

The complaint

Mr N complains that Phoenix Life Limited trading as Standard Life made errors when he asked for a payment from his Self-Invested Personal Pension Plan (SIPP) and he's experienced distress and inconvenience as a result.

What happened

Mr N had a SIPP with Standard Life. In January 2024 he asked it to make a payment from his SIPP. He received the payment later that month. Tax had been deducted from the payment. On 9 February 2024 Standard Life contacted Mr N and informed him that it had made an error. It said he'd been overtaxed. It didn't provide any further details at the time but said it would carry out the corrective work and would contact him once that had been completed.

Standard Life contacted Mr N again at the start of April 2024. It said that he'd actually been undertaxed and it asked him to make a payment of just over £6,700. Mr N expressed his shock at what had happened. He thought this was too high since he was a basic rate taxpayer. Standard Life explained that it was required to use an emergency tax code. Mr N paid the amount Standard Life requested. He did that on 12 April 2024.

Mr N was anxious to reclaim the additional tax he'd had to pay as a result of the emergency tax code having been used. He says he had to contact Standard Life on 1 May and again on 24 May to request that it send him a P60. The P60 was issued at the end of May. Mr N complained about what had happened.

Standard Life investigated his complaint. It acknowledged it had made errors when it had processed his payment and when it had initially told him he'd been overtaxed. It acknowledged the trouble and upset he'd been caused as a result. It paid him £350 by way of compensation.

Mr N says that at the time he accepted this payment because he realised that mistakes can happen. However he says that when his accountant submitted his self-assessment tax return, HMRC said that he owed tax of over £2,500. He didn't understand why this was the case. His accountant contacted HMRC and it said it hadn't received any notification from Standard Life that Mr N had made a payment on 12 April.

Mr N contacted Standard Life on 20 August 2024. It initially told him that HMRC had been informed about the payment. That was incorrect. After further messages from Mr N Standard Life informed HMRC on 12 September 2024 about the payment Mr N had made in April 2024. Mr N received a tax refund of just over £4,000 on 30 September. Mr N complained to Standard Life about what had happened.

Standard Life investigated his complaint. It apologised for the service it had provided and acknowledged it had only notified HMRC on 12 September about the payment he'd made in April. It said it should have notified HMRC in April. It said HMRC was now fully aware of the situation. Standard Life paid Mr N £250 for the trouble and upset he'd been caused.

Mr N wasn't happy with this and after further correspondence Standard Life agreed to pay for the accountant's expenses he'd incurred as a result of what happened. Standard Life also paid 8% per annum simple interest on the amount of the tax refund Mr N had been paid for the period from 26 January 2024 (the date it had originally processed the payment to Mr N) and the 12 September 2024 (the date it had notified HMRC of the payment of over £6,700 Mr N had paid to Standard Life).

Mr N remained dissatisfied. He said this didn't take into account the stress and worry he'd been caused. He said that was ongoing because he believed he would now be on "HMRC's radar" and it was more likely that he'd be selected for a random investigation – together with the additional costs that would involve. He also said it didn't compensate him for the time and effort he'd spent trying to get the problems caused by Standard Life fixed. He complained to our service.

Our investigator looked into his complaint. He said that where Standard Life had made errors he'd look to see if the actions it had taken to put things right were fair and reasonable. In this case Standard Life carried out a loss assessment and compensated Mr N for the losses he'd incurred. It had paid interest on the tax he was owed. The total amount of compensation it had paid (£600) for distress and inconvenience was within the range of what he considered to be fair. And he also noted that Standard Life had paid for the accountancy costs incurred.

Our investigator thought about what Mr N had said about his concerns that he was now on HMRC's radar. However he said there was no evidence to suggest that he was at risk of being investigated as a result of what Standard Life had done and it wasn't fair or reasonable to factor an uncertainty such as that into his findings. So, he didn't think Standard Life should have to do anything further to resolve the complaint.

Mr N did not agree. He said Standard Life had "lied" to him and had only done something when he'd challenged it. He queried the independence of our service. He reiterated his concerns about the increased likelihood that he'd be randomly selected for an investigation by HMRC.

Our investigator considered what Mr N said but he didn't change his view. So, the complaint has been passed to me to decide.

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.

At the outset, I'd just point out that our service was set up as an informal and free alternative dispute resolution service to the courts. We are an independent and impartial service.

Our role is to decide cases on a fair and reasonable basis. Should we decide that something has gone wrong we look to see what the business has done to try to put things right and whether it has done enough to put the consumer, as far as possible, back into the position he would've been in had the error or problem not arisen.

There is no dispute that Standard Life made a number of errors here:

- It incorrectly calculated the amount of tax it deducted from the payment Mr N received in January 2024;
- It told him initially it had overtaxed him;

- It subsequently told him it had undertaxed him and asked him for a payment of over £6,700 – a significant sum of money;
- It delayed issuing the P60 to him;
- After Mr N paid the full amount of the underpaid tax (as requested by Standard Life), Standard Life failed to notify HMRC and HMRC subsequently issued a further tax demand to Mr N;
- Standard Life only corrected the matter after Mr N brought it to its attention – in September 2024.

I can understand why Mr N complained about what had happened. He raised two complaints which I'll look at separately – although the two complaints are closely interlinked and I have borne that in mind when thinking about whether Standard Life has done enough to try to put things right.

The first complaint

The first complaint was raised when Standard Life asked Mr N to pay just over £6,700 and then delayed issuing the P60 to him.

At that time Standard Life acknowledged it had initially made an error and hadn't deducted enough tax from the payment he received in January. It explained that it should have used an emergency tax code. Mr N accepted this and made a payment of the full amount which Standard Life requested. However, because he was a basic rate taxpayer he wanted to claim a tax refund from HMRC and he needed the P60 from Standard Life to do that. It delayed issuing the P60 until over a month later and only after Mr N chased on several occasions for the document to be issued.

As I've said above when a business makes errors we look to see what it's done to try to put things right. Standard Life acknowledged the errors it had made. It apologised for its errors and it paid Mr N £350 by way of compensation for the trouble and upset he'd been caused. Mr N accepted that mistakes can be made.

Having thought about the actions taken by Standard Life in response to the first complaint I'm satisfied, on balance, it has done enough to resolve the first complaint. I'll explain why.

Mr N had been asked to pay a significant sum of money – which he wouldn't have been expecting to pay given that Standard Life had led him to believe (over two months earlier) that he was infact owed tax. I can understand why this caused Mr N to be shocked and concerned. He was given an explanation at the time, which he accepted and he was able to make the payment for the tax that was due. It then took Standard Life longer than reasonably expected to issue the P60 and Mr N had to chase it on several occasions before this was issued.

In all the circumstances that applied here, I'm satisfied, on balance, it was fair and reasonable, and in line with our guidance for awards of this nature, for Standard Life to pay Mr N £350 for the distress and inconvenience he experienced as a result of the matters he raised in his first complaint.

The second complaint

Standard Life ought to have informed HMRC that Mr N had made a payment of over £6,700 to it in April. If it had done that, when Mr N submitted his tax return to HMRC it would've

been able to calculate and pay him the amount of tax he had overpaid – which was over £4,000. Instead Mr N received a further tax demand.

He contacted Standard Life in August about this. His accountant had been told by HMRC that it hadn't been notified about the payment he'd made in April. Standard Life initially denied that this was the case. However, upon further investigation it accepted that it hadn't notified HMRC and it corrected that on 12 September 2024. Mr N received the refund from HMRC at the end of September 2024.

When thinking about what needs to be done to put things right our Rules provide that we can make a money award. We make money awards based on what we consider to be fair compensation - whether or not a court would award compensation.

There is further information available on our website setting out what our service takes into account when deciding what amount of compensation would be fair overall to put right the impact of a mistake.

So, I've thought about the compensation that Standard Life has paid to Mr N in response to his second complaint.

Financial Loss

Standard Life has accepted that Mr N suffered financial loss because of the error it made. That loss was incurred because he didn't have use of the tax which HMRC refunded to him until the end of September. He would've received that much earlier if Standard Life had notified HMRC about the payment he'd made in April. And it's fair to say that payment would've already been deducted and paid in January if Standard Life hadn't made the earlier error when it calculated the amount of tax it should've applied to the payment he'd requested.

Standard Life has paid Mr N 8% per annum simple interest on the amount of the tax refund he received in September from HMRC. It has calculated the interest from the date when it processed the payment in January up to the date when it processed the notification to HMRC in September. That's in line with what our service would've required it to do. And, I'm satisfied, on balance, that this payment compensates Mr N for the delay in the receipt of the tax refund from HMRC. No deduction has been made for the period prior to the date when Standard Life asked Mr N to repay over £6,700 to it – which I think is fair and reasonable in all the circumstances that applied here even though he would've had use of these funds during that period.

Mr N also explained to Standard Life that he'd incurred professional expenses because his accountant had to expend extra time and effort to get the tax refund processed. Standard Life has made a payment to him to cover these expenses.

In his complaint to our service Mr N acknowledged that, as a result of the steps Standard Life had now taken, he was not currently financially affected.

So, having considered everything I'm satisfied that Standard Life has done enough to compensate Mr N for the financial loss he incurred as a result of what happened here.

Distress and inconvenience

Mr N has told us that the distress and inconvenience he's been caused because of what happened is still ongoing. He's referred to the fact that he thinks it's now more likely that he'll be randomly selected by HMRC for an investigation. And he's told us why that causes him

great anxiety – not just because of the stress such a development would create but also because of the additional expenses he would incur.

Whilst I can understand why Mr N would be anxious and worried about the prospect of being randomly selected for an investigation, I've not been provided with any evidence to support what he says about the increased probability of that event occurring as a result of what happened.

In its final response letter Standard Life assured him that HMRC was now fully aware of the situation. HMRC has refunded the overpaid tax to Mr N and it doesn't appear that there are any outstanding issues. So, in these circumstances I don't think it would be fair or reasonable to require Standard Life to pay further compensation for an event that hasn't occurred and where it isn't certain that such an event, if it does occur, would have been caused as a result of what happened here.

Mr N did have to incur time and effort trying to resolve this matter. His accountant was also involved – although as mentioned above his fees have been reimbursed by Standard Life. It is the case that after Mr N raised the matter in August 2024 Standard Life took just over three weeks to notify HMRC – which was longer than might reasonably have been expected. But, having considered everything I think the payment of £250 for distress and inconvenience is fair and reasonable in all the circumstances, and in line with our guidance for awards of this nature.

I've then thought about the overall sequence of events here and the multiple errors that Standard Life made in the period since January 2024. As I said above although there were two separate complaints, they are interlinked.

It is important that a business should take care when processing payments. It should carefully check all the calculations to avoid mistakes and issue the required notifications to all parties in a reasonable time. If Standard Life had done that here, then the sequence of events which followed wouldn't have occurred.

However, it is the case, as Mr N acknowledged when he received Standard Life's response to his first complaint, that mistakes can happen. Having considered everything here I am satisfied on balance that the actions Standard Life has taken to put things right are fair and reasonable. And I'm satisfied that the overall payment of £600 (in total) for distress and inconvenience is fair in all the circumstances that applied here. So, although I know it will disappoint Mr N, I don't require Standard Life to have to do anything further to resolve this complaint.

My final decision

For the reasons given above, I do not uphold this complaint about Phoenix Life Limited trading as Standard Life.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 31 July 2025.

Irene Martin
Ombudsman