

The complaint

Mr S complains that ReAssure Limited caused delays when he wished to withdraw funds from his pension - meaning he has lost out on tax efficiencies.

What happened

'I set out the background to this case and my provisional findings in my provisional decision of 3 March 2023. I've included this below and it forms part of this decision:

'Mr S had a pension with ReAssure, his normal retirement age was 60 on 21 March 2021. ReAssure sent him a retirement pack six months before and a follow up in January. Mr S decided he wished to take 25% as tax free cash and an additional withdrawal as income drawdown.

He told ReAssure this on 15 February and that he wanted this done before the end of the tax year. However, ReAssure made a number of errors which it has accepted and failed to make the payment in time. It also promised a number of call-backs that weren't actioned in this time.

ReAssure offered £200 initially as compensation for the distress and inconvenience caused and then a further £200. However, it then delayed the payment of this as well, despite giving Mr S assurances of when it would be paid. It wasn't until our investigator started looking into the case and chased ReAssure for this payment that it was finally made. The tax-free cash payment to Mr S was also delayed.

Our investigator looked into matters and upheld the complaint. He said it was clear that ReAssure ought to have made the payment within the 20/21 tax year. In not doing so it had deprived Mr S of making use of his personal allowance in that year. And he'd missed out on the use of those funds until it was paid later in the following tax year. This also meant Mr S couldn't make a further withdrawal in the 21/22 tax year without incurring additional tax. Mr S told us his plan was to withdraw the maximum each year whilst still remaining under his personal allowance until the fund was extinguished. Our investigator said ReAssure should pay 8% on all the delayed payments, including the £200 distress and inconvenience payment. And he said ReAssure should repay any tax Mr S incurs on any additional withdrawal in the 21/22 tax year.

ReAssure and Mr S accepted this and the case was closed. But a month later Mr S contacted us to say ReAssure hadn't been in contact, our investigator chased ReAssure for a response but it didn't respond and so the case had to be reopened for a ombudsman's decision.

Once the decision was assigned to me I got in contact with Mr S. And he's told us that nearly five months after the case was initially closed, ReAssure did get in contact with him. The letter said it had worked out the redress in-line with the investigators view and paid him redress totaling approximately £4,400.

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.

It is very disappointing that ReAssure agreed to resolve the case and then didn't engage at all with us or Mr S to calculate and pay the award recommended (until five months later and without informing us). Especially after all the mistakes, errors and delays it had already accepted.

The crux of Mr S's complaint was the initial late payment of his planned 20/21 withdrawal meant that it moved into the next tax-year and he would incur additional tax if he was to make that years planned withdrawal as well. The investigator said ReAssure should pay Mr S any tax he paid on the additional withdrawal. However, looking at what ReAssure said prior to agreeing to close the case, it seemed that Mr S rather understandably hadn't made the additional withdrawal within the same tax year (as he'd had no firm confirmation that ReAssure would redress the situation at this point). So, there would be no redress payable for this aspect of the complaint.

I got in contact with Mr S as it now looked like the redress was out of date and provision in the investigator's redress hadn't been made for Mr S waiting longer for his money. It was then that Mr S let me know ReAssure had made a redress payment in January this year. After receiving the redress payment, Mr S was still confused and seemingly felt he hadn't received proper redress.

Having looked at the calculations, ReAssure has attempted to provide redress in line with what the investigator set out. However, it had also refunded tax totaling over £3,700 to account for Mr S making his final withdrawal to extinguish his funds in the 2021/2022 tax year as the investigator had recommended it should. At the time of the recommendation this was still a possibility - but by the time it was agreed the case could be settled and closed, a new tax year had started.

In reality, Mr S didn't withdraw this money until November 2022. And therefore he could also reclaim the tax on this payment as it was under his personal allowance and within a new tax year. So ReAssure have refunded Mr S a tax bill he never suffered. Given it administers his pension, it would've been able to see that he hadn't made the withdrawal in the same tax year as the other withdrawals.

The investigator said ReAssure should pay 8% from when the initial withdrawal ought to have been made (before end of April 2021 tax year) until it was actually paid in September 2021. However, Mr S seemingly felt the redress ReAssure paid him hadn't fully compensated him for the knock-on effect of being behind by a year on his £12,000 withdrawals. Mr S didn't withdraw that £12,000 until November 2022 (I'm not sure why he left it so late in the tax year). But any additional award for loss of use of money on top of what ReAssure has already paid, won't come anywhere close to the sum ReAssure has paid Mr S for a tax penalty he didn't incur.

So as Mr S has ended up better off due to ReAssure's mistake, and it has now paid redress for the other aspects of the complaint, there is no further award required to put things right.'

Both parties said they accepted my provisional decision.

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.

As neither party had any further arguments, I see no reason to depart from the findings set out above in my provisional decision.

My final decision

I do not require ReAssure Limited to do anything further to put things right. It has already compensated Mr S beyond what I would've awarded.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 April 2023.

Simon Hollingshead
Ombudsman