

The complaint

Mr S complains that ReAssure Limited failed to treat him fairly when he asked for some pension benefits to be put into payment.

What happened

Many of Mr S's dealings with ReAssure have been through, or with the assistance of, his financial advisor. But in this decision, for ease, I will simply refer to all communications as if they have been with, and from, Mr S himself.

Mr S held pension savings with ReAssure. The pension plan provided Mr S with a guaranteed annuity rate. ReAssure has taken a commercial decision that it will not generally offer annuities to its customers. So it has an arrangement with another firm, that I will call L, to provide the annuities on its behalf. So when Mr S asked to take his benefits in July 2023 he was told that the quotations for the annuity he required would be provided by L.

Mr S didn't meet the original deadline set when the first quotations were issued. But he asked for his benefits to be put into payment when he wrote to L in early September. A new quotation was issued to Mr S on 27 September. But on the same day L referred Mr S's benefit payment back to ReAssure. It told ReAssure that it thought Mr S was approaching his pensions lifetime allowance. And the agreement between the two firms was that, in circumstances such as these, ReAssure would provide the annuity to minimise any tax charges that Mr S might face.

There was then a protracted period of time before ReAssure provided Mr S with the information he needed to allow his annuity to be put into payment although it appears that Mr S and his financial advisor responded to ReAssure's requests very promptly. By November 2023, when ReAssure issued new quotations to Mr S, the value of his annuity had fallen. So Mr S complained to ReAssure about the delays.

ReAssure accepted that it hadn't dealt with Mr S's request to take his pension benefits as soon as it should have. So it told him that it would backdate the payment of his annuity to 27 September. And it paid Mr S £300 for the inconvenience that he'd been caused. But Mr S wasn't satisfied by that approach – he said that ReAssure should also honour the annuity quotation that L had provided to him. So he brought his complaint to us.

Whilst we have been looking at the complaint Mr S has accepted an annuity from ReAssure. But that doesn't mean he is happy with how things have been dealt with. So he has asked us to continue looking at his complaint, and to decide whether he should have received a higher annuity.

Mr S's complaint has been assessed by one of our investigators. He noted that ReAssure said that it should have set up the annuity with an effective date of 27 September. So he asked ReAssure to recalculate the annuity that would have been payable from that date. And he asked ReAssure to pay any backdated income payments Mr S would have received, and refund the additional contributions he'd made since then.

ReAssure said that it thought it had followed what our investigator had recommended. It said that the annuity value it had given to Mr S was correct. And it refunded the additional contributions Mr S had paid. But Mr S remained unsatisfied by what ReAssure had done. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mr S accepts my decision it is legally binding on both parties.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr S and by ReAssure. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

It seems to me that Mr S followed ReAssure's instructions on how to take his pension benefits exactly. He approached L for the relevant quotations, and provided all the information that was requested. It isn't entirely clear to me why L concluded that Mr S was at risk of breaching the lifetime allowance. The information he gave showed that the majority of his pension savings were not yet crystallised. So, in line with L's own guidance, they wouldn't be considered at that time against the lifetime allowance.

But L passed Mr S's pension benefit payment responsibility back to ReAssure. That seems to be a standard process, and ReAssure accepted the responsibility to pay the annuity. But that has to be seen as an internal commercial arrangement between L and ReAssure. I don't think it fair that a consumer, such as Mr S, should lose out as a result of those arrangements between L and ReAssure. On 27 September L provided Mr S with a quotation for his pension benefits that was valid for acceptance until 6 November. I am satisfied that it fairly represents the quotation that Mr S accepted, or would have accepted, for his pension benefits before the stated deadline.

So it seems to me that the quotation issued by L on 27 September should reasonably be used as the basis for Mr S's retirement benefits. That showed he would receive a pension commencement lump sum ("PCLS" – otherwise known as tax free cash) of £21,590.28. And he would receive an annuity (on a joint life basis, with 50% spouse's pension, with no escalation, payable every month in arrears, and with a ten year guarantee period) of £6,857.16 per annum.

The pension benefits that Mr S has accepted from ReAssure are different. He has been paid a PCLS of £22,297.31. And will receive an annuity (on the same basis as above) of £6,337.08 per annum. So, in order to match the earlier quotation, I think that ReAssure will need to increase the annuity that is being paid to Mr S, whilst reclaiming some of the PCLS that he was paid.

The delays to Mr S's pension benefits being put into payment have also had some other consequences. Clearly the payment of his PCLS has been delayed (although as I've said above he actually received more than he would have). He has also missed out on some monthly annuity payments. And Mr S has continued to pay contributions to his pension (that it appears ReAssure might now have refunded.) So I will make appropriate directions below in respect of these items.

In summary, I think that Mr S would have accepted the quotation L provided to him on 27 September if responsibility for the payment of his pension benefits hadn't been transferred back to ReAssure. That transfer was not as a result of something that Mr S wanted or needed – it was simply a reflection of the administrative arrangements between ReAssure and L. So I don't think Mr S should lose out as a result of the transfer of responsibility.

Putting things right

Like our investigator I've not seen a detailed breakdown of any compensation that has already been paid to Mr S. So I am setting out below all the steps that I think need to be taken in order to put things right. But clearly if any parts of my directions below have already been paid, ReAssure should not pay them again – although it should ensure appropriate interest has also been paid. ReAssure should provide Mr S with a detailed statement setting out the amounts of each part of the compensation below and, if appropriate, confirmation of when that part of the compensation was previously paid.

I think Mr S's pension benefits should have been paid in accordance with the quotation sent to him by L on 27 September 2023. And they should be considered to have started on that date. So, to put things right, ReAssure should;

- Either increase Mr S's annuity by £520.08 per annum, or provide an additional annuity on the same terms, so he receives a total annuity of £6,857.16 per annum. And make a similar adjustment to any spousal pension that might be payable in the future.
- Mr S's annuity should have been paid to him (monthly in advance) from 27 September 2023. ReAssure should pay to Mr S any annuity payments that were missed due to the delayed start to his annuity, and the shortfalls (as set out above) in the monthly annuity received since the start date.

These payments would have provided a taxable income. Therefore the total amount should be reduced to notionally allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount – it isn't a payment of tax to HMRC, so Mr S won't be able to reclaim any of the reduction after compensation is paid.

The notional allowance should be calculated using Mr S's current marginal rate of tax. I think it reasonable to assume that Mr S is likely to be a basic rate taxpayer, so the reduction should equal the current basic rate of tax.

- Refund any pension contributions made by Mr S since 27 September 2023.
- ReAssure should add simple interest at a rate of 8% per annum to each of the above amounts from the date they were paid, or should have been paid, to the date of settlement*.

- Mr S was without use of his PCLS for an extended period. So ReAssure should also pay Mr S simple interest at a rate of 8% per annum on the amount of the PCLS he should have received from 27 September 2023 to the date it was paid *.
- As I have said earlier, the amount of PCLS actually received by Mr S was higher than he would have received had his pension benefits been paid in accordance with the quotation issued by L. ReAssure may deduct from any compensation it pays to Mr S the excess PCLS (£707.03) he has received.

*HM Revenue & Customs requires ReAssure to take off tax from these interest payments. ReAssure must give Mr S a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold Mr S's complaint and direct ReAssure Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 September 2024.

Paul Reilly
Ombudsman