DRN-4576257

## The complaint

Mr L complains that, as Countrywide Assured plc (Countrywide) no longer offer annuities, he'll have to transfer his pension fund to another provider. Mr L is also unhappy that payments won't be backdated to his selected retirement date (SRD).

## What happened

Mr L has a pension policy – a Guarantee Plus Retirement Plan – with Countrywide. It includes an income guarantee – to pay at Mr L's SRD on 23 August 2022 a minimum pension of £1,813 pa.

Mr L's annual statement issued on 9 June 2022 showed current plan and transfer values of £23,346.32 which was the current amount required to enable Mr L to buy an income at least equal to the guaranteed minimum pension (GMP) of £1,813 pa which was the minimum amount Mr L would receive if he left his pension unchanged until his retirement date.

Mr L contacted Countrywide on 18 August 2022, just before his SRD. He found out then that Countrywide no longer provides annuities. He was unhappy he hadn't been told that before.

Countrywide issued a final response on 11 October 2022, apologising for any distress and inconvenience caused by providing misleading and incomplete information when Mr L had phoned. Countrywide confirmed that a guaranteed annuity rate still applied and explained that annuities had previously been provided through Prudential but policyholders were now referred to Hargreaves Lansdown to arrange for annuity quotes from other providers. Countrywide would then ensure the guaranteed annuity was honoured.

Mr L wrote to Countrywide on 14 October 2022. He'd approached Hargreaves Lansdown for a quotation. It showed a pension income of £1,174.14 based on a transfer value of £17,000 (although the annuity income would be recalculated against the actual transfer value nearer the transfer date). Mr L asked Countrywide to confirm it would cover the shortfall between the amount quoted and the GMP. Mr L didn't get any reply so he wrote again on 27 November 2022. Countrywide acknowledged that letter (received on 6 December 2022) and apologised for not replying to Mr L's earlier letter. Countrywide said it would honour the GMP when benefits were claimed from the SRD by providing a claim (transfer) value sufficient to purchase the GMP.

There were further exchanges but I'm not going to set them all out here. Essentially Mr L wanted Countrywide to meet the annuity payments from his original SRD in August 2022. In a letter of 23 May 2023 Countrywide reiterated that they didn't make payments for an annuity not paid from the original SRD but, when benefits are claimed, the GMP provided at the SRD was revalued to the claim date. Countrywide noted Mr L had raised a query about the difference in the annuity quotations he'd received from Hargreaves Lansdown which had been missed and a reply not issued until 12 December 2022. To say sorry for the delay a payment of £100 would be made.

Mr L referred his complaint to this service in July 2023. On his complaint form he said Countrywide hadn't told him, until just before his SRD, that they didn't pay GMPs anymore and he'd have to transfer his pension to a new provider. He said it had been impossible to claim his GMP from his SRD and he'd had to do all the 'running around' to find a new provider. His pension fund was increased to a level to cover the GMP but that was then taken away. Countrywide had refused to cover his pension from his SRD to the date he transfers his pension to another provider. He'd been caused stress and anxiety and it had taken a lot of time and effort to try to resolve things. He said Countrywide should pay him £1,830 on 23 August 2023 and each year thereafter. Mr L later added that Countrywide had changed his SRD to 23 August 2032 without his consent.

One of our investigators looked into Mr L's concerns. She emailed Mr L and Countrywide on 27 October 2023 setting out her views. She said Mr L had complained about two issues: first, Countrywide no longer offer GMPs and so he'd need to transfer his pension to another provider; secondly, Countrywide had refused to cover his pension from his SRD to the transfer date.

On the first matter, Mr L had complained to Countrywide on 23 August 2022 and a response had been provided on 11 October 2022. The letter said, if Mr L remained dissatisfied with the response, he had up to six months to refer the complaint to this service. Mr L first raised this complaint to us in July 2023 which was outside this time limit. The investigator hadn't seen anything to suggest Mr L's circumstances were exceptional so the complaint was time barred and couldn't be considered. About the second issue, Countrywide had explained that, when the benefits were claimed, the GMP provided at the SRD is revalued to the actual date of claim, which the investigator said was fair.

Mr L didn't receive the investigator's view. He got in touch in December 2023 to say he hadn't heard further and we sent a copy of the investigator's view.

Mr L didn't agree with the investigator's conclusions. Amongst other things he said:

- The investigator had wrongly assumed he had a complaint with Countrywide at the time the final response letter was sent. But that letter confirmed that Countrywide was agreeing to meet its GMP commitments so he had no reason to complain at that stage. During the following six months he was trying to resolve his underfunded pension pot issue with Countrywide who were gradually increasing the fund. It was only after the six month period had expired that the pension fund was reduced in June 2023 by £13,000 which prompted his complaint to this service.
- Countrywide had said he'd failed to provide instructions to put his benefits into payment at maturity. But they'd failed to mention the reason – the lack of funds in his pension pot to cover the guaranteed pension with another provider.
- The pension companies (here Countrywide) who'd provided these GMPs were still responsible for the guarantees at maturity as the guarantees can't be transferred to another company. If a GMP is transferred the guarantee is lost as confirmed by Countrywide, unless the pension pot is increased to a level where the funds are sufficient to cover the GMP with another provider.
- Countrywide had made it difficult to transfer his GMP to another pension company by delaying in replying to correspondence, gradually increasing the fund and then taking it away at the last minute and altering his retirement date by ten years.
- Countrywide had said they'd cover the GMP but had then added a caveat saying, if he decided to transfer or access his pension before or after his agreed retirement date, he could lose the guarantee. He'd fortunately been given sound advice that he should keep his GMP with Countrywide.

**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.

The investigator said Mr L had made two complaints. About the first – that Countrywide no longer offer annuities and so Mr L would need to transfer his pension fund to another provider – I agree that Countrywide’s final response letter of 11 October 2022 dealt with that issue. The letter said, if Mr L remained dissatisfied, he’d need to refer the matter to this service within six months. He didn’t and so, on the face of things, that complaint has been made too late and we’re unable to consider it.

That said, Mr L’s point is that, at the time the final response letter was issued, he didn’t have any complaint, given that Countrywide had confirmed his GMP would be met. But he later came to believe Countrywide wasn’t prepared to do that and had reduced his pension pot by some £13,000. I understand Mr L is naturally concerned that he shouldn’t be worse off because Countrywide no longer provides annuities. But I don’t think he will be. Nor do I consider that Countrywide is acting so as to avoid its obligations to Mr L.

Countrywide is contractually bound to provide the benefits set out in the policy which include paying a GMP of £1,813 at Mr L’s SRD which was in August 2022. If Mr L had transferred away before then or not kept to the plan terms and conditions (for example not maintaining his payments) that guarantee could’ve been lost. I agree it’s valuable and that’s why Mr L was advised to retain his plan with Countrywide. And it wouldn’t be acceptable for Countrywide to transfer Mr L’s pension fund to another provider to pay Mr L’s benefits if that would mean Mr L would get a lower pension. But Countrywide has explained that, to honour the GMP guarantee, a transfer value will be provided which is at least equal to the amount required to purchase the GMP. If the current asset share value of Mr L’s plan isn’t enough to provide the GMP, a shortfall amount will be added.

The figures set out in Countrywide’s letter of 19 January 2023 show how that would work. The GMP had increased to £1,822 because Mr L’s SRD had passed. His asset share value (the value of his pension pot) was £14,918.31. The cost of providing the GMP was £26,210.10. That’s £11,291.79 more. So (and ignoring the fact that the actual figures would be recalculated on the applicable day) the new provider would receive in total £26,210.10. That would put Mr L in the position he’d have been if Countrywide had paid his GMP itself and so he won’t have lost out. Similar comments apply to the figures in Countrywide’s letter of 7 February 2023 and the attached statement dated 6 February 2023. It gave current and transfer values of £27,115.02. That wasn’t the fund value as such but the cost of providing the GMP of £1,830 and the amount that would need to be transferred to the new provider.

It seems Mr L’s complaint was prompted by the annual statement he received dated 9 June 2023 which showed his fund value was only £14,628.23 – some £12,486.79 less than the figure quoted in February 2023 of £27,115.02. But, as I’ve said, the latter wasn’t a fund value but the transfer value Countrywide would need to pay to the new provider. Countrywide had made it clear how Countrywide’s commitments under the plan would be met and that an additional payment would be made to meet the GMP so Mr L could buy an equivalent income. If the actual fund value falls then the top up payment that Countrywide will have to pay increases. In the circumstances, the actual fund value and whether it has gone up or down isn’t directly relevant.

Mr L has pointed to the letter dated 9 June 2022 (under cover of which the annual statement was sent) as imposing a caveat which meant he was unable to transfer without losing the guarantee. The letter said it was a valuable benefit which might be lost if Mr L transferred or took his retirement savings before his SRD. But, at the time, Mr L hadn’t reached his SRD.

So the letter was correct to point out that accessing his fund before then could impact on the guarantee. Once Mr L's SRD had passed, Countrywide did confirm the guarantee hadn't been lost and that Mr L could take his benefits when he wanted.

It also appears that the quotations Mr L received via Hargreaves Lansdown may have caused confusion. And it didn't help that Countrywide didn't deal promptly with Mr L's queries. Factors such as the frequency of payments (monthly, quarterly or annually), when payments are made (in advance or arrears) and if any guarantee period is included will affect the income that's paid. An annuity which is payable, say, annually in arrears (and it seems that's what the plan terms and conditions stipulated), with no guarantee period, is likely to provide a higher income than if payments are made monthly in advance and there's a guarantee period. So, although the fund value will be topped up by Countrywide to buy equivalent benefits, the basis of the annuity selected may mean that the income payable is lower. That doesn't mean that Countrywide isn't paying enough – rather it reflects Mr L's choices as to how he'd like his income to be paid and if he wants to include features such as a guarantee period.

Mr L is unhappy he's lost out on the payments he'd have received, had an annuity been set up promptly following his SRD. And that's an ongoing situation – as far as I'm aware, Mr L's fund remains with Countrywide and he's yet to set up an annuity with another provider.

To make an award for the missed payments, I'd need to be satisfied it was Countrywide's fault that Mr L failed to set up an annuity earlier. I can see Mr L was initially unsure about the position and how his GMP would be paid, given that Countrywide no longer provide annuities. But Countrywide was prepared to top up Mr L's fund and pay a transfer value to a new provider sufficient to enable him to buy an annuity equivalent to the GMP. And it seems Mr L was happy with the situation – he says he was trying to sort things out and he had no complaint until he received the June 2023 statement which showed the fund value had fallen. It's unfortunate that statement caused confusion and Mr L took it as indicating Countrywide wasn't prepared to honour its commitments. But I've explained why I don't think that was the case. I don't agree that Mr L was unable to transfer or that Countrywide is responsible for Mr L not setting up an annuity with a new provider earlier.

Mr L is also unhappy that Countrywide extended his retirement date to 2032 without his consent. A statement issued on 23 August 2022 said Mr L had reached his SRD but hadn't provided any instructions to put his benefits into payment. But his contract permitted him to take benefits at any time and he should get in contact as and when he wished to do so. Countrywide said the guaranteed annuity when Mr L decided to take his benefits wouldn't be less than the guaranteed annuity which applied at his SRD. Countrywide's letter of 27 October 2022 also confirmed the position. So Countrywide did explain to Mr L that his SRD would be automatically extended but he could still take his benefits at any time and the guaranteed minimum income would still apply. Extending Mr L's SRD is more of an administrative exercise. It isn't aimed at making it more difficult for him to access his benefits. And when benefits are claimed the GMP provided at the SRD is revalued to the claim date to allow for the increase in the retirement age from the original SRD.

Countrywide has already paid Mr L £100 for delay in dealing with some of his queries. I think that's fair and reasonable. Countrywide has also explained that, where benefits aren't claimed at SRD, the GMP is revalued to the claim date which I think is fair.

I'd hope that, going forwards, Mr L is now in a position to arrange for his benefits to be put into payment, assuming that's what he wants to do.

## My final decision

I don’t uphold the complaint and I’m not making any award.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr L to accept or reject my decision before 20 March 2024.

Lesley Stead
**Ombudsman**