

The complaint

Mr B complains that Aviva Life & Pensions UK Limited paid a significantly lower final bonus on his with-profits pension than he expected.

What happened

In December 2019 Mr B was quoted a transfer value of £111,820.98 which included a final bonus of £35,738.44. Aviva received Mr B's instructions about six weeks later in January 2020. Mr B's funds were transferred in mid-February with a value of £98,670.51. The reason given by Aviva was that final bonuses had been reviewed at the end of 2019 and been recalculated once his transfer instructions had been received. This resulted in his final bonus being reduced to £22,083.95.

Mr B raised a complaint and wanted Aviva to honour the previously quoted bonus rate. Aviva apologised that the transfer had taken longer than their service standard of 10 working days. They confirmed that even though the transfer was delayed, the transfer value was based on the date on which instructions were received in January. So the value wasn't affected by the delay. They paid Mr B £100 as an apology for the delay and calculated interest loss of around £104 as he could have received his tax-free cash sooner.

With regards to the drop in final bonus they explained that bonuses weren't guaranteed and could change at any time. The final bonus was paid to ensure a consumer receives their full asset share of the fund whilst it's been invested. This means in some cases no final bonus is paid or they are reduced.

The rates are not set on an individual policy basis and are the same for everyone who commenced this investment during the same year as Mr B. If they increased Mr B's asset share by paying a higher bonus, this wouldn't treat other customers with the same investment fairly.

Mr B referred his complaint to this service. Our investigator didn't uphold his complaint. As Mr B wanted a second opinion, his case was referred to me for a decision.

I issued a provisional decision upholding Mr B's complaint but made it clear that if additional information was provided by Aviva my decision could change.

Mr B accepted the provisional outcome. Aviva again did not respond.

Without further comments or information to consider I see no reason to depart from my original findings which I set out again below.

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.

With-profits policies work differently to many other investments and based on the paperwork

I've seen Aviva made it clear throughout that transfer values and the final bonus in particular wouldn't be guaranteed. Aviva also informed Mr B, through his adviser, that the transfer value would be recalculated once instructions to transfer were received.

It seems Mr B understands and accepts that values can fluctuate and bonuses weren't guaranteed, but he didn't expect the significant drop in final bonus over a matter of weeks.

The regulator requires policy providers to have and publish a document called Principles and Practices of Financial Management (PPFM) which explains how it manages its with-profits funds including the nature and extent of decisions it takes to manage the fund. And how it applies discretion to treat customers fairly. Among other things, the PPFM sets out how policy values are calculated.

The calculation and application of any bonus is a commercial decision for the product provider. A commercial decision made by a financial business may have wider implications and affect how the business operates and groups of customers or policyholders more generally.

I understand it can be difficult for policyholders to satisfy themselves that they are receiving what they are entitled to under the terms of their policies, including whether any final bonus has been calculated correctly. The industry regulator, the Financial Conduct Authority (FCA), recognises that firms have a considerable amount of discretion about how they operate their with-profits funds.

Aviva is accountable to the FCA for the way in which it operates its with-profits fund (in accordance with its PPFM). Businesses are required to appoint a with-profits actuary and the FCA provides rules and guidance on their duties. Aviva also has an independent 'With-Profits Committee' whose remit is to protect the interests of the with-profits policyholders and ensure that they are treated fairly.

So I don't think a reduction in bonus means something automatically has gone wrong. And I wouldn't expect to necessarily see detailed calculations on every case.

Having said that, the drop in bonus is nearly 40% and does seem high in this case and so I've asked Aviva for further information. I've asked them when exactly the bonus rate changed and by how much and when Mr B's manual calculation was carried out. If the bonus rate didn't change significantly at the review, then I asked Aviva to explain why the bonus on Mr B's quotes was so different to his actual bonus. I questioned how his asset share could have changed by so much in five weeks.

I also queried whether, if the calculation at transfer was correct, whether it's was possible that the bonus rates in the quotes had been too high and if so why they couldn't have been more accurate.

I asked Aviva to provide any evidence they could to support their answer to my questions. Very disappointingly, despite numerous requests, Aviva did not respond to my queries.

I appreciate it's quite possible that bonus rates did significantly drop during the review or that there are good reasons why the quoted bonus was so different to Mr B's actual calculation. And that the value Mr B received is correct. If this was the case I likely wouldn't uphold Mr B's complaint. However, based on the information I have at the minute I'm not satisfied that no mistakes were made here.

It's possible that Mr B's bonus rates were quoted significantly too high without good reason which unfairly raised his expectations. However, at the moment I can't even safely say that

the new calculations were correct as no evidence to this regard has been provided.

Aviva hasn't provided persuasive information to show Mr B's new calculation was correct, So I think it's fair in the circumstances to ask Aviva to honour his previous bonus quote.

Putting things right

Aviva must pay Mr B the difference between his last quoted bonus (£35,738.44) and the bonus he actually received (£22,083.95) which comes to £13,654.49. Aviva should also pay 8% simple interest on this sum from the date Mr B funds were transferred to the date of my final decision to compensate Mr B for being deprived of these funds during this time.

For completion, I'd like to note that I'm satisfied that the compensation Aviva paid Mr B (£100 plus £104 in interest) in relation to the transfer delays they caused is reasonable.

The compensation amount must be paid to Mr B within 28 days of the date Aviva receives notification of his acceptance of this final decision. Further interest must be added to the compensation amount at the rate of 8% per year simple from the date of this final decision to the date of settlement for any time, in excess of that 28 day period, that it takes Aviva to pay Mr B.

My final decision

I uphold Mr B's complaint and require Aviva Life & Pensions UK Limited to pay Mr B compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 October 2022.

Nina Walter
Ombudsman