

The complaint

Mr L complains that Aviva Life & Pensions UK Limited failed to pay him some pension benefits in a timely manner.

What happened

Mr L has been assisted in making his withdrawal request, and in presenting his complaint, by his financial advisor. But in this decision, for ease, I will generally refer to all our communication as having been with, and from, Mr L himself.

Mr L holds pension savings with Aviva. In October 2022 Mr L requested the payment of £20,000 in the form of a pension commencement lump sum ("PCLS" – otherwise known as tax free cash). That request was received by Aviva on 4 October and it immediately sold sufficient pension investments to provide the cash payment.

The sales of the pension investments completed on 10 October. And Aviva says it would have expected to complete the payment to Mr L two days later on 12 October. But Aviva encountered some systems errors that prevented the payment being made. Following extensive chasing by Mr L and his financial advisor (that I will address in more detail later in this decision) Aviva was able to make the payment to Mr L on 19 October.

Mr L complained to Aviva about the delay. Aviva accepted that it had taken too long to make the payment and that the information it had provided to Mr L about the delay had been insufficient. So it offered Mr L £300 for the inconvenience he'd been caused. Aviva also said it would pay Mr L interest, at a rate of 1% over base rate, for the period of the delay. Mr L didn't accept Aviva's offer and brought his complaint to us.

Mr L's complaint has been assessed by one of our investigators. He thought that the compensation Aviva had offered for Mr L's inconvenience was fair. But he thought that the interest should have been calculated using a rate of 8% instead.

Aviva accepted the investigator's recommendations and paid the compensation to Mr L. But Mr L didn't accept the assessment. He said that he had needed to deal with the matter whilst on a family holiday. And that he had needed to borrow money during that holiday from his wife and adult children to ensure sufficient funds remained in his bank account for any unexpected transactions. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr L and by Aviva. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Aviva accepts that it failed to treat Mr L fairly. I have looked at Aviva's assessment of when the payment should have been made and I think it reflects a reasonable estimate of what should have happened. It is usual for there to be a short time after an instruction is received to allow the settlement of any investments that need to be sold. And an additional period of time to allow the payment to be made to the consumer. So I think it reasonable to conclude that Mr L should have been paid his PCLS by 12 October.

But Mr L wasn't paid his PCLS until 19 October – a delay of seven days. Aviva has now paid Mr L interest to reflect the period of time he was without that money at our normal rate of 8% simple. I think that is a fair amount of interest compensation to be paid.

So what I now need to decide in this decision is what a fair amount of compensation would be to reflect the inconvenience that Mr L has been caused. In order to do that I need to consider in a little more detail what happened with the payment, and the impacts those delays had on Mr L. But in my analysis below I will not make specific reference to everything that happened. I want to reassure Mr L that I have carefully read, and listened to, all the evidence that we have received, and have considered it when reaching my decision. But, in line with the informal nature of this service, I think it appropriate to only highlight what I consider to be the major events.

Aviva gave Mr L and his financial advisor conflicting information about when the payment would be made. I think it was reasonable for Mr L to expect the payment to have completed by 12 October at the latest, and that was the initial indication that he was given once Aviva had received and processed his instruction. But it doesn't seem that Aviva made any proactive contact with Mr L when it experienced problems making the payment. It was only when Mr L made contact on 17 October that the problems were highlighted.

Aviva didn't seem to have any confidence in when it would be able to resolve its systems problems so it offered an alternative solution to Mr L by way of what it called pre-funding. Essentially it appears that Aviva would underwrite and pay the PCLS that Mr L had requested, recovering the payment from Mr L's pension savings when it was able to do so. But initially Aviva failed to make Mr L aware that it would require an undertaking from him to that effect, and that there was a risk the payment might be duplicated.

It is disappointing that Aviva didn't initially set out in sufficient detail how its pre-funding arrangement would work. But I can't say that the undertaking it requested from Mr L was unreasonable. It was essentially providing him with monies from its own funds, that it would need to legally recoup at a later date. And although Aviva made Mr L aware that the payment might be duplicated it seems to have a relatively well practiced and robust process to reverse any duplicated payment.

But ultimately Aviva was able to pay Mr L's PCLS through its normal methods, not requiring the use of any pre-funding agreement. So although I am conscious that the discussions about the pre-funding might have caused some limited additional inconvenience to Mr L, they don't make me think any compensation for inconvenience should be materially increased.

Whilst the delays were happening Mr L was on holiday with his family. And he tells us that he needed to ask his wife and adult children who were travelling with him to pay for their expenditure on that holiday given the delayed payment by Aviva. He has sent us an extract from his bank statement to show he made no payments abroad so he could ensure sufficient funds remained in his bank account for any regular direct debits or standing orders to be paid.

I can understand how distressing the disruption to the holiday might have been for Mr L. But that wasn't something he discussed with Aviva at the time, nor did he tell Aviva how urgent the payment was and the mitigation steps he needed to take. In fact those steps were only something that Mr L told us about almost a year after he first made his complaint. So whilst I don't dismiss the inconvenience he faced I'm not persuaded that it amounts to more than that assessed by our investigator.

Our investigator asked Aviva to make the payment of £300 it had offered for Mr L's inconvenience. Having thought carefully about the circumstances I have laid out above, and considering the awards that I would generally make for compensation of this nature, I agree with the conclusions our investigator reached. So I too think a payment of £300 is fair and reasonable to reflect the inconvenience Mr L was caused.

I appreciate my decision will be disappointing for Mr L. Aviva did delay the payment it needed to make by seven days. And those delays occurred at a time he should have been enjoying a family holiday. But on balance I think the compensation recommended by our investigator, and already paid by Aviva, is fair.

My final decision

My final decision is that I uphold Mr L's complaint against Aviva Life & Pensions UK Limited. I think the compensation Aviva has already paid to Mr L is a fair and reasonable settlement of the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 20 December 2023.

Paul Reilly
Ombudsman