

## **The complaint**

Mr D complains that Options UK Personal Pensions LLP (“Options”) has applied an incorrect income tax deduction to an income payment he took from his pension savings.

## **What happened**

Mr D holds pension savings in a self-invested personal pension plan (“SIPP”) administered by Options. In April 2025 he asked Options to pay him £90,000 income from his SIPP. Options made that payment to Mr D on 22 April after the deduction of £39,269.70 income tax.

Mr D complained to Options about the amount of income tax it had deducted. He said that his calculations suggested that the tax deducted should be much smaller. Options didn’t agree with Mr D’s complaint. It said that the way tax was deducted followed the PAYE rules set out by HMRC. It said that it had followed those rules correctly and if Mr D thought too much tax had been deducted, he would need to raise the matter with HMRC. Unhappy with that response Mr D brought his complaint to us.

Mr D’s complaint has been assessed by one of our investigators. She noted that the tax code that Options had used when making the payment matched that provided by HMRC. So, she thought, given the payment was via an automated payroll process, it had been correctly issued. So, the investigator didn’t think Options had done anything wrong.

Mr D didn’t agree with that assessment. 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 D and by Options. 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.

I have noted that HMRC has now repaid to Mr D the additional income tax that was deducted from his pension income in April 2025. Mr D says that he was without that money for a period of around 4 months. So should I find that Options was incorrect in the way it calculated the income tax deduction I should compensate him for the interest he has lost on not being able to invest that money.

HMRC sets out the way in which pension payments should be treated by administrators such as Options. Pension income is taxed using the PAYE system that is familiar to most people who are paid a salary by their employer. But the PAYE system is designed around an expectation that income payments will repeat on a regular cycle throughout the tax year that runs from 6 April each year. So, the timing of a pension income payment, particularly where it is the only income payment taken in that tax year, will affect the amount of income tax that an administrator is required to deduct.

I have looked carefully at the amount of income tax that Options deducted from Mr D's pension payment. And I have used an online calculator provided by HMRC to validate the calculation that Options made. The calculator can be found at

<https://www.gov.uk/guidance/work-out-an-employees-income-tax>

That calculator, when considering the tax code supplied by HMRC for Mr D, and the date the payment was made to him, shows that the income tax required to be deducted is £39,269.70. That matches exactly the deduction that Options made. So, it doesn't seem to me that Options made any error in its calculations.

To further underline the comment I made earlier about the taxation deduction being affected by the timing of the payment, I also used the calculator to estimate the income tax that would be deducted if the payment were made today. That showed an income tax deduction of £29,003.46 would need to be made. I understand that in the past Mr D has typically taken income payments later in the tax year than the one that was paid in April 2025. So, I think that might explain why he was so surprised by the amount of tax Options was required to deduct.

I appreciate how disappointing this decision will be for Mr D. He was without around £11,700 of his pension income for an extended period of time. But I don't think the deduction Options made was incorrect – I think its calculations correctly reflected the requirements of the PAYE system as set out by HMRC.

### **My final decision**

For the reasons given above, I don't uphold the complaint or make any award against Options UK Personal Pensions LLP.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 13 February 2026.

Paul Reilly  
**Ombudsman**