

The complaint

Mr G complained that Aviva Life & Pensions UK Limited (Aviva) processed a pension withdrawal he requested in the tax year 2023/24 rather than the tax year 2022/23, as he had requested. He believes he has consequently suffered a tax loss of c£1,500 as a result. He would like compensation for his financial loss and for the distress and inconvenience that this error caused him.

What happened

On 21 March 2023 Mr G telephoned Aviva to withdraw a lump sum of £6,500 from his pension policy. During the call, Aviva informed him that he had missed the deadline for the payment to be made within the current tax year, 2022/23, and it would instead be made within the following tax year 2023/24. Mr G was informed that the deadline for processing the payment within the current tax year had been set by Aviva as 17 March 2023, to allow for the high volume of requests it received toward the end of the tax year.

Aviva went on to explain that the process for making a withdrawal required a total of 15 working days. This comprised five working days to produce a quote, send it to a customer and for the customer to sign and return it and an additional ten working days to process and make the payment.

Mr G responded that his experience in November 2022 when withdrawing his tax free lump sum was that the process had been much quicker than this, but Aviva explained that because the sum he was looking to withdraw was taxable, the process took longer.

After prompting, Mr G agreed to proceed with the withdrawal.

Mr G subsequently received the quote from Aviva and signed and returned it on 23 March 2023. Mr G also submitted a complaint on the Aviva website on 22 March 2022, although Aviva was subsequently unable to find this complaint.

Aviva telephoned Mr G on 31 March 2023, as he had requested, and confirmed that the payment would be made in in 2023/24 tax year. Mr G was unhappy with this response and stated that he had made a complaint about this. Aviva confirmed that his issue would be treated as a complaint and would undertake to see if the payment could be made in the 2022/23 tax year.

Mr G also complained that Aviva had not published the deadline on its website or otherwise made customers aware of the deadline in any meaningful way.

Mr G subsequently received the payment on 6 April 2023, the first day of the 2023/24 tax year.

As he had not received a final response to his complaint within eight weeks of making it, Mr G referred his complaint to this service.

Aviva issued its final response to Mr G's complaint on 11 July 2023. It did not uphold Mr G's complaint about the payment being made in the 2022/23 tax year, primarily because it had made Mr G aware that the deadline for payment requests had passed during the initial call on 21 March and he had opted to continue with the withdrawal. It acknowledged that in certain circumstances of extreme financial hardship or medical urgency, payment requests received after the deadline could be expedited, but it had not done so in his case. It did, however, recognise that his payment had been processed one day later than it should have been, on 31 March rather than 30 March. It considered, however, that if this delay had not occurred, the payment would still have been made to Mr G on 6 April 2023, in the 2023/24 tax year. It offered to pay Mr G £1 in interest and £50 for the distress and inconvenience he had suffered.

Mr G was unhappy with this and so brought his complaint to this service.

Our investigator reviewed the evidence and agreed with the conclusions that Aviva had reached. They felt that Aviva had dealt with Mr G's complaint fairly, and that it had acted correctly on processing Mr G's payment request. They also felt that the level of compensation Aviva offered Mr G in respect of his distress and inconvenience was appropriate in the circumstances of his complaint.

Mr G disagreed, and so this case has been passed to me to review the evidence again and make a final 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.

Having done so, I uphold this complaint and find that the redress proposed by Aviva is appropriate in the circumstances.

I can appreciate that this will be disappointing to Mr G, so I'll explain my reasons.

Essentially, I have to decide two elements of this complaint. Firstly, whether Aviva has treated Mr G fairly when it applied an internal deadline for the processing of payment requests for the current tax year and secondly, whether it acted fairly in not informing customers of this deadline.

Looking firstly at the question of whether Aviva was correct in applying a deadline by which it requires transfer requests to be made in order to be made in the same tax year, I find that it has done nothing wrong. While it is true that this deadline is based upon Aviva's own internal processing standards, it is common practice within the industry to impose such a deadline. This is to ensure that all requests received by the deadline can be processed before the end of the tax year, when a larger than normal volume of such requests are likely to be received. Given this, accepting transfer requests past a deadline and risking not being able to process all the requests in time would be unfair toward those customers whose requests were received before the deadline. It is not the role of this service to comment upon the service levels that a business chooses to operate, but rather to investigate complaints where these standards are not met. Given this, I can't see that Aviva has done anything wrong here.

I appreciate Mr G's complaint that applying the deadline has caused him financial hardship and that Aviva said in its final response to him that:

We do occasionally grant an escalation to the payment process, but these are only for people in a dire financial situation or need funds for urgent medical expenses.

Having listened to the telephone conversations between Mr G and Aviva, it is not clear to me that Mr G explained that to Aviva that he felt that being paid his funds in tax year 2023/24 would cause him to be in a 'dire financial situation', so I can't see that Aviva has done anything wrong by not treating his withdrawal as an exceptional case.

In terms of whether it is fair to not publicise the deadline date to customers, Aviva explained in its final response that:

We are unable to provide information regarding the cut off for tax year, prior to customers contacting us, as this could be seen as 'leading' customers to make a decision they might not otherwise make. As such, this would be in breach of the rules of our governing body, the Financial Conduct Authority (FCA).

It is important to note that Aviva is not authorised to give financial advice to its customers and needs to be very clear that it can only action requests made by its customers, and not provide any type of advice. In this case, it considers that advising customers of an impending deadline may be seen to be encouraging them to take some action. I find that this is a prudent approach, particularly as Aviva says that if a customer has previously contacted it about any such transaction, it would provide the information relating to any deadlines. Consequently, I can't see that Aviva has done anything wrong in this regard.

Where Aviva has accepted it made a mistake, is that Mr G's payment request should have been processed on 30 March 2023, rather than one day later on 31 March. In its final response to Mr G, Aviva confirmed that despite this delay, Mr G's payment would still have been made on 6 April 2023, the first day of the 2023/24 tax year.

Given this mistake, Aviva offered Mr G £50 in compensation for his distress and inconvenience and £1 in lost interest, based on an interest rate of 8% p.a. simple. I think that this is fair and reasonable in the circumstances of this complaint.

It is the aim of this service to put a complainant back in the position they would have been in had any mistakes not occurred. I appreciate that Mr G will be disappointed by my conclusions, but overall I'm satisfied that Aviva has offered compensation in line with that this service would have recommended, and of an appropriate level.

As such, I won't be asking Aviva to do anything else to resolve the complaint beyond the redress it has already offered.

My final decision

For the reasons explained above, I uphold Mr G's complaint.

However, I shall not be asking Aviva Life & Pensions UK Limited to do anything beyond what it has already offered to do for Mr G to resolve the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 16 February 2024.

Bill Catchpole
Ombudsman