

Ombudsman's Determination

Applicant	Mr R
Scheme	Aviva Personal Pension Plan (the Plan)
Respondent	Aviva

Outcome

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

Complaint summary

3. Mr R has complained that his annuity is lower than he was originally quoted.

Background information, including submissions from the parties

4. On 12 July 2017, Aviva sent Mr R a quotation, based on a retirement date of 30 October 2026. The quotation stated a tax-free cash sum of £29,248.21, and a yearly annuity of £1,415.52. The quotation had the following disclaimer:

"We'll work out the final value of your plan on your actual retirement date or when we have received everything we need, if this is a later date. Please remember your value could go down as well as up and is not guaranteed."
5. Aviva received completed retirement forms from Mr R on 10 August 2017.
6. On 22 August 2017, Mr R received a tax-free cash lump sum of £29,266.96 plus £11 of interest.
7. On 1 September 2017, Aviva informed Mr R that the correct annuity value was £1,079.64 per annum. Mr R has yet to confirm, he is happy for this to be put into payment.
8. Mr R was dissatisfied with the drop in the annuity value, so he raised a formal complaint. He said he had made major financial decisions based on the original quotation, and that these decisions were irreversible. He believed that Aviva should honour the July 2017 quotation.

9. Aviva responded on 23 November 2017, and said it was unable to honour the original quotation. However, it noted that the original quotation was based on an incorrect retirement date and said, by way of an apology, it would award Mr R £250 for any distress and inconvenience this may have caused.
10. Mr R remained dissatisfied and brought his complaint to the Pensions Ombudsman to be independently reviewed.
11. During this Office's investigation, the Adjudicator suggested that as Mr R was dissatisfied with the drop in the value of his annuity he could potentially pay the tax-free cash lump sum back to Aviva to see if he could get a better annuity option. However, in order for this to happen, Mr R would have to provide evidence to Aviva that he would have acted differently, had he known about the drop in the value of his annuity. Mr R said he was not in a position to do this, because he used the lump sum towards the payment of a property.

Adjudicator's Opinion

12. Mr R's complaint was considered by one of our Adjudicators who concluded that no further action was required by Aviva. The Adjudicator's findings are summarised briefly below:-
 - When Mr R received the quotation on 12 July 2017, it was clearly based on an incorrect retirement date. As Mr R tried to accept the figures in the quotation, it is possible that he did not realise the date was incorrect. Presumably, if he had noticed the date, then he would have requested that Aviva issue a new quotation based on the correct retirement date. Instead Mr R completed the relevant forms to start receiving his benefits. Once Aviva received the forms it recalculated his benefits. Mr R has received the tax-free cash lump sum. But, Aviva is waiting to put Mr R's annuity into payment once it receives confirmation that he is happy to receive the correct annuity.
 - The quotation clearly explained that the final value could change. So, Mr R should have been well aware that the figures were not guaranteed.
 - Aviva cannot be held responsible that Mr R entered into irreversible financial agreements, based on a quotation. Mr R could have waited until all his benefits were confirmed, before doing so. However, it is unlikely that life changing decision would have been made given the difference in the amounts.
 - Aviva offered Mr R £250 by way of an apology, for using the incorrect retirement date in its initial quotation. This was sufficient for the error. Also, the error was rectified in a timely manner.
13. Mr R did not accept the Adjudicator's Opinion, and the complaint was passed to me to consider. Mr R provided his further comments which do not change the outcome. Mr R said the following:-

- When he discussed retirement with Aviva, it was to be with immediate effect. Therefore, the retirement date of 30 October 2026 was incorrect. He says even if he had noticed the error on the quotation he would have assumed it was typing error, and continued to make decisions based on the quotation.
- The tax-free cash lump sum was paid a week before the error in the annuity quotation was corrected. This meant Mr R was confident that the annuity value was still £1,415.52 and not £1,079.64. He explains that the reduction in annuity value was around 24%.
- He does not agree that the error was obvious and corrected in a timely manner. He believes he has suffered significant distress and inconvenience.

14. I agree with the Adjudicator's Opinion, and I will therefore only respond to the key points made by Mr R for completeness.

Ombudsman's decision

15. There is no dispute that the quotation dated 12 July 2017, was incorrect and based on the wrong retirement date. Aviva has apologised for this error. Mr R has said that had he noticed the error in the quotation, he would have assumed it was a typing error. I do not consider it would have been reasonable to rely on it in the way that Mr R maintains he did because of the clear warning it carried. Even if the quotation had been based on the correct retirement date, it still could have decreased in value. Therefore, any decisions Mr R made based on the quotation would have been at his own risk because the value was subject to change.
16. It is unfortunate that Mr R received the tax-free cash lump sum before he had received the correct annuity value. But, I am not convinced that the drop in annuity value would have made him act differently. Mr R entered into financial agreements on the basis of receiving the lump sum. Therefore, this means he would have required that money, even though the annuity value had decreased.
17. Mr R has argued that the drop in the annuity value is significant as it is approximately 24% less. Mr R will receive £89.97 a month of income from Aviva as opposed to £117.96. I accept that there is a significant variation in percentage terms but the absolute amount is not so large that of itself it is evidence that Mr R would have made different decisions from those which he did in fact.
18. Aviva has offered Mr R £250 by way of an apology for providing the initial quotation based on the incorrect retirement date. Mr R believes this is not sufficient as he considers the distress and inconvenience was significant. I have noted his assertions. However, given the difference in the amounts and the fact Mr R was told the quotation could go up or down, I find that the non-financial injustice in this case is nominal. I do not consider it to be significant, and in the circumstances of this case, I will not make any award. Aviva's offer is open to Mr R for acceptance, and he should contact Aviva directly if he would like to accept it.

PO-19212

19. I do not uphold Mr R's complaint.

Karen Johnston

Deputy Pensions Ombudsman
25 October 2018