

## **The complaint**

Mr B complains that Phoenix Life Limited have not treated the value of his with-profits pension fairly. He says that it reduced his final bonus after his retirement age had been reached causing him a loss in his pension value.

## **What happened**

Mr B had a pension with Phoenix Life, that he opened in 1984. It was invested in a with-profits fund.

Mr B was sent annual valuations for his Phoenix Life pension. These gave a figure for a guaranteed value of the fund at the Normal Retirement Date, as well as a Transfer Value at the date of calculation. The Transfer Values fluctuated in the statements leading up to Mr B's Normal Retirement Age as follows:

31 December 2020 - £35,256

31 December 2021 - £40,655

In May 2023 Phoenix Life sent Mr B a 'wake-up pack' as he approached the policy's Normal Retirement Date. That gave an indication of the estimated pension value of £33,337.

Mr B's policy remained invested in the with-profits fund up until his Normal Retirement Date in November 2023, at which point Phoenix Life explain the overall value had reduced to £33,120.

Mr B didn't elect to take benefits from his pension policy at the Normal Retirement Date, so the policy became deferred when that date was reached. In line with the terms of the policy, the fund then came out of the with-profits fund and was placed in a deposit account.

On 23 January 2024 Phoenix Life sent Mr B an annual update for his pension plan. That indicated to Mr B that his pension plan was invested in the with-profits fund and gave the transfer value on 31 December 2022 as £39,770.

In July 2024 Mr B received a further annual update for his Phoenix Life policy. This explained that Mr B's policy was no longer part of the with-profits fund. In that statement it showed the amount brought forward from 1 January 2023 as being £39,770. And then it listed 'interest since last statement' as being minus £6,650. Giving the total value £33,120 on 31 December 2023. It also gave an updated Transfer value as of 12 July 2024 as being £34,113.

Mr B complained to Phoenix about having been charged £6,650 of interest, which he believed was because he had not taken his benefits at the Normal Retirement Date.

Phoenix Life explained that the information in its statement was confusing and it apologised for referring to the drop in value as negative interest. It explained his pension value and that the value in the most recent statements would be clear. It offered Mr B £100 for the distress and inconvenience.

Mr B referred his complaint to our service. He was still unhappy that Phoenix Life hadn't told him that he would be penalised for failing to take his pension on the Normal Retirement Date. Our investigator was unable to informally resolve the complaint and it was referred for an ombudsman's 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.

Mr B's pension was invested in a with-profits fund. This was a type of investment fund that was set up to provide an alternative to investments that were directly in shares. Rather than mirroring the movement of specific asset types, it provided annual bonuses to the fund value that afforded a guaranteed fund value. In addition to that it also potentially offered a Final Bonus that would be added to the fund value to provide the Transfer Value of the pension. Which would be the sum that could be used to provide retirement benefits.

The terms of Mr B's policy, and the statements that he received, indicated that the Final Bonus was not guaranteed. But the annual valuation gave the Transfer Value based on the last calculated Final Bonus figure.

I understand that Mr B was concerned that his fund value dropped as a consequence of not taking his benefits at his Normal Retirement Date. But I think this is a misunderstanding caused by the timing of the valuations that Phoenix Life sent, as I'll go on to explain later. Having looked at what happened here, however, on reaching the policy's Normal Retirement Date Phoenix Life had to calculate the actual Final Bonus on that date. That was then locked in as the fund value that could be used to purchase retirement benefits. Unfortunately, Mr B's Final Bonus was not as high as it had been in previous calculations. But it was the fund value that Mr B would have had available to take benefits at his Normal Retirement Date, whether he had done that on reaching that age or not. Deferring beyond that date did not cause the drop and he has not been penalised for doing so. The only implication of deferring is that the fund has moved from the with-profits. Whilst this means that he will not have a share in future profits in that fund, he will not suffer any further drops in Future Final Bonuses either.

This means that I do not think that any mistakes have caused Mr B to suffer a financial loss. His pension fund, unfortunately, reflects reducing Final Bonuses. Which is a feature of the terms and conditions of his policy. Phoenix Life were not providing financial advice to Mr B over the best timing for him to maximise the highest Final Bonus. I don't think that the information it sent could have provided those types of projections. I understand Mr B's disappointment especially in light of the misunderstanding that I think Phoenix Life's correspondence caused. So I will go on to consider that now.

Phoenix Life have said that its statements weren't clear and apologised for the confusion that it caused. And I agree that it could have been much clearer.

Mr B received a Wake-Up Pack in May 2023. That showed him that the estimated value of his Pension Savings was £33,337. Then he received further correspondence in September 2023 showing him that the estimated pensions savings were £33,120. So I think that Mr B was informed ahead of his Normal Retirement Date that his policy was of that kind of value. Although these statements offered no explanation for the significant drop since the last valuation that Mr B had.

The confusion was caused by Phoenix Life then sending Mr B a valuation letter on 23 January 2024. That gave him a transfer value for his policy as £39,770 indicating he was

in the with profits fund. But both of these bits of information were out of date. The transfer value given was actually taken on 31 December 2022. This letter indicated that Phoenix Life had a commitment to provide clear, up to date information. Whilst the information in this letter wasn't incorrect, it was not, in my view, up to date. It was a valuation from over a year before. And it failed to recognise that, by that stage, Mr B's fund was no longer in the with-profits fund and instead had a value that could easily be given on a daily basis. This letter unfortunately led Mr B, wrongly, to think his pension fund was larger than it was.

It was only in the following letter Mr B received in July 2024 that a reasonable update was provided. It accurately explained that Mr B was no longer in its with-profits fund. And it gave the up-to-date fund value on 12 July 2024. Phoenix Life acknowledge that the way it presented the fund drop of £6,650 in the calendar year of 1 January 2023 to 31 December 2023 as negative interest was unhelpful. And I agree.

The overall implication of Phoenix Life's correspondence after Mr B passed his Normal Retirement Date, left him unclear on the final fund value he had available to purchase benefits, and led him to believe that it was higher than it actually was. I am not persuaded that this had any impact on Mr B's decision to defer taking his benefits as he could not anticipate the likely Final Bonus on any specific date. But the distress this caused could have been avoided with clearer communication.

Phoenix Life have already sent Mr B a cheque for £100, but, like our investigator, I think that £250 is a fairer way to compensate for the evident distress caused by failing to clearly explain his fund value available at retirement.

### **My final decision**

I uphold Mr B's complaint. Phoenix Life Limited should pay Mr B £250 compensation in total for the distress and inconvenience. If Mr B has already cashed the cheque it sent for £100 then that means an additional £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 June 2025.

Gary Lane  
**Ombudsman**