

Ombudsman's Determination

Applicant	Mr G
Scheme	Friends Life Pension Plan (the Plan)
Respondents	Friends Life

Outcome

1. I do not uphold Mr G's complaint and no further action is required by Friends Life.
2. My reasons for reaching this decision are explained in more detail below.

Complaint summary

3. Mr G has complained:
 - of the length of time taken for Friends Life to put his annuity into payment;
 - of the concern that Friends Life did not produce the quotes on terms he had originally requested;
 - that he was asked to complete additional forms, which in Mr G's view, was a further delaying tactic used by Friends Life;
 - that his fund value reduced between January 2016 from £56,985 to £56,514 in July 2016, and he has not been given an explanation as to why this happened; and
 - that he has not seen evidence confirming that trail commission or adviser fees have not been paid to an unknown financial adviser company listed on his records.

Background information, including submissions from the parties

4. Mr G was considering taking the benefits from his four with-profit policies, which had Guaranteed Annuity Rates (**GAR**) attached to them, in the form of an annuity.
5. On 4 July 2016, Mr G called Friends Life to ask for quotes, with the GAR's included. However, the quotes Friends Life sent Mr G, did not include the GAR's.

6. When Mr G asked Friends Life why the quotes did not include the GAR's, Friends Life explained that the most popular quotes it receives requests for, were sent out, these did not include the GAR.
7. Mr G was also asked to complete a 'Retirement Risk Questions' form, before the annuity could be set up and payments paid. This form was designed to raise awareness of the various pension options available and to alert them to professional bodies who may be able to offer guidance if customers were unsure of what options to use. Mr G felt he did not have to complete this form because he was a "level four qualified financial adviser".
8. Mr G says, that as a result of Friends Life not producing the quotes on the terms he had specifically requested, his annuity income was delayed by a month, and did not start until September 2016. Mr G feels that had there not been delays, his annuity could have started in August 2016.
9. On 18 July 2016, Mr G raised his concerns with Friends Life. Friends Life explained, in its final response letter of 4 October 2016, the delays and lack of communication resulted from servicing issues experienced following an upgrade to its administration systems. Friends Life also acknowledged that Mr G's annuity had been delayed by two weeks but reiterated that it was not possible to send out every possible annuity option at the initial quote stage. An explanation of how the with-profits policies worked, including notes on how bonuses are calculated was also included.
10. Friends Life offered to pay Mr G £500, in recognition of the time taken to deal with the complaint, which Mr G accepted. Mr G says he accepted the £500 because it covered a month's worth of the income he had missed as a result of the delays, but did not agree it compensated him for his efforts in trying to access his annuities or for the lack of explanation why his fund value dropped between January 2016 and July 2016. Mr G feels that an award of £1000 would be more appropriate in the circumstances.
11. The complaint was referred to us, and Friends Life provided further information to assist our investigation.

Adjudicator's Opinion

12. Mr G's complaint was considered by one of our Adjudicators, who received further information from Friends Life. In conclusion, the Adjudicator felt that no further action was required. The Adjudicator's findings are summarised briefly below: -
 - Though Friends Life were unable to find a copy of the call that took place on 4 July 2016, she considered Friends Life's failure to include the GAR's in the quotes had caused a delay in the process;

- The £500 offered by Friends Life was made up of around £380 for the one month annuity income, and the remainder was for the trouble and upset caused to Mr G as a result of the complaint not being dealt with in a timely manner;
- No trail commission had been paid though documentary proof was unavailable to confirm this;
- Though the fund value had reduced by £500, this was not due to maladministration by Friends Life;
- Friends Life had an obligation to ask Mr G to complete the form, before it processed the annuity. It was acknowledged why Mr G did not feel that completing this form would be beneficial to him, with his pensions knowledge, however Friends Life were obliged to treat him as a customer, rather than a financial advisor, and ensure he was aware of the information included in the form;
- The compensation payment of £500 previously paid by Friends Life was sufficient in the circumstances, and it was considered the Ombudsman would make no further award.

Applicant's position

13. Mr G did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr G provided his further comments, and I have summarised the most relevant points below: -
- The annuity illustrations from Friends Life did not match with the GAR information included on his policy document;
 - Why has there been a significant drop in fund value between May 2016 and July 2016?
 - Friends Life had not offered him a breakdown of the £500 payment. He would not have accepted £120 in recognition of the trouble and upset and considers the figure to be insulting;
 - Friends Life ought to produce supporting documentation to confirm that trail commission has not been paid;
 - The Ombudsman should investigate the matters fully rather than just accept what Friends Life say.

Respondent's position

14. Further investigation was carried out, and Friends Life clarified its position on the comments made by Mr G. No further submissions were received by Mr G. Friends Life submitted: -

- A copy of the telephone recording for the call Mr G made to Friends Life on 4 July 2016. The call confirmed Mr G held four separate plans with Friends Life, that he had GAR's on all policies and that he would take his benefits with Friends Life. Mr G also confirmed he was a level 4 qualified financial advisor. He requested quotes on a single basis, but also requested quotes with his wife included, for example with 50% spouses' pension. He asked Friends Life whether the GAR's would be affected if he asked for the quotes on an escalating basis, and subsequently asked for all quotes so he could compare all options. Friends Life asked Mr G what quotes he would prefer and it was recorded the quotes should include the single life basis to give the best GAR, 50% spouse's pension and 3% escalating on both basis. Friends Life said it would request the quotes that day, and it could take 10 days to deal with his request but it could be sooner.
- It had investigated the issue concerning the reduction in fund value from £58,364 on 3 May 2016, to £56,514 in July 2016. It explained that only one of his policies had a final bonus in May 2016, but that by July 2016, all four policies had no final bonus. Friends Life confirmed that final bonus rates were reviewed on 1 July 2016, and the rates had reduced.
- It also investigated the concerns regarding the GARs. Two of Mr G's four plans had been set up in 1982, and the other two in 1985. All four policies had been made paid up in 1986 and therefore the policies did not run up to his 70th birthday. Because of this, the basic pension amounts were lower and the annuity rates included in the policy conditions were unlikely to be guaranteed.
- The policy document states that at age 62, the GAR applicable of basic annuity per annum for each £100 of basic cash accumulation is 11.16%. The highest GAR available would have been based on an annuity paid annually in arrears, single life with no escalation and no guarantee period. Mr G did not ask for his annuities on an annual basis.

15. Considering all the above, I agree with the Adjudicator's Opinion, and I will therefore only respond to the key points made by Mr G for completeness.

Ombudsman's decision

16. The crux of Mr G's concerns centres on why the GAR listed in the policy documentation was different to the GAR he actually received when he took his benefits. I accept Friends Life's explanation that Mr G did not pay contributions up until his 70th birthday, in accordance with the original policy document. As the policies had been paid up in 1986, this effected the basic level of pension each policy would eventually provide, with the payments lower than expected.

17. The policy documentation provided to Mr G at the time his policies were taken out would have stated the level of GAR's applicable each year assuming contributions continued to be made. However, the applicable GAR would have been based on the assumption that contributions would be made for the full term. When the policies were made paid up well short of the policies maturity dates), the benefits were reduced to reflect the fact that not all contributions had been paid. Friends Life are therefore entitled to actuarially adjust the benefits and level of GAR Mr G was entitled to receive at the time he took his benefits. I consider it reasonable for Friends Life to have reduced the policies in proportion to the premiums paid.
18. I now turn to the issue of the reduction in fund values between May and July 2016. Friends Life have confirmed that between May 2016 and July 2016, all four policies had no final bonus because the rates had reduced on the review date on 1 July 2016. As Mr G correctly pointed out, final bonuses (unlike annual bonuses) are not guaranteed, and the amount paid in a final bonus can be reviewed or changed at any time, as Friends Life deems necessary. The final calculations would need to be based on the formulas and bonus announcements effective at that time.
19. Whilst it is regrettable that the final value of the policy reduced, that reduction is not because of any maladministration by Friends Life. The reduction was due to the final bonus available after 1 July 2016, and because Mr G has accepted the terms and conditions of the policy, he must also accept the fact that a final bonus was never guaranteed.
20. Mr G has also asked that Friends Life should demonstrate, with supporting evidence that trial commission has not been paid to an unknown financial advisor. There is no reason presented to me why I should not accept Friends Life's confirmation no trial commission has been paid, or any reason to suggest Friends Life has mis-led either this office or Mr G on the matter. Whilst I understand that Mr G will not be happy with this explanation I am satisfied with Friends Life's assertion that trial commission has not been paid.
21. Friends Life accepts the delays and lack of communication Mr G experienced was the result of a recent upgrade to its system. Friends Life recognised that the upgrade resulted in servicing issues, and offered Mr G £500 to compensate for the inconvenience caused.
22. In circumstances where an error delays the payment of an annuity, my role is to put the applicant back into the position they would have been in had the error not occurred. Mr G requested retirement quotations in July 2016, intending to receive his first annuity payment in August 2016. The first payment was not paid until September 2016. It appears Friends Life has already taken positive remedial action to put Mr G back in the position he would have been in, had the annuity been set up a month earlier and paid him an extra months annuity payment to cover that loss.

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23. In this case Mr G has received a total of £500. Mr G says he would not have accepted £122.19 for the trouble and upset caused, and is clearly dissatisfied with the amount awarded. Mr G considers a further payment of £500 is warranted in the circumstances. In my opinion that level of redress is entirely reasonable given the circumstances and I would not direct Friends Life to award a higher amount.
24. Therefore, I do not uphold Mr G's complaint.

Anthony Arter

Pensions Ombudsman
28 June 2017