

The complaint

Mr H complains that Aviva Life and Pensions UK Limited ('Aviva') should pay him the value of his policy as advised, rather than the value being frozen at his 75th birthday.

What happened

Mr H held a personal pension policy with Aviva, for which the retirement date was originally set as his 65th birthday, this was subsequently amended to his 75th birthday.

In October 2024, Aviva wrote to Mr H to confirm that he had to make a decision about taking the benefits from his plan. The letter referenced a previous letter that had been sent to Mr H (sent in June 2024) and stated that if he did not make a decision before his 75th birthday, 25% of the fund would be paid to HMRC as tax. The letter confirmed that Mr H was still able to keep his money in a pension, but he would need to move it into another plan, either with Aviva or another provider. At that time, Mr H's pension was worth £47,567.

Because Mr H was unsure which option was best for him, he called Aviva on 27 November 2024, and stated that he had an appointment with Pension Wise on 12 December 2024. On 16 December 2024, two days before his 75th birthday, Mr H had a telephone conversation with an employee at Aviva, who confirmed that because he had not decided which option to take, she had arranged a grace period of two months (to 18 February 2024), meaning that no action would be taken prior to this point. At this time, Mr H stated that he was thinking of taking his tax-free cash and moving the remainder to a drawdown policy. The two-month grace period was confirmed by email. On 13 February 2025 and 17 March 2025, Mr H had further conversations with Aviva, and it was agreed that he would be allowed further extensions until 18 April 2025.

During early 2025, Mr H continued to monitor his policy via his online account. On 20 March 2025, Mr H phoned Aviva, to request the forms to take his tax free cash, and transfer the remainder of the fund to drawdown.

On 24 March 2025, Aviva wrote to Mr H confirming that the value of his policy was £47,853, lower than the value he had seen on his online account for that day. He phoned Aviva to query this amount, and was told that the value stated in the letter was lower than the value on the online account, which was £49,523.

Aviva treated Mr H's dissatisfaction as a complaint, and on 25 March 2025 they emailed him with a response. This response explained that because the effective date of the policy was Mr H's 75th birthday (18 December 2024), on 19 December 2024 the retirement fund value was locked as at that date, meaning that whenever the decision was made in relation to the option for taking the benefits, that locked in value would be used for the pension quote and subsequent settlement. The email confirmed that although there was a grace period, during which time the policy was kept invested, they must always use the correct fund value date as the effective date.

Following this response, Mr H had a conversation with Aviva where they discussed his frustrations, and Aviva explained that they did not agree that he had lost out financially, as

he was not entitled to the figures showing on the online account following the fund value being locked in December 2024.

On 31 March, Aviva confirmed by letter that £11,962 had been paid to Mr H as tax free cash, and £35,886 had been moved into income drawdown. This letter included a statement showing that the fund was invested in the Aviva Pensions Investment Pathway 4, with an effective date as of 17 December 2024.

Following the matter being escalated internally, Mr H received a letter from Aviva confirming that because the plan could not be extended beyond his 75th birthday, the fund value had been locked as at 18 December 2025. Aviva acknowledged that this closure should have been reflected in the online accounts, and to recognise the misunderstanding, they offered £250.

Mr H did not accept this, and in April 2025, referred his complaint to this service. Following an investigation, our investigator provided his view. He agreed that Aviva had made an error in not being clear that Mr H's fund value had been locked in December 2024, and concluded that had Aviva given Mr H accurate information, he would have taken his pension benefits on 18 December 2024. He concluded that Aviva should pay Mr H interest at 8% simple from 18 December 2024 to the date he received his tax free cash in March 2025. He agreed that the £250 payment offered by Aviva to Mr H to reflect the inconvenience caused was reasonable, and in line with what this service would normally award in situations such as this.

Following the view being issued, Aviva paid Mr H £520.05, representing £270.05 interest on the tax free cash element of Mr H's pension, and £250 distress and inconvenience payment. Mr H queried this, as the investigator had stated in his view that interest should be paid on the whole fund, not just the tax free cash.

Aviva explained that the reason for this was that when Mr H's drawdown policy was set up, the value was set as at 17 December 2024 (£35,886.12, after payment of the tax free cash), meaning that Mr H had benefited from investment growth since that date. It was therefore appropriate for interest to be payable only on the tax free cash element of Mr H's pension. The investigator agreed that this was a reasonable approach, however Mr H did not, and as a result, Mr H's pension has been forwarded to me for a final decision. Mr H has subsequently stated that he believes the payment for distress and inconvenience should be increased to £1,500.

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 uphold Mr H's complaint.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred, and having looked at matters, it seems to me that Aviva have done just that.

It is not in any doubt that Aviva made an error in not advising Mr H that the value of his pension would be locked as at 18 December 2025, and in continuing to make the ongoing

value visible to Mr H. I have therefore not investigated this element of the complaint further, rather I have focused on what I believe to be the crux of Mr H's complaint – the fact that he believes that Aviva should reimburse him for the difference between what he understood the value of his pension to be, and the value that was transferred to him (into drawdown and tax free cash). Aviva have admitted their error, and apologised for this, offering Mr H £250 to reflect the misunderstanding but have not agreed to pay anything to Mr H in respect of the fund value.

Aviva confirmed in their correspondence to Mr H that the grace period did not extend his retirement date, it only extended the date the money from the 18 December 2024 would be paid once he made his decision on how and when to access the funds. However, although the pot was frozen, when the funds were transferred into a drawdown policy, they were backdated, meaning that the fund value is as it would have been if Mr H's decision had been made on 18 December 2024.

Aviva have provided evidence that Mr H's new drawdown plan was arranged with the opening value of the funds as at 17 December 2024, the date that Mr H's plan should have transferred into drawdown. I have considered whether this is fair, and I am satisfied that it is. It is unfortunate that Mr H continued to be able to see an increasing fund value on the previous policy and that Aviva did not clarify that this was not the fund value to which Mr H was entitled sooner, however, as I have stated above, Aviva have acknowledged their errors in this, and their part in the misunderstanding that ensued.

In his investigation, our investigator stated that Aviva should pay interest at 8%pa simple on the value of Mr H's fund between 19 December 2024, and the date of the settlement, that is 31 March 2025. Aviva have paid £270.05, representing 8% simple interest on the tax free cash from 18 December 2024 to 31 March 2025. The rationale for this, rather than interest on the full fund being paid is that the fund value was backdated to 17 December 2024, meaning that it has benefited from investment growth since that time.

I have considered whether this is reasonable and am satisfied that it is. I have considered the purpose of Aviva granting a "grace" period and extending the deadline for Mr H's decision in relation his pension by two months. It was clear from the outset that Mr H's policy could not continue in the previous format after his 75th birthday, therefore the grace period allowed by Aviva did not extend the policy, it allowed him additional time to make a decision in relation to the best way to access his pension benefits. Despite having been provided with retirement options in June 2024, and prompted in October 2024, Mr H had not had a meeting with Pension Wise until 12 December 2024, and had not made a decision by his 75th birthday on 18 December 2024. The grace period was granted by Aviva so that Mr H was not financially disadvantaged by not having made a decision as at the retirement date on his policy. This would have resulted in 25% of Mr H's pension fund being lost. It was never intended as an extension of the policy, or as an opportunity for Mr H to time his withdrawals depending on fund value.

Therefore, it is fair for Mr H's new drawdown policy to be set up as at 18 December 2024, the date that it should have been if Mr H had made his decision in relation to his pension within the required timescales. Aviva have confirmed that the drawdown pension was set up with the value of the investments as at 17 December 2024 with a value of £35,886.12, and has been invested in the Aviva Investment Pathway 4 S4 (as selected by Mr H) since that date. On 31 March 2025, the value was £36,259.84 and on 7 July 2025, it had increased to £36,906.74.

Mr H has expressed his dissatisfaction of the explanation that the value of his fund was "locked" as at December 2024, whilst he has now been told that his drawdown pension fund

has been backdated with the effect of having been invested since December 2024. I can understand any misunderstanding in relation to this, and can see how Mr H believes he may have missed out on investment growth. Having reviewed the evidence available to me, I am satisfied that Mr H has not been financially disadvantaged.

On 18 December 2024, following Mr H's request to extend the retirement date on his pension, Mr H's fund value of his existing pension policy was effectively frozen. This was because his pension could not continue on beyond his 75th birthday. When Mr H advised Aviva of the way he wished to access his pension, they sent him £11,962.04 tax free cash, and set up a new drawdown policy. Although the start date of this policy was 31 March 2025, it was set up with the value of the funds as though they had been invested as of 17 December 2024, meaning that Mr H's fund has benefited from investment growth as if it had been transferred at that time and invested throughout.

I acknowledge that the actual fund value as at 31 March 2025 for the new drawdown policy differs from the "nominal" fund value that Mr H had previously been able to see online, leading Mr H to believe that he has lost out financially. It is important to understand that the new drawdown plan is invested in the Aviva Investment Pathway 4 S4, rather than in the same way that it had been invested previously. The Aviva Investment Pathway 4 S4 is for investors who are planning to take out all their money within the next five years, and as it is a low risk fund (rated as 2 out of 7), could reasonably be expected to achieve a different rate of return than a fund invested within different underlying assets.

I have considered whether the fact that Mr H had sight of what he believed to be an increasing fund value had an impact on the decisions he made in relation to his pension. I am not persuaded that it did. Mr H had a number of options, which included taking his entire fund value, purchasing an annuity, and transferring to drawdown (either with Aviva or another provider). When Mr H spoke with Aviva on 16 December 2024, he stated that although he hadn't made a final decision, he thought it most likely that he would transfer to drawdown, which is what he ultimately did do. I am therefore satisfied that his decision to do this was not impacted by the value of the fund at any time following that date, and his decision to invest in the Aviva Investment Pathway 4 S4 would have been the same had he been forced to make a decision in December 2024.

Mr H believes that he has been disadvantaged by Aviva's online account showing a fund value that it transpires was not the true value of his pension policy. I agree that it must be extremely disappointing to see a fund value via an online account which later transpires to be incorrect. But I can't instruct Aviva to pay him a fund value to which he was never entitled to.

Although regrettable, using financial services won't always be hassle free and sometimes mistakes occur. When they do, we'd expect the business to put the consumer back into the position that they should've been in were it not for the error. From what I've seen, Aviva have already done that, as Mr H's pension value when transferred to drawdown was invested with the values as at 19 December 2024. Aviva have offered £250 to reflect the inconvenience caused. Mr H initially requested that this be increased to £750, but subsequently stated that he believes that £1500 is an appropriate level of payment to reflect the inconvenience caused. I have considered the impact of Aviva's error on Mr H, and also taken into account the levels of compensation which this service would typically award for errors such as this. I am satisfied that the offer of £250 is fair and reasonable and is in line with what this service would typically award for issues such as this. I understand that Aviva have already paid this amount, in addition to £270.05 in interest for the tax free cash, therefore there is nothing further to pay. When considering redress payments, interest is added to compensate someone for missed investment opportunity. Aviva have provided evidence that Mr H's fund was invested, in line with what he selected, backdated to 17 December 2024, meaning that

he did not miss any investment opportunity. I am satisfied that Mr H would have invested in this way at 18 December 2024, therefore I am not asking Aviva to make any interest payment in relation to the rest of the fund.

My final decision

I uphold Mr H's complaint against Aviva Life and Pensions UK Limited.

Aviva Life and Pensions UK Limited have already demonstrated that they have backdated the start of Mr H's investment within his drawdown policy to his 75th birthday, paid him interest of £270.05 on his tax free cash and paid £250 for the inconvenience caused. I'm satisfied that is fair and reasonable in the circumstances and do not request that they do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 November 2025.

Joanne Molloy
Ombudsman