DRN-5268309

The complaint

Mr C complains that Virgin Money Unit Trust Managers Ltd (Virgin) failed to complete his request to cash out his pension in a timely manner, leading to him having to pay income tax that he wouldn't otherwise have had to pay.

What happened

Mr C had a pension with Virgin. I understand that he first contacted Virgin on 20 February 2024 abut the process for withdrawing his funds. Virgin said it issued a retirement options pack, after which Mr C called it on 27 February 2024 as he wanted to take his pension as a cash lump sum before the end of that tax year.

I understand that it wasn't possible for Mr C to complete the risk warning call at this time as he had yet to pass Virgin's security checks.

During the 27 February 2024 call, Virgin told Mr C he could cash in his pension. It said that it would need to send him pension forms and complete security checks before he could get the cash. Mr C asked if this could all be done before the end of the tax year. Virgin's call handler said he didn't see why not. Virgin explained that it would need further verification to allow payment. And said it would send Mr C a letter asking for what it needed. It said he would have to post it back to Virgin.

Virgin wrote to Mr C at his correct address on 27 February 2024 about the required information. It asked him for three documents from the lists on the back of its letter.

I understand that Mr C didn't receive this letter. So he called Virgin on 8 March 2024 and 15 March 2024 to chase for it. During the call on 15 March 2024, Virgin said it still needed some further identification documents from Mr C. It said its letter had explained what was still needed. Virgin said it would look into why Mr C hadn't received its letter and said it would arrange for it to be sent again.

Mr C still wanted to take his pension before the end of that tax year, so he asked if this could be done before then. He said if it wasn't, he'd pay more tax and wouldn't be happy. Virgin said it couldn't confirm the timeline for the encashment. Mr C raised a complaint.

Virgin said it received the identification documents it needed from Mr C on 18 March 2024. And that the work item for those to be processed was set up on 19 March 2024. But it made a mistake and the work item was set up incorrectly. This led to the identification verification that was required not being carried out at this time.

Virgin said that despite calls from Mr C on 2 April 2024 and 15 April 2024, it didn't carry out the identification verification until 18 April 2024. Virgin wrote to Mr C the same day to confirm that his details had been verified.

Virgin then called Mr C on 10 May 2024 to complete the risk warning call.

Virgin issued its final response to the complaint on 23 April 2024. It acknowledged that its service hadn't been good enough. It apologised and said it would pay Mr C £50 compensation. It accepted that it'd made a mistake when it'd failed to look at Mr C's documents until 19 April 2024. But said that as Mr C had now met all its requirements it could move forward with his request to withdraw his pension fund.

Virgin explained that the next step for Mr C was to complete a conversation with it about the risks of withdrawing his pension. It said it would try to call him to complete this. But also gave him a phone number to call if he wanted to call it earlier.

Virgin called Mr C on 10 May 2024 to go through the risk warning call if he wanted to. It asked him if he still wanted to withdraw his funds. He said that he had wanted to avoid paying tax, but he couldn't do that now. He said he'd be £1,800 out of pocket. And that he'd speak to his accountant before deciding what to do.

During this call, Virgin provided Mr C with an updated pension value. When Mr C said he'd been told the encashment should take seven to ten days, it said that he shouldn't have been given timescales for his encashment. Virgin raised a new complaint as Mr C didn't consider that the compensation he'd been offered was reasonable.

Unhappy, Mr C brought his complaint to this service on 5 September 2024. To put things right, he wanted Virgin to pay him £1,800 compensation for the tax he'd have to pay. He also wanted compensation for the stress and inconvenience caused.

Virgin issued its final response to Mr C's second complaint on 6 September 2024. It again apologised for the delay in processing his identity checks, acknowledging that this had prevented him from accessing his pension due to potential tax implications. Virgin increased its offer of compensation from £50 to a total of £150 in recognition of the delayed processing time and the length of time it'd taken to consider his complaint.

I understand that on 20 September 2024 Mr C completed the required risk warning call with Virgin. On 21 September, Virgin wrote to Mr C with his pension options. The letter included the Uncrystallised Funds Pension Lump Sum request form that Mr C said he'd been waiting for over the past six months.

Virgin said it received Mr C's completed forms on 2 October 2024, after which it authorised payment on 29 October 2024. It said that 25% of the fund had been paid as tax free cash (£3,124.21) with the remaining £9,372.56 being taxable.

Mr C rejected Virgin's increased compensation offer. He said he'd called Virgin nine times since 27 February 2024. And it'd still failed to send him the correct forms so he could encash his pension. Mr C said that on his first phone call on the 27 February 2024, Virgin had told him that it would only take seven to ten working days to complete. He felt that but for Virgin's mistake he wouldn't now be liable for income tax at 20% on 75% of his fund. He said the issued had caused him lots of stress and anxiety.

Virgin told this service that at the time of both final response letters Mr C had yet to complete the risk warnings call. As such, he couldn't arrange a withdrawal and there was no tax impact to be assessed.

Virgin felt that as there'd been a considerable period between the identification checks being completed and Mr C's request for payment, it would need to know why there'd been such a gap before it could consider agreeing to assess the tax implications.

Our investigator asked Mr C why he hadn't completed the risk warning call sooner than he did, given he could've completed it in April 2024. He explained that Virgin could only progress to the following stage and issue Mr C with the request for payment forms after that call had been completed. He asked Mr C for clarification and evidence about why five months had passed between the verification checks being completed and his request for payment. Mr C didn't reply to our investigator on this point.

Our investigator noted that Virgin had accepted in its April 2024 final response letter that it'd made a mistake which had led to a month's delay between receipt of the identification documentation and its review of those documents. This meant that Mr C couldn't withdraw his pension before the end of the 2023-2024 tax year on 5 April 2024. But he felt that Virgin had also confirmed in this letter that its initial requirements had now been met. And that it had then explained the next step involved completing a risk warnings call.

Our investigator noted that Virgin had increased the compensation to £150 in its September 2024 final response letter. He felt that - given Mr C hadn't explained why he'd taken a further five months to move his request along - the £150 compensation Virgin had offered Mr C was fair. But he said that if Mr C could explain the reason for his delay, he could ask Virgin to consider any further evidence he could provide to see if the tax implications could be revisited.

Mr C didn't agree with our investigator. He made the following points:

- He said that Virgin's call handler had told him during the 27 February 2024 call that his pension withdrawal could be completed before the end of the tax year.

- The risk warning call could've been carried out by Virgin during any of the numerous calls he'd had with it. It'd taken far too long for him to access his pension funds.

- He should've only paid £131 in income tax. But he'd actually paid £2,900. He felt the compensation offered was much too low.

- He was very angry that the second final response letter didn't add anything to the first. He said the situation had caused him considerable stress.

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 compensation Virgin has offered to pay Mr C for the delays it caused is fair under the circumstances of this complaint. I know this will be disappointing. I'll explain the reasons for my decision.

I first considered whether the withdrawal request could've been made by the end of the tax year.

Could the withdrawal request have been completed by the end of the tax year?

While I acknowledge that Mr C feels he was told it would take seven to ten working days to receive his funds, I've not heard any of Virgin's call agents state that timeframe. Nor have I seen any written evidence that this was the case. I have however heard Virgin's call agent from the 10 May 2025 call tell Mr C that he shouldn't have been given a timescale for his withdrawal request. Therefore, while I agree that Virgin did tell Mr C on 27 February 2024 that his withdrawal request should be possible before the end of the tax year, I've not seen any evidence that it promised him that it would definitively happen. In any event, there was then a delay due to a correctly addressed letter not arriving with Mr C.

I can't fairly hold Virgin responsible for Mr C not receiving the letter it sent to him on 27 February 2024 to his correct address, although I do appreciate that this also delayed the withdrawal process. This is very unfortunate given the short timeframe available to meet Mr C's desired deadline.

Therefore I'm persuaded that but for Virgin's acknowledged mistake in failing to verify Mr C's documents until 18 April 2024, it would've received his documents on 18 March 2024. I've gone on to consider what I think would've happened if Virgin hadn't made its error. In doing so, I've used timescales that I consider to be fair and reasonable, rather than the actual timescales each stage took in reality. I've done this as it's clear and unsurprising that Mr C didn't act as quickly as he could have once he'd missed the end of the 2023 – 2024 tax year.

I think that Virgin should've verified Mr C's documents within five working days of receiving them, so by 25 March 2024. After that, I think it should've taken no more than ten working days for the pension funds to reach Mr C. However, allowing for the Easter bank holidays, there were only seven working days between 25 March 2024 and 5 April 2024. Therefore I'm not persuaded that Mr C's withdrawal request would've been processed by the end of the tax year, even if Virgin hadn't made its mistake.

Mr C felt that the required risk warning call could've been carried out by Virgin during any of the numerous calls he'd had with it. So I've gone on to consider this point.

Could the risk warning call have taken place during any of Mr C's calls with Virgin from 27 February 2024 to 15 April 2024?

Due to its acknowledged mistake, Virgin didn't carry out the identification verification until 18 April 2024. But the risk warning call couldn't take place until that verification had been completed. Virgin explained this to Mr C in its 23 April 2024 final response letter. And provided him with a number to call so the risk warning call could be processed.

I do appreciate Virgin would've been able to carry out the risk warning call sooner if it hadn't caused the identification verification delay. But as that was the case, it couldn't have carried out the risk warning call before 18 April 2024.

I went on to consider Mr C's points about the additional income tax he said he's had to pay.

Income tax

Mr C provided his own calculations to this service to show that he should've only paid £131 in income tax for the 2023 – 2024 tax year. He said he'd actually paid £2,900.

Mr C hasn't provided this service with any documentary evidence of the tax he's actually paid. Therefore, as things stand, I've not seen any documentary evidence of the actual "excess" tax he's paid.

Virgin said it would consider assessing the tax implications if Mr C could explain why there'd been a considerable gap between the identification checks being completed and Mr C's request for payment. Mr C has yet to do this.

As I noted above, I'm not persuaded that Mr C's withdrawal request would've been processed by the end of the 2023 – 2024 tax year even if Virgin hadn't made the mistake it made. Therefore I'm satisfied that Virgin doesn't need to consider assessing the tax implications here.

I finally considered the compensation Virgin has offered Mr C.

Distress and inconvenience

Mr C thinks the £150 compensation Virgin has offered him is much too low. He said the situation had caused a lot of stress in his life.

Virgin has offered this compensation for the poor service it provided him given the mistake it made which then led to it failing to verify his identity in good time. And for the length of time it took to consider Mr C's second complaint.

I can see that Mr C has had to make a number of additional phone calls which could've been avoided if Virgin had done what it should.

I don't doubt that this has been stressful for Mr C. He wanted to access his funds by a certain date, so did what he could to make that happen. I can see that if things had gone as they should, he could've reasonably expected to receive his pension funds in the 2023 – 2024 tax year.

However, as I've explained above, I've not seen any evidence that Virgin promised or was contractually obligated to ensure Mr C received his withdrawal funds within a specified period of time. And when I've looked at what should've happened, but for Virgin's mistake, I'm not persuaded that there was enough time after 18 March 2024 for Mr C's withdrawal funds to have reached him by the end of the tax year.

I'm therefore satisfied that the £150 Virgin has offered Mr C in respect of the distress and inconvenience it's caused is reasonable under the circumstances.

It's not clear from the evidence I've been provided with whether or not Virgin has already paid Mr C the £150 compensation it's offered him. As such, I uphold the complaint.

Putting things right

I require Virgin Money Unit Trust Managers Ltd to pay Mr C £150 compensation. If it has already paid Mr C any compensation in respect of this complaint it can deduct that payment from this amount first.

My final decision

For the reasons set out above, I uphold Mr C's complaint. Virgin Money Unit Trust Managers Ltd must take the action detailed in "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 16 June 2025.

Jo Occleshaw
Ombudsman