

## The complaint

Mr C complains about Scottish Equitable Plc (trading as Aegon). He's unhappy that Aegon stopped paying his regular pension income and considers it did so without reasonable justification.

## What happened

Mr C holds a Flexi Drawdown account with Aegon from which he receives a monthly income.

In May 2023, prior to Mr C's income being paid, Aegon ran its monthly Anti-Money Laundering (AML) checks. As Mr C was one of a number of customers selected at random for an AML check, Aegon wrote to him on 11 May 2023, asking for documents to help it verify his bank account before any income payment was made.

On 29 May 2023, Aegon wrote to Mr C again saying that following a "*withdrawal instruction*" on 11 May 2023, it had tried to carry out an electronic AML check on his account, but this had failed. Aegon said it required further information and confirmed again which documents Mr C needed to provide.

Having received no response, Aegon wrote to Mr C on 28 June 2023, referring to previous correspondence and the AML verification that was required before any income could be paid. Again, it asked Mr C to provide the documentation it required.

Mr C wrote to Aegon the following day and confused by its request, he questioned how his modest drawdown pension could be considered to have any connection with money laundering.

Aegon responded to Mr C a day later. In summary, it said:

- It was sorry for any inconvenience caused and explained that in line with AML regulations, it needed to verify his identity. As it hadn't succeeded in doing this electronically, it needed documentary evidence of his name and address.
- It required bank verification for Mr C's security and protection, to ensure it didn't administer fraudulent requests or make payments to the wrong bank account.
- If it didn't receive the AML documentation required, Mr C's account would be restricted, and no further income payments would be made. Mr C's May and June payments had already been missed because of this.
- As Mr C only held enough money in his cash facility to make one income payment, he'd need to sell down funds so that his May and June payments could be made once the necessary AML documents were received.

On 11 August 2023, Aegon wrote to Mr C again saying it still hadn't received what it required to move forward with his request. It confirmed that no further reminders for the information it needed would be sent.

Mr C responded on 14 August 2023, explaining that he hadn't made a withdrawal request. He disputed Aegon's reasons for stopping his payments, saying that if they didn't resume, he'd refer the matter to our Service.

Aegon sent further chasers to Mr C on 18 and 26 September 2023, reminding him that it needed AML documents before it could reinstate his income payments.

Mr C wrote to Aegon on 27 September 2023, confirming his current address. Aegon responded several days later, asking Mr C to confirm two pieces of security information so it could update his address. Mr C provided this on 7 October 2023.

On 16 October 2023, Aegon wrote to Mr C, stating that in line with AML regulations, it was required to regularly review its records and verify the identity of its customers. It repeated that as it couldn't complete an electronic AML identity check, it needed Mr C to provide evidence of his name and address. Aegon said it didn't want to restrict Mr C's access to his account for longer than necessary, so it asked him to provide the relevant documents as soon as possible.

Having received no reply, a chaser was sent to Mr C on 6 November 2023. Following this, Aegon sent its final response to Mr C's concerns about the service he'd received. In summary it said:

- Although it had correctly followed its due diligence procedures, it acknowledged that it had initially requested verification for Mr C's bank account, which wasn't correct. It was sorry for any distress this caused and said it would pay £150 into Mr C's bank account in recognition of this. It noted that it had since clarified that it required identity and address verification.
- It was legally obliged to run checks according to AML legislation and despite numerous requests for relevant documentation, it hadn't received anything from Mr C.
- It empathised with how Mr C felt about his outstanding payments but it was required to comply with regulatory requirements.

Aegon sent Mr C another chaser for AML documents on 15 December 2023, but as he remained unhappy following Aegon's final response, he referred his complaint to our Service.

One of our investigators considered the matter and concluded that Aegon hadn't done anything wrong when it stopped paying Mr C's regular income.

Mr C disagreed. He referred to an email Aegon had sent, saying its reference to him having made a "withdrawal request" was what had caused the issue. He maintained that he'd never made a request and had been treated unfairly.

As no agreement could be reached, the matter was 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.

Having done so, I'm not going to uphold it. I'll explain why.

The role of this service isn't to comment on the validity of processes operated by a business,

that's the role of the regulator, the Financial Conduct Authority. Instead, our role is to look at how a business' rules and processes are applied to individual consumers' circumstances and, where they have created unfairness, how that unfairness can be resolved. We don't have the powers to tell a business to change the way it operates.

Financial crime law and AML regulations place extensive obligations on regulated businesses like Aegon. They're required to put systems and controls in place to prevent financial crime and detect money laundering. And in doing so, reduce the risk of losses to consumers and businesses. Failures in a business' AML compliance programme could result in it being penalised by the regulator. So, while I appreciate Mr C's view that Aegon's AML check was unnecessary given the size of his pension fund, I'm unable to agree that it should've been waived.

AML regulations aren't prescriptive, so it's up to Aegon to put in place appropriate measures which satisfy them. Aegon has explained that it carries out AML checks by randomly selecting a group of consumers every month. In the first instance, it tries to complete these checks electronically using a credit reference agency, but if a consumer's personal details or address have changed, it must request hard copies of documents for identity verification.

The terms and conditions applicable to Mr C's account state that AML checks will be carried out while a consumer holds an account with Aegon. And if Aegon's unable to verify a consumer's identity, they say that it may remove a consumer's access to their account or close it. Notwithstanding Mr C's strength of feeling on the matter, I'm satisfied that Aegon's AML checking process is clear, fair and reasonable.

Between May and December 2023, Aegon wrote to Mr C on ten occasions, requesting documentation for AML verification purposes. As Mr C didn't provide what was needed, Aegon couldn't complete its AML checks. And as Aegon's correspondence warned, this meant that his monthly income wasn't paid.

If Aegon had continued paying Mr C's income without completing the identity verification check, it could have been in breach of AML regulations. So, I don't think Aegon's actions were inappropriate given the circumstances.

Mr C's Aegon funds make up a significant part of his retirement provision. He's explained that when Aegon stopped making his regular payments, he lost almost a third of his monthly pension income. So, the impact of the restriction on his account was immediately felt. Mr C has said that while he was still able to pay his bills, his day-to-day choices were limited.

I have real sympathy for Mr C. It's clear to me that being deprived of his regular payment was inconvenient. And based on some of his responses, it seems to me that there were also times where he genuinely confused by what was being asked and why.

In most of its correspondence with Mr C, Aegon consistently asked for documentary evidence to verify his identity and satisfy AML regulations. However, there were a couple of instances where parts of its communications were incorrect or at risk of being misunderstood. And at a time when Mr C already had misgivings about what Aegon was asking for, I can see how this may have reduced his confidence in it further.

Aegon wrote to Mr C on at least four occasions, saying it had received his request for an income withdrawal. With no recollection of making such a request and having received his regular income for years without needing to make individual requests, this news understandably came as a surprise and caused concern. Unfortunately, this appeared to compounded Mr C's reluctance to provide the AML documentation.

Mr C had a regular withdrawal set up on his account, which removed the need for him to request income payments each month. So, it's understandable why he strongly disagreed with Aegon when it said it had received a request from him. However, my understanding is that when Aegon's unable to pay a regular withdrawal from an account – even one that's usually paid automatically – this is usually referred to as a “*withdrawal request*”. Technically, this is correct, but I can see how this turn of phrase – coupled with the fact that Mr C had been receiving regular payments without any mention of him having made a withdrawal request – resulted in a misunderstanding between Mr C and Aegon.

On two occasions, Aegon incorrectly stated that it was trying to verify Mr C's bank account instead of his identity. Aegon's references to both types of verification caused avoidable confusion and in recognition of this, it paid Mr C £150. Given that most of Aegon's correspondence clearly stated that it needed to verify Mr C's identity, I think the impact of Aegon's error was limited and the level of compensation Aegon paid for this was appropriate.

It's unfortunate that Mr C lost his monthly payments for a prolonged period, but I haven't seen anything which persuades me that Aegon's to blame for this. It repeatedly made Mr C aware of what it needed for his payments to be reinstated and warned him of the consequences of not providing this. It also invited Mr C to contact it if his delayed payments were causing financial difficulty – as far as I'm aware, no such contact was made.

While I don't doubt the sincerity of Mr C's initial reservations about Aegon's information requests, given his dependence on his monthly income, I think it would've been prudent of him to provide Aegon with the information it needed in the first instance and questioned the validity of its request later. Had he done so, his income could've been restored much sooner.

Overall, I've found that Aegon treated Mr C fairly and I don't think its AML check was unreasonable or disproportionate. I'm satisfied that any action Aegon took was in line with the terms of Mr C's account and so it could comply with AML regulations.

### **My final decision**

For the reasons I've given above, my final decision is that I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 15 October 2024.

Chillel Bailey  
**Ombudsman**