

## Ombudsman's Determination

Applicant	Mr P
Scheme	CMG UK Pension Scheme – Admiral Section ( <b>the Scheme</b> )
Respondent	JLT Benefit Solutions Limited ( <b>JLT</b> )

## Outcome

1. Mr P's complaint against JLT is partly upheld. To put matters right, JLT shall:
  - refund Mr P the £300 he paid for the cash equivalent transfer value (**CETV**) quotation he was sent in February 2018 (**the February 2018 Quotation**); and
  - pay Mr P £1,000 for the serious distress and inconvenience he has suffered due to its maladministration, in sending him incorrect CETV quotations.

## Complaint summary

2. Mr P has complained about the incorrect CETV quotations provided by JLT between May 2013 and February 2018. He asserts that he relied on the February 2018 Quotation to base his decision to accept voluntary redundancy from his employer and that he has incurred a financial loss as a direct result.

## Background information, including submissions from the parties

3. In March 1986, Mr P became a member of the Scheme, which is an occupational defined benefit (**DB**) pension scheme. He became a deferred member on 11 January 2004.
4. In March 2009, JLT provided a CETV quotation of £222,099.76 to Mr P.
5. In the same month, JLT received a Pension Sharing Order (**PSO**) in relation to Mr P, which was subsequently settled on 30 March 2010. The CETV at the time of the settlement was £310,511.41, of which 47% was paid to Mr P's ex-spouse, in accordance with the PSO.

6. Between May 2013 and the end of May 2017, JLT issued two CETV quotations to Mr P, that had been calculated without taking into account the PSO. The values of these CETVs were:-
  - 16 May 2013 - £469,120.42 (**the 2013 Quotation**).
  - 17 May 2017 - £640,838.37 (**the 2017 Quotation**).
7. Based on the 2017 Quotation, Mr P started the process of planning his retirement. He engaged an independent financial adviser (**IFA**) to review his financial situation.
8. On 13 February 2018, following a request from Mr P, JLT sent him the February 2018 Quotation. The value of the CETV was £635,690.79 and it was guaranteed until 12 May 2018. The following wording (**the Caveat**) was included in the CETV quotation:

“In preparing the estimated statement, care has been taken to reflect the most accurate and up to date information available at the time of preparation. The final benefits payable will always be subject to the Trust Deed and Rules of the pension arrangement, any discretion exercisable by the Trustees, all prevailing legislation, up to date earnings and, where relevant, any restrictions necessary to comply with State pension requirements [...]”

If unchangeable financial decisions are to be made based on this illustration you are reminded that this is an estimate of your benefits only and you should seek clarification as to the extent to which the details contained in the estimated statement could change.”
9. On 26 February 2018, after reviewing the February 2018 Quotation, the IFA asked JLT to confirm whether the PSO had been taken into account. At this point, the IFA was finalising his Transfer Value Analysis Report. He had already completed “general planning”, on the assumption that Mr P would take a full transfer, based on the previous CETV quotations Mr P had received.
10. On 5 March 2018, JLT wrote to the IFA and said: “There is a [PSO]. Please note we are reviewing both the transfer quotation and retirement quotation recently provided. I apologise for any inconvenience.”
11. On 20 March 2018, Mr P’s employer wrote to him following several meetings concerning a redundancy programme that it was running at the time. As Mr P had volunteered for the redundancy scheme associated with the programme, he was offered redundancy terms and asked to respond by 28 March 2018. Mr P subsequently accepted the offer of redundancy.
12. On 10 April 2018, the IFA emailed Mr P and said:

“...The scheme sent us a letter on 5 March 2018 confirming there is a [PSO] and that they were reviewing both the transfer and retirement quotation they provided.

I have spoken to them a couple of times since however they cannot give me a timescale because it is currently with the actuaries...”

13. On 26 April 2018, JLT wrote to the IFA and enclosed a revised CETV quotation of £346,107.29 (**the April 2018 Quotation**).
14. On 8 May 2018, Mr P telephoned and then emailed JLT and said that he wanted to accept the February 2018 Quotation, which was still within the guaranteed period. He said, in summary:-
  - He had engaged his IFA to execute the transfer and provide the necessary advice but the process had been significantly delayed by JLT.
  - Since 2010, JLT had provided annual pension benefit statements that did not take into account the PSO. In addition, he believed that JLT had incorrectly informed the IFA that the PSO split was 53%/47% in favour of his ex-spouse.
  - He understood that JLT was going to record his concerns as a formal complaint. He questioned whether this came with a time limit. His retirement age was in June 2018. Based on the February 2018 Quotation, he had decided to take voluntary redundancy and retirement in June 2018.
  - JLT should take the following into consideration:-
    - (i) He had been significantly disadvantaged by its errors.
    - (ii) He had taken voluntary redundancy based on incorrect information.
    - (iii) He would have no further income by the end of June 2018.
    - (iv) He was entitled to draw his pension benefits from June 2018.
    - (v) He was losing investment returns due to JLT's delays.
  - JLT should honour the February 2018 Quotation: he should not be financially disadvantaged by its errors.
15. After several exchanges, Mr P accepted the April 2018 Quotation. The transfer was completed on 1 August 2018.
16. On 1 August 2018, JLT issued its response to Mr P's complaint. It said, in summary:-
  - The CETV quotations issued before the April 2018 Quotation were based on Mr P's full deferred pension at the date of leaving and did not take into account the PSO.
  - Following contact from his IFA, it acknowledged that the figures provided may not have been correct. JLT considered that the significant discrepancy between the 2013 Quotation and the 2017 and February 2018 Quotations should have alerted Mr P and his IFA to the possibility that the figures were incorrect.
  - On 5 March 2018, JLT notified the IFA of the PSO and that the transfer quotation was being reviewed (**the 5 March 2018 Letter**). It then approached the Scheme Actuary to calculate the pension debit. A revised transfer quotation was issued to

Mr P on 23 April 2018. A revised retirement quotation was subsequently issued on 25 April 2018.

- The February 2018 Quotation included the Caveat. Furthermore, a misstatement does not create an entitlement to benefits over and above the member's correct entitlement under the Trust Deed and Rules (**the Rules**).
  - The February 2018 Quotation warned that it was an estimate and that clarification should be sought if "unchangeable financial decisions" were being made based on the quotation.
  - It noted that Mr P did not seek any clarification before making his decision to take voluntary redundancy. This was despite the fact that the IFA had questioned the accuracy of the figures.
  - Although Mr P claimed he relied on the February 2018 Quotation, he confirmed in his email dated 8 May 2018 that he had already started the voluntary redundancy process in January 2018.
  - It did not consider that there were grounds to uphold Mr P's complaint. However, it offered to refund the £300 he had paid for the February 2018 Quotation, and pay an additional £200, bringing the total award to £500.
17. On 7 August 2018, Mr P emailed JLT and asked for a copy of the Scheme's Internal Dispute Resolution Procedure (**IDRP**). JLT responded the same day and said that it would arrange for a copy to be sent to him. It does not appear that JLT sent this to Mr P.
18. On 22 August 2018, Mr P emailed JLT and addressed the points it had made in response to his complaint. He said, in summary:-
- There was no discrepancy between the 2013 Quotation in comparison to the 2017 and February 2018 Quotations. Transfer values, in respect of DB schemes, had increased due to the reducing yield on Gilt rates between 2013 and 2017.
  - The previous quotations had been guaranteed: unlike "a [ballpark] estimate." Even though there was a warning this was to allow variations in market conditions.
  - Changes in market conditions over the previous 18 months would not have caused such a variation of that magnitude. He considered that the Caveat did not cover administrative errors.
  - He noted that the Caveat indicated that "care had been taken to reflect the most accurate and up to date information available at the time of preparation". It did not appear that this was the case.
  - He did not start the voluntary redundancy process in January 2018. The reference he made to January 2018, was in relation to the process he started with JLT to transfer his pension in time for his retirement in June 2018. The voluntary

redundancy process, which subsequently concluded when he accepted the offer, started in March 2018.

19. On 27 September 2018, Mr P complained to JLT. He said that he had asked JLT to invoke the Scheme's Internal Dispute Resolution Procedure (**IDRP**) on 22 August 2018. He also said he had followed this up but did not receive a response. His complaint was, in summary:-

- He enquired about the possibility of transferring his pension due to the high CETV quotations he had received. He had hoped to complete the transfer by the time he reached age 60, in June 2018.
- Since the implementation of the PSO in 2010, he had received CETV quotations that he later discovered were incorrect.
- He engaged his IFA in January 2018 to carry out the necessary due diligence and complete the transfer.
- In February 2018, he received a valid CETV quotation, which he had to pay a £300 fee to obtain. Following this, he decided to go ahead with the transfer.
- He was offered voluntary redundancy in March 2018 and was given a short timeframe to accept the offer. He accepted voluntary redundancy, based on the February 2018 Quotation.
- There were several delays on the part of JLT during the transfer process, only for it to then provide the April 2018 Quotation.
- He could not reverse his decision to take voluntary redundancy. He wanted JLT to cover his loss of earnings for at least six months, as it was difficult to find another job at his age. He did not think the offer of £500 was acceptable.

20. Unable to reach a resolution with JLT, Mr P referred his complaint to the Pensions Ombudsman (**TPO**) for an independent review.

### **Mr P's position**

21. Mr P said in summary:-

- He considered that JLT's lack of care towards an individual's financial position made the financial regulations and safeguards in place irrelevant.
- His claim for loss of income is based on his loss of earnings as a result of taking voluntary redundancy based on incorrect information. His loss of income amounts to approximately £20,000 to £30,000 (net).
- He would not have accepted voluntary redundancy had he known the correct position. This was because the high CETV quotations, in addition to his voluntary redundancy package, would have given him sufficient funds to enable him to be employed in a less stressful job until he decided to retire.

- He contacted his former employer when he was made aware of the correct position. However, it was not possible to reverse his decision to take voluntary redundancy, as his employer had to meet the quota it had set.
- His IFA had asked JLT about the PSO prior to JLT issuing the February 2018 Quotation.

### **JLT's position**

22. JLT said in summary:-

- It did not consider that Mr P had taken voluntary redundancy in reliance on the February 2018 Quotation. This was because:-
  - The IFA had been conducting due diligence into the February 2018 Quotation.
  - JLT informed the IFA, two weeks before Mr P accepted voluntary redundancy, that the February 2018 Quotation did not take account of the PSO and it was being reviewed.
  - Even if the IFA did not have a copy of the PSO, the IFA would have been aware that recalculating the CETV, to take account of the PSO, could lead to a significant reduction in the CETV.
  - Mr P had not provided any evidence to support that any financial planning had taken place between the date of receiving the February 2018 Quotation and the date he accepted the offer to take voluntary redundancy.
  - It seemed inconceivable that the IFA did not make Mr P aware, at some point before he accepted the offer of voluntary redundancy, that the February 2018 Quotation was incorrect and could be subject to a significant reduction.
  - Mr P's decision to take voluntary redundancy from a job he found stressful, "despite having presumably been advised that the [February 2018 Quotation] was incorrect and was subject to significant reduction," suggests that it was a course of action he was always going to take.
- Mr P is only entitled to receive a CETV calculated in accordance with the Rules and any prevailing legislation. As the February 2018 Quotation was not calculated on these terms, Mr P was not entitled to the amount set out in the February 2018 Quotation.
- In recognition of the serious distress and inconvenience Mr P had suffered, JLT is willing to increase its award to £1,000.

23. Although not a party to the complaint, the IFA provided information to TPO in connection with the case. In summary he said:-

- He started discussions with Mr P in 2017, concerning the possibility of Mr P taking early retirement. Mr P wanted to take voluntary redundancy when it was offered to him and make plans to take his pension. He could have taken his pension from the Scheme in June 2018, without any early retirement penalties.
- As part of the financial review process, he carried out a comprehensive review of Mr P's pension savings and his other assets.
- Mr P was provided with an inflated CETV on two separate occasions. This had a material impact on his decision, in principle, to take voluntary redundancy.
- JLT took far too long to calculate the revised CETV. JLT also made an error when calculating the revised CETV. Mr P's deferred benefits were split 50:50, which was not in line with the PSO.
- They discussed at length the option of Mr P taking voluntary redundancy. Mr P also had the option of taking a full transfer from the Scheme.
- They later discovered that the PSO had not been applied. Mr P had already received several CETVs from the Scheme, so he was making material plans for his retirement.
- He approached the Scheme, as part of the due diligence, to check that the PSO had been applied. After initially confirming that the PSO had been applied, JLT later confirmed that it had not.
- He could not recall if Mr P had specifically discussed with him his intention to accept voluntary redundancy from his employer.
- He completed his general planning based on the inflated figures. As the numbers "were working", this gave Mr P the confidence to accept voluntary redundancy. Discovering that the CETV had subsequently fallen in value, put a strain on the plans Mr P had made for his retirement.

## **Adjudicator's Opinion**

24. Mr P's complaint was considered by one of our Adjudicators who concluded that there had been maladministration on the part of JLT.

25. The Adjudicator reviewed the information that all parties to the complaint had provided to establish if JLT's provision of incorrect information amounted to a negligent misstatement. For a claim of negligent misstatement to succeed in this case, it was necessary for Mr P to prove that:-

- JLT made a clear, unequivocal, and incorrect representation to him that he was entitled to the CETV provided in the February 2018 Quotation.

- JLT owed him a duty of care.
  - The duty of care shown was below a reasonable standard.
  - He reasonably relied on the incorrect information, and, in doing so, experienced a reasonably foreseeable, irreversible loss that he would not have suffered had JLT provided the correct information.
26. It was not disputed that JLT had provided Mr P with an incorrect CETV in May 2013, May 2017, and February 2018. JLT administers the Scheme on behalf of the Trustee and it owed Mr P, as a beneficiary of the Fund, a duty of care to provide him with correct CETVs of his benefits in the Scheme. So, if JLT's provision of incorrect information fell below a reasonable standard of care, it would be responsible for any reasonably foreseeable consequences of providing that incorrect information.
27. Mr P paid for a CETV quotation of his benefits in early 2018. The Adjudicator appreciated that the February 2018 Quotation included a warning that the figures were estimates. However, it was the Adjudicator's view that Mr P had no reason to doubt the accuracy of the February 2018 Quotation. Although Mr P had been sent a lower CETV in May 2013, he was subsequently quoted a higher CETV in May 2017. In the Adjudicator's opinion, it was reasonable for Mr P not to question the difference between the 2013 and 2017 quotations because four years had passed since the date the 2013 Quotation was issued.
28. It was the Adjudicator's view that it was reasonable for Mr P to have relied on the CETV in the February 2018 Quotation in relation to his retirement planning. Particularly, as the figures in the February 2018 Quotation were similar to the figures that were quoted in the CETV quotation he was sent in May 2017.
29. The Adjudicator was of the opinion that the Caveat could not be used by JLT to prevent it from being held liable for its maladministration in failing to apply the PSO to Mr P's deferred benefits. However, it was also her view that JLT was not responsible for any financial loss that Mr P considered he had incurred because of his reliance on the incorrect information. This was because, following enquiries from the IFA, JLT wrote to the IFA on 5 March 2018, and stated that there was a PSO linked to Mr P's deferred benefits. It also informed the IFA that it was reviewing both the transfer quotation and the retirement quotation that it had recently provided.
30. The Adjudicator believed that this should have put the IFA on notice that Mr P's CETV may have to be recalculated as the figures in the February 2018 Quotation were, in all likelihood, incorrect. The 5 March 2018 Letter was sent to the IFA 11 working days before Mr P accepted voluntary redundancy. So, the IFA was aware, prior to Mr P's acceptance of voluntary redundancy, that the figures in the February 2018 Quotation were likely to be considerably higher than the sum to which he was actually entitled.
31. In the Adjudicator's view, it would have been reasonable for the IFA to have informed Mr P, forthwith, of the contents of the 5 March 2018 Letter. This would have given Mr



P the opportunity to make an informed decision concerning whether or not to apply for voluntary redundancy.

32. The Adjudicator had not seen any evidence that the IFA had informed Mr P of the contents of the 5 March 2018 Letter earlier than 10 April 2018. JLT could not be held responsible for the IFA's delay in doing so.
33. In the Adjudicator's opinion, the IFA's delay, in informing Mr P of the contents of the 5 March 2018 Letter, broke the chain of causation. So, JLT should not be held responsible for the financial consequences of Mr P's decision to accept voluntary redundancy.
34. Notwithstanding this, it was the Adjudicator's view that JLT's failure to apply the PSO to Mr P's benefits, which resulted in him being sent erroneous CETVs, amounted to maladministration. This had caused Mr P serious distress and inconvenience. JLT should pay Mr P an award in recognition of this.
35. It was also the Adjudicator's view that JLT should refund Mr P the £300 he had paid for the February 2018 Quotation.
36. Mr P did not accept the Adjudicator's Opinion. In response he said in summary:-
  - JLT consistently gave the wrong quotations over a period of years. He understood that quotations could vary due to market conditions and other factors, but there was reasonable consistency between the October 2017 and February 2018 quotations.
  - He understands that there is a Caveat against making financial decisions based on quotations, as the Adjudicator explained in her Opinion. But, this normally applies to things outside JLT's control, such as variations in market prices at the time of the quotation.
  - His IFA only raised the question of whether any PSOs needed to be applied as part of its standard professional due diligence. He questioned why JLT had not completed the same diligence to provide accurate information, as it is required to do.
  - If the Caveat allows for major mistakes to be discounted, it makes any quotation completely valueless, which undermines and makes the whole principles and compliance of the financial services industry irrelevant as the numbers can be changed at will, in bending the nuances of Caveats because of a mistake.
  - He questioned how it would be possible to make financial decisions and have confidence in any valuations and quotations provided if such a Caveat includes such a lack of duty of care.
  - Given that without JLT's mistake none of this would have happened, it is the party responsible for his financial loss. £1,000 is "paltry" compensation. It is not

proportionate for such a major error in providing inaccurate quotations on a number of occasions and its consequences.

37. As Mr P did not accept the Adjudicator's Opinion, the complaint was passed to me to consider. I agree with the Adjudicator's Opinion and note the additional points raised by Mr P.

### **Ombudsman's decision**

38. There is no dispute that JLT sent Mr P incorrect CETVs on several occasions, between May 2013 and February 2018. However, the provision of the incorrect information does not automatically give Mr P a right to the incorrect benefits. The reason for this is explained by the Adjudicator in paragraphs 29 to 33 above, so I will not repeat those reasons here.
39. I understand Mr P's disappointment that the CETV that was transferred was considerably lower than he had expected, and that he had based his decision to accept voluntary redundancy on the figures in the February Quotation.
40. However, I find that JLT cannot be held responsible for Mr P's decision to do so. This is because prior to Mr P accepting the offer of voluntary redundancy, his IFA was informed by JLT that a PSO was attached to his benefits, and that it was reviewing both the transfer quotation and retirement quotation recently provided.
41. JLT did not inform Mr P of this directly but did inform the IFA acting on his behalf. I find it was reasonable for JLT to have concluded that the IFA would have informed Mr P of the contents of the 5 March 2018 Letter shortly after receipt of the letter.
42. I do not find that JLT can be held responsible for the IFA's failure to do so, and be held responsible for any decisions or financial loss Mr P incurred following the IFA's receipt of the letter.
43. Notwithstanding this, there was maladministration by JLT in sending Mr P incorrect CETVs on a number of occasions. I find that JLT's maladministration has resulted in Mr P suffering non-financial injustice for which he should receive an award. This award is in recognition of the serious distress and inconvenience Mr P has suffered and not an award to try and replace monetarily what Mr P believes he has lost.

## **Directions**

44. Within 28 days of the date of this Determination, JLT shall:

- refund Mr P the £300 he paid for the cash equivalent transfer value (**CETV**) quotation he was sent on 13 February 2018; and
- pay Mr P £1,000 for the serious distress and inconvenience caused by its maladministration in sending him incorrect CETVs.

**Anthony Arter**

Pensions Ombudsman  
10 May 2022