

Ombudsman's Determination

Applicant	Mrs N
Scheme	Principal Civil Service Pension Scheme (the Scheme)
Respondents	Cabinet Office (the CO); and MyCSP (MyCSP)

Outcome

1. I do not uphold Mrs N's complaint, and no further action is required by the CO or MyCSP.

Complaint summary

2. Mrs N has complained that MyCSP provided incorrect information between 2014 and 2018 that stated that Mr N's death-in-service benefits would be two times his salary. Mrs N argues that had the correct information been provided Mr N would have taken out life insurance.

Background information, including submissions from the parties

3. The sequence of events is not in dispute, so I have only set out the salient points.
4. On 21 August 1973, Mr N joined the classic section of the Scheme when he started working for HM Land Registry (**HMLR**).
5. On 1 September 2013, Mr N took partial retirement from HMLR.
6. Between March 2014 and March 2018, MyCSP, the Scheme's administrator, issued Annual Benefit Statements (**ABS**) which showed the value of Mr N's pension benefits, and the death-in-service benefits his widow would receive in the event of his death. The death-in-service lump sum was confirmed as two times Mr N's salary.
7. In April 2014, Mrs N said her husband, Mr N, decided not to purchase additional life insurance based on the information provided in the March 2014 ABS.
8. On 9 September 2018, Mr N died.

9. On 17 September 2018, MyCSP told Mrs N that a death-in-service benefit would not be payable.
10. On 24 September 2018, MyCSP wrote to Mrs N to inform her how it had reached its decision on whether any benefits were payable to her. MyCSP explained that:-
 - Mr N had taken partial retirement in September 2013 and had been paid a lump sum of £81,812.71.
 - At the date of his death Mr N had received £59,655.02 in pension payments.
 - Mr N's pensionable earnings at the date of his death were £23,251.53 and his annual pension accrued since taking partial retirement was £1,460.04.
 - A death-in-service lump sum was payable, which was equal to two times his annual salary.
 - However, the retirement lump sum paid on Mr N's retirement had to be deducted from the death-in-service lump sum ($£23,251.53 \times 2 = £46,503.06$) - ($£46,503.06 - £81,812.71 = -£35,309.65$).
 - As there was no residual amount after this deduction no death-in-service lump sum was payable.
11. On 31 October 2018, Mrs N lodged a complaint with MyCSP.
12. On 3 December 2018, MyCSP responded to Mrs N's complaint. In summary, MyCSP made the following points:-
 - Mr N was a member of the 'classic' section of the Scheme and as a result the 1972 Scheme Rules (**the Rules**) applied (Appendix One).
 - The first page of each ABS included a reminder for the members to "Please remember, this statement is an illustration and not a guaranteed statement of your entitlement" (Appendix Two).
 - On page 7 of the important notes section on the ABS it was confirmed that "the death in service lump sum is based on your final pay. It may be different than the amount shown if you have any outstanding pension contributions or if you have already received a pension and/or lump sum from the scheme. This may have been the case if you have taken partial retirement." (Appendix Three).
 - Based on these points Mr N should have reasonably been aware that there was no death-in-service benefit payable.
13. On 7 January 2019, Mrs N contacted MyCSP to have her complaint reconsidered as she was not happy with the response she received.
14. On 8 February 2019, MyCSP responded to Mrs N's complaint and explained that she was not entitled to any death-in-service payment.

15. On 22 April 2019, Mrs N complained to MyCSP and explained that she was claiming £46,000 as compensation for the financial loss caused by the incorrect and misleading information contained within the ABS sent to Mr N between 2014 and 2018.
16. On 28 May 2019, MyCSP informed Mrs N that she could complain under the Internal Dispute Resolution Procedure (**IDRP**) if she wanted to continue her complaint.
17. On 25 August 2019, Mrs N complained under stage one of the IDRP. In summary Mrs N said:-
 - MyCSP did not follow the Rules when calculating the death-in-service benefit on the ABS between 2014 and 2018.
 - Each ABS issued between 2014 and 2018 showed a death-in-service benefit of two times Mr N's annual salary.
 - Mr N had confidence in the figures provided on the ABS and did not seek third-party advice.
 - Only after Mr N's death was it clear that the benefits stated in the ABS were wrong.
 - She would have received £46,531 from a third-party insurance company if the equivalent life insurance had been purchased.
 - She has suffered non-financial injustice in the form of additional anxiety, distress, and concern by being financially worse off than expected.
 - Her non-financial injustice has been made worse by the time, effort and inconvenience caused by MyCSP.
18. On 25 October 2019, MyCSP responded to Mrs N's complaint under stage one of the IDRP. In summary, MyCSP made the following points:-
 - Rule 3.8 (vii) of the Rules states that civil servants that die after partially retiring are subject to rule 3.9 (ba) (Appendix One).
 - Rule 3.9 (ba) states that a death in service lump sum in the classic section of the Scheme is calculated as the greater of five times the annual rate of pension at the date of death plus five times the annual rate of pension that would have come into payment if the member had taken full retirement at the date of death, less any lump sum payment previously paid or two times pensionable earnings less any lump sum already paid at partial retirement.
 - These calculations were provided to Mrs N on 24 September 2018.
 - When Mr N retired, he opted to take part of his pension as a lump sum payment of £81,812.71. This payment was taken into account when calculating the death-in-service sum lump.

- As the death-in-service lump sum paid to Mr N was greater than both of the calculations as per Rule 3.9 (ba) there was no further payment due.
- It agreed that in the 2018 ABS the death-in-service lump sum was quoted as £46,531.00. However, the Important Notes section provided with each ABS stated (Appendix Three);

"The death in service lump sum is based on your final pay. It may be different than the amount shown if you have any outstanding pension contributions or if you have already received a pension and/or lump sum from the scheme. This may have been the case if you have taken partial retirement."

- Each ABS was an illustration of a member's benefits. It was not confirmation of the benefits they would receive when they retired, or a definitive valuation of their benefits at the date of the statement.

19. On 3 January 2020, Mrs N complained under stage two of the IDR. In summary she made the following points:-

- Mr N accepted the death-in-service figure as it related to his own personal details at the time each ABS was produced.
- It was unreasonable to expect that members knew that each ABS was not tailored to their exact circumstances. This was especially the case for Mr N as each ABS quoted his personal details as a reference.
- The inaccurate information provided in each ABS meant that Mr N believed Mrs N would have received a death-in-service lump sum of twice his salary.

20. On 15 May 2020, MyCSP responded to Mrs N's complaint under stage two of the IDR. It said that:-

- There was no dispute that there was no entitlement to a death-in-service lump sum.
- The ABS included a covering letter which clearly stated (Appendix Two):

"It is key that you read it in conjunction with the important notes section at the back of this statement. But please remember, this statement is an illustration and not a guaranteed statement of entitlement."

- Mr N's decision not to purchase life insurance was made shortly after he partially retired in 2014. The information relating to death benefits would have been available to Mr N via the partial retirement booklet prior to his partial retirement and he would have been able to seek financial advice prior to that decision.

- The information provided in the ABS (particularly the information included in the covering letter and Important Notes section) was not misleading and there had been no maladministration as a result.

Adjudicator's Opinion

21. Mrs N's complaint was considered by one of our Adjudicators who concluded that no further action was required by the CO or MyCSP. The Adjudicator's findings are summarised below:-

Figures quoted in the ABS

- Mrs N argued that the ABS issued between 2014 and 2018 were personalised and it was reasonable to assume that Mr N would receive a death-in-service benefit of two times his salary. The Rules state that the ABS must be provided to all members active, partially retired or deferred. The ABS also included a number of cautions that the figures quoted were illustrative and may not apply to the member. The Adjudicator said it was unfortunate that Mr N had assumed the figures quoted in the ABS applied to him however he should have sought financial advice or further guidance from MyCSP before making the decision not to purchase life insurance. It was the Adjudicator's opinion that while the information in each ABS could have been clearer, he was satisfied that there was no maladministration.

The Scheme Rules

- The Rules state that the death-in-service lump sum will be reduced if the member has partially retired. In Mr N's case this meant that there was a negative amount of money available, and so no death-in-service lump sum was payable.
- Mrs N acknowledges this part of the Rules and the compensation she is seeking relates to the alleged maladministration by MyCSP providing ABS which meant that Mr N did not take out life insurance. In the Adjudicator's view, based on the information provided in the ABS (including the covering letter and the important notes section), it was clear that the quoted death-in-service lump sum would not apply to Mr N and that MyCSP provided sufficient information to make Mr N aware of this.

Financial Advice

- Mr N had been provided with a 'partial retirement booklet'. This booklet explained the implications of partial retirement and the impact on his death-in-service lump sum. After partial retirement Mr N could have chosen to take out a life insurance policy. If Mr N was unsure of the implications of partial retirement, he could have sought financial advice or contacted MyCSP for further clarification. Unfortunately, this was not done and Mr N remained under the impression that a death-in-service lump sum would be paid.

Financial loss

- Due to the expectation of the death-in-service lump sum on Mr N's death, Mrs N believes she has suffered a financial loss which has resulted in distress. The Adjudicator said that while this was unfortunate, the information provided in the ABS clearly stated that the death-in-service lump sum quoted was illustrative and may not apply to Mr N. He would have been able to clarify this or seek financial advice when deciding whether to take out life insurance. The Adjudicator sympathised that it would have been distressing for Mrs N to learn that no death-in-service lump sum was payable, however he was of the view that MyCSP did not mislead Mr N and had followed the Rules.

Maladministration

- The Adjudicator appreciated that the expectation of a death-in-service lump sum had led to disappointment and that the IDRPs stages have caused further frustration and delays for Mrs N. However, the Rules have shown a death-in-service lump sum cannot be paid in these circumstances and the IDRPs must be followed when a complaint is made against a scheme. The Adjudicator said that the IDRPs had not taken an unusually long amount of time and MyCSP followed the correct procedure when completing it. It was the Adjudicator's opinion that MyCSP followed the Rules and the IDRPs correctly and there had not been any maladministration.

22. As Mrs N did not accept the Adjudicator's opinion, the complaint was passed to me to consider. Mrs N has provided further comments, which are summarised below:-

- The information provided in the ABS was incorrect as it showed 'Your Death in Service Lump Sum' and that 'Every effort has been made to ensure that this statement is accurate. It is based on the latest data that is held'. This information misled Mr N into believing the death-in-service lump sum applied to him.
- It was reasonable for Mr N to rely on the information provided as he interpreted the 'not guaranteed' caveats to mean that the death-in-service lump sum would be available unless his circumstances changed. For this reason, Mr N would not need to seek financial advice as his circumstances had not changed since receiving the ABS.
- Mr N incurred a financial loss from relying on the information in each ABS as he then decided not to take out life insurance. This meant that when Mr N died there was no insurance policy or death benefit available.

23. I have considered Mrs N's comments but they do not change the outcome, I agree with the Adjudicator's Opinion.

Ombudsman's decision

24. My role is to consider whether the Rules have been followed correctly and to determine whether the information provided to Mr N regarding his death-in-service benefits was incorrect and amounted to maladministration.
25. Mrs N complained that Mr N was provided with ABS which provided incorrect information about his death-in-service benefits leading him to make a decision not to take out Life Insurance.
26. The figures quoted in the ABS, issued between 2014 and 2018, included information provided to all members of the Scheme in accordance with the Rules. Although the ABS included the use of the word "Your", and said it was "based on the latest data that is held", they also included clear indications that the information shown may not apply to Mr N. Specifically, the covering letter outlined that the ABS must be read in conjunction with the important notes section and that "this statement is an illustration" (Appendix Two).
27. When reading the important notes section on the ABS, it is clearly explained that individual death-in-service lump sums may be different than the amount shown, "if you have already received a pension and/or lump sum from the scheme" and that, "This may have been the case if you have taken partial retirement" (Appendix Three). I find that MyCSP has acted appropriately when providing this information and it is unfortunate that it has been misinterpreted by Mr N.
28. The Rules explain how the death-in-service lump sum is calculated and when applying this calculation to Mr N's circumstances the result is a negative value. This meant that there was no death-in-service lump sum payable in Mr N's case. Mrs N has agreed to this but has said that MyCSP caused maladministration due to the information provided in the ABS that caused Mr N to not take out life insurance.
29. As explained in paragraph 21 above, the ABS had to be provided to all members as a requirement and included a sufficient explanation that Mr N could have sought financial advice or further information from MyCSP or the CO if he was unclear about his death-in-service lump sum. The 'partial retirement booklet' further highlighted the implication of partially retiring and the impact it would have on the death-in-service lump sum.
30. It is clear that MyCSP has taken the relevant steps to ensure that Mr N would have known that on partial retirement his death-in-service lump sum would be reduced or would not be available. On this basis Mr N could have sought financial advice or further information from MyCSP or the CO. I find that MyCSP and the CO cannot be responsible for a financial loss in this case as Mr N was provided with sufficient information. It is unfortunate that Mr N assumed that the death-in-service lump sum shown in the ABS applied to his circumstances.
31. Mrs N has argued that MyCSP's maladministration in providing death-in-service lump sum figures in the ABS which did not apply to Mr N has led to a financial loss. As

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MyCSP and the CO have acted within the Rules and provided the required information I find that there has been no maladministration by them.

32. I do not uphold Mrs N's complaint.

Anthony Arter CBE

Deputy Pensions Ombudsman
11 November 2024

Appendix One

PCSPS Section II The 1972 Section

Section 3 Retirement and Death Benefits

3.8 (i) Subject to paragraph (vii), if a civil servant dies in service, a death benefit may be paid to one person nominated by him to receive it or, in the absence of a valid nomination, to his personal representatives.

(vii) Where a civil servant is entitled to receive a pension under rule 3.3b (partial retirement) on the day before his death rule 3.9(ba) applies instead of this rule.

3.9(ba) Where a civil servant partially retires under rule 3.3b and dies after becoming entitled to a pension under rule 3.3b but before full retirement, a supplementary death benefit may be paid to the person nominated by him under rule 3.8 for a death benefit, or (in the absence of a valid nomination) to his personal representatives, which will be the greater of:

(i) an amount obtained by calculating:

(1) five times the annual rate of pension in payment to him at the date of death (including any contributed pension payable under section 14 and any increase under the Pensions (Increase) Act 1971, as amended but excluding any additional pension resulting from an election under rule 3.1a), plus

(2) five times the annual rate of pension that would have come into payment to him if he had taken full retirement at the date of death (disregarding any early payment reduction and including any contributed pension payable under section 14), less

(3) the total of any lump sums and pension already paid to him including any lump sum and pension paid under section 14; and

(ii) an amount obtained by calculating:

(1) the benefit that would have been paid in respect of the civil servant if rule 3.8(v) applied at the date of his death, less

(2) any lump sum already paid to him on partial retirement.

Appendix Two

ABS – Covering letter

“It is key that you read it in conjunction with the important notes section at the back of this statement. But please remember, this statement is an illustration and not a guaranteed statement of entitlement.”

Appendix Three

ABS – Your benefits at a glance section – Important Notes

“The death in service lump sum is based on your final pay. It may be different than the amount shown if you have any outstanding pension contributions or if you have already received a pension and / or lump sum from the scheme. This may have been the case if you have taken partial retirement.”