

The complaint

Mrs M complains that Zurich Assurance Ltd (Zurich) has requested the refund of an overpayment of pension benefits from her Personal Pension Plan (PPP) due to an error it made having provided conflicting information about the plan value. It also made other errors. She says she isn't in a position to refund the money and wants Zurich to waive repayment.

What happened

Mrs M had a PPP with Zurich and had previously made partial withdrawals. She requested the full encashment of her remaining plan value in December 2023, and this was completed. In February 2024 Zurich emailed Mrs M saying it had made an error overpaying her by £2,420.99. And had paid £6,843.18 rather than the £4,442.19 after income tax it said it should have done. It asked her to repay the £2,420.99 and said it would liaise with HMRC. Mrs M emailed back saying she'd fully encashed her PPP to pay off debts and didn't have the funds to make any repayment. She asked Zurich to explain the different plan values given on the statement dated 8 December 2023 and in its encashment letter of 13 December 2023. She said she'd now received a second P45 from Zurich showing an income tax payment to HMRC but had only received one income payment and wasn't liable to tax anyway. She said this was very stressful and had put her into a vulnerable position. Zurich registered a complaint.

Zurich then sent a further letter incorrectly saying the overpayment was £4,422.19, which Mrs M says caused her further distress. She said she'd now received two tax refunds into her bank account from HMRC and was concerned about having the funds to repay these given her financial situation. She said she couldn't repay Zurich as she didn't live in the UK and effectively had no income, and it should sort out any issues with HMRC rather than her.

Zurich upheld Mrs M's complaint and apologised for making an error. However it said the overpayment would still need to be refunded, but it could agree a payment plan if required. It said Mrs M had first taken a withdrawal from her pension in September 2019. Then a further payment in March 2023 with £2,974.39 paid to her without deduction of income tax. It said the statement dated 8 December 2023 was provided before the final encashment was processed and showed the correct plan value of £5,232.70. But in then processing her encashment request it had made an error and cancelled the withdrawal made in March 2023 on its system. This meant fund units that had been deducted (worth £2,974.39) were re-credited to the plan, overstating its value.

So, the final encashment was processed at an incorrect value of £8,050.78, confirmed in the letter of 13 December 2023 when the true value was only £5,202.39. This meant both income tax under PAYE and the payment to Mrs M had been overpaid. It said the second P45 was issued to correct this with HMRC. It said in view of the error it had made it would pay £200 into Mrs M's bank account as compensation for the distress and inconvenience caused.

Mrs M referred her complaint to our service. She said Zurich hadn't paid her the £200 it had referred to and that she had repaid the tax rebate she received from HMRC. Our investigator looked into it, and she upheld the complaint in part.

Our investigator said Zurich hadn't provided all the information she'd requested or explained when the error in valuation had occurred. So, it wasn't clear whether the annual statement from December 2023 showed the correct value. And whilst the figures Zurich had set out when worked through did seem to be correct, the information hadn't been presented clearly to Mrs M and Zurich should now do this. But our investigator said if this showed an overpayment had been made, it wasn't unreasonable for Zurich to request that this be repaid. She said Mrs M had been inconvenienced by what had happened and had to liaise with HMRC as a result of Zurich's error. She said Zurich should increase the compensation payment from £200 to £300.

Mrs M didn't accept our investigators view. She said Zurich's figures weren't just conflicting they were wrong, and she'd taken financial decisions on the payment. She said Zurich had made multiple errors, even down to claiming it had paid her £200 compensation when it hadn't, and in the circumstances, it should write off any overpayment. Zurich accepted our investigators view and apologised for incorrectly stating it had already paid Mrs M £200 in compensation when it hadn't. It said it would reduce the amount owing by the £300 compensation our investigator had said was fair.

As Mrs M doesn't agree it has come to me to decide.

My provisional decision

I issued my provision decision on; 24 April 2025, I explained the reasons why I was planning to uphold the complaint in part. I said:

I've considered all the available evidence and arguments to decide (provisionally) what's fair and reasonable in the circumstances of this complaint. Having done so, I'm planning to uphold the complaint in part, but to be clear to Mrs M I can't reasonably tell Zurich to waive any overpayment made in error.

Zurich still hasn't provided all the information our investigator initially requested, which I think would have helped clarify matters for Mrs M. I have worked through what it has provided directly to Mrs M over several documents. And I agree it is quite difficult to follow, as was its explanation of the error it made in its final response email of 2 May 2024.

However, it does look to me at this stage as though the position is broadly correct, taking account of the different values, tax free cash amounts and income tax liabilities. And if there has been an overpayment, then rather like the tax rebate Mrs M has already repaid, this is money that she isn't entitled to, which is why I can't fairly tell Zurich to waive repayment, even if it has made multiple errors. And Zurich being prepared to accept a repayment plan is reasonable in the circumstances. But I can award compensation for the distress and inconvenience I think Mrs M has been caused by the error.

The annual statement dated 8 December 2023 does show the value in December 2022 as being £7,901.79. With the withdrawal in March 2023 being £2,874.39. Whilst there was no income tax involved here the net of tax-free cash sum reported on the P60 Zurich provided to Mrs M of £2,155.80 appears to be correct allowing for the 25% tax free cash amount of £718.59 to give £2,874.39 in total allowing for rounding. The exact performance of Zurich's Managed Pension fund Mrs M was invested in will be relevant but the resulting valuation for 8 December 2023 of £5,232.70 doesn't appear unreasonable. So, it's unlikely that the plan value would have dramatically increased to £8,050.78 in a few days before the final encashment was processed.

But none of this is as clear as I think it should be. And as Zurich has made several errors, Mrs M is unsurprisingly dubious about the figures it has produced since. So, I think to resolve this complaint fairly it should set all the relevant information out in a simple format, so that it is clear and she can raise any further queries she may have.

Putting things right

I said I thought Zurich should provide Mrs M with a simple schedule and calculations showing the plan details from just prior to the withdrawal made in March 2023 through to the final encashment, showing both the incorrect and the correct position as it saw it and I set out how I thought it should do that. I said if these calculations showed an overpayment had been made it wasn't unreasonable for Zurich to seek recovery of it. But I said Mrs M had been inconvenienced by what had happened and that it was fair that Zurich pay her £300 in compensation for this.

I asked both parties to send me any further information or comments they would like me to consider.

Response to provisional decision

Mrs M didn't respond to my provisional decision.

Zurich said it accepted my provisional 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've decided to uphold the complaint in part.

Unfortunately administration errors are made from time to time. As set out in my provisional decision I don't think Zurich is treating Mrs M unfairly in requesting the return of funds paid to her in error. This wasn't her money and she wasn't entitled to it. But to provide clarity I think Zurich should clearly evidence the errors made and demonstrate the figures it is quoting to Mrs M are now correct. It should provide a detailed but simple explanation of the valuations and encashments from her plan so she can understand the figures involved. I'll set out how that should be done in the next section. Mrs M has been inconvenienced by the errors and it's fair that she be compensated for that also.

Putting things right

Zurich must provide Mrs M with a simple schedule and calculations showing the plan details from just prior to the withdrawal made in March 2023 through to the final encashment, showing both the incorrect and the correct position as it sees it.

This should include the unit holdings and prices of the investment fund held and the relevant valuations so Mrs M can see the position before and after the March 2023 withdrawal. This should show a reduction in the number of units corresponding to the £2,874.39 encashment made, which should demonstrate that the valuation statement dated 8 December 2023 was correct. For each encashment (including the erroneous one) Zurich should show the breakdown of fund value, tax free cash, income tax and net payment due to Mrs M, so she can fully understand the figures.

Any logs or other records Zurich has that show the incorrect re-application of units after 8 December 2023 statement should also be provided, along with an explanation of how the error occurred.

If this information shows that an overpayment was made in error, it isn't unreasonable that Zurich should seek to recover it from Mrs M.

I also think Mrs M has been inconvenienced by what has happened and it is fair that Zurich should compensate her for this. I think that £300 in total is fair and is in keeping with what our service would award in similar circumstances. I think that Zurich's proposal that it offsets this against any debt owed by Mrs M is fair.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint against Zurich Assurance Ltd in part.

I direct Zurich Assurance Ltd to provide the information and calculations set out above to Mrs M.

I further direct Zurich Assurance Ltd to pay Mrs M £300 in compensation for the distress and inconvenience she's been caused, which may be offset against any debt owed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 11 June 2025.

Nigel Bracken
Ombudsman