

The complaint

Mrs S has complained about how Investment Funds Direct Limited, trading as M&G Wealth Platform ("M&G"), managed the settlement of the death benefit from her late brother's pension plan. For clarity, her brother is referred to as Mr B in this decision.

Mrs S is represented in this complaint by a solicitor.

What happened

Mr B held a pension plan with M&G. In February 2022, he updated the 'expression of wish' under the plan, instructing M&G to pay 100% of any death benefit to Mrs C.

Mr B passed away in August 2023 at the age of 76. He died without leaving a will (intestate), and his only surviving family member was his sister, Mrs S. After his death, Mrs S notified M&G in August 2023 and later submitted a claim to receive the full death benefit from Mr B's pension plan. However, M&G decided to split it equally between Mrs S and Mrs C. The total gross death benefit attributable to Mrs S was £19,235.95. After deducting and remitting to HMRC income tax of £7,034.40, M&G paid a net amount of £12,201.55 to Mrs S in July 2024.

This complaint

Mrs S, through her solicitor, submitted a formal complaint to M&G regarding how it handled the death benefit claim. Her concerns can be summarised as follows:

- **Loan and financial loss:** Mrs S explained that the death benefit from Mr B's pension was intended to repay a £60,000 loan she had made to him. She believed she was entitled to the full benefit, based on Mr B's expressed intentions during his lifetime. However, after his death, it became clear that his estate lacked sufficient assets to fully cover the loan. Mrs S argued that Mr B wouldn't have wanted Mrs C to receive the entire death benefit if he had known it would leave the loan unpaid. Receiving only half of the benefit has left Mrs S with a financial shortfall, which she believes is both unfair and contrary to Mr B's wishes.
- **Disagreement with benefit split:** Mrs S was unhappy that M&G chose to divide the death benefit equally between her and Mrs C, despite her being Mr B's sister and only surviving family member. She claimed that M&G failed to properly consider key evidence, including documents and witness statements supporting her claim to receive the full death benefit. She said that despite her appealing, M&G was unwilling to change its decision.
- **Tax deduction:** Mrs S was unhappy that income tax was deducted from her share of the death benefit. She said this was unfair and left her with a financial shortfall to recover the loan.
- **Delays in processing:** Mrs S expressed frustration with delays in M&G's handling of the death benefit claim, particularly the time taken to determine how it should be

distributed. She felt that M&G had benefited financially from the delay with interest accrued on the death benefit until it was finally settled.

- **Vulnerability not recognised:** She felt that M&G failed to identify or treat her appropriately as a vulnerable customer.

To resolve the matter, Mrs S requested compensation equal to the full death benefit without any tax deductions, as well as reimbursement for her financial losses and legal expenses.

M&G's response

M&G upheld Mrs S's complaint in part. It stated, in summary:

- **Initial call handling:** M&G stated that when Mrs S called in August 2023 to report Mr B's death, it hadn't yet received the necessary documentation to discuss the account. However, it acknowledged the call could have been handled more empathetically and that the call handler failed to provide clear guidance. M&G didn't agree with Mrs S's claim that the call handler was aggressive or advised her to appoint a solicitor, and so it wasn't willing to reimburse her legal costs.
- **Delays in processing:** M&G accepted responsibility for a delay of 16 working days in processing the death benefit. A loss assessment determined that this delay resulted in a financial loss of £273.81. This amount was credited to Mr B's pension plan and subsequently shared between the beneficiaries when the death benefit was settled.
- **Allegation of fund withholding:** M&G rejected Mrs S's allegation that it had deliberately withheld funds or benefited from the delay in settling the death benefit. It clarified that the underlying investments in Mr B's pension plan remained invested, meaning any growth and dividends from investments continued to accrue within the plan along with interest on any cash held until the death benefit was settled. It noted that the identified loss of £273.81 caused by the delay in processing the death benefit had been credited to Mr B's pension plan before the claim was settled.
- **Entitlement to death benefit:** M&G didn't uphold Mrs S's claim to 100% of the death benefit. Although Mr B's updated 'expression of wish' in February 2022 named Mrs C as the sole beneficiary, M&G considered additional evidence and decided to divide the benefit equally between Mrs S and Mrs C. It felt that this was the fairest outcome in the circumstances based on the available evidence.
- **Tax deduction:** M&G confirmed that the income tax deducted from the death benefit was correctly applied in accordance with HMRC rules, as Mr B passed away after the age of 75.
- **Compensation:** M&G didn't agree that it failed to recognise Mrs S as a vulnerable customer, although it accepted it should have handled the initial call in August 2023 better. It offered a total amount of £350 to acknowledge the distress and inconvenience caused by service delays and shortcomings. However, M&G declined to reimburse Mrs S's legal costs, as there was no evidence it had advised her to appoint a solicitor, nor did it consider legal assistance necessary to process the death benefit claim.

Investigator's findings

Mrs S referred this complaint to the Financial Ombudsman Service. One of our investigators concluded that M&G didn't need to take any further action and therefore didn't uphold this complaint. He explained that although Mr B had nominated Mrs C as the sole beneficiary, M&G exercised its discretion to split the death benefit equally between Mrs S and Mrs C, based on the evidence Mrs S had provided – a decision he considered fair.

He acknowledged M&G's delays and service issues and felt the £350 compensation already offered in respect of this was reasonable. He also found it fair that M&G declined to reimburse Mrs S's legal fees, as appointing a solicitor was her own decision and not necessary to process the death benefit claim. Finally, the investigator concluded that M&G didn't benefit financially from the delay in settling the claim, as the pension plan remained fully invested during that time, with all gains and interest credited to the plan before the funds were distributed to Mrs S and Mrs C.

Follow-up and escalation

Mrs S didn't accept the investigator's findings. She submitted further comments to support her position, arguing that M&G should reimburse her legal costs because it mishandled her initial contact in August 2023 which led to her appointing the solicitor. She also reiterated her dissatisfaction with not receiving the full death benefit, particularly as Mrs C wasn't Mr B's partner but merely a friend. In addition, she remained unhappy that income tax had been deducted from the amount she received.

The investigator reviewed Mrs S's additional comments but wasn't persuaded to change his view. As no resolution was reached, this complaint has now been escalated to me for further review.

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've considered all relevant laws, regulations, regulatory rules, guidance, standards, and codes of practice, as well as what I believe represented good industry practice at the time. Where the evidence is unclear or conflicting, I've made my decision based on the balance of probabilities – that is, by weighing the available evidence and surrounding circumstances to determine what I believe is more likely to have happened.

My findings

I'd like to clarify that this decision doesn't aim to address every individual point raised by the parties. If I haven't commented on a specific issue, it's because I don't consider it to have a material impact on the overall outcome of this complaint. I've carefully reviewed all the evidence, including Mrs S's additional comments in response to our investigator's view. Having considered everything, I agree with the investigator's conclusions for broadly the same reasons, and my overall view is summarised below.

- **Loan and financial loss:** Mrs S maintains that the pension death benefit was intended to repay a £60,000 loan she had made to Mr B. She believes that M&G's decision not to award her the full death benefit caused her financial loss, as Mr B's estate did not have sufficient assets to repay the loan. As a result, the loan remains unpaid. While I understand and sympathise with Mrs S's position, M&G was not a party to the loan agreement between her and Mr B. In my view, the loan is a separate matter and not directly connected to the pension death benefit. Therefore, I don't believe M&G can be held responsible for the shortfall in the loan repayment or

required to pay Mrs S the full death benefit or compensation to offset her financial loss.

- **Discretion and distribution of the death benefit:** As the administrator of Mr B's pension plan, M&G had full discretion to decide how the death benefit should be distributed. In February 2022, Mr B updated his 'expression of wish' to indicate that he wanted 100% of any death benefit to be paid to Mrs C. While such expressions aren't legally binding, they're a strong indication of the deceased's intentions and are typically a key factor considered by scheme administrators and trustees when deciding how to distribute the death benefit. However, they're also expected to consider any other relevant circumstances and supporting evidence when making their decision.

In this case, although Mr B named Mrs C as the sole beneficiary, M&G reviewed additional evidence submitted by Mrs S – including details of the loan she made to Mr B. After considering this additional information, M&G decided to disregard Mr B's 'expression of wish' and divide the death benefit equally between Mrs S and Mrs C. Given the complexity of the situation and the direct conflict between Mrs S's claim and Mr B's recorded wishes, it was appropriate for M&G to take time to investigate and reach a fair and justifiable decision through its internal committee process. I can see that M&G fully considered the information provided by Mrs S in making its decision. The fact that the final decision didn't fully meet her expectations doesn't, in itself, indicate unfair treatment.

Overall, I'm satisfied that M&G exercised its discretion in a fair and reasonable manner. The complexity of the case, along with Mrs S's appeal against M&G's decision, understandably contributed to the delay in settling the claim.

- **Allegation of fund withholding:** M&G kept Mr B's pension plan invested after his death while identifying all eligible beneficiaries and awaiting their instructions – this approach was in line with the plan's terms and conditions. I don't agree with Mrs S's view that M&G benefitted from the delay in settling the death benefit claim. During this period, the plan remained fully invested, meaning that any growth, dividends, or interest earned on cash continued to accrue. These returns ultimately formed part of the death benefit paid to Mrs S and Mrs C.
- **Tax deduction:** When a pension account holder dies after the age of 75, any death benefits paid from their pension plan are subject to income tax. The beneficiaries are taxed at their marginal rate of income tax on the amount they receive. Mr B was 76 when he passed away. Therefore, M&G acted correctly in deducting and remitting income tax to HMRC from the death benefit it paid to Mrs S. If she believes that too much tax was deducted and she may be entitled to a refund, she should contact HMRC directly. My understanding is that overpaid income tax can be reclaimed within four years from the end of the tax year in which the overpayment occurred.
- **Compensation:** I'm satisfied that M&G has already offered appropriate compensation. It credited £273.81 to Mr B's pension plan caused by delays in settling the claim – this was shared between Mrs S and Mrs C when the death benefit was paid to them. Additionally, M&G has offered £350 compensation to Mrs S in recognition of the distress and inconvenience she experienced, particularly in relation to how her initial phone call in August 2023 was handled. In my view, this amount is reasonable in the circumstances.
- **Legal costs:** I haven't seen any evidence that M&G advised Mrs S to appoint a solicitor during the claims process. The available information suggests that she

chose to do so independently. Therefore, I don't agree that M&G is responsible for reimbursing any legal costs Mrs S incurred in making the death benefit claim or in pursuing this complaint.

My final decision

Based on the reasons set out above, my final decision is that I don't uphold Mrs S's complaint about Investment Funds Direct Limited trading as M&G Wealth Platform. If it hasn't done so already, Investment Funds Direct Limited trading as M&G Wealth Platform should settle any amount owing in respect of the total £350 compensation it previously offered Mrs S.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 10 August 2025.

Clint Penfold
Ombudsman