

The complaint

Mr O is unhappy that Aviva Life & Pensions UK Limited (Aviva) wrongly applied tax relief to his employer contributions. Aviva have deducted from Mr O's pension fund the tax relief (£50,000) that was wrongly applied and investment growth on this amount which Aviva calculated to be some £14,000. Mr O wasn't convinced that was fair. He wanted the investment growth to be returned and compensation for the inconvenience and time spent identifying and rectifying the error.

What happened

The investigator set out a summary of what had happened in her view issued on 19 February 2026. I don't think there's any dispute so, in the main, I've repeated what the investigator said.

Mr O is a member of a Group Personal Pension (GPP) with Aviva.

On 14 October 2024, Mr O emailed Aviva saying his employer had made a payment by bank transfer for the following employer pension contributions as a single premium to Mr O's pension. The payment was for £80,000 and the form within the email stated the following:

Amount to be applied as an EMPLOYER CONTRIBUTION without tax relief	No. It is with tax relief.
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Aviva keyed the contribution as an employee contribution and applied tax relief.

On 1 January 2025 and 13 April 2025, Mr O sent Aviva identical emails for £120,000 and £30,000 employer contributions. Again, Aviva processed the contributions as employee contributions and applied tax relief.

On 29 May 2025 Mr O's financial adviser raised a complaint to Aviva on Mr O's behalf. It had been identified, during a recent review of Mr O's pension arrangements, that Aviva had incorrectly processed three employer contributions to the GPP with tax relief totalling £50,000 between October 2024 and April 2025. Mr O felt the errors shouldn't prejudice his investment position and so Aviva shouldn't remove the investment growth on the tax relief.

In their first final response dated 23 July 2025 Aviva stated they'd applied the contributions to the GPP as instructed and therefore they hadn't made errors in applying the tax relief.

On 1 August 2025 Mr O became aware that his fund value had decreased by £64,000 (£50,000 tax relief and £14,000 investment growth on the tax relief). His position was that he'd only given permission for £50,000 to be taken from his pension.

Aviva issued a further final response letter on 4 August 2025 but Aviva's stance was unchanged. Mr O continued to discuss things further with Aviva but agreement wasn't reached and he brought his complaint to this service. Aviva emailed Mr O on 14 November 2025 saying the matter had been reviewed but the additional information hadn't changed

Aviva's decision. Aviva said it had received a request from this service for its file which would be sent.

The investigator reviewed all the information provided and made some further enquiries before issuing her view on 19 February 2026. In summary the investigator's findings were:

- Mr O and Aviva accept that the £50,000 tax relief shouldn't have been claimed for the contributions.
- Mr O made an error by saying he wanted tax relief on the employer contributions. But Aviva are the professional party and should've tried to prevent this error on three separate occasions.
- Aviva had claimed in their final response that they'd acted on Mr O's instruction but that was for tax relief on an employer contribution which, as Aviva will be aware, isn't possible. Aviva had three times keyed the employer contribution as an employee contribution so they could process the form. Instead, Aviva should've queried Mr O's instructions.
- Mr O suffered a loss of expectation when the errors were corrected and the tax relief of £50,000 and investment growth of £14,000 were deducted from his fund.
- Mr O considers he's entitled to the investment growth generated from the £50,000 tax relief claimed in error. Our role is to put the customer, as near as possible, into the position they'd be in, had the business not made an error. Aviva shouldn't have claimed tax relief on the contributions and therefore no investment growth should've been generated from the £50,000 claimed in error. So Aviva have acted fairly when deducting the investment growth.
- Mr O was concerned as to whether the £14,000 was correct. Aviva have confirmed that no calculation is conducted. Instead, when the £50,000 was returned to HMRC, it was done as if that money had never been put in the pension in the first place. In other words, the units the £50,000 purchased were wiped off as if they'd never been bought. Any growth from those units has also been wiped off as if it never existed and that's what had led to the £14,000 decrease in fund value. The investigator was satisfied with Aviva's explanation.
- £200 compensation would be fair. The investigator explained the circumstances in which that sort of award might be fair. The initial error was caused by Mr O and therefore the compensation was limited. However, Aviva had the chance to stop this initial error three times as Mr O's instruction wasn't possible. By allowing tax relief and growth over eighteen months, Aviva had caused Mr O a loss of expectation.

In response, Mr O agreed that Aviva had acted unfairly by failing to query the contradictory instructions and by re-classifying the employer contributions in order to process them and which had resulted in a loss of expectation. He also accepted that the £50,000 tax relief wasn't due and needed correction which Aviva had now done. But he did want to refer the complaint to an ombudsman for a final decision. He said that was based on proportionality, transparency and the standard of conduct reasonably expected of a regulated pension provider. He made two main points:

- There'd been a contradiction in the original contribution instructions. But Aviva had more than one opportunity between October 2024 and January 2025 to identify and clarify that before applying tax relief at source. As a retail customer, he'd relied on Aviva's systems and expertise to identify and resolve such inconsistencies. He'd first notified Aviva of the issue on 27 May 2025. The corrective deduction of £64,000 was made on 1 August 2025, during an active complaint and without prior explanation or a breakdown. He questioned whether £200 adequately reflected the impact of all

that. He said he'd bank the cheque on the basis it was partial redress only and without prejudice to his request for an ombudsman's final decision.

- He understood the principle that he wasn't entitled to growth attributable to the incorrectly credited tax relief. But prior to the deduction, his pension fund was in excess of £500,000 and invested across multiple holdings. No breakdown had been provided setting out the units purchased by the £50,000 tax relief, how those units were tracked, the valuation basis applied at cancellation and confirmation that there was no wider impact.

Mr O has also said there was confusion regarding annual allowances. Aviva wrote to him on 30 September 2025 saying that, for the 2024/2025 tax year, Mr O's pension savings exceeded the standard annual allowance of £60,000. In his email to Aviva on 13 October 2025 Mr O referred to two lengthy phone calls with Aviva about this issue.

However, and notwithstanding that he did mention this issue on his complaint form, I don't think it forms part of his current complaint. It arose after Aviva had issued two final responses in respect of Mr O's complaint. Aviva hasn't had an opportunity to comment on this aspect of the matter. So I haven't considered it as part of his current complaint. It's a matter for Mr O if he wants to make a further complaint.

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 agree with the views reached by the investigator and the reasons she gave as to why she considered £200 was fair compensation. In saying that, I've paid particular attention to Mr O's further comments in response to the investigator's view. But I'm not persuaded that Aviva needs to pay a higher sum as compensation.

I'd emphasise what the investigator has said about our approach. Where something has gone wrong, we aim to put the consumer, as far as possible, back in the position they'd be in but for the error – that is, if the business had acted correctly. And, as the investigator has also said, we wouldn't usually say it would be fair to allow someone to keep money paid in error and to which they weren't legally entitled.

Here Aviva should've queried Mr O's instructions and explained that tax relief isn't available on employer contributions. So the position would've been clarified and the employer contributions would've been paid in with no tax relief added.

I think Mr O has always accepted that he wasn't entitled to the tax relief as it isn't payable on employer contributions. Further, as the £50,000 tax relief shouldn't have been added and shouldn't have formed part of Mr O's pension fund, I'd agree with the investigator and Aviva that means Mr O isn't entitled to any investment growth on the tax relief amounts which were added in error. So I don't consider the adjustments represented unauthorised deductions to his pension fund.

Aviva says the growth was about £14,000. I note what Aviva has said about not providing calculations when this type of error is corrected – instead the plan is re-written on the basis of what should've happened and the correct amounts that should've been credited. But I don't think it's unreasonable for Mr O to want to satisfy himself that the correct adjustments have been made.

However, I think he should have sufficient information to do that. He'll be able to see when the employer contributions (that is, the correct amounts without tax relief having been added)

were credited to his fund, which was invested across a number of holdings. The letters Aviva sent confirming receipt of the payments confirmed that the money had been invested in the funds Mr O had chosen, which were set out. So Mr O and his adviser can see in which funds and in what proportions the (correct) payments have been invested. Fund growth, including unit price movements, can be tracked. How his account stood before the errors were corrected isn't relevant so long as Mr O can be satisfied that the current fund value, after corrections, is now right. I think he has access to sufficient information to confirm that.

The main issue is whether the £200 compensation is adequate. Mr O hasn't suffered any financial loss – his fund value is lower than it was, but that reflects the deductions for tax relief and investment growth on those amounts which Mr O shouldn't have been paid anyway. But he has suffered distress and inconvenience, including disappointment or loss of expectation when things came to light and his fund value was reduced.

I agree with the investigator that Aviva didn't handle things as it should've done. But we don't fine or punish businesses. Instead, we'll look at the impact a business' mistake has had on the consumer.

I do understand why Mr O considers the compensation should be higher. I note that when his financial adviser raised the complaint to Aviva in May 2025, compensation of £1,000 for inconvenience and time spent was claimed. But our awards for distress and inconvenience are perhaps more modest than Mr O might expect.

The investigator has referred to what we say on our website about such awards. An award of up to £300 might be appropriate if the error has caused more than the sort of frustration and annoyance that might reasonably be expected from day-to-day life and where the impact has been more than minimal. And that between £100 and £300 might be fair where there have been repeated small errors, requiring a reasonable effort to sort out. I think that's broadly the situation here.

I take into account that Mr O made three employer contributions with identically worded instructions. So there were three opportunities for Aviva to query any ambiguity. And, as I've said, Aviva should've known that tax relief isn't given on employer contributions and so queried the position with Mr O anyway. But in terms of the impact on him, the errors came to light fairly quickly – the first contribution was made in October 2024 and the last in April 2025. By towards the end of May 2025, Mr O's adviser had, very fortunately, spotted, what had gone wrong and pointed it out to Aviva. It didn't then take a large amount of investigation and/or sorting out.

As I've recognised, the sums involved were substantial, so Mr O is unlikely to regard the errors as commensurately small. But the amounts aren't the only consideration – an investor with a smaller fund might've been equally or more impacted by a reduction in fund value. I also take into account that, as Mr O has very fairly acknowledged, how he completed the contribution forms was a contributory factor in what happened.

I recognise there was some uncertainty while Aviva looked into what should be done to put things right and, in particular, if Mr O should retain the investment growth generated by the tax relief that had been wrongly given. That included referring the matter to Aviva's Legal Team. While things did take some time, I think Aviva was trying to assist Mr O by looking into what would be the right thing to do, even though, in the end, the outcome didn't change. Mr O has also said that Aviva corrected the errors without prior notification. But it was Mr O's financial adviser who'd pointed out to Aviva that the contributions had been incorrectly applied and that tax relief shouldn't have been given. Mr O would've known something had gone wrong and that adjustments to his pension fund would likely be required. I don't think

Aviva acted incorrectly by taking steps to put things right, once the errors had been brought to Aviva's attention.

All in all, I agree that £200 is fair and reasonable compensation here for Mr O's distress and inconvenience.

My final decision

I uphold the complaint in part. Aviva Life & Pensions UK Limited must pay Mr O £200 for distress and inconvenience.

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

Lesley Stead
Ombudsman