

The complaint

Miss B complains about how Aviva Life & Pensions UK Limited (Aviva) have calculated the value of her personal pension plan (PPP).

Her PPP was originally held with another business, but as Aviva are now responsible for the management of the plan, for clarity I'll refer to Aviva throughout.

What happened

Miss B had held a PPP since the 1990's following advice from another business. She had been advised to open the PPP as opposed to joining the occupational pension schemes (OPS) offered by two employers, who I'll refer to as X and Y, during this time. This advice was reviewed as part of the then financial industry regulator's review of the sales of PPPs which involved opt-outs, non-joiners or transferees.

Between December 2001 and January 2002, the review found that the advice she'd been given was unsuitable, and that she should've been advised to remain in the OPS offered by X, and to have joined the OPS offered by Y.

On 3 December 2001 Aviva wrote to Miss B with an offer to reinstate the pension benefits she would've gained had she been in the OPS offered by Y, by whom she was still employed. Aviva said it would undertake a redress calculation and purchase the membership benefits she'd lost as a consequence of its advice, and would use part of the value of her PPP to offset the cost. (Miss B accepted this offer on 29 June 2002).

On 25 January 2002 Aviva wrote to Miss B with an offer to redress the loss she'd incurred as a result of its advice to transfer away from the OPS offered by X. It calculated that she'd lost benefits worth £6568, so would make an equivalent payment into her PPP. (Miss B accepted this offer on 15 May 2002).

In early 2019 Miss B made some enquiries about her PPP, and found that Aviva were now responsible for it. Miss B was thinking about taking the benefits from the plan, so on 6 November 2019 she called Aviva and asked for the current value of her PPP. She was quoted £72,732. She called again on 15 November 2019 and was quoted a value of £72,845. She received letters from Aviva on 15 and 16 November 2019, quoting the value of her PPP as £72,762.48 and £72,309.20 respectively.

On 16 March 2020 Miss B called Aviva for an up-to-date valuation. But she was told that this couldn't be given over the phone as this was a 'pensions review' case, and a manual calculation needed to be carried out to establish its value. Aviva wrote to her on 17 March 2020 stating the value of her PPP was £28,161.50.

On 14 April 2020 Miss B complained to Aviva. She wanted to know how the value of her PPP had dropped by over £44,000 in four months, and why a 'manual calculation' had to be carried out.

In its final response letter, Aviva said that when the funds were returned to her original

scheme, not all the funds were accepted. This meant the value automatically calculated by its system is incorrect, as it didn't take into account the money that had been returned to the original scheme and accepted. The automatic valuation provided in November 2019 was incorrect, as a manual calculation was required to provide a correct value. It assured Miss B that the other valuations she'd been provided with, and all those which would be provided in the future, would reflect the true value of the policy.

Unhappy with this response, Miss B complained to our Service.

Aviva sent Miss B a statement dated 9 June 2020, where her PPP was valued £31,875.10.

On 4 August 2020 Aviva sent Miss B a settlement quote which valued the PPP at £31,511.80.

On 17 November 2021, whilst her complaint was being investigated by our service, Miss B contacted Aviva for an up to date valuation of her PPP. She was told it was £83,021. She called them again on 30 November 2021 as she was thinking about cashing in the policy, and the value £83,021 was confirmed by Aviva.

Due to personal circumstances Miss B decided to cash in the policy in March 2022. She was quoted £35,038.45.

However, before the transaction was completed, in April 2022 Aviva sent Miss B a statement which showed the value of her PPP (on 27 October 2021) was £83,313.57.

Our Investigator thought Miss B's complaint should be upheld. He thought that although he could see that Miss B's PPP was reviewed under the 'pensions review' and payments into and out of the PPP had occurred to redress the losses she'd incurred, he didn't think Aviva had shown that the value of Miss B's PPP recorded on its systems was wrong, and needed to be manually calculated. He had asked Aviva on a number of occasions to provide a copy of the manual calculation it had used to determine what it considered the true value of Miss B's policy to be, but Aviva had failed to provide this. And Aviva had also not explained why its systems were unable to reflect the true value of Miss B's policy.

So as none of the evidence provided by Aviva supported its position that the value of Miss B's PPP should be less than its systems showed, and because Aviva had failed to show our Service how it had carried out the calculation, our Investigator was of the view that Miss B was entitled to the full value of her PPP as recorded on Aviva's systems. And in addition, due to the ongoing misinformation provided to her, and the distress and inconvenience she'd been caused, Aviva should pay her £300 compensation.

But Aviva didn't respond to this, so as no agreement could be reached the complaint has come to me for a decision.

On 2 September 2022 I issued a provisional decision setting out my initial thoughts on the merits of the complaint. I agreed with the conclusions of the investigator, but I set out my initial thoughts regarding my proposed redress methodology and compensation for Miss B. In my provisional decision I said:

"Where there is conflicting information available, or indeed a lack of definitive evidence, either because of the passage of time or because the required information hasn't been provided, I need to decide what I think is most likely to have happened on the balance of probabilities."

The crux of this complaint is whether the value of Miss B's PPP recorded on Aviva's systems

was correct, or whether it needed to be adjusted by a manual calculation. And if it did need to be adjusted, whether that was fair and reasonable. But other than Aviva saying that it needed to do it because Miss B's PPP was adjusted due to the pensions review, no evidence has been provided to support this. And Aviva hasn't explained how the manual calculation was carried out.

I've seen evidence that Miss B's PPP was reviewed by the industry-wide 'pensions review'. And I've seen evidence that its value was increased as a result of the advice to transfer out of the OPS provided by employer X. And I've seen evidence that a payment was made by Aviva's predecessor to the OPS of her then employer, Y.

It should be noted that Miss B had benefitted from the investment growth to her PPP whilst she wasn't making contributions to the OPS. So when Aviva reinstated the OPS benefits she'd not accrued, it was fair for it to use some of the funds in her PPP, equivalent to the contributions she'd made and the associated investment growth, over the period she should've been in the OPS, in order to do this.

But Aviva are relying on its assertion that the final value of Miss B's PPP should be reduced due to the payment it had to make to her OPS in redress. And it has reduced the final value by about 65%. But I can't see how or why this should happen.

I've seen evidence that Miss B's PPP was worth £2239 on 25 January 2002. And I can see a payment of £9,263.01, most likely as a result of the pensions review redress, was made into the PPP on 1 August 2002. So it is a fair approximation that the PPP was worth about £11,400 in late 2002.

But as I've said above, it was fair for Aviva to use some of the value of Miss B's PPP to purchase the OPS benefits that she'd missed out on from her current employer's pension scheme. And I can see a payment was made by Aviva's predecessor to the OPS of Y for £1,689.65 on 17 March 2003. So this is most likely to be that redress payment. Using the likely approximate value of her PPP at the time, this equates to only about 15% of its value.

So it is fair to say there probably should've been some reduction to the value of Miss B's PPP in March 2003. But I cannot see why, as Aviva asserts, this reduction wasn't applied and reflected in the value held on its predecessor's system at the time it occurred, and subsequently passed on to Aviva. And I cannot see why this reduction needed to be calculated manually at a later date, or indeed how it was done. And Aviva has neither adequately explained this, nor has it provided its calculations to our service so that it can be established if its actions were likely fair.

The systems employed by financial businesses to record the values of, and transactions within its customers' accounts and financial products are subject to external scrutiny, so it is fair to accept them as being generally robust and accurate. So I consider it more likely than not that the value of a PPP recorded on Aviva's systems is an accurate and true reflection of reality. But Aviva has said that the value of Miss B's PPP was about 65% lower than its system had calculated, so would not honour the values it said were mistakenly but repeatedly given to Miss B. But it hasn't explained why or how this reduction was imposed, even when this information was requested by this service. So I can't say it has acted fairly or that it is more likely than not that the reduction it imposed was correct.

It should also be noted that businesses were required by the regulator to retain all the documentation relating to the pensions review process. So although Aviva wasn't the original provider, when it took on the business it should've ensured all the records were provided by its predecessor and retained them. It is likely that Miss B would've been informed of the value of her PPP once the redress process was completed, and if there was to be a future

reduction, I'd expect she'd have been told how it would work and how much she could expect to receive at retirement. And I'd expect this information, if she was told of a future reduction, to be on file.

So I'm currently minded to require Aviva to honour the value of Miss B's PPP as it was recorded on its system, without the manual calculation, when she took the benefits in March 2022, and make this additional payment to her, plus 8% simple interest to reflect her being deprived of these funds. I'm aware this may have tax implications for Miss B, so she should consider how she wishes this payment to be made.

But Aviva also has a responsibility to ensure its systems, and the information it gives to its customers, is accurate. And this is especially true when it comes to customer's pension provision as this is likely to have a significant impact on them and their future plans. And I can see how the misinformation that Miss B was given has caused her quite significant distress and inconvenience. So I agree with the investigator that Aviva should also pay Miss B £300 compensation."

I invited both Miss B and Aviva to respond and submit any additional information or arguments they wished me to consider. Miss B responded saying she accepted my provisional decision. Aviva did not respond.

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.

Having done so, and in light of there not being any new information submitted by either Miss B or Aviva, I see no reason to depart from the findings in my provisional decision.

Putting things right

I require Aviva Life & Pensions UK Limited to do the following:

- Honour the value of Miss B's PPP as it was shown on its system, prior to the manual calculation, at the date she took benefits in March 2022.
- Pay this full value to Miss B, (minus the amount already paid, less tax, following its manual calculation), and;
- Add 8% simple interest to this amount, calculated from the date she took the benefits in March 2022 until the date of settlement.
- Pay Miss B £300 in compensation for the distress and inconvenience she's been caused.

My final decision

I uphold this complaint.

I require Aviva Life & Pensions UK Limited to pay the amount calculated as set out above.

Aviva Life & Pensions UK Limited should provide details of its calculation of this redress to Miss B in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 28 October 2022.

Chris Riggs
Ombudsman