

The complaint

Miss L complains about the way Scottish Equitable Plc trading as Aegon (Aegon) has handled the transfer of her pension to another provider in order to purchase an annuity. She says its errors and lack of communication has left her without access to her funds for months and this has impacted her financial situation. She would like the transfer to be completed and to be compensated for the distress and inconvenience caused.

What happened

Miss L has held a pension plan with Aegon since 1989 which comprised a number of segments across both protected and unprotected rights benefits. In 2024 she wanted to transfer some of her funds to another provider who, after releasing some tax free cash (TFC), would then set up a fixed term annuity for her to run until her state retirement age. In August 2024 Miss L switched her funds with Aegon into a cash fund in readiness for the transfer which was requested by the new provider in November 2024. Miss L said that she understood any residual funds were to be held in a separate drawdown plan with Aegon.

After some delay the transfer completed in December 2024 but instead of a partial transfer the entire fund was transferred to the new provider and Miss L's plan was closed. So Miss L complained and Aegon told her that the new provider should return the funds to it and that she "*wouldn't lose out*". The funds were returned to Aegon shortly afterwards.

But Miss L says that, despite Aegon advising her that it was undergoing further "checks", the transfer of the correct amount still didn't complete. In February 2025 Miss L told both parties involved the matter wasn't resolved. She said she hadn't had access to her funds for some months and had now incurred a variety of financial (and non-financial) losses. She confirmed she'd previously given permission for a partial transfer across segments of her plan of which she knew there to be one larger segment and two smaller ones. She'd also specified that it should be a partial transfer. So she didn't understand why the transfer had completed correctly.

In February 2025 Aegon explained to Miss L that in this case it couldn't transfer an exact monetary amount and, as the plan was split into 10 segments it could only settle full segments. So it said it wasn't able to partially transfer £32,050, but could transfer the number of segments closest to the value that was requested.

But Miss L, despite chasing for updates, heard no more from Aegon and the transfer didn't progress. So she brought her complaint to us where one of our investigators looked into the matter. She thought that the complaint should be upheld, noting that she had only received information from Miss L about the complaint to date.

She was unable to form a timeline of events but thought that Aegon ought to have communicated its process for transferring individual segments of a plan and that, if it had done so clearly in advance of the transfer, Miss L would have accepted that, and the transfer could have completed within 10 working days and the annuity set up within a further five working days.

She said Aegon should now work with the new provider so that an annuity could be set up on that basis – as well as adding interest to the TFC that should now be paid. She also set out a redress recommendation for the residual funds that were to be invested into a drawdown plan as well as recommending that Aegon pay £500 compensation for the impact the matter had on Miss L's financial situation and health.

Miss L accepted the investigator's view although she questioned the effect any redress might have on her annual income allowance. But Aegon didn't respond to the investigator's assessment and so the matter was referred to an ombudsman and passed to me to review.

My provisional decision

In my provisional decision I reached the same outcome as the investigator, but set out a different recommendation for the redress. I made the following points as part of my findings:

- Having received some information from Aegon I was able to put together a more accurate timeline. I thought the evidence supported the idea that Aegon acted fairly during the first part of the transfer because it identified it wasn't a full transfer and, not unreasonably, asked the other provider to confirm which of the segments needed to be transferred. So up until the point at which the funds were returned, I couldn't reasonably say Aegon had done anything wrong.
- But when the funds were returned all parties were aware the transfer should be a partial transfer of £32,050. So I had to consider at what point Aegon needed to take responsibility for providing the necessary information for the transfer to be progressed.
- Aegon said it should have contacted Miss L directly on 28 January 2025 to resolve matters and provide illustrations. But I thought the annuity provider's email of 6 January 2025 made it clear that it wouldn't have been able to work out how many segments needed to be encashed to provide the right value for the partial transfer, and it also asked Aegon to liaise with Miss L at that time. So I thought Aegon ought to have contacted Miss L at that point and I thought that if it had, this would have allowed things to progress in line with the timeline Aegon set out in its compensation offer.
- Although Aegon could, quite correctly, suggest that it couldn't have done anything until the funds were returned, I thought it could have started the process of working with Miss L on 6 January 2025 as it was clear it had been advised that the process of returning the funds had already begun by then.
- I thought the investigator's recommendation that Aegon pay Miss L £500 for the impact its actions had on her was fair and reasonable in the circumstances.
- But I hadn't seen any evidence to suggest Aegon had told Miss L that any residual funds left after the transfer would be put into a new drawdown plan. Aegon had told us that it doesn't offer such a plan in any case but that there are digital alternatives that Miss L can access if she wants to contact its service, and she is also free to transfer to another provider. I thought these were reasonable alternatives that Miss L was now free to pursue.

- But in respect of the delay in progressing the transfer I said that Aegon should work out the annuity Miss L would have received if it had provided illustrations to her on 6 January 2025 and then followed the rest of timeline that it had set out to complete the transfer. It should also make any annuity payments that should have been paid had the annuity had been set up by that point. Interest should be added to the annuity payments and the TFC that should have been paid.

Responses to the provisional decision

Miss L said:

- She was clear in requesting a partial transfer, so it was unclear why Aegon transferred the whole fund. The other party had also made this clear in its request. Aegon should have contacted her to clarify this “anomaly” as it wasn’t made clear to her how many segments there were and how they should be accessed.
- Aegon had made it clear to her that she could move her remaining funds to “an appropriate account” after the transfer. She always understood they couldn’t remain invested in the existing plan.

Aegon said it broadly accepted the decision but wanted me to take into account the following points:

- The other provider only instructed its finance team to return the funds on 6 January and these weren’t returned until 10 January 2025. During this time it had marked the plan as “closed” and it held a zero value. So, as it couldn’t reinstate the plan until 28 January 2025, it wouldn’t have been able to provide any illustrations while the plan remained closed. Therefore, it didn’t accept my suggestion of a starting point for the calculation (6 January 2025) and thought it should remain, as set out in its offer, at 28 January 2025.
- It didn’t have to accept the funds back as it didn’t think it was at fault for the transfer error. Its decision to accept the funds was a gesture of goodwill.
- It has also noted that in the notional timeline it set out in relation to its offer, it assumed Miss L would have responded to its transfer quotation on the same day to confirm her preferred option. But she only confirmed receipt of the email three days after it was sent and to date hasn’t provided any instruction about her preferred option. So it thought it would be fair to amend that part of its timeline to better reflect the actual time it took Miss L to respond to its request.

Following these responses Aegon continued to tell us that Miss L had yet to acknowledge its illustrations for the amounts to be withdrawn and so it was unable to progress matters. It also said this supported its view that the one working day it had allowed for Miss L to respond to that information in its hypothetical timeline should be amended to reflect the fact she had yet to respond.

For her part Miss L explained that she wasn’t in a position to agree the figures because her position had changed due to the time taken to set up her annuity, and she wanted to discuss this situation with Aegon on the telephone to agree a way forward. And to date Aegon hadn’t been able to set up appropriate security with her to enable that call to take place – despite her providing Aegon with numerous dates and times when she would be available. She said she also wanted to discuss the matter of what to do with the residual funds after the transfer completed.

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.

And after carefully consideration of the responses both parties have provided – and having asked for further comments on the current position and the lack of progression with the

transfer – I see no reason to depart from my provisional findings. So I'll set out my final reasons below.

At the time of the transfer request Miss L was seven years away from her normal retirement age – when she would have been eligible to receive her state pension. She's explained to us that her current situation is that she uses her flexible mortgage account for everyday expenditure and her worsening financial situation meant she decided to access her pension to alleviate her position.

So she agreed to purchase a seven year fixed term annuity plan with another provider and asked Aegon to carry out a partial transfer of her pension funds to set up the plan. This was first created on the electronic transfer service (Origo) on 25 November 2024.

The first transfer

Miss L wanted to transfer part of her pension fund. This was set out in the annuity provider's initial request but unfortunately Miss L's policy was split into a number of individual segments which could only be encashed in full. Aegon explained this to the provider through Origo on 12 December 2024 stating, "*please confirm the amount of segments you wish us to transfer.*" The provider's response was "*client confirmed she would like all segments transfer so her total pot of £32,050.*" Aegon subsequently transferred the entire fund of over £48,000.

I think the annuity provider's instruction was contradictory, but because it stated that *all* the segments should be transferred as Miss L's "*total pot*", I can't reasonably say Aegon was wrong to follow the instruction in that way. And I note the provider itself told Aegon that although it specified that £32,050 should be transferred its request was for a full transfer and it accepted responsibility for that action.

Thereafter both parties negotiated a return of the funds and agreed that a new transfer request would be made when the funds had been returned. So up to that point I don't think Aegon was responsible for the error and delay in progressing the transfer correctly and so I can't say that period should be included in any redress.

Post 6 January 2025

On 6 January 2025 Aegon acknowledged the funds would be returned as set out by the annuity provider in an email three days earlier. It restated the process for a partial transfer and said it would accept a new transfer request when it had put the plan back to its original state. But it still said the annuity provider would need to confirm how many segments were to be transferred. I'm not persuaded the provider was ever in a position to do that – not being aware of the value of the individual segments. Nor do I think Miss L would have known that either as only Aegon held the up to date values of the plan and each individual segment.

So I don't think it was unreasonable for the provider to say, on the same date, "*please can you liaise with Miss L to clarify the individual amounts relating to each segment (and any segment numbers or policy numbers) so we can make separate requests.*"

I think Aegon ought to have made contact with Miss L at that point. I think the provider, understandably unclear on how to submit a new transfer request accurately to Aegon, was asking for help and input at this point – and it did directly ask Aegon to "liaise" with Miss L. And I think Aegon, now knowing what Miss L wanted and having seen an incorrect application submitted previously, ought to have understood that it would most likely have to provide the information necessary to Miss L to enable the transfer to complete properly. I

note that the subsequent illustrations Miss L received from Aegon offered two options depending on how much she would like to withdraw (they were the two closest amounts to her requested withdrawal) and this would support the idea that neither the provider nor Miss L would have been able to make a such a request based on information they held.

Aegon has subsequently said that the first request it received directly to help Miss L came in an email from the annuity provider on 28 January 2025. It said this was also the date by which it had fully reinstated the original policy and therefore it couldn't have helped Miss L before this as it the plan was "closed" and held a nil value – so it simply couldn't have calculated the options available to Miss L and sent her illustrations as its systems wouldn't have allowed it. So it thought I should revise the start date of when I thought it should have intervened from 6 to 28 January 2025 – as set out in its hypothetical timeline within its offer of redress.

I've thought very carefully about this matter. But I don't believe the fact that the funds hadn't been returned by 6 January is material to this, as the provider had already said it had sent the funds – so it was only going to be matter of a few days before they "cleared", and I note they were with Aegon by 10 January 2025. So I think Aegon could have at least contacted Miss L by 6 January 2025 to discuss the situation with her which I think would then have led to the transfer process beginning in earnest as it had originally on 25 November 2024. I've thought about whether the "systems" would have prevented Aegon from progressing matters, but I don't think they ought to have done.

I think Aegon could have used any historic information it held on the values from before the transfer was first completed and I believe – considering the delay that had occurred, and the inconvenience that Miss L had suffered as a result of the original error, that Aegon could have provided some manually calculated illustrations for Miss L to consider. I think these could have been finalised as the transfer progressed when Aegon was able to produce up to date values after the full reinstatement of the plan. I note the illustrations that were eventually produced couldn't match the exact amount Miss L wanted to withdraw – so I think something that was close to that amount would have been satisfactory for Miss L to consider at that point.

So, taking everything I've been presented with into consideration, I think Aegon could have started the process with Miss L on 6 January 2025.

Aegon's offer of compensation

Aegon initially set out an offer of redress to put Miss L back into the position she would now be in had the transfer progressed and completed within the hypothetical timeline that it proposed. I've addressed the issue of the earlier starting point above and I said in my provisional decision that I thought Aegon's timeline was fair and reasonable. I'll set all this out again below.

But following my provisional decision, Aegon said that when it did issue the illustrations to Miss L it took her three days to acknowledge its email and to date, she still hasn't confirmed which option she would like. It says that because of Miss L's actions it doesn't think the one day it allowed for her to receive and respond to the illustrations it had previously used within its timeline is still appropriate.

It would like me to amend that timeline to more accurately reflect the actual time taken. I've thought about Aegon's proposal carefully, but I remain of the same view that a redress calculation should be made up to the date of this final decision. I say that for two reasons. Firstly Aegon says it sent the illustrations to Miss L on 11 July, but she didn't acknowledge it until 14 July 2025 – so three days instead of the one it allocated. But this period spanned a

weekend, so Miss L actually responded within one working day, which I think is broadly in line with what Aegon had originally stated.

Secondly Aegon says Miss L has yet to confirm her preferred option, so this should also be taken into consideration. I asked Miss L why she hadn't responded to the illustrations and she explained that because of the long delay in being able to access both her TFC and the fixed term annuity, her circumstances had changed. She says she needs to reconsider the amount she requires. She also said the delay had cost her nearly one year's worth of payments and reduced the length of time for which she can draw funds from seven to six years. In addition she says she asked Aegon a number of times to make contact with her so that she can discuss her options going forward, and to date she hasn't had that contact. In addition the annuity provider has now cancelled the original application and requires a new application to be made.

I've seen the communication between Miss L and Aegon since my provisional decision and I can see that the situation seems to have reached something of a stalemate. It would appear that's because of issues with setting up security in order that Miss L can safely discuss her situation with Aegon. It's not for this service to comment upon or tell a business to change its day-to-day commercial processes. But I would urge both parties to try to find a way for this line of communication to be opened. Perhaps the issuing of this final decision will allow Miss L to have all the information she needs to progress matters.

I don't think Miss L's position is unreasonable here considering the journey she has been on to try to transfer her pension funds. If she had simply delayed her response to Aegon I would have been more inclined to consider its proposal to consider a change to the time it allowed Miss L to respond in its timeline. But the fact that some months later she still hasn't committed to one of the options would support the claim that she is unable to do so without more information and discussion with Aegon and the annuity provider.

What I have to consider here is what would have happened if Aegon had started the process of transferring on 6 January 2025. And I think that Miss L would have responded to Aegon's illustration request as soon as was practically possible, because none of the factors that have now caused her uncertainty would have been in place. I see no reason why Miss L wouldn't have reacted within the timeline set out by Aegon had the process begun in earnest in January 2025.

The residual funds

The question of what happens to the funds that are left within Miss L's plan after the transfer remains outstanding. Miss L wants this to be resolved at the same time as the transfer (and payment of any redress) and says that Aegon told her several times it would simply be moved to an "appropriate account". Aegon however says it doesn't offer such a plan and so it wouldn't have told her that would automatically happen. It says it has offered Miss L the option of contacting a digital team that may be able to provide that type of plan and she can also of course transfer her funds elsewhere. I haven't been provided with any evidence which confirms those initial conversations but I have no reason to dispute Miss L's assertion that it was discussed and a solution was confirmed.

As I said previously in my provisional decision – and I've not been presented with any evidence to change that position – there's nothing to support the idea that Miss L was told an automatic transfer to a drawdown plan would be arranged. So I can't say Aegon was obliged to do that. I'm also satisfied that Aegon couldn't have carried out such a transaction unless Miss L approaches the team within Aegon that offers the digital service. I think it's for Miss L

to consider what option she would like to take up going forward regarding the residual funds and I don't think this ongoing discussion should prevent the transfer from progressing separately.

I appreciate that Miss L would like to be sure of what will happen to her residual funds – she has told us she understands they can't remain invested in her current plan – but I can't say Aegon has acted unfairly over this issue. I understand Miss L's funds have remained in cash throughout this whole period, so I have considered whether redress should be awarded for the loss of the potential investment returns of these residual funds during this time.

But I haven't seen sufficient evidence to suggest Aegon failed in any obligation to invest the funds, so I don't think it's at fault here. And in any case there's nothing to suggest how Miss L might have invested her funds, nor what level of risk for example she would have been prepared to take. So I don't think it would be fair to consider redress for that missed investment potential.

Putting things right

So to put Miss L as close to the position she should now be in had the transfer progressed along the lines that I've set out – and using Aegon's hypothetical timeline where appropriate – Aegon should:

- Work with Miss L to establish which of the options she would prefer and then calculate what she would have received if Aegon had begun the process of issuing quotations to her on 6 January 2025 – and thereafter follow the timeline that Aegon has set out in its offer. For completeness Aegon said it would have taken five working days to issue a quotation – assuming Miss L would have returned the quotation the same day she received it – setting a claim date for two days later (assuming an Origo request was made), releasing the funds to the new provider eight working days later, and assuming the new provider would have set up the annuity five working days later and paid the TFC at the same time. I think the timescale Aegon has set out is fair and reasonable in this case and I see no reason why it shouldn't be followed in working out the redress. Aegon will also need to consult with the new provider for information around the new annuity rates etc.
- Pay any annuity payments that would have been made if the annuity had been set up by the date arrived at by following the above calculation, with interest payable at 8% simple per annum from the date each payment was due up to the date that they are actually made.
- Pay 8% simple interest per annum from the date the TFC should have been paid to the date it is eventually paid.
- Pay Miss L £500 compensation for the impact caused to her by the errors and delays. This has been broadly accepted by Aegon following my provisional decision and so therefore I think it's a fair and reasonable sum and in line with our guidelines around compensation awards for this level of impact.

For her part, and I hope the closure offered from this final decision will allow her to do so, Miss L needs to work with Aegon to confirm her preferred withdrawal amount option. I understand she will most probably need to complete a new application form for her annuity with the provider.

Miss L has also told us that the delay in receiving any payments and accessing her funds means she may have to reconsider the amount she transfers to make up for the "lost" year of her fixed term annuity. Of course Miss L is free to do that and should consider her options carefully, but I hope the redress calculation methodology I've set out above – which allows for the payment of the income she would have received if the transfer completed when it

reasonably should have done – will put her in the position she ought now to be and allow her to continue with her original partial transfer. But I need to be clear that the formula set out above should be based on one of the two options from July 2025 that Aegon set out – depending on which one she chooses to accept.

Miss L has also referred to “losses” that she may suffer having lost the opportunity to receive some payments within the 2024/2025 tax year. I asked Miss L to clarify this and she said that it was simply her intention to further explain the impact this matter had on her. But as the fact remains that the redress payments are for both the last tax year and this, I think it would be helpful for Miss L, if she requires any evidence of her total income going forward, if Aegon can set out the redress calculations in a clear and simple way – separating out which payments should be allocated for each tax year for clarity.

My final decision

For the reasons that I’ve given I uphold Miss L’s complaint. Scottish Equitable Plc trading as Aegon should pay Miss L redress and compensation as set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss L to accept or reject my decision before 12 November 2025.

Keith Lawrence
Ombudsman