

The complaint

Ms B is unhappy with the service she has received from The Royal London Mutual Insurance Society Limited (Royal London). She says there were delays in receiving her annuity and poor communication. She would like compensation and an explanation as to why only one of her pensions was transferred initially. Ms B has also said that her son had been relying on receipt of some money to assist him in purchasing a property.

What happened

Ms B contacted Royal London in December 2022 to discuss her policy and options. A telephone call was booked for 17 January 2023. During the telephone call Ms B decided she would like to withdraw 25% tax free cash and purchase an annuity with the remaining funds with another provider (Firm L).

Application packs were sent to Ms B, she filled them out and sent the applications back. I have been provided with one of these application forms, Ms B did not complete the section asking her for her doctors' details (section 3). On 10 February 2023 Royal London wrote to Ms B to let her know that she needed to fill in section 3 and provided her with a copy of the application form to fill in and send back.

On 17 April 2023 Ms B called Royal London for an update, she was advised that there was some information missing from her application form. On the same day Royal London sent a letter to Ms B which asked her to fill out section 3 within her application, they again enclosed a copy of her application form to return.

On 24 April 2023 Ms B raised a complaint about the delays in her applications being processed. The complaints department emailed a copy of the application form to Ms B on 27 April 2023. On 3 May 2023 Ms B called and was talked through filling out section 3 of the application form – there is a note to say that Ms B would email the page back.

It's not clear when Ms B emailed the completed section back to Royal London, sometime between 3 May 2023 and 23 May 2023, when Royal London noted that the correctly filled out section had been 'found'.

Royal London sent the application forms to Firm L by 26 May 2023. Firm L asked for some additional information and then on 14 June 2023 they requested the funds. Ms B received a tax-free cash payment on 8 July 2023 – but only for one of her two policies.

Royal London have said that both applications should have been sent at the same time to Firm L – but this doesn't seem to have happened. The second application was sent over to Firm L on 1 August 2023, on the same date the second tax free cash payment was paid to Ms B.

Royal London upheld Ms B's complaint and offered £50 compensation. Ms B wasn't happy with Royal London's response to her complaint so she referred the matter to this service for an independent review.

One of our investigators provided their assessment to Ms B and Royal London. The investigator didn't think Royal London had done enough to compensate Ms B for the delays. The investigator suggested an additional £250 compensation and asked Royal London to:

- Award 8% simple interest per annum on the second tax free cash amount from 14 June 2023 to the date of receipt on 1 August 2023.
- Contact Firm L to ensure the declaration is appropriately signed to allow for Ms B's second annuity to begin.
- Calculate and award the payments Ms B should have received from her annuities had they been set up on 12 July 2023 to the date it is set up, net of her marginal rate of tax.
- Award 8% simple interest per annum on the missed annuity payments, from the date they should have been paid until the date of settlement.

I issued my provisional decision on 14 February 2024. I set out my findings:

"Missing application form"

I've not been provided with any evidence that both application forms were sent to Firm L in May 2023 – within the file is an email which states that:

"the admin team should have sent both packs"

I think it's most likely that there was an administrative error on Royal London's part and so I'm holding them responsible for the delay in the second application being sent across – and therefore actioned, by Firm L.

Delays

Ms B submitted her applications in February 2023 but some information was missing – her doctor's details. Royal London sent a letter to Ms B within a reasonable time after the application was received by them, to request this part of the application be filled out. In April 2023, Ms B called to chase the progress of her applications, she was advised on the telephone that some information was missing, and another letter was sent out to her. Ms B has said she didn't receive these letters, but I have seen a copy of them, they were sent to the correct address and so I am satisfied Royal London sent them. I'm not holding Royal London responsible for non-receipt.

On 27 April 2023 the application form was emailed to Ms B, who then had a telephone call with Royal London on 3 May 2023 to discuss which section to fill out. Up until 3 May 2023, I don't think Royal London was responsible for a delay in the progress of Ms B's applications.

I asked Royal London to clarify when they received the fully completed forms from Ms B, but they were not able to confirm a date. Royal London say they sent the application forms to Firm L on 26 May 2023 and they accept there was an avoidable delay here. Allowing a reasonable amount of time from the 3 May 2023 for Ms B to have emailed the completed form to Royal London and then for them to process and send this across to Firm L, there was an avoidable delay of two weeks.

From the point the application was sent to Firm L, Royal London responded to any questions or requests Firm L made, within a reasonable amount of time. This period of time, to 14 June 2023, when Firm L requested the funds was therefore outside of Royal London's control.

Firm L let Ms B and Royal London know it would take four weeks from receipt of funds to set up the annuity. Had Royal London acted correctly Firm L would have had both application forms two weeks before they did. So, Firm L would have been in a position to request funds on 31 May 2023, had Royal London not caused a delay. And both annuities would therefore have been set up four weeks later, so by 28 June 2023. I've set out below what Royal London needs to do to put this right.

Tax free cash

Royal London provided Ms B's first tax-free cash payment on 8 July 2023 and the second tax-free cash payment on the same day that Firm L requested the funds for the second application – 1 August 2023. So, had Royal London not caused a delay and both applications had been submitted correctly to Firm L, both tax-free cash payments could have been paid to Ms B on 31 May 2023, when the funds should have been requested. I've set out below what Royal London needs to do to put this right.

I was sorry to read that Ms B's son missed out on an opportunity to purchase a property – but for the reasons explained above, whilst I intend on upholding Ms B's complaint, I'm not holding Royal London responsible for the funds not being available by the deadline he had. So, I'm not asking Royal London to do anything further in this regard.

Summary

Based on the above, had Royal London done what they should have, both of Ms B's annuity applications would have been sent to Firm L together, two weeks before they were (on 12 May 2023). Firm L would therefore have requested the funds from Royal London two weeks before they did, and Ms B ought to have received both of her tax-free cash amounts on 31 May 2023.

Firm L have said it takes them four weeks to set up an annuity after requesting payment, and so the earliest the annuities would have been set up is 28 June 2023.

Ms B has said that she is now in receipt of both annuity payments, she received the first payment on 31 October 2023."

Ms B provided some comments in response, she said that her fully completed application form was with Royal London on 10 February 2023, and she was told by Royal London on 23 May 2023 that her initial application (from February 2023) was complete and had been 'found'. She didn't talk through filling in the missing section on 3 May 2023 and she wasn't provided with a final response offering her £50 compensation, and this has not been paid.

An amendment to my redress suggestion was sent to both parties on 7 March 2024, this was to include the calculation of any future loss Ms B may suffer as a result of the annuity being delayed. Royal London accepted both my provisional decision and the updated redress. On 12 March 2024 Royal London wrote to Ms B to let her know they were making an award. She contacted this service as she wasn't sure the calculation was correct. As part of my award, I am suggesting that Royal London provide a more detailed breakdown of their calculation in order for Ms B to understand it.

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 uphold Ms B's complaint for the same reasoning explained within my provisional decision. I won't repeat those findings here, instead I will concentrate on Ms B's comments in response to it:

- her fully completed application form was with Royal London on 10 February 2023, and she was told by Royal London on 23 May 2023 that her initial application (from February 2023) was complete and had been 'found',

Royal London have provided me with a copy of Ms B's application form, it is filled in by hand and signed by her. This document is missing her doctor's details and so wasn't fully completed. So, I think it's likely that Royal London misinformed Ms B on 23 May 2023 when they said her completed form had been found, as the application form they received, dated 9 February 2023, is incomplete.

- she didn't talk through filling in the missing section on 3 May 2023,

I have had sight of Royal London's call logs, on 3 May 2023 Ms B called and asked to speak to the complaint handler she had been dealing with by name. The complaint handler returned her call on the same day. The call note states:

"helped with filling out section 4 of app form - she will email back"

This is persuasive evidence that Ms B discussed which section was incomplete and how to fill it in. It is amongst all of the call notes recorded at the time. So I think it's more likely than not that this represents a call Ms B had with Royal London on this date. I appreciate Ms B may not recall going through this section of the form over the phone, but having reviewed the call log I'm persuaded this is an accurate reflection of the call.

- she wasn't provided with a final response offering her £50 compensation, and this has not been paid.

I am upholding Ms B's complaint, and suggesting that Royal London award £300 compensation in total, to reflect the distress and inconvenience this process has caused her. This includes the £50 they state was paid to her already – if it has not already been paid. If Royal London hasn't said how this was paid to Ms B but maintains that this has already been paid, they should provide evidence to Ms B of the payment.

Summary

As set out within my provisional decision, had Royal London done what they should have, both of Ms B's annuity applications would have been sent to Firm L together, two weeks before they were (on 12 May 2023). Firm L would therefore have requested the funds from Royal London two weeks before they did, and Ms B ought to have received both of her tax-free cash amounts on 31 May 2023.

Firm L have said it takes them four weeks to set up an annuity after requesting payment, and so the earliest the annuities would have been set up is 28 June 2023.

Ms B has said that she is now in receipt of both annuity payments, she received the first payment on 31 October 2023.

Putting things right

I uphold Ms B's complaint and direct Royal London Mutual Insurance Society Limited to calculate Ms B's loss:

To award any past loss Ms B may incur due to the delay, Royal London should calculate:

- A. Total of all the notional payments which Ms B should have received from her Firm L annuities, net of her marginal rate of tax, from 28 June 2023 to the date of settlement.
- B. Total of all the actual payments which Ms B has received from her Firm L annuities, net of her marginal rate of tax, from 28 June 2023 up to the date of settlement.
- C. Past Loss = A – B. If the answer is negative, there's a past gain and no redress is payable. If there is a loss, 8% simple interest per annum should be added to any missed annuity payments, from the date each payment should have been paid until the date of settlement.

For the purpose of this calculation, it should be presumed that Ms B will likely be a 20% taxpayer in retirement.

To award any future loss Ms B may incur due to the delay, Royal London should calculate:

- D. The notional gross pension per year which Ms B should have been receiving from the date the annuities should have started - 28 June 2023 onwards.
- E. The actual gross pension per year Ms B receives.
- F. The future gross loss per year = D - E. If the answer is negative, there's a future gain and no redress is payable.
- G. Royal London Mutual Insurance Society Limited must calculate what it would cost to replace any lost income in F to buy an annuity on the open market with these features. It will need to refer to published annuity rate tables and get a quote from a competitive provider.
- H. The purchase price of the annuity found in G is Ms B's gross future loss. This should be paid directly to her as a lump sum after making a notional reduction to allow for income tax that would otherwise have been paid at her likely rate on the income in F – presumed to be 20%.

In addition, I direct Royal London Mutual Insurance Society Limited to:

- Calculate the amount of tax-free cash Ms B would have received on 31 May 2023 and compare this to what Ms B did receive. If there is a loss, Royal London should award Ms B the difference. 8% simple interest per annum should be added to both TFC cash amounts from 31 May 2023 to the date each payment was made.
- Award £300 compensation to account for the distress and inconvenience caused by both the delay in May 2023 and the delays caused by Royal London Mutual Insurance Society Limited only sending one of the two application forms to Firm L. If this has partially been paid already Royal London Mutual Insurance Society Limited should provide Ms B with evidence of their payment.
- Provide details of the calculation in a clear format to Ms B.

My final decision

I uphold Ms B's complaint and direct Royal London Mutual Insurance Society Limited to calculate Ms B's loss as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 2 May 2024.

Cassie Lauder
Ombudsman

