

The complaint

Mrs D complains that FIL Investments International (FIL) caused delays in her annuity purchase which meant she missed out on a guaranteed annuity quote. She says this will cause significant losses across her lifetime.

What happened

I set out the background to this complaint and my provisional findings in my provisional decision, which is included below and forms part of this decision:

‘12 October 2023 – Mrs D’s IFAs receive an annuity quotation from Scottish Widows which is guaranteed until 25 November 2023.

2nd November - This is signed by Mrs D and returned to her IFA.

6th November - Application sent to Scottish Widows.

6th November – FIL receive partial Open Market Option request for £370k from Scottish Widows – full transfer value actually £488k.

9th November – Scottish Widows acknowledge application - confirm need cash by November 25th from FIL.

10 November – sell instructions placed by FIL.

13 November - Sells priced by FIL 19 funds sold with settlement dates of 16 and 17 November 2023.

20 November – Tax Free Cash request - no bank account details so FIL email IFA for them.

22 November - IFA believes this should be full transfer so placed on hold.

24 November - IFA confirms should be full transfer.

25 November - Scottish Widows quotation expires.

28 November - note added to Origo by FIL requesting Scottish Widows update Origo entry for full transfer. New Origo request received.

30 November - note added by FIL checking is it full transfer (already been told this) It also notifies IFA that there is a pension sharing order attached to plan and it needs to find out whether tax-free cash is payable.

6 December 23 – Scottish Widows confirm full transfer as per notes on 28/11

12 December - note added by FIL to confirm client holds a suspended fund – is Scottish Widows happy to proceed with this fund?

19 December – Scottish Widows confirm IFA happy to proceed without this fund and pension sharing order answer received – tax-free cash is available.

28 December - remainder of funds sold

04 January 24 – cash settled

11 January – tax free cash paid and remainder of funds sent to Scottish Widows.

12 January - Scottish Widows produce new guaranteed quote with approximately £175 per month less income in comparison to the original quote for the rest of her life.

14 February 24 – 1st annuity payment received based on quote of 12 January 24.

Our investigator looked into matters and found that FIL wasn’t responsible for Mrs D missing the guaranteed quote. But he felt FIL should have dealt with the transfer request quicker once the request was corrected by Scottish Widows. He said FIL ought to have had everything done by 4 December, the tax-free cash sent, and money sent over to Scottish Widows so that the annuity could be paid. The investigator said that FIL could have asked the question about the suspended fund earlier and at the same time it looked into the issue with the pension sharing order. He was of the opinion FIL was responsible for delays after the 30 November and it should’ve paid the tax-free cash and money over to Scottish Widows quicker.

FIL disagreed it said it had to do the checks that it did around the pension sharing order as when it came over no indication was given if tax-free cash was payable. And it had to check with Scottish Widows about what it wanted to do with the suspended fund. It said even if it had done it quicker the tax-free cash would've been less than when it was actually paid. Whilst the annuity would've been higher if paid on 4 December, no new quote had been attained which had it been, it would've secured. So, it was being held to a non-existent quote – and it didn't think it was responsible in any event. Furthermore, the initial mistake that caused Mrs D to miss out on the higher guarantee wasn't its responsibility. It said its only error was checking if it was to pay tax-free cash when this had already been established. And it had paid interest for the five days it felt it was responsible plus £100 for the distress and inconvenience it caused.

Mrs D felt that the offer was derisory considering the amount she believes she has lost out due to missing the guaranteed quote originally.

What I've provisionally 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.

Mrs D explained her complaint was about the fact that she missed out on the guaranteed quote which expired on 25 November 2023. She had compared the annuity she would've got then to what she has now and has said over her lifetime she could miss out on up to £50,000. Mrs D complained to us about her IFA and FIL, the IFA complaint has already been settled and our investigator found that it had made errors but wasn't responsible for the missed guaranteed quote. He said FIL also wasn't responsible for the guaranteed quote being missed but he held FIL responsible for delays after this which meant Mrs D missed out on securing an annuity much earlier on 4 December 2023.

Having considered the evidence, I don't agree with the investigator here. I'll explain why.

Firstly, as the investigator said, FIL wasn't responsible for the original missed guaranteed quote and it is this loss that Mrs D has complained about. The evidence we have shows it didn't receive the correct instructions for payment until 28 November 2023 after the guaranteed quote had expired. There is no way it can reasonably be said it could've made the deadline or that it was its error that caused the deadline to be missed. Mrs D's complaint is about the missed guaranteed quote and the loss she suffered because of this but this isn't FIL's error.

However, I have also looked into whether after the guarantee was missed, FIL can be held responsible for Mrs D not receiving a better annuity than she actually did. Our investigator recommended that FIL should work out the annuity available on 4 December 2023, as he believed it didn't act quick enough and caused delays. From the information gathered by FIL, it appears this would've provided Mrs D with a better annuity than what she got in reality but less tax-free cash. However, I don't think it would be fair to hold FIL responsible for this. I say this because even if FIL did cause some delays, there were other failings that mean I don't think the responsibility lies with FIL for the loss of a better annuity quote and rate than she actually received.

After the initial quote was missed, her IFA spoke to Scottish Widows, and it agreed to extend the deadline seemingly as it recognised it had caused delays. But it appears neither party thought to be specific to what date this would be extended to, it was left open ended. The reliance on this loose agreement also contributed to later delays, as when Scottish Widows said it wouldn't honour the original rate as it was so late, the process of selecting an annuity had to be restarted. FIL had no control over this matter. And if I was to uphold the complaint against it, it would be putting things right that it wasn't primarily responsible for.

The main consequence of the lack of clarity about the extension, was that a new quote wasn't ever requested. It appears the IFA was expecting Scottish Widows to honour the first quote but had it asked for a new quote, a new guaranteed rate would've been attained. And looking at what FIL found out from the rate available at 4 December, this rate would've been better than what Mrs D actually received. But instead a new quote wasn't requested until 12 January – this also caused further delays to payment. So I don't think it would be fair to hold FIL responsible for the lack of new quote and the delays that happened after it paid the money to Scottish Widows, as it had no control over this. Had a

new guaranteed quote been attained, I think this would've been achieved and it looks likely that this would've reduced Mrs D's loss in comparison to the original guaranteed quote. It would therefore be unfair to hold FIL responsible for this.

Furthermore, whilst FIL likely could have done things quicker, it had to check whether tax-free cash was definitely payable from the scheme. The previous provider hadn't given it this information. I've thought about whether it should've checked this at an earlier date, but it didn't receive the correct request that allowed it to pay the tax-free cash until 28 November. And it did raise this issue then – and took steps to get this information from the provider. It could perhaps have asked for the information quicker about the suspended fund but it would've been waiting for the answer on the tax-free cash in any event. And had a new guaranteed quote been received, I don't think these delays would've meant it would've been missed. With regards to the tax-free cash, it actually paid more than Mrs D would've received if it had made payment on 4 December. So I don't think Mrs D lost out with regards to the tax-free cash. And I don't think FIL is responsible for the losses Mrs D suffered with regards to her annuity.

To conclude this point, I don't think it is fair and reasonable to hold FIL to an annuity rate that could've been achieved in reality but for reasons outside of its control wasn't. Had a new quote been requested, I think it would have met the new guaranteed period. Even if it had paid the money much quicker without a new quote being requested and setting aside that it argues it had to request the information that it did, I don't know whether Scottish Widows would've agreed to honour the earlier rate. As it together with the IFA failed to set any parameters around this.

FIL accepts it could've paid the tax-free cash five days earlier as it requested information from Scottish Widows that it already had. It paid interest for this delay at 6.75%. And it has paid £100 for the distress and inconvenience its error caused. It also paid interest on Mrs D's funds whilst they were held in cash after being sold.

I don't think this offer is quite right as FIL should use 8% simple interest to cover the loss of use of money that Mrs D suffered over that period. This will only make a minor difference in the compensation amount offered. But looking at what occurred, I think the five days FIL thinks it is responsible for is rather on the low side but given that the interest won't amount to much and it is difficult to pinpoint exactly when it could've been paid as this involved three parties actions, I've taken this into account when considering the compensation as a whole. FIL did also offer an additional £100 in compensation as a gesture of goodwill whilst the case was with us. Whilst I don't think it should be held responsible for the lower annuity amount Mrs D received, I think it could've completed its duties quicker (it didn't act in line with the industry standards). It played a part in this process taking a long time and this will have added to Mrs D's frustration and so to put things right I think FIL ought to pay Mrs D an additional £100 on top of the £100 already paid (or £200 in total if it hasn't already paid the £100). It should also recalculate the interest paid for the five day delay in paying the tax-free cash. It should use 8% simple interest in comparison with the rate it actually paid and bring the difference found in this calculation up to date. It should do this by adding 8% simple interest on that amount to the date of my final decision or date of settlement, if earlier.'

FIL accepted the provisional decision, but Mrs D did not, in response she said in summary:

- She could be up to £50,000 out of pocket across her lifetime and she feels FIL caused the majority of the delay.
- FIL made repeated delays in actioning the transfer as per the timeline.
- Her IFA advised her that it was FIL's lack of due diligence that caused repeated delays. In particular the last minute check regarding her tax-free cash entitlement. FIL ought to have checked this at the time of transfer not 10 years later.
- FIL shouldn't have sold her funds before they had completed all their due diligence.
- Her IFA was given all the required paperwork and she called FIL to confirm her bank details to avoid any delays.
- In her case against the IFA the investigator judged that the IFA wasn't at fault for the delays and she accepted this in full and final settlement.
- If I am advising that her IFA and Scottish Widows is at fault, then there is a failing on the

investigator's review of her other case.

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 see no reason to depart from the conclusions reached in my provisional decision as set out above. In summary, I don't think FIL is primarily responsible for the lost opportunities to secure a better annuity rate. I will explain in a bit more detail below with reference to Mrs D's points in response to my provisional decision.

Ultimately, FIL cannot be held responsible for the initial annuity rate being missed, as it didn't receive the correct instruction until it was too late. Whilst it may have been responsible for delays after this point, had a new quote been requested the evidence I've seen suggests the loss in terms of the annuity secured compared to the original rate, would've been reduced significantly. FIL had no control over this; it was between Mrs D's advisers and Scottish Widows to agree what should happen after the initial quote deadline was missed. A new guaranteed quote wasn't issued which meant Mrs D likely missed out on a better annuity rate than she finally secured – and the lack of a new quote (when Scottish Widows said it wouldn't honour the initial guaranteed quote) caused further delays before the annuity was finally set up. It would be unfair in those circumstances in my view to hold FIL responsible for losses that occurred due to these key factors outside of its control, even though it certainly could've been more efficient in carrying out its duties.

Mrs D is unhappy that she is potentially out of pocket over her lifetime of £50,000 and I think that's completely understandable, from what I've seen there is no suggestion she was at fault for missing the initial guaranteed quote and not getting a new quote. But I can only deal with the complaint at hand against FIL, and I need to reach a decision that I consider is fair and reasonable. Given what I've seen and what I've set out above, I don't think in reaching a fair decision I can only hold FIL responsible for this loss and uphold this complaint against it. I understand it must be frustrating that I have commented on aspects of the delays that the investigator in her case against the IFA did not, but again I can only look at this complaint. Mrs D chose to accept the IFA's offer which was endorsed by the investigator in full and final settlement. I must be clear in commenting on the IFA and Scottish Widows' involvement I am only doing so in relation to FIL's responsibility for any loss that has occurred. I would only be able to comment fully on the fault of the other parties involved, if I was considering cases against those parties.

In regard to the points Mrs D has made about the delays caused by FIL, I do agree it ought to have done things quicker and there is an argument to say they ought to have confirmed on receipt of the policy from the previous firm that tax-free cash would be payable. But in the context of what I've explained above, this delay cannot be said to mean it is responsible for Mrs D's loss in regard to her annuity going forwards.

The funds were sold at the point where FIL was told it was a partial transfer, so funds were sold to provide that amount in cash for transfer over to Scottish Widows. It is standard practice to sell funds before a transfer completes, so that customers will get a value close to the time they decided to request a transfer and they are then protected from falls in the market. Unfortunately, the original request was incorrect and then further delays occurred, some due to FIL's due diligence being carried out but I don't think it did anything wrong here. And this will have been done in line with terms and conditions that apply to the policy. FIL has also told us that Mrs D received interest on the funds that were held in cash paid at 3.6% in line with its terms and conditions.

Ultimately, for the reasons I've explained above and in my provisional decision, I don't think I can fairly and reasonably hold FIL responsible for the losses Mrs D suffered in terms of the annuity she secured.

To settle this complaint and put things right, I still require FIL to do as I set out in the provisional decision and as repeated below.

Putting things right

FIL should instead use 8% simple interest to cover the loss of use of money that Mrs D suffered over the period of delay it established it had caused. This will only make a minor difference in the compensation amount offered. But looking at what occurred, I think the five days FIL thinks it is responsible for is rather on the low side but given that the interest won't amount to much and it is difficult to pinpoint exactly when it could've been paid as this involved three parties actions, I've taken this into account when considering the compensation as a whole – including the award for trouble and upset.

FIL did also offer an additional £100 in compensation as a gesture of goodwill whilst the case was with us. Whilst I don't think it should be held responsible for the lower annuity amount Mrs D received, I think it could've completed its duties quicker (it didn't act in line with the industry standards). It played a part in this process taking a long time and this will have added to Mrs D's frustration and so to put things right I think FIL ought to pay Mrs D an additional £100 on top of the £100 already paid (or £200 in total if it hasn't already paid the £100). It should also recalculate the interest paid for the five-day delay in paying the tax-free cash. It should use 8% simple interest in comparison with the rate it actually paid and bring the difference found in this calculation up to date. It should do this by adding 8% simple interest on that amount to the date of settlement.

My final decision

FIL Investments International should put things right as set out above upon Mrs D's acceptance of my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 10 November 2025.

Simon Hollingshead
Ombudsman