

The complaint

Mr B complains that Aviva Life & Pensions UK Limited (“Aviva”) unreasonably delayed the payment of a pension commencement lump sum (“PCLS” – otherwise known as tax-free cash) from his pension savings.

What happened

Mr B holds pension savings with Aviva. In September 2020 he contacted Aviva to confirm the basis upon which he might be able to use his pension savings to take a PCLS whilst leaving the remainder invested within his pension. Aviva confirmed to Mr B that the approach he wished to take would be possible.

In March 2024 Mr B wrote to Aviva requesting that he be allowed to take a PCLS from his pension plan leaving the remaining funds invested. He asked Aviva to send him the necessary forms for that request to be completed. Around a week later Aviva wrote to Mr B to tell him that a partial encashment of his pension savings was not currently available.

Mr B complained to Aviva, using its online form, about that response, and its contradiction of the information he’d previously been sent in 2020. Aviva says that complaint was not received. When he received no response Mr B contacted Aviva again in early May. It sent him a retirement options pack and his pension savings were transferred to a new drawdown plan. The PCLS was paid to Mr B on 7 June.

In its final response letter Aviva told Mr B that he had misunderstood its letter in early April. It said it was simply telling him that the payment of the PCLS was not possible through the plan he currently held, but that it could be achieved by use of another product as ultimately happened. So it didn’t uphold his complaint. But later, after Mr B had brought his complaint to us, Aviva accepted that its letter in April 2024 hadn’t been as clear as it should have been. So it offered Mr B £150 for the inconvenience he’d been caused. Mr B didn’t accept that offer and asked us to continue looking at his complaint.

Mr B’s complaint has been assessed by one of our investigators. He noted that Aviva had agreed its letter to Mr B had been unclear. He thought that the compensation Aviva had offered Mr B for his inconvenience was fair. But the investigator thought that Aviva also needed to work out whether the delay in the PCLS being paid had caused Mr B to lose out. So he asked Aviva to calculate, using an investment benchmark, whether any further compensation should be paid to Mr B.

Both Mr B and Aviva accepted the investigator’s findings. Aviva paid the £150 compensation to Mr B for his inconvenience. But when it completed its calculations Aviva told Mr B that it didn’t think the delays to the PCLS payment had caused him any loss.

Mr B told us that he disagreed with Aviva’s calculations for two reasons. He said that he thought the benchmark our investigator had said should be used did not adequately reflect his circumstances. And he thought that the value of the PCLS Aviva ultimately paid him included some interest for the late payment. He said the comparison of investment loss should be based on the actual PCLS generated from his pension savings. So, as the

complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr B and by Aviva. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

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.

It seems, from our investigator's assessment, that both Mr B and Aviva are now in agreement about the delay to the payment of the PCLS. Our investigator concluded that, had nothing gone wrong, the PCLS should have been paid to Mr B on 24 April 2024, rather than 7 June when it was received. I've looked at what happened and think that those dates are a reasonable reflection of what should have happened. So what remains for me to determine in this final decision is what Aviva should do in order to put things right.

To do that I need to consider the position Mr B would have been in had nothing gone wrong. If the PCLS had been paid at the earlier date, its value would have been a little less. The PCLS that was paid to Mr B was £133,520, and that amount was later increased to £134,071 by the addition of some interest for the late payment. Had the PCLS been paid on 24 April it would have been £130,171. So it is clear that, whilst the delays were being experienced by Mr B, his pension savings continued to benefit from some investment returns and increased in value resulting in a commensurate increase in the PCLS he received.

Understandably it isn't entirely certain what Mr B would have done with the PCLS if it had been received at the earlier date. But Mr B has indicated that he would have invested it and asked for investment losses to be considered as part of the compensation. So that would reasonably lead me to conclude that Mr B had no pressing financial needs for the PCLS such as the repayment of other borrowing, or other commitments that he needed to meet. So I think it reasonable that the compensation I assess is on the basis of the monies being invested.

In circumstances such as these, where investment plans might not be entirely defined, I think it reasonable to use an industry benchmark to assess the sort of investment returns that might have been enjoyed. By using that benchmark I am not suggesting that would have been the actual investment Mr B would have made. But instead I think an appropriate benchmark would give a fair indication of what might have happened.

In this case, from what I know of Mr B's circumstances, he was likely to have taken a longer-term view of the investments he made with the PCLS monies. So, I think it would be fair to conclude that he might have been willing to take some risk with his investments in the hope that they might produce better returns. Generally, in circumstances such as these I would think that using the FTSE UK Private Investors Income total return index would be a fair comparison.

I am not persuaded that the other indices that Mr B has proposed, either the FTSE UK Private Investors Balanced or Growth indexes, would be appropriate here. In my experience those indexes would be representative of much higher levels of risk than I think Mr B would have been willing to take with his monies.

Using the FTSE UK Private Investors Income total return index as the basis for the calculation has led Aviva to explain to Mr B that the delay to taking his PCLS hasn't caused him to lose out. In simple terms it has calculated that the investment performance of Mr B's pension savings during that delay was greater than that of the comparative index. And its calculations indicate that would be case whether it compared the original PCLS plus investment returns to the base PCLS that was paid to Mr B, or that increased by the addition of some late payment interest.

I don't think it unreasonable to consider the actual amount of the PCLS that was paid to Mr B, including the interest for the late payment, to be used as the basis for the comparison. The interest he was paid reflected compensation for the later payment – and so should be offset against any investment losses that might have occurred.

So I think that the basis of the calculations performed by Aviva is fair and reasonable. But I have noted that the comparative performance data used by Aviva, and that supplied by Mr B is very different. Aviva has calculated that the relevant index increased by around 0.8% over the period of the delay. Mr B has said his calculations show an increase of 3.14% over that time. The increase suggested by Mr B does suggest a small investment loss was incurred. So I think it would be appropriate for Aviva to redo its calculations and provide a clear explanation of those results to Mr B regardless of whether or not it considers a loss has been shown.

There is little doubt that this delay will have caused some distress and inconvenience to Mr B. Our investigator recommended that Aviva pay Mr B £150 for the inconvenience he had been caused. That part of the investigator's assessment was accepted by both Mr B and Aviva, and I understand that part of the compensation has now been paid. Like our investigator I think that amount of compensation is fair and reasonable and in line with what I would award in circumstances such as these. So I'm not persuaded Aviva needs to pay any further compensation for the inconvenience caused to Mr B.

I appreciate that these finding will be disappointing for Mr B. But I am satisfied that the benchmark I have set out is a fair and reasonable reflection of the sort of investment returns Mr B might have achieved had the PCLS been paid to him earlier. So I will repeat the instructions given by our investigator and ask Aviva to redo its calculations and explain its findings to Mr B in a clear and easily understood manner.

Putting things right

I am satisfied that it would be reasonable to conclude the PCLS should have been paid to Mr B by 24 April 2024 rather than when it was actually received on 7 June 2024. So Mr B was unable to invest those monies during the delay. It isn't possible to be certain what investments Mr B would have actually made so I think the use of a benchmark would give a reasonable indication of what investment returns Mr B might have achieved.

The FTSE UK Private Investors Income Total Return index is a mix of diversified indices representing different asset classes, mainly UK equities and government bonds. I think it would be a fair measure for Mr B's circumstances - someone who was prepared to take some risk to get a higher return.

To put things right, Aviva should;

- Calculate the return shown by the FTSE UK Private Investors Income Total Return index between 24 April 2024 and 7 June 2024.
- Increase the value of the PCLS Mr B would have received had it been paid on 24 April 2024 (previously agreed to be £130,171.66) by the return calculated above.
- Compare the value calculated against the amount actually paid to Mr B on 7 June 2024 (£134,071.00). Should the calculated value be more than the actual value paid Mr B has lost out and should be paid compensation equal to the difference.

Regardless of whether any loss is identified Aviva should write to Mr B setting out full details of its calculations in a clear and easily understood format.

I think that the £150 Aviva has already paid to Mr B for the distress and inconvenience he has suffered is fair. I don't think any further payment in that regard needs to be made.

My final decision

My final decision is that I uphold Mr B's complaint and direct Aviva Life & Pensions UK Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 14 October 2025.

Paul Reilly
Ombudsman