

ombudsman news

essential reading for people interested in financial complaints – and how to prevent or settle them

in this issue

complaints involving everyday problems

page 3

ombudsman focus: pension freedoms – the ombudsman’s perspective

page 16

Q&A page 24

everyday problems

One of the key challenges for any organisation is making sure people outside the organisation understand how you fit in with their lives.

It’s a challenge that extends to ombudsmen like us, who together help to resolve people’s problems in pretty much every area of life in the UK – from hospitals and local councils, to shopping and energy supplies.

I often talk about the central role played by financial services throughout people’s lives – whether they’re running a home or running a business.

But if someone’s had trouble with their boiler, been let down by a wedding venue or broken down on the motorway, they might not automatically think of what’s happened as a *financial* problem. So they might not know that, in many cases, the *financial* ombudsman can help sort things out.

In our *annual review* – which we published in May – we explain what we do to help consumers and financial businesses understand our role in what they do every day.

To give more insight, in this *ombudsman news* we highlight the surprising breadth of the problems we see. And in *ombudsman focus*, Phil Miller gives an ombudsman’s perspective on an issue affecting thousands of people approaching retirement – the pension freedoms, which have now been available for a year.



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meet us

in July we’re in:

- ◆ Norwich
- ◆ Chelmsford

for more events see page 23



scan for previous issues



Caroline Wayman

Of course, being relevant – fitting in with people’s everyday lives – isn’t just about what you do. It’s also about how you do it.

So I hope our *annual review* shows how, over the course of 16 years and three million cases, we’ve continued to develop our service – so we remain an efficient and accessible port of call for the everyday problems

people and businesses encounter. As financial services keep evolving – along with people’s lives and expectations – that’s something we’ll stay focused on in the coming year.

Caroline

... over the course of 16 years and three million cases, we've continued to develop our service

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ombudsman news is not a definitive statement of the law, our approach or our procedure. It gives general information on the position at the date of publication. The illustrative case studies are based broadly on real life cases, but are not precedents. We decide individual cases on their own facts.

everyday problems

Finance plays a significant role in people's everyday lives – from buying a day's food to paying for the houses we live in. And the huge range of everyday issues that involve money means the cases we see are equally diverse.

Whether it's helping someone whose wedding plans have gone awry, or sorting out a dispute over fixing a fridge, we often help people in situations where the finance behind the problem might not be at the forefront of people's minds.

The following case studies provide a snapshot of the wide range of issues we look into, from "mis-fuelled" cars to cancelled bets. They highlight the range of evidence we consider in deciding whether a business has acted fairly – and the range of ways we can help put things right, whether it's telling a business to pay an insurance claim or to get a broken household appliance fixed.

You can find more information about the range of complaints we deal with – and the work we've done to help people understand our approach to these types of problems – in our latest *annual review*.

case study 133/1

consumer complains that car insurer changed cover – and won't pay claim for damage caused by wrong type of fuel

Mr G damaged his car by mis-fuelling – using the wrong type of fuel – and claimed on his car insurance for the costs of the repairs. But the insurer turned down the claim, saying his policy no longer covered that type of damage.

When Mr G queried this, the insurer said they'd sent him a list of amendments the last time his policy had come up for renewal. These amendments included removing cover for using the wrong fuel.

Mr G complained, saying the insurer hadn't done enough to tell him about the change. When the insurer wouldn't change their answer, he contacted us.

complaint upheld

We asked the insurer for the information they'd sent Mr G before he renewed his policy, including the list of amendments. The letter accompanying this renewal pack said:

"You must check all your details carefully. If they're correct, you don't need to do anything."

We didn't see how Mr G would have known from this wording that there had been any changes to his cover. The document listing the changes was headed up "amendments" – but the covering letter didn't actually refer to this document. Even if Mr G had noticed the document, the removal of cover for fuel damage wasn't mentioned until some pages in – and hadn't been highlighted in any way.

... in the online document, the exclusion relating to fuel was at the bottom of a list of exclusions twice as long as the one in the renewal pack

▶ The renewal pack also included a policy summary – where the exclusion relating to fuel was listed last, beneath several other exclusions.

When we pointed this out to the insurer, they told us that Mr G should have gone online to read their policy guide – as well as reading the paperwork. But we explained that, in our view, it wasn't reasonable to expect someone to go through a further 40 pages to make sure their cover hadn't changed. And in the online document, the exclusion relating to fuel was at the bottom of a list of exclusions twice as long as the one in the renewal pack.

All in all, we decided the insurer hadn't done enough in these particular circumstances to let Mr G know that his cover had been reduced in relation to mis-fuelling. We told the insurer to deal with Mr G's claim as if the cover relating to using the wrong fuel had been in place.

case study 133/2

consumer complains that credit card provider should refund flights after bad holiday experience

Ms V booked a holiday through an online travel website. She used her credit card to pay for her flights and hotel costs.

When Ms V arrived at the hotel she'd booked, the staff told her they were actually closed – and they were moving her to another hotel. The new hotel was a long way from the resort she'd booked – and she was upset to find that it was very dirty and that the staff were unhelpful.

When she returned home, Ms V complained to the travel company. They apologised and offered her £25 for the problems she'd had. But Ms V felt she was entitled to a full refund – so she complained to her credit card provider.

The credit card provider agreed Ms V hadn't received the holiday she'd paid for, so they said they'd refund the £250 she'd paid for her hotel.

But they wouldn't refund the cost of the flights, as they said she hadn't had any problems with them.

Ms V didn't agree. She said she'd never have flown if she'd known where she would be staying – so she wanted a full refund. And she said she'd ended up spending a lot of extra money, which she wanted the credit card provider to compensate her for.

When the bank wouldn't pay any more money, Ms V complained to us.

complaint not upheld

Looking at Ms V's credit card statement for her holiday, we could see that she'd clearly paid separately for her flights and hotel. As a result, we said we'd only be able to tell the credit card provider to refund Ms V if she'd had a specific problem with her flights – which she hadn't.

We sympathised with the situation Ms V had found herself in – and we understood that she felt she might not have flown at all if she'd known about the hotel. But we couldn't fairly ask the credit card provider to refund the cost of the flights, since she'd used them as intended.

As for her additional costs, Ms V said food was provided at the hotel she'd been moved to – but she didn't want to eat there. And when we asked for any records of what she'd spent, she said she hadn't kept track of her costs over the week.

We appreciated that Ms V hadn't wanted to eat the food at her hotel. But from what we'd seen, we thought it was likely she might also have wanted to eat out on occasion even if she'd been at her original hotel. And since she didn't have any idea what she'd actually spent, we said it would have been difficult for us to suggest a fair amount for the credit card provider to repay.

Overall, we thought the credit card provider's offer to refund the cost of the hotel was fair. And while we were sorry to hear that Ms V hadn't been able to enjoy the holiday she'd planned, we didn't tell the credit card provider to pay any more money.

... she said she'd never have flown if she'd known where she would be staying

case study 133/3

consumer complains that breakdown service provider caused them to miss flight but won't refund cost of holiday

Mr and Mrs B's car broke down on the way to the airport, where they were due to fly out for a city break holiday.

When they called out their breakdown company, the mechanic couldn't fix the fault at the side of the motorway. After discussing the options, the couple eventually agreed to the mechanic's suggestion of leaving their car at his house nearby – and catching the train to the airport from the nearest station.

But Mr and Mrs B still missed their flight. Disappointed, they complained to the breakdown company, saying they'd felt pushed into doing what the mechanic had said. They wanted the company to

refund the costs of the flight and the holiday they'd lost out on, as well as the hotel they'd booked for the night after missing their flight.

The breakdown company said that their mechanic had acted in Mr and Mrs B's best interests. They said that, in any case, their roadside assistance and recovery services "weren't regulated activities". They offered to refund the cost of the train tickets to the airport – and, as a goodwill gesture, to pay for the couple's meal on the evening of the missed flight.

Unhappy with this, Mr and Mrs B phoned us.

complaint not upheld

We looked at the breakdown company's records of the call-out – and asked Mr and Mrs B for more details about what had happened. We established that Mr and Mrs B hadn't wanted their car towed to a local garage – and had asked the mechanic to tow it to the airport. The mechanic had suggested – given they were on the motorway in rush hour – that it would be quicker if they towed their car to his house and got the train.

... the breakdown company accepted their mechanic's suggestion was unconventional



We explained to Mr and Mrs B that the disagreement about the best place to tow the car related to “recovery” – which, as the breakdown company had said, wasn’t covered by us under our jurisdiction.

However, parts of Mr and Mrs B’s complaint did fall under our jurisdiction. Looking at these parts of the policy, we found it didn’t cover the cost of a missed holiday. But we could look into how the company had dealt with their travel to the airport – which came under the “onward travel” part of the service the company provided.

The breakdown company accepted that their mechanic’s suggestion was unconventional. But they felt that, given the time it would have taken to arrange a taxi or a hire car, getting the train from a local station had given the couple the best chance of catching their flight. They’d already refunded Mr and Mrs B for the train tickets under the “onward travel” part of the policy.

We agreed that the mechanic’s suggestion had been unusual. And we appreciated that Mr and Mrs B were disappointed about missing their holiday. But we didn’t think that if they’d been towed to the airport or they’d arranged a hire car or taxi, it was certain they’d have got through the rush hour traffic to catch their flight.

Mr and Mrs B explained that, after missing their flight, they’d tried to make the most of a bad situation by booking a hotel in the city nearest the airport. But looking at where the couple lived, it would have been possible for them to travel home after missing their flight. In the circumstances, we didn’t think the breakdown company should be held responsible for the cost of the hotel.

Given everything we’d seen, we decided the breakdown company’s offer was fair – and encouraged Mr and Mrs B to accept it.

case study 133/4

consumer complains that business won’t repair faulty cooker

Mr H bought an oven on hire purchase. When the LCD timer on the oven broke, he asked the business to repair it.

The business sent an engineer to Mr H’s house. But when he arrived, Mr H’s dogs were barking – and the engineer refused to go inside.

Left with a faulty cooker, Mr H complained to the business. But they said they wouldn’t send out another engineer, as they thought Mr H’s dogs were dangerous. And they said he’d broken the terms of his agreement, because he’d since asked his son to look into the problem – so they’d no longer cover the repair.

Mr H felt the business were acting unreasonably – so he asked us for help.

complaint resolved

When we asked the business for a copy of Mr H's finance agreement, they didn't respond.

Mr H told us he no longer had the original finance agreement for the oven. But he had another finance agreement for a games console he'd bought from the business at the same time which he sent to us.

Looking at the agreement, it seemed it was a standard contract the business were using for all their appliances – so we thought it was likely the agreement for Mr H's cooker would have included the same terms.

The finance agreement clearly stated the business would repair the goods if they failed, as long as they hadn't already been repaired or taken apart by someone else.

Mr H explained that he'd asked his son – an engineer – to take a look at the oven. But his son had only pointed out why he thought the timer wasn't working – he hadn't tried to fix it. So we didn't agree that Mr H had broken the terms of his agreement.

From what we could see, Mr H would have been covered for repairs under his finance agreement – so since the oven was faulty, we told the business to fix it.

However, we acknowledged that the business were unhappy about visiting Mr H's house because of his dogs. So we stressed to Mr H his responsibility to create a safe environment for the engineer to visit – including making sure his dogs were kept in a separate room.

case study
133/5**consumer complains that insurer won't cover claim for cancellation of wedding venue – when venue changes after booking**

Fourteen months before Mr K and Ms C's wedding, they booked their ideal venue – a large barn complex. A few months later, they read online that there had been a change of management – and the venue was undergoing works. When they emailed the new manager to ask what was happening, he told them that no major changes would be made without giving them notice.

As their wedding date approached, Mr K and Ms C visited the venue again – and found that it looked very different to when they booked it. Some of the work on the grounds wasn't finished yet, meaning they wouldn't be able to have the marquee they'd wanted. And they were worried that new

... the finance agreement clearly stated the business would repair the goods if they failed

... we thought it was fair to use a broader dictionary definition of damage

▶ large mirrors would cause problems with the lighting in their wedding photos.

The couple complained to the management company. In response, the company cancelled the booking – saying they “couldn’t meet Mr K and Mrs C’s expectations”.

Mr K and Mrs C had taken out wedding insurance. So they contacted the insurer. But the insurer said their claim wasn’t covered. They said that, while the policy covered cancellation due to damage, they didn’t believe this applied in Mr K and Mrs C’s case. The insurer also said that Mr K had threatened the management company with legal action, so they didn’t think the cancellation was unavoidable.

Upset with this answer, the couple got in touch with us.

complaint upheld

We asked the insurer for a copy of their policy documents, so we could see what they covered and how they’d explained this. Looking at the policy wording, we saw that the insurer had described “damage” as something that *“includes, but is not limited to, accident, fire or theft”*.

We thought this definition was ambiguous – and because of this, it wasn’t fair for the insurer to apply it strictly. Instead, we thought it was fair to use a broader dictionary definition of damage – that is, *“harm that impairs the value, usefulness or normal function of something”*. We thought this applied to what had happened to the wedding venue.

We told the insurer that they should cover Mr K and Ms C’s claim as “damage”. We also pointed out that, since their cover for damage was limited, the insurer should have clearly highlighted this to the couple when they sold the policy.

We also asked Mr K and Ms C for copies of the emails they’d exchanged with the management company – so we could look into the insurer’s argument that the cancellation could have been avoided.

It seemed that Mr K had said he felt the company was in breach of contract. But there was no evidence he’d threatened them with legal action. In our view, the company had cancelled the booking in response to the initial complaint – something Mr K and Ms C couldn’t have done anything about.

In light of everything we’d seen, we told the insurer to pay the couple’s cancellation claim.

... he said the instruction manual didn't say where the socket should have been installed

case study 133/6

consumer complains that fridge bought on credit isn't fit for purpose

Mr U bought a fridge using his credit card. After he installed it, the fridge began to leak.

Mr U contacted the supplier, who sent an engineer to investigate the problem. The engineer noticed the drip tray at the back of the fridge had been dislodged, causing the leak. But having replaced the tray, the fridge began to leak again shortly after.

Frustrated, Mr U complained. The supplier sent another engineer to investigate the problem, and this engineer noted that the electrical socket behind the fridge was dislodging the drip tray. He said the problem was that the socket had been installed in the wrong place – and there was no issue with the fridge itself.

The engineer resolved the problem, but Mr U still wasn't happy. He said the instruction manual wasn't clear enough – and he wanted his credit card provider to refund him under section 75 of the *Consumer Credit Act*.

When the credit card provider wouldn't offer him a refund, Mr U brought his complaint to us.

complaint not upheld

Mr U accepted that the problem was caused by the electrical socket. But he said the instruction manual didn't say where the socket should have been installed. He said if it had been clear, he wouldn't have had the socket installed where it was – so it was the supplier's fault the fridge had leaked.

Mr U also said if the supplier hadn't been at fault, he'd have been charged for the engineers' visits. He hadn't been charged – so he said they'd effectively admitted they were responsible for the problem.

But the credit card provider confirmed the engineers had visited for free as a gesture of goodwill – and they maintained Mr U had caused the problem himself.

Looking at the instruction manual Mr U sent us, we didn't think there was a problem with the way it explained how to install the fridge. The second engineer had resolved the problem by moving the socket – so the problem was clearly with the way the fridge had been fitted in, rather than with the fridge itself.

We explained to Mr U that he could only claim a refund under section 75 of the *Consumer Credit Act* if the supplier had misrepresented or breached their contract with him.

From what we'd seen, there was no evidence this was the case. The supplier had provided the fridge in working order – and they'd resolved the problem when he complained. So we said it wouldn't be fair for the credit card provider to have to refund Mr U what he'd paid for the fridge.

... we thought Mr P could have done more to limit the impact any future problems might have on his business

case study 133/7

consumer complains that business has suspended his electronic payments account – meaning he can no longer run his business

Mr P ran an online business selling electrical goods, using an electronic payment provider to take payments. When the payment provider told him they were limiting his account so he'd no longer be able to take payments, he was concerned that he'd have to stop his business.

The payment provider told Mr P his business was putting other users of their service at risk. The website where he ran his business had told them he'd had a number of complaints – and the payment provider said their user agreement allowed them to limit accounts in these circumstances.

Mr P complained, saying he relied on electronic payments to keep his business running. But the payment provider said their agreement was clear – and they wouldn't change their position.

Unhappy with their decision, Mr P called us.

complaint upheld

The payment provider sent us a copy of the terms of Mr P's account. These showed Mr P had agreed not to run his business "*in a manner that results in or may result in complaints*". Given the number of complaints he'd had, the payment provider said they had no choice but to limit his account.

We asked Mr P for more details about these complaints. He explained that the website he used to run his business had recently been updated. Now, if people wanted more details about an item they were buying, they'd have to raise a complaint. So people were using the website's complaints channel to give feedback – which led to more "complaints" about Mr P's business.

Looking at the complaints the payment provider had referred to, we could see that the majority were in fact people simply asking for more information. So we didn't think it was fair for the payment provider to say Mr P's business was putting buyers at risk.

Mr P told us the payment provider's actions had had a significant impact on his business – and they should compensate him for this. But we noted that Mr P had chosen to rely on just one provider in running his business – despite his telling us that he'd had problems with them in the past.

So while we agreed the payment provider's actions had caused him some stress and inconvenience, we thought Mr P could have done more to limit the impact any future problems might have on his business.

Given what we'd seen, we decided the payment provider hadn't applied the terms of Mr P's account fairly – so we told them to lift the limitation on his account. And we told them to pay £250 for the impact their actions had had on Mr P's business.

case study 133/8

consumer complains that loan provider won't give a refund when minicab has gearbox problems

Mr N bought a used car for his minicab business. Around six months later, he began to have trouble with the gearbox.

Faced with the prospect of expensive repairs, Mr N contacted the provider of the loan he'd taken out to buy the car – saying he didn't think it had been in a satisfactory condition when he bought it.

The loan company sent an independent engineer to inspect the car. On the basis of the engineer's report, the loan company told Mr N that they believed the damage was due to wear and tear to the gearbox, which had been caused by Mr N driving the car. So they wouldn't pay for the repairs.

Unhappy with this answer, Mr N contacted us – explaining that, as the car was out of action and he needed to work, he was struggling to meet his loan repayments.

complaint not upheld

We asked the loan company for the independent engineer's report. In the engineer's view, the gearbox problems *“had developed over a period of time”* – but *“most probably would not have been developing”* at the point Mr N took out the loan.

We also considered the age and condition of the car when Mr N bought it. It had been three years old, with around 20,000 miles on the clock. Mr N had driven over 8,000 miles in less than six months – during part of which the car had been off the road because of the faulty gearbox.

We appreciated that Mr N was upset about the situation. His job depended on having a working car – and he was faced with paying out for the repairs. But we explained that – on balance – the independent engineer's findings, coupled with the fact the car had been used fairly heavily, suggested the damage to the gearbox had happened since he'd bought it.

We told the loan company that – while we agreed they'd responded fairly to Mr N's complaint – they now needed to work constructively with him to help him continue to meet his repayments.

... Mr N had driven over 8,000 miles in less than six months – during part of which the car had been off the road

▶
case study
133/9

consumer complains
that credit card
company won't refund
concert tickets under
section 75

Miss Q had tickets to see her favourite band on their reunion tour. But after the concert, she complained to the ticket agent that her seat was so far round to the side that she hadn't been able to see the stage. She said looking up at the screens had hurt her neck and the spotlights had been in her eyes all evening.

The ticket agent said they'd refund half the ticket price to recognise Miss Q's disappointment. But Miss Q didn't think this was enough. After reading online that her credit card company might cover the whole cost of the ticket – under section 75 of the *Consumer Credit Act* – she got in touch with them and asked for a refund.

After looking into the claim, the credit card company told Miss Q there hadn't been any misrepresentation or breach of contract – so she didn't have a valid claim under section 75. Unhappy, Miss Q contacted us.

complaint not upheld

We appreciated why Miss Q was disappointed. The band wouldn't be touring again – and she hadn't enjoyed what she felt was a once-in-a-lifetime opportunity. And when she sent us a photo she'd taken on the night, we agreed that she hadn't had a great view.

On the other hand, Miss Q had accepted the tickets she'd been allocated online while looking at a plan of the venue.

There was nothing to suggest that the seats had been advertised as having an excellent – or even an unrestricted – view. So we didn't agree that the seats had been misrepresented.

And as the concert hadn't been cancelled, we didn't think there had been any breach of contract either. Miss Q had still been able to see and hear the band she'd paid to see, even though she said she'd been uncomfortable.

In the circumstances – and given that Miss Q had already been offered compensation for her disappointment and discomfort – we decided the credit card company's answer was fair.

... Miss Q had accepted the tickets she'd been allocated online while looking at a plan of the venue

... he wanted them to pay out the money he would have won if the bet had gone through – which, at odds of 3/1, came to around £15,000

case study 133/10

consumer complains that bank blocked transaction to bookmakers that would have been put on winning horse

Mr J's card was blocked when he was trying to put a £5,000 bet on a horse on a bookmaker's website. Before Mr J could sort things out, the race went ahead and Mr J's horse won.

Frustrated, Mr J phoned his bank for an explanation. They said it was likely the payment had been blocked as a security measure.

Mr J complained. He said he often made large bets – using the same bookmaker – so the bank should have known this wasn't anything out of the ordinary. And he said the bank should have got in touch with him sooner, so he could have authorised the transaction before the race started. He wanted them to pay out the money he would have won if the bet had gone through – which, at odds of 3/1, came to around £15,000.

The bank maintained they needed to follow their security procedures. Unhappy, Mr J contacted us.

complaint not upheld

We asked the bank for more information about why they'd blocked Mr J's payment. They showed us that Mr J had already made several other large transactions that day. They explained that he'd gone over their internal daily limit for spending on his card – which was in place as a security measure.

We appreciated that Mr J didn't think the bank should have applied the limit to him – since he didn't feel the payment was out of the ordinary. But we explained to him that it wasn't our role to set the bank's security policy – and we didn't think they'd acted unfairly in applying it.

Mr J told us that a similar thing had happened before – and the bank had phoned him within seconds of the payment to ask him to authorise it. Looking at the bank's records from the day of the race, it seemed

that Mr J had only made the payment around half an hour before the race started.

We didn't think it was unreasonable that the bank hadn't got in touch within that time. And Mr J hadn't phoned the bank until after the race – when he could have contacted them as soon as he'd had trouble making the payment.

We were sorry that Mr J was disappointed and felt he'd lost out. But we decided that the bank hadn't acted unfairly.

133/11

consumer complains about customer service received under boiler cover

Mr F had boiler cover with his energy company. During an annual service – in November – one of the boiler’s seals was broken. The engineer capped the boiler for safety, meaning Mr F couldn’t use it.

Three days later, the energy company provided Mr F with some fan heaters and said they’d ordered a new part for the boiler. The following week, they told him that because his boiler was old, the parts weren’t actually available – so they wouldn’t be able to repair it after all.

By this time, Mr F and his three young children had been without heating or hot water for ten days. After he’d arranged for the energy company to install a new boiler, he complained about the service he’d received.

He also believed that the engineer had broken his boiler, and said the energy company should pay for the new one.

The energy company apologised for initially telling Mr F they could repair the boiler – and offered him £75. But Mr F didn’t think this made up for what he’d been through. When the energy company wouldn’t reconsider their offer, he contacted us.

complaint resolved

We asked the energy company for their records about Mr F and his boiler. We saw that during the first service under the cover – two years previously – the energy company had told Mr F that parts for his 15 year-old boiler wouldn’t be available.

At that time, they’d suggested he consider buying a new one. And according to the engineer’s notes from the most recent service, the age of the boiler was a factor in the seal breaking.

We appreciated that Mr F had probably been trying to avoid the expense of a new boiler until it was absolutely necessary. But in light of what we’d seen, we explained that we didn’t think the energy company was responsible for the boiler breaking – or the fact that it couldn’t be repaired.

On the other hand, we agreed with Mr F that the energy company’s offer didn’t reflect the trouble he’d experienced because of their poor customer service.

For example, it had taken three days for the energy company to provide fan heaters. The energy company explained that they hadn’t acted sooner because Mr F had a gas heater in his sitting room. But given it was a cold winter – and given Mr F had a young family to care for – we didn’t think this was acceptable.

We also pointed out that, over the ten days he’d been without a boiler, Mr F had been travelling to a nearby relative’s house so his family could wash with

hot water. He’d also been very disappointed to find out he’d need to buy a new boiler – after the engineer had first mistakenly told him they could repair his old one.

During our involvement, the energy company offered to refund the money Mr F had paid for the boiler cover – since they wouldn’t have actually been able to repair the boiler.

They also agreed that £350 better reflected the upset and inconvenience their customer service had caused, which Mr F accepted.

... by this time, Mr F and his three young children had been without heating or hot water for ten days

... we didn't think it was clear that "permanent repairs" weren't covered

case study 133/12

consumer complains that business won't cover cost of rewiring

When a tripped fuse caused Miss R's boiler to fail, she called out an electrician under her home emergency cover. The electrician fixed the power supply to her boiler – but as the fuse was still causing problems, he said he'd have to send another electrician to fix the underlying issue. In the meantime, the electrician cut off the electricity supply to her kitchen, utility room and toilet.

A second electrician visited and told Miss R the problem was caused by a junction box under her floor. He said to fix the box, he'd need to remove some of her flooring. The alternative would be rewiring – but this wouldn't be covered under her policy.

Unhappy, Miss R complained to her home cover provider.

She said she didn't want her flooring removed, and rewiring would be the best solution to resolve the problem and restore electricity in her house. But the home cover provider wouldn't change their position – so Miss R contacted us.

complaint upheld

From Miss R's policy documents, we couldn't see any mention of rewiring. When we asked the home cover provider about this, they told us any "permanent repairs" weren't covered – and they questioned whether rewiring was really necessary.

Miss R sent us reports from the electricians who'd visited. These showed the first electrician had issued a "danger notice" after fixing the boiler, and the second electrician had said removing the flooring wouldn't be the best option. He told her rewiring would be a better solution – and we thought it was reasonable that Miss R wanted to follow the electrician's advice.

Looking at the policy terms, we didn't think it was clear that "permanent repairs" weren't covered. The policy terms said "*permanent repair work to avoid repetitive situations leading to a breakdown*" wouldn't be covered. But in an earlier section, the policy referred to "*all permanent repairs*" – and suggested permanent repairs could be carried out under the policy.

Given that the policy terms were unclear, we told the home emergency cover provider it wasn't fair to say Miss R's repairs weren't covered. To put things right, we told them to arrange for the rewiring to be carried out – and to pay her £250 for the inconvenience of being without electricity in her kitchen, bathroom and utility room.

ombudsman focus: pension freedoms – the ombudsman’s perspective



In April 2015 the government introduced changes aimed at giving people greater flexibility in how they access their pensions. A year on, Phil Miller gives an ombudsman’s perspective on “pension freedoms”.

Phil Miller
ombudsman

“that suggests that so far, only a fraction of people who’ve used the freedoms have encountered problems”

Phil, there are many different views about these changes. As an ombudsman, what’s your view?

There’s certainly been a lot of commentary. Of course, the ombudsman’s role isn’t about taking a view on the new rules in principle. The central factor when I’m making a decision – just like any pension or investment-related problem, or any other problem for that matter – is whether a business has acted in a fair, appropriate way, looking at the customer’s individual circumstances.

so what are you seeing so far?

The government’s figures suggest around a quarter of a million people accessed their pensions in the first year of the new rules. During that time we’ve dealt with around 1,000 enquiries and around 400 complaints. That suggests that so far, only a fraction of people who’ve used the freedoms have encountered problems – or at least, not things their pension provider hasn’t put right in a way they’re satisfied with.

From our conversations with pension providers, we know there’s been a lot of work behind the scenes to make sure they’ve got the right resources in the right places – particularly to deal with the initial demand they anticipated after the changes came into effect. But inevitably – and providers have been upfront about this – delays have been an issue.

consumer complains after admin delays

Mr G told his pension provider he’d had a terminal diagnosis, and asked to cash in his pension. But due to the provider sending out the wrong forms – and other administrative problems – he still didn’t have the money three months later. He’d hoped to take his son on holiday, but this now wasn’t possible.

When Mr G contacted us, we worked with the pension provider to get the payment made without any further delay. We also told the pension provider that the compensation they’d offered didn’t reflect the real distress the delays had caused – and we helped them reach a fair amount.

The provider told us that, following Mr G’s experience, they’d taken steps to make sure they could identify and prioritise urgent cases more quickly.

consumer complains after being told to transfer pension to another provider

Mrs A contacted us when her pension provider – who’d initially offered her flexi-access drawdown – changed their mind and told her she’d need to transfer her pension to another provider.

While Mrs A had been sorting things out, her fund value had dropped and she’d missed out on an investment opportunity. Her pension provider had offered to make up any money that she would have made from the investment during that time, but she didn’t think this was enough.

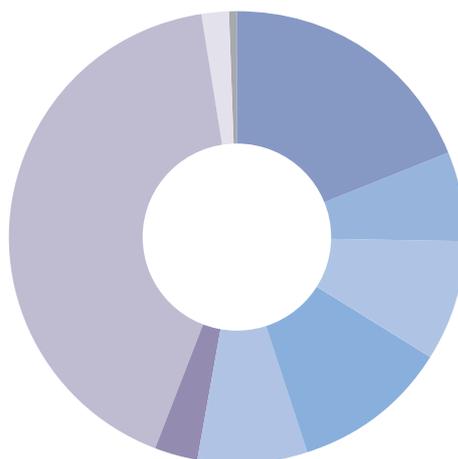
We told the pension provider they also needed to backdate the fund value – as if they hadn’t mistakenly offered Mrs A flexi-access, and she’d transferred her pension at that earlier time. They also agreed to compensate Mrs A for the trouble they’d caused.

what's your approach where there's been a delay?

In general, if we decide a pension provider caused unreasonable delays, we'll make sure their customer isn't worse off because of it. This might mean telling the provider to make an extra payment – with interest – if an earlier payment would have been higher, as well as other losses if there's clear evidence about those.

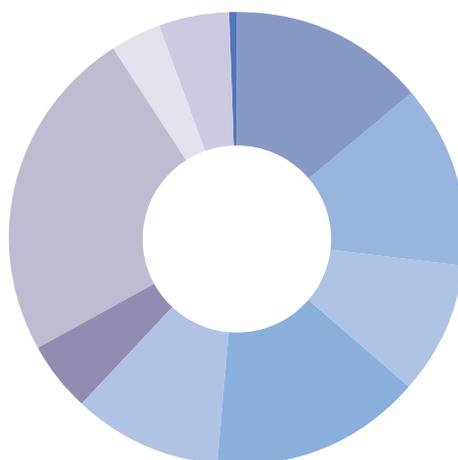
We'll also consider whether it's fair for the provider to make up for any upset and inconvenience the delay may have caused. Of course, the impact of a delay will be different in each case – and far bigger in some than others. It's been really encouraging to see pension providers making improvements in light of our involvement in complaints – for example, around identifying situations where people need access to their pensions urgently.

issues involved in enquiries about pension freedoms



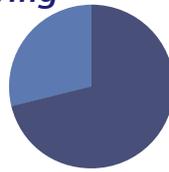
- administration 19%
- annuities 6.5%
- can't access pension 8.5%
- requirement to get financial advice 11%
- information given about pension 8%
- exit fees 3%
- delays 41.5%
- quality of advice 2%
- occupational pension scheme benefits 0.5%

issues involved in complaints about pension freedoms



- administration 14%
- annuities 13%
- can't access pension 9.5%
- requirement to get financial advice 15%
- information given about pension 10.5%
- exit fees 5%
- delays 24%
- quality of advice 3.5%
- provider doesn't offer preferred pension option 5%
- other problem 0.5%

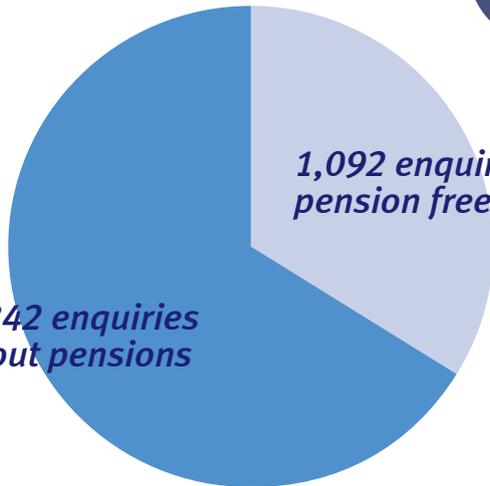
440 complaints involving pension freedoms



4,495 complaints involving pensions

1,092 enquiries about pension freedoms

8,842 enquiries about pensions



1 April 2015 to 31 March 2016



consumer complains that pension provider won't offer flexi-access drawdown

Mr B's pension provider told him that they didn't offer flexi-access drawdown. This meant he couldn't take his pension in instalments – and would instead have to take it as one lump sum, or as a smaller cash sum and an annuity (a form of regular income for life).

Unhappy with this answer – and at a stalemate with his pension provider – Mr B contacted us. We explained that pension providers aren't required to offer this type of drawdown – and that Mr B had the option of transferring his funds to another provider that did offer it.

consumer complains about income tax deduction

Mr J was unhappy that his pension provider had deducted income tax from his pension lump sum before paying it to him.

We looked at the paperwork the provider had sent Mr J – and decided they'd clearly set out the tax position. But they'd used the wrong payment date and applied a higher administration charge than they should have. The provider corrected the underpayment and compensated Mr J for the inconvenience they'd caused.

▶

“wanting to help a client who’s set on using the new freedoms, while believing it isn’t the best course of action in that client’s individual circumstances, is clearly a difficult position to be in”



consumer complains that he wants to take pension fund as lump sum

Mr S was unhappy that his pension provider wouldn’t allow him to take his pension fund as a lump sum without getting financial advice. He’d approached a number of different advisers, but none would offer him advice.

After confirming that Mr S’s pension had guaranteed annuity rates valued at more than £30,000, we talked through the context of the pension rules – including the measures in place to help protect people with valuable pensions. Mr S was disappointed, but understood why we couldn’t tell his pension provider to waive the requirement.

are delays the biggest issue you’re seeing then?

The number of people contacting us about delays peaked over the summer of 2015, and has steadied since then. But looking across the year as a whole, delays have made up the biggest proportion of the enquiries we’ve been receiving and the complaints we’ve needed to investigate further.

On the other hand, delays account for a far smaller proportion of complaints than they do of enquiries. I hope that reflects the way we’ve been engaging with pension providers – helping them to understand and apply our approach on their front line, when they first hear from their customers, or we get in touch informally.

consumer complains after buying annuity

Mr L, who’d recently bought an annuity, complained that his financial adviser should have told him to wait until he could take his pension as a lump sum.

We found that Mr L had received financial advice in early 2014 – some time before details about the pension changes were announced. We appreciated that Mr L was disappointed, but we decided the adviser had given appropriate advice based on the information available at the time.

51%

average uphold rate across all complaints

32%

complaints involving pensions

25%

complaints involving pension freedoms

1 April 2015 to 31 March 2016

in the ombudsman’s annual review, it says around a third of pensions complaints you’ve seen involve administration – is that true for pension freedoms?

For pensions freedoms, it’s currently a bit lower than a third. But a fair number of the complaints we’re seeing involve general administration and customer service issues. Pensions are a complex area, and consumers and providers have all had to navigate the new freedoms. So inevitably there’s been scope for misunderstandings and mix-ups.

For example, the rules don’t require pension providers to offer all the different types of flexibilities. Sometimes providers get their messages wrong. Sometimes customers are simply frustrated to find they’ll have to go elsewhere to get the specific arrangement they want. Both these scenarios can lead to complaints if things aren’t clarified quickly.

what about problems involving financial advice?

One of the new rules around pensions is that providers have to ensure that their customers with valuable pensions get regulated financial advice

before being able to access them. This applies to people who’ve got “safeguarded” benefits worth £30,000 or more. Often, the pension plans in question offer far better guaranteed annuity rates than anything available now.

But we’ve heard from people trying to access their pension who are unhappy they’ll have to pay for advice. Some tell us they’re struggling to find an adviser who’s willing to give them advice, meaning their pension provider won’t let them access their pension.



consumer factsheet on ...

annuities and pension advice

The Financial Ombudsman Service can help with complaints about annuities and investments, as well as the sale of personal pensions. From April 2015 this includes advice to transfer from a “defined benefit” pension scheme to a “defined contribution” scheme.

www.financial-ombudsman.org.uk
consumer helpline **0800 023 4567**
technical helpline for businesses and consumer advisers **020 7964 1400**

Pension Wise is a government service offering free, impartial guidance about pensions options – over the phone or face to face.
www.pensionwise.gov.uk

surely these situations are clear-cut?

Once we’ve double-checked the value of the pension, it’s often a case of explaining why the requirement’s there and that we can’t tell a pension provider to waive it. Some of the people we hear from clearly have strong feelings about not being able to access their money – but our independent answer can help the provider and their customer to move on.

what about people who’ve been advised against accessing their pension, but still want to go ahead?

Given it’s only just over a year since the rules changed, we haven’t yet received complaints relating to pensions freedoms that involve so-called “insistent” clients.

But when we’re meeting financial advisers and trade bodies, it’s something they’re telling us they’re concerned about. Wanting to help a client who’s set on using the new freedoms, while believing it isn’t the best course of action in that client’s individual circumstances, is clearly a difficult position to be in.

Looking at suitability more widely, there are a number of ombudsman decisions on our website that I hope will reassure advisers who are giving appropriate, tailored advice and clearly documenting the conversations they’re having with clients.

The FCA has already set out guidance in this area – and it’s something we and the FCA have been talking about with financial advisers when we meet them face to face.

total pensions complaints settled by an ombudsman’s final decision

30%

6%

complaints involving pension freedoms settled by an ombudsman’s final decision

do you hear from people who've previously bought an annuity?

Some pension providers extended their cooling off periods for annuities bought before the 2014 Budget announcement about the pension freedoms. But if someone's started to draw their pension, there's nothing they can do at the moment.

And yes, we hear from some people who bought an annuity shortly before the pension freedoms came into effect, who feel they should have been advised to hold on a bit longer.

In these cases, we'll need to consider the timing of the advice as part of looking into the individual circumstances. Realistically, it wouldn't be fair to expect an adviser to recommend something they didn't actually have any knowledge of.

Of course, from April 2017 there'll be a "secondary" annuity market. So further avenues will open up for some people – even though the government has said that keeping an annuity will be the right option in most cases. We expect that we'll cover any complaints arising from this – and like we would in any other area, we'll keep in touch with our stakeholders about what we're seeing.

upcoming events ...

smaller business:		
<i>meet the ombudsman roadshow</i>	Norwich	5 July
	Chelmsford	12 July
	Canterbury	20 July
consumer adviser:		
<i>working together with the ombudsman</i>	Chelmsford	13 July

For more information – and to book – go to *news and outreach* on our website.



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100% of the inks used in *ombudsman news* are vegetable-oil based, 95% of press chemicals are recycled for further use, and on average 99% of waste associated with this publication is recycled.



I've heard businesses now need to give your web address when sending a final response letter – is that right?

Yes, that's right. As part of new complaints handling rules that have applied since July 2015, businesses need to provide details of our website in their final response to a customer's complaint. Businesses will also need to include our website in their "summary resolution communication" – where they're responding to a customer's complaint within three business days.

Our website aims to help people understand the

ombudsman's approach – so they can decide for themselves in the first instance whether they've been treated fairly. People are increasingly finding it more convenient to manage their lives and finances online – so it makes sense to point people to our own service online too. And by understanding our approach at this early stage, people may be less likely to escalate a complaint to us unnecessarily.

We've also got a range of online support for businesses to help them find a fair answer first time. As we've highlighted in our *annual review*, over the last year we've added online resources covering issues ranging from equity release to problems with cars. Businesses can also call us on 020 7964 1400 to talk through customers' complaints informally – or for practical answers about the ombudsman and complaints.

I've recently had a phone call from the ombudsman about a complaint I'm still looking into. I thought I had eight weeks at this stage – has something changed?

Under the rules that cover our service, businesses usually have up to eight weeks to look into a complaint from one of their customers. But – as part of new rules introduced last summer – we can look into a complaint during those eight weeks if the business and their customer both agree to our involvement.

As our principal ombudsman Garry Wilkinson explained in our *ombudsman news* focus in January, this is all part of our work with businesses to help sort out their customers' problems as quickly and easily as possible. By getting involved early, we can prevent complaints becoming entrenched – saving time and resources all round.

We've been encouraged by the response we've had from businesses to working in this way. If you have any questions about a complaint you're dealing with – or you want to know more about how we're working to sort things at an early stage – our free technical advice helpline is on hand to help on 020 7964 1400.

