

Press Release: 23 February 2026

Settlement – Life Annuity

With Minister Enoch Godongwana set to deliver his budget speech on 25 February 2026, and with the end of the tax year fast approaching on 28 February 2026 the attention is very much on retirement planning. With this in mind the settlement below illustrates the important decisions that must be made at retirement, and the implication that these decisions can have on both retirees and their dependants. This settlement relates to a life annuity policy, and the failure of the advisor to consider the client's actual circumstances leading to an inappropriate recommendation.

On 25 October 2020 the Complainant and her husband approached the Respondent for advice regarding his imminent retirement due to ill health. The Respondents' representative recommended a life annuity. Two years after the life annuity had incepted, the Complainant's husband passed away, and the Complainant was informed that due to the nature of the life annuity, the funds would be 'forfeited' and there would be no further income payments. The Complainant states that her husband wanted the full proceeds of his retirement benefit but was forced into purchasing an annuity, and that he did not understand the terms of the product and did not make an informed decision.

The Complainant further stated that her husband was ill when the annuity was purchased and forced to retire earlier than he had initially planned. Accordingly, he would never have elected the annuity he signed up for, given his health at the time; had he been aware of the risk that the annuity payments would cease upon death, he would not have signed for it. The Complainant is unemployed and was fully dependent on

1

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her late husband and seeks assistance from this Office so that the remaining value of the annuity is paid out to her.

The Respondent maintained that all material disclosures were made at the point of sale, and the client was informed that no payments would be due to beneficiaries upon the client's death. The Respondent argued that the client made an informed decision and that the financial planner could not have foreseen the untimely death of the client; both solutions were provided to the client, and he chose the best option that suited his needs at the time.

Subsequently this Office issued a notice under Section 27(4) of the FAIS Act, advising that the complaint warranted investigation, and in response, the Respondent reiterated its position, however it also offered a goodwill payment of R250,000.00 in full and final settlement. This offer was rejected by the complainant

This Office found that the advice provided by the Respondent was not appropriate for the client's actual circumstances, including his financially dependent spouse and minor children. The advice process was deemed unsuitable, as it failed to consider the client's full personal and financial circumstances. Disclosure alone was found insufficient to cure the deficiencies in the advice.

In this regard, the Ombud referenced the following sections of the General Code of Conduct for Authorised Financial Services Providers and Representatives ("the Code").

Section 8 (1) (a) of the Code states that prior to providing a client with advice, a Financial Services Provider ("FSP") must obtain information regarding the client's needs and objectives, financial situation, risk profile and financial product knowledge and experience as is necessary for the provider to provide the client with appropriate advice.

Section 7(1)(a) of the Code requires that, prior to the conclusion of any transaction, a provider must disclose all relevant and material information that would enable the client to make an informed decision.

This includes the material terms and conditions, product restrictions, and any risks associated with the recommended financial product.

In addition, the Respondent's representative was found to have not acted with the required due skill, care and diligence as required in terms of Section 2 of the Code.

This Office requested that the Respondent provide an actuarial calculation illustrating the net capital value payable to beneficiaries under different scenarios. The most accurate scenario indicated a benefit of R401,877.30 under a life annuity with a 10-year guaranteed term. As a result, this Office recommended that the settlement amount be aligned to the actuarial value of R401,877.30, as this represented the minimum position the Complainant would have been in had appropriate advice been rendered.

The Respondent accepted the recommendation and provided a settlement offer that was signed by the complainant in acceptance thereof.

Consumers are encouraged to research the various annuity options available before signing. At the very least, this will enable them to ask the advisor to explain the options available.

FSPs are similarly advised to ensure they comply with their responsibility in terms of the Code to explain the different options and the advantages and disadvantages of each product.

Should you believe that you have been financially prejudiced because of the financial service rendered to you with respect to a regulated financial product, please lodge a written complaint directly with the service provider. If the complaint remains unresolved after six weeks, you can visit our Complaints Portal at www.faisombud.co.za and select 'Lodge Complaint'. Alternatively, you may submit a complaint in writing to info@faisombud.co.za. You can also call our Client Care Centre at (012) 762 5000 or Sharecall at 086 066 3274 for assistance in submitting a complaint.