

Ombudsman's Determination

Applicant	Mr N
Scheme	Burlington International Group Pension Scheme (the Scheme)
Respondent	Legal & General Assurance Society Limited (Legal & General)

Outcome

1. I partly agree with Mr N's complaint against Legal & General, but there is part of the complaint I do not agree with. To put matters right (for the part that is upheld) Legal & General shall pay Mr N £500 for the significant distress and inconvenience he has suffered.
2. My reasons for reaching this decision are explained in more detail below.

Complaint summary

3. Mr N's complaint concerns the incorrect information he was given when Legal & General produced his benefit quotations. Mr N has complained that Legal & General failed to mention that an offset would be applied at State Pension Age (**SPA**), which significantly reduced the benefits he expected to receive.

Background information, including submissions from the parties

4. Mr N was an employee of Burlington International Plc (**Burlington**), he was also a Member of the Scheme.
5. On 1 April 1991, Mr N was sent a benefit statement that quoted his benefits at Normal Retirement Date (**NRD**) as £8,516.03 per annum. This quotation was sent by the Scheme's Trustee and calculated on the basis that he would continue in service until his NRD.
6. In February 1992, Law Debenture Trust (**Law Debenture**) was appointed as Trustee. This was a result of Burlington, the principal employer, going into receivership.
7. Sometime after, Law Debenture wrote to Mr N and provided a membership summary. This quoted an estimated pension from NRD as £7,860 per annum.

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8. In 1998, Law Debenture secured Mr N's benefits with Legal & General. Law Debenture sent a covering letter explaining that when it took over the Scheme it was underfunded. Law Debenture said that the Scheme's assets covered less than 50% of some member's benefits.
9. On 30 March 1999, Legal & General sent Mr N the policy documents. The covering letter provided the benefits available to Mr N and said the following benefits should be paid in accordance with the Schedule:

Revaluing pension at date of leaving service	£1,941.65 per annum
Non revaluing pension at date of leaving service	£5,818.15 per annum
Offset at State Pension Age (SPA offset)	£5,884.05 per annum

10. Section 1.3 of the Schedule (see Appendix) explained how Mr N's benefits would be calculated at his Normal Retirement Date (**NRD**). It said that it would pay the amount shown on the Policy as Revaluing Pension at Date of Leaving Service. In addition, it would pay the Non Revaluing Pension at Date of Leaving Service. Section 1.3 also said that, "On attaining State Pension Age your pension then in payment will be reduced by the amount shown on the Policy against "Offset at State Pension Age" which will be paid by the state."
11. If you follow the instructions as laid out in the Schedule, Mr N's benefits from his NRD was quoted as £1,875.75 per annum.
12. On 25 January 2000, Legal & General wrote to Mr N to provide a quotation. It said that his benefits, payable from his NRD of 3 January 2026, amounted to £8,266.67 per annum. The quotation did not mention the SPA offset.
13. On 28 October 2002, Legal & General provided another quotation. It said that Mr N's benefits, payable from his NRD, amounted to £8,432.08 per annum. Again, it did not mention the SPA offset.
14. On 23 September 2010, Legal & General provided a further quotation. It said that Mr N's benefits, payable from his NRD, amounted to £9,029.80 per annum. Once more, the SPA offset was not referenced.
15. Following a request from Mr N, Legal & General provided a summary of benefits commencing from 3 February 2016. This said that Mr N's benefits were £2,631.24 per annum. Mr N said that this was lower than expected, but thought this could have been due to a heavy penalty for early retirement.
16. Mr N then requested a summary of his benefits available from his NRD. Legal & General provided a summary that showed that he had benefits of £4,193.52 per annum. This was significantly less than the quotation provided in September 2010.

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17. On 23 November 2017, Mr N complained to Legal & General.
18. On 8 December 2017, Legal & General responded. It explained that the quotations provided prior to February 2016, did not include the SPA offset, which would have made a significant change to the quotation. Legal & General apologised for providing incorrect figures.
19. On 13 August 2018, Legal & General responded to Mr N's complaint. It confirmed that the application of Mr N's SPA offset caused the significant drop in his projected benefits. It explained that it cannot honour the incorrect quotations, but made an offer of £150 in recognition of the disappointment that the incorrect quotations would have caused.

Adjudicator's Opinion

20. Mr N's complaint was considered by one of our Adjudicators who concluded that Legal & General had caused significant distress and inconvenience. The Adjudicator felt the complaint should be partially upheld and Legal & General should pay £500 to Mr N. The Adjudicator's findings are summarised below:-
 - In order for Mr N to successfully argue that the incorrect information has caused him financial loss, he must show that it was reasonable for him to have relied on the incorrect information.
 - When Legal & General first wrote to Mr N, on 30 March 1999, it clearly highlighted the SPA offset. In addition, it provided the Schedule which confirmed how Mr N's benefits would be reduced by the SPA offset amount. By following these instructions, it is clear that his benefits payable from NRD would have been £1,875.75 per annum.
 - On 25 January 2000, Legal & General wrote to Mr N and told him that his benefits from NRD amounted to £8,226.67 per annum. This was incorrect as it had not addressed the SPA offset.
 - The Adjudicator believed that Mr N should not have relied on the 25 January 2000 illustration because he felt that it was unreasonable for Mr N to depend on it given the discrepancy with earlier figures. Therefore, he did not believe there had been a financial loss.
 - However, the Adjudicator did acknowledge that Mr N had been sent incorrect figures on three separate occasions, over a period of over ten years. The Adjudicator believed that this would have caused significant inconvenience, so felt the complaint should be partly upheld and £500 should be paid to Mr N in respect of the maladministration.
21. Legal & General agreed with the Adjudicator's Opinion. However, Mr N did not accept the Opinion and the complaint was passed to me to consider.

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22. Mr N provided his further comments which do not change the outcome.
23. Mr N said that he disagreed that the Schedule clearly highlighted the offset amount. He said that the Schedule was hard to understand which meant that he did not consider the offset amount when calculating his benefits.
24. He also said that documents sent to him from the Scheme's original Trustee, showed that if he continued service to his NRD, his benefits would be £8,516.03 per annum. In addition, he supplied a Summary document, issued by Law Debenture, that shows that Mr N's estimated annuity from NRD would be £7,960 per annum.
25. Mr N said that the combination of the lack of clarity provided in the Schedule and his expectations meant that it was reasonable for him to rely on the incorrect information.
26. I agree with the Adjudicator's Opinion and I will therefore only respond to the key points made by Mr N for completeness.

Ombudsman's decision

27. Mr N has said that he relied on the incorrect information, which has caused him to suffer financial loss. Mr N would have to demonstrate that he reasonably relied on the incorrect information to be entitled to compensation.
28. Mr N has complained that the policy documents and Schedule did not make his benefits clear, so he relied on the later quotations provided by Legal & General. I have reviewed the Schedule and believe that it explained how Mr N's benefits were to be calculated. Although Mr N has complained that he did not know what all the different benefits meant, it should not have prohibited him from realising that the SPA offset would have reduced his benefits. Furthermore, the covering letter also provided Mr N with Legal & General's contact details, so I would have expected him to have asked for further information if he was not certain of his benefits.
29. Given that I find that Legal & General was clear in providing the correct benefits alongside the Schedule, I now must consider whether it was reasonable for Mr N to rely upon the incorrect information that followed. On 30 March 1999, Mr N was provided with his benefits and the Schedule. If you follow the instructions as laid out in the Schedule, Mr N's benefit from his NRD was quoted as £1,875.75 per annum. On 25 January 2000, Legal & General wrote to Mr N and said that his benefits, from NRD, would be £8,266.67 per annum. Mr N has argued that he was not an expert, so he could not have realised that the January 2000 quotation contained errors. Whilst Mr N was not at fault for the mistake, he cannot rely on a mistake that he ought to have identified himself. Given that he received incorrect figures within a year of having received the correct ones the mistake should have been evident: I do not believe that Mr N can reasonably rely on the incorrect figures.
30. Mr N has also said that part of his expectation of higher benefits was caused by information he received from the original Trustee and from Law Debenture. The

Trustee's quotation was based on Mr N remaining in service until his NRD, this did not happen, so I do not agree that he could depend on the figures. In addition, Law Debenture wrote to Mr N prior to Legal & General's involvement and explained that the Scheme was underfunded, and its assets covered less than 50% of the benefits to be paid to members. The previous quotations were not provided by Legal & General so although they might have raised Mr N's expectations, the accuracy of the quotations cannot be held against Legal & General and I do not find that Legal & General has caused Mr N a financial loss. I will now turn to the issue of non-financial loss.

31. Since receipt of the Adjudicator's Opinion, Legal & General has agreed to pay Mr N £500 in recognition of the significant distress and inconvenience caused. There is no dispute that the issuance of incorrect benefit figures would have caused Mr N such distress and inconvenience. However, I find that the award that has now been offered by Legal & General is in accordance with the scale of award I would have made given these circumstances. As a result, I do not consider it appropriate to make any further award.
32. Therefore, I partly uphold Mr N's complaint.

Directions

33. Within 21 days of the date of this Determination, Legal & General shall pay Mr N £500, for the significant distress and inconvenience he has suffered.

Anthony Arter

Pensions Ombudsman
10 January 2019