DRN-5081285

The complaint

Mr B complains that Aviva Life & Pensions UK Limited (Aviva) took 10 years to discover it had mistakenly paid a sum of over £3,700 – now worth over £6,000 – into his pension plan in 2014. He doesn't think the compensation of £300 Aviva has offered is sufficient for the raising of his expectations or the disruption to his retirement planning as he had begun to make his retirement plans on the expectation of receiving the amount he thought his plan was worth.

What happened

Mr B joined his employers' money purchase workplace pension scheme – administered by Aviva – in 2012. Total gross monthly contributions of around £70 were made to the pension. In 2014 Mr B's employer set up a new workplace scheme and requested the old scheme plans were transferred to the new one. Aviva also administered the new scheme but was unable to transfer one to the other, so it transferred Mr B's funds from the old scheme into a new pension plan for him.

In April 2014 Aviva sent Mr B two separate letters to confirm the completion of the transfer of funds – but the letters noted different transferred values.

In early 2024 Aviva seemingly discovered this error and wrote to Mr B confirming its mistake and how it had corrected things. But Mr B didn't think it had done enough to compensate him for not identifying the matter for around 10 years, leading him to make his retirement plans and provisions on the basis of a significantly higher current fund value. So he complained.

Aviva said that the transfer of the old workplace scheme in 2014 was actioned under a bulk transfer arrangement and, unfortunately, it made an error and allocated another scheme member's fund value to Mr B's new personal pension plan in addition to what he'd been entitled. So it had to remove that fund value – and all the growth that had been applied to it over the years – from Mr B's plan. It apologised for the error and the raising of Mr B's expectations of what he should expect from his final pension amount and offered £300 for the inconvenience and upset this caused.

Mr B wasn't satisfied with this outcome, so he brought his complaint to us where one of our investigators looked into the matter. He thought that while the matter would have undoubtably caused Mr B some distress, Aviva had recovered money that didn't belong to him which put him back into the position he ought now to be had the transfer been completed correctly. He didn't think it was fair for Mr B to benefit from funds that didn't belong to him. He thought the offer of £300 compensation for the impact the matter had was fair and reasonable in this case.
Mr B didn't agree as he said he "*was banking on the finances*" to support his retirement in around 10 years' time. He questioned what would have happened if he'd transferred the funds to a new provider during the 10 year period that Aviva hadn't identified the problem. He thought that £300 was insufficient compensation for the loss of around £6,000 from his pension plan.

Mr B wanted his complaint to be referred to an ombudsman – so it's been passed to me to review.

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.

And having done so I've reached the same conclusion as the investigator – which I imagine is an outcome that will disappoint Mr B. So I'll set out my findings below.

I have some sympathy for Mr B here as I can imagine it must have been a shock to him to see the value of his pension plan reduced significantly some 10 years after he thought it had been correctly transferred from his employers' previous workplace scheme. So in the first instance I've looked at Aviva's error and whether I think it was appropriate for it to take the actions it did.

The error in transferring funds.

Aviva has said that when it transferred the funds from Mr B's original workplace pension into a new pension for him it correctly transferred his funds but then inadvertently allocated another member's funds to his plan as well. It said this was because the transfer was done as a "bulk transfer," and it simply made a genuine mistake in matching up the allocation of funds. It also says Mr B ought to have realised something was wrong at the time as it issued two letters of confirmation for fund values of £1,450.61 (correctly) and £3,746.14.

I've seen the two letters that Aviva issued in 2014 and, as it's not in dispute that Mr B only had one previous workplace scheme, it would inconsistent that Aviva issued both letters. This would suggest that an additional erroneous transfer had taken place. But I don't think Mr B was responsible for making Aviva aware of a potential error as he most likely wouldn't have been aware of how the transfer process worked and it wouldn't have been unreasonable for him to assume the transfer had been split for some reason. But I do think this supports the idea that Aviva made an error with the transfers.

But I also believe that the idea there was an error is supported by the transfer values themselves. The documentation that was issued to Mr B in April 2012 when he first joined the employers' workplace scheme noted that gross monthly contributions – between both he and his employer – were set at around £70. So for the period Mr B remained in the scheme, which was under two years, it's likely his total contributions were around £1,500.

Given that the plan and set up fees would have been weighted to the early years of the investment and that any investment growth was applied to monthly regular contributions and not on an immediate lump sum of £1,500 from day one, it would seem that the transfer value of £1,450.61 was within the range of what I'd expect to see in early 2014 for Mr B's plan. It would seem very unlikely that such contributions would have grown to a value of £3,700 within that time.

So I think, more likely than not, that the transfer value that was originally paid to the new plan was correct, and the other value that was paid was inconsistent with Mr B's workplace scheme benefits. This would support the idea that a mistake was made and therefore the additional transferred funds weren't Mr B's and shouldn't have been applied to his new plan.

It's not clear why and how Aviva only identified this position 10 years later, but I assume it was as a result of an internal review that the mistake was highlighted. In my view, apart from consideration of the impact this had on Mr B, it doesn't matter when the error was discovered, but I would have then expected Aviva to have drawn this to Mr B's attention and corrected things appropriately. The money didn't belong to Mr B so the correct action was to remove the original transfer value – and any investment growth that had been secured – and return it to the member who should have received it in the first place.

It was unfortunate that Mr B had seen this value within his plan for a period of 10 years. And I can fully understand that he may have come to rely on the greater value when formulating his early thoughts on his retirement provision and planning. But the fact remains that the money had been incorrectly allocated to him and the correct position for him to now be in is that his pension plan is worth what it would be had the error not occurred – which is what has now happened.

So I can't reasonably ask Aviva to restore Mr B's pension plan to the value it had with the additional £6,098.98 as that would put Mr B in a better position than he ought to now be in which wouldn't be fair. But I do have to consider the impact all of this had on Mr B and whether the compensatory payment Aviva has offered is fair and reasonable.

Aviva's compensation offer

Mr B says that £300 doesn't compensate him for the stress and concern he's experienced from learning his pension fund is around £6,000 less than he thought it was, and that it took 10 years to uncover the error leading to him making retirement plans assuming the higher value of his plan. He says £300 doesn't compensate for the loss of £6,000.

I've already explained that I don't think Mr B should be refunded the £6,098.98 but I have to look at the impact this had on him. I don't take lightly the concern and worry Mr B would have experienced on learning after 10 years that his retirement pot was around one third less than he anticipated. But I recognise Aviva mitigated this by explaining and correcting the situation as soon as it was discovered thereby giving him to time to revise his future plans. I know Mr B will have been disappointed and his expectations were raised for a considerable length of time – even if I consider Aviva's corrective actions to be appropriate.

But looking at the impact overall and the disappointment and frustration Mr B would have suffered, I think the offer of £300 is within the range of what I'd expect to see for an error such as this.

My final decision

Aviva Life & Pensions UK Limited has already made an offer to pay £300 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Aviva Life & Pensions UK Limited should pay £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 November 2024.

Keith Lawrence
Ombudsman