

The complaint

Mrs B complains that TenetConnect Limited (Tenet) failed to process a drawdown request before the end of the tax year. Mrs B says she lost the benefit of her personal tax allowance that year as a result and will now face additional tax liabilities to drawdown the funds.

What happened

In January 2022 Mrs B met with Tenet to request a drawdown of £12,000 from her pension. She specifically wanted the funds to be paid before the end of the tax year to benefit from her otherwise unused personal tax allowance.

Tenet completed a fact find with Mrs B before producing a suitability report for the drawdown request. The suitability report was reviewed by Tenet's compliance department and approved on 25 March 2022.

Tenet attempted to key the instructions with the pension provider on 25 March 2022 to sell down some of Mrs B's investments. But they needed to verify Mrs B's bank details. The instructions were keyed in again on 28 March 2022.

The trades were settled on 4 April 2022 and Tenet requested the withdrawal of funds the same day. However, Tenet had missed the pension provider's published deadline of 29 March 2022 for drawdown requests to be submitted to enable them to be processed before the end of the tax year.

Tenet called the pension provider three times on 4 April 2022. Twice they were told the request had been made too late for the tax year. But on the third occasion the pension provider said as the request was made before 5 April 2022, it would fall within that tax year.

Mrs B received the funds around 12 April 2022 which meant the income payment fell into the 22/23 tax year. Mrs B complained to Tenet.

In response Tenet acknowledged Mrs B wanted an income withdrawal in January 2022 but they said it took around a month for their adviser to submit the advice and documentation. And it took a further two weeks to complete the approval process. They upheld Mrs B's complaint on the basis there was a delay in processing her request for drawdown.

However, Tenet said both they and Mrs B had asked the pension provider to complete an 'early years adjustment' which they'd declined to do. So, Tenet said the pension provider were also partly to blame. Tenet offered Mrs B £250 for the trouble and upset caused.

Mrs B was unhappy with Tenet's response and so brought her complaint to our Service. Our investigator didn't think Tenet had done enough to put things right. She said Tenet should pay Mrs B the tax she would have been liable for had she taken a further £12,000 within the current tax year.

Tenet disagreed as they said Mrs B hadn't taken a further income payment, and they weren't satisfied she intended to do so. As no agreement could be reached, the case has been

passed to me for a 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.

It seems to be agreed that Tenet could and should have processed Mrs B's income request before the end of the tax year. And it was Tenet's delays in processing their advice that led to Mrs B's request not meeting the deadline.

I don't intend to repeat what's already been said here on the matter, but I'm satisfied that Mrs B made a clear request for an income withdrawal in early 2022 which gave Tenet enough time to meet the required deadline. And it was Tenet's delays that meant Mrs B's request wasn't made to the pension provider in time to meet the end of tax-year deadline.

My decision will therefore focus on whether or not Tenet have done enough to put things right. And I don't think they have. I'll explain why.

Tenet's fact-find and Mrs B's testimony demonstrates that Mrs B was reliant on her pension for her day to day living expenses at that time. She had some savings in an ISA which were earmarked as an emergency fund, and which were to be used to potentially fund a new business.

Tenet initially said there's no evidence that Mrs B intended to take a further lump sum in the 22/23 tax year, and she'd not followed their advice to start taking a regular monthly income. However, Tenet also accept that Mrs B sent them an email in May 2022 in which she highlighted that she now couldn't take another payment that year due to the likely tax implications. And Tenet said it was reasonable to suggest Mrs B might have planned to make a further withdrawal in 22/23.

Tenet's suitability report also supports that Mrs B required around £12,000 a year from the pension at that time. With Tenet recommending a regular income of £1,000 a month.

Mrs B sent us evidence of her taking regular withdrawals from her ISA which is consistent with her testimony that she's had to use those funds rather than taking another withdrawal from her pension to fund her living expenses.

Considering the full circumstances of this case, I'm satisfied that, on balance, Mrs B had planned to take further income in the 22/23 tax year to fund her living expenses. And it was due to Tenet's error that she decided against taking the income in order to prevent a tax charge that she otherwise wouldn't have had to pay.

Tenet's error caused Mrs B to miss out on the use of her annual allowance from the 21/22 tax year. And as a result, in order to 'release' the £12,000 from her pension now, she's likely to pay basic tax on that sum.

Therefore, a fair and reasonable outcome in this case is for Tenet to pay the income tax Mrs B is likely to face as a result of their error.

I've considered Tenet's argument that some of the blame should be apportioned towards the pension provider. However, I disagree. It was Tenet's delay that led to Mrs B's income request not being dealt with within the pension providers deadline. The provider gave Tenet incorrect information during one of the phone calls on 4 April 2022. But the deadline had already been missed by that point. And while Tenet say the pension provider could have

contacted HMRC, I'm looking at Tenet's actions in this complaint. And it's their actions that directly led to Mrs B's loss of opportunity. It's possible there are reasons why the pension provider hasn't contacted HMRC but that isn't something I'm investigating in this complaint.

I've also considered that Mrs B had to use funds from her ISA in lieu of an additional payment from her pension. Had that not happened her ISA would otherwise have seen growth from interest. However, I think it's likely the funds that remained in her pension (due to the fact that Mrs B didn't take another payment) would have seen investment returns over the same period, so I won't make any additional award for loss of investment growth in relation to that.

Tenet offered Mrs B £250 for the trouble and upset their actions caused. I appreciate Mrs B feels this sum should increase, especially considering the length of time this complaint has been ongoing; the fact that she still hasn't accessed her funds; and the length of time it took Tenet to respond to her complaint. However, I haven't seen any evidence Tenet refused to help Mrs B make a further withdrawal and I don't think their actions directly prevented her from doing so. Although I can appreciate her reasons for not requesting a further withdrawal while the complaint was ongoing. In all the circumstances of this case I'm satisfied £250 fairly reflects the upset and inconvenience Tenet caused and the effort Mrs B needed to go to in trying to resolve the issue.

Putting things right

My conclusion is that a fair outcome would be for Tenet to put Mrs B, as far as possible, in the position she would now be in but for their delays.

I consider that Mrs B would likely have made a £12,000 income withdrawal in both the 21/22 and 22/23 tax years. Tenet should therefore undertake a redress calculation to work out the tax Mrs B would have paid on a further £12,000 withdrawal in the 22/23 tax year.

Tenet should assume for the calculation that Mrs B would be a basic rate taxpayer (20%).

Tenet should also pay Mrs B £250 compensation to recognise the inconvenience and upset their delay caused by missing the deadline for withdrawals in the 21/22 tax year.

My final decision

My final decision is I uphold this complaint. TenetConnect Limited must now put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 31 May 2023.

Timothy Wilkes
Ombudsman