

The complaint

Mr C complains that Legal and General Assurance (Pensions Management) Limited ('L&G') caused unnecessary delays in processing his annuity request which caused him to lose out on a higher annuity income.

What happened

Mr C had a pension with AJ Bell and obtained financial advice from a financial adviser – who I will refer to as the IFA – regarding taking his pension benefits. The IFA recommended that Mr C take an annuity with L&G. The annuity quote that L&G provided expired on 18 December 2023.

Mr C's signed annuity application was sent to L&G by the IFA. L&G acknowledge receipt of the application on 27 November 2023. As Mr C's pension funds were not with L&G a transfer of funds from AJ Bell was required in order for L&G to be able to complete Mr C's annuity application.

L&G explain that it submitted a request to AJ Bell for transfer of the pension fund on 5 December 2023.

AJ Bell required its transfer discharge form to be completed and signed by Mr C before it would process the transfer request. And that form was not sent to the IFA until 12 December 2023. The IFA emailed Mr C the same day with the attached form and it was signed by Mr C and returned to the IFA the same day.

The IFA has shown us that it forwarded the discharge form to an L&G email address on 12 December 2023. Whilst it was a valid email address at L&G it was not for the correct department that would process the transfer and annuity request.

The IFA sent L&G the transfer discharge form again on 19 December 2023. It sent that to three separate L&G email addresses. L&G explain that it received the discharge forms to the correct department on 21 December 2023.

L&G sent AJ Bell the transfer request on 20 January 2024. And received the funds from AJ Bell on 22 January 2024. L&G then took until 15 March 2024 to authorise Mr C's annuity. The annuity rate had fallen and the annuity that L&G would provide Mr C was lower than the quote that he'd been given initially. The IFA complained to L&G that the delays it caused made Mr C miss out on his chosen annuity. And it told L&G in a phone call and a follow up email not to proceed with the annuity until the issue with the changed valuation was sorted out.

L&G instead processed the annuity and put his lower income payment into place.

L&G considered his complaint and, whilst it agreed that it had caused delays in processing the application, it didn't think it was the reason that the guaranteed date of 18 December 2023 had been missed. So it said that Mr C wasn't disadvantaged by a lower annuity. But did suggest that his annuity should have been in payment sooner so he had missed out on

past income payments and paid him £1,573 compensation for lost income plus £21.85 interest for loss of use of that income. And paid Mr C £250 for the distress and inconvenience it had caused him.

Mr C was unhappy with this response. He referred his complaint to our service, explaining that he thought that L&G's mistake not only delayed his income being put into place but also meant he would now be receiving a lower income for life than he had agreed to. And he additionally complained that L&G had been told not to process the reduced annuity but had done so against his wishes.

Our investigator looked into what happened and L&G changed its offer to put things right after reconsidering what happened. It recognised additional delays in its response that meant it offered to increase the compensation, including comparing the annuity that Mr C may have been entitled to on the earlier date. But still didn't agree that the annuity could have processed in time for the initial annuity quote to be honoured. As our investigator was unable to resolve Mr C's complaint, the case has been referred for an ombudsman's decision.

I issued a provisional decision in which I explained why I thought Mr C's complaint should be upheld. I summarise my reasons as follows:

- I was satisfied that L&G did not receive the request to process the annuity application until 27 November 2023. And I agreed with L&G's assessment that it should have actioned that request three working days sooner.
- I thought that meant that the IFA would have received and completed AJ Bell's transfer discharge form three working days sooner than it did.
- I explained why I didn't think that the way that L&G treated Mr C's IFA's emails was fair or reasonable. Whilst they may not have been sent to the correct email for the annuity department, I didn't think it was reasonable for L&G to fail to respond to them at all.
- I thought that the unreasonable way that L&G ignored email correspondence caused further delays in the request being made for the transfer of Mr C's pension funds.
- I set out what I thought would have been a reasonable timeline, had L&G acted fairly. And I explained why I thought that it should have been in possession of the funds prior to the expiry of the annuity quote Mr C had accepted. So I explained how I thought it should put things right.

Mr C accepted my provisional decision and offered no further evidence or argument. L&G did not respond with any further argument or evidence.

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 received no further evidence or arguments in response to my provisional decision I have reconsidered the evidence that I have a final time. And, for the same reasons that I have already explained to both parties, I think that L&G's delays caused Mr C to miss out on the annuity quote it had given him. I set out below the reasons that I relied on in my provisional decision for clarity.

I will start by explaining that I recognise that, from Mr C's perspective, this transfer has taken much longer than it should have. He applied for his annuity in November 2023 and that wasn't processed until March 2024. This certainly appears like a slow process for a customer who just wanted to annuitize their pension. In this case Mr C's complaint is against L&G who were responsible for requesting the transfer of funds from AJ Bell and then processing the annuity. There were other elements of this overall process carried out by the other parties – AJ Bell and the IFA. Mr C has not made any complaint about those parties, so I am not considering their performance in dealing with their parts of the overall process.

As I have explained, the limit of my consideration here is whether L&G provided a reasonable service in processing Mr C's application. And, as L&G themselves have identified, they did not. In considering L&G's actions I will be considering, amongst other things, Principle 12 of the Financial Conduct Authority's Principles for Business – A firm must act to deliver good outcomes for retail customers. What I will address first is whether L&G received the annuity application forms with sufficient time for the process to complete before the accepted annuity quote expired. And if that was the case, whether the delays that L&G were responsible for reasonably caused that deadline to be missed.

L&G have shown us its stamped receipt of the annuity application. That is stamped 27 November 2023 which is five working days after the cover letter from the IFA was dated. Whilst this does seem slow, L&G aren't responsible for the post and I have no other evidence of when it arrived with L&G. So I accept that it was unable to start to consider the application until 27 November 2023.

L&G processed the application on 4 December 2023, which it says was three working days outside its service level agreement. It therefore appears that L&G accept that it should have processed this within two working days, which I agree would be fair and reasonable. It means that it should have processed that on 29 November 2023. So by L&G's own idea of a reasonable timeline it should have sent the fund request letter to AJ Bell on 30 November. This would reasonably have moved the timeline along three working days in my view.

AJ Bell sent Mr C its transfer discharge form to complete by 12 December 2023. I think it's reasonable to consider that would have been three working days sooner but for L&G's above delay, so would likely have been received on 7 December 2023 instead. The IFA sent that form to Mr C the same day it received it and it was signed and returned by Mr C on that day too.

In reality the IFA sent the transfer discharge form to L&G on 12 December 2023 on the same day that it received it from AJ Bell. I don't see why that would have been different if it had instead received it on 7 December 2023. But L&G have explained that the email address, that the IFA sent it to, was for the incorrect department. And I agree that it was. It was sent to an email address that is for advisers with enquiries about occupational DC pensions. It was an email address that I don't doubt that the IFA had used previously as it claims. And it is an email address that is still available as a valid email address on L&G's website. I think this means that L&G, as a business, received the email on 12 December 2023. And that it would instead have received it on 7 December 2023 but for its delays.

L&G have offered no explanation about what it did with the email that it received on 12 December 2023. But the IFA has provided comprehensive email evidence and I am persuaded that it didn't receive any acknowledgement or information to say that it had been sent to the wrong email address. I can only assume, by the fact that the email has not been referenced by L&G, that it was simply ignored. This is clearly not a reasonable course of action. And emails from a customer about an annuity set up is clearly a time pressing matter, and for that to be received and not forwarded to the correct department is not acceptable. This failure appears to me to be in breach of Principle 12 referred to above.

To be clear, I accept that it not being emailed to the correct department would likely have meant a delay in forwarding it. L&G argue elsewhere that an email that the IFA sent to an incorrect department on 19 December 2023 was forwarded to the correct annuity team on 21 December 2023. I accept that is a reasonable turn around. It should have provided this same level of service in response to the email that ought to have been received by 7 December 2023, so it ought reasonably to have arrived with the correct annuity team within two working days – by 11 December 2023.

In reality L&G took almost a month to send the transfer discharge form to AJ Bell. But it has acknowledged this mistake and says that it should have been processed within two days of receipt of the transfer discharge form. I agree that would be a reasonable turn around, even considering that the request was clearly time critical. As I have said above, the form should have been forwarded to its correct department by 11 December 2023 so submitted to AJ Bell by 13 December 2023. AJ Bell's transfer of funds to L&G was completed on 22 January 2024, which was only two working days after it received the transfer discharge forms. I consider it reasonable to assume that it would have responded similarly quickly to L&G had it sent the form by 13 December 2023. Which means that, but for the above delays that I think L&G are responsible for, it would most likely have received the funds by 15 December 2023.

This would have been within the guarantee period of the annuity quote that Mr C had applied for. So, if L&G had not caused the initial delay in processing the application, and then responded to and addressed the email containing the subsequent transfer discharge form then Mr C would have been paid the original annuity quote and not suffered the subsequent loss.

I note that there were other elements to Mr C's complaint about the further delays in putting the annuity into place. Some of these delays were acknowledged by L&G and it has paid some compensation to put things correct. But its offers failed to address the actual problem because it failed to accept that, but for its errors, Mr C would have had the earlier, higher, annuity. Because of this finding, it isn't necessary for me to consider the subsequent delays in putting the annuity payments into place.

I am aware that the IFA clearly asked L&G not to start the annuity on the lower quote. And that L&G have failed to provide any evidence that it acknowledged or responded to that request. The impact of that will, however, be addressed in my proposed redress as it will correct for the financial loss incurred by putting in place the incorrect annuity value. But I am taking this poor service into consideration in the compounding of the distress and Mr C suffered.

Putting things right

Past Loss

For the above reason I think that, but for L&G's mistakes, it would more likely than not have had the funds from AJ Bell on 15 December 2023. And that this should instead have been the start date for his annuity. And his tax-free cash should have been received at the earlier date too. L&G should calculate:

- A) **Total of all the notional payments** which Mr C should have received from his pension (based on the earlier transfer value and the guaranteed annuity rate), net of his marginal rate of tax, from 15 December 2023 until the date of my final decision. Interest should be added to each notional payment at 8% per year simple from the date it was due to the date of my final decision.

- B) **Total of all actual payments** which Mr C has received from his pension, net of his marginal rate of tax, from 15 December 2023 until the date of my final decision. Interest should be added to each actual payment at 8% per year simple from the date it was due to the date of my final decision.
- C) **Compensation already paid by L&G for lost annuity income.**
- D) **Past Loss = A – B – C.** If this shows a past loss L&G should pay Mr C this compensation.

Future Loss

Here I set out how L&G should compensate Mr C for the lower annuity that he has ended up with.

- E) **The notional gross pension per year** which Mr C should have been receiving from the date of my final decision (based on the notional earlier fund value on 15 December 2023 and the guaranteed annuity rate).
- F) **The actual gross pension per year** Mr C currently will receive from the date of my final decision.
- G) **Future Gross Loss per year = E – F.**
- H) **L&G must then provide Mr C with an additional annuity** to replace any lost income in G) with the same features.

In working out the net payments, L&G should assume that Mr C was a 20% rate taxpayer.

If payment of compensation is not made within 28 days of L&G receiving Mr C's acceptance of my final decision, interest must be added to the compensation at the rate of 8% per year simple from the date of my final decision to the date of payment.

Income tax may be payable on any interest paid. If L&G deducts income tax from the interest, it should tell Mr C how much has been taken off. L&G should give Mr C a tax deduction certificate in respect of interest if Mr C asks for one, so he can reclaim the tax on interest from HMRC if appropriate.

L&G should provide its calculations for Mr C in a clear format.

L&G has paid Mr G £250 compensation for the distress and inconvenience its service failings caused. It has also offered to increase that to £500. I've considered the impact and I understand that the perceived permanent loss of income, compounded by L&G's decision to start the annuity against direction will have caused distress. Overall I think that £500 in total is a fair way to compensate for that distress. It should pay the additional compensation if not already paid.

My final decision

I uphold this complaint and direct Legal and General Assurance (Pensions Management) Limited to compensate Mr C as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 June 2025.

Gary Lane
Ombudsman