

The complaint

Mr M complains that Aviva Life & Pensions UK limited (Aviva) delayed the payment of his pension benefits causing him considerable inconvenience and financial losses. He would like compensation for his losses and the inconvenience caused.

What happened

Aviva doesn't dispute it delayed providing information about Mr M's retirement benefit options. So, I will only briefly summarise the issues here.

Mr M planned to take his pension benefits with Aviva at age 75 in April 2022. He'd lived abroad for many years and there was a significant time difference between the UK and his country of residence. In September 2021 and again in January 2022 he advised Aviva in writing that his address had changed. Unfortunately, Aviva didn't update its records and sent pre-retirement information to his old address, which he didn't receive. Mr M contacted Aviva asking for the information to be resent but there were problems and delays in providing this and it was November 2022 before he received this.

Mr M says he'd planned to take an annuity and he raised queries about the options, some of which Aviva said were not available under a UK based pension plan. He says he spoke to a UK based adviser in January 2023. He says because of the delays and the stress this was causing he eventually decided to draw his entire fund in one go in March 2023. Aviva deducted PAYE tax of £54,231.10 and made a net payment of £111,565.27 to Mr M on 24 March 2023.

Mr M made various complaints during this time, some of which Aviva upheld. Once his benefits had been paid Mr M made a further complaint in respect of the various problems as he saw them. In summary these were:

1. Despite contacting Aviva in January 2022, it was November 2022 before it provided the retirement pack needed
2. A year's worth of annuity income had been lost due to the delay and Aviva should pay him £6,690 compensation for this.
3. Considerable time was spent, and cost incurred in making long international telephone calls to chase matters, often at antisocial hours and Aviva should pay him £250 for the cost of telephone calls
4. Significant stress and inconvenience were caused over 15 months and Aviva should pay him £16,500 compensation for this
5. The stress caused by the problems had forced Mr M to take his benefits as a lump sum to get away from Aviva which had incurred excess taxation. And Aviva should pay him £14,400 for the additional tax incurred.

Aviva apologised for the "*significant amount of distress and inconvenience*" it had caused. It said it had already upheld a number of Mr M's complaints and had offered him a total of £600 in compensation. But it said it had been his decision to take the pension as a one-off lump-sum, so it wasn't responsible for any tax issues. It said had Mr M had opted for an annuity it would have back dated the payment of this to his 75th birthday and paid interest.

Instead, it had added interest of £524.36 to the lump sum payment made in March 2023. It said it couldn't agree the compensation figures Mr M was seeking but that it was increasing its own offer to £1,500 along with a payment of £250 towards his telephone costs. It paid this directly to his bank account.

Mr M didn't agree and referred his complaint to our service and our investigator looked into it. She said the compensation already paid to Mr M was fair in the circumstances.

She said Mr M had intended to purchase an annuity at age 75. Had he proceeded with this Aviva would have backdated payment to April 2022 and added interest for the late payment. As it provided the retirement pack in November 2022, it had delayed payment by around seven months. If the annuity would have been £6,690 per year paid in advance, Aviva had already added £524.36 in interest, which appeared generous.

And she said Aviva hadn't forced Mr M to take his benefits as a one-off lump sum and that he was being advised by a UK based financial adviser who should have made him fully aware of the tax consequences of this option. So, Aviva wasn't responsible for any additional tax costs.

Our investigator said the payment of £250 towards call costs seemed reasonable. She said there had been a long delay in Aviva providing the necessary paperwork and this would have been frustrating and stressful for Mr M. But she said the amount he was seeking in compensation for this of £16,500 was far more than our service would consider reasonable except in complaints where the impact of a business's errors was extreme and likely to impact the customer for the rest of their life.

She said Mr M had only chased Aviva on four occasions between April and November 2022. And he hadn't shown evidence that he was in financial hardship and urgently in need of the funds during this time. This suggested that delays hadn't affected his day-to-day life. And taking this into account she thought Aviva had already paid more in compensation than it needed to.

Mr M said our investigator had accurately assessed the situation. But he didn't agree that only contacting Aviva on four occasions between April and November 2022 meant there wasn't a significant impact on him. He said his family circumstances at the time had changed. And he said it was "*extraordinary*" that for Aviva to be held accountable for its "*lack of professional care and inefficiency*" that he had "*to prove injury to myself*". He said he still felt his decision to "*remove Aviva from his life*" by opting for a lump sum payment was driven by its "*inaction and behaviour*".

As Mr M doesn't agree it has come to me to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I am not upholding the complaint.

Our service doesn't regulate businesses and I can't tell Aviva to change its procedures or punish it for mistakes or errors. But I can award compensation when I think errors have caused distress and inconvenience or caused losses.

It is very clear that Aviva made a number of errors and took an excessively long time to provide Mr M with the retirement information he needed to arrange his benefits. And I appreciate that this would have been very frustrating for Mr M. But I think the compensation it has already paid is fair, and more than I would have awarded in the circumstances. I also think it has fairly compensated Mr M for any loss he did suffer through the delay in him being able to access his benefits.

I think this because whilst Aviva's service was poor there were some mitigating factors and part of the delay in Mr M actually accessing his benefits appears to relate to queries and misunderstandings about what benefits could be provided. Of course, Mr M needed details of his pension to properly consider these options and these weren't provided until November 2022. Having received these, he appears to have initially indicated he wanted to purchase an annuity. But some of Mr M's subsequent queries and complaints made after November 2022 relate to questions about and requests for options not available under UK pension arrangements, such as transferring the plan to his wife.

Aviva wasn't providing Mr M with advice and his pension plan was subject to UK tax laws. The information it provided in November 2022 suggested that he seek financial advice if he wasn't sure about his options. And there was nothing automatic about an annuity coming into payment at age 75. There were various options available to Mr M about how benefits could be provided. And if his choice was an annuity, what features should be included. But Mr M's UK based adviser only contacted Aviva on 15 February 2023.

Aviva isn't responsible for the difficulties caused by the significant time difference which made it inconvenient for Mr M to call it. Or for the cost of international mobile calls because he didn't have a land line. I can see it made several attempts to make call backs to Mr M's or his wife's mobile phone without being able to get through. Aviva systems are, not unreasonably, primarily in place to service the requirements of UK residents. That extends to postal communications. So, Aviva's payment of £250 towards his call costs seems very reasonable.

I don't agree that Mr M was forced to take the lump sum option to rid himself of Aviva. He was being advised at that point and his adviser was in receipt of the necessary documentation from Aviva to proceed with an annuity option. So, it follows that I don't think Aviva is responsible for any additional tax costs that may have been incurred through taking the benefits in one lump sum. Likewise, the interest payment added to the lump sum in respect of the "delayed" annuity payment that would have been backdated to April 2022 seems reasonable, given this was Mr M's initial preference.

Aviva hasn't provided a copy of the calculation used here. But based on the annuity figures provided to Mr M with payments to commence in April 2022 the £524.36 interest payment does appear generous. As it is more than I'd expect given our service considers that a fair rate of interest for late payment is 8% per year simple, which would also normally be subject to a tax deduction.

So, taking everything together whilst Aviva's service was undoubtedly poor it did provide the information Mr M needed to progress matters by November 2022. So, it isn't fair to say it was to blame for the entire delay in Mr M receiving his benefits. Considering the apparent impact on Mr M, I do think the compensation it has already paid is fair in the circumstances of the complaint and Aviva needn't do anything more.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 November 2023.

Nigel Bracken
Ombudsman