

The complaint

Mr D complains about delays that arose when he was transferring his pension with Scottish Equitable plc trading as Aegon (Aegon) to a drawdown plan (also with Aegon) to take his pension commencement lump sum (PCLS). Mr D also says Aegon failed to take proactive steps to try and resolve the issues and despite Mr D having made Aegon aware that the situation was affecting his mental health.

What happened

Mr D had a pension policy with Aegon. In September 2023 he wanted to transfer his pension to a drawdown plan and take his PCLS to help fund the purchase of a property. But Aegon made mistakes and delays arose.

Mr D had started the process on line on 6 September 2023. He received an email on 2 October 2023 saying the PCLS would be paid in 9 to 12 working days' time but that didn't happen. He received a similar message on 23 October 2023.

By then he'd complained, on 16 October 2023, to Aegon who acknowledged the complaint by email on 18 October 2023. Aegon sent a further email on 27 October 2023, referring to current high volumes of work and saying they hoped to be able to reply or give an update by 10 November 2023. Mr D emailed Aegon on 30 October 2023 asking for his complaint to be treated as urgent and saying he was suffering severe mental health problems and financial stress. He emailed again on 3, 8 and 10 November 2023.

Aegon emailed Mr D on 14 November 2023 saying payment of the PCLS would be made in 3 to 5 working days. The PCLS was paid into Mr D's bank account on or about 17 November 2023.

But his complaint hadn't been dealt with by 9 December 2023 and Aegon told Mr D he could refer the matter to this service which Mr D did.

Aegon sent a final response letter to Mr D on 4 January 2024. Aegon apologised for its delayed response to Mr D's complaint. Aegon also said they were sorry there'd been difficulties with Mr D's PCLS and drawdown arrangement. In particular, some of Mr D's funds were reinvested when they needed to be in cash. Corrective action had been taken by reversing the switches. But payment of Mr D's PCLS was delayed by 20 working days. Aegon had made a payment of £502.18 to Mr D, made up of £400 for the stress and inconvenience plus net interest of £102.18. That was 1% above base rate on £25,720.59 which was £127.72 less tax of £25.54. Aegon had given Mr D a tax deduction certificate in case he was eligible to claim the tax back.

Mr D replied to Aegon saying that wasn't adequate, given the errors Aegon had made and the effect on his mental health. I think Aegon reviewed things and paid Mr D an additional £100 compensation for distress and inconvenience.

One of our investigators looked into what had happened before issuing her view on 21 February 2024. She said Aegon had resolved any financial loss by calculating what Mr D

would've received if the switch had happened at the right time and paid interest on the late PCLS payment. She acknowledged the upset Mr D had been caused, the impact on his mental health and that he'd called and emailed Aegon many times to try to move things along. Other issues had compounded the stress Mr D had suffered. But she didn't think Aegon needed to do anything more.

Mr D was very disappointed. Amongst other things, he felt we'd been biased and too lenient towards Aegon, with too little sympathy for the serious personal harm he'd been caused by the processing errors and endless calls to Aegon to try to resolve matters. He pointed out that he'd lodged a complaint on 16 October 2023 to which Aegon had failed to respond until 3 January 2024 and despite their letters indicating that, if the complaint was causing hardship or serious problems, they'd respond urgently. He'd contacted the Complaints Team several times (as set out above) between 30 October 2023 and 10 November 2023 but the Complaints Team had confirmed his messages had been overlooked and not followed up.

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.

I'm sorry Mr D has lost confidence in us and considers our investigation was inadequate and that the impact on him of what had happened hadn't been fully appreciated by Aegon or us. When we investigate a complaint although we'll consider everything, we'll concentrate on what we see as key. The fact that a particular point or issue isn't mentioned doesn't mean we've overlooked it or not taken it into account. I'd like to reassure Mr D that I've reviewed everything afresh.

Aegon has admitted that they made mistakes which led to a delay in the transfer to the drawdown plan and the payment of Mr D's PCLS. In a situation such as this, where a business accepts they've made errors and have taken steps to put things right, including paying compensation, we'll consider whether that's fair and reasonable. Mr D may want a more detailed investigation into exactly what went wrong and why. But our focus will usually be on the impact of the business' admitted errors on the consumer and how things should be put right.

Mr D clearly feels very strongly that the compensation Aegon has paid isn't adequate. I agree that Aegon's customer service, both in terms of the transfer to the drawdown plan and the payment of Mr D's PCLS and dealing with his complaint, was poor. But, and although I know Mr D will remain disappointed, I think Aegon has taken appropriate action and the compensation Aegon has paid is in line with what we'd award, subject to what I say below about interest.

We'll consider first if any financial loss has been suffered. Mr D might regard the process of transferring to a new arrangement with Aegon and paying out the PCLS as fairly straightforward. But Aegon, in common with other providers, has safeguards in place to ensure that customers taking pension benefits are protected, hence there may have been more forms to fill in and the process might always have taken a little longer than Mr D might've expected.

But an unnecessary delay arose because of the incorrect fund switch made on 3 October 2023 and which wasn't corrected until 30 October 2023, some 20 working days later. Aegon has put right any financial loss caused by that delay by reversing the switches. So Mr D has received what he should've got – the PCLS and the residual fund value which was transferred to the drawdown arrangement – but for Aegon's delays.

Aegon also paid interest to reflect the delay at the rate of 1% above base rate. But, as Aegon will be aware, where someone has been kept out of their money we'd normally award interest at 8% pa simple. So I've made a direction below that Aegon should recalculate the interest due to Mr D using that rate and pay him the difference, less tax and supply a tax deduction certificate so that Mr D can reclaim the tax if he's eligible to do so.

The main issue is distress and inconvenience. Aegon has paid £500 in total which Mr D considers is inadequate. I do understand Mr D's position but overall I think £500 is in line with what we'd award and taking into account the impact Aegon's errors had on Mr D. As the investigator explained, because the impact on one person may have been greater, a higher amount might be justified even though something similar went wrong.

The level of awards we generally make for distress and inconvenience are perhaps more modest than Mr D might expect. We give on our website some examples of the amounts we might award. We say an award of over £300 and up to around £750 might be fair where the impact of a mistake has caused considerable distress, upset and worry and/or significant inconvenience and disruption that needs a lot of extra effort to sort out. I think what's happened here falls into that category and taking into account the length of time during which payment of Mr D's PCLS was delayed, the time Mr D spent in trying to sort things out and the adverse impact on his health.

I note what Mr D has said about having lodged his complaint with Aegon's Complaints Team on 16 October 2023 and Aegon's failure to respond substantively to the complaint (despite Mr D frequently chasing and asking for the matter to be escalated as the continuing delay was causing financial difficulties as well as high levels of stress and anxiety) until 3 January 2024. But, although Aegon's formal response to Mr D's complaint was delayed, in the interim the transfer and payment of Mr D's PCLS was completed on or about 17 November 2023. I do understand that Mr D would still have wanted his complaint to be dealt with promptly, but the fact that payment had been made would've alleviated his financial position and his stress. I've borne that in mind in considering if the £500 is adequate and against the background that the period of delay was some four weeks. In my view that sum is fair and reasonable.

I do understand why Mr D considers Aegon should've been more proactive and appointed someone specifically to deal with the transfer. But I think that's a more personal level of service than would be expected. And it seems that, in the end, a member of Aegon's staff was able to ensure that the transfer and the payment of the PCLS were actioned successfully.

As the investigator explained, we're unable to ask Aegon to make changes to their processes and procedures which are operational and commercial decisions for the business concerned and in which we can't interfere. That said, we'd expect a business in dealing with a complaint to consider if it raises issues which might apply more widely and, following on from that, make any necessary procedural or other adjustments but that isn't something we can enforce. And here I don't think the problems that Mr D unfortunately encountered necessarily indicate systemic or wider failings.

Mr D may regard Aegon's apology as inadequate but Aegon has said sorry for the difficulties Mr D encountered with his PCLS and drawdown arrangement. I think that's sufficient. I don't see anything would be gained from directing Aegon to provide a differently worded apology.

I'm upholding Mr D's complaint although I think in the main what Aegon has done to put things right is fair and reasonable but subject to Aegon paying the additional interest on the delayed PCLS at 8% simple pa. I've made a direction below.

My final decision

I'm upholding Mr D's complaint. Scottish Equitable plc trading as Aegon must pay interest at the rate of 8% simple pa on the delayed PCLS payment and so pay Mr D the difference between that and the interest already paid and, assuming tax is deducted, give Mr D a tax deduction certificate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 7 May 2024.

Lesley Stead
Ombudsman