DRN-1803531

The complaint

Mr P complains that Scottish Friendly Assurance Society Limited would not allow him to transfer his section 32 pension policy to a Self-Invested Personal Pension (SIPP). Having previously told him by letter that he could transfer, as an alternative to taking his Guaranteed Minimum Pension (GMP).

What happened

In 1990, Mr P said he was advised to transfer his benefits from his former employer's occupational pension scheme to a pension policy (a Key bond section 32 policy). Mr P said the adviser told him that the Key bond policy would provide him with flexible retirement options.

Mr P has brought a separate complaint about the mis-sale of this section 32 policy. That complaint has been dealt with separately under our reference [redacted].

In 2016, Mr P said he decided to transfer all his private pension plans into a drawdown SIPP. Mr P said he was told in 2017, he couldn't transfer his Key bond policy because it had a Guaranteed Minimum Pension (GMP) of £1,322.29 attached to it from contracted-out pension benefits from his former employer's occupational pension scheme. Scottish Friendly said that the transfer wasn't permitted because the fund value of his section 32 policy was lower than the cash equivalent transfer value (CETV) of the GMP. Mr P said he wasn't made aware of this restriction when he took out the policy.

Mr P said he was incorrectly told he could transfer his section 32 policy to another provider, in a letter dated 27 January 2014. He says he wasn't allowed to do this, which meant he'd now been forced to take a poor annuity, with no tax-free cash lump sum.

Mr P complained to Scottish Friendly about the incorrect information he was given in 2014. He asked it to allow him to transfer his pension into his SIPP in view of this. Scottish Friendly disagreed, and so Mr P referred his complaint to our service.

Our investigator looked into Mr P's complaint. The investigator took the view that Mr P's complaint should be upheld in part, because Scottish Friendly had provided Mr P with misleading information about his retirement options. She said she didn't think Mr P had lost out financially, but, did consider that he had suffered a loss of expectation. In the circumstances, she concluded that Scottish Friendly should pay Mr P £100 compensation for the trouble and upset caused to his retirement planning.

Scottish Friendly accepted our investigator's recommendation. Mr P didn't and asked for his case to be reviewed by an ombudsman. So, Mr P's complaint has been referred to me to consider.

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.

I've looked at the letter Mr P was sent in 2014, about his retirement options, to see if the information Mr P was given was clear, fair and not misleading. Like our investigator, I think Mr P could've been given clearer information about his options at that time. I'll explain why.

The 27 January 2014 letter said:

"*The GMP we must pay you is £1322.28 a year. There is also a widow's pension of 50% of the GMP, the same as you could have got from SERPs*" - *[*the State Earnings Related Pension Scheme].

" *The current cost of providing the GMP is £24359.52. The current policy value is £17357.38 so there is not enough at the moment to provide the GMP.*

This means we cannot pay you anything now*. We have to wait until the policy value is enough to meet the cost of the GMP, or until you reach age 65, whichever happens first".*

The letter also said the following:

"The *alternative to the GMP.*

Instead of waiting for the GMP you can convert it to a 'cash equivalent transfer value (CETV)'. As long as this value is less than the policy value, you can receive the pension it can buy. You will also be able to take up to 25% of your pension fund as tax-free cash."

I agree with our investigator, I think this letter could've been clearer and I can understand why Mr P may have been misled as a result of what he read. I think the first few paragraphs made it clear that because the value of Mr P's fund was less than the cost of the GMP, it wasn't possible to pay him anything now. The paragraph about *"the alternative to the GMP"* was, in my view, less clear. Read carefully, there was reference to the value of the GMP having to be less than the policy value for this alternative to apply. But, a reader with limited understanding of how GMP's work, could, in my view, easily have missed this caveat, as Mr P appeared to.

This service looks to put a person back in the same position as they would've been but for the business' error or omission. I can't see that Mr P has lost out *financially* as a result of the information not being as clear as it should've been. The alternative to the GMP option was *not* available to him back in 2014, 2016 or 2017 when he was reviewing and considering how to take his benefits. This was because the policy value was still below the cost of his GMP.

However, I think the 2014 letter gave Mr P a false expectation about the retirement options available to him at that time, even though the value of his plan wasn't enough to cover the cost of his GMP. For this reason, like our investigator I think Scottish Friendly should pay Mr P £100 compensation for the trouble and upset caused to his retirement planning because of this.

Mr P thought Scottish Friendly should also pay him a backdated annuity (from when he turned 65) because he was given what he perceived to be incorrect advice in 2014. He said if he had been given correct information about his retirement options, he would've bought an annuity when he turned 65. But he ended up not doing so, because he was waiting for this complaint to be resolved.

Our investigator explained, if Mr P bought an annuity when he turned 65, this wouldn't have prevented him from complaining about the incorrect information he said he was given in 2014. Nor, would it have stopped this service from making a redress order reflecting his financial loss, had the complaint been upheld. So, I don't consider it fair or appropriate to make any additional award.

My final decision

I uphold this complaint and order Scottish Friendly Assurance Society Limited to pay Mr P £100 compensation for the trouble and upset and caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 4 August 2020.

Kim Parsons

Ombudsman