

## Ombudsman's Determination

Applicants	Mr E & Mrs E
Scheme	Royal London Personal Pension Plan ( <b>the Plan</b> )
Respondent	Royal London Mutual Insurance Society Limited ( <b>Royal London</b> )

## Outcome

1. The complaint made by Mr and Mrs E against Royal London is partly upheld. To put matters right, Royal London shall pay Mr E and Mrs E an additional goodwill award of £100 offered during the course of the Adjudicator's investigation in recognition of the clear distress and inconvenience which they have experienced dealing with this matter.

## Complaint summary

2. Mr E and Mrs E have complained that Royal London failed to:
  - provide them with the 2018 annual statements for the Plan policies in a timely manner; and
  - answer Mr E's questions about the Plan policies adequately so that they could make important decisions about the retirement options available to them.

## Background information, including submissions from the parties

3. On 12 August 2019, Mr E requested the 2018 annual statements for all five Plan policies by telephone. Royal London replied that it would send them to him within five working days.
4. At that time, Royal London did not, however, have Mrs E's authorisation to provide Mr E with information about her policies.
5. Royal London sent Mr E a statement for his policy number 8527778 by post.
6. On 9 September 2019, Mr E complained that he did not receive all the statements. Royal London replied that it required Mrs E's express permission to send him the statements for her policies. After obtaining her consent, Royal London told Mr E that it would send him the statements for the other four Plan policies.

7. On 18 September 2019, Mr E complained to Royal London that he had not received these statements in the post. He eventually received them on 20 September 2019.
8. The contributions paid into the Plan policies were invested in the Royal London (CIS) OB and IB Fund, a with profits fund.
9. On 23 September 2019, Mr E requested details of any recent with profits bonuses added to the Plan policies. Royal London replied that: (a) no regular bonuses had been awarded for years, and (b) any final bonuses payable would depend on the performance of the with profits fund.
10. Mr E requested retirement packs for both him and Mrs E so that they could make informed decisions about the options available to them from the Plan policies. He received them on 9 October 2019.
11. Mr E telephoned Royal London on 10 October 2019 to enquire why the annuity figure shown for his policy number 8727106 appeared to have been calculated incorrectly. Royal London replied that it did not know and suggested that he speak with the "Annuity Bureau".
12. Mr E was dissatisfied with this response and sent Royal London two e-mails on 10 October 2019 which said that:

"Re my policy number 8727106

The illustration shows a pension pot of £8,287.40 and...a yearly income with GAR of £630.

My policy shows a GAR of £80 per £1,000 of pension pot, therefore  $80 \times 8.287 = £662.96!$

My question is why there is a difference of £32.96 between the two figures?

Re: SERPS policies 8527778 and 8533101

My wife's policy 8533101 gives an illustration with two separate figures, one for pre 1997 and one for post 1997, my illustration for policy 8527778 does not differentiate between pre and post 1997 yet they were both taken out in 1992. The wording in the schedules of both policies is exactly the same, the only difference is the GAR, on my wife's policy it is £40 and mine £50.

The first question is why does my wife's illustration differ from mine with regards to pre 1997 and post 1997?

Secondly, the policy states that SERPS will not be paid until state retirement date, but when the policy was effected, my wife's retirement date was .../2/2022 and was at age 60 and mine was...8/2022 at age 65, are these dates still the retirement dates we should be working with as they are the dates agreed at the inception of the policies?

Finally, can the SERPS element be treated as separate policies even though they are linked to a PPS on the same policy number, i.e. can the SERPS element be transferred to another provider independently of the PPS element, or surrendered separately?"

"...I have read that you require notification stating that we have received advice from a financial adviser if we are considering anything which may affect a policy which has a GAR.

Please advise if this is a legal requirement and if so please provide details of the statute requiring this."

13. In its letter dated 16 October 2019, Royal London apologised for any inconvenience caused to Mr E by its failure to send him statements for two of his policies in good time. It also said that:-

- It had put in place new procedures which would prevent such errors from occurring in the future.
- Following his telephone call on 9 September 2019, it had sent statements for the remaining four Plan policies belonging to him and Mrs E.

14. On 19 October 2019, Mr E chased Royal London for a response to his e-mails of 10 October 2019.

15. Royal London replied on 21 October 2019 as follows:

"We would like to confirm that we've requested wording re GAR on policies...

In regards of policies 8527778 and 8533101 which belong to your wife. They are CMB policies and that means they are combined of two elements: VOL and RBT. RBT element is based on national insurance contributions and has pre 97 and post 97 elements.

Policy 8727106 which is your policy is a VOL type therefore it does not have the pre 97 and post 97 elements.

You don't need to wait until Retirement Age of 60 and 65 in order to take out your pensions, however when taking your pension policies earlier you need to be aware that you may lose your GAR.

It is possible for benefits to be taken from age 55 or earlier due to ill-health.

SERPS element can be treated separately even though they are combined with VOL element and belong to PPS policy. You can transfer your RBT element to different provider whereas taking the VOL element as annuity or cash it out – please see options in Retirement Pack.

...we will e-mail again with the GAR wording."

16. On 31 October 2019, Mr E told Royal London that: (a) he did not understand what the acronyms “VOL” and “RBT” meant, and (b) it had incorrectly stated policy number 8527778 belonged to his wife. He also said that:

“With regards to requiring financial advice...my understanding is this is only required if a policy has a value of over £30,000.

The total of all my policies exceed £30k however I only want to access the two smaller policies...even if the pension pots from both policies are added together they are still under £30k.

...for clarification, I want to leave policy number 8527778 with Royal London until my retirement date, thus retaining the right to the GARs...”

17. Royal London replied on the same day that: (a) it was still waiting for “some further wording” from its actuarial department, and (b) “VOL” and “RBT” were acronyms for “voluntary” and “rebate (SERPS)” respectively.
18. Mr E was unhappy with this reply because it did not fully answer all his questions.
19. On 1 November 2019, Mr E notified Royal London that he had received its letter dated 31 October 2019. He also said that:

“...within the letter in respect of policy number 8727106 it states in my illustration a figure of £7,880 was used to calculate my GAR of 630...”

Nowhere in that illustration does the figure £7,880 appear, and in any case, why would a figure less than the actual current value of the pension pot be used?

With regards to policies 8527778 and 8533101, in one sentence it states, “we can confirm that the GARs are the same for both policies”. Quite clearly they are not as policy 8527778 has a GAR of £50 and policy 8533101 has a GAR of £40, so why has this statement been made?

My wife’s retirement date when policy 8533101 was entered, was age 60 therefore please advise why a lower GAR should apply and why not the £40 per £1,000 of pension pot?

Also in the letter with regards to policy 8533101 it states that a GAR of £28 would apply if the pension was taken between age 60 and 65, and £35 if on or after age 65. Where have these figures come from and what has happened to the GAR of £40 stipulated on the benefit schedule?”

20. In its letter dated 11 November 2019, Royal London responded as follows:

“I have reviewed the questions raised in your e-mails dated 10 October 2019, 31 October 2019 and 1 November 2019 and the answers we have supplied. It is evident that there has been an unacceptable shortfall in the service we have provided and I would like to apologise for the time it has taken to respond in

full. There are some questions still unanswered which hopefully I can resolve within this letter.

Firstly, you have asked whether it is a legal requirement to take financial advice before considering a decision which may affect a policy which has a Guaranteed Annuity Rate (GAR). The requirement for financial advice is dependent on the option chosen and not required in all circumstances. The legislation surrounding this is based on Section 48 of the Pension Schemes Act 2015.

You have indicated in your e-mail of 31 October 2019, that you wish to withdraw policies 8337728 and 8727106, leaving policy 8527778 until your retirement date. As both policies you refer to are under £10,000.00, you would be eligible to withdraw these under the Small Lump Sum rule without taking financial advice. In your lifetime you are allowed to withdraw three pensions as Small Lump Sums, so you will need to review other policies you may hold elsewhere, to establish your eligibility.

Please telephone the number provided in Option 1 of your retirement option pack and our Telephone Adviser will explain this ruling to you and issue the relevant application forms should you decide to proceed with this option.

In your email of 1 November 2019, you have questioned the estimated value of £7,880.00 used to provide a future GAR projection of £630.00. Your pension contributions are invested in a pooled investment fund, along with other with profits policies...Investment returns (and losses) are applied to this grouped policy fund. In order to protect you against volatility in the underlying investments, Royal London smooths out the investment returns, by holding back some of the growth in good years, in order to improve returns in poor years.

The value of £8,287.40 quoted in your retirement pack, was calculated on the assumption that you wish to withdraw the benefits now and was calculated by reference to the smoothed value of the underlying assets in the Royal London (CIS) OB and IB Fund. By doing this, we aim to ensure that policyholders receive a fair value, reflecting the smoothed investment returns during the period the policy has been held achieved over the diverse range of investments in the fund. When calculating the estimated value of £7,880.00 used in the projection, this value has not included the benefit of smoothing and is also shown in today's prices.

With regards to your comparison between your SERPS policy and your wife's, they do hold the same GARs. As the normal retirement age on your wife's policy is 60, the benefit schedule should quote £40.00 for every £1,000.00. If she chooses to take her benefits from age 65, then the higher figure of £50.00 would apply. Your benefit schedule should show as £50.00 for every

£1,000.00, as your normal retirement age is set at 65. However if you take it early then you will receive the lower amount.

Your benefit schedules do not refer to post 97 benefits being a lower amount as they were taken out in 1992. Following regulatory changes on 6 April 1997, CIS wrote to all customers holding SERPS policies, to notify of the revision of GARS to £28 and £35 for post 97 benefits. Unfortunately, I could not obtain a copy of this correspondence and would ask you to refer to the records and any benefit statements you hold from that period.

You have also referred to the “Without the GAR” and “With the GAR” comparison provided within the SERPS element of retirement packs. As your wife is not yet 60, the comparison shows a split between pre and post 97 benefits and is a future projection. As you are already over 60 and the GAR now applies, your pack provides a current GAR comparison, using the date of 23 October 2019. Your quote does not differentiate between pre and post 97 as it has combined the two amounts.

Finally may I apologise again for the delay in our response and any inconvenience this has caused you. I accept that volumes of work should not impact on the service we are able to provide and I am sorry that this was the case on this occasion. I can assure you that efforts are being made to restore the usual standard of service as quickly as possible.

As a gesture of goodwill, I have issued a cheque for £50.00 under separate cover...I hope you will accept this, along with my apologies.

I trust my letter clarifies these matters for you...However, if you have any new or further information, in relation to your complaint, that you would like me to consider, please contact me...”

### **The position of Mr E and Mrs E**

21. They wish to take the retirement benefits available to them from the Plan but “cannot obtain correct information about the policies” from Royal London in order to make informed decisions. They consequently require Royal London to fully answer Mr E’s questions and send the correct documentation for the Plan policies to them.
22. They are using their savings to cover living expenses. The savings were meant to be used for the payment for luxuries such as holidays. This is causing them a lot of stress and anxiety.
23. They would like to see:-
  - Royal London “fined for being so incompetent and made to pay compensation.”
  - Royal London forced to train its staff so that they can “provide correct advice regarding their products first time every time.”

- An official body such as The Pensions Ombudsman or the Financial Ombudsman Service monitor Royal London for a specified period to ensure that “improvements are made” and “adequate systems are in place to prevent repetition of these incidents in the future for all customers”.

### **Royal London’s position**

24. It is prepared to increase its goodwill award from £50 to £150 to Mr E and Mrs E in recognition of the distress and inconvenience which they have experienced dealing with this matter. Mr E has declined this improved award which he considers derisory.

### **Adjudicator’s Opinion**

25. The complaint made by Mr E and Mrs E was considered by one of our Adjudicators who concluded that further action was required by Royal London. The Adjudicator’s findings are set out below in paragraphs 26 to 35.

26. There was no doubt from the evidence presented that Royal London had provided Mr E and Mrs E with a substandard level of service for the Plan policies and made several mistakes while administering them including:

- failing to inform Mr E on 12 August 2019 that it needed his wife’s express permission in order to send him the statements for her two Plan policies;
- originally sending him a statement for just one of his three policies by post;
- failing to provide Mr E with statements for the other four Plan policies in good time after obtaining Mrs E’s consent to also send her statements to him;
- failing to supply Mr E with sufficient information in his retirement pack to understand why a fund value of £7,880 instead of £8,287.40 had been used to calculate his projected GAR annuity of £630 per annum for policy number 8727106;
- using acronyms in its response dated 21 October 2019 to Mr E such as “VOL” and “RBT” without defining them first; and
- failing to respond to some of Mr E’s questions in a timely fashion.

27. The mistakes identified above, in the Adjudicator’s opinion, constituted clear maladministration on the part of Royal London.

28. Royal London accepted that it should have provided Mr E and Mrs E with a better administrative service and had sincerely apologised for its shortcomings in its letters dated 16 October and 11 November 2019. It also said that it had introduced new procedures to prevent the errors which it made when dealing with Mr E’s request for annual statements from occurring again. The Adjudicator had no reason to doubt that Royal London had done this so that other policyholders would not suffer the inconvenience which Mr E and Mrs E had clearly experienced.

29. The retirement pack sent to Mr E was not sufficiently detailed for him understand how the projected annuity of £630 per annum for policy number 8727106 was calculated, and regrettably led him to incorrectly believe that the figure was wrong. In the Adjudicator's view, Royal London should reasonably have included most of the information which it supplied Mr E, in its letters sent in October and November 2019, within the retirement pack. If Royal London had done so, then it would clearly have been unnecessary for Mr E to ask so many questions to obtain the information which he needed.
30. Mr E and Mrs E said that they could not obtain correct information about the Plan policies from Royal London in order to make important decisions about the retirement options available to them. The Adjudicator had seen no clear evidence which supported this statement though.
31. Royal London complied with Mr E's request to send him the statements and retirement packs for the Plan policies. It answered his numerous questions correctly, albeit in a piecemeal fashion. It also informed Mr E that he could ask more questions about the options available, if necessary, before he and his wife decided how they wished to take the benefits available from the Plan policies.
32. There was no dispute that the manner in which Royal London carried out Mr E's information request and subsequently answered his questions was somewhat poor. However, in the Adjudicator's opinion, it could not be said that Royal London had prevented Mr E and Mrs E from taking the retirement benefits available from the Plan policies by failing to provide them with correct information and documentation.
33. Although it was the Adjudicator's view that Mr E and Mrs E had not suffered any actual financial loss, it was clear that they had suffered some distress and inconvenience because of the maladministration identified. The Adjudicator noted that Royal London had already paid Mr E and Mrs E a goodwill payment of £50 in recognition of this. In the Adjudicator's opinion, this award was too low but its improved award of £150, inclusive of the £50 already paid, offered during the course of the investigation was commensurate with the degree of non-financial injustice which Mr E and Mrs E had experienced in dealing with this matter.
34. The Adjudicator considered Mr E's request that I monitor Royal London for a specified period, to ensure that "improvements are made" and "adequate systems are in place to prevent repetition of these incidents in the future for all customers", was outside my jurisdiction.
35. Mr E and Mrs E did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr E provided his further comments which do not change the outcome.



### **Mr E's further comments**

36. Mr E submits:-

- The distress and inconvenience which he and Mrs E have suffered in this matter warrants at least the minimum payment of £500 which I could award for non-financial injustice in such circumstances.
- He doubts that Royal London will introduce new procedures to prevent the errors it made when dealing with his request for annual statements and information for the Plan policies from reoccurring.
- Royal London failed to: (a) pay the benefits available to Mrs E on her selected retirement date in February 2022 from her Plan policies without undue delay, and (b) respond to her formal complaint about this failure in a timely manner.
- The selected retirement date for his Plan policies is in August 2022. Royal London has still not sent him a retirement pack so that he can consider his options and take the benefits available to him on his chosen retirement date in good time.

37. I note the additional points raised by Mr E but I agree with the Adjudicator's Opinion.

### **Ombudsman's decision**

38. When deciding whether to direct an award for distress and inconvenience, I assess each case on its facts and merits. Having carefully considered the submissions and evidence, I find that the degree of non-financial injustice which Mr E and Mrs E have suffered does not merit the minimum award of £500 that I can award.

39. My awards for non-financial injustice are modest and not intended to punish a respondent. I consider the sincere apology that they have received and the improved goodwill award of £150 offered by Royal London during the course of the Adjudicator's investigation to be sufficient.

40. If Mrs E is dissatisfied after Royal London has handled her new complaint about its failure to pay her benefits in a timely manner, she can subsequently refer it to me for consideration for investigation.

41. Similarly, it is open to Mr E to make a new complaint to me if he considers that Royal London has failed to send him a retirement pack in a timely manner so that he can take the benefits available to him on his selected retirement date. Any such complaint must of course be referred first to Royal London.

42. Mr E's concerns that Royal London might not introduce new procedures to prevent the errors which it made from reoccurring do not fall within my jurisdiction.

43. I partly uphold the complaint made by Mr E and Mrs E.

**Directions**

44. Within 28 days of the date of this Determination, Royal London shall pay Mr E and Mrs E an additional goodwill award of £100, offered during the course of the Adjudicator's investigation, in recognition of the clear distress and inconvenience which they have experienced dealing with this matter.

**Anthony Arter**

Pensions Ombudsman  
3 July 2022