

## **The complaint**

Mr S has complained about the delay setting up his annuity and what he considers to have been a reduction in the amount which was used to establish his annuity. Mr S has also said that a dual introducer fee has been applied here.

## **What happened**

The investigator who considered this matter set out the background to the complaint in her assessment of the case. I'm broadly setting out the same background below, with some amendments for the purposes of this decision.

Mr S's pension was originally provided by L&G and was later taken over by ReAssure. So ReAssure became the pension provider.

Prior to Mr S's 75th birthday in October 2023, ReAssure sent Mr S a retirement options pack in August 2023 and included a quote to buy an annuity with L&G. Mr S then contacted L&G directly to arrange the annuity.

On 19 September 2023, ReAssure provided a quote. Mr S said that this was based on a total fund value of £84,921.31, less a tax-free cash lump sum of £22,880.85 - which ReAssure would pay - leaving a balance of £62,040.46 with which to buy the annuity.

The annuity quote was guaranteed until 17 October 2023. L&G said that the gross annual annuity quoted in September 2023 was £7,676.40 (£639.70 pm).

Following a call with L&G, Mr S asked for an application form, which it sent. But L&G said that it ought to have requested Lifetime Allowance (LTA) figures before sending the application form, as Mr S had other pensions.

Mr S then called several times to follow up on the application.

On 20 October 2023, L&G updated the online system to let ReAssure know that it was ready to receive the funds from it.

On 20 December 2023, Mr S received £22,914.01 from ReAssure. On 28 December 2023, L&G received £60,232.91 from ReAssure.

On 2 January 2024, L&G sent Mr S a new quote as the amount it had received from ReAssure was different.

Mr S said that he didn't want to accept this new quote as the value was lower due to the delays incurred and the introducer fee. So Mr S complained to L&G.

On 8 March 2024, Mr S received £2,564.04, less tax £303.00 – a net amount of £2,261.04. This amounted to four months' payments (November 2023 to February 2024). In response to Mr S's complaint, L&G accepted it had provided incorrect information about the application form and LTA form.

It said the introducer fee wasn't paid by Mr S and that he hadn't lost out on the annuity benefits as he'd received a higher tax-free cash sum and higher monthly payment than was quoted originally, which L&G had in any case backdated.

But in recognition of the confusion around the forms, it offered Mr S £350 for the trouble this had caused him.

Dissatisfied with L&G's response, however, Mr S referred his complaint to this service.

Having considered the matter, our investigator didn't think that the complaint should be upheld, saying the following in summary:

- L&G and ReAssure were separate entities in terms of this complaint, and as Mr S's complaint was made to L&G, her assessment would focus upon L&G actions here. She hadn't considered ReAssure's part in what happened.
- In terms of the introducer fee, Mr S said that during his calls with L&G, it didn't tell him it would pay ReAssure an introducer fee. However, the introducer fee was set out in L&G's quotes.
- Mr S cited details from a court hearing which said that no introducer fees would be paid by policyholders when taking an annuity with Legal & General. In December 2023, L&G received £60,232.91 from ReAssure and based on this, its new quote said it would pay an introducer fee of £1,426.98 to ReAssure.
- The evidence didn't support the position that L&G made Mr S aware that there would be a fee in telephone calls, and although L&G could have disclosed that it would pay ReAssure during the annuity set up call, the rules didn't require it to in this situation.
- Rather, it was required to disclose the fees in a "durable medium" (by email or paper) before the contract was completed. So, L&G correctly disclosed that it would pay ReAssure for referring Mr S to it in its quote – as Mr S had referred to in the quote dated 12 September 2023.
- Mr S had said that the pension was reduced by around £1,700, and although this may have been the difference between the transfer values on the quotes, based on the quote the investigator had seen, the fee was £1,426.98, so the difference wouldn't have been due to the fee.
- In terms of the court case Mr S referred to in his letter to L&G, he'd said that no fee would be payable by the 'policyholder', but the evidence didn't support the position that there would be no fee at all.
- L&G received a fixed amount from ReAssure and then based the fee on that value. Mr S, being the policyholder, wasn't charged the fee as the annuity values were based on the pension value it received – the annuity quote wasn't based on the transfer value less the fee. Therefore, it followed that the fee was paid by L&G rather than Mr S.
- Therefore, L&G shouldn't be required to pay Mr S the introducer fee. Furthermore, it wasn't unusual for a firm to pay an introducer fee when business had been referred to it, and it was a firm's commercial decision whether or not to pay such fee.

- Mr S had also questioned why L&G accepted the lower transfer value when the quote was 'guaranteed'. But L&G, as the annuity provider, had to accept the funds it received, and if the value was different to the original quote, then it was obliged to produce a new quote, as it did. The quote was only guaranteed up until the expiry date and based on the amount it received.
- So, for whichever reason the pension value was different in December 2023 to that in September 2023, that was something for ReAssure to answer.
- In terms of the delays incurred, L&G had accepted that it ought to have been clearer about its requirement for the LTA data and when it would send an application form. The LTA data would have been better requested from the pension providers and had this happened, L&G would likely have been able to finalise the annuity quote sooner.
- L&G requested the funds from ReAssure on 20 October 2023 and chased it for an update. ReAssure sent the funds on 28 December 2023. L&G then sent an updated quote to Mr S as the value it received was different to the value it had based its quote on, in September 2023.
- Looking at what had happened here, it took L&G 28 working days from 12 September 2023, when it sent the LTA form to Mr S, to 20 October 2023, when it confirmed that ReAssure should proceed.
- L&G ought to have completed its requirements within 15 working days. This was because the LTA information would have been better and more accurately requested from the pension providers and this also allowed time for Mr S to receive posted forms, and get assistance from L&G to complete them.
- So it was reasonable to say that L&G ought to have requested the funds from ReAssure by 3 October 2023. Therefore L&G would likely have received the funds by 11 December 2023, when taking into account the time it took ReAssure to send the funds.
- Mr S didn't accept L&G's subsequent quote, and after that it appeared that things were paused while Mr S complained. And so L&G wasn't responsible for the subsequent delays.
- In terms of whether Mr S had lost out financially due to L&G's delay, in this situation the usual approach would be to consider what the pension annuity quote would have been but for the delays. Had things gone as expected, Mr S would have had an annual gross pension of £15.72 less than he was now receiving and £34 less as tax-free cash.
- Mr S ought to have expected his first annuity payment in November 2023 but didn't receive it until March 2024. So he was without this benefit for four months.
- The aim here would be to put Mr S, as closely as possible, in the position he would be in now, but for L&G's delays. L&G would usually be expected to compensate Mr S for the time he was without his annuity money. However, overall, the interest that might usually be awarded for Mr S not having use of his money wasn't significant and was off-set by the increase in tax-free cash and higher annuity payments. So Mr S hadn't lost out in that respect.

- In terms of whether L&G's offer of £350 for the distress and inconvenience it caused was fair, Mr S had been inconvenienced by having to call L&G to find out what was happening with his pension. He was waiting for his income for several months, which he was relying on to meet his living expenses, so this had inconvenienced him and caused him stress.
- Mr S had also said that he felt victimised and discriminated against, but there was nothing to suggest that L&G's delay was deliberate or intended to victimise or discriminate against him. This was because, based on the file notes, L&G promptly acted on Mr S's concerns regarding the time the application was taking and followed this up with ReAssure.
- The £350 L&G paid to Mr S for the inconvenience and stress this caused him was therefore fair.

In response, Mr S said the following in summary:

- His complaint was that the transfer value had been usurped, and the final pension annuity amount L&G received was reduced by £1,713.15. L&G's quote was for an amount of £61,949.06, which was valid until 22 October 2023. However, the amount L&G received from ReAssure was £60,232.91 on 28 December 2023.
- He hadn't seen the evidence that, on 20 October 2023, L&G updated the online system to let ReAssure know it was ready to receive the funds from it, nor that L&G requested the funds from ReAssure on 20 October 2023 and chased it for an update.
- Mr S queried as to why L&G had accepted a low transfer value against its quotations on 25 September 2023. The application was completed within the guaranteed period of 22 Oct 2023.
- Mr S also enquired as to why the fund was moved to a suspense account, as per ReAssure's letter of 1 November 2023.
- Mr S considered that he was entitled to a pension annuity for the amount of £1,713.15 by which the transfer value had been reduced.
- His policy was a with profits plan managed by L&G with guarantees incorporated, to which interest and bonuses were added annually to increase the annuity, and once added couldn't be withdrawn. Finally, a guaranteed final bonus was added to the plan at maturity (age 75), which also couldn't then be withdrawn.
- The transfer value confirmed by ReAssure of £84,816.17 at age 75 would never reduce, but in his case it was moved to a suspense account.
- With regard to the introducer fee, L&G had said that this was paid directly by it to ReAssure, and that it wouldn't affect Mr S's fund value. L&G received a fixed amount from ReAssure and then based the fee on that value. But Mr S queried as to why a dual introducer fee had been charged.

In response, the investigator said the following:

- She'd requested further information from L&G, but in the meantime provided L&G's timeline of events and the annuity quote for October 2023. In all other respects, the investigator said that she'd relied upon the information provided by Mr S.

- Although Mr S's pension was originally administered by L&G, it was later administered by ReAssure, and so any questions about the value and what it had told him about the introducer fee would need to be directed to ReAssure.

Having received further information from L&G, the investigator then said the following:

- Mr S had questioned why L&G accepted £60,232.91 even though the quote was guaranteed based on £61,949.06 if it completed by 22 October 2023. L&G had confirmed that it no longer held information about Mr S's pension, so any queries about why the value was lower was something he'd need to direct to ReAssure.
- L&G was only required to accept the value it was sent, it couldn't insist on a certain value from a ceding pension scheme as it couldn't know if there were any changes to the value, for whatever reason. If the value was different, an annuity provider would normally produce a new quote, but in Mr S's case L&G paid the annuity he was expecting.
- Assuming that the expected value was £61,949, it couldn't be concluded that Mr S had lost out or should have the difference paid to him. This was because the cost of buying the annuity, which he currently received, was based on a transfer value of £61,949. Even though L&G received a lower amount, Mr S had still been paid the annuity payments he expected and these were backdated to when they ought to have started. So he'd received the annuity he'd been quoted originally, even though L&G received less to buy it, so he hadn't lost out.
- In terms of why Mr S's funds were moved to a suspense account – this was something he would need to direct to ReAssure.
- Mr S had also questioned why the pension value was different, especially as it was invested in a with-profits fund, but again this was something he would need to direct to ReAssure.
- The evidence Mr S had provided dated 20 September 2023 was from ReAssure. As had been explained previously, L&G said it paid the introducer fee and this didn't affect Mr S's annuity.
- In respect of why ReAssure has said it had paid a fee too, this was something he would need to raise with ReAssure. As had been explained previously, the investigator didn't have the authority to look into Mr S's issues about ReAssure.
- This was because the rules which govern this service meant that Mr S needed to have made a complaint to ReAssure first. Then, if Mr S hadn't had a response within eight weeks of his complaint, or if he wasn't happy with its answer, he could refer his complaint to this service, within the time allowed.
- ReAssure and L&G were two separate legal entities. This service couldn't look at both firms in one complaint. L&G had also said that it didn't produce the quote of £61,949. It may have been that this was from ReAssure, and if Mr S still had a copy, the investigator said that she'd be happy to consider it.
- The investigator also provided screenshots of the file notes relating to contact between L&G and ReAssure.

Mr S replied as follows:

- The transfer value was reduced from £61,949 to £60,232.91 and L&G also paid an introducer fee of £1,426.98.
- L&G produced a personal annuity quote based on £61,949.06 on 12 September 2023 (provided by Mr S) and on 25 September 2023.
- L&G also said on 4 January 2024 that an introducer fee of £1,313.28 was payable to ReAssure.

The investigator reminded Mr S that this complaint solely related to the actions of L&G, but she did ask ReAssure as to why the amount sent to L&G reduced from £61,949 to £60,232.

However, despite chasers, the information wasn't forthcoming, and so the investigator confirmed to both parties that the matter would be referred to an ombudsman for review.

The investigator then asked Mr S as to whether he'd had a response from ReAssure to his queries and complaint points. Mr S said that he'd only received an acknowledgement from ReAssure.

ReAssure then contacted the investigator to say that, with regard to the reduction in the transferred amount, as compared to the quoted amount, the policy's quoted value would expire after 28 days.

It added, however, that it had paid an incorrect transfer value, and that it should have used Mr S's 75<sup>th</sup> birthday as the valuation date. The correct value at that date was £85,026.39, and so the post tax free cash amount which should have been sent to L&G was £62,112.39. It said that the underpayment would be processed as soon as possible.

The investigator conveyed this to Mr S, commenting that the difference in the transferred amount seemed to be similar to the amount he considered he'd lost.

With regard to the introducer fee, the investigator reiterated that L&G would pay ReAssure for its business and this wasn't a direct cost to Mr S.

Mr S maintained, however, that both ReAssure and L&G had both said that they would pay an introducer fee and so he considered that this had been unnecessarily paid twice.

### **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 similar conclusions as the investigator, and for broadly the same reasons.

With regard firstly to the matter of the delays in Mr S receiving his annuity, it's not in dispute that matters could have been handled better – and quicker – and I'm pleased to see that L&G has backdated the annuity payments to his 75<sup>th</sup> birthday so that, overall, he won't have been out of pocket specifically due to the delays (and I'll address the other matters separately below). I also note that, as a result of the delay, Mr S's tax free cash and annuity increased slightly.

He will of course have been without the annuity for several months to begin with, and will have lost out on the “spending opportunity” of that income during the period in question, but as with the investigator, I think the increase in tax free cash and annuity payments, along with the amount of £350 which L&G has paid in respect of the distress and inconvenience caused to him, should adequately cover this.

But I note that Mr S’s primary cause of concern here is the reduction in the transfer value which he was initially quoted and that which he received from ReAssure. As with the investigator, I should reiterate that L&G, as the recipient of the funds from ReAssure, would have had no control over the amount which it received from it. It will have based its annuity quotations on the amount which it was predicting would be received from ReAssure, but it couldn’t have influenced the amount which was ultimately transferred over for the annuity purchase. This is something which Mr S would need to raise with ReAssure.

However, that said, I’ve noted that, subsequent to the investigator’s questions to ReAssure as to why the transfer value decreased, ReAssure has responded as set out above, saying that it should have transferred a higher sum. It’s currently unclear as to how ReAssure proposes to redress matters, but again, this is something which would need to be directed to that business. And my understanding is that Mr S has already raised a complaint with ReAssure.

Turning then to the matter of the introducer fee, I can see why Mr S will have been confused and troubled by both ReAssure and L&G saying that an introducer fee would be paid. As with the investigator, I think that this is more likely than not a result of poorly worded communication. But in terms of L&G’s actions in that regard – which is what I can consider in this particular complaint - L&G would have received a fixed amount from ReAssure to buy the annuity and then based the introducer fee on that value.

As also set out by the investigator, Mr S, as the policyholder, wouldn’t have been charged the fee. The annuity was based on the amount of the pension fund it received from ReAssure and any costs related to the setting up of the annuity would have been factored into the quote which Mr S received. There was no additional fee paid by Mr S and so the annuity quote wasn’t based on the transfer value, less the fee. Therefore, as with the investigator, I’m satisfied that the fee was paid by L&G rather than Mr S.

As mentioned above, Mr S has nevertheless been unduly distressed and inconvenienced by the delays incurred here. And so, irrespective of any gains in the tax free cash and annuity payments which may have resulted from the delay, my view is that L&G should pay him an amount in respect of this.

The guidance on our website is useful in determining the kind of payment which would be warranted in situations such as this. No two complaints are identical, but our guidance says that an award between £300 and £750 might be fair where the impact of a mistake has caused considerable distress, upset and worry, and/or significant inconvenience and disruption that has needed a lot of extra effort to sort out. Typically, the impact might last over many weeks or months.

And given what has happened here, with the matter being prolonged for several months, I think the amount of £350 is appropriate.

### **My final decision**

For the reasons given, I think the action taken by Legal and General Assurance Society Limited to rectify matters is appropriate in the circumstances, and as such, I don’t uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 January 2026.

Philip Miller  
**Ombudsman**