

The complaint

Mr G complains that Royal London Marketing Limited (“Royal London”) has failed to respond in a timely manner to information requests made by him, and his financial advisor, in relation to his pension savings. And he complains that Royal London has failed to correctly apply a guaranteed annuity rate (“GAR”) that forms part of his pension benefits.

What happened

Mr G holds pension savings with Royal London. His pension plan was first opened in December 1991. And then, in November 1999, Mr G increased the level of his monthly contributions. His pension plans were originally held with Co-operative Insurance Services but are now the responsibility of Royal London. In this decision, for ease, I will simply refer to the pension provider as Royal London throughout.

The GAR, that Royal London says only applied to the initial contributions started in 1991, provides Mr G with a guaranteed income of 8% of his pension savings at any time after his original retirement date of his 65th birthday in February 2023.

Royal London says that it wrote to Mr G in December 2022 setting out the pension benefits that were available to him two months later. And, in February 2023 Mr G’s financial advisor called Royal London to gather some additional information. At first Royal London was unable to validate that it held the correct authority to discuss Mr G’s pension with the financial advisor. But three days later Royal London confirmed to the financial advisor that it could deal with the query and provided some details of the annuity available to Mr G.

The financial advisor believed the information he had been given was incorrect, and didn’t reflect the GAR available to Mr G. So Royal London agreed to check the annuity value and revert to the financial advisor with correct information. When he hadn’t received a response two weeks later the financial advisor asked for the problems to be logged as a formal complaint.

Whilst Royal London was investigating the complaint the financial advisor made a further request, in April 2023, for some revised annuity quotations. These were sent to the financial advisor and resulted in some further questions about the application of the GAR. In early May, Royal London explained to Mr G that the GAR only applied to his original contributions to the plan – the increased contributions he had made since 1999 did not benefit from the GAR. So Royal London told Mr G the quotations he had received were correct and that the GAR only applied to around 51% of his pension savings.

In Royal London’s final response to Mr G it accepted that it hadn’t communicated with him and his financial advisor as efficiently as it would have wanted. So it paid Mr G £100 for the inconvenience he’d been caused. But Royal London didn’t make any offer to Mr G in respect of the problems he thought existed with the application of the GAR. Unhappy with that response Mr G brought his complaint to us.

Mr G’s complaint has been assessed by one of our investigators. He thought that Royal London had correctly applied the relevant terms and conditions of Mr G’s pension plan

when it only offered the GAR on the original contributions that had been made. And he thought that the compensation Royal London had paid to Mr G, for the inconvenience he'd been caused due to the poor customer service he'd received, was reasonable. So the investigator didn't think the complaint should be upheld.

Mr G didn't agree with that assessment. 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.

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 G and by Royal London. 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.

I think there are two matters that I reasonably need to consider here in relation to this complaint. I will first look at the extent to which the GAR should be applied to Mr G's pension savings. And then I will go on to consider the customer service that Royal London provided to Mr G, and his financial advisor, and particularly whether any failings in that regard have caused a delay in Mr G being able to take his pension benefits.

The GAR is a valuable benefit, and potentially comes at a risk of significant cost for a pension provider. So in the late 1990s many pension providers reconsidered the application of a GAR to future pension savings, although generally existing pension contracts were unaffected. Royal London made the decision that it would no longer offer a GAR to new business from 1 March 1999.

So essentially only the part of Mr G's pension savings that have arisen from his original plan, taken out in December 1991 should benefit from the GAR. The pension savings that have arisen from his increased contributions, that started in November 1999, are under the new terms and conditions and do not have the benefit of a GAR.

Given the time that has passed, I have no way of knowing whether that change was sufficiently explained to Mr G when he decided to increase his contributions. But that isn't something that I need to decide here. Mr G's complaint is whether the GAR should apply to all his pension savings. And I am satisfied that the changes to the terms and conditions that Royal London has shown to me means that the later pension savings did not have a GAR applied.

Over the years Mr G has received annual statements from Royal London explaining that a GAR would be available at his selected retirement date. And those statements provided him with illustrations of the annuity he would be likely able to buy. And whilst I accept that Royal London didn't provide Mr G with any specific statements that the GAR only applied to some of his pension savings, I think that would have been apparent from the annuity illustrations he was given. And, most importantly, I haven't seen anything that makes me think Royal London specifically told Mr G, at any stage including when the top up plan was originally sold, that a GAR would apply to all his pension savings.

So I'm persuaded that Royal London has acted reasonably, and in line with the terms of Mr G's pension plan, in restricting the GAR to only a part of his pension savings.

It seems clear that Royal London has faced some difficulties in its initial investigations and explanations of how the GAR operated on Mr G's pension savings. Whilst it does now seem that the information it provided at the outset was correct, it was unable to provide reassurance to Mr G's financial advisor about that. And it seems that Royal London failed to meet the expectations it had given Mr G's financial advisor about when further information would be provided. I have no doubts how frustrating that would have been for Mr G, and his financial advisor, at a time when he was seeking to make use of pension savings that he had accrued over the majority of his working life.

But I'm not persuaded that those initial delays in Royal London providing reassurances about the validity of its calculations are the main reason for Mr G not receiving his pension benefits as quickly as he would have hoped. And in particular I have noted that Mr G has still not put his pension into payment whilst he is waiting for the outcome of this complaint.

I don't make any criticism of Mr G for that decision. Purchasing an annuity is generally an irrevocable decision that will have an impact on the income that a consumer will receive for the remainder of their life. But it seems to me that the reason for the delayed purchase is due to Mr G awaiting our assessment of whether Royal London has reasonably applied the GAR to the pension savings, rather than any delays in the provision of quotation information. Even if Royal London had provided fuller information about its decision on the application of the GAR, I still think Mr G would have decided to delay his decision whilst he brought his complaint to us.

So I don't think the customer service failings of Royal London have caused Mr G a financial loss in terms of him being prevented from taking his pension benefits – I think those delays are due to him seeking confirmation from us about whether the GAR has been applied correctly. But I do understand that the initial delays will have caused some frustration and inconvenience to Mr G. I've thought carefully about what appropriate compensation for those problems would be, whilst bearing in mind what I've said above about their impact on the timing of the annuity purchase. Having done so, I share the investigator's conclusions that the £100 Royal London has already paid to Mr G is fair and reasonable.

I accept how disappointing Mr G will find my decision. He has no doubt needed to revise some of his retirement plans whilst this complaint has been ongoing. But I don't think that the way Royal London has applied the GAR to his pension savings, and so the annuity quotations that it has provided, is incorrect. And I think the compensation Royal London has paid Mr G for the inconvenience he has been caused by its customer service failing is fair.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Royal London Marketing Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 2 February 2024.

Paul Reilly
Ombudsman