The complaint

Mr R complains that Ascot Lloyd Limited (Ascot) mismanaged the purchase of a pension annuity causing delays and financial losses. He wants compensation for the losses suffered and inconvenience caused.

What happened

Mr R had an income drawdown plan with Nucleus worth around £750,000 and had been advised by Ascot (an IFA) in respect of this for some time. He was withdrawing around £5,000 per month gross income from the drawdown plan and was interested in reducing the risks around this. He says discussions with his adviser from Ascot, led to a fixed term annuity being proposed with Legal & General (L&G). This would provide guaranteed income payments each month for ten years and guaranteed maturity value which could then be used to purchase another fixed term, or a conventional lifetime pension annuity, cashed in and so on.

Mr R emailed the adviser on 13 March 2024 saying he'd decided to proceed with the L&G annuity. Documents were provided to Mr R on 10 May 2024 to complete and he emailed the adviser copies of his and Mrs R's passports and utility bills as had been requested on 13 May 2024. And he raised some queries about how to complete some sections of the L&G application form.

Mr R says he emailed and posted the adviser the partially completed application form and signed declaration on 22 May 2024. He asked for an update on 30 May and again on 6 June 2024. The adviser replied asking Mr R and Mrs R to complete an electronic signature form and emailed an L&G illustration and key features document. The illustration was dated 13 May 2024 and the annuity rate offered was guaranteed until the 27 June 2024. If the annuity purchase funds weren't received by L&G by then a new annuity rate, possibly higher or lower would apply. Ascot was to be paid a fee of £10,000 for advising and arranging the annuity. This illustration showed an annual pension of £46,700.64 and a guaranteed maturity value after ten years of £556,848.

Ascot sent the application to L&G, who received it on 12 June 2024 and requested Nucleus transfer the funds to it on 14 June 2024. On 12 June 2024 the adviser requested Mr R and Mrs R sign the *"Ascot Lloyd Action Plan"*, this was posted to the adviser the next day. On 28 June 2024 Mr R says he received a letter from Nucleus dated 26 June confirming it had transferred £752,807.06 to L&G that day and it should receive the funds within two days. Mr R emailed this to Ascot asking if this was within time given the L&G quote guarantee date. The funds were received by L&G on 28 June 2024.

As the original illustration guarantee date had passed, on 10 July 2024 L&G issued a new illustration to Ascot based on its annuity rates on 28 June 2024 when it received the funds. These had reduced from those on the 13 May 2024 illustration, from 6.12 to 6.04%, and the income shown was £1,233.48 per annum lower but with the same maturity value. On 19 July 2024, Ascot contacted L&G and said the new illustration was on a different basis than originally requested as it included a spouse's pension for Mrs R of 66.66% in the event of Mr R's death. L&G said this was what Ascot had originally requested and had been applied for on the completed application. L&G said it could change the quote basis, but this needed to be based on annuity rates on 28 June 2024, when it received Mr R's pension funds from Nucleus. On 27 July 2024 Ascot generated a new illustration from the Exchange comparison site which now showed a better annuity rate for L&G than the one available on 28 June 2028. L&G said the new rate could only be used if the original application was cancelled, the funds returned to Nucleus and the annuity re-applied for.

Ascot told L&G to cancel the annuity on 29 July 2024. L&G contacted Nucleus to ask if it would accept the return of Mr R's fund and asked for its bank details. On 6 August 2024 Nucleus said it was looking into this. L&G says on 12 August 2024 Ascot again asked it to apply the new higher quote, which L&G again confirmed it couldn't without first returning the funds to Nucleus. L&G said Ascot then contacted it on 20 August 2024 advising Nucleus had been trying to request the return of the funds via the Origo transfer system. L&G checked and said this had been submitted to the wrong team and effectively requested the transfer of an L&G pension for Mr R, which he didn't have, so it hadn't been picked up. L&G said it needed Nucleus's bank details as already requested. These were provided and L&G sent the funds on 29 August 2024.

During this period Ascot had raised a complaint with L&G on Mr R's behalf. On 3 September 2024 L&G issued a final response not upholding the complaint. On 4 September 2024 Mr R *"reluctantly"* complained to Ascot about the delays, which he largely felt were caused by L&G, but he said Ascot didn't appear to have escalated the matter effectively on his behalf. He said he'd not received any pension income in July or August 2024 of £10,000 in total and didn't expect to receive any in September as he now needed to apply to a new provider. Subsequently Ascot produced illustrations for a fixed term annuity with Standard Life dated 20 September 2024, which Mr R decided to proceed with.

Ascot issued a final response letter to Mr R's complaint on 30 October 2024. It didn't accept the complaint and largely blamed L&G for the problems.

Dissatisfied, Mr R referred his complaint to our service. He said he'd decided to proceed with Standard Life, which offered a better income but a lower maturity value. As he felt L&G had *"made a mess of the first process and lost the funds."* The Standard Life illustration dated 20 September 2024 showed a fund value of £757,807, with an annual income of £52,270.80 and a guaranteed maturity value of £481,208.67. This annuity rate was guaranteed until 4 October 2024 and Nucleus wrote to Mr R on 8 October 2024 saying it had transferred £752,807.06 (the same sum originally sent to L&G on 26 June 2024). But as of 5 November 2024, Mr R said this annuity still wasn't in payment and he'd had no pension income since 10 June 2024. He said due to the cash flow difficulties he'd been caused by this he'd needed to arrange a £50,000 mortgage, and Mrs R had cashed in an investment, although some of these funds were used for other expenditure rather than day to day living expenses.

Our investigator looked into what had happened. Following which Mr R's complaint about L&G (raised by Ascot) was also referred to our service. That complaint wasn't upheld by our investigator, but she said the complaint about Ascot should be upheld.

Our investigator said Ascot had made errors and caused delays in submitting the application to L&G. And this was the primary reason the guaranteed date on the annuity illustration dated 13 May 2024 that Mr R wanted to proceed with, was missed. She said no explanation had been provided as to why it had taken the adviser more than two weeks to request the electronic signature form from Mr R after he'd already submitted the completed application to Ascot, which already carried a wet signature. She said, but for this delay the original annuity would have been secured as Nucleus had made payment within ten days of L&G requesting it.

Our investigator said whilst Ascot had complained that L&G systems and application forms weren't clear, the quote Ascot had prepared dated 13 May 2024 on the Exchange comparison site clearly included a 66.6% spouses' pension and the corresponding section of the L&G application form had also been completed. But if the correct single life (without spouses' pension) illustration had been requested on 13 May 2024, the available income payable may have been higher. She said it wasn't clear what subsequent L&G quote was provided to Mr R by Ascot, but on 29 July 2024 he emailed Ascot saying he wanted to proceed with L&G. But rather than the funds then being lost by L&G as Ascot had said, it took Ascot around a month to work things out with L&G and Nucleus, leaving Mr R's funds in a suspense account earning no interest. She said whilst Ascot had given Mr R the impression that L&G had made errors and caused delays it was Ascot that was responsible for the problems and there was no reason not to have continued with L&G. She said Mr R appeared to have been without his usual income for around five months (between July and November 2024) because of the delays.

Our investigator said these delays may have caused financial losses for Mr R and Ascot should undertake calculations to work this out. These calculations are complex, but in summary would compare the notional value of what could have been arranged with L&G based on 13 May 2024 annuity rates to what was actually arranged with Standard Life. If the calculations showed the notional value for the L&G annuity was higher, then Mr R had suffered a loss, and the difference should be paid to him as a cash sum. She also said Ascot should pay Mr R £350 in compensation for the distress and inconvenience he'd been caused.

In terms of the cash flow problems Mr R had been caused our investigator said there was always going to be a period of time when his funds were unavailable whilst the annuity was set up. And Ascot had provided advice focused on his retirement planning and hadn't recorded details of any other savings or investments he might have had. It had allowed for a £5,000 emergency fund, which was around one month's outgoings rather than the typically suggested three times monthly expenditure. But, without other details of Mr R's financial position it wasn't possible to say whether this was reasonable. She said whilst Mr R had been inconvenienced, he'd mitigated the situation and it might have been possible for Nucleus to make an income payment when the funds were returned to it, but this didn't seem to have been explored.

Mr R accepted our investigators view of the complaint. Ascot said it didn't agree but didn't provide any further comments.

Because Ascot doesn't agree it has come 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.

Having done so I am upholding the complaint.

I think Ascot caused delays at all stages and had it not there was no reason an annuity with L&G couldn't have been secured on the basis Mr R wanted at the annuity rate available on 13 May and guaranteed until 27 June 2024. I think all the other issues and problems including the lack of return on Mr R's pension fund for an extended period of time arose from these errors and delays. The evidence suggests that Ascot sought to blame L&G for the issues rather than proactively working for Mr R, to achieve what it had recommended, and he wanted.

I think it is very much part of the job for the financial adviser arranging an annuity to liaise between the various product providers involved, to ensure as far as possible that the best rate is obtained, that includes managing any guarantee dates. There's no evidence Ascot did this properly despite the substantial fee it was charging Mr R for its services. It is clear from the evidence that having obtained the illustrations and sent the application forms to Mr R, Ascot then delayed submitting the application to L&G. Presumably so it could complete its compliance processes, such as issuing the suitability letter and re-verifying Mr R's identity. I think these delays could and should have been avoided. Had they, the original rates on offer from L&G would have been secured.

Any separate issue with a 66.66% spouses' pension being required or not, could then have been resolved. And even with the excessive delay in submitting the completed application to L&G it might have been possible to "save" the guaranteed rate by asking Nucleus to make a same day CHAPs payment. Most pension providers will do this in return for a nominal fee to cover any bank charges. But there is no evidence this was proposed.

Once the application had been submitted it doesn't appear Ascot proactively checked on progress and it doesn't appear to have contacted L&G until 19 July 2024 to query what was happening, more than three weeks after the guaranteed rate had expired. When it did make contact, this was to query why the revised illustration sent by L&G was lower. Arguments about whether or not a 66.66% spouses' pension had or hadn't been requested caused further confusion, but this was a relatively minor part of the overall problem. The subsequent issues and delays also appear to have been largely caused by Ascot's continuing failure to proactively follow up and take charge of the outstanding issues.

The attempts to secure a better annuity rate from L&G by seeking to return funds to Nucleus and reapplying caused substantial delay and may have offered only a marginal benefit in any case, particularly considering the further delay in the payment of income this caused. The revised L&G illustration dated 10 July 2024, showed around £1,200 less income per annum. Around half of this reduction was due to the transfer value received being lower than originally quoted for. If the best option was (and it isn't clear that it was the best option) to cancel the application and to re-apply to either L&G or another provider, this should have been promptly initiated and progressed. But further inexplicable delays followed before the L&G application was cancelled and little seems to have been done to expedite matters thereafter, resulting in months of delay, with no income being paid to Mr R and seemingly no investment return on his pension fund.

In terms of the measures Mr R says he had to take to provide funds for day-to-day expenses, there was always going to be some interruption to his regular income whilst the annuity was arranged. As there aren't details of any other reasonably liquid assets Mr R might have had available to him it isn't possible to say whether the £5,000 emergency reserve allowed for was reasonable. But it might have been possible to consider other options such as requesting additional income payments from Nucleus, either before the initial transfer to L&G was actioned or after funds were returned to it. Fortunately, Mr R did have the means to mitigate the issue caused, albeit with inconvenience, which I've taken account of in the compensation I'm awarding below.

So, I think Ascot did cause avoidable delays, and it's possible that this has resulted in financial losses for Mr R. I haven't seen full details of what annuity was actually arranged with Standard Life, but I note the guaranteed date of the illustration dated 20 September 2024 was also missed, and the annuity rate available may have changed. However, what Ascot recommended to Mr R and what he wanted to proceed with was a fixed ten-year term annuity, with the income to continue in the event of his death, with a guaranteed value on maturity.

So, I think it's fair that a comparison be made between what was available from L&G had the transfer been received by 27 June 2024, to what was actually arranged with Standard Life. If that shows a loss, then Mr R should be compensated by Ascot. I also think he's been caused distress and inconvenience by what has happened, and compensation should also be paid for this.

Putting things right

My aim in awarding compensation is to put Mr R as closely as possible back into the position he would have been in but for Ascot's errors.

I've set out below the calculations Ascot should undertake to establish whether a loss has been suffered. If there is a loss, compensation should be paid to Mr R as a lump sum.

The calculations are as follows;

A. Notional value of L&G benefits

1. Ascot is to obtain a quote from L&G on a single life basis with a ten-year guarantee, based on the same fund value and L&G's rates as at 13 May 2024.

2. Ascot is then to ask L&G to calculate the income and maturity value that Mr R would have been due to receive based on the quote in 1, had L&G received the same transfer value as it did from Nucleus – but one day earlier, within the currency period of that quote on 27 July 2024.

3. Accumulate all the past payments payable from the annuity in 2, net of Mr R's marginal rate of income tax*, at the rate of interest currently available on Bank of England one-year fixed rate bonds, from the date each payment was due until the end of the ten-years term.

4. Notionally reduce the maturity amount payable from the annuity in 2 by the same rate of income tax* and then add this to the total amount of payments in 3.

5. Discount the sum in 4 back from the end of the ten-year term of the notional L&G annuity to the date of calculation using the same rate of interest on Bank of England one-year fixed rate bonds. The resulting figure is A.

B. Actual value of Standard Life benefits.

6. Accumulate all the past payments payable from the Standard Life annuity, net of the same rate of income tax*, at the rate of interest currently available on Bank of England one-year fixed rate bonds, from the date each payment was due until the end of the ten-year term.

7. Notionally reduce the maturity amount payable from the Standard Life annuity by the same rate of income tax* and then add this to the total amount of payments in 6.

8. Discount the sum in 7 back from the end of the ten-year term of the Standard Life annuity to the date of calculation using the same rate of interest on Bank of England one-year fixed rate bonds. The resulting figure is B.

Mr R's loss is determined from A – B.

- If the answer is negative, there is a gain and no compensation is payable for financial loss.

- If the answer is positive, then the resulting amount is Mr R's loss and should be paid to him in cash.

  The information about the average rate can be found on the Bank of England's website by searching for 'quoted household interest rates' and then clicking on the related link to their database, or by entering this address: www.bankofengland.co.uk/boeapps/database , clicking on: Interest & exchange rates data > Quoted household interest rates > Deposit rates - Fixed rate bonds > 1 year (IUMWTFA) and then exporting the source data.

  There is guidance on how to carry out calculations available on our website, which can be found by following this link:

  https://www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding-compensation/compensation-investment-complaints

  Alternatively, just type 'compensation for investment complaints' into the search bar on our website: www.financial-ombudsman.org.uk.

  Ascot should only use the one rate published by the Bank of England at the end of the month preceding when the calculation is carried out. That rate should be assumed to be constant and apply for the entire 10-year term of both the L&G and Standard Life annuities.

  Any residual interest component included in any financial loss paid to Mr R may be subject to tax. If Ascot considers it should pay tax to HMRC, it must provide Mr R with a certificate of tax deducted. Otherwise, Mr R may need to declare the amount of interest included in the payment (which Ascot must tell him) on his tax return.

  Based on the information I've seen Mr R's marginal rate of income tax is 40%. If this isn't the case Mr R should let Ascot know.

9. Pay Mr R £350 for the stress, anxiety and inconvenience this caused him.

10. Ascot must provide Mr R with a simple calculation showing how it worked out the figures.

My final decision

My final decision is that I uphold the complaint against Ascot Lloyd Limited.

I direct Ascot Lloyd Limited to complete the loss assessment as set out above and pay Mr R any compensation due.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 24 July 2025.

Nigel Bracken
Ombudsman