DRN-4578428

The complaint

Mr D complains about poor service from Rothesay Life Plc (Rothesay) in dealing with his requests for information about the revaluation of his deferred annuity plan and in relation to the potential increases to be applied to his pension benefits.

Mr D says the delay by Rothesay in providing information and the provision of incorrect information caused him financial loss as he was obliged to access benefits from another pension plan in order to provide an income.

What happened

Mr D held a deferred annuity pension plan which was administered by Rothesay following a buy-out of benefits formerly held in his Occupational Pension Scheme (OPS).

The value of his plan was revalued each year on the anniversary of his leaving date.

On 31 May 2023 Mr D contacted Rothesay and asked for a retirement quotation for his deferred annuity plan. He asked for two quotes; one for August 2023 and one if he were to take the benefits at the beginning of January 2024. Mr D also asked for information as to how the inflation increases were applied to his plan prior to payment and indicated he was trying to secure a big inflation increase in the final value.

On 1 June 2023 Rothesay sent him an email acknowledging his request and indicated it was in the process of calculating his retirement benefits.

On 15 June Rothesay sent him an email giving Mr D information about increases which applied once his retirement benefits were in payment

Mr D contacted Rothesay on the same day to highlight that the information he had been provided didn’t answer his question, which was about increases (relating to inflation) in the deferred period prior to taking his retirement benefits.

Mr D said he understood from information provided by the trustees of his former OPS, that a retrospective accrual rate might take the increases over the 5% maximum because this was a period of high inflation. Mr D said he was trying to understand what difference it would make if he deferred taking his pension plan until 2024.

On 21 June 2023 Rothesay wrote to Mr D enclosing his Guaranteed Early Retirement Options Statement. The benefits were calculated using an assumed retirement date of 1 September 2023, and an estimated transfer value was also provided.

The statement indicated that his normal retirement date (NRD) was in 2028 but that he didn’t have to take his retirement benefits on that date.

On 23 June 2023 Mr D contacted Rothesay by telephone. He explained that he had received one retirement quote, but that he had also requested a pension illustration based on taking his benefits on 1 January 2024. Mr D wanted to see the difference between those quotations, to see if he should wait until next year to retire.

On 26 June 2023 Rothesay emailed Mr D to acknowledge his request on 23 June 2023 for a retirement quotation and indicated it was in the process of calculating his retirement benefits.

Mr D then contacted Rothesay on the same day and made a complaint. He indicated that he had not received answers to the questions he had raised, and he was unhappy with the time scale for answering his request.

Mr D clarified that he had received documents from the trustees of his former OPS that talked about "inflation protection" and how this related to the increases applied pre-retirement at revaluation. It was agreed that Mr D would provide these documents to Rothesay and that Rothesay would provide him an estimated retirement quote, as on 1 September 2024, to see what difference deferring his retirement for a year would make. Rothesay would also provide information regarding the issue raised by the trustees.

On 27 June 2023 Rothesay sent Mr D a letter acknowledging his complaint and setting out the estimated timescale for his complaint to be investigated and a response provided.

On 30 June 2023 Mr D sent an email setting out the details of his complaint.

Mr D said he was seeking to gain access to his pension and make an informed decision as to when to commence his retirement benefits.

Mr D said the trustees of the OPS had informed him that for a deferred member looking to take their pension aged 60, inflation protection was capped at 5% cumulative. So he should carefully consider the timing of taking his pension because it could make a significant difference. The reason being that there was scope for catch-up inflation increases, given the current position of high inflation following previous years of low inflation.

Mr D said the information he had received from Rothesay was that the timing of when to take his pension would make little or no difference. He said that contradicted the advice from the trustees that it could make a significant difference.

Mr D said he lost confidence in the accuracy of the information provided to him by Rothesay, so he had asked for two pension quotes using the dates 1st Sept 23 and 1st Jan 2024, in order to better understand the inflation proofing calculation. He said he waited two weeks and only one of those had been provided.

Mr D said his request was now urgent because he was approaching 60 and the lack of clarity was impacting his retirement decisions and financial planning for 2023/24.

In July 2023 Mr D sought financial advice in relation to accessing the benefits from another pension plan.

In August 2023 Mr D accessed the benefits from that other plan.

On 15 August 2023 Rothesay responded to Mr D's complaint and provided information regarding how the value of his benefits was calculated. It explained that it didn't apply a 5% cap on a year-on-year basis. Rothesay said the cap would only bite in the event of Mr D's deferred pension increasing by more than 5% compound over the whole period between his leaving date and his eventual retirement date. It said taking into account the value of the cap on his plan on 1 September 2023, and the Consumer Price Index rate at the time and forecast rates, it thought it was unlikely that his benefit would be affected by the cap. Rothesay also provided the relevant values to illustrate why that was the case.

Rothesay upheld Mr D's complaint in part, and it apologised for providing incorrect information. It explained that the revaluation was applied each year on the anniversary of Mr D's leaving date which was at the end of October. It said he might want to draw benefits from that date, rather than before it, in order to benefit from that year of revaluation.

Rothesay acknowledged that Mr D had been given incorrect information during a telephone call on 31 May 2023, as its operative informed Mr D the revaluation date was 1 April instead of the anniversary of his leaving date, which was the correct date. It explained its operative had confused Mr D's pre-retirement revaluation, with post retirement increases which it said were commonly applied on 1 April.

Rothesay accepted that its handling of Mr D's case had not been of the standard it would expect, and its operatives had struggled to understand the question Mr D had been asking.

However, Rothesay didn't think that Mr D had been financially disadvantaged by being provided with incorrect information as his benefits would be revalued on the anniversary of his leaving date, which was at the end of October, after the relevant CPI (Consumer Prices Index) revaluation had been published. So, it said if Mr D had taken his benefits earlier it was more likely than not that he would've received lower benefits.

Mr D didn't agree and referred his complaint to our service. He explained that he had retired in August 2022 and planned to take his annuity pension in August 2023.

Mr D said the trustees of his former OPS had issued pension advice to deferred annuity plan holders who were close to taking their benefits, relating to inflation revaluation rules. It had indicated that the scheme provided a 5% p.a. cumulative cap so in times of high inflation there was scope for catch-up increases above that 5%. He also said the trustees had made it clear that the timing of accessing benefits could have a significant impact on the pension valuation.

Mr D said he had called Rothesay's pension helpdesk three months before he intended to access his benefits to get advice on how the inflation revaluation rules applied to his deferred pension benefits. He said the responses he had received had been incorrect as he had been told the timing would make little or no difference and Rothesay had sent him percentage increases for post payment.

Mr D said it had been a difficult and time-consuming process that led him to instigate alternative income arrangements using another pension plan to ensure he had sufficient income in place while he sought clarification from Rothesay. He said now the correct information had been provided he could plan to start accessing his annuity plan from the end of November 2023.

Mr D said he was seeking financial compensation as he had been caused stress and inconvenience and had been forced to make contingency arrangements.

Our investigator considered Mr D's complaint and upheld it in part. She felt that Mr D hadn't received good service when he had asked for information about his annuity plan. The investigator also was of the view that Mr D hadn't accepted that the information he had been given was correct and he had made a complaint as a result. She didn't think that Mr D had been caused any financial loss as a result of Rothesay's actions, as she thought it was reasonable to expect Mr D to wait for a response from Rothesay before accessing funds from another pension plan.

However, she felt that Mr D had been caused distress and inconvenience by the poor service he had received when asking for information, as he had been trying to plan his retirement. So, she said that Rothesay should pay him £300 for the distress and inconvenience.

Rothesay accepted the investigator's view.

Mr D didn't agree with the investigator. He made several points in response, so I have summarised them. In summary he said he had retired in 2022 and he and his wife were using his savings as income, which he had forecast to be sufficient until end of August 2023. So he contacted Rothesay three months prior to this, at the end of May.

Mr D said he had asked for his complaint to be dealt with urgently and had set himself a deadline of the end of July 2023, otherwise he risked running out of savings by the end of August 2023.

Mr D said he had been advised by the provider of his other pension plan that it would take 6-8 weeks for the funds to be available, so he started the process in early July after taking advice on a full market review.

Mr D said that Rothesay contacted him at the end of July 2023 indicating the investigation into his complaint had not been completed within four weeks and it would need an additional four weeks.

Mr D said at the end of July 2023, when Rothesay contacted him, his savings were low, and he had to take into account the lead time to finalise his application in respect of the other plan. Mr D said he felt he had no other choice but to access those benefits, as he and his wife were retired with no other income. Mr D said he had to pay his mortgage and other living expenses.

Mr D said he didn't agree with the investigator that he had acted too quickly. He referred to conversations with the helpdesk regarding the revaluation date and he referred to the lead times in accessing benefits. Mr D said he couldn't bridge his income over what he described as a nine-month period.

Mr D said if he had been given the correct information from Rothesay at an earlier stage, he would have accessed his benefits from this plan at the revaluation date in October 2023 and he wouldn't have accessed the benefits from his other pension plan for a further seven years. So, he said he lost investment growth on that plan together with the cost of the financial advice.

As no agreement could be reached the matter was referred to me for review.

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.

Rothesay has acknowledged it gave Mr D incorrect information about the date his plan benefits would be revalued. I can also see that Rothesay misunderstood the question Mr D raised about pre-payment increases in his initial telephone call. It gave him information about post payment increases instead in June 2023, before providing relevant information in August 2023.

So the key question for me to determine is the impact on Mr D of receiving that incorrect information. Did it cause Mr D a financial loss and did it cause him any distress and inconvenience as the investigator has concluded?

Mr D says the incorrect information he received and the delays in receiving a response to his question, caused him to take benefits from another pension plan which he wasn't intending to do for another seven years. He also points out that he had to pay for financial advice in order to access those benefits and he lost investment growth on that plan.

Mr D has provided details of the income benefits he accessed in August 2023 and the cost of the advice he received in July 2023 to take out that plan. He has explained that he took advice because the provider of his plan was unable to give him information about what was available to him on the open market.

Mr D has also explained that the delays impacted his retirement plans.

<u>Did the provision of incorrect information reasonably cause Mr D to access the benefits from his other pension plan?</u>

I have listened carefully to the call between Mr D and Rothesay's operative at the end of May 2023. Mr D explained that he was about three months from retirement, and he asked for quotes and information about inflation related increases explaining that he had been informed by trustees of his former OPS that the timing of taking benefits from his plan could have a significant impact on the amount paid out.

Mr D told the operative that he might defer taking his benefits until after December 2023, as he believed that was when the annual revaluation was due to take place.

So, at the time when Mr D contacted Rothesay in May 2023, I think that there was some uncertainty as to whether Mr D would take his retirement benefits from his deferred annuity plan in August 2023. It wasn't clear that it was his intention to do so because I am satisfied on balance that he was considering deferring taking his benefits, if it was financially worthwhile. He has also confirmed this in correspondence with Rothesay in September 2023 where he has said:

"*It was always my intention to delay if I could benefit from revaluation to keep pace with inflation."*

Mr D didn't access the benefits from his annuity plan in August 2023. He says this was because he hadn't received the information he had requested from Rothesay, and he wasn't confident in the information Rothesay had provided. Instead, he accessed benefits from another pension plan in August 2023.

I don't think it is more likely than not that being given the incorrect information about the revaluation date caused Mr D to access his other pension benefits. The incorrect information he was given, was that the annual revaluation took place in April, which meant it would've taken place relatively recently and he would be waiting another 10 months or so, until the next one. So, on that basis it would be less attractive and less worthwhile to defer taking his benefits.

So I don't think being given the incorrect information about when the revaluation took place would have reasonably caused him to delay taking the benefits from the annuity plan.

<u>Did the delay in his question being answered by Rothesay reasonably cause Mr D to access the benefits from his other pension plan?</u>

Mr D has explained that his lack of confidence in the information being provided by Rothesay about the revaluation date and not being given the information he required promptly, resulted in his decision to access his other pension plan in order to provide an income for retirement.

I appreciate that it must have been difficult for Mr D to have to wait for information in order to make an informed decision about his retirement income and how that would be funded, particularly as he has explained he was using his savings for income. However, I don't think the question he asked about the way inflation increases would be applied pre-payment relative to the cap, was entirely straight forward and it wasn't something that the operatives he spoke to at the helpdesk could easily access. So, I don't think it was unreasonable for Rothesay to take a little time to access that information.

The problem was that Rothesay's operatives didn't really understand Mr D's request in the first instance and the information it provided on 15 June 2023 was based on a misunderstanding of his question, resulting in that initial two weeks being wasted.

However, as Mr D has stated in correspondence, Rothesay's response to his complaint on 15 August 2023 did clarify for him, that the optimal point to take his benefits would be just after the revaluation on 31 October 2023.

And I think as Mr D was initially prepared to wait until the end of December 2023/beginning of January 2024, to access his benefits then it seems reasonable to expect that he could have waited beyond July 2023 until August 2023, to hear back from Rothesay regarding the increases and the date of revaluation.

I note the complaint was made on 26 June 2023 and the acknowledgement letter from Rothesay gave an estimated response of four weeks, but with the possibility of it taking up to eight weeks, after which the letter informed him, he would be able to make a complaint to our service. So, I think based on the information provided to Mr D, it would have been reasonable for him to wait for eight weeks prior to making any decision about his other pension plan, particularly as the decision to access the benefits from that plan would be irreversible. Eight weeks would have taken Mr D until approximately 20 August 2023.

There would then have been some additional time to access the benefits from either plan, but given the process time Mr D has quoted, and the set monthly cut-off dates in place for income to be distributed from the annuity plan outlined by Rothesay, that would still have been a similar timeframe to waiting for the October revaluation, which is what Mr D says he would have done if he had been given the correct information when he contacted Rothesay. I also note Rothesay has explained in its correspondence to Mr D that the payment of tax-free cash was a much quicker process.

I note Mr D has referred to a nine-month period within which he says he would've needed to bridge his income. As he has said that taking into account the information he was given by Rothesay, including an incorrect valuation date of April, the earliest he could have accessed his benefits would've been in May 2024. However, for the reasons outlined above, I think the relevant time period here, was the time it was anticipated that Mr D would receive a response to his complaint, and accordingly receive information from Rothesay clarifying the correct revaluation date and the increases.

<u>Did Rothesay's actions cause any financial loss</u>?

As I have said, I don't think Rothesay's actions caused Mr D to in a way which he wouldn't in any case otherwise have done, and so be unnecessarily obliged to access his other pension plan, although I do acknowledge its actions would have caused Mr D stress and worry in not knowing how he was going to take his retirement plans forward and in particular his financial planning – and I will come back to that factor later in this decision.

However, I am not persuaded in any event, that it was more likely than not that he was caused financial loss by Rothesay because I think there was always a real likelihood that Mr D would have to find another source of income (other than his deferred annuity plan) to fund his retirement from age 60. The reason I say this, is that at the start of this process he was actively considering deferring accessing the benefits under this plan until January 2024, approximately four months after he reached that age. Indeed that was the whole purpose behind his contacting Rothesay. And had things happened as they should, and he'd been given the correct information promptly, with the revaluation due in October 2023, I think he would have reasonably deferred accessing his benefits in order to take advantage of that revaluation.

Mr D could've done this in different ways: by accessing his other pension plan or a short-term loan/use of credit facilities. He could also have asked for a short mortgage holiday. So, while I recognise his concern in respect of sourcing an income, and I acknowledge his view that he needed to address that concern, I don't think that not being given the information he requested promptly, reasonably caused him to access his other plan. And I also have to take into account that by deferring taking the benefits under *this* plan he would gain the benefit of another revaluation in October 2023, which it is more likely than not, would result in an increase to the benefits he would receive.

I note that has been borne out by the figures he later received from Rothesay indicating he would receive a higher tax-free cash amount and a higher annual income than if he had accessed his benefits prior to that revaluation.

I also note that Mr D paid for financial advice in order to access the benefits from his other pension plan rather than going directly through his provider. He has explained he did so in order to be provided with advice as to what was available on the open market. On that basis, I consider it more likely than not therefore that he would always have incurred <u>this</u> cost at the point when he chose to access benefits from that plan. And as I've said above, if Mr D had received the correct information promptly, it's more likely than not that he would have deferred taking the annuity, and so would in any case have needed an alternative source of income. So, I don't think I could conclude on a fair and reasonable basis that this cost was attributable to any delay in the provision of information, or any incorrect information being provided by Rothesay.

Did Rothesay's actions cause Mr D distress and inconvenience?

As I have already touched upon in this decision, I think Mr D was caused distress and inconvenience by being given incorrect information and having his question misunderstood, resulting in him having to contact Rothesay several times to try to obtain the answer. Mr D also had to contact Rothesay to ask for the missing quotation he had requested.

I take into account that while this was a relatively short period, of approximately two to three months, the background was that Mr D was fast approaching his chosen retirement date and I think would've been caused additional stress by not being able to plan his finances. Having taken all that into account, I consider the amount of £300 put forward by the investigator to be fair and reasonable in the circumstances.

Summary

I am not persuaded on balance that Mr D was caused financial loss by Rothesay's actions, but I am satisfied on balance that it caused him distress and inconvenience as a result and accordingly Rothesay should pay Mr D £300 in compensation

Putting things right

Rothesay should pay Mr D £300 compensation for distress and inconvenience.

My final decision

My final decision is that Mr D's complaint against Rothesay Life Plc is upheld in part, and I direct it to pay Mr D £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 14 June 2024.

Julia Chittenden
Ombudsman