

## The complaint

Mr W complained about the way Aviva Life & Pensions UK Limited (Aviva) calculated the bonuses attached to his pension policy and the interest applied to the payment he received.

## What happened

Aviva said Mr W's policy started on 23 June 1988 and he would be leaving on 23 April 2020 when he is 75. Mr W was told that the terminal bonus was calculated in whole years. It was calculated in calendar years so would be 32 years but Mr W thought it was 31 years. He complained that the annuity process was not explained properly to him and that the wording in relation to the terminal bonus and how it was calculated wasn't clear. Mr W also complained about the rate of interest applied to his fund from the date of disinvestment on 18 March 2020 to the date of payment on 1 April 2020. It applied a rate of 1.1% while the current bank of England base rate was 0.1%.

Aviva didn't uphold Mr W's complaint as it said it had followed the correct process. It later sent Mr W £100 cheque because its call centre couldn't help with both of his policies and it only sent one set of discharge forms. Also, when it dealt with his complaint it didn't deal with the terminal bonus issues and didn't apologise for the error with the discharge forms. It said it received a transfer request via Origo options on 16 March 2020 and payment was made on 1 April 2020. The pension was disinvested on 18 March and paid within the expected timeframe.

I issued a provisional decision in this case.

I said that I had seen the guide to the with profits sub-fund for Mr W's fund. This said '*The final bonus is based on the year in which you invested and the point at which you leave the Sub-Fund*'. Based on this it seemed that Mr W got credit for each calendar year he was in the fund whether or not it is a complete year. So, I didn't think Aviva has done anything wrong in calculating the bonus in the way it did.

To make the transfer Aviva needed to encash his policy. I would expect his funds to remain in cash while the remainder of the transfer process is completed. Aviva had confirmed that the 1.1% rate used during this time is part of policy terms so I think it is correct that this rate is applied for so long as it was performing in accordance with its service standards. However for any period outside of that the higher rate of 8% per annum simple used by this service should be applied to reflect the fact he was deprived of use of his money for any such time.

I set out the timeline of events below supplied by Aviva.

4 February 2020: Mr W wanted to take an annuity - unhappy that he needs to have annuity pack first

5 February 2020: Aviva Introduction letter issued to Mr W

5 February 2020 – Retirement Option pack issued

17 February 2020 – Transfer pack issued to Mr W

16 March 2020 – Mr W asked for two sets of open market option forms to be posted 1st class Today

16 March 2020 – Retirement Option Pack issued

17 March 2020 – Transfer pack issued to Mr W

17 March 2020 – Open market options request received on Origo Options from another provider on 16 March 2020 –

Tax Free Cash payment made to Mr W and balance payment to new provider

Tax Free Cash payment of £7,963.41 to Mr W- by CHAPS on 1 April 2020 ( the scheduled completion date for Origo was 28 March 2020- for receipt of Funds and they received it on 1 April 2020)

30 March 2020 - Chaser call for 'transfer' - ( CHAPS payment made 1 April 2020).

I asked Aviva to confirm it complied with its service standards for each of these steps.

Avia said that the transfer request was received on 16 March 202 at 16.07 with a scheduled turnaround of 28 March 2020. The units in the sub fund were cancelled on 18 March 2020. The transfer was completed on 1 April 2020 (paid by CHAPS and received the same day), so there was a delay as the next working day for payments was Monday 30 March 2020.

It accepted that Mr W would have suffered a loss of one day of additional interest. This delay meant that Mr W was deprived of use of his money. I thought the appropriate rate to apply was the rate used by this service being 8% per annum simple for the additional day of delay.

I said that because it was outside of the normally contractual time for dealing with the request. As Aviva accepted there was a delay I could consider an award for distress and inconvenience.

This was to reflect the impact on Mr W and not to punish Aviva. Having considered this I proposed an award of £50 (in addition to the £100 already paid) would be fair and reasonable in the circumstances to reflect the additional day of delay. I invited Mr W to make any further representations he wished regarding the impact of this day of delay on him. I would consider any further comments he wanted to make about the impact of the delay, before I made my final decision.

I proposed to direct that Aviva should pay Mr W £50 for distress and inconvenience and an amount equal to 8% per annum simple for one day on the tax-free cash and the amount paid to the new provider.

As the delay was only one day and the amount of interest will be relatively small, I suggested it is paid direct to Mr W.

Aviva accepted my provisional decision.

Mr W said he accepted the £50. He commented that if the credit was per calendar year then it would be 33 years. He also said he had never seen reference to the 1.1% rate. His original policy was not with Aviva so why would it apply to his policy.

## **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.

I can see Mr W's point about the calculation producing an answer of 33 years. I asked Aviva some further questions about the approach to calculations and the possible answers of 31, 32 or 33 years. Aviva said there were no formal documents specifying the precise terms of the terminal bonus calculations. The actuarial methodology ensured members leaving the with profits fund received a fair proportion of the underlying assets, taking into account regular bonuses already added. It set out some further details which I sent on to Mr W.

It would seem that I was wrong to interpret the wording that '*The final bonus is based on the year in which you invested and the point at which you leave the Sub-Fund*' to mean that Mr W got credit for each calendar year he was in the fund whether or not it is a complete year.

As there was no formal documentation setting out Aviva's approach, I can't reasonably conclude that Aviva had made an error in its calculation and can't therefore make any direction about it.

I note what Mr W says about the 1.1% interest but Aviva has confirmed it wasn't a policy term but a policy of its business. I also raised with Aviva the issue of inconsistent payment of interest between Mr W's two policies. Having done so Aviva agreed it would apply the 8% simple interest rate for the full period during which the money was disinvested until the day it was actually paid to Mr W being 18 March 2020 to 1 April 2020.

## **Putting things right**

I am of the view that it is reasonable to direct that Aviva Life & Pensions UK Limited should pay Mr W £50 for distress and inconvenience and interest on the basis below.

## **My final decision**

I uphold this complaint and direct that Aviva Life & Pensions UK Limited should within 30 days of this service notifying it that Mr W has accepted this decision, pay Mr W:-

1. £50 for distress and inconvenience and
2. an amount equal to 8% per annum simple for the period from 18 March 2020 to 1 April 2020 on the tax-free cash and the amount paid to the new provider.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 May 2022.

Colette Bewley  
**Ombudsman**