

Ombudsman's Determination

Applicant	Mr S
Scheme	Royal London Group Personal Pension Plan (the Plan)
Respondents	Royal London (RL)

Outcome

1. Mr S' complaint against RL is partly upheld, but there is a part of the complaint with which I do not agree. To put matters right, RL shall pay Mr S £500 in recognition of the significant distress and inconvenience he has experienced as a result of its maladministration.

Complaint summary

2. Mr S has complained that:-
 - 2.1. RL provided incorrect and misleading information in an annual benefits statement and insisted the information was correct when he queried it.
 - 2.2. He missed an opportunity to make additional pension contributions as the result of his reliance on RL's incorrect information. Had he been given the correct information, he would have considered using part of his savings to make additional pension contributions, rather than using it for other purposes.
 - 2.3. He was forced to contact RL twice to correct its error, requiring him to make unnecessary telephone calls and causing him stress and inconvenience.

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. I acknowledge there were other exchanges of information between all the parties.
4. Mr S was a member of the Plan, a money purchase pension plan to which both he and his employer contributed.
5. In February 2019, RL issued a benefits statement for the Plan (**the February 2019 statement**) to Mr S. The February 2019 statement provided an estimated value of the

Plan of £62,600 at Mr S' normal retirement date (**the NRD**) in November 2029, based on the following assumptions:-

5.1. Future inflation would be 2.5%.

5.2. The Plan's investments would grow at 1.6% above the assumed rate of inflation.

6. The February 2019 statement also said, in relation to the pension contributions assumed to be paid in to the Plan:

"Your contributions and your employer's contributions will increase each year in line with salary. We have assumed your salary will increase by 2.5% each year. Regular contributions will continue until the earlier of your chosen retirement date or your 75th birthday."

7. Mr S was made redundant in January 2021 and the contributions to the Plan ceased.

8. Mr S received an annual benefits statement in January 2021 (**the January 2021 statement**) which valued the Plan's investments on 26 January 2021 at £24,326.40 and provided an estimated value of £65,100 at the NRD, based on the following assumptions:-

8.1. Future inflation would be 2.5%.

8.2. The Plan's investments would grow at 1.4% above the assumed rate of inflation

9. In relation to the pension contributions assumed to be paid in to the Plan, the January 2021 statement said:

"No further contributions will be paid into your plan".

10. In March 2021, Mr S contacted RL to ask if the January 2021 statement took into account the discontinuance of pension contributions. RL said that it did.

11. Mr S contacted RL again in September 2021, following receipt of a retirement options letter which illustrated values that did not correspond with the January 2021 statement. Mr S was under the impression that RL did not want to deal with his call as he was cut off twice.

12. When Mr S succeeded in making contact with RL, it told him that he was misinformed in March 2021 and that the assumption in the January 2021 statement did not mean no further pension contributions would be paid to the Plan; it meant no additional regular or ad-hoc pension contributions would be paid in addition to the existing regular pension contributions. Mr S complained that he had been misled.

13. RL responded to Mr S' complaint in September 2021. It agreed that Mr S had received poor service and offered him £200 as a goodwill gesture. It also provided a corrected benefit statement (**the September 2021 statement**) in which the estimated value of the Plan's investments at the NRD was £28,300 on the basis of an investment growth rate of 1.1% above inflation.

14. Mr S did not accept RL's response, as he considered that £200 was insufficient in relation to the distress suffered because of the fall in the expected value of the Plan's investments and the inconvenience of the telephone calls he was forced to make to establish the correct position. In Mr S' opinion, an award of £1,500 would have been appropriate.

Adjudicator's Opinion

15. Mr S' complaint was considered by one of our Adjudicators who was of the view that part of the complaint should be upheld. The Adjudicator's findings are summarised below:-
 - 15.1. When Mr S questioned the January 2021 statement, RL failed to adequately investigate, identify and correct its error. When Mr S raised the matter again in September 2021, RL corrected its mistake and gave an explanation for it that lacked credibility. RL's actions amounted to maladministration which caused Mr S significant distress and inconvenience.
 - 15.2. The Adjudicator considered that the parts part of Mr S' complaint set out in paragraphs 2.1 and 2.3, above, should be upheld as RL's award of £200 was insufficient and that £500 was an appropriate amount in the circumstances
 - 15.3. In relation to the loss of expectation of a higher investment value of the Plan at the NRD, it was the Adjudicator's opinion that Mr S knew, or reasonably ought to have known, that the January 2021 statement was not correct. It was inconceivable that an illustration assuming there would be no further contributions to the Plan could produce a higher estimated value at the NRD than the February 2019 statement in which it was assumed that all contributions would continue up to the NRD. The Adjudicator thought it reasonable to assume that Mr S knew the January 2021 statement was not correct and it was likely this was the reason he contacted RL to question it. In any event, RL could not be held to the value illustrated in the January 2021 statement as it was not guaranteed.
 - 15.4. As it was not reasonable, in the Adjudicator's opinion, for Mr S to rely on a statement he reasonably ought to have known was incorrect, RL could not be held responsible for his alleged lost opportunity to make further contributions to the Plan.
 - 15.5. The Adjudicator considered that the part of Mr S' complaint set out in paragraph 2.2, above, should not be upheld.
16. RL accepted the Adjudicator's Opinion without further comment.
17. Mr S did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr S provided his further comments which do not change the outcome. I note Mr S' comments but I agree with the Adjudicator's Opinion.

Mr S' additional comments

18. When he contacted RL in March 2021, he had just been made redundant and was under considerable stress. His contact with RL was not because he suspected the January 2021 statement was incorrect, but to appraise his financial situation with a view to managing his redundancy.
19. Being under redundancy-related stress, he took the January 2021 statement at face value, having checked with RL that it was correct. It did not occur to him to compare the January 2021 statement with earlier statements.
20. He had asked for information to assist his decision as to how to apportion the finances available to him at that time. His wife's 60th birthday was approaching and, following his redundancy, he paid to enrol in an accountancy course. In making his decisions, he should have been able to rely on the information RL provided.
21. His vocational experience was in catering and hospitality. He should not have been expected to have a thorough understanding of how pensions work.
22. He did not agree with the Adjudicator's view that he was ready to mitigate against a reduction in the value of the plan. He received a lump sum redundancy settlement from his former employer, part of which he could have paid into his pension if he had been given correct information in March 2021. Instead, having been given incorrect information, he spent the money available elsewhere.

Ombudsman's decision

23. The February 2019 statement was issued to Mr S when he was in pensionable employment. The assumptions made are listed in paragraphs 5 and 6, above. The statement makes no reference to additional contributions over and above the existing regular contributions and inflation-related increases to them.
24. The January 2021 statement was issued to Mr S shortly after his pensionable employment ended through redundancy. The wording of the assumption regarding contributions to the Plan, in paragraph 9 above, is unambiguous and significantly different to the wording of the February 2019 statement to the extent that it is clear to me that RL was aware pension contributions to the Plan had stopped.
25. RL asserted that the meaning of the assumption in the January 2021 statement was that no additional contributions, over and above those already in payment, would be paid. I do not accept this interpretation. If RL genuinely believed contributions were ongoing in January 2021, as they were in 2019, then the assumption would have been worded in a similar way to how it was worded in the February 2019 statement.
26. I find that RL knew that pension contributions to the Plan had stopped but erred in not taking this into account in the calculation of the estimated values in the January 2021 statement. It then compounded its error by attributing a meaning to the contribution assumption that could not reasonably be attributed to it.

27. I sympathise with Mr S with regard to the stressful redundancy situation in which he found himself. However, he has said that when he contacted RL in March 2021, he specifically asked if the January 2021 statement took into account that no further contributions would be paid to the Plan, even though there was a clear statement to this effect in the assumptions. I find, on the balance of probability, that Mr S must have doubted that the 2021 statement was correct and this was a significant reason for his contact with RL in March 2021.
28. While the estimated retirement value calculations in the January 2021 statement were clearly incorrect, RL's error did not create an entitlement to the higher level of benefits illustrated in the January 2021 statement. The Plan is a money purchase pension plan, under which the retirement benefit payable is dependent on the contributions paid in and the performance of the Plan's investments. The estimated values were not guaranteed. In Mr S' case, he has not suffered a tangible loss, but has experienced a loss of expectation based on an error which the evidence suggests he suspected to have occurred.
29. In his submissions to the Adjudicator, Mr S has attributed importance to pension planning. While I have no reason to doubt this, it does not automatically follow that Mr S would have made an additional pension contribution from his savings if he had been provided with correct information.
30. Mr S has said that he had other plans for his redundancy payment and savings, such as his wife's 60th birthday and his enrolment on an accountancy course. It is likely that he would have prioritised his options for the use of this money. If mitigation of the reduction in the projected value of the Plan's investments at the NRD had been a high priority for Mr S, it is unlikely that his doubts about the January 2021 statement would have been resolved by a verbal response to one telephone call to RL. He could have compared the February 2019 statement and the January 2021 statement, or he could have asked for a written response from RL. He did not do so, which does not suggest that pension planning was a high a priority for him in March 2021. That is not to say that his view might not have changed in September 2021 when he received a retirement options letter from RL.
31. I do not agree that it would have required an advanced understanding of pensions for Mr S to realise that if his estimated pension fund at the NRD was £62,600 on the basis that contributions would continue up to the NRD, then it could not be correct, using broadly similar growth and inflation assumptions, for the estimated fund to be £65,100 with no pension contributions paid after January 2021. I am not persuaded that Mr S has demonstrated, on a balance of probability, that had RL answered his question accurately in March 2021, this would have changed how he decided to spend his redundancy lump sum payment.
32. In summary, I find that RL's provision of incorrect information and failure to correct its error in a timely manner amounted to maladministration as a result of which Mr S has experienced significant distress and inconvenience. While I agree that £200 was an

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insufficient award, I do not agree with Mr S' assessment that £1,500 would have been appropriate.

33. I partly uphold Mr S' complaint.

Directions (if applicable)

34. Within 28 days of the date of the Determination, RL shall pay Mr S £500 in recognition of the significant distress and inconvenience he has experienced as a result of its maladministration.

Anthony Arter CBE

Deputy Pensions Ombudsman

2nd August 2024