

Ombudsman's Determination

Applicant	Mr D
Scheme	Pearson Group Pension Plan (the Plan)
Respondent	Pearson Group Pension Trustee Limited (the Trustee)

Outcome

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

Complaint summary

3. Mr D has complained about the provision by the Trustees of incorrect information regarding his pension benefits in April 2013.
4. It was only discovered in April 2016, that the quote issued in April 2013 was incorrect, following Mr D's request for an updated valuation. Mr D says that by the time he received the correct information, he and his wife had made irreversible life decisions.

Background information, including submissions from the parties

5. In 1976, Mr D joined the Plan through his employer, Extel. The Plan was administered by Pearson Group and Mr D's Normal Retirement Date (**NRD**) was set at 27 August 2017, age 65.
6. In 1994, Mr D became a deferred member of the Plan, as he moved to a new employer. When Mr D left Extel, he was provided with a statement showing his accrued annual benefits to be worth £6,236.
7. In October 2002, the Trustees provided Mr D with an updated statement of his benefits in the Plan. His annual benefits had increased in value to £9,706.
8. In February 2010, Mr D contacted the Trustees to request a transfer value. He received a quote showing benefits of approximately £210,370.
9. On 4 April 2013, following a request from Mr D, the Trustees wrote to him, enclosing an updated calculation of his benefits in the Plan (the **2013 Quote**). The quote gave an estimated value of £23,313.60 pa. A cover letter was included, which stated:

“Please note that this is an illustration based on current plan rules, actuarial guidance and HM Revenue & Customs practice. It is not a certificate of entitlement.”

10. On receipt of the 2013 Quote, Mr D’s wife, Mrs D, who worked as a University lecturer teaching nurses, made the decision to retire early and start claiming her pension on a reduced basis. Mrs D also did not renew her Nurse’s registration, which is a requirement in her sector of work. Further, Mr D and his wife took the decision to pay off their mortgage following the 2013 Quote. The money saved was used to supplement Mrs D’s income, in lieu of making additional payments into Mr D’s current workplace pension.
11. In April 2016, with his NRD approaching in a year, Mr D contacted the Trustee to request an updated pension valuation, to begin planning for his retirement. This was provided on 22 April 2016. However, in this quote, Mr D’s pension was shown to be the lower value of £17,147.76, a reduction of c. £6,165 from the 2013 Quote. This valuation reiterated that the figures were not guaranteed, and the quote did not confer entitlement.
12. On 27 May 2016, following Mr D’s phone call, querying the lower figure, the Trustee wrote to him, explaining that the 2013 Quote was incorrect, and the mistake had occurred due to a system error, which had duplicated an element of his entitlement. As a result, a higher, incorrect figure had been generated in the 2013 Quote. The Trustee confirmed that the error had been rectified, but it could not pay Mr D the higher pension benefits, as he was not entitled to this amount.
13. On 22 June 2016, Mr D complained under Stage 1 of the Internal Dispute Resolution Procedure (**IDRP**), stating that he and his wife had made significant life and financial decisions, based on the 2013 Quote. He concluded that the difference in figures shown in 2016, meant a total loss of around £98,640 over his lifetime, assuming he lived a further 20 years beyond his NRD.
14. On 10 November 2016, the Trustee issued its Stage 1 IDR response, confirming that it can only pay Mr D benefits to which he is entitled under the rules governing the Plan. The Trustee did not agree that Mr D had suffered a financial loss, arguing that he has reduced his financial obligations by paying off his mortgage early. The Trustee accepted that it had provided incorrect information, and offered £500 compensation for this.
15. On 9 December 2016, Mr D appealed under Stage 2 of the IDR. He stated that the Trustee appeared to suggest that he had benefitted from its error, and therefore it had not properly addressed his concerns.
16. On 8 March 2017, the Trustee responded under Stage 2 of the IDR. The Trustee apologised for the error, however, its position remained that there had been no actual financial loss, so no compensation was due in this respect. Further, the Trustee

observed that Mr D had been provided with correct statements on a number of occasions prior to the 2013 Quote. It was, however, acknowledged that the distress and inconvenience was significant, so the compensation was increased to £2,000.

17. On 5 April 2016, Mr D complained to this office, stating that he and his wife had made irreversible decisions based on the 2013 Quote. In his view, the Trustee had not offered an adequate remedy for the misinformation, given his overall financial loss would equal approximately £100,000 throughout his lifetime.

Adjudicator's Opinion

18. Mr D's complaint was considered by one of our Adjudicators who concluded that no further action was required by the Trustee. The Adjudicator's findings are summarised briefly below.
 - There is no question that the provision of an incorrect quote to Mr D in 2013, constituted maladministration. The Trustee has acknowledged that a system error caused a higher (incorrect) level of benefits to be quoted. However, the fact that Mr D was issued an incorrect quote does not entitle him to the higher pension. Mr D's entitlement is the lower amount quoted in 2016.
 - The cover letter was clear that the 2013 Quote was for information only, and the figures were not guaranteed. Therefore, no significant lifestyle or financial decisions ought reasonably to have been made, based on the estimated figures.
 - Mr D has suffered significant distress and inconvenience as a result of the incorrect information and should be properly compensated. The Trustee has offered £2,000 compensation in recognition of the maladministration identified and that is a reasonable award in my view.
19. Mr D did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr D provided his further comments which do not change the outcome. I agree with the Adjudicator's Opinion, summarised above, and will therefore only respond to the key points made by Mr D in his letter of 17 July 2017 for completeness.

Ombudsman's decision

20. Mr D has argued that it was reasonable for him to make decisions based on the 2013 Quote, because the Rules of the Plan state that the value of his deferred benefits would increase annually in accordance with a set formula, and that whilst the rate of increase could vary, the value could not decrease.
21. Mr D appears to have misunderstood this information. It is correct that deferred benefits will increase in value over time, and that the value of benefits accrued will not decrease. However, this does not mean that the actual value of benefits quoted in a

statement will never be lower than those figures. The value of Mr D's pension when he left Extel in 1994 has continued to increase in line with the Rules of the Plan. The 2013 Quote was erroneously calculated and did not express the true value of Mr D's benefits. The fact that the value of his benefits was lower in the April 2016 quote does not indicate a reduction of his actual benefits, as these figures represent the correct entitlement. Rather, the 2013 Quote provided an inaccurate illustration of the increases applied to Mr D's deferred pension.

22. Mr D considers that he has suffered a financial loss as his wife took early retirement on the basis of the 2013 Quote. Whilst I do not dispute that the 2013 Quote was a factor in Mrs D's decision to retire early, the incorrect statement was not made to her and I do not consider it was foreseeable that the quote would be relied upon in that way by her. I do not consider that she can demonstrate that her reliance upon it for that purpose was reasonable.
23. I am satisfied that Mr D is only entitled to receive the lower (correct) pension benefit from the Plan. The cover letter was clear that the 2013 Quote was for information only, and the figures were not guaranteed. Therefore, although, I can understand why Mr D says he had no reason to doubt its accuracy, no significant lifestyle or financial decisions ought reasonably to have been made, based on the estimated figures provided as the figures quoted were never guaranteed.
24. I note that the statement of accrued benefits provided to Mr D, when he left Extel's employment in 1994, showed his pension value to be around £6,236 pa. When Mr D received a benefits statement in 2002, it showed that his deferred benefits had increased by approximately £3,470, to a value of £9,706 pa. When Mr D received the 2013 Quote, his deferred benefits had increased by £13,607 to £23,313 pa.
25. Given that in the 8 years between the 1994 statement of benefits and 2002 quotation, Mr D's deferred benefits had only increased by c. £3,470, I consider it reasonable to suggest Mr D should have queried the 2013 Quote, which showed an increase of over £13,600 in almost the same number of years. In light of this, it is my view that it was not reasonable for Mr D to rely on the incorrect information contained in the 2013 Quote.
26. It is agreed that Mr D has suffered significant distress and inconvenience as a result of the incorrect information provided, and I consider it appropriate that he be compensated for this. Awards for non-financial loss (i.e. distress and inconvenience) usually start at £500, where significant distress has been identified. The Trustee has offered Mr D £2,000 compensation in recognition of the maladministration identified and that is a reasonable award in my view.

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27. Therefore, I do not uphold Mr D's complaint.

Karen Johnston
Deputy Pensions Ombudsman

4 August 2017