

## The complaint

Mr S has complained that The Royal London Mutual Insurance Society Limited didn't make him aware of his Open Market Option, or his possible eligibility for an enhanced annuity, when he took his annuity. Mr S claims that he's suffered a financial loss as a result.

## What happened

Mr S held a pension plan with The Royal London Mutual Insurance Society Limited (Royal London). Mr S reached age 75 in September 2012.

On 28 March 2012 Royal London wrote to Mr S. In their letter Royal London told Mr S that the benefits from his pension plan were due at his 75<sup>th</sup> birthday. The letter went on to say: *"These benefits won't automatically pay you an income when you retire. You will need to buy a retirement income product, known as an annuity, that provides you with an income over a period of time. To make the most of the benefits from your policy, you should shop around for the best possible income"*.

Royal London didn't provide annuities themselves so had chosen another company to provide annuities on their behalf. In this letter I will refer to the annuity provider chosen by Royal London as "Firm A".

Royal London's letter of 28 March 2012 set out information for Mr S on how he could buy an annuity. Enclosed with the letter was a *"keyfacts about our services"* document which told Mr S that Royal London could only offer annuities from Firm A. Royal London's *"keyfacts about our services"* document also said: *"You will not receive advice or a recommendation from us about the purchase of your annuity. You will need to make your own choice how to proceed. You must ensure that the product you select is suitable for your needs; if you are in any doubt and feel you require advice you should speak to a financial adviser"*.

Royal London wrote to Mr S again on 27 April 2012 and this time enclosed a *"Your Retirement Options"* booklet, which had been prepared by Firm A. This booklet contained information on how Mr S could buy an annuity and the annuity options open to Mr S. A further *"keyfacts about our services"* document was also enclosed together with various forms and a *"Guaranteed Pension Annuity Illustration"*, which set out details of the income that Mr S would receive if he took his annuity through Firm A. The income shown on the illustration was only guaranteed for a period of time, so the illustration also confirmed details of this.

Royal London's letter of 27 April 2012 also said: *"Royal London no longer provides annuities"*

*and therefore has chosen (Firm A) to provide annuities on its behalf. (Firm A) is a specialist annuity provider, paying annuities to more than one million people each year. However, you do not have to buy an annuity from (Firm A). The Open Market Option (OMO) is your right to compare the (Firm A) offer with that of other annuity providers. If you use the OMO you may get a higher income. This may not always be the case, but it's worth shopping around before you buy".*

Royal London wrote to Mr S again on 7 August 2012. This time they reminded Mr S that they'd recently written to him about taking his pension benefits. Enclosed with the letter was another "*Guaranteed Pension Annuity Illustration*".

Royal London then wrote to Mr S again on 11 September 2012 and enclosed another "*Guaranteed Pension Annuity Illustration*" from Firm A, together with a Firm A booklet titled "*Income for life*". On 29 September and 12 October 2012 Royal London wrote to Mr S again and with these letters enclosed another "*keyfacts about our services*" document, a "*Your Retirement Options*" booklet and another "*Guaranteed Pension Annuity Illustration*".

On 29 October 2012 Mr S signed a Firm A "*Guaranteed Pension Annuity Quotation*" and returned this to Royal London. On the annuity quotation Mr S marked the annuity option that he'd selected. This was to take a level monthly annuity, including a dependant's annuity, tax free lump sum and a five-year guarantee period, with Firm A.

In February 2023 Mr S, via a claims company, raised a complaint with Royal London. In the complaint Mr S' claims company said that Royal London hadn't advised Mr S to review the whole of the annuity market to ensure that he was being offered the best annuity rate. Mr S' claims company also said that when Mr S was age 75, he had lifestyle and health conditions.

Royal London responded to Mr S' complaint in March 2023. Royal London said that their letters of 29 September and 12 October 2012 had told Mr S that he didn't have to take an annuity with Firm A and had explained that an Open Market Option was available. Royal London said that their letters also said that an enhanced annuity may be available. Royal London didn't uphold Mr S' complaint.

Mr S wasn't happy with Royal London's response to his complaint, so he brought his complaint to the Financial Ombudsman Service, again via his complaints company. One of our Investigators reviewed Mr S' complaint. Their view was that Royal London had provided Mr S with all of the necessary information and didn't uphold Mr S' complaint.

Mr S was not happy with the Investigator's view. His claims company responded to our Investigator to say that the information provided to Mr S by Royal London didn't make it clear what an Open Market Option meant and didn't make it clear for a "*retail client*" that by shopping around Mr S may receive an increased income.

Mr S' claims company also said that whilst Royal London had provided information about health status, this was not client specific and Royal London had not asked Mr S to complete a medical questionnaire. Mr S asked for his complaint to be brought to an Ombudsman.

### **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.

As I've set out above, Royal London wrote to Mr S on 27 April 2012. In this letter Royal London said:

*"Royal London no longer provides annuities and therefore has chosen (Firm A) to provide annuities on its behalf. Prudential is a specialist annuity provider, paying annuities to more than one million people each year. However, you do not have to buy an annuity from (Firm A). The Open Market Option (OMO) is your right to compare the (Firm A) offer with that of other annuity providers. If you use the OMO you may get a higher income. This may not always be the case, but it's worth shopping around before you buy."*

*A financial adviser can help you select an annuity provider. Information on how to find a financial adviser can be found at the end of this letter. You can also use the online annuity planner available on the Pensions Advisory Service's (TPAS) website, [www.pensionadvisoryservice.org.uk](http://www.pensionadvisoryservice.org.uk). This free and independent service provides easy-to-follow information on your options based on your own circumstances and requirements".*

In this letter Royal London also set out a summary of options open to Mr S for buying his annuity. "Option A" and "Option B" set out details on buying an annuity through Firm A. The letter then said:

***"Option C: Open Market Option to buy an annuity from another provider***

*You don't have to use your Royal London pension fund to buy a (Firm A) annuity. You can use your pension fund to buy an annuity from another annuity provider.*

***Option D: Open Market Option to take a tax-free cash lump sum and to buy an annuity from another provider***

*You can also take up to 25% of your pension fund as a tax-free cash lump sum and use the rest to buy a reduced annuity from another annuity provider.*

*The Open Market Option value is £14306.95. This value is not guaranteed, meaning that the Open Market Option value at your retirement date could be higher or lower.*

*The amount available to buy your annuity through another provider (the Open Market Option) represents the full value of your policy. We receive commission payments from (Firm A) for annuities purchased through our arrangement with them. We have quoted a higher fund amount for options A and B because we can enhance your fund by making some allowance for this commission".*

The information on "Option A", "Option B", "Option C" and "Option D" was also set out in the letters that Royal London sent to Mr S on 28 March 2012, 7 August 2012, 11 September 2012, 29 September 2012 and 12 October 2012.

I think that the information set out in Royal London's letter of 27 April 2012 did make it clear that Mr S didn't have to take an annuity from Firm A and that he could instead take an Open Market Option and buy his annuity with a different annuity provider.

I also think that Royal London explained that taking an Open Market Option could result in Mr S being able to secure higher income. I think that Royal London also told Mr S that he could seek help from a financial adviser, and information was set out at the end of the letter to help Mr S find a financial adviser, if he so wanted.

Royal London had also suggested that Mr S use the Pensions Advisory Service's (TPAS) website and gave him the website address for TPAS. Royal London also explained: *"This free and independent service provides easy-to-follow information on your options based on your own circumstances and requirements".*

I therefore think that Royal London explained to Mr S that he was able to take an Open Market Option, if he wanted, and also gave Mr S details on how to get further help and information on taking his annuity.

Mr S' claims company has said that Royal London didn't make it clear what is meant by an Open Market Option and didn't make it clear for a "*retail client*" that by shopping around Mr S may receive an increased income. But I think that Royal London, in their letter of 27 April 2012, did explain what an Open Market Option is. Royal London said that "*You don't have to use your Royal London pension fund to buy a (Firm A) annuity. You can use your pension fund to buy an annuity from another annuity provider*". I think that this information is clear and straightforward.

Royal London also said: "*The Open Market Option (OMO) is your right to compare the (Firm A) offer with that of other annuity providers. If you use the OMO you may get a higher income. This may not always be the case, but it's worth shopping around before you buy*".

I think that this is telling Mr S that he might get more income through the Open Market Option. I also think that Royal London were telling Mr S that "*...it's worth shopping around*". I therefore don't think that Mr S' claims company is right when they say that Royal London didn't adequately explain to Mr S what the Open Market Option was or that he might get increased income if he bought his annuity from another annuity provider to Firm A.

As detailed above, Royal London's "*keyfacts about our services*" document said: "*You will not receive advice or a recommendation from us about the purchase of your annuity. You will need to make your own choice how to proceed. You must ensure that the product you select is suitable for your needs; if you are in any doubt and feel you require advice you should speak to a financial adviser*".

I think that this was clearly telling Mr S that Royal London would not give Mr S any advice about the purchase of his annuity, and that if Mr S did want to receive advice, then he should contact a financial adviser.

Mr S' claims company has also said that whilst Royal London provided Mr S with information about health status, this was not client specific and Royal London had not asked Mr S to complete a medical questionnaire.

Royal London's letter of 27 April 2012 said:

***"Do you have a recognised medical condition? Are you a smoker? If so, you can buy an annuity that pays more because of these factors. They are known as "enhanced" or "impaired" annuities"***.

This wording was also contained in Royal London's letters to Mr S of 7 August 2012, 11 September 2012, 29 September 2012 and 12 October 2012.

Enclosed with Royal London's letter of 27 April 2012 was a "*Your Retirement Options*" booklet, which had been prepared by Firm A. I've seen a copy of this booklet, which is dated 2013. Royal London has said that the wording contained in this booklet is the same as was contained in the 2012 version of the booklet, which was sent to Mr S, aside from the date reference.

Section one of the booklet is headed “*Your, or your loved one’s, health*”. This section contains the following wording: “*Could you be entitled to a higher income due to poor health? Do you or your partner currently have (or have you ever had) a medical or lifestyle condition? If you have, you could be entitled to receive a higher income. If you want to provide an income for a loved one then you may receive a higher income if they have had a serious medical condition*”.

The section then goes on to say, in bold: “***Your particular pension policy means you don’t qualify for an annuity quote from (Firm A) which takes your health or lifestyle into account. If you think you might be eligible for this type of quote, another provider may be able to offer you a higher level of income***”.

I think that this information, set out in Firm A’s “*Your Retirement Options*” booklet and sent to Mr S by Royal London, is telling Mr S that if he or his partner had a medical or lifestyle condition then he might secure a higher annuity income.

I also think that Mr S is being told that Firm A cannot provide an annuity quote which would take his health and lifestyle into account, but if Mr S thinks that he could be eligible for such an annuity quote, then he should contact another annuity provider to get an annuity quote which would take his health and lifestyle into account.

Mr S’ claims company has said that Royal London should have sent Mr S a health questionnaire to complete. Royal London has said that they didn’t issue a health questionnaire because they were not able to offer annuity quotes which would take into account health or lifestyle. I think that as Royal London were unable to offer annuity quotes which took into account health or lifestyle, then it’s reasonable that they didn’t issue a health questionnaire to Mr S.

I therefore think that Royal London did adequately tell Mr S about his options on taking an Open Market Option. Royal London also told Mr S that they couldn’t provide him with an annuity quote based on his health and lifestyle and told him how he could obtain such an annuity quote. Royal London also gave Mr S information on how he could get financial advice and how to access the Pensions Advisory Service’s (TPAS) website.

I am therefore not upholding Mr S’ complaint.

### **My final decision**

My final decision is that I don’t uphold Mr S’ complaint against The Royal London Mutual Insurance Society Limited.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 4 January 2024.

Ian Barton  
**Ombudsman**