



## Case study: Pensions

### COMPLAINANT'S CONFUSION REGARDING TRANSFER TERMS OF INHERITED PENSION TRUST LEADS TO LOSSES

Themes: defined benefit trust; independent financial adviser; transfer values; terms and conditions.

This complaint relates to a trust beneficiary who misunderstood the terms provided by the trustee of a pension scheme.

In July 2020 Mrs F's spouse died and she became a beneficiary of her deceased spouse's employee pension scheme, a defined benefit trust which was administered by a trustee.

In December 2021 Mrs F received a 'death in service' pension contract from her late husband's pension trustee and contacted them to discuss what benefit was available to her as the widow of a deceased member of the pension scheme. The trustee gave Mrs F details regarding the entitlement and transfer value of the pension scheme if she wished to exit and an option to continue the annual annuity payments, which would increase annually if she wished to retain the pension scheme. The trustee also advised Mrs F to seek independent financial advice to assist with her decision.

In April 2022 Mrs F again contacted the pension trustee after taking independent financial advice as she wished to transfer the full benefit amount from the pension scheme, but she noticed the amount available had reduced by approximately 20%. Mrs F made a complaint to the pension trustee who advised that the amount they had provided to her in December 2021, was time limited and was not a binding offer. The pension trustee also advised that because of subsequent adverse market movements the initial calculations of the transfer value of the pension scheme could not be sustained. Mrs F referred her complaint to CIFO as she believed that the terms and conditions of the pension scheme did not confirm the pension scheme was variable.

CIFO investigated and noted that Mrs F had been given two options when she initially approached her late husband's pension trustee: to either continue with the pension or transfer the pension value which they calculated at the time of notification and had advised that this amount was not guaranteed. CIFO also noted that they had recommended that Mrs F seek independent financial advice if she wished to make a transfer. Therefore, CIFO found that Mrs F's pension trustee had acted in accordance with its duties as trustee and had clearly advised Mrs F that the valuation they had provided in December 2021, was not guaranteed. CIFO did not uphold the complaint.