

The complaint

Mr C complains that AJ Bell Management Limited didn't process a payment from his pension appropriately.

What happened

Mr C's complaint was considered by one of our investigators. He sent his assessment of it to Mr C and AJ Bell on 7 February 2025. The background and circumstances to the complaint were set out in that assessment and are known to both parties, so I won't repeat them all again in full here. But to summarise, Mr C contacted AJ Bell about taking tax-free cash from his pension in August 2024. Mr C had an adviser attached to the plan, but Mr C proceeded on a non-advised basis. The relevant forms were sent to Mr C, and he returned them to AJ Bell on 14 October 2024, so the tax-free cash could be paid. He'd said he didn't want any income paid.

On 17 October 2024 AJ Bell acknowledged that the request had been received, and it was noted that Mr C didn't want to take an income. AJ Bell said it could take five to ten working days to be processed.

Mr C's IFA contacted AJ Bell on 22 October 2024 saying Mr C had requested a one-off income payment. The IFA subsequently contacted AJ Bell due to receiving an error message after making the same request on AJ Bell's website. The IFA requested for the payment to be made manually. AJ Bell made the IFA aware that the payment would be made subject to tax, and that it would be paid by BACS.

Mr C contacted AJ Bell on 24 October 2024 saying he had received the funds but that they had been taxed. AJ Bell said it could reverse the payment and pay Mr C the tax-free amount once it had received back the funds that had been paid as income.

Mr C complained to AJ Bell about the matter, and subsequently referred it to us when AJ Bell didn't uphold his complaint.

Our investigator didn't recommend that the complaint should be upheld. He said, in summary, that Mr C's pension was in two parts: the crystallised part and the uncrystallised part. He said an income instruction would be interpreted by AJ Bell as needing to come from the crystallised part (the residual funds left over from when tax-free cash request was previously taken). Whereas a tax-free cash request involved crystallising new funds. He said whilst Mr C made a request for tax-free cash, the request from the IFA was for an income withdrawal. The investigator said this suggested that AJ Bell received two different requests and on two different bases.

The investigator thought the IFA had authority to give withdrawal instructions to AJ Bell. He said AJ Bell had made Mr C aware that he had an adviser attached to the plan. And he noted that the terms and conditions said:

5. Adviser and other authorities

5.1 This clause sets out the basis on which your Adviser has authority to manage Your Account.

5.3 Except where indicated otherwise in clause 5.3 and clause 5.4, you give your Adviser full authority to manage your Account including:

c) giving instructions to initiate Transfers from other providers to your Account; giving instructions to initiate a Withdrawal from your Account

(d) giving instructions to make Benefits payments to you

The investigator thought the terms and conditions made it clear that Mr C's IFA could instruct AJ Bell to make withdrawals on his behalf. He said although he understood Mr C didn't consider his IFA had authority, he noted during his conversation with Mr C that he'd said his IFA had made a mistake. He also noted the adviser had tried to make a request online which he thought indicated the IFA was likely able to make requests on Mr C's behalf.

The investigator also considered whether Mr C's requests should have been treated as two requests or one. He recognised that Mr C's initial request was for tax-free cash, and without any income. However, he said the request from the IFA would have appeared to be a different request from Mr C's original request. He said Mr C's request was made on a non-advised basis. He also noted the requests were made on separate days.

The investigator said he wouldn't expect AJ Bell to treat the second request as a duplication of the first. He said both requests had been made by parties authorised to make withdrawal requests, and they were made on different bases. He said whilst Mr C's original request had said he didn't want an income, the investigator thought it was plausible Mr C had a need for both sets of funds. The investigator didn't think that AJ Bell was required to check whether the request from the IFA had been legitimate. The investigator said whilst he understood his conclusions would be disappointing to Mr C, he didn't think AJ Bell had treated Mr C unfairly, and therefore he didn't think Mr C's complaint should be upheld.

Mr C didn't agree with the investigator's findings and asked for his case to be reviewed by an Ombudsman.

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.

I appreciate the matter caused some distress and inconvenience to Mr C. Ultimately, however, I have to consider whether AJ Bell did anything wrong and, if so, whether and to what degree it caused that distress and inconvenience.

I don't think it's in dispute that Mr C's IFA sent an instruction to AJ Bell for it to process an income withdrawal. I'm not aware of the reasons for that, but from what Mr C has said it was a mistake, and Mr C has said the IFA paid him compensation. AJ Bell can't be said to be responsible for the IFA sending that instruction. If the IFA hadn't sent that instruction then clearly the withdrawal processed as income would never have occurred at all.

Mr C said AJ Bell didn't ring fence funds or earmark holdings as "crystallised" or "uncrystallised". He said no physical change or change in designation had to happen to any holdings in order for the "crystallisation and tax-free payment" to be made. However part of the pension was 'crystallised' at some stage in order to take the tax-free cash whichever way AJ Bell structured the holdings themselves. This is consistent with what AJ Bell said in its

letter dated 17 October 2024:

“You need to access some of your pension (i.e. crystallise it) before you can withdraw money from it....

...The pension money you’ve accessed but not withdrawn as pension income (or used to buy an annuity) remains in your pension as ‘crystallised’ funds.”

Mr C has said that the IFA wasn’t authorised to make a request for funds to be crystallised and for tax-free cash to be paid. However what’s relevant to the circumstances of this case is that the IFA made a request for an income withdrawal. Mr C had requested funds to be paid as tax-free cash and therefore funds would need to be crystallised. And I note Mr C said in his e-mail dated 8 December 2024:

“When I take income I ask [the IFA] and they arrange this with AJ Bell.”

So the IFA made a request for income, which appears it was authorised to do.

As the investigator said, AJ Bell received two separate instructions – one from Mr C and then another from the IFA a few days later. I accept that the first instruction said Mr C didn’t want to draw income. And that there may not have been sufficient funds in cash to provide for both payments. However in my experience it’s not uncommon for customers’ circumstances or requirements to change within a short period. So I don’t think the difference in request would set off alarm bells – in as far as it would have been clear that the request from the IFA was always likely to be a mistake. And I note the 17 October 2024 letter also said:

“Your adviser must ensure that sufficient cash is available in your SIPP cash account to cover the benefit payments requested and any associated or outstanding fees. Your payments may be delayed if funds are not available.”

So from AJ Bell’s point of view, there may merely have been a delay by the IFA in moving sufficient funds to cash to provide both sums.

As the investigator said, the instruction from the IFA was received separately, and after Mr C’s instruction. And the terms provided authority for the IFA to instruct a withdrawal of income. I do accept that there were some warning signs that *might* have alerted AJ Bell that Mr C didn’t want both sums. And that AJ Bell *could* have gone back to Mr C or the IFA to check. However what I’m considering here is what AJ Bell did wrong – not what it *could* have done differently in the circumstances. Mr C has said AJ Bell should have sought clarification but didn’t, therefore were negligent or at the very least failed in its duty of care. As I’ve said, I do agree it *could* have sought clarification. However I don’t think there was a clear obligation or that AJ Bell failed in its duty of care in not doing so.

However having said all that, I do understand Mr C’s position on the matter. But I think even if I am wrong and that AJ Bell was obliged to check, in my opinion it acted swiftly and appropriately when the mistake came to light. The income payment it had made was retrieved, and Mr C was paid the money in the correct manner within a few days.

As I’ve said, I accept that the matter caused some distress to Mr C and inconvenience, in particular in relation to the latter by having to make a number of calls from overseas. However if AJ Bell hadn’t received the instruction to make an income payment then the situation would never have occurred in the first place. AJ Bell wasn’t responsible for that instruction. It acted in a timely and appropriate manner when the mistake came to light. And the firm that sent the instruction paid compensation to Mr C.

I realise that my decision will come as a disappointment to Mr C. However overall, taking all the above into account, I don't think it's appropriate to require AJ Bell to provide compensation to Mr C in the particular circumstances of the case.

My final decision

My final decision is that I make no award to Mr C.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 25 September 2025.

David Ashley
Ombudsman