

The complaint

Ms T complains that when she crystallised her pension with Aviva Life & Pensions UK Limited, she was told the tax-free cash amount to be paid was £112,286.11 but she only received £109,134; the transactions weren't all completed on the correct day; and an amount of £1,380.45 which should have been paid to her was left uncrystallised.

What happened

Ms T's independent financial adviser ("IFA") phoned Aviva on 1 March 2022. The IFA said Ms T wanted to crystallise her pension and take 25% of it as tax-free cash. Aviva's call handler confirmed the value of the pension fund and said they would proceed with the transaction.

The IFA emailed after the phone call confirming Ms T needed the funds and due to the volatility in the markets at that time had agreed to the valuation on that day.

Aviva started to sell funds in Ms T's pension the same day. By Monday 7 March 2022 all the funds had settled. On 8 March Aviva confirmed the system had crystallised with the account value being £436,537.40 and the tax-free cash payment of £109,134.35 was made.

Ms T complained with the help of her IFA about the value paid out. She also complained that a sum of £1,380.45 had been left uncrystallised, which was an issue because if she didn't crystallise the full value this would be treated as an unauthorised payment, with a tax charge.

Aviva didn't think it had done anything wrong. It said the sum of £1,380.45 was due to late payment of dividends, received after the crystallisation. It processed this under the same instruction and made a payment of £420.50 as tax-free cash.

Ms T's IFA asked for details of the transactions and after receiving these, said the total sales amounted to £114,805, which was more than figure quoted. Aviva explained this was because it sold slightly more than the amount requested, to allow for changes in fund values and ensure enough cash was received to make the tax-free cash payment.

Ms T wasn't happy with Aviva's explanations and referred the complaint to this service. She said Aviva should pay her the difference of £3,164 between the figure quoted and the amount she had received, together with the £1,380.45 that had not been crystallised and compensation for the stress and anxiety caused.

Our investigator didn't think Aviva was at fault in the way it had processed the transaction or that it should pay Ms T the difference in value. But she thought there had been some poor communication and compensation of £300 should be paid to reflect the distress caused by this.

Ms T disagrees. She says:

- Aviva told her IFA she would get the higher figure and so that amount should be paid;

- the compensation should be higher due to the impact on her – in particular, she needed funds to pay the deposit on a house purchase and had to postpone this.

Aviva doesn't agree that it should pay any compensation. It says:

- it dealt with the process on the day requested, there was no delay, and the correct values were used;
- the adviser didn't say the values might change but on the other hand, they were simply quoting the figures at that time, which were correct – and there would be some expectation that an IFA would have known the values were not locked in and could change;
- the fact the values were not guaranteed was confirmed in the documents sent that day and the IFA could have checked.

As no agreement has been reached, the complaint has been passed 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.

I'd expect Aviva to act professionally, with due diligence, and treat its customer fairly. When Ms T's IFA asked Aviva to crystallise the pension funds and make the tax-free cash payment, it should have dealt with this promptly, and provided clear information about the process.

Aviva acted on the IFA's instructions promptly; it started the process to sell funds on the same day as the phone call. One of the fund sales has a date of 2 March 2022, but it was requested on 1 March. Once the sales had been processed, the pension was crystallised and the tax-free cash paid. There was no delay in the process.

Ms T says the figure quoted on 1 March 2022 should have been paid to her. But Aviva has explained that this couldn't be guaranteed. There were no funds held in cash which it could use to make the tax-free cash payment. So it had to sell funds. The values go up and down so it couldn't guarantee the amounts until the funds had all been sold. It's unfortunate for Ms T that the values were a little lower, but that's not due to any failure by Aviva.

However, I agree with the investigator that the information Aviva provided could have been clearer. I've listened to the call on 1 March 2022. The IFA asked for the amounts to be confirmed and the figure stated for the tax-free cash was the higher amount. The adviser didn't say this wasn't guaranteed or might change (though he did say this was the amount "currently", which might suggest it could change). Although the document sent after the call did say the amount was not guaranteed, that was after the instruction had been given by the IFA.

There was further confusion when the transactions were checked and the sales came to a higher amount. Aviva has explained the reasons for this; an additional 10% was added to ensure there was enough for the tax-free cash to be paid. I agree that's reasonable; if it hadn't added that buffer, and the values had fallen more, there might not have been enough to make the tax-free cash payment. But it caused some confusion as this wasn't explained until the IFA questioned it.

With regard to the sum of £1,380.45 that was uncrystallised, this was due to dividends that were only received afterwards. Aviva had no control over this and once it became aware, they were dealt with as part of the same instruction and paid out accordingly.

I think it's relevant that Aviva was dealing with an IFA rather than Ms T herself and might reasonably have expected the IFA to know that values might change and couldn't be guaranteed. But even allowing for that, Aviva could have explained things more clearly and managed Ms T's expectations.

Ms T was understandably upset to find the amount she received was less than she was expecting, particularly if she was intending to pay a deposit on a house purchase and had to delay this. But taking all of the above circumstances into account, I think a payment of £300 is fair to reflect the distress caused at the time.

My final decision

I uphold the complaint and direct Aviva Life & Pensions UK Limited to pay Ms T compensation of £300 for the distress and inconvenience caused to her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 7 April 2023.

Peter Whiteley
Ombudsman