DRN-5907792

The complaint

Mr T complains about the service he received from Legal and General Assurance Society Limited (LG) when taking the proceeds of his Self-Invested Personal Pension (SIPP) to purchase an annuity. He believes LG's actions caused him to suffer a financial loss, for which he'd like to be compensated.

Unsure how two other companies involved in the transaction contributed to what happened, Mr T complained to all three firms, which I'll refer to below. Given the interactions and dependencies between the parties in the chain of events to transfer Mr T's funds and purchase an annuity, this decision covers the whole journey and the relevant entities. However, my conclusions and any implications of such will be addressed specifically to the party this complaint is against.

What happened

I issued a provisional decision on 25 September 2025. I've recapped the background below:

"*Although I've considered everything that's been provided by the parties in this case, I won't detail every event or communication here. This simply reflects the informal nature of our Service.*

Mr T held a SIPP with FIL, comprising of two accounts. Each account had its own reference number, with one consisting of uncrystallised funds, and the other, crystallised funds.

October 2023: Mr T engaged a company I'll refer to as "AP" to provide information about his pension options. AP completed its fact-find process with Mr T on 16 October 2023 and confirmed that after taking his Tax-Free Cash (TFC) entitlement, Mr T would be left with a fund value of over £200,000 to purchase an annuity. Based on his circumstances (including, the medical enhancement he was entitled to), AP identified a guaranteed annuity with a pension provider I'll refer to as "LG", which offered Mr T the best income based on his fund value.

19 October 2023: Mr T and AP discussed the details of LG's annuity. Mr T confirmed he wished to proceed with it on the basis that a 100% spousal benefit was included. AP made enquiries with LG and called Mr T the same day, confirming what this meant for the guaranteed annuity rate (GAR) and income he could secure. Before completing and returning LG's annuity application paperwork, Mr T said he'd speak with FIL to ensure there weren't any valuable or safeguarded benefits associated with his SIPP.

24 October 2023: AP called Mr T for an update on his conversation with FIL. However, Mr T confirmed that he wished to use AP's pension checking service instead. He also confirmed that he'd sent AP his completed annuity application paperwork the same day.

25 October 2023: AP received Mr T's completed annuity forms. It wrote to FIL on the same day, requesting information about Mr T's SIPP for its pension checking service.

9 November 2023: Having not received the information it requested, AP called FIL. FIL provided the required details over the phone and AP was able to complete its pension checks the same day. Following this, AP called Mr T, confirming his SIPP value and available TFC. It explained what this meant in terms of the annual income LG's GAR annuity could provide and said this was guaranteed until 19 December 2023 if the annuity was purchased by this date. Mr T confirmed he was happy to proceed.

13 November 2023: AP submitted Mr T's annuity application to LG which received it on the same day.

17 November 2023: LG contacted AP, explaining that the presence of crystallised funds in Mr T's SIPP meant his TFC would have to be paid by FIL. AP acknowledged this and LG reloaded Mr T's annuity application.

21 November 2023: AP contacted FIL, querying whether it had received a transfer request from LG for Mr T's funds. FIL confirmed it hadn't.

27 November 2023: AP emailed LG requesting confirmation it had requested Mr T's funds from FIL.

30 November 2023: Mr T contacted AP for an update and was told it was awaiting confirmation that LG had requested his funds from FIL. Mr T spoke with FIL on the same day and was advised that it still hadn't received a transfer request from LG. Concerned, Mr T contacted LG which said it was waiting to hear from AP. Further to this, he contacted AP again which said it would call LG to expedite the matter.

1 December 2023: AP requested an update on the transfer from LG.

4 December 2023: Again, AP requested an update on the transfer from LG, noting that Mr Ts funds still didn't appear to have been requested from FIL.

7 December 2023: Mr T called AP for an update. AP advised that it was still waiting for Mr T's funds to be transferred and would escalate the matter with a manager and a contact at LG.

8 December 2023: AP called LG and was again advised that it needed to resubmit the transfer request as Mr T's funds included uncrystallised funds.

11 December 2023: LG requested the transfer of Mr T's crystallised funds from FIL electronically via Origo, the online. As the value LG gave for the funds it was requesting didn't match the value of the account number it gave, the request was rejected. LG submitted a new transfer request via Origo on the same day and having quoted the correct value for Mr T's crystallised funds, the request went through.

14 December 2023: LG's transfer request was allocated to one of FIL's agents.

15 December 2023: AP called FIL and received confirmation that it had received LG's transfer request. FIL said that once the request was allocated to one of its agents, its timescale for completing a transfer was 10-15 working days. AP later updated Mr T on what was happening.

18 December 2023: FIL attempted to send Mr T's crystallised funds to LG. The reference for the account FIL was sending Mr T's funds to include an underscore. But as FIL's system didn't accept underscores in account references, the funds it tried to send to LG didn't go through.

19 December 2023: The GAR Mr T applied for expired.

20 December 2023: FIL received LG's request for the transfer of Mr T's larger uncrystallised funds and payment of Mr T's TFC.

21 December 2023: FIL wrote to Mr T confirming it had received LG's transfer request and would process it via Origo.

2 January 2024: FIL issued the payment of Mr T's larger uncrystallised funds, which was received by LG on the same day.

4 January 2024: Mr T chased LG and received confirmation that his uncrystallised funds had been received.

9 January 2024: AP contacted LG which confirmed it had received Mr T's uncrystallised funds on 2 January 2024 but hadn't been able to locate Mr T's crystallised funds despite Origo indicating they'd been sent. LG confirmed it had escalated the matter and would email AP when an update was available.

AP provided Mr T with an update on the same day, confirming the expected timeframe for completing the transfer after LG received his funds was 15 working days.

10 January 2024: Mr T chased AP for an update. AP contacted FIL, which confirmed it sent Mr T's crystallised funds to LG on 18 December 2023 and only received notification from LG that the funds hadn't been received on 9 January 2024. FIL said the timescale for reviewing the matter was typically 10 working days, but it would escalate things.

AP provided Mr T with an update on the same day, and he expressed his dismay with how long the transfer was taking. AP reassured Mr T that it would escalate the matter with LG and FIL.

11 January 2024: AP called FIL for an update and was informed that the payment it originally made to LG in respect of Mr T's crystallised funds didn't go through due to incorrect bank details having been provided. It confirmed it had requested the correct bank details from LG so it could resend the funds.

17 January 2024: AP contacted LG and confirmed the details of the account FIL needed to send Mr T's crystallised funds to. AP later called FIL which confirmed it was looking into the matter and would be escalating the transfer of the funds. AP raised a complaint on Mr T's behalf and provided him with an update on the same day.

18 January 2024: FIL called AP, confirming it had sent LG Mr T's crystallised funds that day to LG's correct bank account.

22 January 2024: FIL received a residual interest payment for Mr T's SIPP, representing interest Mr T's funds accrued during the transfer process.

25 January 2024: AP called Mr T with an update on expected timeframes and his annuity payment date. Mr T emailed AP with queries about the annuity income he'd receive and what his options were if the GAR he'd applied for had changed.

29 January 2024: LG received a further residual interest payment from FIL.

15 February 2024: AP called and emailed LG, requesting an update on Mr T's application.

16 February 2024: LG called AP, saying Mr T's application had been set up using a lower GAR than the one he'd applied for, so his retirement income had decreased. AP made Mr T aware of this on the same day.

21 February 2024: Mr T called AP, confirming he would accept LG's revised annuity to avoid further delays. And he that confirmed he wished to raise a complaint against LG about the outcome of his annuity application.

22 February 2024: FIL received a further residual interest payment for Mr T's SIPP.

23 February 2024: FIL issued Mr T's residual interest payments as a small pots payment.

1 March 2024: Mr T's annuity was set up and backdated to 29 January 2024.

12 March 2024: Mr T referred his complaints against FIL, AP, and LG to our Service and wrote to the parties in May 2024 clarifying is complaint and asking for their responses. In brief, he said:

- *The parties handled the transfer of his funds and annuity purchase poorly. This delayed when he started receiving his pension income and meant his income was around £1,000 less annually than it would've been if he'd secured the GAR in LG's November 2023 quote.*
- *To put matters right, his annuity should be increased to reflect the income he'd be receiving if he'd met the guarantee deadline and backdated to 1 March 2024, when his annuity started.*
- *He also said he should be compensated for the three months' worth of pension income he'd missed out on because of how his transfer and annuity application were processed.*
- *Finally, he said he should be compensated for the stress of the whole experience, including all the calls he had to make to resolve the issue.*

1 July 2024: AP responded to Mr T's complaint. In summary it said:

- *FIL and LG caused significant delays in Mr T's annuity being set up. As an intermediary, AP's influence on LG and FIL's processes was limited and there was no evidence it had caused delays to Mr T's annuity application.*
- *As a gesture of goodwill, it offered Mr T £100 for the time it took to request updates from LG and FIL on a couple of occasions.*

19 July 2024: LG responded to Mr T's complaint. In summary it said:

- *Although it received Mr T's annuity application on 13 November 2023, it agreed that it caused delays by not requesting his funds from FIL until 11 December 2023.*
- *It recognised that it had failed to request Mr T's uncrystallised funds from FIL on 20 December 2023 as it only used the reference for Mr Ts crystallised funds when requesting the transfer of all his funds originally.*
- *It shouldn't have agreed to wait for residual interest payments to be received from FIL before authorizing the start of Mr T's 1 March 2024 with a commencement date of 29 January 2024. It should've asked you how Mr T wanted to proceed.*
- *If it had requested Mr T's funds on 17 November 2023, it still wouldn't have received them in time to meet the annuity quote deadline Mr T applied for. This was because FIL took 25 working days to transfer his crystallised funds, which meant it would have received them on 22 December 2023. It said it would get its actuarial team to review*

the rate Mr T might've received if it had received his uncrystallised funds on the same day.

LG later contacted Mr T to confirm his annual annuity income would've increased to £13,167.72 if it had received his funds on 22 December 2023. For the delay it caused between 17 November 2023 and 11December, it offered Mr T one month's income of £1,097.93 (subject to tax) and £4.61 in interest for the delays. For taking too long to put Mr T's annuity into payment between "the expected date" of 12 February 2024 and 1 March 2024, LG calculated interest due to be £3.46. It also offered Mr T £400 for inconvenience caused.

25 July 2024: FIL responded to Mr T's complaint. In summary it said:

- *The payment of Mr T's crystallised funds to LG in December 2023 were due to an error when entering LG's account number. It became aware of its mistake on 11 January 2024 and reissued the payment on 18 January 2024.*
- *Its involvement in the transfer process began on 11 December 2023 and ended on 2 January 2024, taking a total of 13 working days, which was in line with its standard business processing time for what was requested.*
- *Although interest payments (typically received a month in arrears) were received after it transferred Mr T's funds to LG, this shouldn't have had any impact on Mr T's annuity purchase.*
- *It agreed it had caused delays in the transfer of Mr T's funds to LG but didn't agree this caused him to miss out on LG's annuity quote deadline.*
- *As it didn't receive a request for Mr T's crystallised funds until 20 December 2024, it was the delay in it receiving the transfer request that meant the annuity quote expired before it was able to start processing Mr T's TFC payment and transfer.*
- *For delays caused, it arranged to pay £150 to be sent to Mr T directly.*

Unhappy with the responses he received, Mr T asked our Service to consider his complaints against FIL, LG, and AP. One of our investigators considered the matter and, in summary, made the following findings:

AP

- *In the main, AP acted promptly. Any delay in it requesting updates from LG and FIL didn't prevent either party from processing Mr T's transfer and annuity application.*
- *AP wasn't responsible for any loss Mr T suffered due to his annuity purchase not being completed before the GAR expired.*
- *AP's offer of £100 compensation was fair when considering the impact of its actions.*

AP provided no comments in response.

LG

- *LG delayed requesting Mr T's funds from FIL. The earliest it could've requested Mr T's funds was 17 November 2023.*
- *But for delays LG and FIL caused, Mr T's transfer would've been completed before the GAR expired. So, LG should calculate Mr T's past and future losses and cover 50% of any resulting financial loss, while FIL covered the remaining 50%.*
- *LG's offer of £400 for distress and inconvenience it caused was fair.*

LG disagreed with our Investigator.

FIL

- *Although FIL attempted to process LG's request for Mr T's crystallised funds within a reasonable timeframe, an error it made meant the payment wasn't successful. FIL didn't become aware of this error until 11 January 2024, and it sent the funds again on 18 January 2024.*
- *Had FIL not made an error processing Mr T's crystallised funds, the funds would've been transferred to LG on 18 December 2023, the day before the GAR expired.*
- *Even without FIL's error and the resulting delay, LG's failure to request all Mr T's funds at the outset prevented him from meeting the annuity quote deadline.*
- *As FIL and LG's delays caused Mr T to miss out on the annuity he applied for, the parties should calculate Mr T's past and future losses and cover 50% of any resulting financial loss, while LG covered the remaining 50%.*
- *FIL's offer of £150 for distress and inconvenience it caused wasn't fair given what Mr T experienced, so this should be increased to £400*

FIL disagreed with our Investigator."

As no agreement could be reached, the matter was passed to me for decision.

Having considered Mr T's complaint, my provisional findings were as follows:

"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 intending to uphold Mr T's complaint. I'll explain why. But before I do, I should emphasise that while I've taken note of the arguments made by both parties, I've limited my response to the issue I consider to be central to this complaint. That's to say:

- *Whether LG did all that was required, fulfilling its responsibility regarding the transfer of Mr T's funds and his annuity purchase.*
- *Whether LG caused any avoidable delays or errors in the transfer and annuity purchase process.*
- *Whether, based on any avoidable delays or errors it caused, LG has taken appropriate steps to put matters right.*

Although several different parties were involved in Mr T's transfer and annuity purchase, my findings and conclusions here are based on LG's acts or omissions as it's the party this complaint is against. I'm aware that LG believes FIL caused Mr T to miss the guarantee deadline for the annuity he applied for, and I'd like to reassure it that I haven't ignored the impact of any delays FIL may have caused or held LG responsible for these.

I have real sympathy for Mr T. It's clear that the smooth and timely transfer of his funds was important to him. In deciding to use his funds to purchase an enhanced annuity with LG, Mr T was taking deliberate action to secure the highest income possible given his circumstances. So, I can understand why Mr T was concerned and ultimately disappointed with how long the whole process took. In his view, he did all that was required to ensure the process was completed quickly. But delays caused by LG, FIL, and AP prevented this from happening and resulted in him suffering an avoidable financial loss.

As his annuity provider and the receiving scheme, Mr T understandably expected LG to act in his best interests, doing all it could to ensure the transfer was completed as soon as it could be. Unfortunately, I can't see that LG did so on this occasion.

The regulatory framework and other considerations

In considering LG's actions here I've thought about, amongst other things, the regulation around transactions like Mr T's. The Financial Conduct Authority (FCA) Handbook contains twelve Principles for businesses, which it says are fundamental obligations firms must adhere to (PRIN 1.1.2 G in the FCA Handbook). These include requirements that a firm must:

- *Conduct its business with due skill, care, and diligence.*
- *Take care to organise and control its affairs responsibly and effectively.*
- *Pay due regard to the interests and information needs of its clients.*
- *Communicate information in a way that's clear, fair, and not misleading.*
- *Act to deliver good outcomes for customers.*

I've also taken into account the sector best practice issued by the Transfers and Re-registration Industry Group (TRIG) which, in 2018, published what it considered to be reasonable standards and timeframes for firms to adhere to for transactions like Mr T's. And, where it's provided, I've been mindful of the service standards that LG works to and anything which may have impacted its ability to adhere to this.

The annuity guarantee deadline

LG's November 2023 annuity quote and AP's Pension Income Report both confirmed LG's enhanced annuity rate was guaranteed for a short period and that the guarantee date – 19 December 2023 – assumed all Mr T's funds would be received by LG by that date. LG said that if Mr T's funds weren't received in time to purchase his annuity by this date, current annuity rates would apply, which could mean Mr T received a lower pension income than he applied for.

The available evidence shows that LG, AP, and Mr T were aware of the annuity guarantee deadline from the outset, but I can't see that FIL was. However, not knowing what the deadline was wouldn't have prevented any party from transferring Mr T's funds as quickly and as efficiently as possible.

For cash transfers, TRIG guidance said an end-to-end good practice standard timescale, from when the acquiring provider (LG) received a completed instruction from the client to the receipt of the transferred funds, should be 10 working days. AP estimated that transfers like Mr T's could take four weeks to complete.

AP received Mr T's completed annuity application on 25 October 2023, leaving 39 working days (just under 8 working weeks) for Mr T's funds to be transferred from FIL to LG and used to purchase his annuity. As an electronic cash transfer, I think there was sufficient time to complete Mr T's transfer and annuity purchase by the guarantee date.

Responding to AP's information request

The first notable delay with the transfer process occurred after AP requested information from FIL to complete its pension checks. Although AP requested the information on 25 October 2023, it wasn't until it chased FIL on 9 November 2023 that the information was provided.

FIL took 11 working days to give AP the information it needed. But as AP was requesting standard information about Mr T's SIPP – which FIL was later able to provide over the phone – I think FIL should reasonably have provided this within, at most, five working days, so by 1

November 2023. On this basis, FIL caused six working days of avoidable delays, directly impacting when AP was able to move Mr T's application forward.

Having received the necessary information, AP completed its pension checks and submitted Mr T's application to LG within two working days, on 13 November 2023.

Requesting Mr T's funds

The next delay that occurred was with how long LG took to request Mr T's funds from FIL.

LG reviewed Mr T's annuity application within four working days of receiving it and identified that the presence of crystallised funds meant Mr T's TFC would need to be paid by FIL. LG notified AP, and AP confirmed Mr T's acceptance of this on the same day.

But despite having all it needed to request Mr T's funds at this point, LG failed to request Mr T's crystallised funds until 11 December 2023 – 16 working days after it was able to do so and just six working days before the guarantee deadline. LG also neglected to request Mr T's uncrystallised funds until 20 December 2023 – 23 working days after it was able to do so and one working day after the guarantee deadline expired. I've seen nothing which justifies this delay.

As I've said, LG would've been aware from Mr T's application form that the annuity rate he was applying for was guaranteed for a limited time and dependent on it receiving his funds by 19 December 2023. Given the time-sensitive nature of the transaction and its position as the receiving scheme, LG ought to have been acting proactively to help Mr T meet this deadline. I can't see that it did so here.

LG agrees it should've requested all Mr T's funds from FIL on the same day it completed its review of his application, and I agree. By not doing so, it caused 24 working days of avoidable delays. This delay period was significant and negatively impacted Mr T's experience of the transfer process.

TRIG guidance, which I consider represents good industry practice, said responsibility for communicating with a customer about the timing and processing of a transfer should rest with the acquiring provider – in this case, LG. And where an adviser – in this case, AP – was acting on a customer's behalf in the transfer process and the acquiring provider was aware of this – as LG was – it should work with the adviser in communicating with the customer regarding the timing and process of the transfer. I can't see that LG consistently did this.

Between 17 November 2023 and 11 December 2023, LG, on three occasions, ignored Mr T and AP's update requests. And when it did engage, it provided incorrect information about the status of the transfer. At one point it said it was waiting to hear from AP before it could progress the transfer, but it had already spoken with it. And, on another occasion, it said it had to resubmit Mr T's transfer request, but an initial request had yet to be made.

At a time when Mr T should've been able to rely on LG to provide accurate and timely information about his transfer, it let him down. And in doing so, it caused him avoidable concern and inconvenience. At one point, the conflicting information Mr T received from LG about the status of his funds made him genuinely fear he may have become a victim of fraud.

Requesting Mr T's crystallised funds

On LG's first attempt requesting Mr T's funds via Origo, it keyed in the incorrect account number for the value of the funds it was requesting. Consequently, FIL rejected the request.

Although LG successfully submitted a new request on the same day, it failed to request all Mr T's funds in line with his annuity application form. Instead, it only requested his crystallised funds

Mr T's application form clearly referred to the crystallised and uncrystallised funds he wanted to transfer, their noticeably different values, and their corresponding account numbers. So, LG didn't take sufficient care when acting on Mr T's instructions here. As noted above, it should've requested all Mr T's funds at the same time, and on the same day it completed its review of his application form.

LG's error in not correctly requesting all Mr T's funds when it should have and the substantial delays this caused made it virtually impossible for Mr T to secure the annuity he'd applied for.

Unsuccessful payment of Mr T's crystallised funds

FIL tried processing LG's request for Mr T's crystallised funds within three working days of receiving it. But when it accidentally included an underscore while inputting the relevant account number, the payment failed. FIL didn't immediately notice the payment hadn't gone through, so no attempt was made to reissue it. And nothing further happened until LG realised after 20 working days that the funds it requested hadn't been received.

LG says it was relying on FIL to change the payment status on Origo to let it know when it had received Mr T's crystallised funds. But, given the significance of the transaction, I can't agree that this was a reasonable approach to take.

It wasn't acceptable that neither LG nor FIL independently checked that the transfer of Mr T's crystallised funds had gone through successfully. Both had a duty to act in Mr T's best interests, taking responsibility for ensuring their respective parts of the transaction were completed correctly and that things were progressing as expected. I can't see that LG and FIL did this given their combined failure to verify the status of Mr T's crystallised funds after they'd been requested and apparently sent. Had they done so, I believe it's more likely than not that the failed payment of Mr T's crystallised funds would've been identified and rectified much sooner.

Considering the above, relevant service standards, and that using Origo for cash transfers is meant to speed things up, I think it's reasonable to expect FIL and LG to have identified the failed crystallised funds payment and for FIL to have reissued it within two working days of the initial attempt. By not doing so, I've calculated that through their combined failings, FIL and LG caused 18 working days of avoidable delays. Given the overlap of their errors here, I think it's fair to split responsibility for this equally to nine working days each

Mr T's uncrystallised fund

On 20 December 2023, one day after the guarantee deadline expired, FIL received LG's request for Mr T's uncrystallised funds and TFC. FIL transferred the funds to LG within seven working days, on 2 January 2024. Given the Christmas period and public holidays during this time, I don't think this was unreasonable.

However, for reasons I'll explain later, I think LG's failure to request all Mr T's funds when it should've caused Mr T to miss the guarantee deadline and the GAR he applied for.

Residual interest payments

It took 67 working days (over 13 weeks) for LG to receive Mr T's funds after his annuity application was submitted. At this point, LG had all it needed to set up Mr T's annuity, albeit not the one he originally applied for. However, despite the delays Mr T had already experienced, LG took a further 32 working days to finalise his annuity purchase.

The reason for this was that LG decided to wait until it received all Mr T's residual SIPP interest payments from FIL before it progressed things. LG acknowledges there was no requirement for it to do this and that in the first instance it should've established how Mr T wanted to proceed. I agree.

In failing to keep Mr T abreast of the developing situation and his options when he'd be directly impacted by any further delays in the process, LG demonstrated little regard for Mr T's position and his experience of the transfer process up to that point.

Within two working days of receiving Mr T's remaining funds, I think it's reasonable to expect LG to have confirmed with AP what Mr T's revised annuity rate and income would be and informed it of any incoming residual interest once it was aware of this.

Had it done so, I think Mr T would've proceeded with his annuity purchase instead of waiting for the residual interest payments to be received. After all, this is what he did to avoid further delays when he was eventually made aware of the situation.

Taking into account the time Mr T took to confirm his acceptance of this; LG should've set up his annuity within two working days. I don't think this part of the process should've taken more than eight working days, so, overall, I've determined that LG caused avoidable delays of 24 working days.

Although LG's error with the residual interest payments and the subsequent delay had no bearing on Mr T's ability to secure the GAR, it's clear from Mr T's submissions that it compounded the extensive delays he'd already experienced and caused further disappointment and inconvenience when he had to continue chasing LG to find out exactly what was going on.

The impact of LG's errors and delays

Our Investigator concluded that LG and FIL were equally responsible for causing delays, preventing Mr T from meeting the guarantee deadline and securing the annuity rate he applied for. To compensate Mr T he said each firm should cover 50% of any financial loss Mr T suffered as a result. I don't agree. I'll explain why.

The key consideration here is whether Mr T's financial loss would still have occurred but for LG's acts and omissions. Based on the available evidence and when I've determined key steps in the process should reasonably have happened, I don't find that it would have.

Were it not for LG's errors and delays, I believe the timeline below fairly reflects what would most likely have occurred at key points in the transfer process:

25 October 2023: AP writes to FIL requesting information about Mr T's SIPP.

9 November 2023: FIL responds to AP's information request and completes its pension checks.

13 November 2023: AP submits Mr T's annuity application to LG which receives it on the same day.

17 November 2023: LG reviews Mr T's application and contacts AP explaining that the presence of crystallised funds in Mr T's SIPP means his TFC will be paid by FIL. AP accepts this and LG requests Mr T's crystallised and uncrystallised funds and his TFC from FIL via Origo.

22 November 2023: FIL attempts to transfer Mr T's funds and makes an error, so the payment doesn't go through.

5 December 2023: Having checked the status of the transfer payment, LG and FIL identify that it failed and FIL reissues it.

6 December 2023: LG receives all Mr T's funds and sets up his annuity in line with his application form.

This hypothetical timeline – which includes FIL's delays – shows that but for LG's errors and delays, Mr T would've had sufficient time to meet the guarantee date and secure the GAR he applied for. And in doing so, he wouldn't have suffered a financial loss.

Clearly FIL's mistakes and delays were part of the chain of events leading up to Mr T missing out on the GAR, but they weren't the necessary acts required for this to happen. LG's acts were.

Without any intervening act preventing LG from fulfilling its duty to correctly request Mr T's funds in a timely manner, I'm satisfied that it's solely responsible for Mr T's financial loss. So, I think it's fair that LG compensates Mr T for all the losses he suffered. Below I've set out how I think it should do this.

<u>Financial loss</u>

<u>Past loss</u>

For the reasons I've set out above, I think that, but for LG's mistakes, it would more likely than not have received Mr T's funds from FIL on 6 December 2023. This should have been the start date for Mr T's annuity and when his TFC should have been paid. To put matters right, I intend to direct LG to calculate:

- ***A) Total of the notional TFC sum and all the net income payments*** *which Mr T should have received from the GAR annuity he applied for in November 2023, from 6 December 2023 until the date of my final decision. Interest should be added to each notional payment at 8% per year simple from the date it was due to the date of my final decision.*

- ***B) Total of the actual TFC sum and all the net income payments*** *which Mr T has received from his actual annuity since 6 December 2023 until the date of my final decision. Interest should be added to each notional payment at 8% per year simple from the date it was due to the date of my final decision.*

- ***C) Past Loss = A – B.*** *If the answer is negative, there's a past gain and no redress is payable.*

In working out the net payments, LG should assume that Mr T was a 20% rate taxpayer.

<u>Future loss</u>

Here I set out how I intend to direct LG to compensate Mr T for the lower annuity that he has ended up with.

- ***D) The notional gross pension per year** which Mr T should have been receiving (based on the GAR he applied for in November 2023) from the date of my final decision onwards.*

- ***E) The actual gross pension per year Mr T** currently will receive from the date of my final decision onwards.*

- ***F) Future Gross Loss per year = D – E**. If the answer is negative, there's a future gain and no redress is payable.*

- ***G) LG must then work out what it would cost to replace any lost income in F)** by buying an annuity on the open market with the same features. It will need to refer to published annuity rate tables and get a quote from a competitive provider.*
- ***H) The purchase price of the annuity found in G) is Mr T's gross future loss.** This should be paid directly to Mr T as a lump sum after making a notional reduction to allow for income tax that would otherwise have been paid at their likely rate on the income in F – presumed to be 20%.*

If payment of compensation is not made within 28 days of LG receiving Mr T's acceptance of my final decision, interest must be added to the compensation at the rate of 8% per year simple from the date of my final decision to the date of payment.

Income tax may be payable on any interest paid. If LG deducts income tax from the interest, it should tell Mr T how much has been taken off. LG should give Mr T a tax deduction certificate in respect of interest if Mr T asks for one, so he can reclaim the tax on interest from HMRC if appropriate.

LG should provide Mr T with its calculations in a clear format.

<u>Distress and inconvenience</u>

It's entirely reasonable for Mr T to have expected LG to act with more care in the circumstances. And it's unfortunate this didn't consistently happen at every stage. Specifically, LG should've issued the correct transfer request when it was able to; checked that the crystallised funds it requested had been received in good time; been responsive to update requests; and ensured that Mr T and his adviser were kept informed of the developing situation and available options during the transfer process.

By not doing so, LG let Mr T down and caused avoidable distress, particularly when he believed he'd permanently lost the income he'd intended to rely on.

If everything happened as I believe it should have and the annuity purchase was completed on 6 December 2023, it's clear that much of the frustration, concern, and inconvenience Mr T experienced could've been avoided. I've calculated that LG was responsible for avoidable delays totalling 57 working days, which was a substantial delay for what should have been a relatively straightforward cash transaction.

Unfortunately, LG's failure to act proactively and pragmatically meant that Mr T was repeatedly put in a position where he was having to chase the involved parties to progress the matter and find out what was going on. It's clear from Mr T's submissions that he was *concerned by how long it was taking for his funds to be transferred and his annuity to be set up.*

In recognition of the poor service it provided, LG offered Mr T £400. Taking into account the impact of what happened and the level of upset and concern this would have caused him, I'm satisfied that LG's offer is fair and in line with what I'd have been asking it to pay in this case. It is in keeping with the level of awards our Service would usually recommend for an error which has caused considerable distress, upset, and worry as has been the case here. So, I intend to direct LG to pay £400 to Mr T if it hasn't already done so."

I invited Mr T and LG to respond to my provisional decision.

Mr T, in summary, made the following points:

- In the "What happened" section of the provisional decision he noted his fund value had been mistyped as £2000,000 instead of £200,000. And a reference had been made to FIL when the party being referred to was clearly LG.
- He understood why I'd found LG responsible for his financial losses. However, he was concerned any lump sum payment in respect of this would result in further losses as it would likely push him into a tax band that was higher than he would've been in if he'd received the payment as an annuity paid monthly.

LG submitted comments on numerous parts of my provisional decision and, in the main, disagreed it was solely responsible for Mr T not meeting the annuity guarantee deadline.

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, my decision largely remains the same as before (and as set out above). That means I'm upholding Mr T's complaint for the reasons I've previously given.

I'll respond to some of the points the parties made following my provisional decision, but I won't be responding to all of them. No discourtesy is intended by this. It simply reflects the informal nature of our service. If I haven't commented on something it isn't because I've ignored it – I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. Instead, I've focused on what I consider the key issues to be.

First, I'll deal with LG's submissions. LG says it isn't responsible for the mistake FIL made when it tried to transfer Mr T's crystallised funds to LG.

As I explained in my provisional decision, the crystallised funds payment failed when FIL accidentally included an underscore when inputting LG's account details. Clearly, this was FIL's error. However, not causing the payment error didn't absolve LG of its duty, as the receiving scheme, to act in Mr T's best interests and ensure it received the funds it requested within a reasonable period.

So, although FIL made a mistake when attempting the payment, I concluded that FIL and LG were equally responsible for checking the transfer had gone through successfully. And if they'd done so, I'm satisfied the failed crystallised payment would've been identified and reissued much earlier than it was.

LG's failure to take appropriate action at this stage had consequences and materially contributed to 18 working days of avoidable delays in the transfer process. So, considering FIL's role in these delays, I'm still satisfied that it's fair to split responsibility for this between FIL and LG equally, and attribute nine working days of the resulting delays to LG.

LG was responsible for what was within its control. Ensuring it received the funds it requested – and required to set up Mr T's retirement income –formed part of this. By not doing so, there was a foreseeable risk of consumer detriment which LG should've proactively worked to avoid.

LG disputes that it caused Mr T to miss the annuity guarantee deadline and is responsible for his resulting financial loss. It argues that FIL's error processing the crystallised payment was the principal cause of this. But this isn't what the available evidence shows. And I think LG's position neglects and tends to downplay the significance of its acts and omissions during the transfer process.

In my provisional decision, I set out what I thought would most likely have occurred if LG acted as it should've. I assumed FIL would've acted as it did originally and included any delays it caused, unless these would reasonably have been altered by LG acting as it should've.

Having done so, I determined that LG's failure to request all Mr T's funds from FIL when it could have was the significant and overriding cause of Mr T not obtaining the GAR. As LG admits, it should have done this before the guarantee date. As it didn't, Mr T missed the deadline and lost out on a higher retirement income.

FIL's mistakes, including the failed crystallised payment, were part of the chain of events leading up to Mr T missing out on the GAR, but for reasons I've already explained, I'm not persuaded they were the acts required to cause the financial loss he suffered. LG's were.

Without any intervening act preventing LG from fulfilling its duty to correctly request Mr T's funds in a timely manner, I'm satisfied that it's solely responsible for Mr T's financial loss and it's right that it compensates him. This is reflected below in how I've apportioned any redress Mr T is due.

Further to LG's comments on the hypothetical timeline set out in my provisional decision, I carefully reviewed it. While I'm satisfied it still demonstrates that Mr T would've secured the GAR if it weren't for LG's acts and omissions, I agree with a point LG made about how long I said it would've taken LG to receive Mr T's funds from FIL once the payment error was identified. In my provisional decision I allowed three working days for this when FIL took seven working days to do this. As my intention was for the hypothetical timeline to include, where appropriate, how long FIL took to carry out certain steps, I'm satisfied that LG would've received all Mr T's funds and set up his annuity on 14 December 2023, and not 6 December 2023, as I set out previously. This new date doesn't alter the fact that Mr T would still have met the annuity guarantee date and secured the GAR he applied for.

Turning now to Mr T. He says receiving compensation as a lump sum from LG will push him into the higher rate tax band (40%) and cause further financial loss. I appreciate Mr T's concern; however, my understanding is that where compensation represents extra taxable income a consumer should've received in the past and would've been entitled to in the future, this is exempt from income tax in most situations.

To ensure Mr T isn't over compensated, it's important the compensation he receives from LG is reduced to reflect the tax that would've otherwise been payable, had everything gone as it should have. This approach – known as the "Gourley principle" after the 1956 House of

Lords case (British Transport Commission v Gourley) - is well establish and informs the approach taken by this service in terms of notional tax deductions.

My main concern is that Mr T is put in the position he would otherwise have been in, but for LG's errors. I understand from Mr T's submissions that but for LG's errors and the payment of his past and future losses as a lump sum, he would remain a basic rate taxpayer (20%). This is what I assumed in the redress I outlined in my provisional decision. So, I'm satisfied it remains fair compensation.

Putting things right

Financial loss

Past loss

For the reasons I've set out above, I think that, but for LG's mistakes, it would more likely than not have received Mr T's funds from FIL on 14 December 2023. This should have been the start date for Mr T's annuity and when his TFC should have been paid. To put matters right, I intend to direct LG to calculate:

A) **Total of the notional TFC sum and all the net income payments** which Mr T should have received from the GAR annuity he applied for in November 2023, from 14 December 2023 until the date of my final decision. Interest should be added to each notional payment at 8% per year simple from the date it was due to the date of my final decision.

B) **Total of the actual TFC sum and all the net income payments** which Mr T has received from his actual annuity since 14 December 2023 until the date of my final decision. Interest should be added to each notional payment at 8% per year simple from the date it was due to the date of my final decision.

C) **Past Loss = A – B.** If the answer is negative, there's a past gain and no redress is payable.

In working out the net payments, LG should assume that Mr T was a 20% rate taxpayer.

Future loss

Here I set out how I intend to direct LG to compensate Mr T for the lower annuity that he has ended up with.

- **D) The notional gross pension per year** which Mr T should have been receiving (based on the GAR he applied for in November 2023) from the date of my final decision onwards.

- **E) The actual gross pension per year Mr T** currently will receive from the date of my final decision onwards.

- **F) Future Gross Loss per year = D – E**. If the answer is negative, there's a future gain and no redress is payable.

- **G) LG must then work out what it would cost to replace any lost income in F)** by buying an annuity on the open market with the same features. It will need to refer to published annuity rate tables and get a quote from a competitive provider.

- **H) The purchase price of the annuity found in G) is Mr T's gross future loss.** This should be paid directly to Mr T as a lump sum after making a notional reduction to allow for income tax that would otherwise have been paid at their likely rate on the income in F – presumed to be 20%.

If payment of compensation is not made within 28 days of LG receiving Mr T's acceptance of my final decision, interest must be added to the compensation at the rate of 8% per year simple from the date of my final decision to the date of payment.

Income tax may be payable on any interest paid. If LG deducts income tax from the interest, it should tell Mr T how much has been taken off. LG should give Mr T a tax deduction certificate in respect of interest if Mr T asks for one, so he can reclaim the tax on interest from HMRC if appropriate.

LG should provide Mr T with its calculations in a clear format.

<u>Distress and inconvenience</u>

It's entirely reasonable for Mr T to have expected LG to act with more care in the circumstances. And it's unfortunate this didn't consistently happen at every stage. Specifically, LG should've issued the correct transfer request when it was able to; checked that the crystallised funds it requested had been received in good time; been responsive to update requests; and ensured that Mr T and his adviser were kept informed of the developing situation and available options during the transfer process.

By not doing so, LG let Mr T down and caused avoidable distress, particularly when he believed he'd permanently lost the income he'd intended to rely on.

If everything happened as I believe it should have and the annuity purchase was completed on 14 December 2023, it's clear that much of the frustration, concern, and inconvenience Mr T experienced could've been avoided. I've calculated that LG was responsible for significant delays in what should have been a relatively straightforward cash transaction.

Unfortunately, LG's failure to act proactively and pragmatically meant that Mr T was repeatedly put in a position where he was having to chase the involved parties to progress the matter and find out what was going on. It's clear from Mr T's submissions that he was concerned by how long it was taking for his funds to be transferred and his annuity to be set up.

In recognition of the poor service it provided, LG offered Mr T £400. Taking into account the impact of what happened and the level of upset and concern this would have caused him; I'm satisfied that LG's offer is fair and in line with what I'd have been asking it to pay in this case. It is in keeping with the level of awards our Service would usually recommend for an error which has caused considerable distress, upset, and worry as has been the case here. So, I direct LG to pay £400 to Mr T if it hasn't already done so.

My final decision

For the reasons I've set out, I uphold Mr T's complaint and direct Legal and General Assurance Society Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 25 November 2025.

Chillel Bailey
Ombudsman