

The complaint

Mr J complained because Rothesay Life Plc miscalculated his pension benefits and went on to ask him to repay a sum.

What happened

Mr J was a member of a previous employer's pension scheme, which he left in 1994. Some years later (around August 2005) this employer became insolvent. This was the date used by the Pension Protection Fund (PPF).

When Mr J's pension scheme became insolvent, it couldn't meet the scheme benefits, and an agreement was reached for Rothesay to take over pension claims including Mr J's. Whilst the pension benefits could not be paid in-line with the scheme rules they were to be greater through following this route than any payment under the PPF.

When Mr J came to take benefits from the arrangement, Rothesay sent Mr J information. Mr J went on to accept what he was told about his benefits and his payments commenced from his retirement date in April 2024.

In late September 2024 Rothesay contacted Mr J having identified an error in their calculations which meant Mr J had been paid more than he was entitled. Rothesay apologised and said their calculation of his deferred benefits had used the wrong dates and they explained how.

Rothesay let Mr J know they had overpaid him £8,247 as part of his tax-free lump sum. A tax-free cash sum of £30,969 had been paid to Mr J, when it ought to have been £22,722.

It also meant his ongoing pension would reduce from £4,645 to £3,408 a year. Meaning his monthly payments would reduce by £103 (gross) a month (from £387 to £284). Rothesay told Mr J he had been overpaid £701 to date by September 2024 when it came to his monthly payments and said they were only seeking repayment of the net value (£561).

Overall Rothesay said Mr J needed to pay them £8,809.08 to rectify the overpayments he had received. They acknowledged that it might be hard for Mr J to make such a repayment in one payment and explained they were happy to discuss repayment terms, such as involving repayments over a period of time or instalments. Rothesay also set out that they were obliged to request the repayment and that any failure to do so might be seen as an unauthorised payment by His Majesty's Revenue and Customs (HMRC) and attract tax penalties.

After Mr J complained, Rothesay again apologised and offered Mr J a payment of £500 to reflect the distress and inconvenience their error had caused. This was to be taken off the total amount due, leaving an outstanding sum of £8,309.08 to be repaid.

Mr J didn't agree and referred his complaint to this service. He doesn't think it's fair to ask him to pay the money back, or not fully. He thinks Rothesay ought to have offered him more

as compensation for their mistake. He points out the error wasn't his fault, and this error has changed his plans to reduce his working days. He told us he had needed to change his plan to only work two days a week from his sixty-sixth birthday and instead was working three days a week to make up for his loss.

Investigator's view

An Investigator at this service did not uphold Mr J's complaint. Whilst she understood the error had not been due to anything done by Mr J, and she accepted that discovering he had been overpaid had been a significant shock, she thought Rothesay had done what they ought to do to address their mistake. She concluded that the sum of compensation offered by Rothesay had been appropriate and was in line with what she would expect to have been offered in similar cases.

Mr J's response

Mr J was not happy with the Investigator's view. He considers he has lost out on nearly £1,000 a year for the rest of his life, as well as the loss of a substantial tax-free lump sum. He thinks we ought to penalise Rothesay a substantial sum and does not think the offer of £500 was sufficient. Mr J has let us know his financial adviser agrees. He stresses that he had planned to reduce his working days by two days per week on his sixty-sixth birthday, and that now he has decided to drop only one day for the current time.

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 the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. In deciding this complaint, I've taken account of the law and any relevant regulatory rules, guidance and good industry practice at the time. Where the evidence is unclear I make my decision based on the balance of probabilities. Or put another way, based on what evidence I do have, together with the surrounding circumstances, I've thought about what I think is most likely to (or should) have happened. In addition, I've carefully thought about everything said and provided on behalf of Mr J and Rothesay. Mr J wanted to ensure I saw his communications including with this Service and I'd like to reassure him that I have.

Here the main thrust of my decision is about whether Rothesay have done enough to remedy and address their error. I have concluded that they have. I am sorry this will disappoint Mr J who has done nothing wrong.

Rothesay provided the wrong information to Mr J about the pension benefits he was to receive and they went on to pay him more money than he ought to have received. Rothesay have explained the error that led to these mistakes, and I accept this information from them.

This means that Mr J was paid money that he was not entitled to; in other words he received pension benefits that were in excess of what he was entitled to receive. In such circumstances it isn't wrong for Rothesay to seek to recover such payments that ought not to have been made.

This is not to diminish the undoubted shock and impact such a discovery and the communications about this will have had on Mr J some five months after he thought the pension had gone into payment. I also accept from Mr J this information has caused him to have to change his plans when it comes to reducing work. Mr J finds himself in a position

where he is asked to repay a significant sum to Rothesay, in addition to receiving less money a month than he had expected. None of this is due to any errors on his part.

Ultimately however this was not money to which he was entitled. This means he has suffered a loss of expectation rather than what might be described as a financial loss; albeit I appreciate this is not how it feels to him.

I appreciate why Mr J might feel particularly disappointed that it was not until he complained that he received the offer of a payment to represent his distress and inconvenience. I have considered with care whether the payment of £500 to reflect Mr J's distress and inconvenience (and applied to reduce the overall sum to be repaid) was sufficient. In doing so I have reminded myself of the guidance we provide to parties on such awards on our website.

I am sorry this will disappoint Mr J, but I have concluded Rothesay have offered enough. It is not the role of this Service to punish a business, and undoubtedly Rothesay were at fault here. I have taken into account that Rothesay apologised and explained the error once it was identified and explained that they did not expect an immediate repayment. Whilst it took Rothesay around five months after the pension went into payment to identify their mistake, this was ultimately the result of an administrative error applied to the calculations and it led to Mr J being paid money to which he was not entitled. I accept from Rothesay this calculation was based on the application of the relevant scheme rules and the agreements reached when Mr J's historic employer became insolvent.

I consider the sum of £500 does reflect the likelihood that Mr J was caused considerable shock and worry and that sorting out the error and its impact is going to cause him inconvenience and effort. I appreciate Mr J feels the impact includes a loss of income which will continue for the rest of his life and he thinks he ought to be awarded an additional sum of compensation. For the reason I've explained, I don't characterise the recalculation of his ongoing pension payments as causing Mr J a financial loss in the long term as the original figure involved a sum he was not entitled to. As I've explained I consider this to be a loss of expectation (through no fault of Mr J's). As such I have concluded Rothesay have done enough to resolve their error and address the impact on Mr J.

My final decision

For the reasons given I am not upholding Mr J's complaint about Rothesay Life Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 20 October 2025.

Louise Wilson
Ombudsman