

## **The complaint**

Mr P complained that St James's Place UK plc (SJP) did not provide him with access to his pension benefits in a timely manner. He also believed it acted incorrectly when applying a reduction in relation to income tax on the payment of his benefits.

He would like to receive a higher level of compensation for this delay than SJP has offered him.

## **What happened**

Mr P held a personal pension policy with SJP. As he approached the age of 55, when he could access his funds, he made contact with SJP to begin the process. He explained to SJP that he wished to withdraw the full amount of his pension benefits as an Uncrystallised Funds Pension lump sum (UFPLS).

Mr P initially tried to contact SJP in mid January 2023. He made contact on 20 January 2023 when he was asked to contact his SJP financial adviser. He was also informed at this time that he would have to wait until his 55<sup>th</sup> birthday to begin the process of accessing his funds.

Mr P's adviser subsequently contacted SJP on 10 February 2023 to request that a retirement options pack be sent to Mr P.

The adviser then submitted a fund switch request to sell all Mr P's funds to a Money Market fund on 13 February 2023 which was completed the following day.

When he had not received the retirement options pack by 20 February 2023, Mr P contacted SJP and asked for it to be emailed to him. SJP sent the pack the same day and Mr P returned the completed forms the following day, 21 February 2023.

Mr P also raised a complaint on 20 February 2023 about the delay in receiving the pack and the poor service he had received.

When SJP reviewed the forms, however, it became clear that the verification evidence of Mr P's bank details was not in the required format and could not be accepted.

On 27 February 2023, SJP issued an income sustainability report, risk warnings and bank verification requirements to Mr P. He called SJP on 28 February to accept the risk warnings and to explain that he had provided bank verification details to his SJP adviser.

SJP also responded to Mr P's complaint on 28 February 2023. It concluded that it was responsible for a two-day delay as the withdrawal request should have been completed by 8 February, rather than 10 February. It offered to complete a loss calculation once the payment process had been completed.

The bank verification details were submitted to SJP by Mr P's adviser on 1 March 2023. Following receipt of these details, SJP issued another income sustainability report, risk warning and bank verification request in error on the same day.

Mr P called SJP to query these new forms. He also told SJP that he thought he should receive the lump sum tax free as he was expecting to be a non-taxpayer during that tax year.

On 4 March, SJP contacted Mr P's SJP adviser to clarify the position on receiving the payment tax free. It said:

*To allow us to update the Tax Code we hold we would require client to submit a P45 in the current tax year. If client do not have a P45 for the current tax year we will deduct tax as per the Tax Code we already hold or Emergency Tax shall be applied. Please note if more tax is deducted than client is eligible to pay and would need to contact the HMRC to arrange a Tax Refund.*

Following further discussion with Mr P, the adviser called SJP on 17 March 2023 to inform it that Mr P did not have a P45 for the current tax year. SJP completed the withdrawal using the price of the units on 10 March 2023 to ensure that Mr P benefitted from the latest interest payments to the Money Market fund.

The gross amount of the withdrawal was c£36,000. As it did not have a P45 showing Mr P's taxable earnings for the year, SJP applied an emergency tax code to this sum, making a net payment of c£26,000.

Unhappy with the service he had received and the proposed resolution to his complaint, Mr P brought his complaint to our service.

SJP re-considered Mr P's complaint points and stated that it had made some errors in the way it had processed Mr P's withdrawal.

Firstly, it acknowledged that the retirement pack could have been issued up to 3 months prior to Mr P's 55th birthday, with a provision that it would only begin processing the withdrawal when he reached his birthday. It also recognised that it had created duplicate workflows in error that resulted in duplicate documents being sent to Mr P on 1 March 2023.

SJP went on to produce a notional timeline on what should have happened and reached the conclusion that Mr P could have received his funds by 16 February 2023. It found that owing to movements in the fund price, Mr P would have received less than the actual amount he did receive, which meant he had not suffered a financial loss. It did, however, accept that he could have received the funds earlier, and so applied simple interest at a rate of 8% per annum was calculated to pay Mr P £201.63 net (£252.04 gross).

SJP also offered Mr P £100 compensation for the distress and inconvenience it had caused him.

Mr P was unhappy with this response and asked this service to investigate.

Our investigator reviewed the evidence in this case and formed the view that SJP had not caused Mr P a financial loss and that the compensation it had paid him was appropriate in the circumstances. Mr P remained unhappy with this, so the case has been passed to me to 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 agree with our investigator and do not uphold this complaint.

Having said that, I can appreciate that this will be disappointing to Mr P, so I will explain how I have reached my decision.

Firstly, I think it's important to reflect upon the role of this service. Our role is to impartially review the circumstances of a complaint and make a decision on whether a business has made errors or treated a customer unfairly. Where it has, it is our aim to ensure that the customer is compensated fairly.

There are two types of compensatory awards that we can make. The first is for any financial loss, and our aim is to ensure that the customer is put back as closely as possible into the financial position they would have been in, had the errors not occurred.

In this case, SJP has investigated the circumstances of Mr P's complaint and has concluded that although it made errors in the way it processed Mr P's withdrawal request, the delay that it caused did not cause him a financial loss as the value of his funds actually rose during the period of the delay. SJP has also awarded Mr P an interest payment at 8% per annum simple to compensate him for the time he was unable to access his benefits. This is the type of approach that this service would have taken, so I find that SJP has compensated Mr P appropriately for this aspect of his complaint.

Turning now to Mr P's contention that as a non-taxpayer in the year this withdrawal took place, he should have been paid his benefits with no deduction of income tax.

I've thought carefully about this, but I cannot agree with him.

Firstly, the options pack that Mr P was sent by SJP outlines that there are tax implications to be considered when taking benefits from a pension. The law allows up to 25% of total benefits to be taken tax free, but the remaining 75% is treated as income generated in the same tax year and so is subject to income tax at the customer's prevailing rate. I appreciate that Mr P has stated that he was a non-taxpayer for the year in question. But the amount of the payment was c£36,000, well in excess of the annual personal income tax allowance. Consequently, some tax would always have needed to be deducted. SJP also made clear that to avoid the use of an emergency tax code, Mr P would have to provide a P45 for the current tax year, which he was unable to do.

In conclusion, I can't see that SJP has made any errors or treated Mr P unfairly in relation to the application of an emergency tax code to his benefits.

The second element of compensation that I can award is for the distress and inconvenience caused when errors are made. I can see that SJP made a number of errors in the way it managed Mr P's withdrawal; providing him with incorrect information about when he could submit the withdrawal form, being incorrectly informed that the retirement forms needed to be sent by post and the confusion that arose by the issuance of duplicate documents that Mr P had already completed. I've also considered Mr P's evidence about the distress these errors have caused him.

To ensure consistency, this service provides guidelines about the level of compensation for distress and inconvenience should be paid depending upon such factors as the magnitude of the errors, the length of delay caused and the effect upon the customer.

SJP has offered Mr P £100 in respect of his distress and inconvenience. I consider this to be appropriate in the circumstances of this case, so I won't be asking SJP to pay Mr P any more.

In conclusion, I think that the compensation SJP has made to Mr P is fair and reasonable in the circumstances of this case and I won't ask them to increase this amount.

So for the reasons I have explained, I do not uphold Mr P's complaint and won't be asking SJP to do anything more than it has already done to resolve this complaint.

### **My final decision**

For the reasons explained above, I do not uphold Mr P's complaint.

St James's Place UK plc does not need to do any more than it has already done to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 27 June 2024.

Bill Catchpole  
**Ombudsman**