

## **The complaint**

Mr Q has complained about the tax code which ReAssure Limited used when it paid him his first taxable withdrawal from his pension plan. Mr Q has also said that he's unhappy with ReAssure's administration of his withdrawal and the customer service it provided.

## **What happened**

Mr Q has a retirement account with ReAssure. He requested his first taxable withdrawal of £10,000 on 6 January 2022 and ReAssure paid him £7,047.94 net on 27 January 2022.

Mr Q's a basic rate taxpayer, so he was expecting to receive £8,000. He therefore contacted ReAssure on 2 February 2022 to query what had happened. In the telephone call, ReAssure incorrectly said that it had used the basic rate tax code.

Mr Q then corresponded with ReAssure several times to seek clarification on this, but he didn't hear back from ReAssure until 9 March 2022. Mr Q didn't then receive a detailed response from ReAssure about the tax code used – and why – until 12 April 2022.

ReAssure explained that it had used tax code 1257L M1, an emergency tax code. That was the reason ReAssure applied more tax than Mr Q was expecting.

Mr Q considered that ReAssure should have applied his basic-rate tax code. So he complained to ReAssure about the tax code used, along with its administration and the customer service he'd received.

ReAssure wrote to Mr Q when its eight weeks to investigate the complaint had expired, telling him he could refer the complaint to our service. But it hadn't fully investigated the complaint by that point. Mr Q therefore referred the complaint to us, and ReAssure has since completed its investigation.

ReAssure has said that it applied the correct tax code as it was Mr Q's first taxable withdrawal from the policy. But it accepted that its customer service and administration didn't meet reasonable standards. So, it offered Mr Q £50 compensation.

One of our investigators considered the matter, and set his findings out as follows:

- When a business such as ReAssure accepted that it had done something wrong, and had offered to put things right, it was his role to determine whether the offer was fair in the circumstances.
- ReAssure had in this instance accepted that its customer service wasn't good enough, but maintained that it had used the correct tax code.
- When a business processes the first taxable withdrawal in a drawdown pension account, an emergency tax code will be used – and then HMRC would confirm the correct tax code to use for subsequent withdrawals. And this is what had happened here.

- If ReAssure had Mr Q's P45, then it could have used his actual basic rate tax code, but it didn't. As such, the investigator didn't think that ReAssure had acted unfairly in applying the emergency tax code to the first taxable withdrawal.
- Although Mr Q had said that he would need to wait for a year until he could claim the additional tax back from HMRC, as he'd made the withdrawal in the previous tax year, he should be able to request this from HMRC without further delay.
- Addressing ReAssure's offer of £50 for its poor service, the investigator noted that ReAssure had missed its service standard of responding to correspondence within ten working days on several occasions.
- It also took 15 working days for ReAssure to pay Mr Q his withdrawal amount, and when he queried the tax code which had been used, ReAssure told him that it had used the basic rate code. It then took 25 working days after Mr Q's initial call for ReAssure to correct this.
- Mr Q didn't then receive a detailed response about the tax code until 12 April 2022.
- He didn't think that the £50 offered by ReAssure was sufficient in the circumstances to reflect the poor service Mr Q had received from ReAssure. There were multiple mistakes, and these would have made it harder for Mr Q to accept what it was telling him about the tax code and why it had been used.
- The investigator therefore recommended that ReAssure pay Mr Q a total of £200, including the £50 already offered.

ReAssure accepted the investigator's recommendation.

But Mr Q asked that it be referred to an ombudsman for review, saying in summary that he didn't think the amount of compensation being offered was sufficient, given that he had to contact ReAssure several times over several months to obtain simple information. This caused him stress, and this wasn't the only occasion that he'd needed to complain to ReAssure.

As requested, the complaint has been referred to me for review.

### **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.

And having done so, I've reached broadly the same conclusions as the investigator, and for similar reasons.

I understand Mr Q's frustration that ReAssure used the emergency tax code and so he paid more tax than he was anticipating. But as explained by the investigator, this isn't an unusual process, and I don't think I can conclude that ReAssure has acted unfairly in doing this.

Further, as also set out by the investigator, Mr Q should, by the beginning of the new tax year (2022/23) have been in a position to reclaim any overpaid tax from HMRC.

As with the investigator, I've then thought about the amount of compensation which

ReAssure should pay to Mr Q to reflect its customer service. And again, I agree with both the investigator and Mr Q that this should have been better. It's understandable that ReAssure's incorrect initial response regarding the tax code and its delays in offering clarity on this will have caused Mr Q further frustration and stress.

But I also need to consider what would be fair and reasonable in the circumstances as an award in respect of this. And our role is not to punish businesses for their mistakes, but more to assess the impact that any mistakes have had on the individual consumer, and then make appropriate awards accordingly.

I also need to take into account the types of award that this service might typically make in similar situations, and there's information, with examples, about this on our website. Mr Q may wish to visit that website, but to quote from the relevant section relating to typical awards, it says the following:

*"An award between £100 and £300 might be fair where there have been repeated small errors, or a larger single mistake, requiring a reasonable effort to sort out. These typically result in an impact that lasts a few days, or even weeks, and cause either some distress, inconvenience, disappointment or loss of expectation."*

I think the situation here would be reasonably aligned to the above description, and so I think the investigator's recommendation, and ReAssure's acceptance, of an overall payment of £200 is appropriate in the circumstances.

### **Putting things right**

ReAssure Limited should pay to Mr Q a total of £200.

### **My final decision**

My final decision is that I uphold the complaint and direct ReAssure Limited to pay Mr Q £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Q to accept or reject my decision before 6 April 2023.

Philip Miller  
**Ombudsman**