

The complaint

Mr X complains that Phoenix Life Limited (“Phoenix”) caused delays in the transfer of his pension policies to another provider and that the transfer values were much lower than was fair. He thinks Phoenix haven’t been transparent in the way it has calculated the pension fund values and has misrepresented and/or mismanaged the funds.

What happened

Mr X had nine pension plans with Phoenix. They were all “Self-Employed Retirement Plans” (“SERPs”) invested in Phoenix’s with-profit funds.

Mr X was making a monthly contribution to the plans.

In 2021, Mr X received statements showing that the total value of the funds were £221,347.

In August/September 2024, when Mr X was approaching the age of 70, Phoenix sent him retirement options packs for his plans.

Mr X decided transfer all nine plans to a different provider. At this point, Mr X noted that the plans were worth £173,854 – a reduction of around £47,400 from the value in 2021.

Mr X requested the transfer of his plans on 24 October 2024 via the Origo system. Seven of the plans with smaller fund values (“the smaller pots”) were later transferred to Hargreaves Lansdown, but Phoenix accept that it caused delays in the transfer of these plans. Phoenix offered to pay compensation of £350 for the delays and also arranged for a loss calculation to be carried out – with the assumption that the plans should have been transferred out on 25 October 2024 rather than the later date the transfers actually happened.

The calculation for these smaller pots showed that Mr X had suffered a loss of £1,526 as a result of Phoenix’s delays. Phoenix made payment of this sum to Mr X’s pension – but the payment was made to Mr X’s pension with Quilter (a business with which Mr X had a pension – see below) not Hargreaves Lansdown as it should have done.

With regard to the other two plans (“the larger pots”), these had higher fund values and Mr X was required to obtain evidence that he’d received financial advice before the transfer could take place. The transfers of these plans to Quilter took place at the end of January 2025. But again, Phoenix has accepted that it caused delays in the transfers and offered to pay Mr X £400 for this. It also contacted Quilter to undertake a calculation of any loss that Mr X may have suffered as a result of the delay.

Mr X’s complaint to Phoenix is two-fold:

- He’s unhappy about the delays in the transfer of his pensions;
- He’s unhappy about the transfer values – he doesn’t think the values could possibly be fair as his pension funds were invested in cash, gilts and bonds. He’s also been contributing to his pension every month. So he can’t understand why the pension

fund values in 2024 could be lower than in 2021 or even in 2017.

One of our investigators looked at the evidence and didn't think Phoenix needed to do anything more to resolve the complaint. He thought the offers to compensate Mr X for the delays were fair. He also said that Phoenix had made it clear that the fund values for his pension weren't guaranteed.

Mr X didn't agree with the investigator's findings and so I was asked to decide the complaint.

I issued a provisional decision in which I set out that Mr X's plans were with-profit plans designed to provide a guaranteed income and how this impacted the calculation of the transfer value by Phoenix. I thought Phoenix could have explained this better in its recent communications with Mr X and that it should pay Mr X £150 for this confusion.

I said that Phoenix's approach to compensating Mr X for the delays in the transfer was fair. But that if there were problems with getting the calculation information from Quilter, Phoenix should use an investment benchmark as an alternative.

Phoenix accepted my provisional decision but Mr X didn't. He didn't think Phoenix had met its regulatory and legal obligations to treat him fairly when valuing his pension fund. In essence, he said that the valuation was not clear, was misleading and imbalanced. Mr X also provided information from his financial adviser about the loss calculation as a result of the delayed transfer of the larger pots and said that he should be reimbursed for his adviser's fee for his work in calculating the loss.

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, my view remains the same as set out in my provisional decision.

The focus of Mr X's complaint appears to be about the fund values for his pension plans. So I'll deal with that issue first.

The plan values

Mr X's plans were SERP with-profits plans. Phoenix would have sent Mr X information about the nature of his plans with each statement and when the policy was first taken out.

With-profits providers such as Phoenix have wide discretion as to how a with-profits fund is managed, including how benefits are paid, which are all a matter of its commercial judgement. This has led to criticism about the opacity of with-profits funds. To that degree, I understand Mr X's concerns about transparency of the information available to him.

However, as I explained in my provisional decision, Phoenix, like all with-profits providers, is required to operate their with-profits funds, including the SERP with-profits fund, in accordance with its Principles and Practices of Financial Management document ("PPFM"). The PPFM is published (and available online) and sets out how Phoenix manages its with-profits funds and it is accountable to the regulator, the Financial Conduct Authority ("FCA"), in doing this. It's required, among other things, to appoint a with-profits actuary and the FCA provides rules and guidance on their duties.

At the time Mr X's' SERP was started, the options for taking benefits in retirement were limited and generally the only way to take pension benefits was to purchase an annuity which provides a guaranteed income for life. This was what the SERP was designed to provide – a guaranteed income from age 60. But the original policy document also explained that a cash equivalent value could be provided at retirement for the purchase of an annuity from a different provider. The cash equivalent was defined as “the sum obtained by multiplying the annual amount of annuity plus any bonuses, by the **conversion factor**” (my emphasis).

Additional options for taking benefits at retirement became available over time, most notably in 2015 with the introduction of ‘Pension Freedoms’ legislation. This legislation made it possible for people to access their pension benefits from age 55 and provided options to take benefits ‘flexibly’ instead of having to purchase an annuity.

But in order to access the flexible options provided for under this legislation or providers of older policies, like Mr X's', need a way to convert guaranteed benefits payable in the future into a certain sum payable now. It seems that Phoenix uses a conversion factor that it calls Notional Cash Factors (“NCF”) for this purpose. I understand that the cash value of the benefits of the SERP at any time is obtained by multiplying the guaranteed annuity by the NCF then in force.

Phoenix has told us that it's used the NCF to calculate the value of Mr X's plans in 2024. I don't think Phoenix's use of NCFs to calculate the cash value is unfair. NCFs are commercially sensitive and so not something I would expect a business to disclose. However, I understand that the NCFs used by Phoenix are frequently reviewed by its With-Profits Committee and Board to ensure that all customers are treated fairly as part of its responsibilities under the PPFM and its regulatory obligations.

Although fund information was sent to Mr X explaining the above in general terms, I think Phoenix could, in its more recent communications, have explained this to Mr X better than it did when he raised concerns about the fund value. When dealing with Mr X, Phoenix did provide a fund fact sheet, but the responses focused on “market fluctuations”. I think may reasonably have led to Mr X being confused about the transfer values of his plans when compared to actual market conditions.

In light of this, I think Phoenix has caused Mr X some distress and inconvenience at a time when he required clarity about his retirement provision. I think it's fair that Phoenix pay Mr X an additional £150 for this.

Transfer delays

Phoenix has accepted that it has caused delays in the transfer of all nine of Mr X's plans.

The smaller pots

With regard to the seven smaller pots, I agree that the payment of £350 is sufficient compensation for the distress and inconvenience caused to Mr X for the delays.

The loss calculation for the delay was carried out assuming that the transfers ought to have taken place on 25 October 2024 (the day after Mr X's Origo request). Although payment of the compensation arising from the calculation has been made to the wrong pension (to Mr X's pension with Quilter rather than Hargreaves Lansdown), I don't think Mr X has been detrimentally impacted by this – it has still been paid to Mr X's pension. And Phoenix has offered to pay a further £150 for this error. In all the circumstances of this case, I think that's fair and reasonable.

So, unless Phoenix has already paid Mr X £500 (i.e. £350 and £150), it should now pay this to Mr X and doesn't need to do anything further.

The two larger pots

With regard to the two larger pots, I agree that the payment of £400 is sufficient compensation for the distress and inconvenience caused to Mr X by what appears to be a relatively short delay and confusion about what forms needed to be submitted for the transfers to go ahead. Unless Phoenix has already paid Mr X this sum of £400, it should now pay this to him.

Mr X has provided some information gathered by his adviser in October 2025 for the loss calculations arising from the delay. However, the information is of limited value e.g. one of the dates used appears to be incorrect (2 September 2024 rather than 25 October 2024). Phoenix doesn't agree to reimburse Mr X for the cost of the adviser's work and I think that's fair given this is something that Mr X decided to undertake whilst the complaint was still with us and without any previous discussion that he intended to do it.

Phoenix has had difficulties obtaining information from Quilter for its redress calculations for these two larger pots. So, I think the following is a reasonable and practical alternative.

Phoenix should undertake a loss calculation based on how the funds would have performed if they'd been transferred on 25 October 2024 rather than 30 January 2025. It should do this by calculating what the funds would notionally have been worth if they'd been invested on 25 October 2024 until 30 January 2025 using a benchmark of 50% of the FTSE UK Private Investors Income Total Return Index and 50% of the monthly average rate for one-year fixed-rate bonds as published by the Bank of England should be used to calculate the value. That is likely to be a reasonable proxy for the type of return that could have been achieved if the pensions had been transferred as they should have been.

It should then compare that with the value actually transferred on 30 January 2025. This will determine if Mr X has suffered a loss.

Phoenix should assume for the purposes of the notional calculation that all other transactions that were effected, including any withdrawals, further contributions or transfers would still have been effected and on the date(s) that they were actually effected.

If there is a loss, that loss sum should then be updated from 30 January 2025 to the date of this decision using a benchmark of 50% of the FTSE UK Private Investors Income Total Return Index and 50% of the monthly average rate for one-year fixed-rate bonds as published by the Bank of England. This will account for any loss of growth Mr X may have suffered.

If possible, the compensation for the loss should be paid into Mr X's pension plan. The compensation shouldn't be paid into the pension plan if it would conflict with any existing protection or allowance. Payment into the pension should allow for the effect of charges and any available tax relief. This may mean the compensation should be increased to cover the charges and reduced to notionally allow for the income tax relief Mr X could claim. The notional allowance should be calculated using Mr X's marginal rate of tax.

If a payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr X as a lump sum after making a notional deduction to allow for income tax that would otherwise have been paid. Typically, 25% of the loss could have been taken as tax-free cash and 75% would have been taxed according to his likely income tax

rate in retirement – presumed to be 20%. So, making a notional deduction of 15% overall from the loss adequately reflects this.

The compensation resulting from this loss assessment must be paid to Mr X or into his pension within 28 days of the date Phoenix receives notification of Mr X's acceptance of my final decision. Interest must be added to the compensation amount at the rate of 8% per year simple from the date of my final decision to the date of settlement if the compensation isn't paid within 28 days.

Summary

Phoenix must pay Mr X £150 for the distress and inconvenience caused to him in respect of the explanations for the fund values.

Unless Phoenix has already paid Mr X £500 (i.e. £350 and £150), for the distress and inconvenience caused by the delays involving the smaller pots - it should now pay this to Mr X.

Unless Phoenix has already paid Mr X £400 for the distress and inconvenience caused by the delays involving the larger pots - it should now pay this to Mr X. Phoenix must also carry out the loss calculation set out above and pay any resulting compensation to Mr X.

My final decision

I uphold Mr X's complaint. Phoenix Life Limited must pay the compensation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr X to accept or reject my decision before 9 April 2026.

Abdul Hafez
Ombudsman