DRN-5841691

## The complaint

Mr R complains that Phoenix Life Limited trading as Standard Life (Standard Life) have miscalculated his remaining tax-free cash allowance under his Self-Invested Personal Pension Plan (SIPP). He wants the error corrected.

## What happened

Since 2019 Mr R has used his SIPP with Standard Life to withdraw tax-free cash (TFC) on a phased basis through income drawdown. He placed further instructions to make withdrawals from October 2023, but an error was made resulting in a separate complaint to this one being raised. This complaint was resolved with Standard Life paying compensation and confirming that no further TFC was available from the plan. Mr R queried this and exchanged spreadsheets with Standard Life showing transactions and policy values. Standard Life didn't agree with Mr R's figures, and it didn't accept his complaint as it said its own figures were correct.

Mr R referred his complaint to our service. He said based on Standard Life's website, Google searches and HMRC's pension tax manuals about how drawdown operated, Standard Life had incorrectly calculated the remaining fund value available to provide TFC. He said his own calculations, updated with further figures from Standard Life, of the three relevant factors (total TFC withdrawals to date, and the *"savings pot"* and *"drawdown pot"* values) showed the remaining value of the savings pot (which could provide TFC) was around £21,000, but Standard Life said it was zero. Our investigator asked Standard Life about its processes and the plans operation. It said Mr R's calculations weren't correct, as they didn't reflect that investment returns arose in both the savings and drawdown pots not just the savings pot. It said its own figures had been checked on multiple occasions and were correct.

Our investigator didn't uphold the complaint. She said whilst there did appear to be some discrepancies in the figures from Standard Life, these were small and didn't account for the difference of over £20,000. She said whilst Mr R had said Standard Life's documents didn't refer to investment growth being applied to the drawdown pot, these did say that the funds would remain invested and could rise and fall in value. She said if Mr R had any other evidence that there were funds left in the savings pot, she would reconsider the matter.

Mr R didn't agree and sent a detailed response including various documents. He said these showed that his interpretation that the savings and drawdown pots were only for the management of TFC and pension income, not for investment purposes, was correct. He said an AI Google search had answered the question *"What is a Standard Life Pension Pot?"* as being the *"total value of your savings held within a pension plan managed by Standard Life",* including contributions, growth and after charges. And that its own documents said once in drawdown the pot would be split to keep track of and to manage the TFC entitlement. He said this meant the pension pot was the total value of any investment growth, all prior TFC withdrawals and any now intended, plus an amount of three times the total TFC withdrawals (the drawdown pot), plus the value of the savings pot *"which equates to the total amount of the first part less the total withdrawals and less the amount equal to three times the total withdrawal."* But the value Standard Life was stating for the drawdown pot was incorrect as this wasn't three times the actual TFC sum paid, meaning the value of the saving pot was also incorrect.

Our investigator put Mr R's further points to Standard Life. It said the purpose of the drawdown pot was to differentiate between the uncrystallised funds which could still pay TFC and the crystallised funds in the drawdown pot which couldn't. But all funds in the plan were subject to investment growth. It said Mr R's calculation was effectively that the savings pot value should be the current value of the plan minus three times the actual withdrawals made, incorrectly ignoring investment growth on the drawdown pot. And even if his figures had been correct his calculation was logically wrong as it added a value including investment growth but then deducted one which didn't, resulting in the £21,306.54 figure he claimed. It said minor discrepancies in fund values Mr R had queried such as £153,999.99 compared to £154,000.02, were due to rounding on the fund price. It said whilst the examples from its literature showed the drawdown pot as being three times the TFC paid, this was just a day one example, and nothing suggested the value would remain unchanged.

Mr R also made some further points, but our investigator said she hadn't changed her mind and didn't think Standard Life had made an error. She said the operation of phased drawdown was that his plan would be split into two pots which remained invested. Mr R didn't agree and provided an updated schedule and again referred to various documents which explained how drawdown worked, none of which stated that the value in the drawdown pot *"is subject to investment enhancement"*. And he said Standard Life had been unable to demonstrate that the drawdown pot had any other us than as a management tool.

As Mr R doesn't agree it has come to me to decide.

## 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'm not upholding the complaint.

I've carefully considered all the point made by Mr R in coming to my decision and I'll address what I consider to be the main issues. I don't think Standard Life has made any error and from the evidence I've seen it appears to be administering Mr R's drawdown plan correctly on a basis that is typical in the marketplace. And given the requirements applying from both the financial regulators and HMRC, that isn't surprising.

The regulations round TFC are well known, if complex. With a few special case exceptions, the maximum that can be provided is 25% of the fund value, usually at outset. When benefits are taken, HMRC refers to them as being crystallised, and before that, as uncrystallised. Standard Life, perhaps in an attempt to simplify things, uses the terms drawdown and savings pots respectively. Once benefits are crystallised it isn't possible to subsequently pay any further TFC from them. They can provide taxable income or be used to purchase an annuity, which again would provide taxable income. But Mr R's argument appears to be that any growth on the value of the crystallised fund should be allocated to his uncrystallised funds, effectively allowing TFC to be paid again on that growth. HMRC wouldn't permit this, and potentially significant tax penalties could be applied. So, providers require robust systems to keep track of the two types of benefits and the overall amount of TFC paid given that there are also restrictions on this.

Both the Standard Life documents and the extracts from HMRC's pension tax manual Mr R has provided show a day one crystallisation event into drawdown. Where if £1,000 of fund is crystallised, £250 of TFC is available, with three times that (£750) now being crystallised in the drawdown pot. Neither document says that this figure is fixed. Standard Life's document continues that *"any money left in your pot stays invested"* and importantly, that investment instructions would need to be given for the funds now held in the drawdown pot. So, Mr R would have provided instructions for this when he first entered drawdown, and if this pot was just for reconciliation calculations, there would be no need for this. A further AI Google search Mr R provided asking the question *"What does pension drawdown crystallisation mean"*, says that typically 25% can be taken as TFC then,

> *"The crystallised fund: The remaining 75% of your pension pot is placed in a new drawdown account, where it is officially "crystallised". From this fund, you can take an income as and when you need it. Withdrawals from the crystallised fund are subject to income tax."*

So, all of these sources say a separate drawdown pot or account will be created and that future withdrawals are subject to income tax. But none of them state that any further TFC can be taken, that the crystallised value is fixed or that any growth on the drawdown account will be allocated to the uncrystallised fund. Which given the potential significance of the impact of tax on future benefits would be a surprising omission, if the treatment outlined by Mr R was available.

As Standard Life says, consideration of its schedule shows the running total of the savings pot decreasing after withdrawals as the drawdown pot value increases. With both pots also changing in value due to investment returns, which is the pattern I'd expect to see. As there's no evidence Standard Life's records are wrong, and I don't think Mr R's interpretation of the statements in the documents he's provided is correct, it wouldn't be fair and reasonable for me to uphold his complaint.

**My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 18 November 2025.

Nigel Bracken
**Ombudsman**