

The complaint

Mr B has complained that Phoenix Life CA Limited trading as Sun Life Financial of Canada (Sun Life) did not include a loyalty bonus when transferring his retirement benefits to another provider (Provider A) to set up a retirement annuity. This has caused him a financial loss as his annuity is lower than it would have been had the bonus been included.

Mr B would like to be compensated for this loss as well as the distress and inconvenience he has suffered as a result.

What happened

I have reviewed all the evidence provided by both parties. I have not reproduced all of this in this decision but concentrated on what I believe to be the most relevant parts.

Mr B held some of his retirement benefits with Sun Life. On 7 August 2020, Sun Life agreed that it would add a loyalty bonus when the time came for him to take his benefits, despite originally telling him that he would not be eligible for this bonus as his monthly premiums were too low. It agreed to pay him a bonus reduced by £200 to approximately reflect the difference between the premiums he paid and the loyalty bonus minimum premium level.

On 29 April 2024, as Mr B approached retirement, he was informed by Sun Life that that was not eligible for this bonus. Mr B complained to Sun Life that this contradicted the agreement reached in 2020. Having investigated his complaint Sun Life wrote to Mr B on 5 June 2024.

It upheld his complaint and said:

I can confirm that this will be honoured at the time you claim the funds from your pension plan.

It also apologised for the error and paid Mr B £100 for the distress and inconvenience he had suffered.

Mr B had, in the meantime, arranged for his benefits to be transferred to Provider A to take up an annuity quotation he had received. He also transferred benefits he held with other providers to Provider A at the same time.

Sun Life wrote to Mr B on 5 August to confirm it had transferred some of his benefits to Provider A and paid him a tax free cash (TFC) lump sum in addition. Mr B noticed, however, that the amount transferred did not include the agreed loyalty bonus, resulting in a lower amount being invested in his annuity, which in turn reduced the regular annuity payments he received.

Mr B raised a further complaint with Sun Life. Sun Life investigated Mr B's complaint and in its response to his complaint on 5 November 2024, it agreed it had made a mistake by not adding the loyalty bonus to his benefits. To rectify this, it gave Mr B two options:

- That Mr B return all the TFC and annuity payments he had received. The annuity

could then be reinstated with Sun Life having transferred the correct amount – including the bonus - to Provider A, or.

- Sun Life to make a payment of the loyalty bonus as an *unauthorised payment*. Sun Life undertook to cover any and all tax charges which Mr B would be liable for as a result.

Sun Life also offered Mr B £500 for the distress and inconvenience he had been caused by its errors.

This offer was confirmed in its final response on 5 November 2024.

Mr B responded to Sun Life's offer on 11 November 2024. He estimated his financial loss over 15 years to be c£3,000 due to the lower annuity payments and felt the compensation offer he had been made was insufficient.

Unhappy with the offer from Sun Life, Mr B brought his complaint to this service.

Our investigator reviewed all the evidence from both Mr B and Sun Life, before forming the view that although Sun Life had made errors in the way it had treated Mr B, the compensation he had been offered was appropriate in the circumstances. Following their view, Sun Life agreed to pay interest to compensate Mr B for the period of time he had been deprived of his loyalty bonus.

Mr B remained unhappy and so the complaint has been passed to me 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.

Having done so, I have reached the same conclusion as our Investigator and uphold Mr B's complaint. I do, however, agree that Sun Life has already taken appropriate actions to compensate him.

I will explain now how I have reached my conclusions.

Firstly, I think it's important to reflect upon the role of this Service. Our role is to impartially review the circumstances of a complaint and make a decision on whether a business has made errors or treated a customer unfairly. Where it has, we expect a business to fairly compensate a customer for any financial loss and distress and inconvenience they have suffered as a result.

In the circumstances of this case, the essential facts are agreed by both Sun Life and Mr B. Sun Life has acknowledged the error it made in failing to pay the loyalty bonus to Mr B as it had said it would. This caused Mr B's annuity to be lower than it would otherwise have been.

Consequently, the issue I need to decide is whether Sun Life has offered Mr B an appropriate level of compensation for the financial loss and distress and inconvenience its error has caused him.

I have noted that Sun Life investigated with Provider A whether it could transfer Mr B's loyalty bonus into the existing annuity, but this was not possible. The amount of the loyalty bonus was also insufficient to set up a stand alone annuity. Given this, I'm satisfied that Sun

Life looked carefully at how it could put things right for Mr B before it made the offers of compensation to him.

Once Sun Life had discounted these options, I can see that it offered Mr B two options to resolve his complaint. The first of these was for him to cancel his existing annuity and return all regular and TFC payments he had received to Sun Life, Provider A, and the providers of the other benefits that he had transferred to provider A when setting up the annuity.

Mr B declined to accept this offer. He said that he thought it would be very complicated to unwind the existing annuity and that because rates had fallen since the annuity was taken out his income would likely be lower even if the loyalty bonus was included. Although this could be an appropriate remedy in theory, he felt in practice it would be difficult to achieve. Given the time that has passed since then and the difficulty involved in unwinding the existing annuity, I can see why Mr B discounted it and can't see that this is a viable option at this time.

This left Mr B with the second offer Sun Life made – to pay Mr B the loyalty bonus as a separate lump sum, assuming the costs of any tax charges Mr B would incur as a result. I can see that Mr B felt that any payment should be based upon the equivalent of 15 years' worth of lost annuity income, a sum which was higher than the existing loyalty bonus. I can also see that Mr B and Sun Life disagree about the amount of additional income that he has lost because of the error relating to the loyalty bonus, with Mr B believing that it is c£200 pa and Sun Life around half that. This is what is driving Mr B's view that his compensation should be higher than the amount of the loyalty bonus.

I've also considered that after our investigator published their view on this complaint, Sun Life confirmed with Provider A that Mr B's annuity income is lower than he expected not only because of Sun Life's failure to transfer the loyalty bonus but also because the original quote was produced on expected purchase price of his funds, which changed between quotation and the establishment of the annuity.

Having carefully considered this situation, on balance I believe that Sun Life's offer to Mr B is fair and reasonable in the circumstances of this complaint. Sun Life's estimate of Mr B's lost annual income is based upon figures it was given by Provider A and so, on balance, I find that it is likely to be the more accurate of the two figures. I have also noted that Sun Life has offered to pay Mr B interest on the amount of the loyalty bonus at a rate of 8% per annum simple. This interest to be calculated on the period from 5 August 2024 – when the transfer of benefits took place - to 11 November 2024, Mr B contacted it regarding the settlement offer. This is in line with the approach this service would take and would expect to see in compensatory awards.

Given this, I find that the payment of the loyalty bonus as a lump sum, as Sun Life has offered, is fair and reasonable compensation for his financial loss in the circumstances.

I now turn to the effect that Sun Life's errors had on Mr B. Having read Mr B's statement about the effects resolving this situation has had upon him, I can fully appreciate how much distress and inconvenience he has been caused.

Mr B took some proactive steps to try and ensure that this error would not arise, having confirmed the situation relating to the loyalty bonus in advance of him taking his retirement benefits. It must have caused him a significant amount of frustration and stress to see that his efforts proved ineffective and the situation he had tried to prevent had come to pass.

Having said that, however, at this service we publish guidelines regarding compensation for distress and inconvenience. These guidelines are used to ensure that the compensatory awards that are made are both appropriate and consistent.

I can see that Sun Life has offered Mr B £500 in respect of the distress and inconvenience he has suffered. While I appreciate that Mr B may well feel that this amount is insufficient, I consider that it is in line with the guidelines this service has published and is appropriate in the circumstances of this complaint.

Putting things right

To compensate Mr B fairly, Sun Life should undertake the following actions if it has not already done so.

- Pay him a lump sum in lieu of the loyalty bonus he was due. Pay interest at the rate of 8% per annum simple for the time he was denied access to his loyalty bonus, i.e. 5 August 2024 to was 11 November 2024.
- Pay all costs and charges that he would be liable for in relation to this payment, including all income tax liabilities. These have been calculated at £1,451.68 gross, £871.01 net of tax at 40%.
- Pay Mr B the sum of £500 in respect of the distress and inconvenience he has suffered

Provide details of any sums calculated to Mr B in a simple format.

My final decision

For the reasons given above, I uphold Mr B's complaint.

Phoenix Life CA Limited trading as Sun Life Financial of Canada should take the actions outlined above to resolve this complaint.

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

Bill Catchpole
Ombudsman