

The complaint

Ms H complains about Hargreaves Lansdown Asset Management Limited's ('HL') handling of her application for an annuity and says this caused her a financial loss.

What happened

Ms H was interested in using her pension benefits to buy an annuity, through independent financial adviser HL. She accepted a quote dated 25 October 2022 from an annuity provider I'll call 'S', which quoted an annuity rate of 6.85%. Ms H emailed the completed paperwork to HL on 28 October 2022. HL reviewed the application and ultimately sent it on to S.

Ms H called HL for an update on 22 November 2022, saying her current pension provider had told her it hadn't yet received anything. HL told Ms H it sent its annuity applications by post and its process was to wait for two weeks before chasing S. But HL passed S's telephone number to Ms H. And when Ms H called S later that day, she says S told her it hadn't received the application from HL and the quote's validity period had expired.

Ms H called HL back on 23 November 2022 to say she was unhappy it had posted her application to S instead of emailing it, and she thought HL wouldn't be able to process an annuity in a reasonable time given its practice of posting applications rather than sending them electronically. So she told HL she wanted to cancel this annuity application.

Ms H went on to accept a new annuity quote with another provider through another financial adviser, but the annuity rate was lower. So Ms H complained to HL that it caused avoidable delays, particularly by posting her annuity application to S instead of sending it electronically, which meant she couldn't buy the annuity with S at the higher rate. She thought this had caused her a lifetime financial loss of around £14,000.

Ultimately, HL accepted it had taken longer to process Ms H's annuity application than it would normally expect. It apologised for this and offered to credit £100 compensation to Ms H's HL account. HL also accepted it had incorrectly told Ms H it had posted her application to S despite in fact emailing it on 14 November 2022, and offered Ms H a further £200 compensation.

But HL said it hadn't caused Ms H a financial loss, because S had Ms H's annuity application when she called it on 22 November 2022, and the annuity quote's validity period wasn't due to expire until 23 November 2022. But S's backlog meant S likely hadn't processed the application. These backlogs were the reason HL didn't chase S until two weeks had passed, but Ms H had cancelled her annuity application before that point. So HL thought that if S had either processed Ms H's annuity application when it received it, or searched for her application when Ms H called, then Ms H would have bought that annuity from S.

Ms H came to our Service. She said HL was trying to blame S, but HL was paid a fee for its services. And HL left her thinking it would never be able to process her annuity application quickly enough to accept S's quote, as it told her it sent things by post and not electronically, and it had asked her to verify her identity even though it should already know who she was.

Our Investigator upheld Ms H's complaint. He said HL should have confirmed to Ms H in the call on 22 November 2022 that it had emailed her application to S on 14 November 2022 and that S would extend the quote's validity date given its backlog. He thought that if HL had done this, Ms H wouldn't have cancelled her annuity application with S. He said HL should put things right by carrying out a loss calculation and adding 8% simple interest to any past loss this showed, and by paying Ms H the total of £300 compensation it had already offered.

HL disagreed with our Investigator. It accepted it should have told Ms H it had emailed her application and reassured her that as long as S had received it by the validity date, she'd receive the quoted rate. But HL still thought S had made errors that had a significant impact here - when Ms H called S on 22 November 2022 after speaking to HL, S should've checked its email and postal records for her application. Had S done so, Ms H wouldn't have cancelled her application with S.

Our Investigator didn't change his opinion, as he thought Ms H likely wouldn't have called S at all if HL had reassured Ms H as it could and should have on 22 November 2022.

As agreement couldn't be reached, this complaint came 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.

I know Ms H has questioned what HL was doing with her application before sending it to S and suggests it shouldn't have needed to verify her identity. But based on the evidence I've seen, I'm satisfied HL was reviewing her application and carrying out the checks it was required to. And as part of this, it needed to ask Ms H for some more information. Given this, I think the two weeks or so HL took to process Ms H's annuity application wasn't an unreasonably long time. That said, HL itself accepts this was longer than it would normally expect. So HL should pay Ms H the £100 compensation it has itself offered for this, and I note HL says it has already credited this amount to Ms H's HL account.

However, the crux of Ms H's complaint is about HL posting her annuity application to S instead of sending it electronically. From the evidence provided by HL, I'm satisfied HL sent Ms H's application to S electronically on 14 November 2022. I've also seen that HL emailed Ms H that same day, to acknowledge her completed annuity application and to say that S would add an additional 15 days to the validity period of her current quote.

I've listened to Ms H's call with HL on 22 November 2022. It's clear Ms H was calling because she was concerned about what was happening with her annuity application, since her current pension provider had told her it hadn't been contacted yet. HL incorrectly and repeatedly told Ms H it had posted the application to S, even when Ms H expressed concern about that. HL also told her it wouldn't chase S until two weeks after the application was sent because of S's backlog. And when Ms H asked what would happen when her quote's validity period expired, HL said S would send a new, updated quote. Given the nature of the concerns Ms H raised in this call, I think HL ought to have told her it had in fact emailed her application to S, and reassured her by emphasising what HL's email dated 14 November 2022 had told her - that S would add time to her quote's validity period.

Instead of doing this, HL gave S's telephone number to Ms H so that she could call S. And it seems S told Ms H it hadn't received her application and her quote had expired, as this is what Ms H said to HL when she called it back on 23 November 2022. HL argues the information S gave to Ms H here was incorrect and was the reason Ms H cancelled her

annuity application with S. And that S should have searched its postal and email records for her application. But HL had incorrectly told Ms H that it had posted her application to S, and it seems this is what Ms H relayed to S when she then called it. In any case, I think that if HL had given Ms H the correct information and reassurances it should have when she called HL on 22 November 2022 before she called S, then it's more likely than not that Ms H wouldn't have gone on to call S about this matter at all. So, I think it was only because of HL's errors that Ms H came to call S.

For completeness, I think HL also missed an opportunity to correct what it had told Ms H in the call on 22 November 2022. I say that because on 23 November 2022, Ms H called HL back to say she was unhappy it would only send annuity applications by post and wouldn't yet chase S, so she wanted to cancel her application with S. I know HL started both the complaint and cancellation process for Ms H. But I think it could also have taken this opportunity to tell her that her application had in fact been emailed to S and S would add further time to her quote's validity period.

In summary then, I think HL didn't provide Ms H with the correct information and the reassurances it could and should have provided. Had HL done so, I think Ms H would have been reassured that her annuity application for S's quote dated 25 October 2022 was progressing correctly, albeit taking a little longer, and that she would more likely than not have continued with that annuity application. So I'm satisfied that but for HL's errors here, Ms H would have gone on to buy the annuity quoted by S on 25 October 2022.

Putting things right

My aim here is to put Ms H back in the position she would have been in had HL correctly informed and reassured her about her annuity application. As I say, I'm satisfied that if HL had done this, Ms H would have gone on to buy the annuity quote from S dated 25 October 2022.

Based on HL's evidence that S would add 15 days to the quote's validity date in order to account for S's backlog, I think Ms H's annuity with S would have been payable from 8 December 2022. So HL should calculate:

Has Ms H experienced a Past Loss?

- A) Total of all the notional payments which Ms H should have received from her annuity, net of her marginal rate of tax, from 8 December 2022 until the date of my final decision
- B) Total of all the actual payments which Ms H has actually received from her annuity, net of her marginal rate of tax, from 8 December 2022 until the date of my final decision
- C) Past Loss = A – B. If the answer is negative, there's a past gain and no redress is payable

In working out the net payments, HL should assume that Ms H was a 20% rate taxpayer – our Investigator made this assumption clear in his view of Ms H's complaint, and neither Ms H or HL has disputed this assumption.

If Ms H has experienced a past loss, HL should pay her this amount in cash. Interest at 8% simple per annum should be added from 8 December 2021 until the date of my final decision.

Will Ms H experience a future loss?

- D) The notional gross pension per year which Ms H should have been receiving from the date of my final decision
- E) The actual gross pension per year Ms H currently will receive from the date of my final decision onwards.
- F) Future Gross Loss per year = D – E. If the answer is negative, there's a future gain and no redress is payable.
- G) HL must then work out what it would cost to replace any lost income in F) by buying 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 H'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%.

If payment of compensation for future loss is not made within 28 days of HL receiving Ms H's acceptance of my final decision, interest must be added to the compensation at the rate of 8% per year simple from the date of my final decision to the date of payment. Income tax may be payable on any interest paid. If HL deducts income tax from the interest, it should tell Ms H how much has been taken off. HL should give Ms H a tax deduction certificate in respect of interest if Ms H asks for one, so she can reclaim the tax on interest from HMRC if appropriate.

I'm satisfied HL's errors here caused Ms H some distress and inconvenience, because they left her uncertain and worried about her annuity application. And they meant she made an unnecessary call to S on 22 November 2022 and was caused some inconvenience in applying for an annuity elsewhere. Bearing all this in mind, I'm satisfied the total of £300 HL has itself already offered Ms H is fair and reasonable compensation for this. If HL has already paid Ms H the total of £300 compensation, I don't think it's obliged to pay anything further. But if all or part of the £300 compensation is outstanding, HL should arrange for this to be paid to Ms H.

My final decision

For the reasons set out above, I uphold this complaint. Hargreaves Lansdown Asset Management Limited should put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 2 August 2023.

Ailsa Wiltshire
Ombudsman

