

The complaint

Mr R complains that Aviva Life & Pensions UK Limited (Aviva) provided him with poor service when he needed to make a drawdown withdrawal from his pension. Due to the issues he'd faced, he decided to request a full withdrawal of his funds. But he feels Aviva unfairly completed that process by taxing his funds, rather than simply transferring them in full to his bank account.

What happened

Mr R transferred his pension from another provider to a Self-Investment Personal Pension (SIPP) with Aviva in 2016. I understand that he took his tax-free cash (TFC) allowance from his pension in 2019. Thereafter, any drawdowns from his pension would be taxable at his marginal rate.

On 11 July 2024, Mr R went on to the Aviva website to try to start a drawdown payment for £1,500 from his pension. He needed this to pay for health treatment overseas on 24 July 2024, but needed the funds by 23 July 2024.

Aviva's website wasn't working properly. So Mr R called it on 11 July 2024. Aviva then called him back at 3.23 pm. In summary, during that call, Aviva tried to troubleshoot the online issues he was having. But when it couldn't fix the issues, it said it would arrange for someone from its payment team to call Mr R back to go through the withdrawal process by phone. Mr R said he'd be available for the rest of the afternoon, so Aviva confirmed it would try to book a time for the call back.

As Aviva had yet to call him back, Mr R called it at 5.13 pm. The agent he spoke to tried to connect him to the relevant department. But couldn't as the lines were about to close. So they said they'd arrange a call for the morning.

Mr R wasn't happy, so he asked to speak to someone senior. Aviva then put him through to a manager, who said they'd need to go through a script with Mr R. But as no one was available from the correct team to do this, they'd arrange a call back for the following morning.

During this call, Mr R said he'd deferred going to work while waiting for the call. He also said he wanted to end his business with Aviva. He explained the importance of the drawdown he wanted to make. And said he was upset that the promised call back hadn't happened.

Later on in the evening of 11 July 2024, Mr R complained to Aviva. He said he wanted to *"terminate my dealings with Aviva with immediate effect, and for the money you hold on my behalf to be transferred to me in full. This is not a taxable drawdown. This is me withdrawing my funds and business in the face of your current and previous conduct, and your (mostly) obstructive and deflecting staff."* And that he expected whichever Aviva agent who called him the following day to help him to do that.

Mr R made the following complaint points:

- He was unhappy with the hold music.
- He was unhappy that Aviva's agents hadn't been able to help.
- He was unhappy that he didn't receive the call back he'd been offered. He said he'd lost a half day's work waiting for help.

Aviva then called Mr R in the morning of the following day to process his withdrawal. During this call, Mr R said he now wanted to fully withdraw his business from Aviva. Aviva's agent explained that as Mr R's money was held in a pension, the full withdrawal would be taxable. He also explained that this was in line with government rules, so it wasn't something Aviva had any choice about.

Throughout the call, Mr R repeatedly stated that his withdrawal wouldn't be taxable, given he wanted to end his business with Aviva. He said he didn't want an illustration, he just wanted to close his account. He wanted Aviva to transfer his funds to his bank account without tax, as he felt it was no longer a pension. Aviva's agent repeatedly confirmed that the money was still in a pension. And that any withdrawal would be taxable. He also explained that Mr R could transfer his funds to another pension provider instead.

Aviva's agent told Mr R that he would try to escalate his withdrawal request for him, given his need for £1,500 by 23 July 2024. Mr R asked to speak to someone more senior. The agent said he'd make that request, but that he didn't know when the call back would happen. He also explained that there was nothing a more senior person could do about the fact that the pension withdrawal would be taxable.

Aviva sent Mr R his withdrawal illustration on 15 July 2024. It said that his fund had a value of £24,866.22 which wasn't guaranteed. And that the payment it would make to him would be taxed before it paid it to him.

Aviva also called Mr R back on 15 July 2024. It again explained that as his funds were held in a pension, his withdrawal would be taxable. Mr R still felt that the withdrawal should be carried out as a transfer from Aviva's account to his in a similar way to closing a bank account. Aviva's agent acknowledged that he understood what Mr R wanted to do, but confirmed again that he'd have to pay tax on his pension withdrawal. Mr R felt the call was getting him nowhere so he hung up.

Aviva wrote to Mr R on 17 July 2024 to confirm his withdrawal request. The letter stated that the funds would be taxed and that they would arrive in Mr R's nominated bank within four to six working days.

Mr R wrote to Aviva to state that if the funds took six working days, they'd arrive too late. He asked it to ensure the funds arrived by 23 July 2024.

I understand that the taxed funds reached Mr R's account on 24 July 2024. This meant that he had to borrow the money he needed for his treatment from his fiancée.

Mr R escalated his complaint to senior management at Aviva on 25 July 2024.

Aviva issued its final response to the following complaint points on 15 August 2024:

- Its website hadn't allowed Mr R to make a partial withdrawal.
- It'd failed to return the promised call backs. This had caused Mr R to lose a half day's work. It'd taken three days to speak to someone senior.

- Mr R had had to endure its hold music.
- Mr R didn't class his full withdrawal as taxable as he believed Aviva had defaulted on the agreed arrangement. He didn't think it was fair that tax had been taken from his withdrawal.
- He felt that Aviva had been incompetent. And that this had led to him having to borrow money to cover his treatment.

Aviva offered Mr R £100 to apologise for the fact that he hadn't been able to facilitate his withdrawal online. And because his money hadn't reached him by 23 July. It said it would also pay him £2.89 interest for the delay period.

Aviva didn't agree that it'd failed to return call backs. It said it had completed the promised call back requests within 24 hours, in line with its usual process.

Aviva also responded to all of Mr R's other complaint points. But it didn't think it'd done anything wrong.

Mr R raised further complaint points with Aviva on 16 August 2024. He acknowledged that Aviva had told him during a call that he could transfer his pension to another provider, which would've meant he wouldn't be subject to tax at that point. But felt as he needed to quickly access some of his money, this wasn't a feasible option. He felt that Aviva should've instead suggested that he took the £1,500 he needed first and then transfer the remainder of his pension to another provider at a later, less pressured time.

Mr R said that when a relationship breaks down, as his relationship with Aviva had, there needs to be a termination procedure that didn't lead to him losing a third of his money. He said Aviva hadn't made him aware how his full withdrawal would be taxed, so he'd assumed that he'd be taxed in the same way as usual. As such, he felt he'd lose around 10% of his fund to tax.

Mr R also felt that Aviva hadn't properly apologised to him.

Aviva issued a second final response letter to Mr R on 22 August 2024. It said that its agents had made Mr R aware of his options, including being able to transfer his funds elsewhere. It noted that it couldn't give him advice. And said that it was up to Mr R to decide what he wanted to do once it'd made him aware of his options.

Aviva said that Mr R had been very clear what he wanted to do. It said its agents couldn't then tell him whether or not it would be in his best interests to withdraw the £1,500 first and then transfer the rest at a later stage.

Aviva said it'd paid the £102.89 compensation it'd offered Mr R to his bank account.

Mr R brought his complaint to this service in September 2024. He said he'd intended to first repay his fiancée the £1,500 he'd borrowed, and then use £20,000 of the remaining funds to open an ISA account with an interest rate of 4.5%.

Mr R said that because Aviva had failed to send him his funds untaxed, he hadn't been able to take out his chosen ISA account. He felt he'd now be forced to take out an ISA with a lower interest rate. He said that even if he could eventually reclaim the deducted tax, he'd suffered a loss of interest on almost £8K.

Mr R still felt Aviva hadn't properly apologised. He also said it'd paid him the compensation

it'd offered him despite the fact that he'd rejected it.

Aviva said Mr R hadn't told it about the ISA he'd planned on investing his funds into, so it hadn't been able to address this point. It said that Mr R's made his full withdrawal request after the end of the working day on 15 July 2024, so effectively on 16 July 2024. As it had a five working day service standard for such a request, it should've been completed by 23 July 2024. As it was completed on 24 July 2024, it was one working day late.

Our investigator felt that Aviva's offer was fair and that it didn't need to take any further steps to put things right. She noted that it'd taken nine working days from Mr R's first attempt to request his withdrawal on 11 July 2024 to when he received his funds on 24 July 2024.

Our investigator explained what Aviva's usual withdrawal process was. She felt that the process was reasonable. And that under that process, because Mr R had the cash available, and if he'd have been able to request the withdrawal online on 11 July 2024, Aviva would've sent the illustration within the next three working days, so by 16 July 2024. She felt Mr R would've then confirmed his desire to proceed, with Aviva then processing the withdrawal within the next five working days. She therefore agreed with Aviva that Mr R should've received his funds on 23 July 2024.

Our investigator noted that if this had happened, Mr R would've received the funds in time for his treatment. She said that in actual fact, Mr R had received the funds on 24 July 2024, one day later than he should have. But she felt that the £100 compensation Aviva had offered Mr R to apologise for the delay and for the online issues, as well as the £2.89 interest for the one-day delay, was fair.

Our investigator considered Mr R's complaint about Aviva taxing his pension before payment. She acknowledged his reasons for expecting a tax-free payment of his funds. But said that because the funds were being withdrawn from a pension, Aviva had no choice but to apply tax first. She felt that Aviva had explained that this would be the case before Mr R had completed his withdrawal.

Mr R didn't agree with our investigator. He felt she'd ignored the fact that he'd given Aviva notice of his intention to cease his relationship with it by closing his account. He said he'd been clear that his request wasn't for a drawdown from his pension, but him withdrawing his custom due to what he felt was Aviva's failure to properly administer his money. As such, he felt Aviva's unfair actions had caused him to lose almost £8K in tax which he felt he shouldn't have paid.

Mr R felt that Aviva had paid him the £102.89 it offered him to make him "*shut up and go away*". He said it'd done so despite his rejection of its offer. He still also felt that Aviva hadn't properly apologised to him.

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'm not going to uphold it. I know this will be disappointing to Mr R. I'll explain the reasons for my decision.

Before I start, I'd like to confirm that I agree with our investigator, and for the same reasons, that the evidence shows that Aviva completed Mr R's requested payment one working day

later than it should have. I'm pleased to see that it's paid Mr R interest in respect of that delay. And that it has offered him compensation for the distress and inconvenience caused. I'll go on to consider whether that compensation is fair and reasonable later on in my decision.

I first considered whether Aviva had any option but to tax Mr R's withdrawal payment.

Could Aviva have paid Mr R his full funds without first taxing them?

Mr R felt that our investigator had ignored his notice of his intention to Aviva to cease his relationship with it. I can see that he first told Aviva about this during his calls with it, and in his email to it, on 11 July 2024. I've included part of his email to Aviva above.

Having listened to the phone calls Mr R had with Aviva, and having read his 11 July 2024 email to it, I'm satisfied he was clear that he wanted Aviva to pay the funds held in his pension to him without tax. He made it clear that this was because he felt Aviva hadn't administered his pension well.

I'm also persuaded that Aviva understood what Mr R wanted to do. And that it explained that it couldn't do what he wanted due to regulations. I can also see that Mr R had already fully accessed his TFC on his pension. Therefore every withdrawal from his pension had to be taxed at his marginal rate.

I'm satisfied that Aviva told Mr R that he didn't need to be taxed on his full pension, as he had the option of transferring it to another provider. I acknowledge that Mr R felt that this option wasn't feasible, as he needed some of his money quickly. But I can't fairly agree with him that Aviva should've recommended that he first took the £1,500 he needed before then transferring the rest to another provider at a later date. I say this because Aviva isn't permitted to give advice. As administrator and pension provider, its role is to provide information and to follow its consumers' instructions. And I'm satisfied it did that here.

In summary, I agree that Mr R did make his intentions clear. But his intentions simply weren't possible under current regulations. I'm satisfied that Aviva made this clear to Mr R by phone and in writing. I therefore can't reasonably say that Aviva did anything wrong when it taxed Mr R's withdrawal before paying it. As such, I can't fairly hold Aviva responsible for the tax Mr R has had to pay. Nor can I fairly ask it to cover any lost interest on that tax.

I next considered whether the compensation Aviva has already paid Mr R for the distress and inconvenience caused by the failure of the online system and the one-day delay to the payment was fair and reasonable.

Distress and inconvenience

Aviva has paid Mr R £100 compensation for the distress and inconvenience Mr R suffered due to the failure of its online system and the one-day delay to the payment he urgently needed.

I don't doubt that it caused Mr R considerable concern and inconvenience when he received his requested payment late. I can see that this led to him having to borrow the money. This must've been frustrating and stressful.

However, I agree with our investigator that this offer is fair and reasonable in respect of the impact the delay had on Mr R.

I have also considered Mr R's other outstanding points. He clearly feels that Aviva hasn't

properly apologised. While I understand why he's made this point, given the phrasing Aviva has used in its complaint responses, I'm satisfied that Aviva has said sorry. I'm also satisfied that it took reasonable steps to quickly put things right.

I acknowledge that Mr R rejected Aviva's compensation offer. But that Aviva has in any event paid it to him. I can see that he thinks Aviva did this to make him "*shut up and go away*." But I've seen no evidence that this is the case. I'm satisfied that Aviva has fully co-operated with this service in further investigating Mr R's complaint. I'm therefore not persuaded that Aviva made the compensation payment in order to stop Mr R from further pursuing his complaint.

I'm satisfied that Aviva has taken reasonable steps to put things right. So I don't uphold the complaint.

My final decision

For the reasons I've set out, I don't uphold Mr R's complaint.

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

Jo Occleshaw
Ombudsman