

The complaint

Mr G complains that Aviva Life & Pensions UK Limited failed to pay, or provide timely information about, a special bonus due to be added to his pension savings in 2020.

What happened

Mr G holds pension savings with Aviva. Those savings arose from a pension policy he originally opened with another firm. But that firm was taken over by Aviva, so it is Aviva that is responsible for dealing with Mr G's complaint. In this decision, for ease, I will simply refer to Aviva as the responsible business throughout.

Mr G's pension savings are held in a with profits arrangement. In 2001 the original with profits fund was split into what was termed the "old fund" and the "new fund". Customers invested in the original fund at the time who elected to give up their rights to any potential future share of the original fund's inherited estate received a cash bonus instead and moved into the new fund. The remaining customers did not receive a cash bonus and moved into the old fund, which retained its share of the inherited estate. This inherited estate was to be distributed as a "Special Scheme Bonus" every five years if the old fund had sufficient surplus. Mr G became a member of the old fund.

It is clear that Mr G has some long-standing dissatisfaction with the operation of, and information provided on, the Special Scheme Bonus arrangement. And Mr G has also told us of his frustration at how his life and critical illness policies were taken over by Aviva, and how they have been subsequently administered. So it isn't surprising that he holds a degree of concern over any activities that Aviva undertakes.

But this complaint solely relates to what happened with the Special Scheme Bonus in 2020. I can see that Aviva, and this Service, has dealt with a number of other previous complaints from Mr G about the application of that bonus arrangement in earlier years. And, more recently, Mr G has asked for evidence that some compensation Aviva had offered him in 2017 had been paid. But those aren't matters to be decided here – my findings will only relate to the Special Scheme Bonus payment due in 2020, and the information Aviva provided about that payment.

Mr G's complaint has been assessed by one of our investigators. He said that Aviva had published information explaining why it wasn't adding a Special Scheme Bonus in 2020, and that no further bonuses would become due since the old and new funds were being merged. But he didn't think that Aviva had provided that information – or at the very least signposted it to Mr G – in a timely manner. He thought that delay, given what had happened before, had caused great frustration to Mr G over a number of months. So he asked Aviva to pay Mr G the sum of £200 as compensation for the distress and inconvenience he'd been caused.

Aviva accepted our investigator's recommendations. And although he remained frustrated with Aviva's actions Mr G didn't present any further evidence or arguments to the contrary. But he explained that he wasn't willing to accept the assessment until Aviva had provided satisfactory evidence that some earlier compensation had been paid. 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. If Mr G accepts my decision it is legally binding on both parties.

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 G and by Aviva. 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.

I have set out above a little of the background to how these Special Scheme Bonus payments have arisen. Mr G has previously explained his familiarity with how this scheme operates so I think there is little benefit in considering that history any further here.

The operation of any with profits arrangement is subject to strict controls from the industry regulators. The regulators are aware of the opaque nature of schemes of this type, and the understandable concerns that some consumers might have about whether they are being treated fairly. So a relatively stringent regulatory regime is in place requiring the appointment of a with-profits actuary with the regulator providing rules and guidance on their duties. An independent with-profits committee is also required – its remit is to protect the interests of the with-profits policyholders and to ensure that they are treated fairly.

In November 2021 Aviva published a report provided by an independent actuary. The report had examined the operation of the old and new funds and confirmed that no Special Scheme Bonus had been declared in 2020 as the fund surplus didn't exceed the relevant threshold. And the report went on to conclude that it would be unlikely any future Special Scheme Bonuses would become due and so it was reasonable to complete the merger of the old and new funds.

So I am satisfied, based on the information that has been published, that it was reasonable for Aviva to not add a Special Scheme Bonus in 2020.

But Mr G has also complained about when that information was made available to him. And Aviva has accepted our investigator's findings that its communications with Mr G were not detailed enough and not given in a timely manner to provide him with the level of explanation he required for his specific query.

There is no doubt that the history of previous problems has made Mr G more sensitive to Aviva's failings. And because of those problems, the delays here in providing the information to Mr G heightened his sense of wrongdoing. So, like our investigator, I think it appropriate that Aviva should pay some compensation to Mr G to recognise the distress and inconvenience he was caused by the delays. I think that the amount of £200 recommended

by our investigator, and agreed by Aviva, is fair and reasonable in the circumstances of this complaint.

I appreciate that my decision will be, in part, disappointing for Mr G. There are a number of matters that he still considers to be outstanding. But, in relation to the complaint I need to decide here, I am satisfied that Aviva acted appropriately in not paying a final Special Scheme Bonus in 2020. But I do think that it could have explained that decision to Mr G in a timelier manner, and so avoided some of the distress and inconvenience he was caused.

Putting things right

Aviva should pay Mr G the sum of £200 to reflect the distress and inconvenience he was caused by the lack of detail and timeliness of its explanations about the decision to not pay a Special Scheme Bonus in 2020.

My final decision

My final decision is that I uphold part of Mr G's complaint and direct Aviva Life & Pensions UK Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 10 February 2023.

Paul Reilly
Ombudsman