

The complaint

Mr G complains that Aviva Life and Pensions UK Limited caused delays in the processing of his request to take his pension as a small pot payment, and by doing so caused him a tax liability that he would not otherwise have had.

What happened

In February 2025, Mr G decided to access his Aviva pension as a small pot to take advantage of the remaining portion of his personal tax allowance. On 17 February 2025 he requested information from Aviva, an options pack was sent out 18 March 2025, and the fund value at that time was £6,616.63 which included a final bonus of £2,048.68.

The signed documentation was received from Mr G on 21 March 2025 and the small pot payment of £6,624.45 (gross) was authorised on 5 April 2025.

Despite Mr G chasing Aviva in relation to the progress of the payment, this was not authorised until 5 April 2025, meaning that the payment was not completed within the 2024/25 tax year.

Mr G was not happy that the opportunity to maximise his personal allowance in 2024/25 tax year was missed, and during the process, complained to Aviva. He complained about the financial implications due to the delay, which resulted in him paying £993.60 tax which he states he would not otherwise have had to pay.

Aviva responded to Mr G's complaint on April 2025. They upheld his complaint and agreed that they had failed to provide Mr G with his options within their standard turnaround times and delayed in the processing of the payment. They paid £150 to Mr G in recognition of the inconvenience caused, and stated that they would complete a loss assessment to ensure that Mr G did not lose out financially.

Mr G attempted to obtain further information in relation to the loss assessment to be carried out, but states he was unable to – as a result, he forwarded his complaint to this service on 25 April 2025.

On 3 July 2025, the investigator provided his view. In this, he concluded that Aviva's delays in processing Mr G's application to access his pension had caused the payment to be made after the end of the tax year. However, he further concluded that due to the fact that Mr G's income position in the 2025/26 tax year is as yet unknown, it cannot be proven that Aviva's actions have caused Mr G to pay tax that he would not otherwise have had to pay. He stated that in addition to paying Mr G £250 to reflect the inconvenience caused by their actions, Mr G should contact Aviva at the end of the tax year and provide the necessary evidence for them to assess whether he has been financially disadvantaged. If there has been a loss, the investigator stated that Aviva should pay this to Mr G.

Mr G accepted this, however Aviva did not. They stated that the timeline of events previously used when providing a final resolution letter had been incorrect, that they did not believe that they had caused delays in issuing the paperwork to Mr G, although there had been a one day delay in making the payment to him. They provided an updated timeline of events, and

provided a loss assessment based on this, which showed no loss taking into account fund values paid and interest.

Because Aviva did not agree with the investigator's view, the complaint has been forwarded to me for 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 am in agreement with the investigator, and for broadly the same reasons. I have summarised this complaint in less detail than Mr G 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.

The crux of Mr G's complaint is that Aviva's delays meant that he was not able to utilise his remaining personal allowance in 2024/25, and as a result, his payment which was ultimately made in the 2025/26 tax year was subject to £993.60 tax.

It is important firstly to understand how pension payments are made. When a small pot payment is made, the first 25% is paid gross (the tax free element), and the remainder is paid net of basic rate tax. An individual can then reclaim the tax if they have not reached their personal allowance within the tax year in which the payment was made. This means that whenever Aviva made the payment, it would always have been paid net of basic rate tax. However, had the payment been made prior to the end of the 2024/25 tax year, Mr G would have been able to reclaim the tax almost immediately (following the end of the tax year) as he would have been able to demonstrate that he had sufficient personal allowance remaining within that tax such that the whole small pot payment should have no tax liability.

However, due to the fact that the payment was made at the beginning of the 2025/26 tax year, Mr G's income position for the year is as yet unknown, meaning that the tax deducted from the small pot payment cannot yet be reclaimed. If Mr G's other income exceeds his personal allowance, the tax will not be able to be reclaimed.

I have considered whether Aviva caused delays that resulted in the payment of Mr G's pension pot being made in the 2025/26 tax year, rather than the 2024/25 tax year as required by Mr G and am satisfied that the timescales for payment exceeded those which would have been expected. Both Aviva and Mr G have provided me with timelines of events.

Mr G states that he first requested that his pension be paid in its entirety on 17 February 2025 by phone, and made Aviva aware that he required the funds to be paid prior to the end of the tax year in order to take advantage of his remaining tax allowance for 2024/25. He states that chased Aviva on 17 March 2025 expressing his concerns about receiving the funds within the required timescales, and was emailed the relevant forms on 19 March which he completed and were received by Aviva on 21 March 2025. He states that continued to chase Aviva, prior to submitting a complaint on 1 April. Mr G states that he was sent a letter on 10 April confirming the amounts to be paid, which was received net of tax on 11 April 2025.

Aviva have provided two timelines of events, which although they differ slightly, both confirm that Mr G instigated the process of encashing his policy on 17 February 2025, and received the vesting quote on 19 March 2025. Likewise, both timelines agree that the signed documentation was received from Mr G on 21 March 2025 and the small pot payment of £6,624.45 (gross) was authorised on 5 April 2025.

This was paid to Mr G on 8 April 2025 and received by him on 11 April 2025. The second timeline provided shows that an interest payment of £13 was authorised on 24 April 2025 although it has not been confirmed when and if this was paid to Mr G.

I have considered whether the number of days between receiving the signed paperwork on 21 March 2025, and the payment being authorised on 5 April 2025 (and ultimately paid on 8 April 2025) was reasonable and I am not persuaded that it was. There were 11 working days between 21 March 2025 and 5 April 2025, one day longer than Aviva's stated timescales for processing such an application. Given the proximity to the end of the tax year and the delays that had occurred between Mr G first requesting the encashment of his pension on 17 February 2025 and receipt of the vesting quote on 19 March 2025 it is reasonable to consider that Aviva should have expedited the process to ensure that Mr G's funds were paid by the end of the tax year. I therefore uphold Mr G's complaint.

In the investigator's view, he has stated that Mr G should contact Aviva at the end of the current tax year and provide appropriate evidence of his income position to determine whether the tax paid can be reclaimed. I agree that although it is not optimal for Mr G to have to wait until the end of the current tax year, ie 5 April 2026 at the earliest in order to be able to be reimbursed for the tax paid, this is the only fair way forward. This is because requiring Aviva to repay the tax paid now may result in Mr G being reimbursed for an amount of tax that he may later be entitled to reclaim from HMRC. To reflect the fact that Mr G will have been deprived of the tax already paid since the date it was paid, Aviva should add interest from 5 April 2025, to the date it is paid.

Putting things right

In order to put things right;

- Aviva should carry out an assessment to determine what Mr G would have received had he been paid on 4 April 2025, the date that the pension should have been paid to him.
- Compare this to the amount actually paid to Mr G.
- If the amount that would have been due to Mr G is greater than the amount actually paid, this is Mr G's loss, and the difference should be paid to him. If the £13 interest referred to in the second timeline provided by Aviva has already been paid, this can be deducted from this amount.
- Interest should be added to the amount calculated above at 8% pa simple, from 4 April 2025 to the date it is paid.
- Mr G should contact Aviva at the end of the tax year and provide sufficient evidence in respect of his income during the 2025/26 tax year in order for them to assess whether he has been financially disadvantaged in respect of the tax paid.
- To clarify – Mr G would not have been liable for tax in respect of this Aviva pension if it had been paid to him in the 2024/25 tax year. If Mr G's income in 2025/26 is such that he is unable to reclaim the tax paid (£993.60), Aviva should repay this amount to him.

- Interest should be added to this amount at 8%pa simple from 4 April 2025 to the date it is paid.
- If Mr G's income in 2025/26 is such that he can reclaim the tax paid in respect of this Aviva pension, he should do so. However, he will have been deprived of this amount for a year, meaning that Aviva should pay interest at 8%pa from 4 April 2025 to 6 April 2026, the earliest that Mr G could reclaim the tax.
- IN addition to the above, Aviva should pay £250 to Mr G in respect of the distress and inconvenience caused by their delays.

Aviva can deduct tax from the interest payment payments outlined above if required to do so by HMRC.

My final decision

For the reasons stated above, I uphold Mr G's complaint against Aviva Life and Pensions UK Limited. They should make payments to Mr G as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 9 September 2025.

Joanne Molloy
Ombudsman