

The complaint

Ms F has complained, on behalf of her daughter Miss F, about the decision Legal & General (Portfolio Management Services) Ltd ('L&G') made in respect of the death benefits payable to her under two pensions held by her late father.

What happened

The late Mr F held two group personal pensions through his workplace. Both pensions were provided by L&G.

Mr F sadly passed away in 2023. The late Mr F's employer notified L&G of his passing and L&G started to gather information to determine the beneficiaries of the pensions and the recipient of a death in service benefit.

L&G did not include Miss F as a potential beneficiary when it made its decision to pay the death benefits due from the pensions. As the late Mr F had left no expression of wish in respect of the pensions, the benefits were paid to his wife in accordance with his will. The death in service benefit was paid in accordance with the expression of wish Mr F completed for this benefit. The payments were made in November 2023.

Ms F contacted L&G in July 2024 regarding the decision to exclude Miss F as a beneficiary. She provided evidence demonstrating that Miss F was financially dependent on Mr F as he was making child maintenance payments to Ms F at the time of his death.

In September 2024, L&G decided that Miss F should receive a payment of around £3,500, representing 15% of the total death benefits payable from the pensions, and this would be made direct to her on her 18th birthday in 2025.

Ms F contested the decision and asked how the figure had been reached. Ms F wasn't satisfied with the explanation given and raised a complaint.

L&G provided a final response on 13 November 2024. It apologised for not including Miss F in its initial decision-making and said it had agreed to make a payment to her which it considered was reasonable and in line with its obligations under the discretionary trust. L&G offered Ms F £250 to apologise for the distress and inconvenience caused by the initial failure to recognise Miss F as a beneficiary.

Ms F corresponded with L&G further as she hadn't received the final response letter; this was sent to her again on 8 April 2025. Ms F responded on 2 May 2025, saying that the Trustees had not discharged their duties correctly by awarding such a small sum from the pension and nothing from the death in service benefit to Miss F, who was financially dependent on Mr F at the time of his death.

Ms F ultimately referred the complaint to the Financial Ombudsman Service on 12 May 2025. Ms F said although L&G had made an award to Miss F it hadn't explained how it had arrived at that figure. She added that she'd spent hours on the phone trying to sort

things out at what was already a difficult time. Ms F also queried the decision L&G had made about payment of the death in service benefit.

Our Investigator upheld the complaint in part, requiring L&G to pay Miss F £250 for the distress and inconvenience the matter had caused her when L&G did not include her in its original decision. However, he didn't think that L&G had used its discretion unreasonably when it determined the sum payable to Miss F as beneficiary of the death benefits.

Ms F didn't accept the Investigator's view and made the following points:

- L&G failed to treat Miss F fairly by initially excluding her from the process, it is appalling that Ms F had to fight to get L&G to acknowledge her daughter's existence.
- L&G hasn't disclosed how the payment was calculated and so it is difficult to accept whether or not it is fair.
- Miss F was Mr F's first born child and she was financially dependent on him and would've been so until she finished university. The amount awarded does not come close to covering this.
- The recipient of the death in service benefit should have been determined in the same way as the pension benefits.
- £250 does not compensate Ms F and Miss F for the additional suffering they have gone through as a result of L&G's actions.

The Investigator addressed some of the points made but ultimately wasn't persuaded to change his view so the complaint was referred to me to make a decision.

After considering the information submitted by each side, I provided my provisional findings, explaining to Ms F and L&G that I didn't think L&G's offer adequately compensated Miss F for the mistake that had been made. I said I didn't intend to interfere with L&G's decision to award Miss F around £3,500, but I thought that L&G should also pay interest on this sum at a gross rate of 4% from 1 January 2024 to date. I also thought that L&G should pay Miss F £500 for the distress and inconvenience caused.

L&G ultimately accepted this. Ms F asked that I reconsider my findings and made the following points:

- If interest is to be awarded this should be paid from August 2023 when the death benefits were originally paid out. It would not have taken five months for L&G to locate contact details and get in touch with Ms F.
- The Bank of England base rate in August 2023 was 5.25% – is the 4% awarded in addition to the base rate or in replacement of it?
- The award of 15% of the pension death benefits is disputed and Ms F still hasn't had an adequate explanation of how this figure was reached – it is clearly unfair.
- L&G's failure to consider Miss F when it paid out the death in service benefit is also unfair.
- The £500 compensation awarded for the distress caused doesn't come close to compensating her for the additional suffering she experienced at a very painful time.

As both parties have responded to my provisional findings, I'm now in a position to make a final decision.

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.

First and foremost, I wish to extend my sympathy to Miss F for her loss. I appreciate how difficult this period of time has been for her and understand that having to make a complaint on top of this would've added to her distress.

Having considered everything again carefully, I'm maintaining my decision to award interest on the sum L&G offered to Miss F at a gross rate of 4% from 1 January 2024 to date and to award £500 for the distress and inconvenience caused to her. I know this will be very disappointing so I'll explain why.

Ms F doesn't consider that the decision to award Miss F a sum representing 15% of the pension death benefits is fair. This is because other beneficiaries have also benefitted from the death in service benefit and Miss F would've been financially dependent on Mr F until she had finished university (so for around another five or six years at the time). Ms F has consistently asked L&G for a detailed explanation of how it reached that figure.

Although the Investigator and L&G have explained this to Ms F before, I think it is worth repeating that the late Mr F did not leave any expression of wish as to how the pension death benefits should be distributed. Nevertheless, it would've always fallen to the Trustees to exercise their discretion when making the decision as to how the benefits should be distributed under the terms of the discretionary trust. While not bound by it because the pension benefits fell outside of Mr F's estate, the Trustees would've also taken Mr F's will into account.

I do not have the power to interfere with the Trustees' discretionary decision; I can only consider whether that decision was made fairly, taking account of all of the relevant information. And having considered the rationale behind the Trustees' decision, I'm satisfied that they exercised their discretion fairly here. So, I'm not asking L&G to revisit that decision.

L&G told Ms F that it had taken into account the number of beneficiaries when reaching this figure. But I think it would've been helpful if L&G had also explained that it is not only the number of beneficiaries but the length of time for which they would expect them to be dependent on the pension member. It follows that younger children would be deemed to be dependent for longer and provision for this would be made accordingly.

I know that this does not make the decision any easier to accept but I hope that this helps to better understand how that figure was reached.

It isn't in dispute that L&G should have recognised Miss F as a potential beneficiary from the outset. But simply paying the amount that L&G should have paid Miss F does not put Miss F back into the position she would've been in had the mistake not been made.

L&G made the decision to pay Miss F around £3,500 in September 2024. But it said it would not pay this to Miss F until she reached age 18 in 2025. In my view, this wasn't a fair approach in the circumstances, as it meant Miss F was deprived of the funds during that period. While I understand L&G's reservations about paying the funds direct to Miss F before her 18th birthday, I think it could've made alternative arrangements to pay this into a bank account, such as a Junior ISA, which would've restricted her access to the funds until her 18th birthday. This would've allowed Miss F to earn interest on the funds until such time she wished to access them after she turned 18.

In my provisional findings I said that I thought L&G should pay interest at a gross rate of 4% on the sum awarded to Miss F from 1 January 2024 to date. Ms F asked why the interest wasn't awarded from August 2023 when the death benefits were first paid, but I'm satisfied

that the death benefits were not paid until mid-November 2023. As such, it took over three months from notification until the benefits were paid out. I think it is fair to award interest to Miss F from 1 January 2024 as it would've allowed L&G around six additional weeks (including over the festive period) to obtain the necessary contact details and evidence in order to pay the benefits into an account in Miss F's name. I remain satisfied that it is fair for L&G to pay interest from this date.

Ms F has also queried the rate of interest I awarded. I acknowledge that the Bank of England base rate was 5.25% on 1 January 2024. But when awarding interest, I am trying to put Miss F back into the position she would've been in if L&G had made the payment directly to a bank account such as a Junior ISA. So, the level of interest awarded should reflect the rate Miss F could've realistically achieved in that bank account over that time. I remain satisfied that 4% is a fair rate, particularly as the National Savings and Investment bank offered the following rates on its Junior ISA during this period:

Effective from	AER (tax-free)
18 July 2025	3.55%
18 August 2023	4.00%
20 June 2023	3.65%

With regard to the death in service benefit, Mr F left a specific expression of wish. As such, I don't think L&G's decision to pay the benefit out as per Mr F's wishes was unreasonable.

I recognise that L&G's mistake would've had a significant impact on Miss F – reading the statement she provided makes it clear that once she found out about it, it made her feel worse at an already very difficult time. I still think that £500 is fair in the circumstances – the award is not designed to punish L&G for its mistake but recognise the impact of it. I'm also satisfied that once the mistake was drawn to L&G's attention by Ms F, it acted quickly to put things right, even if Ms F ultimately didn't consider the amount offered was fair.

Putting things right

As Miss F has since turned 18, L&G should pay an amount direct to Miss F representing 15% of the total death benefits payable from the late Mr F's pensions, together with interest on this sum at a gross rate of 4% from 1 January 2024 to the date of settlement.

L&G should pay Miss F £500 for the distress and inconvenience caused by its failure to include her when it initially considered the death benefits claim.

My final decision

I uphold this complaint and require Legal & General (Portfolio Management Services) Ltd to pay Miss F the compensation I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 25 August 2025.

Hannah Wise
Ombudsman