

The complaint

Miss C complains that Legal and General Assurance Society Limited (L&G) failed to take her medical history into consideration when arranging her annuity, resulting in the income paid being lower than it should have been.

What happened

In December 2020 Miss C used her Prudential pension plan to purchase an annuity with L&G for £46,903.63, this provided an annual income of £2,113.08, around 4.51% per year, for life. The annuity was arranged through Hub Financial Solutions Limited (Hub), a broker, and was on standard terms with no lifestyle or medical information provided to L&G, which might have meant a better rate was available. In June 2023 Miss C used her Standard Life pension to purchase a further annuity with L&G, also arranged by Hub. The purchase price was £14,848.35 and this time medical details were provided on the application. Miss C says L&G contacted her GP for further information before offering an enhanced annuity rate paying an income of £1,208.28, around 8.13% per year, for life. Miss C subsequently raised complaints with both Hub and L&G about the failure to consider her medical conditions when the first annuity was arranged. This decision only considers the complaint against L&G.

L&G didn't uphold the complaint. It said it had set the annuity up on the basis applied for by Miss C and Hub, which didn't include any medical details. It said whilst the rate available from the second annuity was higher, with Miss C's medical history likely to explain part of that; annuity rates themselves had increased significantly between 2020 and 2023 due to rising interest rates, and she was also three years older. It said as the terms of an annuity were fixed at outset it wasn't possible to reconsider the rate that had been offered in 2020. It said Miss C should contact Hub about what had happened.

Miss C referred her complaint to our service and our investigator looked into it, but he didn't uphold it.

Our investigator said L&G hadn't treated Miss C unfairly as it hadn't provided her with advice and had arranged the annuity on the basis requested on the application submitted by Hub, which provided no medical details. He said it was the case that annuity rates had significantly increased by 2023, and the rate offered by L&G in December 2020 was comparable to rates from other annuity providers at the time. He said the main factor in the increased rate did appear to be the change in market conditions from the historically low rates prevailing in 2020.

As Miss C 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'm not upholding the complaint.

I understand how frustrating what has happened must be for Miss C. It does seem likely that had L&G been provided with medical details in 2020, a higher annuity rate would have been available. However, annuity rates do fluctuate, and in investment terms, there are relatively good or bad times to purchase one. But L&G wasn't advising Miss C and Hub was arranging the annuity on her behalf. And, I wouldn't expect L&G to have questioned the request it received or to contact her GP, which it wouldn't be able to do without her permission. So, it wasn't unreasonable for L&G to arrange the annuity on the basis requested by Hub and Miss C. As L&G has said, I also think the primary reason for the higher income rate available in 2023 was due to the change in market conditions. Annuity rates had increased significantly from the historical lows prevailing in 2020. Miss C was also older, and annuity rates increase with age.

Miss C was 63 when the first annuity was purchased and 66 when the second one was arranged. Typical standard annuity rates for a 65-year-old were less than 5% in 2020, but increased rapidly during 2022, and by June 2023, when the second annuity was purchased, were nearly 7.5%. So, actual rates for Miss C in 2020 may have been a little lower, and those in 2023, a little higher, based on her exact age at the time. And this change in prevailing annuity rates between the two purchase dates does account for the great majority of the increase in income rate seen.

So, I don't think L&G treated Miss C unfairly in 2020. Because it wasn't providing her with advice, it didn't make any error in arranging the annuity she applied for, and the rate it offered was typical in the marketplace at the time. So, taking everything together, it wouldn't be fair for me to uphold this complaint.

My final 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 Miss C to accept or reject my decision before 28 October 2025.

Nigel Bracken
Ombudsman