

Ombudsman's Determination

Applicant	Mr N
Scheme	Lloyds Bank Pension Scheme No. 1 (the Scheme)
Respondents	Lloyds Banking Group Pension Trustee Limited (the Trustee) Willis Towers Watson (WTW) Equiniti Pension Solutions (Equiniti)

Outcome

1. I agree that part, but not all, of the complaint should be upheld. To put matters right for the part that is upheld the Trustee shall:
 - pay Mr N £2,000 in recognition of the severe distress and inconvenience he has suffered in dealing with this matter; and
 - pay Mr N £22.21 for the Additional Voluntary Contributions (**AVCs**) transfer delay.

Complaint summary

2. Mr N's complaint against the Trustee, WTW and Equiniti, is that his entitlement under the Scheme is significantly lower than stated in previous retirement benefit quotations provided for him by Equiniti. There was also a delay in transferring the AVC element of his pension.

Background information, including submissions from the parties

3. Mr N was employed by Lloyds Banking Group from 1 April 1990 to 30 April 2005. He was a member of the Asset Finance Division (**AFD**) Section of the Scheme and, when he left employment, his pension became deferred for payment at a later date. Mr N's normal retirement date (**NRD**) was 9 September 2017. Members of the AFD Section of the Scheme could take their benefits at age 55 without reduction.
4. Between 2014 and 2016, Mr N obtained a number of retirement quotations and cash equivalent transfer values (**CETV**) illustrations. For ease of comparison, I have set these out below, showing key information.

	Date	NRD stated	Annual Pension	AVC	CETV	Expiry date of CETV
The 2014 Online Quotation	04 July 2014	09 September 2017	£28,575			
The 2015 Quotation	25 June 2015	09 September 2017	£28,622			
The May 2016 Quotation	09 May 2016	09 September 2017	£28,622			
The 2016 Online Quotation	18 May 2016	22 September 2017	£30,096			
The 2016 CETV Illustration	26 September 2016		£21,130.01	£23,232.75	£629,328	23 December 2016
The March 2017 Quotation	09 March 2017	09 September 2022		£6,916.11		
The April 2017 CETV Illustration	28 April 2017			£24,813.40	£733,345.74	27 July 2017
The June AVC 2017 Statement	05 June 2017			£25,151.06		
The August 2017 Quotation	22 August 2017		£21,971.26			
The September 2017 CETV Illustration	06 September 2017		£15,557.40		£735,767.68	06 December 2017

5. In October 2016, following receipt of the 2016 CETV Illustration, Mr N contacted Equiniti, the Scheme administrator. He referred to the 2014 Online Quotation and queried the difference in the amounts. He asked for the correct figures, and a detailed explanation of how the errors had occurred. He did not receive a response.
6. The administration of the Scheme transferred from Equiniti to WTW in September 2016.
7. Mr N telephoned WTW on 23 May 2017, to query the NRD that had been used in the March 2017 Quotation. He chased for a response the following week and raised a complaint with WTW saying he had been considering transferring his benefits and it was taking longer than expected to get a correct quotation. He said this was due to delays in confirming his correct deferred pension entitlement, and that he had suffered a financial loss as a result. WTW emailed Mr N the following day explaining that it was conducting a full review of his records and the points he raised. It said it would write to him again in ten working days with an update on its progress. Mr N also requested a transfer value of his AVCs held with two pension providers.
8. Mr N telephoned WTW, on 22 June 2017, for a response to his complaint and asked for details of the Trustee. WTW said it was waiting for an instruction note from the Trustee for the AFD section of the Scheme. Mr N told WTW that he had information

to show that he was entitled to take his benefits from age 55 without reduction. Mr N also wished to escalate his complaint, so WTW emailed him the details of the Scheme's internal dispute resolution procedure (**IDRP**).

9. Mr N's independent financial adviser (**IFA**) returned the completed forms to WTW for the transfer of his AVCs on 27 June 2017.
10. On 4 July 2017, Mr N sent an email to the Trustee asking for a response in respect of the following:-
 - WTW's failure to comply with its own complaints procedure as he had not received an answer from WTW in relation to his complaint of 31 May 2017.
 - Not being able to transfer due to waiting for confirmation of the correct amounts since September 2016, and as a result suffered from on-going hardship.
 - He had relied on the higher deferred pension quotation he had previously received which made him leave employment and live on his own savings. He asked for an outline of how his annual pension was calculated and how the errors had occurred.
 - The incorrect information in the March 2017 Quotation, which had used an incorrect valuation of his AVCs (£6,916.11 as opposed to around £24,000).
11. The Trustee later confirmed to Mr N that the £6,916.11 referred to the tax-free lump sum that was available from the AVC fund, had he chosen to take the tax-free cash lump sum from the AVC fund.
12. WTW telephoned Mr N on 17 July 2017, confirming that it had received an instruction from the Trustee that AFD members could take their benefits unreduced at age 55. Mr N said that he was also waiting for an update regarding his incorrect retirement quotations. WTW called him back, on 19 July 2017, to inform him it still needed further information from the Trustee.
13. On 31 July 2017, Mr N telephoned WTW, for an update. WTW said it was unable to respond to his complaint as it was waiting for confirmation of his benefits. Specifically, there was an issue relating to his Guaranteed Minimum Pension (**GMP**) element and the figure used previously by Equiniti could not be agreed. Mr N asked WTW if it was proposing to compensate him for the delays, as it was unlikely his pension would be put into payment at his NRD.
14. WTW confirmed to Mr N on 11 August 2017, that a transfer value of £23,766.47 in respect of his AVCs had been paid to his new provider.
15. On 21 August 2017, Mr N emailed WTW for the attention of the Trustee, noting that he had still not received a response to his complaint of 31 May 2017. Mr N said that he had left employment based on the 2015 Quotation from Equiniti (see paragraph 5 above). He had been living off his savings which had resulted in a significant change in his financial position as he was spending his savings. Mr N said he had started

liquidating his long-term assets to avoid extreme hardship. He said he would provide details of the costs and the investment losses he had suffered.

16. WTW sent Mr N the August 2017 Quotation, confirming that his total pension at retirement was £21,971.26 per annum.
17. On 23 August 2017, Mr N emailed WTW noting that the figures provided were inconsistent with previous conversations with WTW, and the figures quoted historically. He also said that he had crystallised short term investments. Mr N said there was no attempt to address the central issues behind his incorrect quotations. The April 2017 Illustration was out of date and he would await the outcome of his queries before requesting a further CETV.
18. WTW provided Mr N with a full breakdown of how the August 2017 Quotation figures had been calculated. It noted that this differed from previous quotations provided by Equiniti, but that it showed the correct benefits at his retirement. WTW said that any transfer values it calculated would be based on the revalued amounts of Mr N's benefits. These calculations had been checked by the Scheme actuaries and were correct.
19. On 24 August 2017, Mr N emailed the Trustee. He said there had been an issue with the reconciliation of data migration between Equiniti and WTW systems. He had become aware of an AVC disparity between "buying in" and "buying out" of the Scheme and there had been "secret deductions" from his AVC transfer value before payment.
20. On 5 September 2017, Mr N emailed WTW and the Trustee asking for a new CETV illustration. He remained unconvinced that his pension benefits were correct. Mr N expected compensation for a number of issues.
21. WTW sent the September 2017 CETV Illustration to Mr N on 6 September 2017, with a value of £735,767.68.
22. Mr N provided the Trustee with information which he believed showed that he had left employment as a result of the incorrect information.
23. The Trustee responded to Mr N on 20 October 2017, under stage one of the IDRP. It said the Scheme was only able to pay benefits in line with Mr N's Scheme entitlement. To pay a member greater benefits than they were entitled to would be a breach of the Trustee's fiduciary duties. The Trustee had not received any evidence that Mr N had acted on the incorrect retirement quotations, or made any binding financial commitments based on the incorrect retirement statements. Without any documentary evidence the Trustee was unable to conclude that Mr N had suffered a direct financial loss. It also said that the reason his historical retirement quotations were incorrect was because there was an error with the GMP element of his benefits. The Trustee offered £1,000 for the distress and inconvenience that Mr N had suffered.

24. Mr N was dissatisfied with the Trustee's response and on 16 November 2017, appealed the IDR stage one decision. He said this was due to the facts not being properly considered. In a further email on 24 November 2017, Mr N asked the Trustee to pay £22.21 in respect of the delay that had occurred when his AVC benefits were transferred.
25. Mr N transferred his benefits of £735,767.68 on 15 January 2018.
26. On 19 February 2018, the Trustee responded under the IDR stage two, it agreed with the stage one decision. It did not uphold the main aspect of Mr N's complaint which relates to a claim for financial loss arising from reliance on the incorrect quotations. The Trustee reiterated its offer of £1,000 for distress and inconvenience. In addition, it agreed to pay £22.21, representing the difference in the investment value between the balance when the AVC transfer was received, and the balance when it was invested, which was later than expected.
27. After a further review, the Trustee increased its offer to £2,000 in respect of Mr N's distress and inconvenience. It also agreed to pay £22.21, previously offered for the AVC transfer delay issue.

Adjudicator's Opinion

28. Mr N's complaint was considered by one of our Adjudicators who concluded that there had been maladministration. The Adjudicator's findings are summarised below:-
 - The Trustee agreed that the historical retirement quotations sent to Mr N from Equiniti were incorrect. The provision of incorrect retirement quotations amounts to maladministration.
 - As maladministration had occurred, the normal course of action would be to try and put Mr N back into the position he would have been in had the mistake not occurred. Essentially, Mr N is saying that he relied on the incorrect information provided to his detriment. He says he left employment based on the 2015 Quotation. As he had been living off his savings in expectation of receiving a higher annual pension of about £28,600 and not £21,900, he asserts that this has resulted in a significant change to his financial position.
 - A finding of maladministration is not sufficient to establish detrimental reliance. To succeed, it will be necessary to conclude that it was reasonable for Mr N to have relied on the incorrect information and that he suffered a loss as a result.
 - The cause of the incorrect retirement quotations was an error in calculating the GMP element of Mr N's benefits. As these were the first quotes that Mr N obtained from Equiniti, it was the Adjudicator's view that it may not have been immediately obvious to him that the calculation had been processed incorrectly. The quotation was a projection of his benefits at his NRD, which was over 18 months away at that point. In her view, the explanation of why the 2015 Quotation was incorrect

was sufficient and showed that Mr N's benefits needed to be recalculated to ensure he received the correct Scheme benefits.

- It cannot be said that Mr N has suffered an actual loss because he was never entitled to the higher amounts stated in the retirement quotations from Equiniti. The quotations said, "all figures are for illustration purposes only and are not guaranteed". In the Adjudicator's view, the first element is not satisfied as it was not reasonable for Mr N to have relied on the 2015 Quotation and the May 2016 Quotation. Mr N should have been aware that the amounts quoted could go up or down, so it was not reasonable to make financial decisions solely based on a quotation. Also, there is no evidence that Mr N tried to mitigate his losses when he discovered that the annual pension would be lower. It does not appear that he sought further employment.
- Mr N's Scheme benefits can only be calculated using the correct method. Mr N can only receive the benefits he is entitled to in accordance with the Trust Deed and Scheme Rules.
- There was a delay in providing Mr N with a CETV, but Mr N accepts that the September 2017 CETV Illustration for £735,767.68, was significantly higher than the 2016 CETV Illustration for £629,328. It was also higher than the April 2017 CETV Illustration for £733,345.74. So, Mr N had not suffered a loss due to not receiving his transfer payment until January 2018.
- Ultimately the annual pension did decrease in value, but Mr N transferred his benefits elsewhere. This suggests that he believed he was able to find better pension provision elsewhere.
- In respect of his retirement quotations, there is no dispute that Mr N suffered a loss of expectation due to Equiniti's error. The correct retirement quotations were between £6,000 and £8,000 per annum lower than Mr N expected to receive. However, the Adjudicator noted that Mr N made the decision to transfer his benefits out of the Scheme, so it is likely that he believed he had found a better option elsewhere and a higher pension. The delays incurred undoubtedly caused Mr N severe distress and inconvenience. This has been acknowledged and an offer of £2,000 has been made. The Adjudicator was of the view that the award was an appropriate amount.
- In addition, the Trustee offered Mr N £22.21 for the loss incurred as a result of the delay with the AVC transfer in August 2017. It represents the difference in the investment value between the balance when the AVC transfer was received and the balance when it was invested, which was later than expected.
- While Mr N's complaint is against WTW, Equiniti and the Trustee. The Trustee is ultimately responsible for the administration of the Scheme; the Adjudicator believed that Mr N's complaint should be partly upheld.

29. Mr N did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr N provided his further comments which do not change the outcome. I agree with the Adjudicator's Opinion and I will therefore only respond to the points made by Mr N for completeness.
30. Mr N said in summary:-
- He could not have known the 2015 Quotations were incorrect. Therefore, it was reasonable for him to rely on the quotations, and leave employment based on them.
 - He would like to understand the test applied by my Office when deciding whether a quotation should or should not be relied upon.
 - He has suffered clear detrimental reliance as it is clear his decisions flowed on from the incorrect information.
 - He did not seek further employment as he was waiting to know the outcome of his complaint.
 - Equiniti did not keep its records up to date for many years, so he was unable to get an accurate quotation.
 - He did not agree that the award for distress and inconvenience adequately compensated him for the financial hardship he faced as a result of the Trustee's error.

Ombudsman's decision

31. Mr N's complaint against the Trustee, WTW, and Equiniti, is that his entitlement under the Scheme is significantly lower than stated in previous retirement benefit quotations provided for him by Equiniti. Further, there was a delay in transferring the AVC element of his pension.
32. Mr N has said that he had no way of knowing the information he received in 2015 was incorrect. It is true that it may not have been clear that there were errors, but this does not give him an entitlement to higher benefits.
33. The Trustee has a duty to ensure that the correct benefits are paid. It would be a breach of its duties to allow payments that exceeded the member's entitlement.
34. Mr N has asked when quotations should be relied upon. Quotations are only provided as a guide and I appreciate that there was a significant drop in the pension value. But it was not reasonable for Mr N to rely on the amount. Quotations always provide disclaimers saying that they are subject to change. The quotations clearly stated that they were for illustration purposes only and are not guaranteed, it is unreasonable to make life altering decisions on something that was never guaranteed.

35. Mr N believed that it was clear his financial decisions were based upon incorrect information. Mr N would like to be compensated for the incorrect quotations and for being put into a position where he has had to live off his savings whilst he waited for the complaint to be dealt with. Mr N also said he could not mitigate his loss until his complaint had been considered. I do not agree, there was nothing to stop Mr N seeking employment whilst his complaint was being dealt with. He made the decision not to do so and the Trustee cannot be held responsible for his decision.
36. Equiniti did not keep its records up to date. There is no dispute that there was poor service from both Equiniti and WTW, as the respective Scheme administrators. But this does not mean that Mr N should receive higher benefits to which he has no entitlement.
37. Ultimately, Mr N made the decision to transfer his benefits out of the Scheme. So, although he is complaining about his pension value decreasing it is no longer relevant as he no longer holds any Scheme benefits. He received the correct transfer value which discharged any further liabilities from the Scheme.
38. It is clear that the service failings would have caused Mr N severe distress and inconvenience. During my Office's investigation the Trustee has increased its offer to £2,000 for the severe distress and inconvenience caused to Mr N, which I consider to be reasonable in the circumstances.
39. I partly uphold Mr N's complaint.

Directions

40. In respect of the maladministration the Trustee shall, within 21 days of the date of this Determination:
 - award Mr N £2,000 in recognition of the severe distress and inconvenience he has suffered in dealing with this matter; and
 - pay Mr N £22.21 in respect of the AVC transfer delay.

Anthony Arter

Pensions Ombudsman
27 February 2020