

The complaint

Mr B's complaint is about a Market Value Reduction ('MVR') applied by ReAssure Limited ('RL') to the value of his pension (invested in a With Profits Fund ('WPF') holding) when it was transferred to a new provider in October 2024.

He seeks recovery of the MVR (around £44,600), mainly on the grounds that – the MVR was inapplicable because the transfer happened after his 60th birthday; RL misapplied the MVR in his case based on its misinterpretation of the relevant rules; and RL gave him no notice about the MVR in 2022 and, thereafter, no information about avoiding it, so that prevented him from mitigating against it.

RL disputes the complaint. It mainly says the MVR was applicable and was correctly applied in 2024, and that Mr B had multiple notices about it and its application in the years before 2022, in 2023 and in 2024.

What happened

Mr B's pension was set up around 2007, with a different provider. RL subsequently took over provision of the pension. It says the pension was not initially invested in the WPF holding, and that the investment happened in 2017. Mr B says it happened in February 2017. He has shared a copy of the factsheet for the switch to the WPF based *pension* that he received at the time. He did so in support of the following statement in his complaint submissions –

"The factsheet reads (emphasis added) 'If you transfer to another pension plan, whether its with us or another provider, we may reduce the value of your Personal Retirement Plan [PRP]. We make reductions to treat With Profits customers fairly, whether they stay in With Profits or withdraw from it early ... If you remain invested in your PRP until you take your pension benefits, and are age 60 or above, we won't apply a reduction to your plan'."

It is on this basis that he says the MVR was inapplicable to the 2024 transfer, because he was in the 'age 60 or above' category at the time of the transfer.

RL explains as follows –

- Upon the 2017 WPF investment the MVR became applicable, as part of the workings of the fund. The factsheet for the WPF fund [a copy of which it has shared with us] informed Mr B of this and explained the reasons why and basis on which the MVR could be applied to withdrawals.
- The MVR could be applied to any withdrawal from the fund at any time, until the pensions retirement date or death (these being the only exceptions).
- At the outset of the pension, the retirement date set for it was in 2019. When Mr B switched the pension into the WPF he set a retirement date in February 2022. This was then revised to a retirement date in August 2022.
- Nothing happened to the pension in August 2022. Mr B did not access it, but after passing the retirement date in this month the pension automatically moved from the WPF into a special cash deposit fund, where no MVR applies. As part of this process, an automatically generated new retirement date was also set – in 2063.

- In 2023 Mr B learnt about this, and reinstated the WPF based pension, which included the resumption of the MVR's application. This was set out in letters sent to him in April and May 2023. He elected to return the pension into the WPF, knowing that by doing so the MVR's application – which did not exist for the cash fund he was moving the pension away from – will resume.
- The MVR was not mentioned in the 2022 retirement pack he was sent ahead of the August 2022 retirement date, but it was routinely mentioned in statements and letters he was annually sent for the pension from 2017 to 2021, so he had prior knowledge of its existence and application.
- Notice of the MVR was again given to him in 2024, in correspondence with his adviser who arranged the October pension transfer for him.

One of our investigators looked into the complaint and concluded that it should be upheld, but not in the way that Mr B claimed for. He mainly said –

- The terms of the WPF confirm that the MVR could apply at any time, other than the contractual points set out in the pension plan. The exempted contractual points were the selected retirement date and date of the policyholder's death. On this basis and given the retirement date in 2063 that was set at the time, the MVR was fairly applied to the transfer Mr B conducted in October 2024.
- However, RL failed to remind him about the MVR in the lead up to the selected retirement date set in August 2022. It is true that such reminders had been given to him up to the pension pot summary sent to him in August 2021, but no reminder was given in the retirement packs sent to him in December 2021 and in June 2022. Therefore, had these packs reminded him about the MVR, the question is whether (or not) he would have mitigated his position by avoiding it (for example, by changing his selected retirement date to match a later date on which he planned to take his pension benefits).
- On balance, the facts show that he probably would not have done so, and that he would probably have taken the same steps that he took with the pension.
- In March 2023 he noticed his holding had been moved into the cash fund. That was corrected by RL in April and May that year. In both of these months notices were issued to him including confirmation that application of the MVR had resumed following the reinvestment into the WPF. He was also aware of the automated retirement date, set in 2063, that had been applied to the policy. Yet thereafter and despite awareness of all these things, he made no enquiry or attempt related to mitigating the MVR exposure. He did not attempt to change his selected retirement date, from that in 2063 to one matching the steps he took in 2024. Instead, his focus was on reinstating the WPF holding.
- It is unlikely that notices of the MVR in the December 2021 and June 2022 retirement packs would have made any difference in the matter. There is no ground to uphold his claim about recovery of the MVR applied in 2024. However, RL should have given him notices about the MVR in the packs, in the context of the approaching retirement date in August 2022 that the packs were addressing. For the trouble caused by these omissions it should pay Mr B £150 compensation.

RL maintains its position that Mr B had repeated reminders about the MVR in communications between 2017 and 2021. Therefore, it argues, it is inconceivable that he would not have been aware of it in 2022 and that he was hindered in any way in making an informed decision about the pension/holding at the time. For this reason, it questions the £150 award.

Mr B questions the findings by the investigator underlying his conclusion against the claim for recovery of the MVR.

He has made detailed submissions in this respect. Helpfully, he has also summarised the main points in those submissions as follows –

"(I) the rule dis-applying an MVR where pension benefits are taken when aged 60 or above (the age 60+ rule),

(II) misinterpretation by ReAssure of the rule dis-applying MVR on retirement by limiting it to apply only to the originally selected retirement date (OSRD) rather than the selected retirement date (SRD),

(III) the immediate action required in April/May 2023 to rectify a regulatory breach (caused by ReAssure) precluding detailed consideration concerning MVR/retirement at that point, and

(IV) ReAssure's reply dated 8 August 2024 to a query ... raised prior to ReAssure's transfer of my pension pot – concerning ReAssure's intended application of an MVR to that transfer, ... complaint to ReAssure and ReAssure's final response letter dated 17 October 2024."

He followed up with additional submissions to the investigator, in which he repeated key points he had previously made and asked for answers to them.

The investigator was not persuaded to change his view. The matter was referred to an Ombudsman.

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.

Introduction

Overall, I find my consideration of the complaint split between the events up to the August 2022 retirement date, and then the events thereafter and up to the October 2024 pension transfer. There is a connection between both aspects, but whilst dealing with that connection there is also a distinction to be drawn between them.

Mr B's claim is for recovery of the MVR applied in the October 2024 transfer, which he considers to be the loss to be redressed, and the circumstances at that time followed from changes to the pension after the August 2022 retirement date.

However, no claim is made for an alleged loss in 2022 (or in relation to the August 2022 retirement date).

Therefore, one consideration is about whether (or not) the events related to the August 2022 retirement date made a difference to the matter at the time – that is, a difference in terms of Mr B's actions in 2022. The other is about whether (or not) those 2022 events and any such difference, in the context of the events that followed between 2023 and 2024, made a further difference to his actions in, and the loss he claims from, the October 2024 transfer.

The events related to the August 2022 retirement date

I consider that I can be relatively direct in dealing with this aspect of the complaint, because recent submissions from Mr B have helpfully clarified one of the aforementioned issues –

that being, in broader terms, whether (or not) notices/reminders of the MVR in the December 2021 and June 2022 retirement packs would have made a difference to his approach towards the August 2022 retirement date.

Within his submissions, Mr B said –

“... as regards what I would have done ... had ReAssure communicated properly and clearly approaching [the August 2022 retirement date], I would have appreciated that all I needed to do was to amend the OSRD of 16 August 2063 to a more proximate SRD so that MVR protection was preserved. And as I was contemplating retirement ... in September 2024 there would have been every reason for me to do this, and to stay invested in the with-profits fund. Accordingly, whilst with the correct information from ReAssure I would not have taken my benefits on [the August 2022 retirement date], I don’t see why this should mean ReAssure were right to apply an MVR on the transfer ... in October 2024 (and so not responsible for my loss), as I don’t see that the two points are linked.” [my emphasis]

As emphasised above, Mr B has essentially confirmed that fuller information from RL (which would have included notice about the MVR) in the lead up to the August 2022 retirement date would not have prompted him to take his pension benefits on that date (which, if taken, would have avoided the MVR). Therefore, I need not consider the notion of mitigation at this point any further. Irrespective of the MVR having been included in or omitted from the December 2021 and June 2022 retirement packs, Mr B would have retained the pension up to and beyond the August 2022 retirement date in any case, and he would not have taken any benefits from the pension on that date.

Having said the above, I agree with the investigator that the trouble caused to Mr B by not being given all the information relevant to the retirement packs should still be addressed.

I understand RL’s point about the MVR notices he had received in earlier and regular communications between 2017 and the August 2021 pension pot summary. However, it is fair to consider that retirement packs received in the lead up to an approaching retirement date would likely command a different level of attention from a policy holder – one that, it could be argued, does not automatically compare to the attention given to routine communications in previous years.

In the present case, the packs included options on the positions Mr B could take on his pension at the approaching retirement date. Its covering letter includes this in its opening paragraph –

“As your retirement date is getting close, you should now consider your retirement options and decide what’s right for you.”

The pack itself includes the following on options –

“As well as shopping around to see what other providers offer you should look at what’s available with ReAssure:

*Do nothing with your pension for now
Buy a guaranteed income for life
Take your whole pension pot in one go
Leave your pension pot invested and make withdrawals when you need”*

The pack proceeds to give further details on each option. It strikes me that some of these options, perhaps the first and the last, would potentially have meant continued exposure to the MVR, given that neither involved taking benefits on the retirement date. In this context, I

find that Mr B should have been given notice in the packs about the relevance of the MVR to any such options, and, for added clarity, perhaps notice about the options to which the MVR did not apply. I do not say or suggest that omission of the MVR from the packs caused him any loss. It did not. As he has said, fuller information from RL at the time would not have altered his position on the pension in August 2022. However, the point is that the information he received was less than he should have been given.

Our service can consider awards for trouble, distress, inconvenience and/or upset caused to a complainant in a complaint. Guidance on how we approach these awards can be found on our website, at the following link – <https://www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding-compensation/compensation-for-distress-or-inconvenience>.

Under this guidance, awards between £100 and £300 can be given where a complainant has been caused some disappointment or loss of expectation resulting small errors from a firm. I consider that omission of the MVR from the information presented in the retirement packs was a relatively small error in the circumstances of Mr B's case, and I acknowledge the argument from RL that it was mitigated by the earlier MVR notices Mr B had received. On this basis, I consider £150 to be a fair and balanced award to him, within the above range, for the trouble (in terms of disappointment and loss of expectation) the omission caused him.

The events related to the October 2024 pension transfer

I begin with an observation that should not be ignored. In early 2023, no MVR applied to Mr B's pension, because it had been switched away from the WPF and was held in a cash fund. This meant, somewhat by default, the MVR had been fully mitigated and nullified at this point.

I appreciate that the lack of notice about the MVR leading up to the August 2022 retirement date flows into this consideration, in the sense that Mr B could argue that MVR mitigation was not a live issue for him because he had not been reminded about it up to this point. I also appreciate that he would argue that – placement of the pension in the cash fund was done without his knowledge or consent; and, as he has stated, there was an urgent need to reverse this and rectify an associated regulatory breach that he says was committed in the switch.

However, as I address later, by mid-2023, after the switch had been reversed and the WPF holding was reinstated in the pension, he had been reminded about the MVR. He was in a position to weigh up the options of having a pension fund to which no MVR applied (which he had recently moved away from) and having one to which an MVR applied (which he had just moved into). The fact that he proceeded with the latter, from then and up to October 2024, and seemingly made no effort to enquire into going back into the former arguably means he made informed decisions in these respects. This is not a criticism, he was entitled to make decisions on his pension as he wished, but placing his pension into this position calls into question the basis for his claim for recovery of the October 2024 MVR. I will address this point, with additional reasons, further below.

We have two documents that clarify how the MVR was defined – the relevant page of the WPF based Personal Retirement Plan (or *the pension*) factsheet from 2017 that Mr B has shared with us, and the WPF factsheet that RL has shared with us. I am satisfied that Mr B received and was familiar (or ought reasonably to have been familiar) with both at the relevant times in his complaint. Depending on the circumstances and in the absence of evidence to the contrary, there is generally an expectation that customers read and understand important documents, like these factsheets, related to their policies.

The pension factsheet is what Mr B quoted from in support of his argument that the MVR does not apply to pension holders aged 60 or above. The full section states as follows –

"REDUCTIONS"

If you transfer to another pension plan, whether it's with us or another provider, we may reduce the value of your Personal Retirement Plan. We make reductions to treat With Profits customer fairly, whether they stay in With Profits or withdraw from it early.

A reduction will usually be applied when investment conditions have been insufficient to support bonuses. It will also account for additional deductions that may be required, for example to cover the costs of guarantees and options for With Profits policies.

If you remain invested in your Personal Retirement Plan until you take your pension benefits, and are age 60 or above, we won't apply a reduction to your plan."

The WPF factsheet includes the following on the MVR –

"If you choose to withdraw all or part of your investment from your plan, or move to another investment choice other than at the time or times set out in your plan terms, we may reduce the amount we will pay you."

"MVRs will not be applied to payments made at contractual points, or for some plans, on regular withdrawals up to the limit set out in your plan terms."

A preliminary finding is that Mr B's '60 and above' based argument falls away in the face of the terms above. The terms he has quoted includes reference to the reduction (or MVR) applying to a pension transfer, which is what he conducted in October 2024. The section he featured refers to the absence of reductions for those aged 60 or above, but that relates only to those who retain the pension until they take pension benefits from it (at age 60 or above). Mr B's circumstances do not fit this condition. He did not retain the Personal Retirement Plan until he took benefits from it. Instead, he conducted a transfer of its value to a new pension with a new provider in October 2023, decades before the 2063 retirement date set for the Personal Retirement Plan.

In terms of taking his pension benefits, Mr B has explained as follows –

"... when I retired ... on 30 September 2024 my intention was, as it remains, to take my pension benefits over a number of years, via drawdown. However, there was speculation ahead of the Autumn 2024 Budget that the Chancellor may decide to restrict the tax free amount that applies to lump sums or to those in drawdown. Accordingly, it was important that the process of transferring my funds from ReAssure/entering into drawdown with [the new provider] be completed as quickly as possible - because there was thinking that any such changes may not extend to those already in drawdown (albeit no changes were ultimately made in the Autumn 2024 Budget). So, whilst it was known that ReAssure intended to impose an MVR ... I was not in a position to delay the transfer ..."

In other words, no benefits were taken from the RL pension, instead, as confirmed in the quote above, his plan was to take benefits after the transfer to the new provider.

For all the above reasons, the '60 and above' argument does not apply to Mr B's case.

It is accepted that the retirement packs in December 2021 and June 2022 did not mention the MVR. However, two documents that he saw after 2022 and before the October 2024 transfer – and that he was, or ought reasonably to have been, mindful of – were RL's

communications to him in April and May 2023 when his pension was reinstated into the WPF.

The 18 April letter referred to the fact the MVR was being applied to the fund and to transfers, it explained the reasoning behind this and provided an estimated MVR value that would apply to a withdrawal or transfer at the time. The 10 May letter did the same, in terms of giving notice that an MVR was applicable to Mr B's holding and giving an estimated value for it at the time. The letter went further to state the following –

***“Market Value Reductions (MVRs) are a way of making sure customers invested in a with-profits fund don't lose out when others leave it. We may deduct an MVR at any time except for if you die or at maturity or your originally selected retirement date (... 2063). Please contact us to find out if there are any other dates where it wouldn't apply. We are currently applying an MVR when money is taken out of the with-profits fund. It's already been applied to the current value shown.*”** [my emphasis]

In July 2024 the representative who assisted Mr B in the pension transfer put some enquiries to RL, including a question about the MVR. RL's response of 18 August 2024 included an estimate of the MVR applicable at the time, and repetition of the same paragraph quoted above.

In 'II', 'III' and 'IV' of his main submission points, Mr B says RL wrongly used the 'originally selected retirement date' instead of the 'selected retirement date' in its approach to the MVR, that he had a reason (the urgent need to repair a regulatory breach he says was committed in his pension being moved to a cash fund after August 2022) why the 2023 notices about the MVR were not his priority at the time, and that in any case the MVR was addressed in 2024 prior to the October transfer. His overall argument, as I understand it, is that there was nothing from RL, at all relevant times, informing him that the MVR could have been avoided by changing the retirement date, because RL misguided itself on the matter and probably did not consider that the 2063 retirement date could be changed, and in terms of mitigation before the transfer, his representative's enquiries in July 2024 (and complaint after RL's response) served that purpose.

On balance, I disagree with this argument.

Based on what I have quoted above, Mr B knew from the pension's terms, the WPF's terms and from the April and May 2023, and August 2024 letters from RL, that the MVR would be applicable to a transfer of his WPF-based pension (which he had wilfully reinstated after the WPF holding had been removed from the pension following the expired August 2022 retirement date); and that the MVR would only be inapplicable on his death or on maturity of the WPF holding or on the 2063 retirement date.

It is not quite clear to me how description of the 2063 retirement date as either 'originally selected' or 'selected' makes a difference to the fact that it was the *retirement date* to be used in one of the permissible exemptions to the MVR. It was the retirement date on which benefits could be taken from the pension without application of the MVR. Whether it was called 'originally selected' or 'selected' does not seem to have made a difference to this. If Mr B says the significance of the distinction is in terms of the ability to change the retirement date, I have not seen evidence that, whichever way it was described, the retirement date could not be changed, and I make an additional point on this later.

The 2063 retirement date had been known to him since 2023. I have noted and understood his explanation of the priority he gave to resolving the reinstatement of the pension into the WPF, but that was done by May 2023. He has also suggested that the automated 2063 date was peculiar in terms of the retirement age it reached, and he has explained how his plan

had been to retire in 2024.

Yet there appears to have been no effort on his part, after May 2023, to address the 2063 retirement date and to enquire into the pursuit of his 2024 retirement plans in the context of the MVR – or, to put this differently, no effort to note that the MVR did not apply to benefits taken on a retirement date and to embark on the mitigating idea of adjusting the 2063 retirement date along with his 2024 plans, for both to match and to take advantage of the exemption. Of course, if a plan that meant avoidance of the MVR in this way was not the plan he was committed to, that would be a fair response to this point. However, if the latter was unyielding despite inherent exposure to an MVR, it is arguable that there is no merit in a claim about avoiding the MVR.

Mr B says he was not informed that the retirement date could be changed, but he would have known that it had already been changed a number of times previously – from the 2019 date to the February 2022 date, then from the February 2022 date to the August 2022 date, then from the August 2022 date to the 2063 date. I am not persuaded he would not have known, from this history, that there was a possibility the date could be changed further. Especially as he knew the 2063 date was not practical in real terms, and that one way of avoiding the MVR was to take pension benefits on a retirement date. There is no evidence of him attempting to change the retirement date for either or both of these reasons, so there is no evidence that RL declined such a request.

I am satisfied that, from at least May 2023 onwards, Mr B knew or ought reasonably to have known all that he needed to know to consider the option of avoiding the MVR by either reverting to the cash fund based pension or by taking pension benefits on a revised retirement date. He did not take steps in either direction. Instead, he sought, in 2024 to pursue the pension transfer. Enquiries were made at the time about if and how the MVR would apply to the transfer, but that did not amount to mitigation. The transfer itself – along with the facts that there was no maturity of the WPF holding and the 2063 retirement date was decades away – meant the MVR would be applied, so the enquiries cannot reasonably be viewed as mitigation.

He had full discretion to determine his pursuit of the transfer. The pension belongs to him, and I do not in any way call into question the decision he made in that respect. However, the point to note is that having made that decision and having not taken the options addressed above to avoid the MVR, he appears to have chosen not to mitigate the MVR. It also seems implicit in the choice he made that he accepted the application of the MVR as part of the course of action he had planned for, a course of action he appears to have preferred over an alternative in which he could have avoided the MVR.

For all the above reasons, I do not uphold the part of Mr B's complaint seeking recovery of the MVR applied to his pension's transfer value in 2024.

Putting things right

I order RL to pay Mr B £150 for the trouble caused to him by the omission in the retirement packs sent to him.

My final decision

I uphold Mr B's complaint on the terms set out above. I order ReAssure Limited to pay him £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 30 December 2025.

Roy Kuku
Ombudsman