

The complaint

Mr K complains that Standard Life Assurance Limited failed to correctly act on his instructions when he withdrew some of his pension savings in February 2023.

What happened

Mr K holds pension savings with Standard Life. In the past he had taken withdrawals from the uncrystallised part of his pension savings, so those withdrawals hadn't been liable for any income tax deductions. In February 2023 Mr K instructed Standard Life to make a withdrawal from the crystallised part of his pension savings.

At the time he made his withdrawal request Mr K was living, temporarily, overseas. He says that presented some communication difficulties, particularly during the telephone call in which he gave his withdrawal instruction to Standard Life. I have listened to that call and will discuss what happened later in this decision.

Mr K asked Standard Life to withdraw £30,000 from his pension savings. Standard Life made Mr K aware that his withdrawal would be liable to income tax. Mr K says that he reasonably expected that his withdrawal would result in a net payment to him of the requested £30,000, with the gross withdrawal being increased to reflect the income tax that was payable. Standard Life says that it is normal practice for withdrawal requests to be made gross, and the net payment to be reduced to reflect any income tax it was required to deduct.

Standard Life confirmed Mr K's request in writing – it sent a letter to the UK address that it held for him. But as he was overseas, Mr K didn't immediately receive that confirmation. The letter set out that the amount Mr K had requested to withdraw would be reduced by the deduction of income tax.

Mr K received payment for his pension withdrawal in March 2023. He received approximately £18,225, reflecting the income tax that Standard Life needed to deduct. Mr K immediately complained to Standard Life and said that he needed a net payment of £30,000. So Standard Life processed a further withdrawal for Mr K of £21,409, that provided a net payment to Mr K of an additional £11,774.

Mr K says that Standard Life should have been aware from the outset that he needed to receive £30,000 after the deduction of tax. He doesn't accept that Standard Life says it couldn't accurately calculate the tax that would be deducted as he says that it exactly the calculation that Standard Life successfully performed when it made the second payment. And he says it was unreasonable that he needed to undertake a second lengthy verification call before the additional withdrawal could be processed.

Standard Life didn't agree with Mr K's complaint so he brought it to us. It has been assessed by one of our investigators. He didn't think that Standard Life had done anything wrong. He thought that Standard Life had processed the withdrawal in line with normal industry practice, and that it had provided the necessary information about the withdrawal to Mr K.

Mr K didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr K and by Standard Life. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

This was the first taxable withdrawal that Mr K had taken from his pension savings. So it isn't entirely surprising that he might not have been familiar with how the income tax that needed to be deducted would be handled. From the complaint he has made it seems clear that there was a breakdown in communication between Standard Life and Mr K at the time the withdrawal instruction was given. But, as I will now go on to explain, I'm sorry to tell Mr K that I don't think that breakdown means that Standard Life did something wrong.

In my experience, the way that Standard Life has dealt with this withdrawal request is entirely in line with normal industry practice. In similar cases that I have seen, a consumer would generally request that a specified amount is withdrawn from their pension savings. That would be the amount that they would expect their pension savings to be reduced by (or in other words the gross payment amount). And then the pension provider would, if appropriate, be required to deduct income tax from the payment before providing the income to the consumer (the net payment).

I accept that might be problematic for some consumers who are looking to receive a set amount from their pension withdrawal. But, in the case of one-off withdrawals such as that requested by Mr K, it can be difficult at the outset for the pension provider to immediately calculate the net payment. For an initial payment the pension provider might not have yet received the taxable allowance information from HMRC that is required to process the payment – that sometimes is only provided when the payment is input, or in fact the payment might be processed on the basis of an emergency default tax code if further information is not available.

The availability of tax allowance information would explain why Standard Life was able to accurately determine the value of the second withdrawal that was needed to allow Mr K to receive the entire net amount of £30,000 that he required. But having the information at that time doesn't mean that it was available earlier, at the time of the first payment. But, as I will continue to explain, I'm not persuaded that it would be reasonable to expect Standard Life to have made use of any tax allowance information even if it had been available at the outset.

I've listened carefully to the call that Mr K had with Standard Life when he made his withdrawal request.

Firstly, as Mr K has said, that call took place whilst he was overseas. And it is clear that there is a short delay between Standard Life providing him with information, or asking a question, and his response. But, at no time does it seem that Mr K was having any difficulties hearing or understanding what Standard Life said. So I am satisfied that him being overseas did not impact the sharing of information on that call in any material way.

It is also clear that Mr K was very frustrated in the length of time the call took, and in fact that the call needed to take place at all. Mr K explained on the call that he had received a similar call a month or two earlier when he'd taken a previous withdrawal from his pension savings. But I don't think it was unreasonable for Standard Life to ask Mr K to repeat that call. It has a process, agreed with its regulator, that ensures consumers making these sorts of decisions, that are generally irreversible, are fully informed. It is entirely possible that a consumer's circumstances might have changed (in ways that are not immediately apparent) between withdrawal requests. And I think similar comments would apply when Mr K took the additional income payment to replace the funds he'd lost to income tax in March 2023. I think it was also reasonable for Standard Life to repeat its normal withdrawal process at that time too.

On the call Mr K clearly stated that he wanted to withdraw £30,000. I don't think Mr K was sufficiently specific in that request for Standard Life to understand that he actually wanted to withdraw whatever amount was necessary in order that he would receive a net payment of £30,000. I have thought about whether that was something that Standard Life should have explored further with Mr K. But, bearing in mind what I said earlier about normal industry practice, I don't think Standard Life had any reason to think that Mr K's request was different to what it would normally expect.

When it accepted Mr K's withdrawal instruction Standard Life confirmed the request in writing. That letter clearly stated that the amount of Mr K's request was before any tax had been deducted. But the letter was sent to the UK address that Standard Life held for Mr K, and since he was overseas, he wasn't able to consider the letter before the withdrawal was completed. Had he done so, he might have been able to correct the withdrawal amount a little sooner.

I don't think it is unreasonable for Standard Life to provide important information such as this by post. Generally that would reduce the chances that a withdrawal had been requested fraudulently, or that an error had been made in its input. And I haven't seen anything that makes me think Mr K had provided Standard Life with an alternative postal address for any correspondence it needed to send. I accept that Standard Life would have known that Mr K was overseas at that time. But that doesn't mean Standard Life should have been aware that Mr K didn't have any arrangements in place for the forwarding, or review, of any postal correspondence he received.

I understand Mr K's disappointment that he misunderstood how Standard Life would deal with his withdrawal request. This was the first request he had made to withdraw taxable pension savings so the process might have been unfamiliar to him. But I haven't seen anything to persuade me that Standard Life acted incorrectly in the way it dealt with the request, or that it should have taken further steps to clarify what Mr K wanted to happen. So I don't think the complaint should be upheld.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against

Standard Life Assurance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 4 October 2023.

Paul Reilly
Ombudsman