

## **The complaint**

Mr L complains that ReAssure Limited (ReAssure) caused delays in setting up his annuity for his Section 32 buyout policy, which meant he lost out on the type of annuity he wanted. Mr L's also unhappy with ReAssure's customer service.

## **What happened**

There are a number of dates involved and I only intend to set out those I think are key to reaching my decision.

At the end of December 2020, after Mr L told ReAssure which annuity he wanted to take and that it had incorrectly named his late spouse on the quotes, it sent him a quote pack with forms relevant to his choice, also later confirming that its calculations hadn't been impacted by the spouse error.

On 1 March 2021, ReAssure received Mr L's completed form containing his bank details – including bank name – for the annuity payments to be made to. Mr L said he wanted an annuity on a joint life 50% basis, paid monthly in advance and with a five-year guarantee, but he selected that his non-GMP income should escalate in line with the Retail Price Index (RPI). On 27 April 2021, after Mr L chased ReAssure, it asked him for proof of identify, including bank account identification documents, which it received from him by 21 May 2021. And, on 5 July 2021, after Mr L chased ReAssure again, it told him there was an issue as his bank wasn't regulated by the Financial Conduct Authority. So, on 12 July 2021, after Mr L tried to discuss this further with ReAssure, it received details for another bank from him, as well as new bank identification documents.

In August 2021, ReAssure sent Mr L a letter detailing his retirement options again. And, in September 2021, it told Mr L that his non-GMP income would be 50% lower than quoted in December 2020 due to a significant increase in the cost of providing RPI escalation. It said it should have contacted Mr L once it realised to find out if he wanted to continue or not. And, in December 2021, Mr L accepted an annuity on a level basis, that ReAssure set up with a start date of 12 July 2021.

In the meantime, Mr L complained to ReAssure and, in response, it said it was investigating the impact of the delay and it offered him £215 in compensation for distress and inconvenience. Unhappy with this, Mr L brought his complaint to our Service. Mr L said he felt he'd had to accept a non-RPI escalating annuity to keep a similar annual income when ReAssure had caused him to lose out on this by taking months to tell him there was an issue with this bank. Mr L also said that he was yet to receive his non-GMP income.

One of our Investigators looked into it and said ReAssure caused a delay as it didn't tell Mr L there was an issue with his bank until 5 July 2021. And if it had told Mr L sooner ReAssure would likely have received new bank details and supporting information and had all it needed by 1 April 2021. So he said it should use this date in its calculation and base it on the annuity Mr L selected in his application form, including RPI escalation for the non-GMP section.

After offering Mr L further compensation for time taken, which it said took total compensation

offered to £750, ReAssure said it didn't agree it had failed to let Mr L know he needed to provide bank identification, as it told him this on a few occasions. But it said that Mr L's annuity should have been set up when it received his bank identification on 5 March 2021, rather than with an effective date of 12 July 2021. ReAssure paid Mr L £4,172.82 to make up for the income payments it said he should have received from that point. But it said the annuity Mr L achieved on 12 July 2021 is higher than if it had been set up on the same level basis on 5 March 2021, so he hasn't lost out on that.

ReAssure then later clarified that, having looked into it in more detail, the length of time it took to receive Mr L's bank identification – which it now said it received on 12 July 2021 and was the last outstanding requirement to release his benefits – meant the quote it sent him in December 2020 was out of date, as up to date options hadn't been issued in the last six months. It said this is why, in line with its standard process, it sent options to Mr L in August 2021 on a level basis. ReAssure said that, despite this, it made a business decision to try to process Mr L's annuity using his completed instructions from March 2021 and the valuations from 12 July 2021, when it would usually require a new set of forms and the values would then be taken from the date it had all requirements. But it couldn't honour this as it found that the RPI escalating values it could offer – which the documentation said wasn't guaranteed – had changed due to the time Mr L took to send it bank identification on 12 July 2021. So ReAssure didn't agree with our Investigator's recommendation.

Our Investigator said the timeline shows that Mr L's annuity payments should have started from 1 April 2021 rather than 5 March 2021. He said ReAssure only needed to issue updated options to Mr L because of delays it caused by not telling him what it needed sooner. So he said that, while Mr L's annuity might be higher than what he would have achieved in March 2021 on a level basis, ReAssure used the wrong date in its calculation and it should have based this on the annuity Mr L selected in his application form.

So Mr L's complaint has been passed to me for a decision. And I issued a provisional decision, which said:

*ReAssure received Mr L's completed form, including his bank details, on 1 March 2021. While this didn't contain the bank identification ReAssure had asked for – seemingly as Mr L thought his financial adviser would verify his identity – I can't see that it did anything further until several weeks later, on 27 April 2021, when it asked Mr L for proof of identity, including bank identification. Despite receiving this from Mr L by 21 May 2021, nothing further happened until weeks later, on 5 July 2021, when I can see ReAssure first told Mr L there was an issue with his bank. And this caused Mr L to provide details for another bank account along with identification for this on 12 July 2021, which ReAssure's said was when it received the final outstanding requirement for it to release his benefits. So I think it's clear that ReAssure caused delays, particularly in letting Mr L know there was an issue with his bank.*

*I'd have reasonably expected ReAssure to pick up on the issue with Mr L's bank during checks of the information it received from him on 1 March 2021 and let him know at the same time as asking him for proof of identity, so that he knew what it needed to release his benefits. I think ReAssure ought reasonably to have done this within ten working days of 1 March 2021, taking matters to 15 March 2021. And, in that case, I think ReAssure's likely to have received Mr L's new bank details and identification – which it has said was the final outstanding requirement to be able to release his benefits – by 1 April 2021, given Mr L usually took around a few weeks to provide information. So this is the date it should use in its loss calculation.*

*While Mr L later chose a level annuity for his non-GMP section of his policy, he appears to have been given this choice because six months had passed to require a new quote to be*

*sent to him and things had changed significantly during that time. But I don't think Mr L would have been given a choice if not for its delays, for the following reasons.*

*When clarifying its position to our Service when asked – which I think ReAssure has had plenty of opportunity to do – it hasn't said it would get in touch with customers as a matter of course if amounts quoted changed significantly. Instead it said that its standard process is to issue new quotes after six months and that Mr L's December 2020 quote became out of date as it didn't receive the outstanding requirements until 12 July 2021. But at the point I think matters should have gone through on 1 April 2021 as ReAssure would have had all requirements then, this was still within six months of the December 2020 quote which means it wouldn't have been out of date. And ReAssure also said that in usual circumstances, which Mr L's seemingly would have been in that case, the values would have been taken from the date it had all requirements.*

*When bearing this in mind I think it's likely that Mr L's application would have just gone through based on what the values – including RPI escalation for the non-GMP income – were on 1 April 2021, whether higher or lower than previously quoted. This is in line with my experience that providers take the value from the date all requirements are received. And I think the declaration in Section 6 of Mr L's application form supports this when it says 'benefits are subject to recalculation using unit prices, fund values and annuity rates applicable on...the date following receipt of all the documents we've requested'.*

*So I currently think that ReAssure should establish the position Mr L would have been in if his annuity had been processed with an effective date of 1 April 2021 and on the basis detailed in his 1 March 2021 application form, including RPI escalation for the non-GMP income.*

*This matter has understandably caused Mr L stress during a time when he's said he should have been enjoying retirement. His annuity payments were significantly delayed and this matter has been ongoing for a long time. ReAssure could have provided Mr L with better customer service. For example, Mr L spent time chasing ReAssure several times and it promised him call backs which didn't happen, causing him frustration and inconvenience. I can see that ReAssure gave Mr L misinformation, falsely reassuring him that he'd receive annuity payments in a few days. And I can't see that it provided Mr L with meaningful updates. ReAssure also incorrectly named Mr L's late wife on a quote. ReAssure has offered Mr L £750 in total compensation though and I currently think this is fair and reasonable amount in the circumstances to make up for the distress and inconvenience caused to him by this matter, when also bearing in mind it has apologised and acknowledged it caused a delay.*

*In response, Mr L said he had nothing further to add. And ReAssure said, in summary, that it doesn't understand why the provisional decision used a date of 1 April 2021 for Mr L's benefits to be compared against. It said that this isn't a date referenced in its revised timeline, which was completed in line with its standard procedure, and that it doesn't allow customers to choose the date they want their benefits from. ReAssure said if not for the delay Mr L's benefits would have been set up from 5 March 2021, but the benefits he's receiving with an effective date of 12 July 2021 are higher than what he could have achieved.*

### **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.*

When we previously asked ReAssure to evidence how it had determined that Mr L's benefits ought to have been set up from 5 March 2021, it said this is the liability date as this was when it received Mr L's bank identification, after receiving his annuity application on 23 February 2021. ReAssure didn't provide any further explanation or supporting evidence behind why it used these particular dates though. That's despite our Service having explained to it that this isn't supported by the evidence, which instead shows that ReAssure received Mr L's application on 1 March 2021 and acceptable bank details and identification on 12 July 2021.

I recognise it's possible ReAssure reached the above dates based on when it thinks it would have received the information from Mr L if not for delays, rather than seemingly mistaking when it did receive this. But, either way, other than adding that it completed its timeline in line with its standard procedure, in my view ReAssure hasn't provided a reasonable explanation with evidence as to how and why it came to the above dates for me to say it fairly used 5 March 2021 in its comparison. That's despite being given plenty of opportunity to do so.

So, based on the available information, my final decision is that ReAssure should establish the position Mr L would have been in if his annuity had been processed with an effective date of 1 April 2021. I think this is fair and reasonable in the circumstances, for the reasons set out here and in my provisional decision (set out again above). This should be on the basis detailed in Mr L's 1 March 2021 application form, including RPI escalation for the non-GMP income, which I also note the comparison ReAssure carried out didn't take into account. And ReAssure should do this in the way I've set out below.

### **Putting things right**

#### **Has Mr L experienced a Past Loss?**

**A) Total of all the notional payments** Mr L should have received had he bought an annuity on 1 April 2021 on the basis detailed in his 1 March 2021 application form (joint life 50% basis, paid monthly in advance and with a five-year guarantee, increasing with RPI), net of his marginal rate of tax.

**B) Total of all the actual payments** Mr L has actually received from his annuity, net of his marginal rate of tax.

**C) Start including interest in the subtotals under A) and B)** at 8% per year simple from the point at which the accumulated total in A) exceeds B) – this being when Mr L started to be worse off. The interest is to be calculated on each payment in A) and B) falling after this point from the date that payment fell due to my final decision.

**Past Loss = A – B.** If this results in a positive figure Mr L has experienced a past loss and ReAssure should pay him this amount in cash. If the result is negative Mr L has not suffered any past losses and no redress is due for this part.

In working out the net payments, ReAssure should assume Mr L was a 20% rate taxpayer – neither Mr L nor ReAssure disagreed with this assumption given in the Investigator's view.

#### **Will Mr L experience a future loss?**

##### **Alternative A:**

When considering Mr L has lost out on the RPI escalation on his non-GMP benefits and that

his annuity is with ReAssure, ideally, ReAssure should unwind Mr L's non GMP annuity and replace it with a new annuity. The new annuity should provide him with the income he would be receiving now if he had taken out an RPI linked annuity on 1 April 2021 (joint life 50% basis, paid monthly in advance and with a five-year guarantee). ReAssure should bear the cost of changing this over.

### **Alternative B:**

**Only if** it isn't possible for ReAssure to do that (and it should explain why this is to Mr L), it should:

**D)** Provide an annuity quote to show how much it would cost Mr L to replicate the annuity he lost out on going forward (starting income should be set as it would be now if he had taken this annuity on 1 April 2021 RPI linked, joint life 50% basis, paid monthly in advance and with a five-year guarantee) at the date of my final decision for him.

**E)** Compare the set up cost in D) to how much it would cost to set up the annuity for Mr L on a level basis at the date of my final decision.

**F)** ReAssure should pay Mr L the monetary difference as a lump sum, as a compensatory payment for the loss of RPI escalation.

I think this is fair and reasonable way to put things right in the circumstances, as ReAssure's annuity set up costs factor in, for example, Mr L's statistical life expectancy and therefore how long it would have anticipated paying him the RPI escalation for and the likely cost of that.

If payment of compensation is not made within 28 days of ReAssure receiving Mr L'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 ReAssure deducts income tax from the interest, it should tell Mr L how much has been taken off. ReAssure should give Mr L a tax deduction certificate in respect of interest if Mr L asks for one, so he can reclaim the tax on interest from HMRC if appropriate.

ReAssure should provide the details of calculations to Mr L in a clear, simple format.

For the reasons given above, ReAssure should also pay Mr L £750 in total compensation for distress and inconvenience caused to him by this matter, if it hasn't already.

### **Redress already paid:**

ReAssure can deduct any redress it already paid Mr L for this matter from any lump sums it is required to pay him after calculating future and past losses plus distress and inconvenience payment. If ReAssure is able to change the annuity for Mr L as per Alternative A above and any lump sum redress due for past losses and distress and inconvenience is lower than what ReAssure has already paid Mr L as part of a previous settlement attempt, I don't think it would be fair for it to reclaim this from him in the particular circumstances.

### **My final decision**

For the reasons given, my final decision is that I uphold Mr L's complaint and ReAssure

Limited should put matters right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 13 November 2023.

Holly Jackson  
**Ombudsman**