

The complaint

Mr H complains about delays by Aviva Life & Pensions UK Limited (Aviva) in providing information about his pension and putting his benefits into payment. Mr H also says the pension he's now receiving is too low.

What happened

I issued a provisional decision on 25 October 2022. I've set out again what I said about what had happened and my provisional findings.

'Very briefly, Mr H had a pension policy with Aviva. His normal retirement date (NRD) was his 65th birthday in January 2020. He contacted Aviva in early 2020 about accessing his benefits. The initial quotations provided by Aviva were incorrect and revised quotations were issued. Mr H completed the relevant paperwork and returned it to Aviva so that his benefits (a Guaranteed Minimum Pension (GMP) pension of £11,040.12 pa plus tax free cash of £57,264.34) could be put into payment. Aviva later contacted Mr H to say the tax free cash had reduced – to £53,632.75 – and sought confirmation from as to whether Mr H still wished to proceed. Mr H initially indicated that he did but he then changed his mind. Aviva told him the GMP pension would increase in deferment. And that the fund value would come back up.

In early 2021 Mr H contacted Aviva again about taking his benefits. There was some delay on Aviva's part in getting back to Mr H and he contacted us. I understand his benefits were put into payment in May 2021 (based on a retirement date of 29 March 2021). That part of his fund that related to his non GMP pension had been used to buy a pension of £18.48 pa and pay a tax free lump sum of £56,609.55. The GMP part of his fund had been used to pay a pension of £10,770.24 pa. A spouse's pension of £5,385.12 pa was payable.

Amongst other things, Mr H was unhappy that his GMP pension was less than had been quoted in 2020 although he'd been told it would increase in deferment. He said he'd lost a year's income.

Aviva sent Mr H a final response letter on 11 May 2021. Aviva upheld Mr H's complaint about the time taken to send him the retirement benefit quotation he'd asked for in January 2021. But Aviva didn't agree that Mr H had lost out on a year's income because of anything that Aviva had done wrong. Aviva said it recalculates benefits once it has the customer's instructions. There's a safety check in place to ensure customers are contacted before benefits are set up (a decision that can't be reversed) if there's been a significant change in values. Hence Aviva had spoken to Mr H on 11 June 2020. Aviva didn't agree that Mr H had been put under any pressure to decide. Aviva said, at the time Mr H had decided to defer taking his benefits, there'd been no delay in providing him with information and he'd been given all the necessary information to make his decision, which Aviva hadn't influenced.

But Aviva did agree it had let Mr H down by delaying in providing him with quotations following his request on 18 January 2021. There was further delay in checking his instructions (received on 29 March 2021) and noticing that the bank account identification wasn't sufficient and requesting an up to date statement. Aviva said it had based Mr H's annuity on a retirement date of 29 March 2021 and he'd get a catch up payment. Aviva

would also carry out a loss assessment to compare what had been paid with what would've been paid if there'd been no delays to ensure Mr H hadn't been financially disadvantaged. Aviva was also making a payment of £300 for the inconvenience Mr H had suffered.

One of our investigators looked into Mr H's complaint. In summary she said in 2020 the quotation Mr H had received was wrong and it had taken Aviva sometime to correct it. Aviva hadn't then processed promptly the documentation that Mr H returned. But the investigator didn't think that had caused the drop in the value of Mr H's pension fund. She said he'd chosen to defer his pension and she couldn't say he'd have acted differently but for the delay. Aviva had admitted there'd been further delays in 2021. Aviva had acted fairly by setting up Mr H's annuity based on a retirement date of 29 March 2021 which was when Aviva had received Mr H's instructions. Aviva had also confirmed a loss assessment had been carried out. The result was a payment of £2,088.45 to Mr H. His annuity was also £74.64 pa higher than it would've been and would remain so going forwards.

The investigator thought that, plus the £300 payment, was fair. But she remained concerned as to why Mr H's GMP was less than he'd been quoted in 2020 and when he'd been told it would increase. She said Aviva needed to check Mr H was receiving the correct amount. We've fairly recently heard further from Aviva about that. I'll ask the investigator to supply a copy of Aviva's email of 30 September 2022. But essentially Aviva accepts the GMP Mr H is being paid is wrong and that it should be higher. And that's impacted on his non GMP benefits too. In summary Aviva confirmed:

- Mr H's GMP at state pension age was £10,929.88 (made up of pre 88 GMP of £9,570.60 and post 88 GMP of £1,359.28). That's consistent with the letter he was sent on 30 September 2013 (and subsequent information he's received).
- Mr H's policy has two parts – the main policy and a redress policy. I'd assume the latter arose following the payment of pension review redress. The main policy is used to provide the GMP. If there's a shortfall – that is, if the fund value is insufficient to meet the cost of buying the GMP, Aviva has to meet the shortfall. The redress policy is in addition. It can provide tax free cash and additional pension.
- The quotation issued to Mr H on 4 March 2020 was incorrect. It was based on the incorrect GMP held on Aviva's system - £7,614.88 (made up of pre 88 GMP of £6,255.78 and post GMP of £1,359.10). The quotation shows a slightly higher GMP of £7,692.36 as the effective date was more than seven weeks after Mr H's NRD.
- Mr H queried the GMP figure as it was much lower than he'd been expecting. A revised quotation was issued, using the correct GMP - £11,040.12 pa. That meant the redress policy was payable wholly as tax free cash.
- But, after Mr H had returned the forms to take his benefits, the fund value was recalculated. The wrong GMP was used. That reduced the tax free cash to more in line with the original (and incorrect) quote. So Mr H was contacted to see if he still wanted to go ahead. Mr H was led to believe the reason for the lower tax free cash was that the fund value had reduced. But it had increased and the reason was that the incorrect GMP had been used again.
- The quotation in April 2021 was also wrong. It was again based on the wrong GMP. The correct GMP was £12,051.52 pa. The value of the redress policy was £57,996, all payable as tax free cash.

What I've provisionally 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 don't disagree with the findings reached by the investigator about what happened in 2020

and 2021 as to Aviva's delays in providing information and processing Mr H's requests for payment of his benefits. But that still left the matter of whether Mr H was receiving the correct benefits.

As I've explained above, Aviva has now accepted that its records held the incorrect GMP for Mr H and as a result his annuity in payment is incorrect. Further, the amount of the tax free cash he received was too low. And, as the correct crystallised value was higher, all of the redress policy was payable as tax free cash, with no additional pension.

It's clear that there was confusion about Mr H's correct GMP and that led to wrong information being provided to Mr H. Aviva reverted to using the incorrect GMP even though a problem had been identified earlier. The issue wasn't spotted, despite Mr H having complained that his annuity was too low.

The issue is what Aviva needs to do to put things right for Mr H. My aim in awarding redress is to put Mr H, as far as possible, back in the position he'd be in but for Aviva's errors and if Aviva had dealt with his request to take benefits from his policy as it should've done.

The NRD for Mr H's policy was his 65th birthday in January 2020. Aviva, in accordance with its usual process in the months leading up to NRD, sent information to Mr H in November and December 2019. Mr H contacted Aviva in January 2020 about taking his benefits. I don't think, even if things had gone as they should've done, that Mr H's benefits would've been put into payment from his 65th birthday. In looking at when benefits would've been paid, as things stood, Mr H, having requested information in January 2020, asked for quotations on 24 February 2020 which Aviva supplied on 4 March 2020. That's within the two week timeframe which Aviva mentioned in its final response letter in connection with the quotations supplied in 2021.

Mr H didn't accept the quotation supplied on 4 March 2020 because it was wrong. Had it been correct, I don't see any reason to assume Mr H wouldn't have accepted it. As to when that would've been, it seems, from the timeline set out in the investigator's view, that Mr H accepted the replacement quotation sent by Aviva in early April 2020 at the end of April 2020. So, adopting the same timings, I think it's fair to say, had the quotations issued on 4 March 2020 been correct, Mr H would've accepted them and returned the paperwork to Aviva by, at the latest, 31 March 2020.

Aviva rejected Mr H's claim that he'd lost out on a year's income on the basis it was Mr H's decision to defer taking benefits. Aviva said, at that time, there'd been no delay in providing information and Aviva had given Mr H all the necessary information to make his decision. But we now know that the information on which Mr H made his decision to defer payment of his benefits was wrong. Although the revised quotation he'd been given was correct – it showed the higher GMP and the correct tax free cash – when benefits were recalculated prior to being put into payment, the wrong (lower) GMP figure was again used. So his GMP and tax free cash was understated. I accept that Mr H relied on the incorrect information he was given in deciding to delay taking his benefits. If he'd been given the correct information I think he'd have taken his benefits then. And, as I've said above, I think Aviva would have received his instructions by 31 March 2020. Aviva would then have sought confirmation of Mr H's banking arrangements and backdated the start date of Mr H's annuity to 31 March 2020, which reflects what actually happened.'

I went on to set out what Aviva needed to do to put things right.

Aviva hasn't commented in response to my provisional decision.

Mr H said he was happy to accept my provisional decision but he was concerned that Aviva

would be undertaking the loss calculation. He added that I'd referred to the loss assessment which Aviva had previously undertaken which said his loss was £2,088.45. Mr H said he hadn't received that payment, although he had received the £300 for inconvenience which Aviva had paid earlier.

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 the absence of any new evidence or comments about what happened and why Aviva was at fault, my views remain as set out in my provisional decision.

I've repeated what I said above and it forms part of this final decision.

I've set out below what Aviva needs to do to put things right for Mr H. It follows what I said in my provisional decision although, as Mr H didn't actually receive any payment following Aviva's earlier loss calculation, there's no earlier paid redress to be taken into account.

In accordance with our normal procedure we've asked Aviva to undertake the calculations. It has all the relevant information and we wouldn't normally undertake the calculations ourselves.

I can understand why Mr H might be concerned about further delays and I'd ask Aviva to undertake the calculations promptly following receipt of notification that Mr H has accepted my final decision. In accordance with the award I've made below, interest on the payment shortfalls will continue to run and be payable until the redress is actually paid.

Putting things right

Aviva needs to undertake a loss calculation. It needs to work out what benefits Mr H would've received (annuity payments and tax free cash) from 31 March 2020. And compare those sums with the amounts Mr H has actually been paid.

Interest at 8% pa should be added to each missed (net) payment or on the (net) shortfall paid as applicable from the date each payment should've been made (had benefits been put into payment from 31 March 2020) to the date of payment. The same rate of interest should be applied to the tax free cash payment which Mr H should've received on 31 March 2020 and to the shortfall after payment was made in 2021.

Aviva should supply details of its calculations to Mr H in a clear and simple format. Aviva will need to adjust Mr H's annuity going forwards so he is paid the higher GMP. Aviva should pay Mr H a further £300 for the further distress and inconvenience he's suffered because Aviva has paid Mr H the wrong benefits (GMP and non GMP) since 2021.

My final decision

I uphold the complaint. Aviva Life & Pensions UK Limited must redress Mr H as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 December 2022.

Lesley Stead

Ombudsman