

The complaint

Mr and Mrs F complain that Aviva Equity Release UK Limited wouldn't allow them to draw on the cash reserve facility which should have been in place on their lifetime mortgage.

What happened

In 2023 Mr and Mrs F took out a lifetime mortgage with Aviva. They borrowed £60,000, and they understood that they also had a cash reserve facility of £40,000. On 30 December 2024 they asked to draw £10,000 from the reserve facility, but Aviva said there was no reserve facility available to them as none had been set up.

Mr and Mrs F didn't think this could be right, so they contacted the financial advisor who had recommended the mortgage to them. The advisor was able to establish with Aviva that Aviva had made a mistake – it hadn't set up the agreed reserve facility. Aviva put the facility in place and confirmed that to Mr and Mrs F's advisor on 20 January 2025. By that time however Mr and Mrs F had made other arrangements – Mr F had drawn £7,325 of his tax-free pension allowance.

Mr and Mrs F made a complaint. Aviva apologised, confirmed again that the reserve facility was now in place for future drawdowns, and offered £250 compensation. It said it would consider compensating Mr and Mrs F for any financial loss they had suffered as a result of withdrawing the money they needed from Mr F's pension instead of from the reserve facility on the mortgage, but it hadn't been able to calculate loss because Mr and Mrs F hadn't given it any information about that.

Mr and Mrs F didn't think that was good enough, so they referred their complaint to us. Our Investigator obtained details from Mr and Mrs F and Aviva about Mr F's pension and the interest rate that would have applied to a withdrawal from the mortgage reserve facility on 30 December 2024. He concluded that Mr and Mrs F hadn't lost out financially as a result of having withdrawn money from Mr F's pension instead of the reserve, and that Aviva's offer of £250 compensation was fair.

Mr and Mrs F disagreed and asked for a review. They said they had been affected financially, and they were concerned still not to have received corrected documents for the mortgage showing the reserve facility in place as it should be.

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've come to the same overall conclusion as the Investigator. There's no dispute that Aviva made a mistake – it failed to set up the cash reserve facility on Mr and Mrs F's lifetime mortgage when they took it out in 2023. This only came to light when Mr and Mrs F asked to draw £10,000 from the facility on 30 December 2024 and Aviva told them there was no facility to draw on.

This was upsetting and stressful for Mr and Mrs F. They had expected to be able to access a cash reserve as agreed when they took out the mortgage and they had plans for the money. It took three weeks for Aviva to confirm that it had corrected the mistake and put the cash reserve facility in place. But by that time, Mr F had withdrawn a lump sum from his pension. He wouldn't have done that but for Aviva's mistake. It's clear that he and Mrs F had wanted to make the withdrawal from the cash reserve on the mortgage.

If Mr and Mrs F had been left in a worse financial position because they had to withdraw from the pension instead of the mortgage, I'd expect Aviva to put that loss right. However, I don't think they've lost out. Mr and Mrs F have provided details and projection figures for Mr F's pension, and Aviva has calculated the growth he might have expected on the £7,325 he withdrew had it remained invested over ten years. It has also calculated the interest that would have accrued on a £10,000 withdrawal from the mortgage reserve facility based on the interest rate that would have applied on 30 December 2024 (6.46%) over ten years. These calculations show that the cost of drawing the money from the reserve facility significantly outweighs the growth Mr F could have expected on the money had it remained invested, over ten years.

Mr and Mrs F have said that they don't expect to have to pay the interest on the mortgage in their lifetimes, but they have lost the growth on the money in the pension. I understand their point, given that theirs is a mortgage on which interest rolls up. It's impossible to know for sure however whether the mortgage will become payable on the death of the last surviving borrower – in which case the mortgage interest would be a cost to Mr and Mrs F's estate – or whether it might need to be repaid sooner.

I have to decide a fair and reasonable outcome in all the circumstances, and I don't consider Mr and Mrs F have suffered a loss or will suffer a loss for which Aviva should compensate them. And, while there is less money in Mr F's pension than there would otherwise have been had Mr and Mrs F been able to draw on the mortgage reserve, Mr and Mrs F have access to the full £40,000 cash reserve facility which would be only £30,000 had they made the withdrawal they wanted in 2024. So they still have access to the same amount of money they would have had if Aviva hadn't made a mistake.

I think Mr and Mrs F were caused avoidable inconvenience, stress and disappointment because of Aviva's mistake, and in the circumstances I think £250 is fair in recognition of that.

Finally, I can understand why Mr and Mrs F are concerned to know that the reserve facility has now been put in place properly. Aviva has said that it can't produce an amended offer to include the facility. It has however confirmed to Mr and Mrs F in writing that the reserve is in place and can be drawn at any time. Given those assurances, I wouldn't expect Mr and Mrs F to have similar problems with future drawdowns from the reserve – but if they do, they will be able to make a fresh complaint about that at the time if necessary.

My final decision

My final decision is that Aviva Equity Release UK Limited should pay Mr and Mrs F £250 as it has offered, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F and Mr F to accept or reject my decision before 6 March 2026.

Janet Millington
Ombudsman

