

## Ombudsman's Determination

Applicant	Mrs A
Scheme	Aviva Personal Annuity ( <b>the Annuity</b> )
Respondents	Aviva Life and Pensions UK Limited ( <b>Aviva</b> )

## Outcome

1. I do not uphold Mrs A'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. Mrs A's complaint concerns Aviva's decision not to pay her the annuity as a lump sum payment.

## Background information, including submissions from the parties

4. Mrs A has been in receipt of the annuity from Aviva since January 2007. On 18 January 2018, Mrs A wrote to Aviva and said:

"We understand that from April 2017, the Government is allowing individuals who have already retired and taken an annuity on retirement, to withdraw the pension as a lump sum.

We are therefore, writing to you to request that Aviva send us a calculation of the amounts we have against the above policies, as we are considering withdrawal of the annuities."

5. On 26 January 2018, Aviva responded to Mrs A and said:

"We can confirm that there is a ruling in place, which states Pension Regulations allow annuity holders to convert their annuity into a lump sum, if the lump sum providing the annuity is £10,000 or less. The government left this decision to the discretion of the pension provider and unfortunately this is not something that Aviva is offering at present."

6. Unhappy with Aviva's response, Mrs A complained to Aviva.

7. On 21 February 2018, Aviva responded to Mrs A but did not uphold her complaint. It said:

“I’m sorry we can’t give you the annuity amount as a lump sum...We decided this is something we’re not going to provide at this time and this has been a decision made by the management of Aviva. If this is changed in the future, we’ll write to you to let you know although I do understand your disappointment at this time.”

8. Dissatisfied with Aviva’s response Mrs A referred her complaint to this Office.

### **Adjudicator’s Opinion**

9. Mrs A’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 below:-
- The Adjudicator accepts that pensioners in Mrs A’s position could receive their annuities as a lump sum payment. However, it is Aviva’s commercial decision to decide whether to offer its annuity holders this option.
  - Therefore, the Adjudicator did not consider Mrs A’s complaint would be upheld if it were referred to me.
10. Mrs A did not accept the Adjudicator’s view as she found it frustrating that Aviva had not explained to her, why it has made such a decision.
11. The complaint was passed to me to consider and I agree with the Adjudicator’s Opinion.

### **Ombudsman’s decision**

12. An annuity purchase is irreversible. In 2016, the government considered introducing a secondary annuity market, to allow pensioners to sell their annuity for a cash lump sum. But, following consultation with industry personnel, the government decided against the idea as it was feared that pensioners would not get a fair cash value for their annuity.
13. Although the secondary annuity market idea was not implemented, pensioners do have the opportunity to sell their annuity. This option is only available to pensioners if the value of their annuity is less than £10,000, and if the annuity provider agrees to the sale.
14. Aviva has said that it made the commercial decision not to offer this option to its annuity holders. This decision would have been made following an internal discussion with its actuaries and others regarding risk and cost.

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15. I appreciate that the value of Mrs A's annuity is less than £10,000, and understand that she would like to sell her annuity for a cash lump sum. However, she has been in receipt of the annuity for over ten years. To now convert her annuity into a cash payment could be costly to Aviva. As a result, Aviva is entitled to take this into consideration when making a commercial decision and, it is not my role to interfere with such decisions.
16. I do not uphold Mrs A's complaint.

**Anthony Arter**

Pensions Ombudsman  
27 September 2018