

The complaint

Mr E complains that The Royal London Mutual Insurance Society Limited (Royal London) caused avoidable delays to his annuity purchase, leading to financial loss. He also complains that he received poor service from Royal London.

Mr E is represented in his complaint by his Independent Financial Adviser (IFA). But I'll only refer to him in my decision.

What happened

Mr E had a pension policy with Royal London. His policy had a guaranteed basic annuity. The maximum Tax-Free Cash (TFC) amount then contractually available under the policy was calculated by multiplying the annual guaranteed basic annuity by three. These figures would then be used to calculate a commuted cash value, with part of that calculation depending on the annuity rates at the time.

Mr E's IFA first contacted Royal London about claiming Mr E's pension on 4 August 2023. He requested quotations on specified annuity bases. He then asked for a quote pack on 11 August 2023, which he chased on 16 August 2023.

Royal London sent a generic retirement options pack on 14 September 2023. Mr E said he received it on 19 September 2023. The pack noted that a call would be required to progress the process.

The quote stated the following:

- The value of the pension pot as at 15 September 2023 was £28,898.28.
- The guaranteed annuity (GA) could mean that Mr E received a bigger pension if he arranged an annuity through Royal London. It stated the following figures:

With the GA

A tax-free cash lump sum of £5,191.98, along with a taxable yearly income of £1,730.66.

Without the GA

A tax-free cash lump sum of £3,589.17, along with a taxable yearly income of £1,196.39.

The quote stated: "*The tax-free lump sum amount shown above is the contractual lump sum that we agreed when you took out the policy and is less than the maximum allowable tax-free lump sum.*"

- The quote listed the options under which Mr E would lose the value of his GA. And stated the circumstances under which he'd keep his GA.

- The quote stated that Royal London had assumed that Mr E would receive: *“a tax-free lump sum equal to 3 times his initial annuity on retirement, as indicated in the documents that were sent to you when you took out your Pension Annuity.”*
- Royal London asked Mr E to tell it what he wanted to do, listing his options. Under option 2, where it would help Mr E purchase his annuity on the Open Market (OM), it stated: *“You can take up to £10,450.84 of your pension pot as a tax-free, one-off lump sum and then use the remainder to provide your income.”*

Mr E's IFA said that during a call to Royal London, it told him that because Mr E had a right to a higher than 25% of the current fund value TFC amount, and that as Royal London didn't offer annuities, it would increase the fund value to £41,803.36 in order to honour its contractual obligation. He said it said that this would result in a residual fund of £31,352.52 being available to purchase an annuity through its Annuity Bureau service.

Mr E's IFA called Royal London on 13 October 2023. He wanted to set up the annuity using the higher fund value he'd been quoted so that Mr E could then access the £10,450.84 TFC.

Royal London needed Mr E or his IFA to speak to its Annuity Bureau first. This could provide quotes from other annuity providers. Mr E's IFA said he was told that the first available appointment was for 20 October 2023. He raised a complaint about the length of time the two-stage claim process would take. Royal London responded to that complaint on 25 October 2023.

Mr E's IFA said that Royal London missed the first call on 20 October 2023. But that it hadn't called him to rearrange the appointment or to tell him it wouldn't be taking place. He also said that although he'd asked for a call back after asking to speak to a manager, he never received one

I understand that Royal London offered Mr E's IFA a cancelled appointment on 20 October 2023, but that he was unavailable at that time. Instead, he booked an appointment for 24 October 2023.

Further quotes were issued to Mr E's IFA on 6 November 2023. These had a “pricing fund” value of £41,803.36 and a transfer value of £28,898.28.

After several failed communication attempts and interactions, the appointment was completed on 23 November 2023. The most competitive annuity was available through a provider I'll refer to as provider A.

On 24 November 2023, Royal London issued the required paperwork for completion. The quote was based on a total fund value of £41,803.36 including TFC of £10,450.84. And was guaranteed until 7 December 2023.

Mr E's IFA returned the completed paperwork, which Mr E had signed on 6 December 2023, on 6 December 2023 by second class post. Royal London received it on 11 December 2023. By this time, the quote had expired.

On 13 December 2023, Royal London told Mr E's IFA that the quote had expired. It said that the “pricing fund” had been lost and that the fund value had reverted back to £28,411.13. It said this would result in Mr E being offered TFC of £7,102.78 and an annuity with provider A of £1,343.04 each year. The email stated that if Mr E's IFA wanted to know why the pricing fund had been lost he should call Royal London.

Mr E's IFA said that he called Royal London for an explanation about what'd happened on

15 December 2023. And to ask if it could return Mr E's fund value to £41,803.36. He said he was promised a call back by 18 December 2023, but that this never happened.

Mr E's IFA spoke to Royal London on 19 December 2023. He felt that the quoted TFC of £10,450.84 was contractual. He raised a further complaint on 19 December 2023. Royal London incorrectly recorded this.

Royal London issued its final response to the complaint on 23 February 2024. It acknowledged its failure to record the earlier complaint correctly. It said that five working days had been lost due to the issues with the appointment. But felt that the fund value would've reduced even if there'd been no delays. It therefore said it wouldn't honour the previous pricing value of £41,803.36.

Mr E's IFA wasn't happy with this response. He asked Royal London if it would honour Mr E's TFC amount of £10,450, which he felt was contractual. He felt Mr E had been financially disadvantaged by the delays. And that both he and Mr E had been caused inconvenience.

Royal London wrote to Mr E's IFA on 4 March 2024 to explain the guarantees on Mr E's policy. The letter covered the following aspects of the policy:

- The guaranteed benefits and under what circumstances they would be lost. It said these were a specified guaranteed annual annuity and a guaranteed TFC equal to three times that annuity.
- The maximum TFC that could be taken from the policy. It said that this was limited by HMRC to 25% of the capital value of the benefits. But noted that the capital value of the benefits would change depending on how the benefits were taken.
- The fall in the capital value of the benefits since October 2023. It said that the commuted cash value of the pension had reduced to £26,754.79 following its annuity rate update on 1 October 2023.
- Royal London said that both the pension pot value and the commuted cash value of the pension had fallen since September 2023. This had led to a fall in the capital value of the benefits, and therefore the maximum TFC available had also decreased. It also said that the maximum TFC could go up or down over time. And that it didn't form part of the policy guarantees.

New quotes were issued on 1 March 2024. Mr E accepted one of these quotes, signing the declaration for the transfer of £28,306.88 to provider A on 12 March 2024.

On 27 March 2024, Royal London emailed Mr E's IFA to ask him or Mr E to contact it about Mr E's chosen option.

Mr E's IFA said he called Royal London on 4 April 2024 to find out what was happening. He said it told him Mr E would have to start the whole process again as the initial meeting was now more than three months ago.

Mr E brought his complaint to this service on 10 April 2024. He was unhappy about Royal London's processes, procedures, its cancellation of appointments and its overall lack of service. He felt this meant that although it'd been eight months since his first contact with Royal London, he'd have to start the process again.

Mr E said this had caused him stress and worry about the affordability of retirement. He also said that his IFA had spent a huge amount of extra time spent trying to sort things out for

him. He wanted compensation for his financial losses and for the stress and inconvenience caused to both him and his IFA.

Our investigator didn't think the complaint should be upheld. He acknowledged that Royal London shouldn't have taken from 11 August 2023, when it received the request for a quote pack, to 14 September 2023, when it issued a quote pack. He felt this had caused a delay of twelve working days. He also felt that Royal London had caused delays of 19 working days to the appointment process. But for the 31 working days of delay, he felt that Royal London would've been received the completed claim pack on 26 October 2023. As this was after the annuity rate had changed on 1 October 2023, and as this was the cause of the commuted cash value reducing, he didn't agree that Royal London was responsible for delays which had led to a financial loss.

Our investigator considered the process Royal London had used for the annuity. He felt it was a fair process required by regulatory guidelines, even where a consumer had an IFA. He also considered whether there was a contractual obligation for Royal London to honour the quoted £10,450 TFC, but said the policy didn't have such a guarantee.

Our investigator acknowledged that Royal London should've made it clear that the process would need to be fully completed again before it issued a new retirement options pack in March 2024. But he felt that wasn't unusual. He also said that he hadn't considered the impact of the delays Royal London had caused on Mr E financially due to the significant time that had now passed without him mitigating his losses. He also acknowledged that the service could've been better, but felt that Royal London's apology was enough.

Mr E didn't agree with our investigator. His IFA made the following points:

- He felt Royal London had caused avoidable delays, particularly from 4 August 2023 to 19 September 2023. He said he'd chased Royal London, only to receive generic information. He also felt Royal London had caused delays due to not holding an appointment with him until 24 October 2023.
- He felt the service had been poor, noting the missed appointments, failed call backs and not handling complaints. He also felt it was unfair to be told that he had to start the process again in April 2024, eight months after he'd first contacted Royal London. He said this had led to lost income for Mr E.
- He noted that although Royal London had claimed to have changed its annuity rates in October 2023, the quotes he'd received on 6 November 2023 still used the higher rates. He wanted to know why this was the case if the rates had changed.

Our investigator asked Royal London to explain why the quotes it'd issued after the applicable annuity rates had changed on 1 October 2023 appeared to have been based on the previous rates.

Royal London told our investigator that the November 2023 quotes had been incorrectly based on the "pricing fund" of £41,803.36, which was no longer valid. It said that on the return of an incorrect application, it would've completed a re-quote which would've changed the fund value, and in turn the annuity quote. It said it wouldn't honour incorrect quotes, whether or not a consumer met the deadline.

As agreement couldn't be reached, the complaint came to me for a review. I issued my provisional decision on 17 December 2024. It said:

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 intend to uphold it. Although I'm not persuaded that Mr E has suffered a financial loss because of the avoidable delays and the incorrect quotes Royal London has provided, I am satisfied that he has suffered a loss of expectation. I'm also satisfied that Royal London has provided poor service. I'll explain the reasons for my decision.

Before I discuss the merits of this case, I think it's useful to set out our approach and how we look at complaints. When a business has made an error, we aim to put the customer back into the position they would've been in had the error not occurred. But customers are not entitled to benefit from the error.

We also award payments to recognise the distress and inconvenience caused by a business's error based on the impact this has had on a customer. But these payments aren't designed to cover a financial loss.

I first considered whether Royal London's avoidable delays caused Mr E to suffer a financial loss.

Did Royal London's delays cause Mr E a financial loss?

I agree with Mr E's IFA that Royal London caused avoidable delays between 11 August 2023 and 14 September 2023. I can see that this was despite him chasing it over that period. I also acknowledge that Royal London is responsible for delays to the appointment process.

However, while I also acknowledge that Mr E could've already received his TFC and some annuity income payments if his application had already been processed, I can't fairly hold Royal London responsible for the fact that he hasn't.

I say this because I agree with our investigator that although Royal London did cause some delays, I'm not persuaded Mr E would've been able to complete the annuity process by 1 October 2023. It was at this point that Royal London updated its annuity rates. I also agree with our investigator that it wouldn't be fair to consider the financial impact of the delays Royal London has caused given Mr E hasn't taken steps to mitigate his losses.

I next went on to consider whether Mr E has suffered a loss of expectation.

Loss of expectation

Mr E's IFA said that although Royal London claimed to have changed its annuity rates in October 2023, the quotes he'd received in November 2023 still used the higher rates.

Royal London said that the November 2023 quotes had been incorrectly based on the "pricing fund" of £41,803.36, which was no longer valid. It said it wouldn't honour incorrect quotes.

Mr E is only entitled to the actual value of his plan. But Royal London hasn't always provided him with correct information about that value. Its November 2023 quotes were incorrectly based on an out-of-date, and too high, fund value of £41,803.36. Mr E accepted that quote, although the evidence shows he didn't return his application by the deadline. I'm therefore persuaded that Mr E has suffered a loss of expectation.

Whilst Royal London has clearly made mistakes in some of the quotes that it provided to Mr E, I'm satisfied based on the information provided that the value noted in its 1 March 2024

quote, which he accepted, was correct.

I don't intend to award Mr E the difference between the incorrect quotation and his actual entitlement. If I did, this would put him in a better position than he would've been in but for Royal London's errors.

I agree with Mr E that the service provided wasn't perfect. There were times when communication was poor and there were occasions when it took Royal London longer than it should have to progress things. But as I've said, I'm not persuaded that these errors caused Mr E financial detriment. I can therefore only consider this in terms of the distress and inconvenience caused.

Besides measurable financial loss, I've also considered if Royal London's error has altered Mr E's position unfavourably. But in the circumstances, I'm not persuaded that he would've done anything differently had the errors not occurred. Mr E was aware at the time he accepted the 1 March 2024 quote of what he would get if his complaint wasn't upheld. And he chose to take that annuity anyway. On the balance of evidence and probabilities, I don't think Mr E would've done anything differently if Royal London hadn't previously made the errors that it did.

I'm therefore of the view that the only remaining aspect of this complaint that I need to consider is what represents a fair payment for the distress and inconvenience Royal London's delays and errors caused Mr E. In considering this, I've taken into account the circumstances of this case alongside our general approach to awards.

Distress and inconvenience

Mr E's IFA has noted various aspects of Royal London's poor service in his complaint. Based on the evidence, I can see the following specific examples of poor service:

- Royal London failed to reference the annuity quotes Mr E's IFA had actually requested when it sent a generic retirement options pack on 14 September 2023.*
- I can see that there were a number of service issues during the period when Mr E's IFA was trying to arrange an appointment. These included difficulty in arranging a workable appointment, cancellation without warning and failing to call back when promised.*
- Royal London provided incorrect quotes, leading to a loss of expectation, as noted earlier.*
- The evidence shows that a call back was again promised but missed in December 2023.*
- Royal London failed to correctly record a complaint.*
- Royal London issued the 1 March 2024 quote, despite knowing Mr E would have to start the process again as the initial meeting had been more than three months earlier.*

Mr E's IFA also felt Royal London had acted unfairly when it said Mr E would have to start the process again in April 2024.

I agree with Mr E's IFA that Royal London provided a poor service when it issued the 1 March 2024 quote, rather than making it clear that Mr E would have to start the process

again. But I agree with our investigator that it's not unusual for the process to have to be re-started if there's been a prolonged period of time since the initial meeting. Therefore I don't agree that Royal London acted unfairly when it said Mr E would have to start the process again.

Having thought about the situation and what Mr E and his IFA have told us, I recognise how much inconvenience Royal London's delays and errors have caused Mr E's IFA. But I can only consider the impact on Mr E, and not his IFA acting on his behalf. Having done that, I consider that the delays and the mistakes in quotations would've caused Mr E worry and a loss of expectation. And noting Royal London's customer service was also poor, I think £500 compensation is fair in the circumstances.

Overall, I'm satisfied that Royal London caused avoidable delays and made errors on some of the quotations it sent to Mr E. But I'm not persuaded that Mr E's financial position was altered by these mistakes. I therefore don't consider that he suffered a financial loss because of Royal London's errors. But I am satisfied that he suffered a loss of expectation.

I therefore intend to uphold the complaint. I intend to require The Royal London Mutual Insurance Society Limited to pay Mr E £500 for the distress and inconvenience it's caused him. I say this because I think Royal London's errors and poor service have caused considerable distress and significant inconvenience lasting over many months.

The Consumer Duty has been referenced when making this complaint. This applies to open products and services from 31 July 2023 and to closed products and services from 31 July 2024. Royal London has confirmed that Mr E's pension policy is a closed product. Therefore the Consumer Duty doesn't apply in this case. However, even if it did, I don't believe it would've affected the outcome of this complaint.

Response to my provisional decision

Royal London accepted my decision. Mr E didn't respond.

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.

As no new information has been provided, I remain of the view set out in my provisional decision.

Putting things right

I require The Royal London Mutual Insurance Society Limited to pay Mr E £500 for the distress and inconvenience it's caused him.

My final decision

For the reasons set out above, I uphold Mr E's complaint. The Royal London Mutual Insurance 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 E to accept or reject my decision before 3 February 2025.

Jo Occleshaw

Ombudsman