DRN-5904345

The complaint

Mr K complains that Legal and General Assurance Society Limited (L&G) failed to provide him with the full value of the pension he held with it. He said his pension was worth £1,300 in 1982, but he only received £320 when he cashed it in. To put things right, Mr K wants L&G to provide him with the full value of his pension.

What happened

Mr K had built up benefits in a former employer's pension scheme. I understand that the scheme's Trustees decided to buy back the Guaranteed Minimum Pension (GMP) built up while in that scheme into the State Earnings Related Pension Scheme (SERPS) when they wound up the scheme. The Trustees then used the scheme's surplus to secure a separate benefit for Mr K with L&G.

In September 1999, L&G sent Mr K details about his pension with it. On the first page of the letter, it stated:

"*The Benefits detailed below are payable by Legal & General in accordance with the attached Schedule which forms part of this Policy and sets out the current terms and conditions.*"

It then listed the benefits as follows:

a)	*Total Excess Pension at Date of Leaving Service*	*£0.00 p.a.*
b)	*Revaluing Excess pension at Date of Leaving Service*	*£0.00 p.a.*
c)	*Additional pension*	*£0.00 p.a.*
d)	*Pre 6/4/88 [GMP] at Date of Leaving Service*	*£64.48 p.a.*
e)	*Post 6/4/88 [GMP] at Date of Leaving Service*	*£0.00 p.a.*
f)	*Total Spouse's Pension at Date of Leaving Service*	*£0.00 p.a.*
g)	*Revaluing Spouse's Pension at Date of Leaving Service*	*£0.00 p.a.*
h)	*Contributions*	*£0.00 p.a.*

The Schedule that was attached to L&G's September 1999 letter stated:

1.4 The amount of your pension at your Normal Retirement Date is calculated as follows:

i) the amount shown on the Policy against "Total Excess Pension at Date of Leaving Service", plus

ii) revaluations on the amount shown on the Policy against "Revaluing Excess Pension at Date of Leaving Service" for each complete year from your date of leaving service to *your Normal Retirement Date at the rate of 5% per annum compound, plus*

iii) the amount equal to 5% of the sum of the amounts in i) and ii) above, plus

iv) the amount equal to 5% of the total of the amounts as shown on the Policy against "Pre 6/4/88 [GMP] at Date of Leaving Service" and "Post 6/4/88 [GMP] at Date of Leaving Service", together with revaluations for each complete year from your date of leaving service to your State Pension Date at the rate of 5% per annum compound, plus

v) the amount shown on the Policy against "Additional Pension" with this amount actuarially increased between age 60 and 65.

The appendix from the terms and conditions of Mr K's pension with L&G confirmed the information given in the September 1999 letter.

In 2021, Mr K complained to L&G about his pension. He was unhappy that it couldn't provide him with details of the full entitlement he'd held in his original pension scheme from before his GMP had been bought back.

L&G issued its final response to the complaint on 2 July 2021. It didn't think it'd done anything wrong. It said that although Mr K's entitlement under the pension he held with it related to his membership within his original scheme, it wasn't the entitlement due under that original scheme. It said that Mr K's entitlement under his L&G pension had been secured by the Trustees of his original scheme as a part of the wind up and closure of that scheme. And that his entitlement under his L&G pension - the excess over the GMP the former Trustees were able to secure - was governed by the legal agreement between L&G and the former Trustees.

L&G explained that the GMP held within the original scheme had been bought back into the SERPS by the original Trustees before it'd become involved. It said it didn't have any details about this.

Mr K has provided me with some transfer value paperwork from L&G which shows a transfer value of £437.88, guaranteed until 28 July 2021. The page provided also showed retirement benefit details as follows:

GMP Benefits

A) Pre 88 Guaranteed Minimum Pension		*£0.00 p.a.*
B) Post-88 Guaranteed Minimum Pension		*£0.00 p.a.*
	Total	*£0.00 p.a.*

Non-GMP Benefits at [date]

C) Non Revaluing Pension		*£0.00 p.a.*
D) Revaluing Excess		*£25.08 p.a.*
	Total	*£25.08 p.a.*

Following an additional complaint from Mr K, L&G issued a further response on 3 August 2022. It still didn't think it'd done anything wrong. It explained again how the pension had been set up. And said the benefit from the pension would be £25.08 a year from age 65.

L&G also noted that the benefits the original scheme's Trustees had transferred back into the SERPS would be viewable within a State Pension forecast. It provided details to help Mr K access this information.

Mr K was still unhappy. So he made a further complaint. Mr K's local MP also wrote to L&G about the situation. L&G confirmed to the MP that Mr K's benefits were correct. It then issued a further complaint response on 17 March 2023.

This confirmed what L&G had previously told Mr K. It also noted that Mr K had received a letter from the Department of Works and Pensions on 14 November 2022 which had confirmed that his accrued GMP had been bought back into SERPS. And that this meant he'd effectively never contracted out of SERPS.

In 2025, Mr K decided he had no choice but to cash in his L&G pension as he felt if he didn't the pension would become worthless. Due to payment issues, he raised a further complaint with L&G. But that complaint hasn't been brought to this service.

After L&G issued its final response to that complaint, Mr K brought his complaint about the value of his pension to this service. He remained unhappy with the overall value he'd received from his pension and felt that L&G hadn't correctly calculated his GMP benefits.

Our investigator noted that while the complaint had been brought to this service outside of the time limits we're required to work within, L&G had consented to our review of the complaint.

Our investigator didn't think the complaint should be upheld. He felt the evidence showed that the GMP Mr K had accrued in his original scheme had been bought back into SERPS when the scheme was wound up. He said that L&G hadn't been the Trustees of the former scheme, and it'd made no decision on this. But he confirmed that L&G had no obligation to pay Mr K the GMP he'd originally built up, noting that this would now form part of his State Pension amount. He also said L&G had no obligation to hold any information about the GMP, other than the specific value needed for its calculations.

Our investigator said that L&G were only responsible for paying the benefits purchased by the former scheme's Trustees. He said that while the September 1999 letter didn't provide the amount of the benefit due under the L&G pension, it did provide the calculation method that would be used. He also noted that L&G had since explained to Mr K that his pension benefit would be £25.08 a year. He felt this was the correct amount based on the evidence.

Our investigator said that while the £25.08 a year pension wouldn't change, the transfer value of that pension could change. He said it had decreased over time. He explained that this wasn't due to the amount held by L&G being reduced. Instead, he explained that the transfer value represented the cost of purchasing the pension benefits due. And noted that this had become cheaper as market conditions had changed over time.

Mr K didn't agree with our investigator. He felt that L&G hadn't yet explained why his pension had lost £1,000 in value. And why the amount of pension had dropped from £64.48 a year to £25.08.

Our investigator explained that Mr K's pension hadn't reduced. He said L&G was only required to provide an annual pension of £25.08. He said the only thing that had reduced was the cost of that pension.

As agreement couldn't be reached, the complaint has come to me for a review.

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'm sorry to disappoint Mr K, but I've reached the same conclusion as our investigator, for essentially the same reasons. I don't have a lot to add to what our investigator said, but I'll explain my reasoning below.

I first considered the documentary evidence provided. I've used this to decide whether Mr K has received the correct benefits from L&G.

Documentary evidence

L&G's September 1999 letter to Mr K showed that he'd built up £64.48 a year of Pre 6/4/88 GMP at the date he left his former employer. However, the evidence shows that the Trustees of the scheme that employer provided decided to buy Mr K's GMP back into SERPS. This meant that the £64.48 each year that he'd built up in that scheme was no longer payable.

The original scheme's Trustees then used the scheme's funding surplus to secure other benefits for Mr K with L&G. Section 1.4 of its September 1999 letter to Mr K explained how it would calculate those benefits. But L&G didn't state the amount of the benefits to be provided. Instead, it explained how it would calculate the benefit due.

I know Mr K won't agree. But I agree with our investigator, and for the same reasons, that the values noted on the first page of the September 1999 letter under "Benefits" didn't represent what L&G had agreed to him. Instead, it was simply used in the calculation of the amount L&G had agreed to pay him.

I do appreciate that the September 1999 letter didn't provide Mr K with a value of the benefits that would be available under the L&G pension, as it only provided the method of calculation for those benefits. However, I can see that the 28 July 2021 transfer value paperwork did include retirement benefit details. I'm satisfied that these showed that the benefits L&G would provide Mr K were valued at £25.08 a year. And that there was no GMP payable under the pension.

I'm therefore satisfied that the amount of pension payable to Mr K under his L&G pension was £25.08 a year.

I acknowledge that Mr K still believes that the September 1999 letter explained his benefit was £64.48 a year. And that he has therefore questioned why his benefit was reduced to £25.08 a year. But the documentary evidence confirms what both L&G and our investigator have told Mr K. That is, the benefits payable under the L&G pension were never £64.48 a year. They were £25.08 a year and this hasn't changed. I therefore can't fairly say that Mr K's pension has fallen from £64.48 to £25.08 a year.

I next considered why the transfer value of the pension fell over time.

Transfer value

Mr K said that L&G had failed to explain why his pension had lost £1,000 in value. He said his pension was worth £1,300 in 1982 but he'd had to cash it in for £320.

Mr K hasn't provided this service with any documentary evidence of his pension having been worth £1,300 in 1982. However, his pension with L&G didn't start until many years after this date. Therefore I can't fairly say that the pension worth £1,300 in 1982 was connected to L&G in any way.

It may be that this was the value Mr K was quoted for his original scheme pension in 1982. But what I need to consider here is whether L&G has paid Mr K the right amount for the pension he held with it. I explained earlier that this pension had a value of £25.08 a year from age 65.

Our investigator explained that the transfer value of that £25.08 a year pension had decreased over time, while the pension itself had remained at £25.08 a year. He further explained that a transfer value represented the cost to purchase the benefits due, which changes with market conditions.

I acknowledge that Mr K would've been disappointed to see that the transfer value for the £25.08 a year pension he held with L&G had reduced from £437.88 in July 2021 to £320 in 2025. But I can't reasonably say that L&G has made an error. Nor can I fairly say that L&G has mismanaged Mr K's pension in any way. Instead, I agree with our investigator that Mr K's pension with L&G only guaranteed to pay him £25.08 a year from age 65. It didn't provide any guarantees that the transfer value of that pension would increase over time.

I also agree with our investigator that the transfer value Mr K received for his pension was the amount that would've been required at that time to secure a benefit of £25.08 a year from age 65. Mr K decided to take that transfer value rather than the guaranteed pension. And I've not been provided with any evidence that L&G paid him the wrong amount when he chose to take the benefits from his pension. I therefore can't fairly uphold the complaint.

My final decision

For the reasons explained above, I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 2 December 2025.

Jo Occleshaw
Ombudsman