

The complaint

Mr M complains that Aviva Life & Pensions UK Limited (Aviva) changed the monthly amount of his annuity income.

What happened

- Mr M had an annuity with Aviva that, in the 2022 / 23 tax year paid about £1,249. Aviva deducted around £250 in tax. Providing Mr M a net monthly income around £83.
- In August 2023 Aviva write to Mr M to inform him that the tax authorities had changed his tax code. And informed him that his new net monthly payment would be around £63.
- Mr M complained to Aviva about the reduction in income from his annuity.
- Aviva said that the net income from his annuity had changed as a result of it being informed that his tax code changed. And explained that it had to apply the tax codes that the tax authority directed it to.
- Mr M didn't agree and brought his complaint to our service.
- After investigating, our investigator concluded the complaint should not be upheld because Aviva were still paying Mr M the same gross annuity income. He didn't think that Aviva did anything wrong in applying the new tax code that the tax authority told it to.
- Mr M doesn't agree because he believes that he bought an income that was guaranteed for life and he was not made aware of tax regulations.

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've decided not to uphold the complaint for these reasons:

- To be able to uphold this complaint I would need evidence that Aviva had made a mistake in the way it paid Mr M his annuity income.
- The annuity income is subject to the payment of income tax in accordance with the rules in place at the time.
- Aviva have shown that it was applying tax to Mr M's annuity income at the basic rate of 20% until it was informed of a change in Mr M's tax code for this pension. To comply with tax law Aviva had to apply the new tax code, which resulted in an increase in the amount of tax it had to deduct from Mr M's annuity income.

- Aviva have shown that the gross level of income Mr M's annuity provides remains the same. This is Mr M's guaranteed gross income from his annuity. So I am satisfied that Aviva have treated his annuity payments fairly, and the drop in income results entirely from a change in Mr M's tax position.
- I would expect Aviva to notify Mr M of the change. Which it did in its letter of August 2023. I think this letter was clear and not misleading. And highlighted the relevant contact details for the tax office if Mr M had any queries. If Mr M remains concerned about the accuracy of the tax he pays on this pension he should take this up with the tax authority.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 May 2024.

Gary Lane
Ombudsman