

The complaint

Mr B complains that Scottish Equitable Plc, trading as Aegon, took too long making the income payments to him from his pension. He also says that Aegon didn't deduct the right amount of tax.

Mr B would now like Aegon to recompense him for the interest he lost when he had to draw on his savings to cover his expenses.

What happened

On 13 June 2024, Mr B telephoned Aegon asking to withdraw £1,000 from his pension plan with them. During the interaction, he explained that he'd changed banks, so Aegon asked him to complete a form before they could proceed with the transaction.

After returning the change of bank details form to Aegon, Mr B received an email from them on 4 July 2024 stating the money had been paid into his account. However, the funds weren't actually credited to Mr B's account until 8 July 2024.

On 13 August 2024, Mr B telephoned Aegon again to withdraw a further £1,000 but on this occasion, was told that he had to be in receipt of a retirement quote before they could proceed. When he never received this quotation, Mr B called Aegon back on 27 August 2024, but they were unable to help him due to an IT issue on their systems. Mr B also tried logging into Aegon's online service, but this was unavailable.

In the days that followed, Mr B tried to log into his online account with Aegon but received the same message that he encountered on 27 August 2024. And, when he did eventually get into his online account, this only included some of the information that he expected to see.

As Mr B still hadn't received his withdrawal request by the end of August 2024, he had to withdraw £800 from his savings account on 2 September 2024 to fund his expenses. Mr B explained to Aegon that the account paid 8% p.a. interest which he'd now lose out on.

On 5 September 2024, Mr B telephoned Aegon's helpline to understand when he could receive his withdrawal request; Aegon explained that they'd aim to process the payment as soon as possible but to expect it within five days. When his payment hadn't been made over a week later, Mr B called Aegon back on 16 September 2024. Mr B had to wait 25 minutes to speak to an operative and then had to wait a further 20 minutes when passed through to another team. During the discussion, Aegon explained that the withdrawal had been made on 13 September 2024 and that BACS payments can take three to five working days to reach the nominated bank account. On 24 October 2024, Mr B received a cheque from Aegon for £760 for the income.

Shortly afterwards, Mr B decided to formally complain to Aegon. In summary, he said:

- He was unhappy about the length of time that they'd taken to process his two withdrawal requests and didn't believe the right amount of tax had been debited.

- The August withdrawal needed to be in his bank account by the end of the month to cover expenditure he had planned for 1 September 2024.
- He'd needed to withdraw monies from his savings account that was paying an interest rate of 8%. This meant Aegon's delays had impacted him financially.

As Mr B didn't receive a response to his complaint, he referred his concerns to this service. Following this, Aegon provided a reply. In summary, they said that whilst there were some elements of his complaint where they couldn't identify an error, it was clear that their service had fallen short. In addition, they also said:

- They were sorry for the IT access issues he'd been having and to reinforce their apology, they were sending him £250 as compensation.
- They normally operate to a timescale of 10 working days. As they'd received his updated bank details on 19 June 2024 and they had completed his first withdrawal request on 2 July 2024, that withdrawal had been processed by their deadline.
- Even though the funds from the first payment weren't actually credited to Mr B's account until 8 July 2024, BACs payments can take three to five working days.
- Their customer service operative had misunderstood the type of plan that Mr B held when he telephoned their helpline on 13 August 2024. Aegon said that he shouldn't have been told that he needed a retirement quote posting before they could proceed with the withdrawal.
- The retirement quote was posted to Mr B on 15 August 2024, despite this being unnecessary as the £1,000 request was within his normal limits.
- The withdrawal request was not picked up until 17 September 2024, but following their IT update, it wasn't flagged on their system until 27 September 2024.
- Based on their findings, had the 13 August 2024 withdrawal request been completed correctly and on time, it would have been actioned on 23 August 2024 and he would've received the pension payment on or around 28 August 2024.
- They had considered loss of interest from 28 August to 8 October 2024. As they use Bank of England base rate plus an additional one percent, Aegon had determined that Mr B was due an additional £4.12. After the deduction of basic rate tax, as the amount was under £10, they felt the £250 they'd already offered included the late interest payment.
- Finally, the income tax that had been applied to the payments that they'd made, was done so using the tax code supplied to them by HMRC.

Mr B was unhappy with Aegon's response, so he asked this service to look at his concerns. In summary, he said that he was unhappy Aegon had delayed his pension withdrawals and that they'd deducted too much tax from the payments that then followed. He went on to say that because of Aegon's delays, he'd had to rely on his savings, taking monies out of his account that was paying 8% p.a. in interest. Mr B explained that as he's restricted to paying in only £200 each month, he's therefore lost interest of around £16.

The complaint was then considered by one of our Investigators. She concluded that:

- Aegon are provided with a tax code by HMRC which they have to apply to all income

payments until they're told otherwise.

- The first payment (from June 2024) had been made in a timely manner. But, the second payment should have been received by 28 August 2024.
- From the evidence that she'd seen online, the interest rate payable on the savings account that he'd withdrawn his monies from in September 2024 was 2.4% rather than the 8% he'd suggested. The approach that Aegon had taken with their interest rate calculation didn't seem unreasonable.
- The £250 Aegon had offered to apologise for the matter was fair in all of the circumstances and was at a level she would've instructed them to pay him had they not already offered to do so.

Mr B, however, disagreed with our Investigator's findings. In summary, he said:

- He'd been drawing money from his pension for over 20 years and Aegon had always paid the right amount of tax or adjusted it at a later date. They were told beforehand that only 20% tax should be charged.
- He had provided this service with a statement showing that the savings account was paying 8% and as such, is of the view that he should be compensated for the interest on the £800 that he suffered because of the need to take those monies.
- The online rates on the building society in question, only show the latest offering and not what he was receiving on his account at that particular time.

Our Investigator was not persuaded to change her view as she didn't believe Mr B had presented any new arguments she'd not already considered or responded to. Unhappy with that outcome, Mr B then asked the Investigator to pass the case to an Ombudsman for a decision.

After carefully considering the complaint, I explained that I was issuing a provisional decision on the case because I was minded to reach a slightly different outcome to that of our Investigator. This gave both parties the opportunity to provide any further information that they wished for me to consider before I reached my conclusion.

What I said in my provisional decision:

I have summarised this complaint in less detail than Mr B has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

My role is to consider the evidence presented by Mr B and Aegon in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice. Where there's conflicting information about what happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm upholding Mr B's complaint in part - I'll explain why below.

I've considered what ought to have happened with the income withdrawals that Mr B requested.

- a. June 2024 request - Given Mr B wanted Aegon to pay the withdrawal into a bank account that was different to the one normally used, I don't think they were being unreasonable by asking Mr B for a signed form to confirm the alteration. Aegon sent the form to Mr B immediately following his request and the evidence confirms that they received it back from him on 19 June 2024; his income payment then followed and given the BACs processing times, I'm satisfied that this payment was processed within a reasonable timescale so I can't conclude that Aegon delayed this payment.
- b. August 2024 request – Aegon have already conceded that they misinformed Mr B about the need for paperwork that wasn't necessary to facilitate the withdrawal. And, applying the same timescales as the June 2024 payment, given Mr B initiated his withdrawal request on 13 August 2024, this meant the request should have been actioned on 23 August 2024 and as such, a delay has occurred. That means he would've received the pension payment on or around 28 August 2024 taking account of BACs processing times. Having considered matters, I'm satisfied that this notional timescale is reasonable and mirrors Aegon's conclusion for which they've already apologised.

As Aegon didn't complete the August 2024 withdrawal request until 8 October 2024, they determined that Mr B was entitled to a payment of £4.12 in interest to acknowledge the delay in receiving his income payment. Aegon say they've calculated that amount by using the Bank of England base rate plus one percent over that period for which Mr B was without his funds.

There doesn't seem to be any doubt that Mr B was deprived of his income for a period of time – and Aegon have already conceded as much. But, what's at the heart of this complaint is how Aegon should put things right for him.

Mr B states that because Aegon delayed his second income request, he had to access his savings account at the end of August 2024 to cover his September 2024 expenditure. He went on to say that this account generated an 8% p.a. return. And, it's that amount that Mr B is of the view Aegon should recompense him for.

In support of his claim, Mr B has provided this service with a printed statement issued by his building society which shows that he was saving £200 every month. The statement also bears a branch stamp and the handwritten wording of "*This account was at 8% interest*"; Mr B states that wording was added by the representative at his local branch who printed the statement for him. I've undertaken an internet search and whilst I was able to determine that Mr B's building society did for a period of time, offer an interest rate of 8% on their monthly saver, it seems that return was reduced a short time afterwards to a lesser rate. That's also supported by the fact that there's evidence of an interest payment going into the account at a rate of around 5.5%. To cover his expenses, Mr B had to take £800 from the account in September 2024, but as the account only allowed deposits of £200 per month and ran until December 2024, he was then unable to put the full £800 back in – which then impacted the future interest that he could earn on those funds.

Aegon acknowledged they delayed issuing Mr B's income payment to him and determined that £4.12 (which was net of tax) would remedy matters. However, that approach only took account of impact of their actions between 28 August and 8 October 2024 and not the lost interest that Mr B missed out on in the months that then followed to December 2024 because he was unable to replace the £800 into the regular saver and it seems to me that Aegon have failed to acknowledge that and they need to put things right for him in the manner that I've set out below.

Mr B has explained that Aegon debited the wrong amount of income tax from the payments that he received. However, Aegon are provided with a tax code by HMRC which they're obligated to follow when taxing any income payments from the pension. If Mr B believes the tax code provided to Aegon by HMRC is incorrect, he needs to liaise in with HRMC to remedy the matter. So, I won't be asking Aegon to refund any tax that they've taken from the pension payments as those monies will already have been remitted to HMRC.

Putting things right

Mr B needed to take monies from his regular saver account following Aegon's delay in paying him his pension income in August 2024. That meant he wasn't able to put those funds back into the account before the end of the 12-month window, resulting in a lower return.

Given Mr B took the monies out of the account on 2 September 2024 and the final interest payment was made on 7 December 2024, this meant that even if the account had paid 8% p.a. simple interest (which as I've already said, I don't think it did by that point), he would've missed out on around £16 gross interest. But, Aegon have already offered to pay Mr B £4.12 in net interest, but this takes account of a slightly different window and purpose – the deprivation of his pension funds.

Given we're a quick and informal dispute resolution service, and in light of the small amounts involved, rather than asking Mr B to provide legacy interest information to Aegon, to enable a line to be drawn in the sand and to bring matters to a prompt closure for both parties, I require Aegon to pay to Mr B an additional £20 which then acknowledges that he wasn't able to put the £800 withdrawal back into his regular savings account to benefit from the higher interest. I'm satisfied that's fair and reasonable in the circumstances. Aegon may deduct income tax from the £20 if required to do so by HMRC.

Mr B says that as a qualified accountant, he normally charges his time out at £100 per hour and given the amount of time he's spent on the telephone and sending emails to try and resolve the matter, he doesn't feel Aegon's offer (of £250 which includes the £4.12 interest) goes far enough - however, I don't agree. When considering an award for the trouble caused, this service doesn't work to hourly rates, rather we consider the impact that the issue has had on the individual concerned. I've looked closely at what Mr B has told both this service and Aegon about the impact of the error and I'm satisfied that the £250 that Aegon have already offered to Mr B to apologise, is in line with what I would've instructed them to pay him had they not already done so. Therefore, my decision is that Aegon should also pay Mr B the £250 if they've not already done so (to take account of the inconvenience they've caused and includes the £4.12 in acknowledgment of the delayed income payment).

Responses to my provisional decision:

After reviewing what I'd had to say, Mr B stated that he accepted the decision. However, he went on to say that he didn't think the £20 should be taxable.

After considering the provisional decision, Aegon explained that they didn't agree with the outcome. They went on to say that:

- They didn't believe it was appropriate to resolve the complaint informally without the appropriate evidence being provided.
- The extra £20 recommendation set out in the provisional decision has already been catered for in the £250 that they've paid to Mr B.

- The Investigator was unable to justify the 8% because Mr B could only provide details of interest at 2.4% on his account. The Ombudsman has not been provided with any evidence of the 8% either.
- It's not fair and reasonable for FOS to act without evidence of the 8% that Mr B claims he earned.
- The interest calculations should be based on an amount of £760 which is the amount that they paid to Mr B, rather than the £800 set out in the provisional decision.
- The calculations should be reduced by £200 each month as this is the amount that Mr B could have added back in each month until December.
- The dates of the payments are wrong. Having received the request on 13 August 2024, they would've expected to have processed Mr B's request by 27 August 2024.

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.

What's not in dispute here is that because of Aegon's actions, Mr B had to wait several months to receive the income that he wanted from his Aegon pension. Aegon have recognised that they didn't act in a timely manner and have already offered Mr B an interest payment of £4.12 to take account of the fact that they didn't complete his August 2024 withdrawal request until 8 October 2024. Aegon explained that as the amount was under £10, they felt the £250 they'd already offered to Mr B included the late interest payment. And, Aegon have since said that the extra £20 recommendation I set out in the provisional decision has already been catered for in the £250 that they've paid to Mr B, but I'm not persuaded that's the case. I say that because there's no mention of the issue (which I consider to be separate from the delay in paying the pension income) within their resolution letter.

Given the nature of the savings account that Mr B held, he was limited to paying in £200 per month so when he took out the £800 to cover his expenditure because of Aegon's delays, he was then prevented from returning those monies to the account in future months because he was unable to add either the £800 or part of it to his existing £200 monthly contributions. So, whilst Aegon have said that the interest calculations should be reduced by £200 each month as this is the amount that Mr B could have added back in each month until December, I don't agree.

Aegon have questioned the rate of interest that I've asked them to apply to the savings account; they say there's no evidence to substantiate that Mr B was earning 8%. But, I've already explained in my provisional decision that I don't think that Mr B was earning 8% on his savings account at the point he made the withdrawal – from what I've seen of the archived version of the building society's website, it was just over 5%. But it's important to recognise that when I've used a rate of 8%, it's to take account of the fact that the consumer has been deprived of their monies for a period of time too; 8% is normally the rate that HM Courts Service awards a consumer when they've been deprived of their money for a period of time. So, whilst I accept that Mr B wasn't earning 8% on his monies at the point he made the withdrawal, I arrived at a modest figure of £20 to take account of the fact that he didn't receive any interest on a slice of his savings in December 2024 when he should've done, and importantly we're now in July 2025 and he's not had the benefit of those interest monies

since, so I'm of the view the £20 brings the loss up to date.

Aegon paid Mr B £760 and have said that any interest they pay him should be based on that amount, rather than the £800 he withdrew from his savings account. However, in light on the modest difference, I'm satisfied that the £20 in redress I've set out is fair and reasonable because I don't think Aegon will have anything to gain other than pennies by working to the £760 and in any event, it was £800 that Mr B took out of his savings in the expectation that was the amount he'd receive from Aegon.

In their response to the provisional decision, Aegon have explained that the notional dates of the August 2024 request are wrong. Having considered matters, given there's a difference of a day, I'm satisfied it makes no difference to the outcome for Mr B.

Whilst Mr B states that he doesn't believe Aegon should tax the £20, I don't agree. As this is a payment to make good the interest that he missed out on from the building society account, it's not considered as compensation, rather, it's simply a refund of interest that was due to him. I'm therefore of the opinion that Aegon are required to debit tax to satisfy HMRC rules (as they did when they made the interest payment to him of £4.12). This is different to an award that I would make for the trouble and inconvenience caused, which isn't normally taxable.

As I've been presented with no new evidence that's made me change my mind, it therefore follows that I've reached the same conclusions for the same reasons that I set out in my provisional decision above.

My final decision

I'm upholding Mr B's complaint in part and require Scottish Equitable Plc, trading as Aegon, to put things right for him in the manner that I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 August 2025.

Simon Fox
Ombudsman