

The complaint

Mr G complains that when he was compensated for previous unsuitable advice to opt out of his employer's defined benefit pension scheme, he received redress in the form of a pension guarantee and in the last few years the cash equivalent value of that guarantee has reduced significantly. He doesn't now believe the guarantee will match the level of benefits he would have received from his occupational pension scheme (OPS) and wants ReAssure Limited (ReAssure) to put back the value of his guarantee to the level of 2022 – with the additional fund growth that would have been added from that point.

What happened

Mr G took out a personal pension plan (PPP) in 1991 to receive national insurance contributions when he was advised to contract out of the State Earnings Related Pension Scheme. But Mr G was also advised to opt out of his employer's OPS and that advice was reviewed in 1997 under the industry wide "pensions review" and found to have been unsuitable. The redress that was offered provided a "pension benefit guarantee" (PG) which meant that when Mr G took the benefits from his pension plans at retirement they would be augmented to match the benefits that would have been payable from the OPS. Mr G accepted the offer. This meant Mr G held two separate PPP arrangements to reflect the value of his contracted out contributions and the value of his own personal contributions – both enhanced by the PG.

A valuation from May 2019 set this out in more detail noting the value of one PPP to have been £3,720.80 and the other £21,389.90. But the enhancement of the PG was valued at £98,604.62 giving a total transfer value of £123,715.32. The valuation letter Mr G received did note that around £10,957 of the fund related to a period outside of the PG and was subject to fluctuation depending on market conditions, but the PG was guaranteed and the value fixed for a period of three months.

In 2021 Mr G reached the selected retirement age for his PPP's but as he didn't take his benefits it was notionally deferred to age 75.

Over the following years Mr G received statements showing the valuation of the total fund including the PG. In June 2022 the plans were valued at £27,289 which would be increased under the PG to £175,339.84. In 2023 the total value had fallen to £82,758.12, and by 2024 it was £32,419.71.

So in October 2024 Mr G complained. He said that having received his up to date pension values, he noted the PG element had reduced dramatically in value from three years ago. He wanted to know why this value had fallen so much, as it no longer seemed to be the adequate redress to match the OPS benefits at retirement that he accepted many years ago. He said that if he'd been advised of the future fall in the value of the PG he would have transferred the fund or drawn the benefits. Mr G also wanted to know how ReAssure treated the contributions he made via salary sacrifice to his employer's money purchase pension scheme as a comparison, as he believed that might explain the fall in his PG.

ReAssure confirmed that Mr G's personal contributions to his employer's scheme were not "subsidising" the PG and went on to explain that "*the drop in the value of your PG is purely down to market conditions affecting the underlying assumptions used within the calculations, and the lower transfer values being offered by final salary pension schemes than those available 2 years ago.*" ReAssure also paid Mr G £300 for any inconvenience caused by its delay in responding to his complaint/questions.

Mr G remained unsure how a PG of just over £2,000 more than the value of his actual pension pot could provide the income he would have received from his OPS. But ReAssure, while unable to provide a comparison at that time without more information about his current pension contributions and benefits, confirmed the PG was valid. It said the best course of action would be for it to provide an accurate calculation just prior to Mr G drawing his benefits at retirement.

Mr G remained unhappy so he brought his complaint to us where one of our investigators looked into the matter. They didn't think the complaint should be upheld making the following points:

- We don't have the power to recommend that a business changes its processes and the guidelines which determined that ReAssure offered Mr G a pension benefit guarantee were set out by the regulator. And we're also unable to check the complex calculations necessary to arrive at the PG, so have relied on the evidence provided.
- The value of the PG has been reduced because of external factors affecting investments and final salary transfer values in recent years. But ReAssure is only required to make up any shortfall between the PPP benefits and the benefits lost as a result of Mr G being advised to opt out of his OPS. So Mr G hasn't lost that guarantee, or the basis of the redress he was originally offered and accepted – it's simply a matter of the cash equivalent required to make up that shortfall being less than would have been required three years ago.
- Mr G is right to say that the value of his PG had dropped significantly – but that doesn't mean that ReAssure has done anything wrong here.

Mr G said he still didn't accept that the reduced PG cash value within his plans could provide the same annuity or income that he would have received from his OPS. He said he was considering retiring in the near future and would like ReAssure to issue a retirement quotation setting out the benefits he could expect, especially in respect of its prediction of his final salary. Mr G said he would like the matter to be referred to an ombudsman – if he isn't satisfied that the retirement quotation provides the information he asked for or the PG that he expected.

But as the quotation wasn't issued by the estimated deadline Mr G asked for the complaint to be progressed and so it's been passed to me to review.

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.

And having done so I've reached the same conclusion as the investigator – which I imagine will come as a disappointment to Mr G. But I don't think ReAssure has done anything wrong here so I'll set out my reasons below.

When the advice to opt out of Mr G's OPS was reviewed in 1997 ReAssure agreed to undertake a pension review loss assessment in accordance with the regulator's guidance. The underlying principle here was to create a "one time" calculation designed to establish

whether Mr G had suffered a financial loss as a result of unsuitable advice to opt out of a OPS in favour of a PPP. If it was demonstrated that the benefits arising from the personal pension wouldn't at least match those obtainable from the DB scheme, then redress should be paid to make up that shortfall in benefits.

In Mr G's case I understand the previous defined benefit scheme was no longer available to "new" members so he couldn't be reinstated, and instead ReAssure offered him a "pension benefit guarantee". It set out how this would work in its offer to Mr G which said, "*this will provide benefits of at least equal value to those that would have been payable by your occupational pension scheme in respect of the period from when (the provider) advised you to leave your occupational pension scheme to the date on which you rejoined. Details of this offer are set out in the attached Offer of Redress and Guarantee Factsheet documents.*"

Mr G accepted this offer - which was a one off calculation carried out in line with the regulator's guidance.

So the position at this time was that ReAssure was obliged, when Mr G eventually drew his pension benefits, to provide at least the same value of benefits that he would have enjoyed from being a member of the OPS. That position remains the same now as it did then and I haven't seen any evidence to support the idea that ReAssure isn't going to pay the equivalent of the OPS benefits. In the last exchange that I've seen between Mr G and ReAssure, when Mr G wanted an illustration to show him what benefits he would receive, ReAssure said that as it didn't have up to date details of Mr G's final pensionable salary for the last three years it wouldn't be able to run such a calculation until after 1 July 2025 – which it would be happy to do – but it also suggested that full verification of the PG could only be demonstrated at the time Mr G wanted to take his benefits. So I've no grounds on which to conclude that ReAssure isn't going to honour the PG that was set out in the 1997 offer of redress.

The significant loss to the PG equivalent value

Mr G's complaint is in two main parts. The first is that because his PG transfer value has fallen significantly from around £175,000 in 2022 to around £32,000 more recently, he doesn't accept that this valuation could possibly provide the same equivalent level of benefits as his OPS. And Mr G is right to be concerned about such a significant "loss" which I accept will likely have caused him concern and additional stress before his retirement. Indeed I note that more recently ReAssure says the latest calculation shows that there is a "no loss" situation which means the actual value of his PPP's is higher than the PG equivalent required to match the income from the OPS.

The reason for this is that Mr G was offered a "pension benefit guarantee" meaning that ReAssure was obliged to pay whatever extra sum was needed, over and above the value of his plans, to ensure the OPS benefits were matched. There wasn't a guaranteed amount ReAssure needed to pay, but a "guarantee" it needed to ensure Mr G wouldn't be any worse off as a result of the original unsuitable advice. The cash equivalent transfer value (CETV) of final salary pension schemes can vary because of many factors – one of which is interest rates. In times when interest rates rise – such as been the case for the last few years – the CETV is likely to fall .

In this case it means that the money ReAssure needs to put aside to meet the PG is less and, as demonstrated in the recent valuations it has provided to Mr G, significantly so.

We don't have the resources to be able to check such complex calculations, but I've no reasons to dispute the valuations that ReAssure has provided, and in any case it has continued to confirm that it will match the OPS benefits when Mr G takes his retirement benefits.

So while I can understand Mr G's concern that the fall in the value of his PG wouldn't be able to sustain the equivalent benefits - whatever value was required to do this either in 2022 or 2025 - ReAssure only needs to pay redress to ensure the PPP can provide the same level of benefits as Mr G's OPS. In 2025 the value of the PPP's was such that it could broadly provide the equivalent OPS benefits, however in 2022 this wasn't the case, and it would need to be topped up, by around £175,000, to provide those benefits.

Should ReAssure have advised Mr G about a future fall in the fund values?

Mr G says, in addition to having been unsuitably advised to opt out of his OPS, he should have been told that the value of his fund could go down. This would have led to him making alternative arrangements such as drawing on those funds or reinvesting within another policy. He says if he'd done that when it was valued at £175,339 he could have achieved further investment growth and had a larger "pot" for his forthcoming retirement.

To answer Mr G's complaint I've first looked at the information ReAssure provided within the information it regularly sent him about the PG. In the 23 June 2022 mailing ReAssure set out the current value of his "pension pot" - which was £27,289.11. Another page entitled "*your pension review offer*" noted "*this offer represents the difference between your personal pension and what you would have got back from a workplace pension.*" It went on to confirm "*these offers are valid for three months. After this period, we'll have to recalculate, and these offers may go up or down in value.*"

So I think this was clear. Mr G's pension pot would be topped up to £175,339.84 to represent both the total of his pension that was outside of the redress offer, and the PG, if he drew the benefits at that time. But that value was only guaranteed for three months before it might need to be recalculated. And I haven't seen anything to support the idea that the value of the PG was guaranteed beyond that. It was the promise to match the OPS benefits at retirement that was guaranteed and there's nothing to suggest ReAssure led Mr G to believe the actual value of any PG that was required would be guaranteed.

Mr G says that ReAssure ought to have told him that the PG value could go down and he would have been able to get the benefit of its value in 2022, but I think ReAssure did make it clear that the value was only guaranteed for three months after which it may go up or down. And ReAssure wasn't giving Mr G any advice here - it was solely acting as the pension provider - so it couldn't have given any additional "advice" on what the fund might do beyond the fact that it could fluctuate in value. But also ReAssure wouldn't have had any advance knowledge of how the fund may change in the future anyway, because, as I said previously, the amount of money required to "top up" any shortfall in matching the OPS benefits was a moving picture and the factors that might determine any CETV issued by the OPS were external factors and not something ReAssure had any control over.

So I don't think ReAssure has done anything wrong here. There's nothing to suggest it isn't going to pay out the redress that it set out in 1997 by means of a PG and, while it's unfortunate that Mr G has seen the value of that PG fall in recent years he hasn't suffered a loss to his pension benefit guarantee as a result.

The benefits he'll receive remain the same as originally set out, but it's simply now the case it won't cost as much to provide them as was anticipated particularly over the last few years. Mr G has potentially lost the *opportunity* to make alternative plans with the fund when its value was around £175,000 and I can understand why he might think that to be a financial loss. But that wasn't ReAssure's fault and neither did it have any responsibility to suggest Mr G might want to consider any other course of action apart from making him aware that the PG's actual value could fall and rise - which I think it did within the information it provided.

My final decision

For the reasons that I've given I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 17 September 2025.

Keith Lawrence
Ombudsman