

The complaint

Mr N has complained about the service he received from Zurich Assurance Ltd when it arranged his annuity.

Mr N is being professionally represented in this matter but for ease of reference I'll just refer to Mr N.

What happened

Mr N held his pension savings with Zurich. In August 2008 his financial advisor contacted Zurich and asked for an annuity quote. Following the request Zurich sent two quotes to Mr N – one in August and one in September. Zurich said it didn't specialise in annuities so it compared what it could provide with what its specialist alternative provider (who I'll refer to as "P") could provide; and it concluded that P's annuity would provide Mr N with a higher pension income. The quotes outlined the income Mr N might get if he bought the annuity from it and from P. The letters reminded Mr N that he had the right to an open market option and they enclosed various other information.

Later in September 2008 Mr N's financial advisor asked Zurich to provide another quote – based on Mr N receiving the annuity payments annually in advance. The quote was sent to the advisor on 23 September 2008. Zurich reminded the advisor that Mr N had the right to an open market option and it provided the same information it had previously sent to Mr N.

Mr N completed an application form for the annuity on 1 October 2008. He chose to take an annuity provided by P – he chose the option of taking 25% of his pension savings as a tax-free lump sum payment and an annual pension of £669.96. His advisor confirmed that he'd given Mr N advice and a recommendation in respect of the annuity.

Zurich wrote to Mr N on 22 October 2008 enclosing a cheque for the tax-free cash and confirming that it had sent the remaining funds to P so the annuity could be set up. P wrote to Mr N a few days later confirming the annuity had been set up and that the first payment would be made shortly.

In April 2023 Mr N complained to Zurich. In summary, he was unhappy because Zurich never advised him to review the market as a whole to ensure that he was being offered the best rate. He said this was a breach of the regulator's rules. Zurich didn't accept Mr N's complaint as it felt it told Mr N that he had the option of taking his retirement benefits with another pension provider on the open market.

Our investigator didn't think the complaint should be upheld as she was satisfied that Zurich had set out the options available to Mr N – including that he could buy an annuity from another provider by using what's known as the 'Open Market Option'. Mr N disagreed. He said he didn't recall receiving the documentation from Zurich, and he asked for an ombudsman to review the matter.

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.

Zurich wasn't Mr N's financial advisor. So, contrary to what Mr N said in his complaint, it wasn't under any obligation to advise him as to the best options. The documentation I've seen (including the annuity application form) suggests that Mr N had an independent financial advisor. Accordingly, if he feels he was misadvised he will need to take that up with the advisor directly.

Nevertheless, Zurich was required by the regulator to provide Mr N with certain information.

Over the years the requirements have changed. From 2002 pension providers have been required to tell customers about the open market option when they're getting close to their selected retirement date (although this situation is slightly different because the transaction was instigated by Mr N's financial advisor requesting an annuity quote rather than by Mr N's impending retirement date). Specific regulatory rules at the time of this transaction required Zurich to remind Mr N about the open market option and tell him what sum of money was available to buy an annuity on the open market.

As mentioned above, three quotes were sent to Mr N or his financial advisor. All contained the same information regarding the open market option, ie:

- a specific reminder that Mr N had the right to the open market option
- specific detailed information on the open market option, including
 - that Mr N was able to select an annuity provider of his choice
 - if he preferred to use another provider the fund value of his pension was included (which he could use when contacting other providers so they could provide an annuity quotation)
 - that different providers offer different types of annuities, different annuity rates and different charging and pricing structures
 - that it might be possible to find an annuity that is more suitable to Mr N's circumstances with another provider.

All three quotes also detailed the value of Mr N's pension savings.

In my view, the information Zurich provided was sufficient to adhere to the regulatory requirements at the time.

I've noted that Mr N doesn't recall receiving the documents from Zurich. I don't doubt that this is now his recollection. But it's now 15 years since the documents were sent so it's not surprising that he might not now recall specifically what he received (and/or what he was told by his advisor). As part of the annuity application process Mr N signed a document to confirm which of the various quotes he wanted to proceed with. By signing the document he confirmed that he'd read and understood the information I've outlined above about his annuity income options. With this in mind I think it's fair to conclude that the documents were most likely sent to Mr N and that he received them.

So for all the above reasons I conclude that Zurich treated Mr N fairly in respect of this transaction.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 7 February 2024.

Paul Daniel
Ombudsman