DRN-5442444

The complaint

Dr H complains that Phoenix Life Limited, trading as Standard Life, caused avoidable delays when setting up her annuity. Dr H would now like Standard Life to recompense her for both the financial impact that those delays have had on her, along with the trouble and upset that they've caused.

In making the complaint, Dr H is represented by her husband but for simplicity, I'll refer to all submissions as having come from Dr H herself.

What happened

Dr H previously held a pension fund with a business that I shall call Firm P. On 7 December 2023, Dr H's financial adviser (who I shall call Firm H), submitted an application form to Standard Life, asking them to switch the fund away from Firm P and set up an annuity for her.

Standard Life needed further information to process the application which Firm H provided on 21 December 2023. After not hearing anything back by 29 January 2024, Firm H chased Standard Life for an update. On 16 February 2024, Standard Life requested the pension funds from Firm P which were subsequently received on 30 April 2024. Prior to sending the monies to Standard Life, Firm P paid Dr H her tax-free cash entitlement from the plan on 19 April 2024. Following receipt of the funds from Firm P, on 6 May 2024 Standard Life set the plan up and the first annuity payment was made to Dr H the following month on 6 June 2024.

Shortly afterwards, Dr H decided to formally complain to Standard Life. In summary, she said that she was unhappy with the length of time taken to process the switch and arrange the annuity. Dr H was concerned that she'd lost out financially because of the delays and missed annuity payments.

After reviewing Dr H's complaint, Standard Life concluded that there had been an avoidable delay in processing the annuity application. Standard Life also said, in summary, that having looked at the annuity that Dr H would have received had the paperwork been processed earlier, she'd actually been better off as a consequence of the delays because she'd received a higher annual income and larger tax-free cash amount. However, in recognition of the trouble caused, Standard Life offered Dr H £300 for the inconvenience caused and £34 in interest to take account of the annuity payments that should have been received.

Dr H was unhappy with Standard Life's response, so she referred her complaint to this service. In summary, she said that she didn't think Standard Life's approach to how they'd considered the redress payable was fair. Dr H said that Standard Life should pay her for the two months of missed annuity payments along with interest that she would have received had the tax-free cash been received sooner.

At the same time, Dr H also raised a complaint with Firm P, saying that they'd also not acted in a timely manner when processing the request to move the funds to Standard Life. Firm P upheld her complaint; they said, in summary, that having looked at the potential loss of growth on Dr H's monies and the trouble caused, they were sending a payment to her of £7,874.40. This was made up of £7,574 for the lost growth and £300 for the inconvenience caused. Firm P also sent a payment of £150 to Dr H's husband as her representative for his inconvenience in the matter.

The complaint was then considered by one of our Investigators. She concluded that Standard Life's offer of £334 to put things right was fair given the annuity that Dr H had ended up with was higher than the original amount quoted and over time, our Investigator felt would more than make up for the missed annuity payments.

Dr H, however, disagreed with our Investigator's findings. In summary, she said that she didn't think it's reasonable that if she lived long enough, the missed annuity payments would be more than covered by the now higher payment. Dr H said that Standard Life's approach does not provide justice because it's purely hypothetical at this point that she'll reap back what she's missed out on. Dr H says the delay in receiving her income and tax-free cash isn't what she signed up for.

Our Investigator was not persuaded to change her view as she didn't believe that Dr H had presented any new arguments she'd not already considered or responded to. Unhappy with that outcome, Dr H then asked the Investigator to pass the case to an Ombudsman for a decision.

After carefully considering the complaint, I wrote to both parties explaining that I was issuing a provisional decision on this case as I was minded to reach a different outcome to that of our Investigator and as such, I was planning on upholding the consumer's complaint. The provisional decision aimed to give both Dr H and Standard Life the opportunity to provide any further evidence that they wished for me to consider before I reached a final decision.

<u>What I said in my provisional decision:</u>

I have summarised this complaint in less detail than Dr H has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts. Instead, I will focus on what I find to be the key issue here, which is whether the redress approach that Standard Life set out was fair and reasonable.

My role is to consider the evidence presented by Dr H and Standard Life in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice. Where there's conflicting information about what happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm planning on upholding Dr H's complaint - I'll explain why below.

For the avoidance of any doubt, whilst there were a number of parties involved in this transaction, this complaint is about the actions of Standard Life so my decision will focus on their actions rather than any other firm.

I've looked closely at the timeline of events that resulted in Dr H receiving her annuity at the point she did and also thought about when, on balance, Standard Life should have set the annuity up for Dr H were it not for the delays. In their May 2024 letter to Dr H, Standard Life have already conceded that they didn't act as promptly as they should have done. Standard Life have also explained that they had everything they needed from Dr H's financial adviser at Firm H by 21 December 2023 to start work on processing the application; and they also say it typically takes three working days from that point. That means, allowing for bank holidays and weekends, Standard Life should have completed their checks and requested the monies from Firm P no later than 28 December 2023, rather than 16 February 2024. And, from what Firm P have told this service about their normal 'desired service levels' of five working days, means that Standard Life should have received Dr H's pension monies by 5 January 2024, and allowing for some admin time, means the annuity should have commenced payment on 12 February 2024 had there been no delays on either side.

That means Standard Life are accountable for delays of around 51 days, or to put it another way, 6 weeks and 6 days. However, it's not that simple because Dr H then suffered delays at the hands of Firm P too which had a bearing on the timing of when the annuity could start.

After requesting the monies from Firm P on 16 February 2024, Standard Life didn't receive Dr H's pension funds until 30 April 2024. That meant, it took 10 weeks and two working days for Firm P to send Standard Life the pension funds. And on 6 May 2024, Standard Life set the plan up and the first annuity payment was made to Dr H the following month on 6 June 2024 (as the plan was set up to pay monthly in arrears). I don't think the duration between Standard Life receiving the funds on 30 April 2024 and setting the plan up within five working days was unreasonable.

That means, were it not for Standard Life's initial delays, they would have received Dr H's pension monies by 11 March 2024 and set the plan up within seven days – so by 18 March 2024. As the annuity was set up to pay monthly in arrears, she would've received the first payment on 18 April 2024. Standard Life, however, say that the first annuity payment should have been made on 6 April 2024. As Dr H didn't receive her first annuity payment until 6 June 2024, that means she never received her income payments for either April or May and that's the crux of her complaint which she wants recompensing for.

When Dr H eventually received her annuity in June 2024, she received an income of £23,385 rather than the £22,610 that she was originally quoted in December 2023 – an extra £775 per annum. This increase, I understand, was a consequence of fund performance in her pension pot at Firm P between the two dates. In addition, Dr H also received an additional £1,750 in tax free cash that she wasn't initially anticipating.

I've thought very carefully about Standard Life's contention that they don't believe any redress is necessary because Dr H is now receiving a higher annual income than originally illustrated. Standard Life say that over the passage of time, the missed annuity payments from April and May 2024 will eventually be met by the higher annual annuity income. However, I don't think that's fair and reasonable because it means Dr H will have to wait approximately two and half years* to recoup those two missed payments (*which takes account of the increased tax-free cash she received, or longer if you disregard the tax-free cash). Importantly, whilst the annuity has been arranged on a 10-year guaranteed basis, Dr H wouldn't personally benefit from the increased income if she were not to survive beyond the first 30 or so months of the plan, so in that instance, the increased income further into the term would be largely immaterial and not beneficial to her.

Whilst Dr H has benefited from a larger fund that's resulted in a higher income (than that originally illustrated), that's mainly as a consequence of fund performance at Firm P and only a modest increase in the annuity rate rather than anything that Standard life has done.

When mistakes occur, the aim of this service is to put the consumer back into the same, or as close to the same position that they would've been in were it not for the business' error. But, having looked at the actions that Firm P have already taken, I'm broadly satisfied that Dr H is now no worse off for the mistakes of *both* businesses - I'll explain why. Had neither Standard Life nor Firm P delayed the processing of the annuity, I think it's likely that Dr H would've received her first income payment on 12 February 2024, but she didn't receive her first annuity payment until 6 June 2024 – that means Dr H suffered a delay in income of four months (February, March, April and May's payments). And, as I've already said, I think Standard Life are accountable for just under seven weeks of those delays.

Firm P have shared their redress methodology with this service – they determined that there were attributable delays of four full months and they paid a rate of 8% simple interest on Dr H's full pension fund, which amounted to £7,574. Firm P say that they made that payment to Dr H in June 2024, shortly after her annuity started. Firm P also say that they've based their calculation on the more favourable, higher pension balance from April 2024 (of £360,000) rather than the lower December 2023 balance (of c£353,000) which Dr H would've received were it not for the delays. Firm P paid Dr H her tax-free cash entitlement from the plan on 19 April 2024, but they also included the full balance of the pension pot in their calculations over the four-month window, meaning that she's also benefited from receiving 8% interest for over a month on the tax-free cash monies that she already had access to. Allied to this, I'm also cognisant that Dr H has, for the last 10 months, received the benefit of a higher income that she wouldn't have received were it not for the error.

So, it seems to me that if I instructed Standard Life to pay Dr H two months' worth of income as well as interest on the tax-free cash, she'd be benefiting from the same mistake, twice. That's because Firm P have already compensated Dr H £7,574, which I believe is broadly what the net income she would've received from the annuity over the four months plus interest on the tax-free cash is. Given we're a quick and impartial dispute resolution service that aims to resolve complaints promptly, I'm satisfied that's fair and reasonable in the circumstances.

<u>Trouble and upset</u>

I've thought carefully about the impact Dr H says the chain of events have had on her, the plans that she says she had to abandon and her wider health. Whilst I won't go into any level of detail about what Dr H has disclosed about her health, I have been persuaded that the chain of events have had a significant impact on her and as such, I'm of the view that needs to be reflected within the trouble and upset award that Standard Life makes to her.

So, I'm not satisfied that Standard Life's offer of £300 reflects the trouble or inconvenience that their actions have brought about. And, as such, in light of what I've seen and the disruption caused, I'm of the view that an award of £500 better reflects the serious short-term impact caused and is fair and reasonable in all of the circumstances.

Therefore, Standard Life should pay £500 to Dr H. If Standard Life have already paid Dr H the £300 that they originally offered her to resolve the complaint, they can take that into account and they should pay her a further £200.

<u>Responses to my provisional decision:</u>

Standard Life didn't provide any comment following the provisional decision.

However, Dr H's partner did provide a response to the provisional decision. They said, in summary, that however reasonable Firm P's compensation was, it could in no way make up for the loss his wife and he had incurred in not receiving the money at the expected time. He said that meant they'd had to abandon their plans which can now never be fulfilled.

Dr H's partner went on to say that given Standard Life's negligence, his wife went on to become so seriously distressed by the arduous process of trying to obtain her money, that he had to take over the case on her behalf because it was impacting her health so much. In addition, he went on to say that the impact of Standard Life's actions had also had a significant bearing on his health too, saying that he'd found the whole episode miserable and exceedingly stressful. Dr H's partner explained that he'd like this service to reflect on whether it was fair to disregard the impact that these events have also had on him too as Dr H's carer, representative and voice when she was no longer capable of representing herself.

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.

I want to acknowledge to Dr H and her husband that I very much gained a sense of just how distressing these events have been on their wellbeing and I sympathise greatly with the challenges that they've faced. Whilst I appreciate the additional points that Dr H's husband has provided, Standard Life aren't the only firm involved in this chain of events. And, whilst the complaint (and my decision) is principally about Standard Life, I can't ignore the fact that they're not wholly responsible for all the delays and trouble that Dr H experienced.

As I've already set out above, whilst Dr H experienced delays in receiving her income of some four months, Standard Life are only accountable for delays of around 51 days, or to put it another way, 6 weeks and 6 days. The balance of the delays are attributable to Firm P, who've already recognised that they could've done more to process the request sooner. Firm P have also provided compensation to Dr H in respect of that admission.

In light of the comments provided by Dr H's husband, I've thought again about the level of award that I set out in my provisional decision for the trouble and upset that Standard Life caused. And, based on the evidence presented to me, I'm satisfied that the increased award that I made in my provisional decision is fair and reasonable in view of the delays that Standard Life are responsible for.

I recognise that Mr H is Dr H's carer and her voice in this matter, and I appreciate the impact that these events have also had on him. Whilst Mr H is likely to be disappointed, we don't normally award compensation to someone complaining on behalf of the consumer.

As I've not been presented with any new evidence that's made me change my mind, it therefore follows that I've reached the same conclusion for the same reasons that I set out in my provisional decision (above).

For completeness, I will comment briefly on the £34 that Standard Life have also already paid to Dr H in interest to take account of the annuity payments that should have been received. Neither Standard Life nor this service have been able to calculate how they reached that number or provide any detailed explanation why. But in any event, given the amount is only modest in nature in comparison to the wider redress that Firm P has already paid, for the avoidance of any doubt, Standard Life can't offset that £34 against the £500 I require them to pay to Dr H for the trouble and upset caused. I'm satisfied that approach is both pragmatic and fair in the circumstances.

My final decision

I'm upholding Dr H's complaint and as such, require Phoenix Life Limited, trading as Standard Life, to put things right for her in the manner that I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Dr H to accept or reject my decision before 1 May 2025.

Simon Fox
Ombudsman