

## **The complaint**

Mr P complained that Phoenix Life Limited trading as Standard Life (Standard Life) caused a delay in adding a lump sum contribution to his pension. This meant that the contribution was added after the end of the tax year, resulting in him losing income tax relief on the contribution.

Mr P would like Standard Life to compensate him for this loss.

## **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 P's employer enrolled him as a member of a Group Flexible Retirement Plan held with Standard Life. Mr P habitually received an annual bonus payment from his employer, which was typically received in March each year, shortly before the end of the tax year. From March 2020 Mr P had his bonus payment paid directly into his pension to take advantage of the income tax benefits and increased pension value.

Mr P left his employer under redundancy terms in June 2023. He was due a redundancy payment, which he elected to have paid into his pension as a single lump sum contribution.

Under the terms of his redundancy, Mr P also remained eligible for an annual bonus payment.. Mr P elected to make this payment into his pension and notified Standard Life to expect this payment from his employer in late March 2024.

Standard Life received the payment from Mr P's former employer on 4 April 2024. As a result of Mr P no longer being employed, Standard Life had to set up a new plan to accept the pension contribution.

When the contribution was sent by Mr P's former employer, it did not provide all the information Standard Life required to match the payment to Mr P and his pension plan. This information was not provided to Standard Life until after the end of the tax year, on 15 April 2024.

On 22 April 2024, Mr P complained to Standard Life that as the payment had been made to his pension in a later tax year, this caused him a reduction in the tax rebate he could expect and a consequent financial loss.

Standard Life responded to Mr P's complaint on 28 June 2024. It upheld the complaint and said:

*We've now rewritten the contribution to 4 April 2024 so you haven't suffered a loss. This means it's been processed as if the payment was received on 4 April 2024 and was part of the 2023/2024 tax year.*

Standard Life also offered Mr P £100 in respect of his distress and inconvenience.

Mr P responded on 3 July 2024 to say that he was unhappy with the response he received. He replied that he believed that the new plan could have been opened with the information his former employer had provided on 4 April 2024. Because this had not happened, he believed that he had suffered two separate losses:

- Loss of higher rate tax relief on the pension contribution
- Loss of growth on the investment being made on 15 April rather than 4 April 2024.

He was also unhappy as the number of allocated units in his pension funds had reduced once the transaction was reprocessed as if it had taken place on 4 April 2024. He asked for an explanation for this discrepancy in unit allocation.

Mr P also felt the offer of £100 in respect of distress and inconvenience was insufficient.

Standard Life replied on 9 July 2024 to say it was investigating his complaint points and asking for evidence of his losses. Mr P replied the same day to say he would provide information relating to his tax position on a confidential basis.

Standard Life replied on 11 July 2024 to ask Mr P if it was not possible for him to apply for the higher rate income tax relief on his pension payment as it was now being treated as if it were made in the earlier tax year.

Mr P replied the following day to say that he had already provided details of the pension contributions for the earlier year to HMRC before Standard Life had responded to his complaint. Consequently, he felt that it was illegal to claim the payment as Standard Life suggested.

Mr P subsequently wrote to HMRC to try and clarify the situation. Receiving no reply from his letters, he called HMRC and spoke to a member of staff there.

He then wrote to Standard Life, raising a further complaint. In his letter, he said:

*The HMRC team member emphatically mentioned that it would be treated for the [Later] Tax year*

He asked once more to be compensated for the loss of his tax rebate.

Standard Life responded to this additional complaint on 7 January 2025. It explained that the reduction in the number of units in his fund was because unit prices were higher on 4 April 2024 than 15 April 2024 and consequently his contribution bought fewer units than he had originally been allocated. It said:

*When we reprocessed the contribution to the 4 April 2024 the unit price had to be changed to reflect this.*

Standard Life also believed that HMRC should be able to amend Mr P's tax rebate as the pension contribution was now showing in the correct tax year.

It offered to increase the payment in respect of Mr P's distress and inconvenience to £200.

Mr P responded to say that he did not accept the offer of compensation. He also told Standard Life that he had made a request to HMRC for a tax rebate on the basis that his pension contribution had been treated as if made in the prior tax year. He said that he did not want to accept any compensation until he had heard back from HMRC.

Mr P subsequently brought his complaint to this service.

Our investigator reviewed all the evidence from both Mr P and Standard Life, before forming the view that the compensation Standard Life had offered Mr P was appropriate in the circumstances.

Mr P 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 P's complaint.

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 as a result.

There are three parts to Mr P's complaint, and I shall address each in turn.

Firstly, the delay in allocating Mr P's annual bonus to his pension as a single lump sum payment. I can see that the payment in relation to Mr P's annual bonus was received by Standard Life on 4 April 2024. As the timing of this payment was dictated by Mr P's former employer, I can't hold Standard Life responsible for the receipt of this money so close to the end of the tax year.

Standard Life has provided evidence to say that as Mr P was no longer employed by his former employer, it was not able to pay the money into his existing plan, which was set up for current employees. Given this, it had to set up a new plan to receive the contribution it had been sent. To do this, it required further information from his former employer, which it did not receive until 15 April 2024. I also can't see that Standard Life can be held responsible for not establishing the new plan until then.

Where I can see that Standard Life did make an error, as it has acknowledged, was processing the payment of the contribution into the new plan with an effective date of 15 April 2024, when it should have backdated the payment to the day it received the funds, 5 April 2024. This was the last day of the preceding tax year.

When it investigated Mr P's complaint, Standard Life recognised this mistake and re-processed the payment as if it had taken place on 5 April 2024. This action ensured that the correct fund prices were used and that Mr P's pension funds would have grown in the way they would have had the payments been made on 5 April 2024.

This is the course of action that I would expect to see and is in line with the guidelines of this service which would have recommended to put Mr P back into the position he should have been in had this error not occurred.

Consequently, I won't be asking Standard Life to take any further action in relation to this point.

This action of re-processing the payments unfortunately resulted in Mr P receiving fewer units in his pension funds as the unit prices for the funds on 5 April 2024 were higher than the unit prices on 16 April 2024. As this is the number of units that Mr P would have received had the contribution been paid into the pension plan on 5 April 2024, I consider that Mr P has been put back into the position he would have been had the delay not occurred.

Given this, I shan't be asking Standard Life to take any more action on this point either.

I shall now turn to look at the issue of the loss Mr P believes he has suffered by being unable to claim higher rate income tax relief on this contribution, as the money was allocated into his pension plan after the end of the tax year. I've considered this point most carefully.

On the one hand, I can fully appreciate why Mr P feels so strongly about this point. He believes that the delay in allocating funds to his plan has resulted in a significant increase in his income tax bill for the earlier tax year.

While I appreciate Mr P's position here, I cannot see that this situation is the responsibility of Standard Life. Standard Life has explained that it does not report members' contributions to HMRC, that is the responsibility of his former employer. His former employer should have informed HMRC that it paid a pension contribution on behalf of Mr P on 4 April 2024, that is, in the earlier tax year.

That contribution was received by Standard Life on 5 April 2024, which was still in the earlier tax year. Consequently, I believe that the correct tax treatment of this contribution would be to consider this in the earlier tax year.

This is reinforced by the HMRC Pensions Tax Manual. In this manual, it states:

***Member contribution made via employer deduction through payroll***

*The employer effectively acts as collection agent for the transmission of employee contributions taken from their pay and passed on to the relevant pension scheme administrator.*

*The date of payment in the case of a contribution made under the net pay arrangements is the date of deduction from the employee's pay.*

Consequently, the pension tax manual indicates that as Mr P's former employer paid the contribution to Standard Life before the end of the tax year, it should be treated as applying in that year, regardless of when Standard Life paid the contribution into Mr P's pension plan.

I can see that Mr P reported his pension contributions in the earlier tax year excluding the annual bonus payment related contribution at issue here. If he reported these contributions using the self-assessment tax return process, he has until 31 January 2026 to correct his tax return for that year.

The self-assessment website on .gov.uk states:

*You can make a change to a tax return after you filed it, for example because you made a mistake.*

*Your bill will be updated based on what you report. You may have to pay more tax or be able to claim a refund.*

I appreciate that HMRC may require proof of this contribution, which I would expect Standard Life and his former employer to be able to provide.

In any case, as Standard Life has no contact with HMRC and I find that the reporting of income for this contribution is the responsibility of Mr P's former employer, I can't see that Standard Life has done anything wrong here.

In terms of the distress and inconvenience Standard Life's mistake caused Mr P, I find that £200 is appropriate in the circumstances of this complaint and in line with guidelines this service publishes to ensure consistency of awards.

### **Putting things right**

To compensate Mr P fairly, Royal London should pay him the sum of £200 in respect of the distress and inconvenience he has suffered, if it has not already done so.

Standard Life should also provide Mr P with a letter indicating that his pension contribution was received by it on 5 April 2024.

### **My final decision**

For the reasons given above, I uphold Mr P'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 P to accept or reject my decision before 23 September 2025.

Bill Catchpole  
**Ombudsman**