

The complaint

Mr M complains about the administration of his personal pension plan (PPP) with Phoenix Life Limited (Phoenix). He says his annual pension statements don't reflect the full number of his annual contributions and he says his payments haven't been applied correctly – resulting in him receiving letters from Phoenix reporting non-payment of contributions. He would like the missing payments to be applied correctly to his plan and compensation for any investment loss he's suffered as well as the stress the matter has caused him.

What happened

Mr M took out a PPP with Royal & Sun Alliance, now part of Phoenix, in June 1999. Reference to contributions being made to the employer are because Mr M is a self-employed sole trader and therefore makes his contributions on that basis.

Mr M says Phoenix hasn't provided a good overall level of administrative service - but in February 2020 he was concerned about the number of letters he was receiving stating that his contributions hadn't been paid. He also queried a payment he didn't believe had been applied in June 2019 and a refund payment he'd received for £200.18 in September 2019 - without any explanation. Mr M logged a complaint with our service. But he said that, as Phoenix responded to his complaint, explaining that he should ignore the letters which had been sent in error – and paying him £50 compensation – he didn't take the complaint any further.

But in February 2023 Mr M received a further letter from Phoenix stating that his “employer” contribution from November 2022 hadn't been made. Following further investigation Mr M discovered that a number of payments didn't appear to be credited to his pension despite his bank account showing they had been paid.

So in March 2023 Mr M complained. He said he was concerned about being advised of the non-payment as he could see payments had been made from his bank account. He said he couldn't see payments showing as being received on his PPP online portal from October 2022, although his bank statements showed they had been sent. He said this had been an ongoing problem for many years and as a result he had suspended payments being made until Phoenix was able to reassure him about the administration of his plan.

Phoenix said that:

- It had misinformed Mr M that his contributions hadn't been paid. There had been a delay in applying the contributions which meant that automatically generated letters had been sent but it confirmed the contributions had been made.
- It hadn't reported the “missed” payments to the relevant authorities.
- All the contributions had been made on time and there was no financial loss or reduction in the fund value.
- The last payment it received was from February 2023. It also said Mr M could restart his contributions at any time or could even request a “contribution holiday”.

- It offered £450 for the distress and inconvenience caused as well as a further £50 for exceeding the eight week complaint deadline. With additional postage compensation this amounted to £510.

But Mr M wasn't satisfied with that outcome, so he brought his complaint to us. One of our investigators looked into matter and initially concluded that the issues Mr M had raised about concerns in 2020 hadn't been made in time and weren't ones we could consider. However he said that we could look at the complaint points relating to the more recent missing contributions and the letters Mr M had received from Phoenix about non-payment of contributions.

He said that the problem appeared to be caused because Phoenix had to apply the contributions manually which meant they weren't always showing on the system in time and that created the automatically generated "late payment" letters. He said this problem could be solved if Mr M switched to paying his premiums by direct debit – but he wasn't able to compel either party to change how it paid or processed policy premiums. However, overall he thought Phoenix's offer of compensation was fair especially as this problem had occurred before.

Mr M said he didn't accept the offer because:

- The last "retirement pack" he received showed his contributions to have been £1,800 for the year when it should have been £2,400. This loss was greater than the compensation he'd been offered.
- He didn't think the amount of compensation for the postage was sufficient.
- He didn't accept that he was responsible for Phoenix's poor administration by not changing his payment method. He said he'd never been asked to do so by Phoenix.
- He had received a number of "erroneous" letters about his contributions previously. He'd made Phoenix aware of this in the hope that it would improve its administration and systems. Its failure to do so meant he had little trust left in its ability to manage his PPP to his satisfaction.

The investigator said the delay caused by manually applying the premiums meant that not all the contributions were correctly reflected on the annual statements. He said he had no reason to dispute Phoenix's confirmation that the fund value was correct and that no investment loss had been suffered.

Mr M then said he'd identified several errors within the spreadsheets that the investigator had requested from Phoenix. He also thought that an earlier payment he'd made in 2019 hadn't been applied to the pension at all. Upon further investigation he noticed significant discrepancies between the dates that premiums were paid and then applied, and he thought it was likely this had led to a financial loss as there would have been delays to the investment of his premiums. He also thought the compensation he'd been offered should be increased especially when considering the level of charges that Phoenix had levied on his plan during the last year (over £670).

The investigator thought the errors with the dates and serial numbers of payments within the spreadsheet seemed to be a mix up of the date on the sheet itself and was probably just a genuine, unrelated error.

He confirmed that the spreadsheets also demonstrated that each contribution had been backdated to when it should have been applied. He reiterated that we couldn't consider the question of the missing payment from June 2019, as it formed part of his previous complaint which we'd said we couldn't consider because it had been brought outside of the time limits allowed.

Mr M said he didn't accept the outcome and wanted his complaint to be considered by an ombudsman – so it's been passed to me to review.

Subsequently Mr M made us aware of another erroneous letter he'd received dated 27 July 2023 about payments not being made on time.

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 find I'm in agreement with our investigator. I know this outcome will disappoint Mr M as I've seen the strength of his feelings about these matters – so I'll explain my reasons below.

The 2020 complaint including the missing June 2019 premium

As part of this complaint Mr M referred back to a payment that he said wasn't applied to his PPP in June 2019. He said he subsequently received a refund for a similar amount in September 2019, but Phoenix had failed to reconcile the two payments and couldn't confirm they were linked. He wanted to know what had happened. Our investigator initially told Mr M that, as we had already told him that complaint point had been brought outside of the time limits allowed, we couldn't reconsider it here.

But Mr M should now be aware that we've looked at that complaint again and will be giving him an answer separately in due course – so I don't propose to comment any further on that part of the complaint in this decision.

The missing payment letters

Mr M has complained about a number of "erroneous" letters he's received confirming that his regular contributions hadn't been received and that the matter had been reported to his "employer". As Mr M is both the employer and the pension holder the letters were sent to him directly.

I can understand the frustration and annoyance that Mr M would have experienced, particularly when he received the first of these letters. The formal nature of them would undoubtedly have caused him some concern that he had infringed pension rules and regulations.

But when Mr M approached Phoenix about this issue it explained that because his premiums have to be applied to his plan manually as they were received via standing order, its systems detected that the premiums were "unpaid". This led to computer generated standard letters being sent to him by mistake. It told Mr M to ignore the letters – which were sent in error – and confirmed his contributions had been made up to date. When Mr M first complained about the matter in 2020 Phoenix offered him compensation of £50 for the inconvenience caused.

My understanding is that this whole matter has come about because of the manual processes involved in applying the contributions and this not being aligned with the automated systems Phoenix has - which reconciles the monthly contributions. And, while I sympathise with Mr M's frustrations, I'm not able to tell Phoenix to change its everyday processes and systems to "iron out" this flaw. Phoenix has confirmed that Mr M should simply ignore these letters and that he hasn't suffered any financial loss as result and the

matter hasn't been reported, so I can't say Phoenix has acted unreasonably here or that it hasn't tried to allay Mr M's fears.

It's disappointing to note that Mr M provided further evidence of such a letter in July 2023 – so clearly Phoenix is unable to fully resolve this issue with its systems at the moment. Although it has offered a solution whereby if Mr M switches to making payments by direct debit the application of premiums would be automatic and the letters wouldn't therefore be generated. It's up to Mr M to decide if he sees this as a change he is willing to consider to avoid the situation happening again. But while this is undoubtedly a frustrating experience for Mr M, I can't reasonably tell Phoenix what to do to put things right regarding its systems. Phoenix has offered compensation for the inconvenience which Mr M has suffered as a result- and it's told him he should just ignore the letters so I can't reasonably ask it to do anything more.

The spreadsheet errors and whether all contributions have been allocated correctly

During our investigation we asked Phoenix to show that Mr M's regular contributions had been applied to the PPP, as Mr M, having lost confidence in Phoenix's administration of his pension, doubted whether all his payments had been allocated correctly.

I've looked carefully at the information provided and, for the period that Mr M was able to confirm that payments had been made from his bank account, I'm pleased to confirm to him that I'm satisfied the contributions – as far as I can see – have been applied to his plan. I know Mr M continues to have his concerns over this matter, but based on the evidence I've seen there's nothing to support the idea that the premiums he has paid are "missing" from his plan.

Mr M did also confirm to us that he found a number of "errors" in the spreadsheet, mainly in the sequencing of how the premiums appeared. But Phoenix has explained that, because the "serial numbers" Mr M referred to are listed in the date order they are received - and aren't necessarily matched in the same order, they can sometimes appear to be out of sequence. This would appear to be a reasonable explanation, but in any case, there's nothing to show that any premiums are missing, or that any financial loss has occurred as result of the way in which the spreadsheet lays out the information.

The late allocation of contributions to the plan and possible investment loss

Understandably Mr M was also concerned when he looked at the spreadsheets and noted a difference between the date his premiums were paid and the date they were applied to his plan. He thought that more recently the gap between those dates had increased and he began to suspect he was suffering a loss of investment growth because of the delay in applying premiums.

So we asked Phoenix to explain the situation. It said that "*when they are applied we use the price date from the premium due date and as such Mr M is not disadvantaged in anyway.*"

I also asked it to provide evidence to support its explanation in the form of the spreadsheets.

I'm pleased to confirm that, from what I've seen, the *price date* and *price strike date* – which are used to determine the unit price and therefore the number of units purchased- were in line with the dates the premiums were due. So I'm satisfied that the premiums have been invested as close as possible to the date they were due, and that Mr M hasn't therefore suffered any loss of investment growth.

Of course this doesn't explain why the premiums have been "allocated" to the plan later than they were due, but as I've explained previously Phoenix has to manually apply the premiums to Mr M's plan because of the standing order issue. So the documented record of those premiums can, at face value, suggest they aren't allocated on time within something like the spreadsheet we've seen. But I'm satisfied this is simply a reflection of the ways things are recorded and doesn't in fact mean that Mr M's premiums aren't invested when they're received.

Annual statements not showing the full number of contributions paid during the year

Mr M has provided us with a copy of an annual PPP statement setting out the total contributions Phoenix received. The statement notes that contributions of £1,800 were received and Mr M says that, as he paid £2,400 during the year, he's suffered a loss of £600. And I can understand Mr M's consternation at this information. But as I've explained when answering other points, Phoenix has to apply the premiums manually so they wouldn't all necessarily be recorded on its systems for reporting purposes when the statements were generated. It should be noted that the statement is simply a snapshot of the plan's position on a particular date as shown on Phoenix's system, and there may be outstanding contributions that haven't yet been applied.

I understand this might be of some confusion to Mr M and I can appreciate his concern. But I'm satisfied that all the other corresponding information we've cross referenced demonstrates that his premiums have been paid and allocated to his PPP and aren't "missing".

Phoenix's offer of compensation

I don't take lightly the frustration all these issues have caused Mr M, nor the distress and inconvenience caused by receiving the letters in particular. I can also see that the information Phoenix has provided – such as the annual statements, doesn't always align with what Mr M should be able to expect reflects what ought to have happened. For example I think Mr M would be understandably concerned to discover the annual statements don't always show a full years' worth of contributions when they are "annual" statements. I know the explanation for these discrepancies is largely down to Phoenix's systems and administrative obligations, but that doesn't lessen the impact they've had on Mr M.

I can see that Mr M has had to undertake much more in depth analysis of his PPP premiums than I'm sure he would have liked, as a result of losing confidence in Phoenix's administration – which will have taken some time and effort on his part. So, while I can't say Mr M has suffered any financial loss here, nor that Phoenix needs to correct anything further, I do think Mr M has been impacted by events and has suffered a degree of distress and inconvenience. But Phoenix has recognised that fact and offered a total of £510, of which £450 was for distress and inconvenience caused.

I've carefully considered Phoenix's offer and I think it's fair and reasonable overall. It's within the range of what I'd expect to see for matters such as these. I note Mr M would like the figure to be increased – particularly in light of the fees he pays Phoenix each year for its services and administration.

But I haven't seen anything to support the idea that Phoenix ought to refund all its fees, so I don't think the compensation payment should be in line with that amount. I think the offer as it stands is fair and reasonable.

My final decision

Phoenix Life Limited has already made an offer to pay £510 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Phoenix Life Limited should pay £510

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 November 2023.

Keith Lawrence
Ombudsman