

The complaint

Ms B has complained about the way ReAssure Limited managed her personal pension.

What happened

Ms B has a personal pension with ReAssure, from which she had been taking an income of £1,000 on a quarterly basis. Ms B also occasionally requested extra lump sum payments from the pension. Ms B experienced some delays in October and November 2020 in relation to her regular income payment and an extra lump sum payment. ReAssure paid Ms B £200 to compensate her for this.

In January 2021, Ms B made a further request to withdraw £6,500 from her pension. However, the form she had completed to request the withdrawal wasn't the right one. The form Ms B completed was used for requests to take all of the pension as a lump sum. So, instead of ReAssure paying Ms B £6,500, it paid her the full value of her remaining pension. Ms B received £13,191.36 (after tax) on 8 February 2021.

In April 2021 Ms B complained as she hadn't received the income payment due that month. ReAssure told Ms B this was because her policy had been closed in February 2021 as the full pension value had been paid to her and no further entitlement remained. Ms B complained that she hadn't requested this and thought it was a tax rebate. She said ReAssure had caused her to pay increased tax at a higher rate than she would have otherwise paid.

ReAssure accepted that it had paid out the full pension in error and offered her £200 for the distress and inconvenience caused. But Ms B told us when she went to cash this cheque it had been cancelled.

Ms B remained unhappy so she referred her complaint to our Service. Our Investigator noted that although Ms B had used the full pension payment form, she'd written that she wanted to withdraw £6,500. He said she'd also ticked a box to say she wanted to access her pension under the small lump sum rules, and she didn't qualify for this as her policy was worth more than £10,000. For these reasons, the Investigator thought ReAssure should've clarified the withdrawal request with Ms B and thought the issue could've been rectified there and then. He thought ReAssure should compensate Ms B for the additional tax she'd paid and an extra £250 for the distress and inconvenience caused.

Ms B didn't accept the outcome as she thought ReAssure had caused her significant distress and inconvenience which had had a serious impact on her health. As no agreement could be reached the matter was referred to me to make a final decision.

While I agreed with the Investigator's suggested method of compensating Ms B for the extra tax she'd paid, I thought that ReAssure should pay Ms B a higher amount of compensation for the impact of the issues she'd experienced. ReAssure considered this and offered to pay Ms B an extra £350, in addition to the £200 offered to her in June 2021, meaning a total compensation payment of £550 for the issues I've considered in this complaint. It would also ensure Ms B hasn't paid more tax than she otherwise would have if ReAssure had processed

her withdrawal request correctly and she had maintained her quarterly income payments.

The Investigator explained to Ms B that I considered the offer ReAssure had made to be fair and reasonable in the circumstances. However, Ms B said the offer was insulting. She said she now had no pension to live on in her older years. So, the complaint was passed back 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.

Having done so, I'm upholding Ms B's complaint. However, I think the compensation ReAssure has agreed to pay to resolve this matter is fair, so I won't be asking it to pay more than the £550 compensation (including the £200 offered but not paid in June 2021) and the refund of any increased tax Ms B paid as a result of its error. I'll explain why.

It isn't in dispute that ReAssure made a mistake here – it fully encashed Ms B's pension in February 2021, when it ought to have realised she wanted to withdraw £6,500 instead. This meant Ms B likely paid a higher rate of tax than she otherwise would have had the withdrawal been processed correctly using the right tax code.

Ms B says that she hasn't received any rebate, despite the extra tax having been paid in 2021. It seems to me that Ms B ought to have received a tax rebate by now, based on what I know about her annual income and given the time that's passed. But in order to ensure that Ms B hasn't been disadvantaged financially due to ReAssure's mistake, I agree that it should liaise with Ms B and HMRC to determine the correct amount of tax Ms B ought to have paid had she withdrawn £6,500 in February 2021 and maintained her regular quarterly payments to date. If Ms B has in fact paid more tax than she should have during this time, ReAssure will need to refund this to her with interest.

The issue that remains in dispute is the compensation for the distress and inconvenience the matter has caused Ms B. Ms B says that the impact on her health has been significant, and she attributes this all to ReAssure's mistake. She also says that she's been left with no pension to live on and as such, she should receive a significant sum to invest to start again.

I don't doubt Ms B's strength of feeling here and I accept that it has caused her significant worry and inconvenience. It also appears this has contributed to her health problems. So, I recognise the impact it has had on her. However, I'm mindful that Ms B did in fact receive over £13,000 from ReAssure. This was more than she'd asked for so she could've reinvested the extra amount if it wasn't needed. So, I don't think it's fair to say Ms B lost her pension, rather she paid more tax on her pension than she otherwise would have had she continued to withdraw it at the same rate. Ms B says she thought this was a tax rebate, but unless Ms B was expecting a tax rebate of such significant proportions I think she would've understood it most likely related to her pension. I say this as she'd requested a significant lump sum from ReAssure in January 2021 and she hadn't complained that she hadn't received this sum. And as I've set out above, ReAssure will ensure Ms B hasn't been financially disadvantaged by this.

Having carefully considered the impact of the mistake on Ms B, I think a total amount of £550 is fair compensation here. As I've said, this isn't to compensate Ms B for the loss of her pension, it is to reflect the worry and inconvenience the overpayment caused Ms B. And although ReAssure hadn't put the matter right by the time Ms B referred her complaint to our Service, it quickly recognised that it had made a mistake. It immediately offered Ms B compensation and said it was looking into things further. So, I think Ms B ought to have been

reassured by that.

Ultimately Ms B referred her complaint to our Service, and while I appreciate the matter has been ongoing for some time, I wouldn't have expected ReAssure to do anything more to put the matter right until the complaint with our Service had been resolved. So, overall, I think compensation of £550 is fair and reasonable in the circumstances for the issues Ms B experienced.

Putting things right

ReAssure should liaise with HMRC to establish how much tax Ms B would've paid between February 2021 and now if it had correctly processed the £6,500 withdrawal request in February 2021 and the £1,000 quarterly income payments had been maintained to date.

ReAssure should also liaise with Ms B and HMRC to determine how much tax Ms B actually paid, including any rebate she may have received relating to the relevant tax year.

The difference between the tax Ms B should've paid and the tax she actually paid represents the excess income tax, which should be paid to Ms B in compensation. Interest should be added at a rate of 8% simple from the date the additional tax was paid to the date of settlement.

If Ms B has paid the correct amount of tax overall because she has received a tax rebate, ReAssure should pay interest as above from the date the extra tax was paid to the date it was refunded to Ms B by way of a rebate.

ReAssure should make the calculation available to Ms B to check.

ReAssure should also pay Ms B total compensation of £550 (including the £200 it awarded in June 2021 and the £350 I have awarded) in recognition of the distress and inconvenience caused by ReAssure's mistake.

My final decision

I uphold Ms B's complaint and I require ReAssure Limited to compensate her in the way I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 10 March 2023.

Hannah Wise
Ombudsman