

The complaint

Mr R complains that ReAssure Limited failed to tell him that his pension Buy Out Plan couldn't be transferred to a new provider; he says that he wasted two years shopping around looking for a new firm to move his plan to, which is something he was never entitled to do.

Mr R would now like ReAssure to pay him two years' worth of annuity payments which he states is around £8,000.

What happened

Mr R held a with profits Buy Out Plan with ReAssure that commenced in August 1987 and was designed to run until his 65th birthday in November 2022. The plan contained a Guarantee Minimum Pension (GMP) which ReAssure say was originally accrued when Mr R opted out of the State Earnings Related Pension Scheme (SERPs) through an employer's pension scheme. The guarantee was designed to ensure that Mr R would receive a minimum amount of pension at age 65 of £4,109 p.a. To benefit from the guarantee, Mr R was required to buy an annuity using ReAssure's retirement offering through L&G.

Ahead of Mr R's 65th birthday, ReAssure wrote to him in May 2022 providing a pension summary statement which recommended that he shop around to compare options from different providers as when considering his retirement choices, he was not required to take his benefits with themselves.

On 13 July 2023, Mr R's financial adviser contacted ReAssure to understand what his retirement options were under the policy and to gain further information about the GMP within the plan. ReAssure wrote back to Mr R's adviser on 21 July 2023 confirming that the cost of providing the GMP at that time was £73,219 and that *"the value of the plan does not currently cover the cost of the GMP which means the policyholder is not able to transfer the policy at the present time, but it can be vested"*.

Mr R contacted ReAssure on 3 August 2023 to discuss his options and following that conversation, a further retirement options pack was issued on 11 August 2023. The pack explained the pot could be moved, but it would mean risking losing the guaranteed level of income and explained that Mr R should contact his financial adviser.

On 29 September 2023, Mr R contacted ReAssure because he had obtained an annuity quotation from Legal and General (L&G). ReAssure explained that as his plan contained a GMP, that would only apply if he took an annuity, and the guaranteed level of income would be lost on transfer. Following that discussion, ReAssure issued a further retirement options pack to Mr R on 14 October 2023 and additional information was also issued to two different financial advisers acting on behalf of Mr R in the months that followed.

In May 2024, one of Mr R's financial advisers raised a complaint on his behalf that was subsequently upheld by ReAssure; this complaint was due to the delay in ReAssure

providing information about his plan. ReAssure paid Mr R £150 in compensation for the trouble and inconvenience caused.

The following week, Mr R raised a further complaint to ReAssure. In summary, he said that he was unhappy he'd been told he couldn't transfer his pension away to a new provider; that's despite being previously informed he could.

On 12 July 2024, ReAssure sent the monies from Mr R's plan to L&G for an annuity to be set up (L&G provide the annuity solutions for ReAssure).

After reviewing Mr R's complaint, ReAssure concluded they'd made a mistake with what they'd told him. They explained that they'd told him on a number of occasions that the policy could be transferred away but because it contained a valuable guarantee, this wasn't the case. ReAssure also said, in summary, that they should have provided the correct options to him by 27 July 2023 – this would've meant the annuity transfer to L&G would have completed no later than 25 September 2023. ReAssure said that given the delays, they were going to be undertaking a loss assessment and would be back in touch with their findings. In addition, ReAssure also explained that to say sorry for the inconvenience caused by their actions, they were sending him £700. ReAssure issued a cheque to Mr R for the £700 on 22 July 2024.

Mr R was unhappy with ReAssure's response, so he referred his complaint to this service. In summary, he said that he'd been told on multiple occasions that he could move his pension to an alternative provider so he could take his retirement pot through drawdown rather than as an annuity. But, it subsequently transpired that information was incorrect and that he had to take his pension through L&G.

After Mr R raised his concerns with this service, ReAssure looked at his complaint again. ReAssure say that Mr R's pension plan contained a GMP that was underfunded by a considerable amount. As the plan was originally an L&G policy before it was transferred to ReAssure, only ReAssure and L&G would have honoured the guarantee and provided Mr R with the maximum annuity. But, ReAssure say despite this, that doesn't mean Mr R was unable to transfer his pension with them away to a new provider, it's just likely that any new firm he moved his pension to may not have honoured the guarantee. ReAssure stated that they didn't agree with their initial complaint assessment and in their opinion, they'd not caused a delay to Mr R's retirement planning. This meant, they said, that they were no longer planning on undertaking a loss assessment.

The complaint was then considered by one of our Investigators. She concluded that ReAssure hadn't treated Mr R unfairly because from what she'd seen, the information that they'd provided about his plan was generally accurate.

Mr R, however, disagreed with our Investigator's findings. In summary, he said that he was led to believe he could move his pension pot to any other provider, so he looked around the market to take advice. Mr R went on to say that he later discovered he only ever had one option though, which was to take an annuity with L&G – which Mr R says he only found out about in July or August 2024.

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

After considering the complaint, I then issued a provisional decision on the case as having thought about matters, I explained that I was minded to uphold Mr R's complaint. The

provisional decision aimed to give both parties additional time to provide any further evidence that they wanted me to consider before I reached my final decision.

What I said in my provisional decision:

I have summarised this complaint in less detail than Mr R 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.

My role is to consider the evidence presented by Mr R and ReAssure 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 Mr R's complaint - I'll explain why below.

I think it's important to be clear here around what Mr R could and couldn't do with his plan. From what I've seen, Mr R's plan contained a valuable GMP benefit which became payable at his normal pension age of 65 – that benefit would've been provided through an annuity, which gives the plan holder a secure income for life. However, it's my understanding that because the cost of providing that annuity was underfunded within Mr R's plan value, this meant ReAssure had to cover the cost difference in providing him with that income. But, that didn't necessarily mean that he couldn't transfer – typically, it would mean that ReAssure would have to make good any difference between the fund value and the cost of providing the GMP before a transfer could take place. Alternatively, in the unlikely event that Mr R could find a new provider that would make up the difference of the GMP shortfall on receipt of his funds, then a transfer could also take place. So, whilst a transfer may have been possible in those scenarios, in practical terms, it seems to me that it wasn't a viable option.

But, even if I set aside my understanding of whether Mr R could or couldn't move his pot to another provider, having thought about ReAssure's communications with him, I don't think they were clear.

As I've already explained, ahead of Mr R reaching age 65, ReAssure wrote to him six months prior to his birthday (which was in November 2022) setting out his options. ReAssure made it clear to Mr R what features his plan contained along with the fact that he was able to move his pot away from them should he wish but that he'd need to take financial advice. Mr R says that he didn't want to take an annuity and would rather access the cash through flexible access drawdown, so he sought advice from a financial adviser. However, ReAssure's May 2022 letter didn't position the impact of the underfunded GMP and what it could mean in practical terms to him.

It wasn't until eight months after Mr R's 65th birthday that ReAssure had the first contact from his financial adviser, asking for details of his plan. Within ReAssure's letter to the adviser, they stated that the pot couldn't be transferred because of the underfunded GMP but it could be vested. However, the following month, ReAssure wrote to Mr R explaining that the plan could be moved, but it would mean risking losing the guaranteed level of income. ReAssure's letter also stated that he should seek financial advice. I've not seen any evidence to demonstrate that Mr R (or his adviser) contacted ReAssure prior to July 2023 or

that his first adviser contacted ReAssure to clarify their July 2023 letter, particularly given the inconsistencies. However, around that time, Mr R switched away from his tied adviser to a whole of market independent adviser, so I think that goes some way to explain the lack of follow up to the July 2023 letter.

I've looked very closely at the various letters and telephone calls that ReAssure exchanged with both Mr R and his respective financial advisers. There was a high level of communications between ReAssure, Mr R and his representatives, which in my opinion were inconsistent in their representation of whether or not Mr R's pot could be transferred or not.

Mr R states that he went through a protracted process with his financial adviser in an attempt to move his ReAssure pot. After a formal recommendation was made by his adviser to move the fund, which was then accepted by Mr R, it subsequently transpired that ReAssure had explained to Mr R's adviser that they couldn't move it and his only option was to take an annuity; despite their earlier messaging that a transfer was possible. I don't believe that Mr R would have taken an annuity funded by his GMP had he any other option, as it's clear to me that he didn't need the immediate income as he didn't elect to take it in November 2022 when he turned 65 years old.

ReAssure's messaging about Mr R's ability to move his Buy Out Plan was mixed and it's because of this that his adviser continued along a path of recommending he move the fund. Despite the GMP providing a known income for life, Mr R states that his preference was always to take his monies flexibly. Having considered matters, I think Mr R clearly demonstrated that by engaging a number of financial advisers over the course of 12 months to better understand his options and put that preference in motion – I don't think he would've done that had he wanted a fixed level income. However, ReAssure's communications did explain to him and his adviser that he was able to move his pot should he wish but it would result in the guarantee being lost but it would seem that was never the case.

It therefore follows that because ReAssure's communications were unclear about what Mr R could do with his Buy Out Plan, I'm upholding his complaint.

Putting things right

Delayed annuity payments

As a result of ReAssure's unclear messaging, Mr R has missed out on receiving his GMP income when he should have. I'm therefore of the view that ReAssure needs to recompense him for the missed annuity payments from the point at which they should have become due.

In their original complaint resolution letter, ReAssure stated that they should have provided the correct options to Mr R by 27 July 2023 – this would've meant the annuity transfer to L&G would have completed no later than 25 September 2023. However, I don't agree and that's because had ReAssure been clear with Mr R ahead of his birthday in November 2022, he wouldn't have needed to continue down the route of financial advice given the position of the underfunded GMP and lack of options in respect of this.

Therefore, I'm of the opinion that had ReAssure provided clearer communications, Mr R would have taken his pension from them at his 65th birthday. As such, it's from this date (i.e. XX* November 2022), that ReAssure should calculate the net missed annuity payments from up to the point that the annuity actually came into payment.

* is the day of Mr R's 65th birthday. I'm not stating the exact date of his birthday so as to avoid identifying him, but this information is already available to ReAssure.

Because this represents an amount in lieu of missed taxable income, ReAssure may make a deduction equal to the tax rate that Mr R is currently paying. This is a notional deduction; no tax is paid to HMRC by ReAssure on behalf of the consumer.

ReAssure should add 8% p.a. simple interest to each payment from the date it should have been paid to the date of Mr R accepting my final decision.

ReAssure can deduct income tax from any interest payment if required to do so by HMRC. If Mr R feels that tax shouldn't be payable, he'll need to contact HMRC to either reclaim the tax he's entitled to or to pay additional tax if owed.

ReAssure must provide Mr R with details of their calculation in a clear and easy to understand format.

Advice fees

Mr R states that he had to pay for the services of a financial adviser. That's because he didn't want the annuity and would've rather taken the monies through drawdown. However, had ReAssure's original messaging been clearer, I don't believe that Mr R would have got to the point where an adviser was making a recommendation to move his monies. I'm therefore of the view that ReAssure should refund any advice fees that Mr R has paid in respect of the specific advice he received in connection with the GMP transfer.

ReAssure should add 8% p.a. simple interest from the date that any payment was made to the adviser to the date of Mr R accepting my final decision.

Mr R must provide evidence to ReAssure in a timely manner of any advice fees paid – this must be provided in the next 14 days.

Trouble and inconvenience

ReAssure have already paid Mr R £700 for the trouble and inconvenience that they've caused. And, having considered matters, I'm satisfied that's in line with what I would have instructed them to pay him had they not already offered to do so. So, my decision is that ReAssure should pay Mr R the £700 if they've not already done so.

I'm satisfied that this is a fair and reasonable outcome in all of the circumstances.

Response to my provisional decision:

After receiving my provisional decision, both ReAssure and Mr R confirmed that they accepted the outcome and had nothing further to add.

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.

As neither party has submitted any further comments or evidence for me to consider that I've not already responded to, it therefore follows that I have reached the same conclusion for the same reasons that I set out in my provisional decision.

My final decision

I'm upholding Mr R's complaint and as such, I require ReAssure Limited to take the action that I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 28 June 2025.

Simon Fox
Ombudsman