

Ombudsman's Determination

Applicant	Mr E
Scheme	Aviva Retirement Annuity Contract (the Policy)
Respondent	Aviva

Outcome

1. I do not uphold Mr E'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. Mr E says he has been unable to obtain an accurate valuation from Aviva of what the Policy will be worth at retirement age.

Background information, including submissions from the parties

4. Mr E started the Policy in March 1985 with the National Mutual Life Association of Australasia Limited – now Aviva. The Policy offers a guaranteed annuity rate (**GAR**), annual bonuses, and a final bonus paid on retirement. The Policy is due to mature in May 2033, when Mr E reaches age 70.
5. In March 2017, after receipt of an annual statement of benefits, Mr E asked Aviva for an up-to-date statement. Aviva replied on 17 March 2017.
6. In April 2017, Mr E contacted Aviva to say that he had received an incorrect statement dated 5 March 2017, showing the Policy transfer value as £0. Aviva apologised for the mistake and sent a corrected statement (the **Statement**), which showed a transfer value of £42,684.
7. Mr E then questioned the bonus figure shown in the Statement and the transfer value. On 23 May 2017, Aviva wrote to him to explain the difference between the projected value of the bonuses at age 70 (£43,659.24) and the value of the current bonuses after a reduction factor had been applied to it (£23,276.51).

8. On 5 June 2017, Mr E wrote to Aviva saying that he was still unhappy about the figures in the Statement. He said that he had received a valuation from Aviva, which showed the Policy would be worth £43,659.24 at the age of 70. He said this was incorrect as his 2015 statement showed his guaranteed amount plus bonus as £51,155.24. On 16 June 2017, Aviva sent another letter explaining how the figures in the Statement had been calculated. They said that the value of £51,155.24 was made up of the accrued bonus figure of £43,659.24 plus the guaranteed sum assured amount of £7,496.
9. In October 2017, Mr E requested illustrations of his projected benefits at age 60 and 65. Aviva sent a benefit illustration showing his projected annuity. The illustration said:-

“The Financial Conduct Authority (FCA) set standard growth rates that companies can use in illustrations, but allow us to use other rates where appropriate. We have used growth rates that we feel give you the most realistic indication of potential future returns”.
10. Aviva used growth rates of -1.50%, 1.50% and 4.50, and also provided an illustration of what Mr E’s GAR could provide. The letter said:-

“This GAR illustration shows the amount of pension that might be payable at [age 60 and 65]. Its purpose is to give you an idea of how much the pension might be worth and is not a promise or guarantee – the figures are not minimum or maximum amounts. Although a guaranteed annuity rate is available, the final value of your pension fund and the amount of lifetime annuity this provides is not guaranteed”.
11. On 24 October 2017, Mr E called Aviva to request more illustrations as at age 55, 60 and 65. He also complained to Aviva that he had been unable to obtain an accurate valuation of what the Policy would be worth at retirement age. Although Aviva had provided illustrations at the ages he had specified, he considered that they were incorrect because they did not show the value of the GAR within the Policy and the final bonus payable on retirement. He said that he had received different statements with different values and that Aviva had made mistakes with the statements provided to him. He asked for further clarity regarding the value of the Policy.
12. On 2 November 2017, Aviva sent Mr E the illustrations. However, they were for age 56 instead of age 55, as Mr E was less than six months from age 55. The letter used the same growth rates as the previous illustrations and included the final bonus amount, which they said was not guaranteed.

13. Aviva also wrote to Mr E on 10 November 2017. They apologised if their letters did not fully explain the situation, but confirmed that the figures were correct. They explained that the growth rates used in the illustrations were the same as those used in other illustrations for policies invested in the same fund. They confirmed that the final bonus was not included in their calculations and that the transfer value quoted to him would be the current value of the Policy, if taken before the intended retirement date. Aviva acknowledged that this would be less than the amount at maturity, to account for the reduction applied to the Policy if taken early.
14. Mr E remained dissatisfied with the response and brought his complaint to this office.

Adjudicator's Opinion

15. Mr E'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 briefly below:-
 - Aviva uses the same growth rates for illustrations issued to policyholders invested in the same funds as Mr E is invested in. Mr E is not entitled to be treated differently to those other policyholders. Furthermore, Aviva does not have to calculate the Policy value in a manner dictated by him.
 - Aviva are unable to provide Mr E with a bespoke illustration as, among other things, they are unable to provide a guaranteed figure for the final bonus included in the Policy. The illustrations Aviva have already provided to him should be sufficient for him to assess his options at retirement and make his retirement plans.
 - Mr E appears to misunderstand the differences in the values provided to him.
 - Aviva are unable to produce a statement for the Policy showing what benefits, including the GAR, Mr E will receive on retirement because the final value of the Policy will not be known until that time.
 - Aviva have complied with their obligations to provide illustrations showing what Mr E may receive at various retirement dates. I accept that the statement dated 5 March 2017 contained an error. However, I note that Aviva promptly corrected the mistake, and issued an amended statement to Mr E. Mr E has also now confirmed receipt of the illustrations of 2 November 2017. Consequently, I cannot find any valid reason to uphold the complaint against Aviva as they have provided illustrations as required by the FCA.
16. Mr E did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr E provided his further comments, but these do not change the outcome. I agree with the Adjudicator's Opinion and I will therefore only respond to the key points made by Mr E for completeness.

Ombudsman's decision

17. Mr E says that there are discrepancies in the statements he has received from Aviva, and the latest projection, dated 29 March 2018, does not include the sum assured or final bonus. He says he did not receive some of the letters Aviva claims they sent to him, and says that some of his calls to Aviva have not been recorded on Aviva's systems.
18. Mr E has clarified that he has not asked to be treated differently, his issue is that the standard growth rates used by Aviva are not applicable to the Policy. He is yet to receive a realistic projection of his pension, including accrued bonuses, sum assured and final bonus, using the GAR stated in the Policy. The accrued bonuses in 2015 amounted to £43,531.67; £43,659.24 in 2016; £23,276.51 in 2017; and then £0.00. While he appreciates that Aviva may not be able to provide an exact fund value at age 60, he would like a more accurate estimate.
19. There is very little that I can add to what Aviva and the Adjudicator have already told Mr E. I appreciate that he would like to receive statements showing what his GAR would be worth on maturity at age 70. Unfortunately, Aviva cannot provide this in advance of his maturity date as future bonuses are unknown.
20. Aviva cannot guarantee the final value of the Policy, and are therefore unable to provide an illustration showing what Mr E will receive on maturity. Mr E has been given statements set out in the manner approved by the FCA.
21. I note that Aviva have also explained how the various figures provided to Mr E have been arrived at, particularly the difference between the value of the accrued bonuses as at 2016 of £43,659.24, the total accrued bonuses as at 2017, and the total accrued bonuses of £23,276.51 available in the event of a transfer.
22. Notwithstanding this, there is no requirement for Aviva to provide Mr E with statements in the format he is requesting. For these reasons, I do not agree that Aviva have done anything wrong in relation to this aspect of his complaint.
23. I accept that Aviva issued a statement to Mr E in March 2017, which incorrectly showed the Policy transfer value as £0. It is disappointing that the same error occurred again in March 2018. However, I note that Aviva made Mr E aware of the issue and that he received statements at other times showing the correct transfer value. I therefore do not find that the matter warrants the minimum award of £500 I would direct for non-financial injustice.
24. Having considered Mr E's complaint, I am satisfied that Aviva have provided all the information they can reasonably be expected to provide in the circumstances.

PO-19948

25. Therefore, I do not uphold Mr E's complaint.

Karen Johnston

Deputy Pensions Ombudsman

24 January 2019