

## **The complaint**

Mr H is complaining that the annuity income he has received is less than the amount stated in the annuity quotation he received. He believes that the amount quoted was guaranteed. He would like National Farmers' Union Mutual Insurance Society Limited trading as NFU Mutual (NFU Mutual) to ensure that he is paid the annuity income that was quoted.

## **What happened**

In September 2022, NFU Mutual wrote to Mr H as his scheduled retirement date was approaching. It informed him that he held two pension policies with it, which had a current combined value of c£204,000. It explained his options for accessing his pension benefits including taking an annuity. Mr H contacted NFU Mutual in February 2023 to request quotations for taking a combination of tax-free cash and an annuity. These were open market options, as NFU Mutual did not offer pension annuities.

Two illustrations from different providers were obtained and sent to him. He subsequently contacted NFU Mutual and spoke to a sales consultant on a non-advised basis to discuss the quotes.

Mr H contacted NFU Mutual once more in April 2023 as he had decided to take an annuity and tax free lump sum. An updated illustration was produced and sent to Mr H on 2 May as the previous quotation he had received had expired. The illustration, from Provider A, showed that after he had taken his tax free lump sum, he would receive an income of just over £9,300 per annum. The illustration also stated that the annuity rate was guaranteed until 5 June 2023 and that the 'Quote Date' was 26 April 2023.

Mr H subsequently spoke to the sales consultant at NFU Mutual to discuss the illustration, following which, Mr H returned the application forms and the funds were transferred to Provider A using the fund values available on 16 May 2023, the date NFU Mutual received the formal transfer request.

NFU Mutual wrote to Mr H on 19 May 2023 confirming the amount of the tax free lump sums paid to him from both policies and the values of the balances sent to Provider A to purchase the annuity.

Mr H complained on 5 July 2023, as the annuity he was provided gave an income of c£9,250 per annum, some £50 p.a. lower than he was expecting. He explained that it was his understanding that the annuity income figure he had been quoted, c£9,300 was guaranteed if he accepted the quote before 5 June 2023.

NFU Mutual responded to Mr H's complaint on 19 July 2023. It upheld his complaint as it felt that the sales consultant had not made it sufficiently clear to Mr H that it was the annuity rate that was guaranteed, rather than the absolute amount of the annuity income quoted in the illustration. It further explained that in the time between the illustration being produced and Mr H returning the completed acceptance forms, the underlying value of his pension funds had fallen by c£1,400. When the guaranteed rate was applied to the fund value as of 16 May 2023, it resulted in the reduction of c£50 p.a.

NFU Mutual paid Mr H £250 compensation in respect of raising his expectations of his annual annuity payment caused by the lack of clarity relating to the annuity rate being guaranteed, rather than the absolute annuity income. It did not agree to pay Mr H the difference between the annuity amount quoted and the amount he received, as this was not an amount that would have been provided to him, even if the miscommunication had not occurred.

Mr H was unhappy with this and so brought his complaint to this service.

Our investigator reviewed the evidence and agreed with the conclusions that NFU Mutual had reached. Mr H disagreed, and so this case has been passed to me to review the evidence again and make a final 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.

Having done so, I do not uphold this complaint and find that the redress proposed by NFU Mutual is appropriate in the circumstances.

I can appreciate that this will be disappointing to Mr H, so I'll explain my reasons.

Essentially, it is the role of this service to review the circumstances of a complaint, and where it finds errors have been made to try to put the complainant back into the position they would have been in had the errors not occurred. It is not our role to punish organisations for any mistakes they have made or expect them to provide benefits to their customers that would not have been available to them.

In reviewing Mr H's complaint, I accept that in its communication with Mr H, that NFU Mutual created an expectation that the absolute value of the annuity he would receive was guaranteed. What I need to decide is whether NFU Mutual acted correctly in denying Mr H the higher annuity level that he believed was guaranteed.

To reach this conclusion, I have reviewed all the correspondence relating to this complaint. The most pertinent parts of the documents I have seen are as follows:

In the annuity illustration sent to Mr H on 2 May 2023, it states

<i>Payment made to buy the pension</i>	<i>£153,277.87</i>
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<i>How much pension will I get in the first year</i>	<i>£ 9,303.48</i>
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Later in the document in a section headed '*Important information*' it states:

*The annuity rate used in this quotation will be guaranteed until 05/06/2023 if all the details remain the same*

From his complaint email of 5 July 2023, it is clear that Mr H interpreted this to mean that it was his pension fund value that was guaranteed, ensuring that he would receive the quoted annuity value. In the subsequent phone call, NFU Mutual did not make clear to him that this was not the case, which was why it recognised it may have contributed to his raised expectations and awarded him £250 compensation.

Unfortunately for Mr H, his interpretation was incorrect. As fund values fluctuate on a daily basis as the value of underlying investments change, it is not possible for the value on any particular date to be guaranteed. In this case, Mr H's funds reduced in value by c£1,300 between the quotation being produced on 26 April 2023 and the transfer taking place on 16 May, resulting in him receiving a lower annuity payment than he was expecting.

As I stated previously, it is the aim of this service to put a complainant back in the position they would have been in had any mistakes not occurred. In this case, I'm satisfied that Mr H would not have been entitled to a guaranteed fund value and hence a guaranteed annuity income. It would not be appropriate for me to expect NFU Mutual to retrospectively guarantee Mr H's fund value, as this would be placing him into a better position than he would have been in.

As such, I won't be asking NFU Mutual to do anything else to resolve the complaint beyond the redress it has already offered.

### **My final decision**

For the reasons explained above, I do not uphold Mr H's complaint.

Consequently, I shall not be asking National Farmers' Union Mutual Insurance Society Limited trading as NFU Mutual to do anything beyond what it has already offered to do for Mr H to resolve the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 January 2024.

Bill Catchpole  
**Ombudsman**