and the funds before the expiry date. And the funds weren't received until after then. He said L&G had requested the funds within five working days of receiving the application which was reasonable timeframe. But he said it had made an error in requesting funds for a quote that was no longer valid and not informing Mrs L of this. He said this had delayed the annuity starting. He said the reduction in income and delay would have caused Mrs L distress and inconvenience and it should pay her £150 compensation for this.

L&G disagreed. It said it wasn't reasonable for compensation of £150 to be paid to Mrs L. It said RLM was acting for her, and it should have been aware of the expiry date, it said it wasn't its normal practice to *"inform our customers when their quotation expires as they are already provided with this information"*.

As L&G doesn't agree it has come to me to decide.

My provisional decision

I issued my provision decision on; 27 September 2024, I explained the reasons why I was planning to the complaint. I said:

I've considered all the available evidence and arguments to decide (provisionally) what's fair and reasonable in the circumstances of this complaint. Having done so, I'm not planning to uphold the complaint.

Our service provides an informal dispute resolution service, which means I need to be fair to both sides. I appreciate Mrs L frustration over what has happened, but I can only consider the actions of L&G here not RML. And I don't think L&G has treated her unfairly, and that means it isn't reasonable for me to tell it to pay her compensation. I know this will disappoint Mrs L, so I will explain why I've come to this decision.

It isn't reasonable to expect L&G to honour an annuity rate if it hasn't received the funds in time unless errors it made caused the problem. I don't think this is the case here. I think the primary reason the guarantee date was missed was because the application was only submitted to L&G five days before the illustration expired.

And the annuity illustration makes it clear that the income rate offered was only guaranteed until 16 December 2023 and,

"if purchased outside the quotation guarantee period, current rates will apply. As a result your actual pension payment may be less than the amount shown in this quotation."

I don't know what level of service RLM was providing to Mrs L, but it received £1,060.98 in commission for arranging the annuity. But I'd normally expect any intermediary to be conscious of the expiry date applying to an annuity illustration and to keep that under review, and for it to arrange new quotes and/or expedite processes as necessary. When RLM sent L&G the applications by email on 11 December 2023, it didn't highlight the expiry date or note that the application was urgent and request that it be prioritised. And I wouldn't expect L&G not to process an application even if the guarantee date had expired, because it isn't its role to consider the impact of the guarantee expiring. So, I don't think it treated Mrs L unfairly by processing the application as it did.

So, I don't think it is fair to say L&G caused delays that caused the annuity rate to be lost. However, there was a delay once the funds had been received in processing the application and confirming the income rate now available to RLM for it to advise Mrs L. It took just over three weeks for L&G to do this. So, I asked it what had caused the delay and some other questions about when the annuity had actually started. It said it had received the funds on 2 January 2024 and had backdated the start date to then. It said it normally expected to issue details of any change to the annuity income payable within 10 working days, so by 16 January 2024. In this case it didn't advise what the new income amount was until 24 January 2024, so there was a short delay here, but it doesn't appear RML was seeking any update in the interim.

I've thought about the consequences of this. Mrs L did go ahead and accept the new rate and L&G backdated the annuity start date to 2 January 2024, with the annuity rate available then. The first income payment was made in early February 2024, when it should have been and that means the impact of this delay was minimal and hasn't caused her any financial loss. L&G has also confirmed the reason the income payment in March 2024 was lower than

in February was due to the deduction of tax under PAYE, whereas the first payment appears to have been paid without any tax being deducted. So, it's likely that L&G had received tax code information from HMRC requiring it to do this.

Taking everything together I don't think L&G was responsible for the reduced annuity rate and it didn't treat Mrs L unfairly in processing her application as it did. It backdated the annuity to the date it received the funds, which is fair. The delay in issuing the revised income rate was unfortunate but didn't change anything. And because I don't think L&G has treated Mrs L unfairly it isn't reasonable for me to uphold her complaint, and I can't tell it to pay her compensation in this case.

I asked both parties to send me any further information or comments they would like me to consider.

Response to provisional decision

Neither Mrs L nor L&G responded to my provisional 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.

Having done so, I've decided not to uphold the complaint.

I don't think L&G made any error which caused the original annuity rate to be lost. Instead, I think the application was submitted too late for L&G to be able to process and receive the funds from Royal London in time. And it is normal practice to continue to process annuity applications even if the guaranteed date has passed unless the application is withdrawn. So, I don't think L&G treated Mrs L unreasonably here.

Whilst there was a delay in L&G then confirming the new income available, this caused no financial loss as there was no delay in the first income payment being made to Mrs L. With the annuity start date having been backdated to when L&G received the funds, which is fair.

And it seems clear that any difference in the monthly income payments subsequently paid to Mrs L was due to the application of tax under PAYE following instructions from HMRC, rather than being due to any error by L&G.

So, taking everything together I don't think L&G has treated Mrs L unfairly, and I can't uphold her complaint, or award her compensation.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 9 January 2025.

Nigel Bracken
Ombudsman