

The complaint

Mrs H complains that Aviva Life & Pensions UK Limited (Aviva) provided misleading information in a June 2015 letter about the bonuses applicable to her pension plan. She'd like Aviva to honour the extra bonus that letter referenced.

What happened

Mrs H had a With-Profits pension plan with Aviva that started in 1988.

In October 2014, Aviva sent Mrs H her yearly statement. This stated that her transfer value as at 27 October 2014 was £52,851.93.

Page 6 of the statement included a sentence about final bonus. It said:

A final bonus may be paid if you take money out of the With-Profits Fund. It isn't guaranteed and will depend on investment conditions at that time.

Page 8 also contained information about final bonus. It said:

When benefits from your plan are paid we may, where appropriate, pay a final bonus which will ensure that you get a fair share of the With-Profits Fund for the time your plan has been invested. It's important you know the final bonus isn't guaranteed and will depend on investment conditions at that time.

In June 2015, Aviva wrote to Mrs H about the final bonus available to her under the plan. The letter said Aviva expected the extra final bonus to increase her policy benefits by up to 7.5%, but this could change. It said the extra final bonus would be worked out when she took her benefits. And that the extra bonus wasn't guaranteed and could go up or down in value depending on market conditions going forward.

Aviva sent Mrs H an update for 2015 in March 2016. This stated that her transfer value as at 27 October 2015 was £62,438.31. And included the same wording about final bonus that I've quoted earlier in this section.

In August 2024, Mrs H asked Aviva for an annuity quote. When she received the quote she noted that the fund value Aviva had used was the same as that shown on her ongoing statements.

Mrs H remembered the content of the June 2015 letter. She felt that it'd stated that an extra final bonus of up to 7.5% would be added to her pension when she took her benefits. She therefore expected Aviva to use a significantly higher fund value for the annuity quote. So she contacted Aviva. It told her there was no extra bonus, as there was only one final bonus. Mrs H was unhappy so she raised a complaint.

Aviva issued its final response to the complaint on 4 September 2024. It acknowledged that the wording in the June 2015 letter was misleading. But confirmed that Mrs H's pension could only benefit from one final bonus. It also noted that the other letters it'd sent to Mrs H hadn't mentioned more than one bonus. It therefore didn't agree to honour the extra bonus

Mrs H considered she was entitled to. Aviva offered Mrs H £100 compensation to apologise.

Mrs H remained unhappy and referred her complaint to this service in September 2024. She felt the June 2015 letter had clearly stated that the extra final bonus would only be calculated once she took money from her fund. She said she therefore wouldn't have expected to see this additional amount until she was ready to take money out of her fund.

Mrs H said that Aviva told her that there was no "extra" final bonus, despite the content of its June 2015 letter. But she disputed this given what the June 2015 letter had stated.

Our investigator first considered whether the complaint had been brought in time for this service to consider its merits. She noted that it'd been brought more than six years after the June 2015 letter. But she was satisfied that Mrs H had no reasonable cause to complain until she'd received her annuity quote in August 2024. She therefore felt that the complaint had been made within the time limits allowed.

Our investigator said that having read the June 2015 letter, she understood why Mrs H expected to receive an extra bonus. But she didn't consider that Aviva should be required to honour that extra bonus. She felt that Aviva's letter had been misleading. And that it'd led to a loss of expectation for Mrs H. But she didn't think that Mrs H had been eligible for a second final bonus, despite the 2015 letter. She felt that the £100 compensation Aviva had offered Mrs H was fair and reasonable for the loss of expectation and the distress and inconvenience caused.

Our investigator felt that an extra or second final bonus would be unusual, given her understanding of how With-Profits policies worked. She also said that other than the 2015 letter, she'd found no other evidence to suggest that Mrs H was entitled to any further payment into her pension. She said she therefore couldn't fairly ask Aviva to honour the "extra" bonus referenced in the June 2015 letter.

Mrs H didn't agree with our investigator. She maintained that the June 2015 letter had informed her that Aviva planned to add an extra final bonus to her plan when she eventually took money from her fund. She felt the letter had been clear and that it wasn't open to misinterpretation.

Mrs H felt it was unacceptable for Aviva to now say that the letter was unclear and that it'd meant to say that the fund was in a good place, rather than to inform plan holders about a potential second extra bonus.

As agreement couldn't be reached, the complaint has come to me for a 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.

Having done so, I agree with our investigator that the £100 compensation Aviva has already offered Mrs H is reasonable under the circumstances. Therefore, while I'm going to uphold the complaint as I understand Aviva has yet to pay the £100 offered, I'm not going to ask it to take any further steps to put things right. I know this will be disappointing to Mrs H. I'll explain the reasons for my decision.

Before I consider the merits of the complaint, I confirm my agreement with our investigator's conclusions – and for the same reasons – that this complaint has been brought to this service in time.

I first considered the June 2015 letter.

The June 2015 letter

Aviva said that it sent this letter to make its plan holders aware that their final bonus performance had been good, and that it predicted a 7.5% increase to plan benefits. It said the word “extra” didn’t need to be included. But that it hadn’t ever been an option to have more than one final bonus on the plan, so a second bonus was never available.

Mrs H said that the June 2015 letter had explained that Aviva planned to add an extra final bonus to her plan when she took the benefits. She felt that Aviva’s explanation of what the letter had intended to convey was unreasonable.

She also felt that it was irrelevant that Aviva had noted in its final response letter that the other letters it’d sent her hadn’t ever mentioned that she had more than one bonus. She felt Aviva would’ve only needed to write to her once to tell her about the extra final bonus it planned.

I’ve carefully considered what both parties have said, as well as the documentary evidence provided. Having done so, I agree with Mrs H that the letter could reasonably be read as if Aviva intended to pay an additional final bonus.

Having said that, I’m not persuaded that Mrs H could’ve reasonably relied on that additional final bonus. I say this because although the letter stated that Aviva’s intention was to pay a bonus of up to 7.5% when its plan holders decided to take their money out of the With-Profits fund, it went on to say:

“...but this can’t be guaranteed. In some circumstances we may need to reduce or even stop it, to protect policyholders.”

I’ve thought about whether Mrs H would’ve taken a different action but for the letter. But I can’t reasonably say she would, given the lack of guarantees on any final bonus, extra or otherwise. I say this because even if there had been the possibility of an extra final bonus, it could’ve been worthless. And I think the June 2015 letter explained this.

I agree with Mrs H that if Aviva’s intention with the June 2015 letter was to inform its plan holders that the With-Profits fund was doing well, it should’ve been clearer. But I can’t fairly say that the fact that it wasn’t as clear as it should’ve been has led to a financial loss. I say this because I’ve seen no evidence that more than one final bonus was ever payable on Mrs H’s plan. I’m satisfied that Mrs H was never entitled to a second final bonus on her plan. I therefore can’t fairly ask Aviva to pay Mrs H any extra final bonus.

I next considered the compensation Aviva has offered Mrs H for the misleading nature of the June 2015 letter.

Distress and Inconvenience

Aviva has apologised for the misleading nature of the wording in the June 2015 letter. And offered Mrs H £100 compensation.

Having carefully considered whether this is fair for the loss of expectation and inconvenience this caused for Mrs H, I think this is reasonable. It’s also in line with what I would’ve otherwise recommended.

I understand that Aviva has yet to pay the £100 compensation it offered. I therefore uphold

the complaint so that it can now be paid.

Putting things right

Aviva Life & Pensions UK Limited must pay Mrs H £100 compensation for the loss of expectation and inconvenience it has caused.

My final decision

For the reasons I've described above, I uphold the complaint. Aviva Life & Pensions UK Limited must pay Mrs H £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 14 February 2025.

Jo Occleshaw
Ombudsman