DRN-5336506

The complaint

Mr E has complained about the sale of his personal pension with ReAssure Limited ('ReAssure'). He says he was misled about the value of benefits he could expect to receive from the pension, which is now projected to be significantly less than what he was expecting.

Mr E's pension was initially held with Legal & General Assurance Society, but the responsibility for it has since been transferred to ReAssure. For ease I shall only refer to ReAssure throughout this decision.

What happened

In February 1987, Mr E took out a 'personal retirement plan' – a type of privately arranged pension that was a precursor to personal pensions - with ReAssure. At the time, Mr E was age 22 and self-employed. The pension was set up on the basis that Mr E would make contributions of £20 per month to it. An illustration provided to him at the time set out that, subject to bonuses equivalent to an assumed rate of investment return of 13% being added to the pension, it would be worth around £341,000 by the time he reached his retirement age of 65.

In March 2024, ReAssure sent Mr E an annual review of his pension stating its value was around £37,400. Mr E subsequently complained to ReAssure in April 2024.

ReAssure rejected Mr E's complaint. It said the pension was appropriate for him and met his needs, and that it had ensured he understood the nature of the plan. It said illustrations aren't guarantees or promises of future performance, and that his pension had failed to perform as originally projected because of global financial circumstances holding back investment returns.

One of our Investigators looked at the complaint and thought it should not be upheld. Mr E disagreed, so the complaint has been passed to me to decide.

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.

When considering what is fair and reasonable, I am required to take into account: relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

The events complained of occurred more than six years before Mr E's complaint was made. However, ReAssure has consented to us considering his complaint. As such, I have not considered further the implications of the relevant time limits on our jurisdiction to consider Mr E's complaint.

Mr E believes he should receive the value of benefits set out in the illustration provided to him when he took out the pension. That illustration explained the projected value of benefits was based on the assumption that bonuses paid to the pension are equivalent to an investment return of 13% per annum. It was also explained in the section titled 'How the plan works' that *"these bonus rates are not guaranteed."* This was also reflected in the notes accompanying the illustration which said, *"the illustrated benefits should be regarded neither as a maximum nor minimum estimate of those you will receive at retirement."*

That means the values given in the illustration were not guaranteed to be the value of benefits Mr E would receive at retirement. They were only an estimate of what he could receive at retirement based on an assumption of what rate of investment return would be achieved. Clearly then the value of benefits Mr E is entitled to receive is based on the rate of investment return that's *actually* achieved, which might not necessarily be the same as the assumed rate the illustration was based on.

It's apparent the assumption made in the illustration unfortunately hasn't turned out to be accurate. But I don't accept that as evidence that ReAssure mismanaged Mr E's pension or provided him with misleading information about what he could expect to receive from it. At the time, the outlook for investment returns was much different to what it is today, and there has been significant fluctuations in the typical rates of investment returns over the years. Moreover, the notes accompanying the illustration explained that the assumed rate of investment return used was approved by the Association of British Insurers. That is not to say ReAssure should be held to that rate, rather it confirms the rate ReAssure used was considered by the industry to be appropriate for illustrative purposes at the time.

Mr E has recalled that the illustration was set out to him by a Financial Consultant from ReAssure and he trusted what they told him. He's provided a business card for the Financial Consultant, who's name also appears on the plan application form. So I don't doubt what Mr E has recalled and that the Financial Consultant would have been persuasive. However, in my view the illustration document was clear that the projected value of benefits set out wasn't guaranteed and was only an estimate. So even if Mr E took from what the Financial Consultant told him that he could expect to receive the projected value, he would have been reminded by the documents provided to him (which he has retained for all this time) that the illustration wasn't a guarantee. So I don't think ReAssure provided misleading information to Mr E.

For completeness, I have considered more broadly how the pension was sold to Mr E. At the time, ReAssure was required under common law to consider if the pension was appropriate for Mr E's needs. (The sale of the pension predated the introduction of legislation that required firms to consider the suitability of their products for their customers. This legislation did not apply retrospectively which means firms did not need to revisit past sales).

Mr E has recalled that a family member told him to set up a pension, and indeed it is considered a prudent course of action to save for retirement. The evidence is that Mr E was self-employed and not a member of a company pension scheme at the time. The plan he set up provides a basic level of guaranteed annuity income and a cash lump sum on retirement. Mr E opted to contribute the lowest monthly amount permissible to the plan, which was subsequently invested in a with-profits fund.

This shows Mr E had a need for a pension arrangement. I consider the pension he set up to be a relatively low risk arrangement, and he set his contributions to it at the most affordable level. As such I'm satisfied this pension arrangement was appropriate for Mr E.

I appreciate Mr E’s realisation that his pension is unlikely to provide him with the value of benefits in retirement he’s expecting has been distressing for him. But for the reasons I've explained, I don’t think ReAssure has done something wrong.

My final decision

For the reasons given above, I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr E to accept or reject my decision before 15 April 2025.

Asa Burnett
Ombudsman