DRN-5714562

The complaint

Mr R has complained about the service he has received from The Royal London Mutual Insurance Society Limited in relation to his pension plan. He says that because of the way in which the business has handled his enquiries, he has not been able to realise his benefits in the way that he want to, and has seen his policy lose a significant amount of its value.

What happened

Mr R has a retirement annuity contract with Royal London, invested in the with-profits fund, which provides a guaranteed minimum annuity ('GMA') amount at retirement. Because the standard form of the benefits under Mr R's policy are expressed as a guaranteed yearly income, they are classified as 'safeguarded benefits'. Under current legislation, where the policy is worth £30,000 or more, the product provider is required to ensure that the policyholder has received regulated advice before they give up the safeguarded benefits, for example by transferring them or converting them into flexible benefits.

Mr R has told this service that he's been trying to access the money held in his policy for around five years. The parties have provided details of contact they had from 2021. At this time, Mr R was living outside of the UK. In May 2021 Mr R complained that Royal London had given him incorrect information about his pension options in light of him being an overseas resident.

Royal London responded on 29 June 2021 and accepted that its representative had incorrectly told Mr R in February 2021 to speak to Royal London Annuity Bureau ('RLAB') to obtain figures from a number of annuity providers. RLAB is a non-advised service which provides information about lifetime annuities. Royal London said it was wrong to tell Mr R to speak to RLAB because it does not provide a service to overseas customers.

Royal London also commented that in a call in March 2021, Mr R had said he wanted to arrange to drawdown his pension as a series of lump sums. Its representative had then told Mr R about a product Royal London offered for this. However she had failed to tell Mr R that this was for UK residents only. Royal London said that Mr R could elect to transfer to another provider to access his pension flexibly, but to do so he would need to seek advice from an independent financial adviser ('IFA') regulated by the Financial Conduct Authority ('FCA') who had the relevant permissions to give such advice. Royal London provided a link to assist Mr R to find a FCA regulated IFA, and explained how he could email it to request transfer paperwork.

Royal London apologised for providing misleading information to Mr R, and it paid him £150 compensation for its poor service.

At some point after this first complaint, Mr R engaged an IFA to advise him on his pension options. The IFA was based outside the UK, and was not regulated by the FCA.

In May 2022 Royal London received a letter of authority from Mr R permitting it to provide policy information to the IFA. The IFA asked Royal London to send him an overseas transfer discharge pack. This was sent on 11 June 2022, and I understand that it included

information relating to the guarantees that are written into the policy in the form of the GMA. I also understand that this pack confirmed that Mr R would need to obtain financial advice to transfer benefits overseas, and included a Financial Advice Confirmation Form ('FACF') to be completed to show that advice had been given. Royal London has said that the FACF explained what permissions an adviser would need to provide advice about transferring the policy benefits.

In July 2022 Royal London received a call from the IFA requesting an immediate annuity quote. Shortly after this it seems that the IFA complained that he had been told he would need to phone RLAB, but that when he had phoned RLAB, he was told that he'd phoned the wrong team.

Royal London issued a response to this second complaint on 14 November 2022. It said that it had correctly responded to the requests it had received from the IFA for relevant quotations and forms, but it accepted it had directed the IFA to the wrong annuity team when he'd rung, as it had failed to recognise Mr R as an overseas customer. Royal London apologised for this mistake.

In terms of providing information about the policy, on 3 August 2022 Royal London had sent the IFA further details about the GMA. On 17 October 2022 Royal London received completed paperwork relating to transferring the pension benefits, but a signed FACF was not included. Royal London has said that this is why it could not process the transfer.

Mr R has forwarded to this service an email chain from October and November 2022 between Royal London, his IFA and a product provider based outside the UK (which I will call 'provider S'). In this chain, provider S suggested to Royal London that it had told the IFA previously that there was no GMA under Mr R's policy. In its response Royal London did not accept it had misled Mr R or his IFA regarding the guarantees under the policy, and it confirmed that to transfer these benefits, Mr R would need to receive advice from a UK FCA regulated adviser.

By 2024, Mr R was living in the UK. In February 2024 he confirmed to Royal London his updated address. He also requested updated retirement documents showing his current pension benefits.

Royal London issued these forms in March 2024 and they showed a fund value of £58,509.22 for a retirement date of 15 April 2024. On 22 April Mr R spoke to RLAB, having asked to take his benefits as an annuity together with 25% of the fund as tax-free cash ('TFC'). I understand that this call ended abruptly, and it was later the subject of a complaint that Mr R made.

There was a further call between RLAB and Mr R on 24 April in which Mr R expressed frustration that he'd not as yet been able to access his pension fund and encash the full value. He also said that he was unhappy that he was being told to obtain advice from a regulated IFA.

It doesn't seem that Mr R spoke with Royal London again until 24 June. Because the previous quote issued by Royal London was out of date, it sent Mr R updated forms. These showed the fund value at 15 August 2024 to be £57,731.68. Mr R expressed unhappiness that the fund value had fallen, and this was logged as a new complaint.

On 26 June Mr R contacted this service to make a complaint about Royal London's actions.

On 1 July Royal London responded to Mr R's complaint that the fund value of his policy had fallen since he'd tried to transfer it in 2022. It commented that no part of the fund value is

guaranteed, and that fund values had been impacted by negative returns experienced during 2022.

Royal London acknowledged that Mr R was unhappy that his policy had not been transferred in 2022, and that the transfer value then had been £67,655.47. However it said that it had not received a completed FACF at this time, or confirmation that appropriate financial advice had been given to Mr R. It commented that it had told both the overseas IFA and provider S about the advice requirements in 2022.

Mr R responded to say he was unhappy that RLAB had told him it could not phone him on an overseas number. Royal London reiterated that RLAB was not a service for customers overseas. Mr R also questioned why Royal London had corresponded with his overseas IFA when he didn't have the relevant permissions to advise on transferring the funds. He said this IFA was unhappy about the time he'd spent reviewing Mr R's policy. Mr R said that he had been told by an FCA regulated IFA that he would be charged £4,500 for advice on his policy. He also commented that he had not asked to extend the retirement date on his policy to March 2026.

Royal London issued a further formal response to Mr R on 4 July. It said that the policy originally had a retirement date in March 2021, but because Mr R had not taken his pension around this time, it had deferred the retirement date to March 2026. It had confirmed this to Mr R in July 2021. Royal London clarified that this did not prevent Mr R from taking his benefits at an earlier date.

In terms of corresponding with the overseas IFA, Royal London said it did so because Mr R had provided authority for this. Regarding the requirements for financial advice, Royal London said that its transfer discharge packs provided clear instructions about this. It commented that the FACF form had been sent to Mr R on three occasions in 2021, and that the overseas IFA would have had the opportunity to confirm whether he had the relevant permissions relating to a possible transfer before starting to advise Mr R. Royal London confirmed that if Mr R wanted to take 25% of the fund value as TFC together with options that took account of the guarantees under the policy, further information was available from RLAB.

Mr R rang on 15 July to question why the fund value had fallen from £58,509.22 to £57,731.68 within the quotes provided in 2024. Royal London explained that this was the result of a bonus rate review on 1 April 2024. Mr R was unhappy with the service he'd recently received from RLAB, and said that Royal London was not being transparent because it would not put quotes he'd asked for in writing.

Having spoken with RLAB, on 23 July Mr R rang to say that in his view the guarantees under the policy were not valuable. He asked that Royal London honour the fund value of £67,655.47 quoted to him in 2022 and allow him to transfer this to another provider.

Royal London issued another response on 25 July providing a more detailed breakdown of the GMA and bonuses applicable to the quotes issued in 2024. In terms of the benefits available, Royal London confirmed that Mr R did not have to buy a lifetime annuity from it. It referred to its retirement guidance booklet, and said that Mr R could shop around because he might be able to achieve a higher income elsewhere. However Royal London also said that for certain types of alternative annuity options, Mr R would need to take advice from an IFA in order to transfer to a new provider.

Royal London reiterated that the GMA under Mr R's policy represents safeguarded benefits, and to transfer would require advice from a UK regulated IFA with the appropriate permissions. It confirmed the legislation which this requirement comes from. It described

annuity rates on the open market at that time as relatively high and said that this meant it might be possible to obtain a higher income than the GMA from another provider. Royal London highlighted that this situation might change, and said this would make the policy's guarantees more valuable again.

Another complaint response was issued by Royal London to Mr R on 11 October, in which it apologised for RLAB ending the call on 22 April. It also said that RLAB had had difficulties contacting Mr R for an agreed appointment, but did manage to complete this on 15 July.

In bringing his complaint to this service, Mr R said that Royal London had failed to answer his questions about his policy over a number of years. He said he'd paid for the overseas IFA to assist him with the transfer of his benefits, but Royal London had then told him the transfer could not go ahead because this IFA was not regulated in the UK. This had delayed him taking his benefits, and whilst he'd been waiting to do so, the fund value had dropped over £10,000. He questioned why the fund had decreased in value in this way.

Mr R suggested that Royal London was deliberately delaying matters because financially it benefitted from this, and he said he needed to take money from the policy now. With regard to the GMA, Mr R said this represented poor value, and having spoken to RLAB he'd concluded that taking benefits using the GMA would mean he'd receive lower payments than he'd put into the plan. He explained he wants to transfer his fund away from Royal London because he believes he can invest the money better himself, but in doing so he does not want to pay again for another IFA. Mr R commented that Royal London's customer service had been poor, and this had caused him distress.

Our investigator did not uphold this complaint. Firstly he considered whether this service was able to investigate all the elements of Mr R's complaint, bearing in mind our rules that relate to time limits. His view was that we could not consider the complaint issues responded to in Royal London's letters on 29 June 2021 and 14 November 2022 because Mr R had brought these issues to us too late.

The investigator considered that he could look at Mr R's concerns about his fund value falling, and about Royal London saying in 2022 that the transfer couldn't go ahead because Mr R had not received advice from a UK regulated IFA. His conclusion was that in requiring Mr R to evidence that he'd taken advice from a UK regulated IFA, Royal London was acting in accordance with UK law. In terms of Mr R using the services of the overseas IFA and later discovering that the transfer could not go ahead because this IFA was not UK regulated, the investigator's view was that the fault for this principally lay with the IFA, rather than Royal London.

In terms of the fund value falling, the investigator noted that the GMA had increased since 2022. His view was that Royal London had explained in 2022 what documentation was required if Mr R wanted to transfer his fund, and that it was not at fault for investment conditions causing the fund value to decrease.

Mr R did not agree with the investigator's assessment. He said that there was no reason why his fund value should have fallen in value since 2022, and he felt that Royal London might not be telling him the truth about the cause for this. Mr R highlighted the fee he'd already paid the overseas IFA for work relating to a transfer, and he said that Royal London had given incorrect information about how the transfer could take place. This had then delayed matters, and resulted in the fund value decreasing.

Mr R questioned why Royal London had initially corresponded with the overseas IFA when he wasn't UK regulated. He reiterated that in his view, the GMA is not a valuable part of the policy. He suggested that Royal London does not want the fund to be transferred away from

it, and is putting up barriers to prevent this. Mr R commented that Royal London had already paid him £150 compensation and admitted that it had made errors.

The investigator confirmed that this complaint would be referred for review by an ombudsman.

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.

In light of the correspondence that Mr R has had with Royal London since 2021, and the fact that Royal London issued complaint response letters in June 2021 and November 2022, initially I need to consider the extent of this service's powers to consider the complaint which has been brought to us.

Our powers to consider this complaint

Our service can't investigate every complaint that's referred to us. The rules that set out what complaints we can consider are the Dispute Resolution Rules ('DISP') in the FCA's handbook, which can be found online.

The rules include time limits. DISP 2.8.2R states that – where a business doesn't agree – I can't look into a complaint if it's been referred to us more than six months after the business sends the consumer its final response letter, telling them they can refer their complaint to us. An exception to this is where I conclude that the failure to comply with the time limits is the result of exceptional circumstances.

Royal London issued a final response letter to Mr R on 29 June 2021, and it confirmed that Mr R had six months from the date of this letter to bring a complaint to us if he wanted to. Royal London has said that it doesn't consent to us investigating this complaint if it's been brought outside the six months limit.

Mr R didn't refer a complaint to us about Royal London's actions in respect of his policy until June 2024. He hasn't given me sufficient reason to conclude that exceptional circumstances caused him to refer this matter to us more than six months after Royal London's June 2021 letter. I therefore consider a complaint about the issues that Royal London responded to in June 2021 has been brought to us too late, and is time barred.

In saying that, I need to clarify exactly what complaint was answered by Royal London in June 2021. The June 2021 letter looked at Mr R's unhappiness with information he'd been given in February 2021 to call RLAB. Royal London accepted it had provided misleading information to Mr R at this time because as an overseas customer he could not use RLAB. It also accepted it had misled Mr R during a call in March 2021 because it had spoken about a product it offered which was only available to UK residents. Royal London paid Mr R £150 compensation to reflect its poor service in this regard.

Because the matters covered by Royal London's June 2021 letter are time barred, I cannot therefore consider the service Royal London provided Mr R in these calls in February 2021 and March 2021.

Royal London issued another final response letter to Mr R on 14 November 2022, and it again confirmed that Mr R had six months to bring a complaint to us. Royal London has not consented to us investigating a complaint brought outside the six months limit.

I do not consider there is reason to conclude that exceptional circumstances caused Mr R to refer a complaint to us more than six months after Royal London's November 2022 letter. I therefore consider a complaint about the issues responded to in that November 2022 letter has also been brought to us too late, and is time barred. But again, I need to clarify what complaint issues were responded to in the November 2022 letter.

Royal London's November 2022 letter looked at information given to Mr R's overseas IFA in calls on 26 July and 27 July 2022. He was told he needed to speak to RLAB, and also given incorrect phone numbers to call. Royal London accepted that it had given the IFA an incorrect phone number and directed him to the wrong annuity team.

Because the matters covered by Royal London's November 2022 letter are time barred, I cannot therefore consider the service Royal London provided in these two calls in July 2022.

To summarise the complaint that Mr R brought to this service in June 2024, he considers that Royal London has prevented him accessing his pension benefits in the way in which he wants to, including his wish to transfer the benefits. He has said that Royal London should not have engaged with his overseas IFA because the IFA could not assist with a transfer. And Mr R has commented that the service Royal London has provided him since 2021 has delayed him transferring, and put barriers in place to prevent him doing what he wants to do with his policy. He also complains that during this period, his fund value has decreased by around £10,000.

For completeness, I should explain that DISP includes another time limit, in addition to the six months' referral time limit. DISP confirms that we can't look at a complaint referred to us more than six years after the event complained of, or if later, more than three years from the date on which the complainant became aware (or ought reasonably to have become aware) that they had cause for complaint. As Mr R has made his complaint, as described in the paragraph above, within six years of the events complained about, I consider I am able to look at all the issues raised by Mr R in the paragraph above.

For ease of reference, I have considered the issues Mr R has raised under sub headings.

Mr R's request to take benefits in the way he wants to, including his request to transfer

As explained, the GMA under Mr R's policy represents safeguarded benefits. The Pension Schemes Act 2015 allowed more flexibility in the way people could access pension benefits, but it also introduced some restrictions for people with safeguarded benefits over a certain amount, requiring them to take advice. The Act requires product providers to make sure a customer has received regulated advice before transferring or converting safeguarded benefits into flexible benefits, unless their value is less than £30,000.

If Mr R wants to transfer or take his benefits flexibly, rather than taking the benefits available under the GMA, Royal London must obtain a declaration from an adviser and check that the adviser has the relevant permissions to provide the advice given as to whether or not to give up the safeguarded benefits. It is important to note that Royal London must do this to comply with the law.

If Mr R were to access his benefits in their existing guaranteed form, Royal London would not need to check that he'd received advice. However I appreciate that Mr R has said he does not consider the GMA under his policy to be at all valuable. Based on what he has said, it would appear that when Mr R does access his policy benefits, as he won't be utilising the GMA, he will need to obtain regulated advice. For the reasons explained above, I consider Royal London has acted appropriately when requesting the information that it has in relation to Mr R obtaining advice.

Royal London corresponding with Mr R's overseas IFA

Mr R has said that Royal London should not have corresponded with his overseas IFA if the fact that this IFA was not UK FCA regulated meant that his advice would not allow Royal London to transfer the pension fund. Mr R has said he's had to pay for the IFA's advice, and also that Royal London's willingness to interact with a non UK regulated IFA effectively delayed his attempt to transfer the benefits.

Royal London received authority from Mr R in May 2022 to provide the IFA with information about his policy. By complying with Mr R's request to correspond with the IFA, my view is that Royal London was acting in the way that it should. Mr R has indicated that Royal London should have told him at an early stage that the IFA was not UK regulated, and so could not satisfy the advice requirement necessary to transfer safeguarded benefits. But on balance I'm not persuaded that there was an obligation on Royal London to do that.

Further to this, in my view Royal London had made it clear before Mr R engaged the overseas IFA that there was a requirement to obtain advice from a UK regulated adviser. Royal London's letter on 29 June 2021 stated that if Mr R wanted to transfer to another provider to access his pension flexibly, he would need to seek advice from someone registered with the FCA and with the relevant permissions to advise on the transfer.

It also seems that when Royal London sent an overseas transfer pack to the IFA on 11 June 2022, the enclosed FACF confirmed the permissions needed by an adviser to give advice about transferring, including the fact that the IFA needed to be UK FCA regulated. From this point the overseas IFA knew what regulated status was required of an adviser considering a transfer of Mr R's safeguarded benefits. Like the investigator, I consider the IFA should also reasonably have known at this time that he did not have the relevant permissions to advise on the proposed transfer.

Mr R has forwarded an email chain from October and November 2022. In this, provider S suggested to Royal London that it had emailed the overseas IFA stating that Mr R's policy did not have any guaranteed annuity options. In response, Royal London stated that because the policy included a guaranteed minimum level of income on retirement, this represented safeguarded benefits. It also confirmed that to transfer safeguarded benefits, a customer needed to have received advice from a UK FCA regulated adviser. Royal London explained that it had no discretion to waive this requirement.

Overall my view is that Royal London acted reasonably by corresponding with the overseas IFA. I'm also not persuaded it's been shown that Royal London misled the overseas IFA, or Mr R, when explaining what documentation was required if the benefits were to be transferred.

Royal London's overall service, and whether it has tried to prevent Mr R transferring

Mr R has said that since he made enquiries about realising the benefits under his policy, Royal London's service has delayed him arranging what he wants to do with his funds. He has also indicated that Royal London is deliberately placing barriers in his way to prevent him receiving money from his policy.

I appreciate that Mr R is frustrated about the legal requirements for advice that are applicable to safeguarded benefits. I also acknowledge that Mr R does not consider the GMA under his policy provides him with a competitive annuity. However with safeguarded benefits, it might not be obvious what valuable guarantees are being lost if benefits are transferred, or converted to access flexible benefits.

The government brought in legislation making it a legal requirement for the ceding provider to ensure a consumer has taken authorised financial advice if considering giving up their guarantees where their value was over a certain amount. The aim was to make consumers aware of the value of the policy guarantees when making a decision about them.

Taking into account the legislation which is in place, I consider that Royal London is acting appropriately when telling Mr R that he will need to obtain advice if he wants to take his benefits flexibly (such as in a series of lump sums), or transfer them. I would not agree that Royal London has acted unreasonably in this regard, or that it has unfairly tried to put barriers in the way of Mr R.

In my view, the main reason that it has taken the length of time that it has to resolve the issues around Mr R taking his benefits is because Mr R wishes to realise benefits in a way that will, by law, require him to take FCA regulated advice. But having considered the evidence submitted, I do not consider that Royal London's service has been poor in relation to this matter.

The reduction in the policy fund value between 2022 and 2024

Having being given a policy value of £67,655.47 in 2022, in 2024 Mr R saw this decrease by around £10,000. He has questioned how it is possible for the value to fall in this way.

In its letters to Mr R in July 2024, Royal London gave an explanation for the fund value fall. It commented that when it commenced, the policy was designed to offer a GMA, rather than a retirement fund. However, as the way in which benefits under retirement annuity contracts changed, it became necessary to be able to calculate a cash value, which is the current value of the policy. Royal London said that the current fund value represented the "*smoothed asset share*" of the policy, calculated by averaging the return achieved over a certain number of years.

Royal London said that due to the smoothing process it uses when calculating the cash value of its with-profit policies, it needed to reflect the negative investment return that it experienced in 2022. As I understand it, this impacted the fund values quoted to Mr R from April 2024.

It is clearly disappointing for Mr R to see the value of his policy drop to this extent over a two year period. However I do not consider that I have reason to think that the values that have been quoted to Mr R are incorrect, or that Royal London has in some way been at fault when providing these values to Mr R. And I consider its explanation for the fall in the policy's value is a reasonable one.

In conclusion, I appreciate that my findings are likely to come as a disappointment to Mr R. I also understand that from his point of view, he has not been able to achieve what he would like to do with his pension benefits, despite having now been in communication with Royal London for several years. But based on the submissions made, I do not consider Royal London has acted unreasonably or unfairly in its interactions with Mr R in this matter. And as already explained, in requiring to see evidence that Mr R has taken advice if he decides he wants to take his benefits flexibly, or to transfer them, Royal London is acting in accordance with the law applicable to this area.

My final decision

My final decision is that I do not uphold this complaint, and I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 August 2025.

John Swain
Ombudsman