

The complaint

Mr L complained because the amount ReAssure Limited is paying him for his annuity is less than the amount it quoted.

What happened

On 17 January 2022 ReAssure sent Mr L a letter which outlined two retirement options:

- an annual pension of £2,840.28, or
- taking £17,243.89 as tax-free cash and an annual pension of £1,171.14.

Mr L wanted to take his retirement benefits so ReAssure wrote to him on 2 February 2022 with its annuity quote of £1,171.14 per year. It enclosed various forms which Mr L completed and returned.

On 3 March 2022 ReAssure wrote to Mr L confirming the annuity that was being set up. It said:

- £17,266.53 would be paid to Mr L as a lump sum tax free payment
- £13,970.30 would be left to buy an annuity
- which would be £1,109.28 per year.

Mr L complained to ReAssure as the annuity payment was less than what was quoted.

ReAssure said the quotes were incorrect and while it recognised it would pay Mr L less than was quoted it could only pay him the correct entitlement from his pension. It nevertheless offered Mr L £250 compensation as an apology.

Mr L didn't accept ReAssure's offer so he referred his complaint to us. He told us his intention was to combine various pensions into one pot and take an annuity, but he decided not to include this one as, based on his calculations, he would be slightly better off accepting ReAssure's quote (although he said it was "touch and go"). But having done further calculations using the new figure he says he would have chosen to combine this pension with the other ones.

What I provisionally decided

I issued a provisional decision which explained why I thought the complaint should be upheld. The relevant parts of my provisional decision are outlined below and form part of my final decision.

- I thought ReAssure had effectively accepted that it made a mistake because in its letter to Mr L it said things like *"It was in both of these letters that the incorrect values were unfortunately provided"* and *"We incorrectly entered a higher annuity income in the quotes provided, which shouldn't have happened"* and *"Please accept my personal apologies for the errors made"*.

- When a business makes a mistake I look to put the consumer as closely as possible back into the position they would have been in were it not for the mistake. However, I wasn't persuaded that ReAssure had satisfactorily shown that, or explained why, the original quoted figure was a mistake.
- I didn't think it was enough for ReAssure to simply say something along the lines of "Sorry, we made a mistake, the figure we quoted was wrong". In my view, it needed to provide clarity as to what happened and show why one figure was right and the other was wrong. Otherwise, it was too easy for ReAssure to offer higher quotes, set up annuities for a lower figure, and put it down to a 'mistake'. There was nothing to show here that the revised figure was correct – it was possible it too was a mistake.
- I therefore concluded it was unfair for ReAssure to set up Mr L's annuity on the lower figure.
- Having reached that conclusion, I went on to consider what ReAssure should do to put things right.
- I don't have the power to punish or fine a business for bad practice so the gravity of the error or how often it was made wasn't something I considered. I looked at the effect the error had on Mr L – essentially, I wanted to put Mr L back into the position he would otherwise have been in but for the error/unfairness.
- Mr L chose to proceed with the annuity based on the quote provided so I thought the redress I awarded should be based on that. I couldn't calculate precisely what Mr L's loss would be as it was impossible to predict how long he would live for. But I felt £1,100 compensation for Mr L's probable financial loss was fair in this case. That was because:
 - the difference between the quoted annuity and the actual annuity was about £62 per year
 - Mr L was 68 when the annuity started and his life expectancy is 85 years (accordingly to the life expectancy calculator on the Office for National Statistics' website)
 - so, on average, he could expect to receive annuity payments for 18 years
 - the tax-free cash that Mr L received was about £23 more than he was originally quoted
 - and 18 years x £62 per year – £23 = roughly £1,100
- ReAssure had already offered to pay Mr L £250 to say sorry for the inconvenience its 'error' caused. Although I wasn't persuaded there was an error, I thought ReAssure caused Mr L unnecessary distress and inconvenience. But I thought the £250 offered was fair compensation for this.

Responses to my provisional decision

I haven't heard anything further from ReAssure.

Mr L said he had nothing further to add and that he accepted my provisional decision. He nevertheless pointed out an error in my proposed award as I said I was minded to require ReAssure to pay him £1,000 compensation even though I'd calculated it to be £1,100.

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.

As there is nothing further for me to consider, my final decision remains as outlined in my provisional decision (apart from the error regarding the amount of compensation) – for the same reasons.

My final decision

I uphold this complaint. I require ReAssure Limited to pay Mr L £1,100 compensation for his losses. To avoid any doubt, this compensation is in addition to the £250 already offered for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 14 December 2022.

Paul Daniel
Ombudsman