DRN-5388044

Financial Ombudsman Service

The complaint

Mr B has complained that Phoenix Life Limited trading as Standard Life (Standard Life) incorrectly ceased the payment of his annuity income for two months. This has caused him a financial loss for which he would like to be compensated.

Mr B would also like to be compensated for the distress and inconvenience he has suffered as a result.

What happened

I have reviewed all the evidence provided by both parties. I have not reproduced all of this in this decision but concentrated on what I believe to be the most relevant parts.

Mr B used his retirement benefits held with three other providers to set up an annuity from Standard Life. The annuity was correctly set up and the first payment was made on 9 September 2024, but the payment scheduled for October was not made.

On 5 November 2024, Mr B contacted Standard Life to find out what was happening and was told that it had stopped the monthly payments and was in the process of cancelling Mr B's annuity. It transpired that this situation had arisen because one of Mr B's pension providers had transferred an incorrectly reduced sum when setting up his annuity. This is the subject of a separate complaint, so I shall not discuss that further in this decision. This provider had communicated with Standard Life which had accepted its instruction to cancel the annuity and re-establish it once the correct investment was made.

Owing to the suspension of monthly payments, the November payment was also not made on time. Mr B raised a complaint with Standard Life about the suspension of annuity payments on 12 November 2024.

Mr B contacted Standard Life on several occasions before his backdated payments for October and November were sent to him on 22 November 2024.

Standard Life responded to Mr B's complaint on 16 December 2024. It upheld his complaint, acknowledging and apologising for its error in not checking that he wished the annuity to be corrected in the way the provider had instructed. It offered Mr B 300 in recognition of his distress and inconvenience.

Mr B felt that this was insufficient compensation and did not reflect the difficulties that the late payments of two months' income had caused him.

He felt that a figure of £900 compensation would be more appropriate and also requested a full explanation of how the error had occurred.

Unhappy with the offer from Standard Life, Mr B brought his complaint to this service.

Our investigator reviewed all the evidence from both Mr B and Standard Life, before forming the view that although Standard Life had made errors in the way it had treated Mr B, the compensation he had been offered was appropriate in the circumstances. This was because Standard Life had increased its offer of compensation by paying interest at 8% simple per annum in respect of the period Mr B was deprived of his income.

Mr B remained unhappy and so the complaint has been passed to me to make a final 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.

Having done so, I have reached the same conclusion as our Investigator and uphold Mr B's complaint. I do, however, agree that Standard Life has already taken appropriate actions to compensate him.

I will explain now how I have reached my conclusions.

Firstly, I think it's important to reflect upon the role of this Service. Our role is to impartially review the circumstances of a complaint and make a decision on whether a business has made errors or treated a customer unfairly. Where it has, we expect a business to fairly compensate a customer for any financial loss and distress and inconvenience they have suffered a result.

In the circumstances of this complaint there is no disagreement that Standard Life made an error in stopping Mr B's annuity payments without his permission. Consequently, I don't need to decide if Standard Life did make an error, but instead consider whether it has made a fair and reasonable offer of compensation to Mr B.

In terms of the impact that Standard Life's error had on Mr B, I can see that the annuity payments that were due on 9 October and 9 November 2024 were not paid on time. Standard Life has calculated that these payments were eventually made to Mr B 31 and eight working days late.

In its original offer, Standard Life backdated Mr B's annuity payments, but did not offer to pay him any interest for the period that it had denied him access to this money. This service would not consider this an appropriate response in the circumstances, but I am pleased to see after our investigator explained this to Standard Life, it updated its compensatory offer to include interest at 8% per annum simple in the circumstances. As I result, I think this element of the compensation is in line with what this service would expect to see and is consequently fair and reasonable in the circumstances of this complaint.

Turning now to look at the issue of the offer in respect of Mr B's distress and inconvenience of £300. When considering this, I have to consider the guidelines this service has published regarding compensation for distress and inconvenience. These guidelines are used to ensure that the compensatory awards that are made are both appropriate and consistent.

I've considered the evidence and consider that although it was obviously distressing for Mr B to be deprived of his annuity payments in this way, the error was of relatively short duration and was resolved quite swiftly, although this obviously required that Mr B contact Standard Life a number of times. While I appreciate that Mr B may well feel that this amount is insufficient, taking these elements into account, I find that the offer is in line with the guidelines this service has published and is appropriate in the circumstances of this complaint.

Putting things right

To compensate Mr B fairly, Standard Life should undertake the actions below, if it has not already done so.

- Pay Mr B a lump sum in respect of the annuity payments it failed to make in October and November 2024. Pay interest at the rate of 8% per annum simple for the time he was denied access to his income.
- Pay Mr B the sum of £300 in respect of the distress and inconvenience he has suffered

Provide details of any sums calculated to Mr B in a simple format.

My final decision

For the reasons given above, I uphold Mr B’s complaint.

Phoenix Life Limited trading as Standard Life should take the actions outlined above to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr B to accept or reject my decision before 28 August 2025.

Bill Catchpole
Ombudsman