



"Equity release allowed us to enjoy our retirement" David and Stella, Chichester

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'Our pension pays just £4.61 a month': Why insurance giants MUST release pensioners from annuity austerity by paying out lump sums

- Alan Fowler has an annuity from Legal & General paying just £4.61 a month
- The RAF veteran says a lump sum would help him through the financial crisis
- He says even if he could get £1,000 for the annuity, he would be happy
- Alan and his MP have written to L&G, but the firm has so far refused his pleas

By [BEN WILKINSON FOR THE DAILY MAIL](#)

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Pensioners are urging insurers to help them through the virus crisis by giving them a lump sum rather than paltry drawn-out annuity payments.

Money Mail has long campaigned for pensioners trapped with small annuities to be allowed to take a more meaningful amount.

Alan Fowler, 72, has an annuity from Legal & General (L&G) paying just £4.61 a month after tax. But the RAF veteran, from Cardiff, says having a lump sum instead would go a long way to getting him and his wife Lynda, 69, through the financial crisis they now face.



Plans dashed: Alan and Lynda Fowler are hoping for a lump sum payout on Alan's annuity from Legal & General which pays just £4.61 a month after tax

The couple were forced to cancel their 50th wedding anniversary party last month, and they fear the Caribbean cruise they booked in November to celebrate Lynda's 70th birthday will also be cancelled.

Alan says: 'While in this lockdown, our expenses have gone through the roof. Heating bills have gone up, utility bills have gone up, food bills have gone up. Our year has been absolutely decimated by this.'

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He says the extraordinary circumstances of the pandemic mean that insurers should do their bit to help struggling pensioners by allowing them to take their small annuities back as lump sums.

Annuities pay a guaranteed income and were the go-to retirement product before the pension freedoms of April 2015. The lack of alternatives for retirees meant some were forced to buy annuities paying as little as 63p a year.

Last year we revealed how 75,000 people had been offered a deal since the launch of our 'Unlock Our Pensions' campaign.

But most insurers are still routinely denying requests to cash in, leaving potentially millions stuck with protracted and paltry pension payments.

Alan, who spent 14 years in the RAF, ten as a prison officer and 25 in security, took a job with Marks & Spencer after he retired to save for a new car. He says he bought the annuity with a £2,606 pot when he left five years ago.

The grandfather-of-two says even if he could get £1,000 for the annuity, he would be happy. He says: 'We do not know what is around the corner. We do know we are going to be hard-pressed for years to come.'

'The difference that money would make is we would be able to do something for my wife's 70th birthday. And it would allow me to put money away for when our next utility bill comes through.'

Insurers are only allowed to pay pensioners a lump sum for their annuity if it is worth less than £10,000. But they are not obliged to pay out at all.

An advertisement for Hargreaves Lansdown featuring a smiling couple in a field. The text reads: "How Much Pension Tax Relief Could You Get? Tax rules can change." Below this is a blue button with the text "Download Your Free Guide" and a right-pointing arrow. The Hargreaves Lansdown logo is in the bottom right corner.

How Much Pension Tax Relief Could You Get?

Tax rules can change.

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Alan and Lynda Fowler on their wedding day. Alan spent 14 years in the RAF, ten as a prison officer and 25 in security

Alan has written to L&G, as has his MP, but the firm has so far refused his pleas for a lump sum.

He adds: 'If my annuity was worth thousands and thousands of pounds I would understand their concern.'

He also questioned how much it cost the insurer in administration costs to send his payments every month.

Meanwhile, Eleanor Holloway, 64, has two annuities — one with Royal London paying £481.88 every year and another with The Prudential paying £174.67 from her work as a receptionist and office administrator.

Eleanor, from Bournville, Birmingham, has to wait an extra six years to fully retire after the state pension age was raised to 66.

She says she and husband Keith, 65, would be much more comfortable if she could have her private pension cash back.

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She says: 'It would help paying bills and mean we knew we are OK. It would be something to rely on.'

And she called on the insurers to consider letting more pensioners cash in during the crisis, and adds: 'They should have a standard of care at his time.'

Former pensions minister Baroness (Ros) Altmann says there is a definite case for insurers to listen with a sympathetic ear.



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She says: 'I wish they would just do it. It is allowed. The cost to them to send out a few pounds every month is not negligible.'

'It could buy quite a bit of goodwill. A lot of people would never have bought an annuity if they had another option.'

But she says it is important pensioners, who receive a lump sum offer, get free advice from the Government's Pension Wise service as to whether it is a good deal.

Emma Byron, managing director of Legal & General retail retirement income, says: 'At Legal & General, we believe annuities are valuable because they provide certainty

and security for customers in the form of a guaranteed income for life.

'We understand there are challenges facing people at this time, and existing annuity customers, with small annuity pots of less than £10,000, may feel a lump sum offers more immediate value than their annuity income.'

But she adds: 'We do not currently offer the option for customers to cash in their annuity, however we do periodically review our position on product policies.'

An Association of British Insurers

spokesman says: 'Giving up a guaranteed lifetime income for a lump sum is never a decision to be taken lightly.'

'While it is a decision for individual firms to offer this to customers, there are many factors to consider to ensure it is in the customer's interest. Customers in this situation might be vulnerable so it is important they are fully informed and seek expert help.'

A Royal London spokesman adds: 'We understand that some people may be experiencing financial difficulty as a result of coronavirus but we simply do not believe we could offer value for money to customers in exchange for their annuities, after allowing for the costs and risks, and we have seen very little demand from our customers for this option.'

- To contact Pension Wise call 0800 138 3944 or visit [pensionwise.gov.uk](https://www.pensionwise.gov.uk).

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