

The complaint

Mrs T complains that Aviva Life and Pensions UK Limited quoted incorrect figures concerning the amount of tax-free cash she could expect to receive from her pension.

What happened

Mrs T held a pension with Aviva. Ahead of her retirement, Aviva sent her a quote stating what her pension could be worth. It said Mrs T could expect to receive £55,654.75 in tax-free cash along with an annual income.

Mrs T returned the forms to say how she wanted to access her pension benefits. According to Aviva's notes, it told Mrs T in April 2022 that the figures weren't guaranteed. As she didn't hear anything by her expected retirement date in May 2022 (and despite receiving a text message saying she'd receive the funds within about ten working days of her retirement date), she called Aviva for an update. Aviva told Mrs T the tax-free cash she was entitled to receive was actually £34,997.75. Around June 2022 Mrs T received another quote with the lower amount of tax-free cash included and a revised yearly income figure.

Mrs T complained to Aviva. In response, it said that a system error meant that the initial retirement quote sent to Mrs T mentioned the wrong amount of tax-free cash - £55,654.75 rather than £34,997.75. Aviva said it had since checked the calculation and was satisfied the lower amount was correct. It apologised for this mistake and offered Mrs T £350 compensation for the distress and inconvenience caused.

As Mrs T wasn't happy with Aviva's response, she complained to our Service. One of our investigators looked into the complaint and upheld it. However, he explained that he wouldn't be asking Aviva to reimburse Mrs T by the amount she thought she'd lost. First, the call records showed that Aviva told Mrs T the amounts quoted weren't guaranteed. So, the investigator was satisfied that the money couldn't be relied on until it was received. And whilst Aviva did, unfortunately, make a mistake in the amounts it quoted, the investigator didn't think it would be fair for Mrs T to benefit from that mistake. But he did agree that she'd suffered considerable upset and worry. Taking account of that and the fact that Aviva didn't act as quickly as it might have done when it realised the mistake, the investigator thought a total of £500 (including £350 already paid) was a more appropriate amount of compensation.

Aviva accepted the investigator's assessment, but Mrs T didn't. She didn't feel it fairly recognised the impact of Aviva's mistake. She asked an Ombudsman to consider the matter afresh, so it's been passed 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.

And having done so, I'm intending to reach the same outcome as our investigator for broadly the same reasons.

I can fully appreciate why Mrs T must have been very worried to find out the amount of tax-free cash she expected to receive had reduced by over £20,000 in a matter of weeks. And whilst Aviva did tell her that the amounts quoted weren't guaranteed, this wasn't a situation where the fund value dropped because of a fall in investment values. It fell because of a system error that had fairly severe consequences for Mrs T. And I can understand why, in those circumstances, Mrs T might think that Aviva should honour the original amount quoted.

My role is to try to put Mrs T back into the position (or as close to it as possible) that she would otherwise have been in had it not been for the mistake. Sadly for Mrs T, there's no evidence to suggest that she would actually have been entitled to the higher tax-free cash amount first mentioned. If anything, even the reduced amount seemed a little on the higher side to me compared to the size of Mrs T's pension pot and HMRC's rules about the amount a person is *generally* allowed to take as tax-free cash (although there may be other relevant factors in Mrs T's particular case). We asked Aviva to confirm that the revised figure is correct. It said it's satisfied that, having checked with the relevant team, it's correct.

In any event, Mrs T's issue is that Aviva won't honour the original (higher) amount. If I were to direct Aviva to do that now, I'd knowingly be putting Mrs T into a better position. And that wouldn't be fair.

But I do need to consider whether Aviva has fairly recognised the impact of its mistake. I understand that Mrs T had already spent a certain amount and made financial gestures to family members on the strength of the amount she expected to receive. So, I can see why it must have come as something of a blow when she realised she'd be receiving far less than she expected. But I don't agree that means she's suffered an actual financial loss. Realistically, until the amount was received into her account, I think there was always the *potential* for it to change. But I do agree that Mrs T has suffered a loss of expectation and financial disappointment. That disappointment lasted for a number of weeks.

I've thought carefully about whether the steps taken so far are enough to address the impact of Aviva's mistake. And, overall, I'm satisfied that the increased amount of compensation that our investigator recommended – £500 in total – does fairly recognise the impact of Aviva's mistake. So, as Aviva has already paid £350, I'm now intending to say that Aviva needs to pay the additional £150.

Putting things right

Aviva Life and Pensions UK Limited should pay Mrs T another £150 compensation (on top of the £350 it has already paid) to fully recognise the worry and disappointment caused by its error.

My final decision

I uphold this complaint. Aviva Life and Pensions UK Limited should take the steps I've set out above under 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 20 March 2023.

Amanda Scott
Ombudsman