

The complaint

Ms K complains that ReAssure Life Limited failed to apply a pension contribution to her pension plan in a timely manner.

What happened

I issued a provisional decision on this complaint last month. In that decision I explained why I didn't think the complaint should be upheld. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

Ms K held pension savings with ReAssure. Those pension savings were held in a buy-out plan. In March 2024 Ms K called ReAssure to ask about making a one-off pension contribution to her plan before the end of the tax year. She asked to make a contribution of £8,0000.

At first ReAssure told Ms K that she would be able to make that contribution. Ms K sent the funds to the bank account nominated by ReAssure. And ReAssure asked Ms K for some additional information to confirm she was eligible for tax relief on her contribution, and to comply with its money laundering responsibilities. Ms K returned the requested information the same day.

Around a month later Ms K asked to transfer her pension savings to another firm. At that time the information ReAssure provided to her showed that the one-off contribution she had paid had not been added to her pension savings. She asked ReAssure to investigate what had happened.

After a further month had elapsed, ReAssure sent some additional paperwork to Ms K inviting her to open a new pension plan to receive her contribution. Ms K was later told that she was unable to add additional contributions to her existing pension plan. Ms K asked that her unapplied contribution be returned to her and the transfer of her pension savings to the other provider be completed. The refund and transfer took another month before being finalised.

In its response to Ms K's complaint ReAssure accepted that it hadn't provided an acceptable level of service to her. It said it had provided incorrect information about being able to add single contributions to her existing pension plan. So it paid some interest to Ms K to reflect the time that it had held her contribution before it was returned to her. And ReAssure paid £500 compensation to Ms K for the inconvenience she'd been caused. Unhappy with that response Ms K asked us to consider her complaint.

ReAssure accepts that the information it gave to Ms K about making a one-off contribution to her pension plan in March 2024 was incorrect. The plan she held could not accept additional contributions of that nature. So what I need to consider here is the impact of that incorrect information. Did it cause Ms K to act differently – and if so, has it caused Ms K to lose out?

Ms K got in touch with ReAssure to ask about making the additional contribution on 28 March 2024. That was the day before the Easter weekend. So that meant there were only three working days left after then before the end of the tax year. That time of year is exceptionally busy for all pension firms so there was a significant risk, even if nothing had gone wrong, that Ms K's contribution might not have been able to be accepted before the end of the tax year – many firms have processing cut-off deadlines at least 10 working days before the end of the period. So it is entirely possible that, if ReAssure had provided correct information to Ms K, she would have been unable to make a contribution to another plan she might have held.

But ReAssure did agree to accept a contribution from Ms K, and it appears to have been successfully paid to the firm before the end of the tax year. The loss that Ms K says she has experienced is in relation to the tax relief her contribution would have attracted. Her contribution was for £8,000, so given she was a basic rate taxpayer Ms K might have expected the addition of £2,000 in tax relief to her contribution.

I think it would be helpful at this stage to set out my understanding, at a relatively high level, of the relevant legislation relating to pension contributions and tax relief.

Current legislation allows consumers to make pension contributions of up to £60,000 per annum. And consumers are able to carry forward any unused annual allowance from the past three years. Consumers will be able to receive tax relief on any pension contributions they make in any year up to a maximum of their annual earnings.

Ms K told ReAssure that she had earned £43,000 in the tax year ending April 2024. And she said that she had earned around £37,000 the year before. So I think it reasonable, at this stage, to think that Ms K's earnings for the current tax year will be similar. And that would mean that Ms K would be able to make a significant pension contribution during the remainder of this tax year and receive tax relief on that contribution.

Ms K is correct that she has lost the opportunity to receive tax relief on a contribution that would have been made in the tax year ending April 2024. But, providing she hasn't made, or intends to make, a large contribution equal to her earnings this tax year, she can effectively recoup the tax relief that she missed.

So, unless Ms K can show that she has made, or intends to make, pension contributions this tax year equal to or in excess of £8,000 less than her annual earnings, I don't think ReAssure's failings will have caused her to lose out as a result of lost tax relief. If Ms K has made pension contributions this year of that size she should provide evidence in response to this provisional decision, and I will reconsider my findings.

But that doesn't mean I think ReAssure acted fairly in accepting a contribution from Ms K and then retaining the unapplied funds for a period of more than three months. By not returning the contribution to Ms K, ReAssure denied her the use of those funds for an extended period of time. In circumstances such as these I would normally think it fair for compensatory interest to be paid at a rate of 8% simple. I am pleased to see that is what ReAssure has done when calculating the compensation due to Ms K.

It also seems that Ms K will have suffered some inconvenience for an extended period of time whilst she attempted to first understand why the contribution hadn't been applied to her pension savings, and later to recover the monies from ReAssure.

As I have said earlier, ReAssure has made a payment of £500 to Ms K as compensation for her inconvenience. I currently think the amount ReAssure has paid is in excess of what I would normally award in circumstances such as these. So I am currently satisfied that no further compensation needs to be paid by ReAssure in regard to the inconvenience Ms K suffered.

I appreciate that this provisional decision will be disappointing for Ms K. But on the evidence I currently hold I'm not persuaded the incorrect information she was given by ReAssure has caused her to lose out. And I think the compensation ReAssure has paid Ms K, for the loss of use of her intended contribution and the inconvenience she was caused, is fair.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. ReAssure hasn't provided us with anything further. Ms K has explained why she doesn't agree with my provisional decision. Although here I am only summarising what Ms K has said, I want to reassure her that I have read, and carefully considered, her entire response.

Ms K says she deliberately left her contribution until later in the tax year so she could be clear on her financial situation before making the payment. She says that ReAssure gave no indication that her payment had been made too late. And Ms K confirms that she does intend to make a further pension contribution this tax year amounting to at least £8,000.

Ms K says it is clear that she lost the opportunity to receive the £2,000 tax relief in the tax year ending April 2024. So she says ReAssure's actions have caused her a significant financial disadvantage. And she says the £500 compensation ReAssure has paid to her simply reflects the extraordinary amount of time she spent resolving matters – she says it doesn't compensate her for the lost tax relief in any way.

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.

As I set out in my provisional decision, in deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Ms K and by ReAssure. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

And I repeat my reflections on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

I have thought carefully about what Ms K has said in response to my provisional decision. I'm sorry to tell her that her comments haven't caused me to change my mind on the outcome of her complaint. But I do think it would be helpful to make some further comments in response to the points she has raised.

There is little doubt that Ms K missed out on tax relief that she could have received had her contribution been accepted by ReAssure. But, as I explained in my provisional decision, I'm not persuaded that loss is as final as Ms K suggests. She is able to make contributions this tax year, and in future tax years, up to a maximum of her annual earnings (or currently £60,000 if her earnings are greater) on which she will receive tax relief. I haven't seen anything to suggest Ms K's intended contribution for this year is anywhere near that level. So she would still have some contribution limit spare on which she could recoup the tax relief she missed out on last year.

In terms of the timing of the payment, I simply noted its proximity to the end of the tax year as a contributing factor – it was most certainly not the reason ReAssure refused Ms K's contribution. ReAssure's refusal was simply because Ms K's pension plan could not accept additional contributions of a one-off nature.

The £500 that ReAssure has paid to Ms K is not intended to reflect, or compensate her, for any losses arising from the tax relief she didn't receive. As I have explained above, I think that missed tax relief can be reasonably recouped through a later contribution. The compensation that ReAssure has paid is to reflect the inconvenience Ms K was caused by the incorrect information she was given and the delay in returning the contribution to her. I still think that payment is more than sufficient compensation for the inconvenience Ms K was caused by ReAssure's error.

So I again appreciate that my decision will be disappointing for Ms K. But on the evidence I have seen I'm still not persuaded the incorrect information she was given by ReAssure has caused her to lose out. And as I have explained I think the compensation ReAssure has paid Ms K, for the loss of use of her intended contribution and the inconvenience she was caused, is fair.

My final decision

For the reasons given above, and in my provisional decision, I don't uphold the complaint or make any award against ReAssure Life Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 7 March 2025.

Paul Reilly
Ombudsman