

The complaint

Mr C has complained to Scottish Equitable Plc (Aegon) that a lack of clear information on the Aegon portal when selecting income options resulted in him inadvertently following the wrong pathway. He's said that this resulted in him being charged income tax on 75% of the withdrawal he made, as well as being put into a higher tax bracket that caused a further penalty of £1,400 on a house sale.

What happened

The investigator who considered this matter set out the background to the complaint in her assessment of the case. I'm broadly setting out the same background below, with some amendments for the purposes of this decision.

On 7 October 2024, Mr C logged onto the Aegon pension portal and selected the cash lump sum option. He completed the necessary steps on the website and withdrew £60,000, which was 25% of his total pension.

He received two automated emails following this. The first email thanked him for his request and noted it could take up to 10 days to be processed. Mr C told us that he thought he'd successfully completed the request for 25% tax free cash. But Aegon later deducted £18,830.20 in tax from the lump sum.

On 10 October 2024 Mr C received an email which set out the following:

Claim value £60,600.00
Tax Free Element £15,150.00
Net Payment £26,619.30
Income Tax £18,830.70

He said that, upon reading this, he didn't know why the whole amount wasn't tax free but that it appeared the email was still confirming that he was making a tax-free lump withdrawal – but of £15,150 instead of £60,000. Mr C said this didn't make it clear how he'd followed the incorrect path.

Following this, Mr C spoke to Aegon and was told he would need to reclaim the tax deducted from HMRC, but that Aegon always must deduct tax. He said he was confused by this as he'd made a similar withdrawal from another pension without tax being deducted.

He contacted Aegon again on 2 April 2025 to find out why the tax had been deducted and how to reclaim it. Aegon told Mr C that he couldn't make a tax-free cash withdrawal from its website, and this could have only been done on the phone.

Mr C complained to Aegon on the basis that the website didn't make this clear or mention this. He said that the website appeared to allow 25% tax free cash withdrawals and that, in carrying out the process, he believed he'd followed it correctly.

Mr C explained the steps he'd taken on the website as a series of questions. And "Question 4" asked whether he was aware that he would pay tax on the withdrawal. He answered yes, as he knew he could withdraw more than 25% and if he did, he would be taxed on that.

Mr C's available balance at the time was £242,000, so he selected £60,000 so as not to exceed the 25% limit. He said the final screen said the following:

"...available balance of £242,000. For this withdrawal, the first 25% is tax free and the remainder is taxed at a normal rate..."

Mr C told us he'd gone through this with Aegon in October 2024 and had understood "*the first 25%*" to refer to 25% of the available balance. He explained this to Aegon when he called it and said that he felt he'd been misled by its website, which had resulted in him paying nearly £19,000 in tax.

Mr C explained that the three emails on 7 October 2024 which were triggered by the withdrawal simply referred to "*your cash lump sum*" and thanked him for his request to withdraw funds. He said it gave no indication that he'd selected the wrong path and was going to have tax to pay.

Aegon declined to uphold Mr C's complaint, saying the following:

"...as we completed the instruction given by yourself online, we have carried out your request, it may have not been the outcome you were looking for however we have done as you have asked us to do..."

Mr C referred the matter to this service, saying that Aegon's response failed to address the issue that its website was misleading and caused him to make a mistake, resulting in unintended tax being deducted.

Mr C explained the impact of this as him incurring unnecessary income tax of £18,830.70. This put him into a higher rate tax bracket which resulted in capital gains tax he had to pay on the gain from the sale of a property. This resulted in a 24% charge rather than 18%, costing Mr C a further £1,400.

Having considered the matter, our investigator initially thought that the complaint should be upheld, saying the following in summary:

- Mr C had provided a screenshot of the front screen of his Aegon account page. Once the Retiready Pension had been selected, there were various options which included "*cash lump sum*".
- When Mr C selected this option, it took him to a page entitled "*Cash Lump Sum (Uncrystallised Funds Pension Lump Sum)*". It explained that up-to-date bank details were needed before taking the cash lump sum. It also referred to the Retirement Options Pack that would have given him information about his retirement options.
- The next page asked whether Mr C had received guidance from Pension Wise before he would have been able to proceed. It then took him to a page that said, "*Uncrystallised Funds Pension Lump Sum (cash lump sum)*".
- The pathway then led to a series of questions. Mr C was asked whether he'd taken financial advice, and that taking some or all the pension fund as a lump sum would result in reduced payments, referring Mr C to Pension Wise again.

- The fourth question asked *“Are you aware that you will pay tax on any money you withdraw from your pension savings and this may take you into a higher rate tax bracket?”*. The following questions asked about withdrawing money and whether this would allow Mr C to sustain his desired lifestyle retirement, and whether he was aware of any guarantees on his plan, the impact withdrawing funds may have on outstanding debts, awareness of pension scams, that taking cash from his pension may be means tested and the charges associated with any planned investments.
- After the questions were completed, the page explained that it looked like Mr C was aware of the risks involved and gave a link that said *“how you’ll be taxed”*.
- Mr C had said the document was a long document which explained the taxation on pensions. And he’d added that it would have been helpful to have a warning to say that if the consumer wanted to take their 25% tax free cash, this was the wrong path to follow.
- The next page asked how much Mr C would like to withdraw as a cash lump sum. Once the amount was input, there was a warning note at the bottom of the page that said *“...for this withdrawal, the first 25% is tax free and the remainder is taxed at a normal rate...”*.
- Mr C had said that he understood this to be that the first 25% of the available balance was tax free and that there were no warnings to indicate that, to do this he should follow a different route.
- Mr C had also provided a Retiready Key Features document which, when talking about the UFPLS, said that *“...you can request an UFPLS at any time once you have reached the age that you can take your pension benefits...”*.
- It then said that an illustration found on the online account would show examples of what Mr C might receive. But it was worth noting that nowhere did it refer to this process needing to be done over the phone.
- In response to the complaint, Aegon had provided several documents. It also said that the withdrawal requested by Mr C on 7 October 2024 was processed and settled in good faith on 10 October 2024. Aegon provided an example of a customer journey and maintained that these steps made it clear that tax would be deducted from withdrawals.
- The statements in the path Mr C followed did explain that tax may be applicable. But due to the lack of direction on how to take the tax-free cash itself as a whole, Mr C would reasonably have assumed that this would be achieved by following this process. In the withdrawal amount that noted the available balance, there was no calculation to show the withdrawal part which was tax free and any part which would be taxable.
- In response to Mr C's point that its website didn't make clear that the option he'd suggested wasn't appropriate for taking the full 25% tax free cash, Aegon said that nowhere during the journey did it say that this was the option for 25% tax free cash only.

- But this response wasn't satisfactory, as Aegon was dealing with consumers who may not be well versed in how pensions work - and to expect them to interpret something or know of a process that wasn't clearly signposted was unreasonable.
- Aegon also said that Mr C should have selected the "Flexible regular income" option for Flexi Access Drawdown. And that this would allow a customer to take 25% tax free cash, with their remaining funds being moved into drawdown which could be accessed flexibly. It added that, by choosing this online option he would have been directed to call Aegon regarding the request.
- But the Terms and Conditions document was vague about how a customer would achieve this. It said the following:

"...You can request an UFPLS from the uncrystallised part of your Retiready Pension at any time from age 55 or earlier if you have a protected low pension age or if you meet the ill- health condition in the rules. This request must be in a format specified by us from time to time. Details of the current format for a request for a UFPLS and any terms that apply can be obtained from the Service..."

- The screenshot that Aegon provided showed the four options; take it as a cash lump sum; flexible regular income; guaranteed regular income; and wait and decide later. But it wouldn't have been clear to someone wanting to take tax free cash that they would need to select "*Flexible Regular Income*".
- There were three drop down options under "*take it as a cash lump sum*"; all as cash; some as cash; and take it all as a small pot. Again, from this there was nothing showing that this wouldn't apply to tax free cash.
- There was a clearer message in the "*review and confirm*" page. This said the following under "*withdrawal details*":

"...Although 25% of the cash lump sum is tax free, the remaining 75% will be taxed as income and may put you in a higher tax bracket. Taking some or all of your income as cash may also have an impact on any means tested benefits you currently receive..."

- But the steps up until this point had been unclear and this was the first point at which Mr C would have been expected to have cause to query the withdrawal with Aegon. However, with no other known alternative and the knowledge that he'd only selected 25% of his total pension fund, Mr C could reasonably have interpreted this message as a generic one. It didn't say "*this*" lump sum and still lacked a clear warning that if he intended to take the entire 25% tax free cash, that he shouldn't proceed.
- The declaration then said "*...I declare that I have enough lump sum allowance and lump sum and death benefit allowance remaining to cover the tax-free element of the lump sum...*".
- This would reasonably indicate that, if Mr C had 25% tax free cash available, this would be what he'd receive tax free. Or at least for someone like Mr C who didn't know of another option to access just his tax free cash, this might reaffirm the process rather than giving pause for thought.

- The screenshot Aegon provided, showing the drop-down explanation of the *“flexible regular income”* under flexi access drawdown, focused on income rather than specifying tax free cash.
- There was then a query as to whether financial advice had been received, along with a note to say that if Mr C had decided that he didn't want advice but would like flexi access drawdown, to contact Aegon.
- Mr C had said that, even with hindsight he couldn't see where on the website he would have been directed to the right path, or that he would have been told that he could only request his full tax free cash over the phone.
- He'd also provided the *“It's nearly time to choose your path”* document, but within this it didn't indicate that, to take the full 25% tax free cash, he'd need to call Aegon. And for someone not seeking to take any benefit other than the 25% tax free lump sum, it was understandable as to why the flexi-access drawdown option wouldn't be the first they would choose.
- The Retirement Options Pack noted the risk that *“...you'll pay tax if you take a lump sum (other than a tax-free lump sum) from your pension savings and this may take you to a higher tax bracket...”*.
- The investigator had queried the pathways with Aegon further during her investigation and it had explained that Mr C would have only been directed to call it if he'd chosen Flexi Access Drawdown. Whilst there was more information available when following this path, it didn't alter the fact that, to be correctly informed, a consumer would have to know to select that option and understand that the other option didn't fit their needs.
- Looking at the path followed by Mr C, a reasonable individual may well have made the same mistake as Mr C. This was because of the lack of clear direction and warnings regarding how to take full tax-free cash, and that the lump sum option wasn't the correct option for this. An individual using the platform wasn't advised and, as such, Aegon should ensure that its customer pathways were clear, fair and not misleading, especially when guiding consumers through processes which are irreversible.
- In terms of putting things right, Aegon should contact HMRC to ask if this payment could be reversed on the basis of an error being made by it. And if this was possible, it should contact Mr C to determine whether he was able to return the funds so that things could be put right.
- Aegon should also pay Mr C £200 to compensate him for the distress and inconvenience caused by the issue and the uncertainty regarding his tax position.

In response, Mr C enquired as to what would happen if HMRC declined to accept that Aegon had made a mistake.

Aegon also said the following in summary:

- The investigator had said that the options available online were unclear, and she'd suggested that a customer may not know which option to choose and that there was a lack of direction over how to move forward with a request of how to get 25% tax free cash only. But a customer has a duty to mitigate any potential impact to

themselves, and therefore if Mr C was unsure, it was unclear as to why he wouldn't research all four options presented to ensure that he was choosing the correct one.

- Alternatively, Mr C could have called it to ask which option he would need to select. However, Mr C did neither of those things and chose what he assumed to be the correct option and progressed this, despite the warnings provided during that journey.
- There were several warnings during the journey Mr C chose which indicated that tax would be payable and that lump sum options couldn't be cancelled.
- For example, on the options page it warned that lump sum options had no cancellation rights, and so the transaction couldn't be reversed. And after selecting the "Cash" option, a customer was warned again that this option can't be cancelled.
- "Question 3" confirmed that tax would be deducted, and then again on the declaration page it confirmed that 25% of the payment was tax free and the other 75% would be taxed.
- If Mr C didn't read the warnings it provided before he submitted his request, this wasn't Aegon's error. It was further queried as to why, if Mr C didn't understand the warnings, he didn't mitigate the impact on him by calling it to clarify matters before submitting his request.
- The investigator had said that Mr C chose the cash lump sum option on the basis that he thought he'd be receiving the 25% tax free cash portion. But whilst Mr C had made assumptions based on the information provided to him, its wording wasn't unclear. It had confirmed that he would pay tax on 75% of this withdrawal. These were factually correct statements and Mr C had made incorrect assumptions and misunderstood. But again, this wasn't Aegon's error.
- As to the comment that nowhere during that journey did it confirm that this option wasn't to be used to only take 25% tax free cash, Aegon agreed that this wasn't confirmed during the journey. But nor had it confirmed that this option was to be used to take 25% tax free cash only. Each option was detailed, each option had the appropriate risk questions, and if Mr C had reviewed all four options and was unsure of which to select, it would be reasonably expected that he would ask it.
- And it had been made clear that the option chosen would result in tax being payable. And that it would be irreversible.
- In response to the point that there was no clear direction for an individual who just wanted to take tax free cash, it presented a customer with all options available to them, and they would then be responsible to review the options before selecting whichever option best suits their needs. If they needed more information from Aegon to allow them to make that decision, its contact details were available. Further it also highlighted that if a customer was unsure, they may wish to seek financial advice.
- Further, thousands of other customers complete the online options correctly, which would suggest that other 'reasonable individuals' navigated the options presented to them and hadn't made the same error as Mr C. So this may suggest Mr C failed to read or understand all the information presented to him. But it wasn't agreed that its pathways were unclear, unfair or misleading.

On the basis of Aegon's response, the investigator was persuaded to change her view on the matter, saying the following in summary:

- Despite the lack of information being provided when the options were provided, that Aegon did provide several warnings that explained only 25% of the payment requested would be tax free and the remainder would be taxed. As Mr C's chosen option wasn't obvious, it would be reasonable to expect that, having read all the warnings, if he wasn't sure whether they applied to what he wanted to achieve, he would have contacted Aegon to make sure.
- More weight had originally been placed on the lack of upfront clear information being provided for a situation in which a person wanted to only take their tax-free cash. However, having considered this again following Aegon's comments, whilst this could still be clearer, Aegon did provide clear warnings, and it wouldn't be reasonable to hold it responsible for Mr C making an assumption regarding the warning and not checking this before making a request which was irreversible.

Mr C maintained that the website information was misleading, however, saying the following in summary:

- The pathways were incorrectly signposted. The website should say that *"Aegon members seeking to make a tax-free lump sum withdrawal can only do so by phone and cannot do it online"*. This wasn't mentioned on the website and would have been easy to do.
- Alternatively, it those seeking a tax-free lump sum withdrawal could be taken on a different path that also made it clear that such a withdrawal could only be done by phone.
- Instead, the website advertised a route to take a cash lump sum which is what he wanted to do. He understood that the issue of tax depended on the amount withdrawn and this was consistent with this signpost. The route had a ten-point questionnaire designed to ensure that he was aware of the risks of withdrawing money from his pension. But there should have been a question asking whether he was aware that the only way to make a tax-free withdrawal was by phone, warning that this route wasn't suitable for him.
- It should have been possible to make a tax-free lump sum withdrawal from his pension online. The website allowed him to withdraw all of his money and close his pension, so there was no added consumer protection. It was queried as to whether this was an Aegon specific approach or a regulatory requirement.
- Aegon's wording was unclear. It said that its warning that *"the first 25% is tax free and the remainder is taxed at a normal rate..."* was clear and referred to the amount withdrawn. There were two principal figures on that screen, the available balance and the withdrawal. It was unclear whether the warning referred to 25% of the withdrawal or the available balance. He'd understood the wording to refer to 25% of the available balance - an equally valid understanding of its wording. Further, he'd believed that the path its website had taken him along was one in which the first 25% of his available balance was tax free. It confirmed he was on the correct path.
- In September and October 2024 there was intense media speculation that the chancellor would remove the tax-free lump sum withdrawals from pensions in her first Autumn Statement. Billions were being drawn down by savers and pension

companies were swamped with enquiries. He'd tried several times to get through to speak to Aegon to action this, but he couldn't get through. The investigator's amended finding was that, as his chosen option wasn't obvious, it would be reasonable to expect that, having read all the warnings if he wasn't sure that they applied to him, he would contact Aegon to make sure. But he knew it was impossible to get through to Aegon. He'd already been trying to do this and so it wasn't a reasonable option. Aegon's switchboard data would confirm this.

- Aegon knew from the media, its own investment data and phone line activity that many of its customers urgently wanted to make tax-free lump sum withdrawals before 30 October 2024 and it would have been easy for it to flag on its website that it could only do this by phone.
- It had the capability to put up warnings, and had done so about recent events in the middle east. And so it could have provided a warning about tax free withdrawals as well.
- It was queried as to whether, with an inability to get through by phone, Aegon was trying to reduce the huge outflows of funds invested as a strategy to protect the company. Large outflows may have affected the company's liquidity. In any event, no investor wants to see their funds shrink and would take whatever steps they can to reduce this.
- The investigator had previously indicated that she'd also been misled by the website. She'd also said that she'd consulted with colleagues who had looked at similar cases where people had been misled. It was therefore queried as to whether there'd been other cases where people had made complaints to this service about Aegon's website. This would demonstrate that it wasn't just him who'd been misled by this.
- If Aegon had received other complaints prior to his withdrawal, it should have changed its website straight away. It would have known from the complaints that people had been misled by its wording, and it had caused financial loss to its members who expected it to keep their money safe. It wasn't a defence for an organisation to say it had been aware of a hazard, but didn't need to do anything about it because only a few people had been harmed.
- The website path still hadn't been changed. Even if he was the only person to have been misled by its lack of warnings, this was no longer a theoretical ambiguity but a real ambiguity that it knew has caused a client loss. It was queried as to whether this placed Aegon under a duty to change the wording, and add warnings to protect other users.
- It would have been easy for Aegon to write to HMRC saying that an error had been made and requesting that the transaction be reversed. It could have said that he'd intended to make a tax-free withdrawal, and an error had been made without outlining the details of the error. It would have cost Aegon nothing.
- The investigator had said that she'd amended her findings on the basis that Aegon had provided, and reiterated, warnings that only the first 25% of the payment would be tax free. But to be effective, a warning must be clear. Repeating the same unclear warning with the same wording multiple times on its website didn't make it any clearer. The investigator had initially agreed that the warning wasn't clear. And Aegon's response to this complaint didn't explain why its warning could only have one interpretation. It hadn't addressed the ambiguity in the warning.

- Its only defence seemed to be that it said the same thing repeatedly and just used its same unclear wording in its response to the investigator. People relied on these websites and unambiguous language was vital. Companies like Aegon were obliged to ensure their communications were clear and the investigator had agreed that the initial page could have been clearer – although other colleagues had interpreted it differently.
- It was the cumulative lack of clarity from the initial page, poor pathways and inadequate warnings which had misled him, misled the investigator and others at this service, and potentially many others.
- The investigator had said that she could understand how he'd ended up selecting the wrong option and inadvertently understanding the warnings provided via this route as only relevant if he was wanting to take more than 25% of his pension fund. And she'd upheld the complaint on this basis. Aegon saying that it repeated a 'warning' many times rather than once didn't mean that the investigator's original conclusion was wrong and therefore should have been changed.

In response, the investigator agreed that the website could have been clearer, but on the basis that agreement couldn't be reached on the outcome, she said that the matter would be referred to an ombudsman for review.

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.

And having done so, I broadly agree with the investigator's amended findings and for the same reasons.

I'm sympathetic to the view that the website could have been clearer in terms of a well-defined route for those seeking to just take their 25% tax free cash, as Mr C intended here. But I think it's fair to say that it's arguable that there could always be improvements to such websites. And what I need to decide here is whether what was contained on Aegon's website gave Mr C enough information for him to be able to make an informed decision about what he was doing. I note that Mr C has queried as to why Aegon still hasn't changed its website. But for its part, Aegon considers that its website sets out the options in a clear fashion. And I would say on this point that it's not for this service to direct a business to change its processes or amend the wording on its website. That would be for the regulator, the FCA.

What we can consider though, is whether the wording it uses has reasonably caused a consumer to suffer financial disadvantage – and as set out above, whether it was sufficient for Mr C to make an informed decision. But having considered what's been submitted by both parties, I'm not persuaded that the position that Aegon has caused Mr C a financial loss, or has failed to provide sufficient information, would be a fair and reasonable finding here.

To explain, in my view the warning on Aegon's website had a clear meaning, which was that the payment which would be made to Mr C, not on overall available funds, would have tax applied on 75%. This was highlighted within the warning contained in "Question 3", which asks the following:

*"Are you aware that you will pay tax on **any** money you withdraw from your pension savings*

and this may take you in to a higher rate tax bracket?" (my emphasis)

I think this ought reasonably to have disabused Mr C of any notion that his payment would be made tax free. Mr C has alluded to ambiguity in Aegon's warning. But even if I were to accept that this was the case, given the potential tax consequences for Mr C if he assumed that it meant something different it might reasonably be expected that any such ambiguity would then have been clarified with Aegon.

I've noted what Mr C has said about Aegon's telephone lines being busy, and has said that he tried to call it multiple times. This might reasonably suggest that Mr C did wish to clarify that he was pursuing the right route. But given the potential consequences here of this not being the case, I think Mr C ought reasonably to have either persisted, left a message, or contacted Aegon by chat or email. And if Mr C was calling about something else, then getting through to Aegon wouldn't in any case have clarified the ramifications of the option he was choosing.

And if Mr C decided to proceed without clarifying any such ambiguity, then I don't think it would be fair and reasonable to hold Aegon responsible for this.

I've further noted what Mr C has said about others concluding that the content of the website was misleading. As I've alluded to above, such matters will of course always be open to interpretation. And it may be the case that other consumers have complained about the same issue. But I need to make a determination here on the individual circumstances of this case, and taking everything into account, I think that the wording as set out above would have reasonably made Mr C aware that any payment made to him under the option chosen would be taxed. And as also set out above, if Mr C deemed there to be ambiguity, then I think it would have been a reasonable expectation for him to receive clarity on this before proceeding.

In closing, while I appreciate that this may currently be small comfort to Mr C, he would still have the remainder of his tax free entitlement available to him, and anything taken beyond that would in any case be taxed at some point in the future - although I acknowledge that this may have been at a point when Mr C was paying an overall lower rate of tax.

And whilst I don't think it would be fair or reasonable to uphold this complaint, and I can't therefore require Aegon to do something to "put matters right", I'm sympathetic to Mr C's situation, which appears to be genuine mistake, and I would nevertheless recommend that it works with Mr C and HMRC to see if the transaction can be unwound.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 15 May 2026.

Philip Miller
Ombudsman