DRN-3860022

The complaint

Mr S complains about the administration of his stakeholder pension plan. He complains that The Royal London Mutual Assurance Society Limited (Royal London) failed to inform him of the correct cut-off date for making pension contributions for that tax year until it was too late.

Mr S says the information on Royal London's website was misleading and informed him that the cut-off date for pension contributions was 3 April 2020.

Mr S says as a result of this he failed to make his contribution in time and had to pay a larger tax bill.

Mr S says he was able to carry over his contributions allowance to the next year, but he says he had to pay additional tax and then wait a year for a refund of the pension tax relief.

What happened

Mr S contacted Royal London to make his pension contribution on 2 April 2020. He was informed that his contribution wouldn't be processed in time for that tax year, as the deadline for making contributions was 31 March 2020.

Mr S complained and sent a screen shot, of what he said, was the relevant section on Royal London's website on making contributions to his pension plan. He pointed out that section gave a deadline of 3 April 2020 for making contributions for that tax year.

Royal London didn't uphold Mr S's complaint. It said that there was a separate section for Royal London CIS customers, which didn't contain the same deadline of 3 April 2020.

It also said that when Mr S had contacted Royal London he had been informed of the correct deadline of 31 March 2020.

Royal London said there wouldn't have been any financial loss unless Mr S had been intending to use his full pension contribution for that year.

Mr S disagreed and asked Royal London to provide him with the section which outlined a different deadline for his plan. Royal London wasn't able to do so.

Mr S then referred his complaint to our service. He said as a result of the missed contribution he had paid an additional £6,000 in tax. He said he understood he was able to carry the contributions allowance over to the next year. However, Mr S said he had lost the investment return on that £6,000 which would otherwise have been invested in his pension plan.

Our investigator considered Mr S's complaint and said it should be upheld. She took into account the information that he had provided in respect of what was shown on the website at the relevant time. The investigator noted that Royal London hadn't been able to supply any evidence of the information that would've been on its website at the time. So, she concluded that the information on the website was unclear because it said the deadline was 3 April

2020 and it didn't say that this deadline didn't apply to CIS customers.

The investigator considered the loss to Mr S was the additional tax he had to pay as a result of not making his contribution within the tax year. So, she said Mr S should be put back in the position he would've been in, had he been able to make his contribution on 2nd April 2020, as per the previous years. The investigator said Royal London should use Mr S's previous tax bills and the information it held to work this out, and make the financial loss payment directly to Mr S.

Royal London disagreed with the investigator's conclusions. It said while it couldn't now provide screenshots of how its website was laid out in 2020, prior to an update, the details did ask any customer with an original CIS plan to call. It said Mr S called Royal London and was told the cut-off date for his type of plan was 31 March.

Royal London said it had the right to set parameters in which it would accept funds from any customer which were aligned to the type of product they held. It said those parameters did not favour one customer over another, but were in place because of the legacy nature of older products. It said this allowed Royal London time to process contributions before the tax year end which it said wasn't unreasonable.

Royal London said Mr S was aware of the process but did not action his payment in time. So, it said it was entitled to process contributions in accordance with its deadline and it said no redress was warranted.

As no agreement could be reached Mr S's complaint was referred to me for review.

We asked Mr S for some further information about his circumstances at the time and the financial impact of the "missed" contribution. He explained that he had paid additional tax at the end of January 2021 and received a tax refund in January 2022. Mr S said that money would otherwise have been in his offset mortgage account and quantified his loss as £102.

I issued a provisional decision where I upheld Mr S's complaint and concluded that Royal London should pay him compensation of £102 for the financial loss, together with £75 for the distress and inconvenience caused.

An extract of that provisional decision is set out below and forms part of this final decision.

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.

Mr S was looking to make a pension contribution into his stakeholder individual pension plan before the end of the tax year. He has explained Royal London's website stated the deadline for making a contribution for that tax year was 3 April 2020. So, he contacted Royal London on 2 April to make the contribution.

Royal London has explained that because Mr S had a Royal London CIS plan the applicable deadline was 31 March 2020. It says that information was available on the website at the time and Mr S was also informed on 2 April 2020 that the deadline for his particular plan was 31 March 2020.

I don't think the information provided to Mr S on 2 April, after the deadline had already passed, would have been of any use to him. So, I will concentrate on the information that was available on the website.

Was the information contained on the website in respect of the deadline clear, fair and not misleading?

Mr S has provided evidence of what he saw on the website and this was provided, very promptly, shortly after the telephone conversation on 2 April 2020.

*The screen shot provided had a section entitled "**What are the key dates**" and said:*

Deadline for single contributions

*This year, the tax year end falls on a Sunday. So we must receive completed application forms and supporting documents by **6pm on Friday 3 April 2020** if you want to make a contribution before the tax year end.*

It then gave details for making the contribution by bank transfer and said:

*Please make sure you allow enough time for this to reach us by **Friday 3 April 2020**.*

As the investigator has said, there was nothing in this section which stated this deadline didn't apply to customers with Royal London CIS plans. And from Mr S's perspective, as his plan was now being provided and administered by Royal London, I don't think there is any reason why he would think this deadline didn't apply to his plan.

Royal London has acknowledged that information about the 3 April deadline was contained on its website but has explained that there was also different information about the deadline applicable to Royal London CIS customers, which was 31 March 2020.

However, Royal London hasn't been able to provide any evidence that it had different information on its website about the deadline for Royal London CIS customers, as opposed to the information relating to Royal London customers. And as Mr S complained about this issue shortly after the event and provided a screen shot at the time, I don't think it would've been particularly onerous to locate and supply this.

I also note Royal London has said its website told Royal London CIS customers to call for further information. It may well be that within the information contained on the website there was a request for Royal London CIS customers to call for further information, but I consider the headline information gave the clear impression that the deadline was 3 April 2020.

Royal London has also pointed out that it is entitled to apply different deadlines for pension contributions depending on the type of plan, which I accept. However, I think it has to make the relevant deadline clear to its customers to avoid any confusion.

I think making pension contributions within the tax year can be a significant issue for plan holders, particularly if they are intending to make the maximum contribution for that year. So, I think it is important for that information to be set out clearly.

It appears that Mr S was misled by what was contained on the website and he has provided a copy of the information he relied upon. So, in the absence of any further evidence, I consider on balance that the information provided there didn't make that distinction sufficiently clear.

What would've been Mr S's course of action, if the information had been sufficiently clear?

Mr S has explained he was intending to make a pension contribution of £15,000 to his personal pension plan on 2 April 2020, so in the tax year 2019-2020. He has explained he was self-employed at the time and each year he would wait until late in the tax year to *assess what contribution he could make.*

I can see that Mr S had made single contributions to his plan regularly in the preceding years and those contributions had been made just before the end of the tax year. Mr S also made a single contribution of £15,400 in the next tax year, 2020-2021. Although I understand that by then he had taken on paid employment, and was also making payments to an employer scheme, so his situation had changed.

Overall, I think it is more likely than not, that if the information about the earlier deadline of 31 March 2020 had been clearer, Mr S would have made his contribution by that date. If he had done so, Royal London would've applied basic rate income tax relief automatically to his contribution. In addition, as Mr S was a higher rate income tax payer he would've then claimed the higher rate income tax relief on the proportion of that £15,000 which attracted higher rate tax (depending on his earnings), in his self-assessment application at the end of January 2021.

Mr S has explained that what actually happened was that, as he didn't make the contribution in the tax year 2019-2020, he paid additional tax, which I understand would've been paid at the end of January 2021. As he was able to carry over his pension contribution allowance, he received a tax refund at the end of January 2022. So, he says, his financial loss was the loss of the use of that amount of money for one year.

Mr S has said that the money would otherwise have been held in his mortgage offset account. He therefore quantifies his loss as £4,454 (tax refund) x 2.29 % (which was the relevant rate of interest for that account) which gives a total of £102.

Mitigation of loss

I appreciate that once Mr S had been informed on the telephone that his contribution wouldn't fall within that tax year 2019-2020, he may have been unsure as to whether to make the contribution. However, I think it would have become clear, with a small amount of research, that his pension contribution allowance could be carried over to the next year.

I think it would be reasonable to expect him to have made that £15,000 pension contribution in any event, perhaps later in April 2020, as he had the money available because he had already earmarked that sum as a contribution.

If he had done so, the basic rate income tax relief would've been applied automatically on that contribution by Royal London, but Mr S would've had to pay the additional tax for the "missing" 2019-2020 contribution at the end of January 2021. That left him about 10 months to earn income to cover that additional cost, in the knowledge he could claim the higher rate income tax relief at the end of January 2022.

Financial loss

I think Royal London has caused Mr S a financial loss by not providing clear information regarding the relevant deadlines for making pension contributions into his plan. I am satisfied that as a result Mr S lost the opportunity to claim his higher rate income tax relief at the end of January 2021. So Mr S lost the use of that amount of money for one year. But, as I have said, I think it would've been reasonable to expect Mr S to still have made the pension contribution of £15,000 in April 2020, after the year-end deadline, in order to mitigate his loss.

I am satisfied on balance with the explanation provided by Mr S that any money not paid by him in tax in 2021, would have instead been held within his mortgage offset account with an interest rate of 2.29%. As I consider that to be reasonable in the circumstances.

So, I consider compensation ought reasonably to calculated on the basis of the higher rate income tax relief on £15,000, (which as I have said will depend on Mr S's earnings for the relevant year) multiplied by the interest rate of 2.29% (so by 0.0229). Because the loss isn't the tax relief itself, it is the loss of the use of that amount for one year, as Mr S had to wait an additional year to receive it.

Mr S has calculated this to be £102, so I'm currently minded to say that Royal London should pay this amount to him.

Trouble and upset

I consider Mr S would have been upset when he realised he had missed the deadline for his contribution and I think there would have been some concern on his part, until he became aware he could carry over his unused allowance. I also think there would have been some inconvenience in having to depart from his original pension investment plan. So, I think Royal London should also pay £75 for the distress and inconvenience caused to Mr S.

Both parties were provided with a copy of my provisional decision and given an opportunity to respond with any further representations they may wish to make. Neither party made any further representations.

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 noting that neither party has made any further representations, my decision remains the same as set out in my provisional decision, an extract of which is reproduced above, and forms part of this final decision.

Putting things right

Royal London should pay compensation to Mr S of £102 for financial loss, plus a further £75 for the distress and inconvenience caused.

My final decision

My final decision is that Mr S's complaint against The Royal London Mutual Assurance Society Limited is upheld and it should pay compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 January 2023.

Julia Chittenden
Ombudsman