

The complaint

Ms E complains that Legal and General Assurance Society Limited (“L&G”) treated her unfairly when she took an income withdrawal from her pension savings in April 2022.

What happened

Ms E holds pension savings with L&G. Those pension savings have arisen from contributions made by Ms E and her employer, and from the transfer of some pension benefits that she had accrued in the past in other pension schemes.

Ms E took some advice about her pension savings from another regulated firm in September 2020. That advice led Ms E to make some of the decisions that have led to this complaint – to transfer historic pension savings to L&G, and to take some of those benefits when she reached her 55th birthday as a pension commencement lump sum (“PCLS” – more generally known as tax-free cash).

Following a conversation with Ms E at the start of March 2022, L&G sent her an options pack to allow her to put some of her pension benefits into payment. The options pack set out a number of choices Ms E could make about how any pension benefits could be paid to her. Ms E selected the payment of a partial lump sum of £60,000. Following receipt of that choice L&G sent Ms E a quotation explaining that £15,000 of her payment would be made free of income tax, with the remaining £45,000 being liable to income tax at her marginal rate. Ms E accepted the quotation on 9 May, and the income was paid to her around a week later.

Around two years after the income had been paid, in August 2024, Ms E complained to L&G that income tax had been deducted from her pension income payment. L&G didn’t agree with her complaint. It told Ms E that the option she had chosen had been correctly reflected in the payment it had made. And it told her that once a payment had been made it was unable to reverse that process. Unhappy with that response Ms E brought her complaint to us.

Ms E’s complaint has been assessed by one of our investigators. She thought that both the options pack and quotation that were sent to Ms E had been clear that 75% of the payment would be taxed at her marginal rate. And whilst the investigator also thought that L&G was correct in saying that the payment could not be reversed, she suggested Ms E should further discuss her situation with HMRC. But since the investigator didn’t think L&G had done anything wrong, she didn’t think Ms E’s complaint should be upheld.

Ms E didn’t agree with that assessment. She sent us a copy of a revised options pack that L&G had recently issued to her that she said made the payment choices clearer – Ms E thought that suggested L&G was aware the pack she had received was confusing. 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 Ms E and by L&G. 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.

In 2020 Ms E received advice from a regulated firm, so she was entitled to rely on the recommendations she had been given. But her relationship with L&G was very different. L&G did not provide Ms E with any advice, or recommendations, it simply acted upon any instructions she gave to the firm. It was for Ms E herself to ensure that the instructions she gave were correct and would achieve her financial objectives.

I have no doubts, having reviewed the advice Ms E was given in 2020 and what she has said as part of her complaint, that Ms E wished to just take a PCLS of £60,000 when she got in touch with L&G in March 2022. But it is equally clear that the instruction that Ms E gave to L&G, and confirmed after receiving its quotation, was for the payment of an uncrystallised funds pension lump sum ("UFPLS"). And as was explained on the documentation L&G sent to her that would mean that only 25% of her payment would be free from income tax.

Ms E's application for taking some pension benefits was in two stages. Firstly L&G sent her what it called an options pack. That set out the various choices that Ms E could make and asked her to complete a form setting out her decision. I've looked carefully at the form that was sent to Ms E and cannot conclude that it failed to make her reasonably aware of the income tax consequences of the choices she was given. In particular, in relation to the choice Ms E made it said;

"the first 25% of each lump sum is usually tax-free. while the rest is subject to income tax"

Ms E has said to us that she thinks the problems she faced fall into the category of "you don't know what you don't know". And to a large extent I agree with her sentiment. The section she should have chosen on the form was headed "*Take a flexible income*" rather than the "*Take Cash*" option that she selected. I can understand why, with limited knowledge of the pensions market, Ms E made the mistake she did – but the "take a flexible income" section offered the opportunity take tax free cash, and specify no income should be taken at that time so meeting Ms E's objectives. And as I have set out above, it was Ms E's responsibility to ensure the choices she made were a correct reflection of her intentions. It was not for L&G to second guess what she had asked it to do.

Ms E has acknowledged that the quotation information L&G sent to her did set out that income tax would be payable on some of her withdrawal. She says she assumed that was general information and that once all the processing had been completed it wouldn't apply in her circumstances. But I cannot see anything in the information L&G sent to Ms E that might have reasonably led her to that conclusion. Instead I think Ms E sadly misdirected herself

and failed to make L&G aware that the quotation it had sent to her was not in line with her expectations.

HMRC has very strict rules about whether, or how, pension income payments can be reversed. In most cases it is not possible to return income payments once they have been taken from pension savings. I think that is the case here as L&G has explained to Ms E. And I think that conclusion is only strengthened by the length of time it took Ms E to make L&G aware of her concerns about what had happened. Even if a correction had been allowed under HMRC rules it is unlikely that it could have been actioned more than two years after the payment had been made.

I have looked at the changes L&G has recently made to the options letter that it sends, asking a consumer to decide how their pension benefits should be paid. I accept that some changes have been made to the section Ms E was required to complete. But I haven't seen anything that would make me think those were needed because the original information was deficient. Regulated firms make changes to their documentation on a regular basis, both to improve the customer experience and assist with operational efficiencies. I don't think the original documentation that was sent to Ms E in 2022 was unclear.

I understand how disappointing this decision will be for Ms E. Not only has she needed to pay higher rate tax on some of her pension withdrawal, she now also faces lifetime restrictions on the amount she, or her employer, can add to her pension each year without incurring further tax charges. But I am sorry to tell Ms E that I don't think the problems she faces are as a result of something L&G did wrong. I think the information she was given by L&G, both before she made her decision, and when confirming her choice, was clear.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Legal and General Assurance Society Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms E to accept or reject my decision before 25 November 2025.

Paul Reilly
Ombudsman