

## **The complaint**

Mrs W complains that Pension Insurance Corporation plc (PIC) hasn't honoured a contractual obligation she believes she had to entitlement of a cash lump sum from a spousal pension she receives from her late husband's employer's defined benefit (DB) pension scheme. She says the trustees of the scheme issued her with a nomination form which she completed, but PIC – who now provide the annuity she previously received from the DB scheme – says she has no further entitlements beyond her spousal pension.

## **What happened**

Mr W belonged to his employer's DB pension scheme. In May 2003 he unfortunately died suddenly, and Mrs W began receiving a spousal pension from the scheme as a result.

Mrs W says that in 2019 she received a nomination of beneficiary form from the scheme administrators which she completed – in favour of her son – and returned.

In 2023 PIC took over the scheme benefits administration and management under a "buy out" operation. It then continued to pay Mrs W her in-payment annuity along the same lines as she'd previously received. This was set up as a new individual policy assigned to Mrs W from the scheme trustees.

Mrs W was unhappy with the terms of the new plan when she received the policy schedule, so in June 2024 she complained. She said she was concerned there were no further benefits payable under her plan apart from the ongoing annuity payments – despite what she thought she been advised by the scheme trustees.

PIC apologised for the concern the matter had caused Mrs W but didn't believe any further benefits were payable. It said that part of its business model was to take over previous employer DB schemes in bulk and pay individual annuities to the members on the same basis as the scheme trustees had previously agreed. So, when it took over this scheme, an individual plan was assigned to Mrs W by the scheme trustees, and it simply carried on paying her the annuity on the same terms and conditions. There hadn't been any agreement to pay further dependent pensions on her death, and the payments would end at that time.

It said it was unsure why Mrs W had received an expression of wishes (EOW) form from the previous scheme administrators but was only able to pay the benefits in line with the "correct entitlement" to benefits.

Mrs W said that PIC had changed the terms and conditions of the original pension plan and by receiving an EOW form from the trustees she believed this showed that she was entitled to a lump sum benefit. She thought the service that her husband had accrued was now being "dismissed".

PIC said the policy document it had originally issued superseded any previous documents. It said the terms of the pension it provided were agreed with the scheme trustees and that only allowed for the payment of ongoing benefits to a beneficiary – which would then cease on

the death of the beneficiary – and in this case would be Mrs W. In respect of the EOW form it explained this would usually be used to decide who to pay a lump sum in the event of death, but as the plan had no death benefits the form had no relevance, and it reaffirmed it didn't know why it had been issued to her by the trustees.

So, Mrs W brought her complaint to us where one of investigators looked into the matter. He didn't think the complaint should be upheld making the following points:

- He understood why Mrs W believed she may be entitled to a lump sum payment because of the EOW form but didn't think PIC had made any errors.
- When PIC took on the liabilities of the DB scheme a new individual policy was issued to Mrs W. The terms of the new plan were agreed by the scheme trustee at that time and so the benefits payable are now provided by PIC. These new terms replaced any previous information and documentation Mrs W may have held under the DB scheme.
- The policy schedule was clear that all benefits payable would cease on Mrs W's death, and there was no entitlement to any lump sum or further payments to any other dependents.
- He couldn't hold PIC responsible for any information Mrs W had been sent by the scheme trustees, nor could he comment on why she'd been sent the EOW form.
- But Mrs W could contact the scheme administrators to ask for an explanation about the EOW form and lump sum entitlement, although he confirmed that we wouldn't be able to consider any subsequent complaint about its actions as that would be a matter for the Pensions Ombudsman.

Mrs W said:

- She had requested a lump sum benefit to be paid to her directly during her lifetime. So, she completed and submitted an EOW which she assumed to be part of the process. If that form wasn't relevant, she questioned why it was sent to her in the first place.
- She believed the EOW form was a continuation of the contract that existed between her late husband and the scheme, and therefore when that contract was passed to another party (PIC) it should have honoured the previous agreement.
- Because of this "incomplete or unclear information" – either from PIC or the scheme administrator, she had now suffered a significant financial loss which she didn't think was fair.
- She said that if PIC wasn't responsible, we should pursue her complaint with the relevant other party (the scheme or original trustees).

She asked for her complaint to be referred to an ombudsman – 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. I know this outcome will come as a disappointment to Mrs W and I have some sympathy for her position, believing as she does that she should be able to draw her pension as a lump sum benefit. But I don't think PIC has done anything wrong here – so I'll explain my reasons.

It's unclear whether Mr W was already receiving a pension from his employer, but what is known is that when he unfortunately passed away in 2003 – according to the scheme rules – a spousal pension was then paid to Mrs W for the duration of her life. This pension income had been paid for around 20 years when, in 2023, in order to insure and safeguard these benefits, the trustees of the scheme “sold” them to PIC in the form of individual policies which were then assigned to the individuals, who had been receiving a pension from the DB scheme, as a continuing annuity. So PIC continued to pay Mrs W along the same lines as the DB scheme.

Mrs W has told us that she wished for “*previous instructions to be cancelled and for the lump sum to be paid directly to me*” and she cited an EOW form that was sent to her in 2019, which she completed and returned to the scheme trustees, as evidence that it was agreed to pay her a lump sum. I haven't seen any evidence to confirm what discussions Mrs W may have had with the trustees which led her to believe she had some further entitlement, or why it then sent her the EOW. But the EOW, or nomination form, was for the “*trustees (of the scheme) to consider distributing the benefits payable in the event of my death as follows.*” Her son was then noted as that beneficiary.

I'm unable to offer Mrs W any explanation for why the trustees issued this form to her. She would need to approach them to discuss that matter further or register her dissatisfaction about the subsequent events from 2019, but I can understand why the form would have led her to believe there might be some further entitlement following her death. Mrs W has asked us to pursue a claim on her behalf against the trustees or the original DB scheme – but we're unable to do that for her and she would need to approach them in the first instance. The investigator has also confirmed to Mrs W that, even if she remained dissatisfied with their response she would need to take that complaint to the Pensions Ombudsman (details have already been provided to her) as complaints about the actions of an Occupational Pension Scheme and their trustees don't fall under the scope of this service.

Having established what happened between Mrs W and the scheme administrator in 2019, I've gone on to look at the position as it relates to PIC thereafter. In 2023 a “buy out” of the scheme led to PIC taking over the management and administration of the benefits that were being paid to members or their beneficiaries. This involved the scheme trustees assigning those collective benefits as individual policies held with PIC. PIC then issued a policy schedule to each individual setting out the details of their plan.

Mrs W's policy schedule noted the amount of annual income PIC would pay and also confirmed the situation on her death stating, “*there are no pensions payable under the policy in the event of your death.*”

Further on in the policy document it was noted:

*“Death Benefits*

*Annuity- No annuity will be payable on the death of the beneficiary  
Lump sum – no lump sum will be payable on the death of the beneficiary.”*

So I think this was clear in setting out PIC's responsibilities and requirements. It would continue to pay Mrs W's annual pension income in line with the previous agreed amount and these payments would then cease on her death. There was no provision to pay any further lump sum or annuity entitlements nor was there any option to receive a lump sum during Mrs W's lifetime instead of the annual income.

My understanding is that PIC has continued to pay Mrs W's annual income – in line with its policy schedule – so I can't reasonably say it's done anything wrong here or failed to meet its

obligations. If Mrs W thinks the scheme trustees did suggest she had any additional entitlement or available options it would be for them to explain any misunderstanding or failing that might have occurred.

Mrs W believes that there was a contractual agreement of some kind when she completed the EOW, although the form itself simply records details of any beneficiary the trustees might wish to consider – at their discretion – to pay any proceeds (if there was any entitlement) in the event of Mrs W's death. She thinks there is now an obligation for PIC to honour that agreement after it took over the payment of the DB scheme benefits. But I don't think the form itself supports any such obligation and I note that the form was submitted to the trustees some four years before PIC took over, which would support the idea that no action was required at that time and it was simply a form to be held by the trustees until Mrs W's death.

As I've already said, if Mrs W believes either the discussions she had with the trustees or the reason for issuing the EOW form did suggest a different course of action, then she should contact the scheme in the first instance.

But looking at PIC's involvement here, simply as the provider of Mrs W's agreed ongoing in-payment spousal pension, I haven't seen anything to support the claim that it did anything wrong. There's no evidence to suggest that it has an obligation to pay her anything more or that it should provide her with a lump sum instead of the annuity payments.

### **My final decision**

For the reasons that I've given I don't uphold Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 23 October 2025.

Keith Lawrence  
**Ombudsman**