

## Ombudsman's Determination

Applicant	Dr K
Scheme	Wesleyan Personal Pension Plan ( <b>the Plan</b> )
Respondent	Wesleyan Assurance Society ( <b>Wesleyan</b> )

## Outcome

1. I do not uphold Dr K's complaint and no further action is required by Wesleyan.

## Complaint summary

2. Dr K has complained that Wesleyan failed to collect his pension contributions for a period of 15 months. He is also dissatisfied that the value of his Plan benefits did not significantly increase after he paid the outstanding contributions.

## Background information, including submissions from the parties

3. Dr K is a member of the Plan.
4. On 15 March 2019, Dr K sent a letter to Wesleyan, requesting that it extend his retirement date from August 2019 to August 2024.
5. On 20 May 2019, Dr K wrote to Wesleyan again asking that it extend his retirement date from August 2019 to August 2024.
6. Around May 2019, Wesleyan responded to Dr K and confirmed in writing that his retirement date would be extended to August 2024.
7. On 6 August 2020, Wesleyan issued a quotation to Dr K which showed that the value of his Plan benefits was £128,275 (**the First August 2020 Quotation**).
8. On 21 August 2020, Wesleyan issued another quotation to Dr K which showed that the value of his Plan benefits was £132,691 (**the Second August 2020 Quotation**).
9. In October 2020, Dr K noticed that Wesleyan had failed to collect monthly contributions for the Plan for 15 months. He informed his Independent Financial Adviser (**the IFA**), who then contacted Wesleyan.

10. Wesleyan investigated the matter and informed Dr K that an administrative error had occurred when processing the extension of his retirement date from August 2019 to August 2024, in that the final contribution payment date was not extended to the new retirement date, resulting in contributions not being collected from July 2019.
11. As a resolution, Wesleyan offered to accept the accumulated 15 months of outstanding contributions as a lump sum from Dr K and stated that a new direct debit instruction could be created for him for the payments to continue moving forward. Additionally, Wesleyan offered Dr K a total of £300 as compensation: £100 for the distress and inconvenience he experienced, and £200 for the tax relief lost due to its failure to collect the contributions.
12. On 5 November 2020, Dr K accepted Wesleyan's proposed resolution.
13. On 17 November 2020, The IFA emailed Wesleyan, requesting that it provide Dr K with an up-to-date quotation showing the total value of his Plan benefits. The IFA followed up this request on 25 November 2020.
14. Wesleyan responded to the IFA, explaining that it had not received the email sent on 17 November 2020. It asked the IFA to resubmit the request for an up-to-date quotation so that it could be prioritised moving forward.
15. On 4 December 2020, Wesleyan issued a quotation to Dr K which showed that the value of his Plan benefits was £131,253 (**the December 2020 Quotation**).
16. On the same date, Dr K raised a complaint with Wesleyan, saying that the value of his Plan benefits in the December 2020 Quotation was lower than in the Second August 2020 Quotation, despite having made 15 months of contributions retrospectively. He also mentioned that the December 2020 Quotation failed to show how the additional contributions had been factored into the calculation of his Plan benefits.
17. On 28 January 2021, Wesleyan provided Dr K with a final response letter. It said that:-
  - Typically, when the Plan becomes paid up, and remains so for more than six months, it does not allow members to reinstate their contribution payments. However, due to the administrative error that led to Dr K's contributions not being collected in line with his new retirement date of August 2024, it had allowed Dr K to reinstate his contributions.
  - The Second August 2020 Quotation was incorrect due to human error. However, Dr K had indicated that he had assumed something was incorrect, as the value of his Plan benefits could not have increased by £4,000 between 6 August and 21 August 2020. Nevertheless, it accepted that it should have reviewed the Second August 2020 Quotation before it was issued.
  - The value of Dr K's Plan benefits did not significantly increase after he paid the missing contributions as the Plan was not a unitised with-profits arrangement. So,

adding funds did not increase the value of a member's Plan benefits as the funds were not used to purchase units.

- Also, when Dr K's retirement date was extended, his Plan benefits were projected forward under the assumption that contributions would be paid on a monthly basis up until the new retirement date and calculated as if his contributions were collected between July 2019 and December 2020, despite no contributions being paid during this period. As a result, his Plan benefits did not increase in value after he paid the outstanding contributions.
- It was upholding Mr K's complaint in relation to the administration errors that had occurred over the past year. These errors included the provision of an incorrect quotation and its failure to extend the final contribution payment date in line with Dr K's retirement date of August 2024. It offered Dr K additional compensation of £150 for the distress and convenience he had experienced.

18. On 9 February and 9 March 2021, Dr K emailed Wesleyan expressing dissatisfaction with its response. He said that Wesleyan gave the impression that his retirement date was extended through some automatic procedure, disregarding the letters he had sent on 15 March and 20 May 2019. Additionally, he mentioned that neither he nor the IFA had provided any confirmation as to whether the Second 2020 August valuation was incorrect. He said that he had only assumed something was wrong because the value of his Plan benefits in the December 2020 Quotation was lower than in the Second August 2020 Quotation, despite having made 15 months of contributions.
19. On 22 March 2021, Wesleyan responded to Dr K and apologised that it had given him the impression that his retirement date was extended through an automatic process. Wesleyan also explained that when it recalculated his Plan benefits, it realised that the Second August 2020 Quotation was incorrect, and it subsequently issued a revised quotation on 4 December 2020 which showed the correct value of Dr K's Plan benefits. It concluded by saying that it had already paid Dr K £300 for its administrative errors. However, the additional £150 compensation it outlined in its 28 January 2021 response was still available.

### **Adjudicator's Opinion**

20. Dr K's complaint was considered by one of our Adjudicators who concluded that no further action was required by Wesleyan. The Adjudicator's findings are summarised below, in paragraphs 21 to 27.
21. As the administrator of the Plan, Wesleyan had a responsibility to collect Dr K's contributions at the correct rate for the correct duration. This included when he requested that his retirement date be extended from August 2019 to August 2024. In the Adjudicator's opinion, Wesleyan's failure to collect Dr K's contributions from July 2019 to December 2020 constituted maladministration.

23. When it has been identified that a respondent to a complaint's actions amount to maladministration, the Pensions Ombudsman (**the PO**) requires that the affected member be restored back to the position they would have been in but for the maladministration. In Dr K's case, Wesleyan had permitted him to retrospectively make 15 months' worth of contributions through a lump sum payment, had paid him £200 to cover the loss of tax relief and £100 for the distress and inconvenience he had experienced. Considering this, the Adjudicator concluded that Wesleyan had adequately remedied its maladministration in relation to its failure to collect Dr K's further contributions. In essence, Dr K was restored to the position that he would have been in, had Wesleyan correctly collected his contributions between July 2019 and December 2020.
24. The Adjudicator acknowledged that Dr K's Plan benefits did not significantly increase after he paid the outstanding contributions. However, she explained that this was because Wesleyan had calculated his Plan benefits as though contributions had been collected between July 2019 and December 2020, despite the actual collections not taking place. Further, she noted that, the Plan in question was not a 'unitised' with-profit plan. In non-unitised with-profit plans, investments were pooled together, and the returns were smoothed over time to avoid direct impact of market volatility. This meant that changes in the value of the fund did not occur as frequently or rapidly as in unitised with-profit plans, where assets were divided into units with prices that fluctuated daily based on market conditions.
25. Additionally, there was no dispute that Dr K was provided with an incorrect quotation on 21 August 2020. Wesleyan had confirmed that the Second August 2020 Quotation was incorrect due to human error and that it overstated the value of Dr K's Plan benefits.
26. In cases of misinformation, the PO would only uphold a complaint and provide redress, if it could be shown that a financial loss or non-financial injustice had resulted from the incorrect information. In Dr K's case, there was no evidence that he made any financial decisions based on the Second August 2020 Quotation. Therefore, financial loss did not need to be considered.
27. In relation to non-financial injustice, Wesleyan had offered Dr K £150 in addition to the £300 already paid as compensation. In the Adjudicator's view, this level of compensation was reasonable and a higher award for non-financial injustice was not warranted in this case. She noted that, Dr K was provided with the First August 2020 Quotation just 15 days before he received the Second August 2020 Quotation. The first quotation valued Dr K's Plan benefits at £128,275, while the second quotation valued them at £132,691. Given that, Dr K's Plan benefits could not have increased in value by £4,000 in such a short period, he could have reasonably identified that the Second August 2020 Quotation was incorrect from the outset. Consequently, it was the Adjudicator's opinion that Dr K's complaint should not be upheld.
28. Dr K did not accept the Adjudicator's Opinion but did not raise any additional arguments. He reiterated his concern that the value of his Plan benefits did not

significantly increase after he had paid the outstanding contributions for the period between July 2019 and December 2020. He took issue with the Adjudicator's statement that "Wesleyan had calculated his Plan benefits as though contributions had been collected between July 2019 and December 2020, despite the actual collections not taking place".

29. The Adjudicator raised Dr K's concerns with Wesleyan and requested a detailed breakdown of his Plan benefits. The information Wesleyan provided is set out in the Appendix.
30. As Dr K did not accept the Adjudicator's Opinion, the complaint was passed to me to consider. I have taken note of Dr K's additional comments, and the additional information received from Wesleyan, but I concur with the Adjudicator's Opinion summarised above. So, I will address only the central issue of Dr K's complaint, which concerns the value of his Plan benefits.

### **Ombudsman's decision**

31. Dr K remains dissatisfied that he did not see a significant increase in the value of his Plan benefits after he paid the outstanding contributions for the period between July 2019 and December 2020.
32. I find that the main reason Dr K's Plan benefits did not significantly increase after he paid the outstanding contributions is due to the nature of the Plan. As already explained by the Adjudicator, the Plan is a non-unitised with-profit plan, where the value does not increase suddenly with individual payments but grows steadily over time through bonuses. The managers of such plans use a 'smoothing' process to reduce volatility and ensure fairness for all investors. This involves holding back some investment gains in good years to provide consistent bonuses in future years when investments may not perform as well. This smoothing mechanism is unique to non-unitised with-profit plans and aims to provide stable investment gains overtime. Therefore, when Dr K paid the 15 months of outstanding contributions for the period between July 2019 and December 2020, as a lump sum, the impact on the value of his Plan benefits was moderate.
33. Additionally, Wesleyan explained in its final response dated 28 January 2021 that when Dr K's retirement date was extended from August 2019 to December 2024, his Plan benefits were projected forward assuming that contributions would be collected monthly throughout this period. This meant that even though contributions were not actually collected between July 2019 and December 2020, his Plan benefits reflected as though they had been. While Dr K may be sceptical of this explanation, I have no reason to doubt Wesleyan's account. Regardless, even if this was not the case, the smoothing mechanism employed in non-unitised with-profit plans ensures consistent performance, so during the period when contributions were not being collected from Dr K, his Plan benefits would have remained relatively unaffected. Consequently,

when the outstanding contributions were eventually paid, the change in the value of his Plan benefits was minimal.

34. Wesleyan has provided a detailed breakdown of Dr K's Plan benefits, and after reviewing this information, I am satisfied that his benefits have been calculated correctly. I find no reason to doubt the figures provided by Wesleyan. Although I accept that non-unitised with-profit plans can appear complex, their performance is externally monitored and subject to regulatory scrutiny to ensure fair treatment of all investors.

35. I do not uphold Dr K's complaint.

**Anthony Arter CBE**

Deputy Pensions Ombudsman

29 July 2024

**Appendix**

<b>Date of Calculation</b>	<b>20 August 2019</b>	<b>20 August 2020</b>	<b>20 August 2020</b>
Date of Last Contribution	2 August 2019	2 July 2019	2 August 2020
Guaranteed Cash Sum	£47,569.34	£49,186.21	£50,389.43
Reversionary Bonus	£13,999.52	£15,297.49	£15,298.94
Interim Reversionary Bonus	£446.25	£470.19	£476.29
Terminal Bonus	£54,412.40	£55,975.83	£56,002.06
Uplift	----	£6,046.49	£6,108.34
Total value of Plan Benefits	£116,427.51	£126,976.21	£128,275.06