

## Ombudsman's Determination

Applicant	Mrs S
Scheme	Henry Butcher Pension Fund and Life Assurance Scheme ( <b>the Scheme</b> )
Respondents	Aon Hewitt Limited ( <b>Aon</b> ) Prudential

## Outcome

1. Mrs S' complaint against Aon and Prudential is partly upheld, but there is a part of the complaint I do not agree with. To put matters right (for the part that is upheld) Aon and Prudential should each pay Mrs S £250 for the significant distress and inconvenience caused.
2. My reasons for reaching this decision are explained in more detail below.

## Complaint summary

3. Mrs S has complained that she is in receipt of a lower annuity than anticipated, due to delays on the part of the Respondents.

## Background information, including submissions from the parties

4. In November 2015, Aon, acting as Trustee of the Scheme, requested that Prudential issue an annuity quote to Mrs S. Ordinarily this would be sent to the Trustee to be passed on to the member, but in this instance, Aon requested it be issued directly to Mrs S.
5. On 17 November 2015, the quote was issued and was guaranteed for 14 days, the deadline being 1 December 2015. The pension quoted was £3,014.64. The fund value at that time was £80,526.35. The pack also referred to enhanced annuities and also stated: -

"The annuity rates used in these quotes are guaranteed provided we received all our requirements by the expiry date..."

...Trustee authority will also be required before we can proceed with your chosen option; the trustees have been provided with the necessary form to grant this authority.

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The benefits will not be paid until we have received confirmation from the trustees that all contributions due have been received and applied.”

6. On 23 November 2015, Mrs S requested Prudential provide her with a medical questionnaire for a possible enhanced annuity quote.
7. On 24 November 2015, Mr S, Mrs S' husband, spoke with Prudential and verbally confirmed that Mrs S wished to accept the quoted non-enhanced annuity.
8. On 25 November 2015, Prudential received the completed claim form, signed by Mrs S on 24 November 2015.
9. On 30 November 2015, unsure whether a medical questionnaire had been returned, Prudential sent an internal email from the annuity team to the enhanced annuity team, which dealt with medical questionnaires, querying whether it had been received.
10. On 1 December 2015, the guarantee period expired.
11. On 3 December 2015, the enhanced annuity team responded to the annuity team and confirmed the medical questionnaire had not been received.
12. On 8 December 2015, Prudential rang Mrs S who confirmed that the medical questionnaire would not be returned.
13. On 8 December 2015, Prudential's annuity rate changed.
14. On 9 December 2015, Prudential emailed Aon requesting authority to put the annuity into place. Attached to the email was the Trustee Authority letter and a Notification of Retirement Form. The email said: -

“I would be grateful if you could complete and return the trustees authority at your earliest convenience.

[Mrs S] is still an active member of this scheme please can you also complete the attached form [Notification of Retirement Form] and return.”
15. On 11 December 2015, and then on 14 December 2015, Trustees of the Scheme signed the Trustee Authority letter. The Trustee Authority letter stated: -

“We authorise Prudential to use the money in the member's account to provide benefits, in accordance with the provisions of the policy. We understand this will be done on the date following the receipt of this completed authority at your above mentioned office, or on the date of retirement (whichever is later).”
16. On 14 December 2015, the signed Trustee Authority letter was returned to Prudential, but the Notification of Retirement Form was not.

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17. On 22 December 2015, Prudential emailed Aon and said the Notification of Retirement Form had not been received, and requested that it be returned.
18. On 23 December 2015, the Notification of Retirement Form was completed and signed by the Trustee.
19. On 4 January 2016, with an interval of 15 working days since the forms were first provided to Aon, it returned the Notification of Retirement Form and the claim was settled on 8 January 2016. Because the annuity rate had changed, and despite the fund value increasing to £81,677.24 in the interim, the annual income was reduced to £2,828.64.
20. Unhappy with this, Mrs S complained. She highlighted that the claim form was returned to Prudential within the guarantee period, the quote had been verbally accepted, and that the initial annuity rate should be honoured.
21. On 11 January 2016, Prudential responded to the complaint. It acknowledged Mrs S' concern and frustration, but explained it was reliant on receipt of all the necessary documentation from Aon before settling the claim; this was explained in the letter accompanying the quote. It said the required documents were not received until 4 January 2017, outside the guarantee period, so it was necessary to calculate the annuity using the updated rate.
22. On 14 March 2016, following correspondence with Aon, Prudential issued a further response to the complaint. Prudential reiterated that it could not have honoured the initial annuity rate because not all of its requirements had been met before the rate changed. But it accepted it could have explained the process to Mrs S more clearly and in recognition of the loss of expectation she had experienced, it offered £100.
23. On 9 February 2018, Aon responded to this Office defending the complaint against it. It argued that Prudential could have processed the annuity application sooner and had it done so the annuity would have been in place before the guarantee period expired. Aon had acted upon the information it received within reasonable timescales and Prudential had at no time highlighted any deadlines when providing the documents for completion.

## **Adjudicator's Opinion**

24. Mrs S' complaint was considered by one of our Adjudicators who concluded that further action was required by Aon and Prudential. The Adjudicator's findings are summarised briefly below:-
  - Mrs S had requested a medical questionnaire and Prudential was aware that she had health concerns which might be relevant to the annuity rate. Therefore, although it had received a response accepting the quote as it stood, having issued a medical certificate, it was reasonable for Prudential to have allowed a short period in anticipation that the medical certificate might yet be provided.

- Having allowed five days for the medical questionnaire to be returned, Prudential then liaised internally with the enhanced annuity department querying whether it had received the medical questionnaire, which confirmed it had not. The Adjudicator considered that by the 3 December 2015, a reasonable step would have been to ring Mrs S and clarify if the medical questionnaire was going to be returned. This step did not happen for a further five days. The Adjudicator considered Prudential ought to have been more proactive at this point.
  - However, even if Prudential had been more proactive at this point, given the length of time it took for Aon to return all the necessary forms, the annuity rate would have changed regardless.
  - The Adjudicator considered whether Prudential ought to have stressed the urgency of the situation to Aon, using stronger wording than “at your earliest convenience”. However, under the hypothetical timeline, by the time the forms were provided to Aon, the guarantee period would have expired and any change in annuity rate was unknown, so there was no deadline for which Prudential ought to have stressed the urgency.
  - Once the guarantee period had expired, the annuity rate could have risen or fallen and Prudential could not have pre-warned Aon of the date of change.
  - Ordinarily a quote would be sent via Aon enabling the relevant Trustee forms to be completed more efficiently, but in this instance, Aon had specifically requested the quote be sent directly to Mrs S.
  - Whilst Prudential had delayed matters by not acting more proactively and in failing to call Mrs S more quickly regarding the medical questionnaire, allowing for a pause in the process to allow her to return this was reasonable. But, because of the length of time it took for Aon to return the necessary forms, Prudential’s delay would not have materially changed the outcome and the annuity rate would have changed regardless.
  - In respect of Aon, the Adjudicator considered that it had delayed the process by not completing and returning the necessary forms earlier.
  - Having considered failures on the part of the Respondents, but unable to identify a possible timeline where the higher annuity rate could have been secured in time, the Adjudicator concluded that Mrs S had suffered a loss of expectation and a significant distress and inconvenience award was warranted. He therefore recommended that both respondents pay Mrs S £250 in recognition of the distress and inconvenience caused.
25. Mrs S did not accept the Adjudicator’s Opinion and the complaint was passed to me to consider. Mrs S provided her further comments which do not change the outcome. I agree with the Adjudicator’s Opinion and I will therefore only respond to the key points made by Mrs S for completeness.

## Ombudsman's decision

26. Mrs S argues that her husband verbally confirmed acceptance of the quote and the necessary form to accept the quote was provided the next day. She cannot see why that quote should not be honoured by either Aon, Prudential or both Respondents. Whilst I can understand Mrs S' frustration, her acceptance of the quote is insufficient for the annuity to be put into payment. The forms she was provided with make clear that there are other requirements that need to be met before the annuity is established. In this instance, the Trustee was required to provide the Notification of Retirement and Trustee Authority forms before the annuity could be put into payment. So, whilst I accept Mrs S had acted in good time to meet the deadline, that does not mean the quote was binding at that point.
27. The medical questionnaire has undoubtedly delayed matters and confused the timeline. A key consideration is whether the quote should have been classed as accepted when the forms were first received by Prudential, or whether it was appropriate for Prudential to pause the process and allow time for the questionnaire to be received. Looking at the timeline, Mr S had verbally accepted the original quote immediately following the request for the medical questionnaire, and the acceptance form was received the day after. It seems reasonable to say that the very short timeframe had meant that Mrs S may not have had an opportunity to fully consider the medical questionnaire when the verbal acceptance and form were provided to Prudential. Additionally, Prudential was aware that Mrs S had suffered from a medical condition that may have made her eligible for an enhanced annuity. In these circumstances I think it was appropriate for Prudential to allow a few extra days for the medical questionnaire to have been returned before proceeding to the next step in the process. Under its service standards, Prudential had up to five working days to act on the received forms.
28. Turning to the next step in the process, once it was established that the medical questionnaire would not be returned, Prudential sent the necessary forms to Aon to be completed. On receipt of this, Aon completed and returned the Trustee Authority forms in good time, but failed to return the Notification of Retirement Form for some time. The Trustee Authority forms state that benefits would not be put into payment until the later of the Trustee Authority form being returned or the date of retirement. Retirement could not be confirmed without the Notification of Retirement Form, so Aon was aware that both forms were necessary. By not returning the Notification of Retirement Form sooner, Aon delayed the process.
29. Aon argues that Prudential ought to have stressed the urgency of the situation in its correspondence. However, allowing Prudential its 5 day service standard, by the time it would have requested the forms be signed by Aon, the guarantee period would have expired, and due to it being commercially sensitive, Prudential could not have provided any forewarning of the annuity rate change. I therefore do not agree with Aon's stance that Prudential should have stressed greater urgency.

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30. Notwithstanding the above, even if the delays on the Respondents' parts had not occurred, in applying the service standard turnaround times, this being 10 days for Aon and 5 days for Prudential, the necessary requirements for the annuity to be put into payment would not have been completed prior to the annuity rate change. On that basis I cannot direct the Respondents to increase Mrs S' annuity to meet the original annuity rate quoted.
31. I appreciate that this will be very disappointing to Mrs S as she had done what was required of her, and I can understand why she feels she is being disadvantaged by errors on the part of the Respondents, but this can only be described as a loss of expectation and not a financial loss. A loss of expectation is addressed by this Office by way of a significant distress and inconvenience payment, and the Adjudicator's proposal that the Respondents each pay £250 is appropriate.
32. Therefore, I uphold Mrs S' complaint in part. Although both Respondents could have acted more quickly, even if they had done so, when applying their standard turnaround timelines to the process Mrs S' annuity application would not have been completed until after the quote had expired and the annuity rate had changed.

## **Directions**

33. Within 21 days of the date of this Determination, Aon and Prudential will each pay Mrs S £250 for the significant distress and inconvenience she has suffered.

**Anthony Arter**

Pensions Ombudsman  
25 May 2018