

The complaint

Mr S complains that Aviva Life & Pensions UK Limited (Aviva) provided conflicting and erroneous information in relation to his pension, and have prevented him from transferring to an Australian QROPs scheme which he states is having an impact on his retirement planning.

What happened

Mr S held a Section 32 ('S32') pension policy with Aviva that commenced in 1991 and was designed to run until his 65th birthday in January 2025. The plan contained a Guaranteed Minimum Pension (GMP) which was originally accrued as part of a Norwich Union policy.

The guarantee was designed to ensure that Mr S would receive a minimum amount of pension at age 65 of £3,862.56 plus a Widow's Guaranteed Minimum Pension (on death after State Pension Age) of £1,931.28 per annum. Part of the pension would increase in payment at 3%. To benefit from the guarantee, Mr S would need to purchase an annuity.

In 2003, Mr S became an Australian resident, and some time after this, he contacted Aviva to arrange to transfer this to a QROPS (an overseas pension scheme) in order that he could access lump sums from his pension

Aviva did not allow this as the transfer value was insufficient to cover the cost of providing the GMP.

In August 2024, Aviva sent Mr S a pack setting out his retirement options. At that time, the fund was worth £51,959.

In October 2024, Mr S responded to this with a number of queries. In addition to administrative queries, he asked whether he could elect to receive a pension, take a lump sum or transfer to another provider. Aviva responded to his queries, and confirmed the retirement options for the policy. In relation to transferring out, they stated that for a full transfer to take place to a UK defined contribution policy or an overseas pension arrangement, the cost of securing the GMP would need to be less than the transfer value of the policy.

In November 2024, As Mr S was approaching his retirement age of 65, Aviva wrote to him again setting out his options. In relation to the GMP, it stated that the guaranteed pension would be lost if he chose to transfer, however they stated that there were some restrictions that Aviva needed to apply when they quoted the options.

In December 2024 Mr S contacted Aviva again. He stated that he was still considering his options however as a resident of Australia he ideally wanted to transfer the entire sum into a bank account, or if this was not an option, to transfer into an Australian superannuation fund. He stated that he understood and acknowledged that he would lose the GMP on any transfers.

On 2 January 2025, Aviva wrote to Mr S to confirm that he could not transfer out his pension because the transfer value of the policy was less than the cost of providing the GMP. At that point, they stated that the transfer value was £53,024, however, to cover the GMP, the fund needed to be £64,200.

On 6 February 2025, Aviva wrote to Mr S following an enquiry he had made requesting transfer forms. At that time, they stated that the transfer value was £58,736 and the cost of the GMP was £61,871. Due to the cost of the GMP exceeding the fund value, a transfer was not possible at that time, so they could not issue transfer forms.

On 2 June 2025, Mr S complained to Aviva. His complaint was comprised of two parts – firstly the fact that Aviva would not allow him to make an additional contribution to his pension in order that the fund value would be sufficient to meet the cost of the GMP (and therefore allow a transfer out). He stated that this was not in line with the regulatory obligations under Consumer Duty requiring Aviva to avoid causing customers foreseeable harm, and to support customers in pursuing their financial objectives. The second element of the complaint was that he was unhappy that the cost of the GMP had increased significantly from £61,871 to £87,653 between February and April 2025, which he believed was incorrect considering annuity rate increases during the same period. Mr S stated that Aviva's refusal to allow an additional contribution to be made was obstructing the potential to transfer to a more suitable arrangement and was having a direct financial impact.

Aviva provided their final response on 21 July 2025. They explained that because the policy was a s32 transfer plan, it could only accept a single transfer in, which was why additional contributions could not be made by Mr S. The response also stated that because the transfer value of the policy could go up and down, it may be possible to transfer in the future, however the cost of providing the GMP could also fluctuate. Within the response, Aviva confirmed that if Mr S did not take his benefits at age 65, and deferred taking them for at least seven weeks, the total GMP would increase by 0.14% per week after age 65. The GMP earned after 5 April 1988 would also increase by 3% for each tax year end that Mr S passed after age 65 without having taken his benefits.

In relation to Mr S' second complaint point, Aviva confirmed that the letter stating the cost of the GMP provided on 29 April 2025 was incorrect, and the correct cost was £59,772. They apologised for this error, and arranged for a cheque for £200 to be sent to Mr S. They also added £15 to include any conversion costs.

Mr S was not satisfied with this outcome, and in August 2025 he forwarded his complaint to this service. Having carried out an investigation, in December 2025 our investigator provided his view. Having considered the facts of the complaint, they stated that because Aviva had acted in line with the scheme rules he did not agree that Mr S had been treated unfairly by Aviva, and did not uphold the complaint.

Mr S remained dissatisfied and as a result the complaint has been forwarded to me for a final decision.

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.

I have summarised this complaint in less detail than Mr S has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it – I haven't. I'm satisfied that I don't need to comment on every individual argument to be able

to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

My role is to consider the evidence presented by Mr S and Aviva in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice.

Having done so, I am unable to uphold Mr S' complaint in relation to the inability to transfer out his pension - I'll explain why below. For context, I think it's important to be clear here around what Mr S could and couldn't do with his plan. From what I've seen, Mr S' plan contained a valuable GMP benefit which became payable at his normal pension age of 65 – that benefit would've been provided through an annuity, which gives the plan holder a secure income for life.

S32 buy out contracts are usually money purchase arrangements, but can hold a GMP liability. As outlined above, Mr S' plan does hold this type of liability. When a member is looking to transfer from an arrangement of this type, the scheme will check that the transfer value they offer is sufficient to cover the GMP amount, and if it isn't, a transfer is not normally possible. This would be the case even where the receiving scheme is not contracted out and the GMP liability would effectively disappear. These restrictions are put in place to protect the policyholder from losing valuable protections and guarantees like annual increases, or making sure that the fund will pay a higher level of income than it would otherwise provide.

If a transfer is prohibited because the value is less than the GMP liability, then the fund will have to stay within the s32 until it increases to the point where a transfer is allowed. However, this may never happen because neither the cost of the GMP nor the fund value are fixed, and where this is the case the s32 will have to meet the GMP liability themselves when paying out the benefits.

Alternatively, in the unlikely event that Mr S could find a new provider that would make up the difference of the GMP shortfall on receipt of his funds, then a transfer could also take place. In my experience, in practice this is uncommon, and when there is GMP underfunding, a transfer is not generally possible

Due to the small difference between the cost of the GMP and the fund value, I requested the fund value as at 26 January 2026. The information provided shows that because the cost of providing that annuity (£62,048.52) was more than Mr S' plan value (£61,762.77), the plan is still underfunded, meaning that Aviva has to cover the cost difference in providing him with that income. However, there is no obligation on Aviva to cover this cost difference at any time except if Mr S wishes to take an income from them.

Mr S has requested that Aviva allow him to make a one-off contribution in order to bring the fund value to the point that it matches the cost of providing the GMP. Aviva have stated that they will not accept this, nor will they allow him to sign a waiver extinguishing his rights to the GMP.

Within his complaint correspondence, Mr S has outlined his understanding that there is no legislative restriction that prevents a payment being made into a s32 policy provided the scheme rules and the receiver provider permit it. Whilst it is true that a scheme trustee/administrator may choose to use a permissive override allowed by HMRC under the Finance Act 2004, this is not mandatory and any scheme may be unwilling or unable to apply the override. Aviva have confirmed that they are not willing to allow a transfer out while

the GMP is underfunded, nor will they allow an additional contribution or waiver and whilst I can appreciate how frustrating this must be for Mr S, particularly as the difference between the value of the fund and the cost of the GMP is so small, it is not within the remit of this service to mandate them to do this.

The aim of our service is to take an impartial approach to ensure that complaints are settled between consumers and businesses fairly. We are not the regulator, and therefore it is not within our powers to ask a business to change or adapt its processes. It is for this reason that we are also unable to ask Aviva to allow an additional contribution to the plan to cover the shortfall. As outlined by the investigator in his view, once set up s32 pensions cannot accept any further contributions, with the exception of redress payments (experienced by Mr S previously) which benefit from different treatment.

Mr S has expressed his concern that due to the small difference between the cost of the GMP and the fund value, it is possible that small errors or rounding of figures may have sufficient impact to bridge the gap between the two values. In his submissions to this service he has challenged the lack of transparency and detail on the GMP costs and the fund transfer value. His concerns were compounded by the fact that Aviva provided an incorrect GMP cost of £87,653.40 from 29 April 2025. In their correspondence to Mr S, Aviva stated *“The GMP cost is not fixed. The GMP itself is a fixed amount but the cost of providing it varies. The cost is calculated by applying our current annuity rates to the GMP amount”*.

I have therefore requested Aviva provide the calculations they have used when calculating the cost of the GMP, however they have declined to provide this information. I have considered whether it is reasonable to take the cost of the GMP on face value and I am satisfied that it is. Whilst it would have given Mr S an element of reassurance to know that the figures provided by Aviva were accurate (particularly bearing in mind his previous experience with incorrectly quoted cost of the GMP, which I will cover below), Aviva have confirmed that the cost of the GMP stated is correct.

In the absence of contradictory evidence and given the volatility of both fund values and annuity-derived GMP costs, I find it more likely than not that the quoted costs are broadly accurate. That said, Aviva should, upon request, provide a high-level explanation of the inputs and assumptions (e.g., annuity rate date, mortality table basis, rounding conventions) to support transparency, without disclosing proprietary models.

For completeness, I have considered whether rounding or small pricing variances would be likely to move the plan from underfunded to fully funded. The most recent figures (26 January 2026) show a shortfall of approximately £286, which in my opinion, is material in the context of daily pricing movements and exceeds what I would consider to be typical rounding tolerances. On balance, I am satisfied a transfer-out was not available on the dates assessed and do not uphold this element of Mr S' complaint.

Mr S states that the position Aviva is taking is detrimental to his ability to manage his pension provision effectively, and having a direct financial impact. He states that Aviva's refusal to allow a reasonable contribution could be considered a breach of the industry regulator the Financial Conduct Authority (FCA)'s rule, specifically Treating Customer Fairly (TCF) and Consumer Duty.

The existence of Consumer Duty does not mean that less desirable outcomes will always be able to be avoided, nor that customers will always be able to carry out the transactions they wish to do. It is true to say that Mr S' primary objective is to transfer his Aviva s32 pension to a pension plan in Australia as part of his retirement planning. However, the existence of Consumer Duty does not override the scheme rules, which should be followed when administering a pension arrangement. Rather, they should seek to ensure they are following

the principles in doing so. I find that Aviva's conduct overall does not breach the regulator's Consumer Duty in relation to the transfer refusal, but it did fall short on the April 2025 misquote (which was subsequently remedied by £215 goodwill payment).

The second element of Mr S' complaint is that on 29 April 2025, Aviva provided him with incorrect information in relation to the cost of the GMP. At that time, Aviva advised that the cost of providing the GMP was £87,653.40. Following Mr S' complaint in which he questioned this significant increase from the previously quoted GMP cost, Aviva confirmed that the figure they had quoted in the letter dated 29 April 2025 was incorrect, and should have stated £59,772. They apologised for this error and arranged a cheque for £215 to be issued to Mr S. I have considered whether Aviva have acted fairly in respect of this, and I am satisfied that they have. Aviva acknowledged that they had made an error, provided the correct information to Mr S, and arranged a payment to be made to account for the inconvenience caused. I am therefore upholding this element of Mr S' complaint. I am satisfied that the amount paid to Mr S was in line with what this service would expect them to pay for an error such as this, therefore I am not asking Aviva to do anything further.

As explained by Aviva and detailed above, the cost of providing the GMP and the fund value both fluctuate, and can change daily. Therefore it is possible that the s32 policy may not always be underfunded. Mr S has asked for access to view his policy value online to enable him to identify any point at which the policy value exceeds the cost of the GMP. Aviva have confirmed that policy valuations are not available online, but are available on request. It seems to me that Aviva have taken steps in this regard to make the information as accessible to Mr S as possible.

My final decision

For the reasons stated above, I partially uphold Mr S' complaint about Aviva Life & Pensions UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 March 2026.

Joanne Molloy
Ombudsman