DRN-4878903

Financial Ombudsman Service

The complaint

Mrs J has complained that The Royal London Mutual Insurance Society Limited ('Royal London') will not allow her to access the benefits from her section 32 policy held with them in the way she would like.

Mrs J would like to take the policy proceeds as a single lump sum – an option included in the Retirement Options Form issued to her – however Royal London have since stated that this is not available to Mrs J.

The option 32 policy was originally taken out through C.I.S. however is now held with Royal London, as such I have only referred to Royal London throughout the decision below.

What happened

The policy in question was originally set up in 1993, with a transfer in from Mrs J's former occupational pension scheme.

This occupational pension scheme was "contracted-out" meaning that the funds transferred to Royal London had been made up from National Insurance contributions paid into the occupational scheme rather than into the State Earnings Related Pension Scheme ('SERPS'). As part of this, the occupational scheme promised to provide a certain level of income in retirement, this was referred to as the Guaranteed Minimum Pension ('GMP').

Upon transfer, Royal London also promised to provide the GMP at state retirement age.

As part of the industry wide pension review the advice given to Mrs J in relation to the transfer was reviewed. The outcome of this review was communicated to Mrs J in November 2001. The review concluded that redress was due to Mrs J, and the value of the policy was increased by 0.73%.

Mrs J received a Retirement Options Form from Royal London in September 2022. This provided information on the benefits which could be payable and detailed Mrs J's options for the policy.

Having decided to take the policy fund value as a single payment, Mrs J contacted Royal London in December 2022. During this telephone call Royal London said that Mrs J could not take the proceeds of the section 32 policy as a single payment as requested. Following this, Mrs J registered her complaint.

Royal London issued their complaint response in January 2023. This stated that given the type of policy held, taking benefits as a single payment was not an option, with the policy being designed to provide income in retirement.

The response letter also noted that the advice to purchase the policy had already been reviewed with the outcome communicated in November 2001, and as such the advice itself would not be reviewed again.

Unhappy with the response, Mrs J referred her complaint to this service in July 2023.

Our investigator looked into things and concluded that Royal London had not acted unreasonably.

The investigator explained that as the original advice had already been reviewed his investigation would focus on the issue of Royal London not allowing the policy proceeds to be taken as a one-off lump sum.

Regarding this issue, the investigator agreed with Royal London, and explained that the policy was designed to pay the GMP amount in retirement, with the availability of lump sums being dependent upon the policy value being high enough to provide the GMP – only if the policy value exceeded the amount required to pay the GMP could the excess then be used to provide a lump sum.

Mrs J did not agree and noted that the paperwork issued to her by Royal London in September 2023 clearly gave an option of a lump sum payment.

As no agreement could be reached, the case has been passed to me for a decision.

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 actual advice received by Mrs J in 1993 has already been reviewed, with redress paid in November 2001.

As part of the evidence on file, Mrs J has questioned the suitability of the advice considering her now limited options regarding accessing benefits from this section 32 policy.

As the advice itself has already been reviewed, and in line with what the investigator has already said, I cannot consider the suitability of the 1993 advice again here.

This decision is instead focussed on Royal London's actions in preventing Mrs J from accessing the section 32 policy as a lump sum payment.

I have considered the content of the September 2023 options form sent to Mrs J.

Under the title "Your options explained" the letter has paragraphs covering various options. These include one cash payment, a secure income for life, a series of cash payments, a flexible income, mix and match, and leave things for now.

Additionally, the following section explained how Mrs J should contact Royal London once she had decided what to do. This section included *"Option 1 – you want one cash payment"* with a policy value and contact number for Mrs J to call to discuss this option.

However, it is important to note that before both the above sections the form had explained that:

> *"It is important to note that your policy does not offer all of these options, and you may have to move your pension pot to another pension product, either with Royal London or another provider, if you think one of these options is better for you."*

So, whilst the paperwork did include options that weren't available to Mrs J, this possibility had been prefaced and explained within the form.

As such I do not consider it reasonable to expect Royal London to provide an option not supported by the policy type, simply because it was included within the Retirement Options Form.

As Royal London and our investigator have explained, the original occupational policy was funded from National Insurance contributions which would otherwise have been paid into SERPS. As part of the re-direction of these National Insurance contributions Mrs J's previous occupational pension scheme had to provide a guaranteed level of income in retirement (GMP). Upon transfer of the occupational pension scheme to Royal London, responsibility for providing this minimum level of income in retirement passed to them.

Even if the eventual fund value of the Royal London pension was insufficient to provide this guaranteed level of income at Mrs J's retirement age, Royal London would still be obliged to pay Mrs J the guaranteed amount.

If the fund value was more than the amount required to provide the guaranteed income level, then the excess could be used to provide Mrs J with a lump sum. Unfortunately, in this case the fund value is not sufficient to provide both the GMP and a lump sum to Mrs J.

Whilst I appreciate that Mrs J would prefer a lump sum, Royal London's obligation is to ensure Mrs J receives the GMP, with their decision deny a lump sum option reasonable and in line with what I would expect in such circumstances.

I note that the complaint response letter issued by Royal London stated that Mrs J may be able to take the full policy proceeds as a lump sum under the pension triviality rules. However, having listened to the call between Mrs J and Royal London in December 2022, Mrs J explained that she had total pension provision more than the £30,000 limit which applies to the triviality rules. As such this is not an option for Mrs J.

Overall, whilst I appreciate that this is not the outcome Mrs J wanted, I have concluded that Royal London have acted fairly and reasonably in this case. Whilst the Retirement Options Form issued to Mrs J did include options that were not actually available, this possibility was explained within the form itself.

As such I am not upholding this complaint and require no further action from The Royal London Mutual Insurance Society Limited.

My final decision

In line with the commentary above, I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 26 July 2024.

John Rogowski
Ombudsman