

Ombudsman's Determination

Applicant	Mrs Maureen Bone
Scheme	Friends Life Personal Pension Plan (the Plan)
Respondent	Friends Life

Complaint Summary

Mrs Bone has complained that the actual transfer value of her pension plan is lower than the value Friends Life originally quoted.

Summary of the Ombudsman's Determination and reasons

The complaint is upheld against Friends Life because they were contractually obliged to Mrs Bone to honour the incorrect valuation.

Detailed Determination

Material Facts

1. Mrs Bone has been a member of the Plan since April 1996. Her retirement date was 10 April 2012, but she did not take her benefits then.
2. At the time, capital units should have been converted to accumulation units and there should have been a switch from with-profits to cash on Mrs Bone's instructions. Neither took place, unbeknown to Mrs Bone.
3. In January 2014 Mrs Bone asked Friends Life for a valuation. The figure given over the phone was £55,583.72, which Mrs Bone requested to be confirmed in writing. When confirmation was not received by February 2014 Mrs Bone made a complaint to Friends Life.
4. Friends Life responded on 17 February 2014 apologising for the delay and explaining that it was due to the unit conversion and switches not being done at the original retirement date. They offered Mrs Bone £50 as a gesture of goodwill.
5. Friends Life then sent a statement to Mrs Bone on 28 February 2014 which showed the value as £46,888.42.
6. As this was lower than originally quoted, Mrs Bone complained again to Friends Life. Internally Friends Life agreed they would honour the value quoted on 28 January 2014 and a retirement pack was sent on 1 April 2014 confirming the pension fund value to be £55,783.72. A copy was also sent to Mrs Bone's Independent Financial Advisor, Mr E.
7. On 3 April 2014 Mr E rang Mr McNally to confirm the figure of £55,783.72. During this phone call it was confirmed this figure would still be honoured if the request to transfer funds was received before 30 April 2014.
8. Mrs Bone then completed the relevant forms and returned them to Friends Life before the 30 April 2014 deadline.
9. Mr E rang Friends Life on 16 May 2014 to check on the progress of the transfer as it had not yet taken place. He was told the delay was due a clerical error and the money would be transferred on 19 May 2014. He was also told the amount to be transferred was £50,582.29.
10. On 20 May 2014 Mrs Bone complained again to Friends Life as result of the lower amount being transferred. Friends Life said on 9 June 2014 that the quote was never guaranteed as it could fluctuate on a daily basis. They also said that the change in amount was due to the switch not being carried out in 2012.

11. Friends Life said they had put the Plan in the position it would have been in had the switch happened correctly in 2012. If the units had been moved in 2012 as requested to the Cash fund, the value of the plan would currently be £50,582.29.
12. Friend Life say they will not honour the £55,583.72 and have transferred £50,582.29 to Mrs Bone's chosen provider, Scottish Life.
13. Friends Life say that the law limits entitlements to the correct benefits when a mistake has been made and compensation should be limited to any financial loss caused by the error (and there is none in this case). They have made an offer of £800 for any distress and inconvenience caused and for the loss of expectation.

Conclusions

14. As Friends Life say, Mrs Bone was in principle only entitled to the correct benefits under the Plan. The initial mistake did not entitle her to more than that. She would not have been entitled to more had Friends Life not made her an offer – which she accepted – of a higher sum.
15. In substance, Friends Life's decision to honour the figure given in January 2014 was an offer made to Mrs Bone to settle her complaint. She was told (through Mr E) that the offer was open until 30 April 2014 and she took it up within that time.
16. Although the true policy value may have been lower, all the elements of a contract for the additional sum were present. There was an offer which was accepted for the consideration of Mrs Bone withdrawing her complaint.
17. It seems that Friends Life simply decided that the offer should not have been made, because when they had agreed to make it they did not realise that the switch had not been completed. If they entered into a contract under a mistake of their own, that is no concern of Mrs Bone's.
18. I uphold the complaint; therefore I find that Friends Life should make up the difference in the value of Mrs Bone's Scottish Life pension. I also find that Mrs Bone will have suffered some distress as a result of their failure to adhere to the original offer, for which she should be compensated.

Directions

19. Within 28 days of Mrs Bone informing Friends Life of the present value of the £50,582.29 transfer to Scottish Life, they are to pay to her Scottish Life plan the sum of £5,197.62 divided by £50,582.29 and multiplied by the present value.

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20. At the same time Friends Life shall pay Mrs Bone £100 in compensation for the inconvenience caused by Friends Life reverting on their original decision on this complaint and as a result the delays in the full transfer value being paid.

Tony King

Pensions Ombudsman
18 March 2015