

The complaint

Mr W has complained about the information which Aviva Life & Pensions UK Limited provided him about his pension policies' transfer value, and that the amount he received was lower than Aviva had previously set out.

Mr W has said that he was unaware that the process of transferring his pension funds would involve selling the units for reinvestment in the new policy.

What happened

On 23 June 2023, Aviva sent Mr W a retirement notification letter, which confirmed the combined value of three policies he held with it as at 22 June 2023 as being £50,193.

That document also confirmed that the 'current pension fund valued on 18 August 2023 was £50,193'.

Within the letter, Aviva also set out the following:

"Please remember this pension fund value is an estimate only and is not guaranteed. The final value at retirement could be more or less than the amount shown."

and

"The fund value shown is the estimated amount available should you choose to transfer your pension fund elsewhere at the retirement date. The actual value as at your retirement date will depend on unit prices on that date, so may be higher, or lower, than the estimated values shown."

Mr W requested that his policy values be transferred to another policy with Aviva from which he could draw down and illustrations produced on 1 August 2023 confirmed a transfer value of £50,192, comprised of separate policy values of £40,323, £5,937 and £3,932.

But the actual transferred amounts for the respective policies were £38,844, £5,730 and £3,796.

Mr W complained about the reduction in value, but Aviva initially responded on 25 August 2023 on an incorrect basis, referring to an ISA transfer.

Aviva then issued a second response to the complaint, saying in summary that it apologised for the confusing nature of the wording relating to the value as at 18 August 2023. But it said that, as the policy remained invested in unit linked funds, whose value fluctuated on a daily basis, until the money was transferred, it was impossible to know what the future value might be.

Aviva did, however, uphold Mr W's complaint on the basis of the response to his complaint on 25 August 2023, apologising for what it considered to be human error in confusing Mr W's complaint for another customer's.

Dissatisfied with the response, however, Mr W referred the matter to this service. One of our investigators considered the complaint and said the following in summary:

- Since the referral of the complaint to this service, Aviva had listened to the calls between Mr W and its representatives, and it agreed that it could have been clearer about the actual value which would be paid when the policies were transferred.
- The investigator noted that Aviva had picked up on a couple of points in the phone calls of 11 July 2023. The first was that Mr W and the call handler had talked about the terminal/final bonus. The call handler had said that Mr W would be entitled to the final bonus, but that it could change.
- The second point in a later call was that, when the representative was once again talking about the final bonus and said that the whole £50,000 would be moved across, Aviva considered that they had been referring to the value which would be available at the time, plus any final bonus. The intention was to convey that, at retirement there would be no market value reduction (MVR), but it acknowledged that its call handler could have been clearer.
- The call handler then confirmed that Mr W wouldn't be able to re-enter the With Profits policies and that the final bonus wouldn't apply after the transfer.
- Having listened to the calls, the investigator thought that, although the call handler could have been clearer, Aviva hadn't done anything wrong.
- The investigator noted that Aviva had acknowledged the lack of clarity in some of the statements made, and was offering Mr W £100 "additional compensation" for not being as accurate as possible. The investigator thought that this was fair in the circumstances.
- She noted that the final balance of the transferred sum was lower due to it being recalculated in line with the unit price prevailing at the time of the transfer. And she further noted that the paperwork had said that the final amount wasn't guaranteed.

In response, Mr W thanked the investigator for her assessment, but queried as to whether the amount offered by Aviva was £100 or £200, as the investigator had referred to an offer of £100 and then referred to an "additional £100".

The investigator clarified that the amount offered was £100, and that she had repeated Aviva's wording of "additional compensation".

Mr W replied to say that he was rejecting the offer, as Aviva hadn't been clear in its offer of compensation. Mr W said that he didn't wish to trivialise the matter of £100, but he thought he'd already lost approximately £1,800 due to a lack of clarity on behalf of Aviva. His response was directed at Aviva's original and continuing lack of clarity in its communications, Mr W added.

As agreement couldn't be reached on the matter, it's been referred to me 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've reached broadly the same conclusions as the investigator, and for similar reasons.

I think Mr W is right in his assessment of Aviva's lack of clarity in the conveyance of the information relating to his transfer, and I don't think this point is disputed by Aviva – it accepts that it could have been clearer in some of its communication. I do also agree that the offer of "additional compensation" takes little account of the fact that no compensation had yet been offered to Mr W.

But I do also need to take into account a couple of other factors, one of which is that Aviva did say in writing that the figures quoted for his policies were estimates and the actual value which would be transferred would be dependent upon the unit price at the time of the transfer. And although I do acknowledge the lack of clarity in the verbal communication, I don't think this message would have been so diluted or confused such that I could fairly or reasonably conclude that Aviva had misled Mr W.

There is then the further consideration of what Mr W might reasonably have done even if the verbal communication had made it crystal clear that the transfer value would be dependent upon unit prices at the time of the transfer.

Mr W wished to access his pension funds, and as there would have been no option other than to accept the unit price at the time of the transfer, I think it's likely on balance that Mr W would still have proceeded with the transfer for the sake of drawing on his pension funds. I note that Mr W hasn't said that he would have taken a different course of action if it had been made clear verbally that the transferred amount would be dependent upon the unit price at the time. And it was after all possible, of course, that the unit price could have increased in the intervening period.

And so, although the unit price may have decreased by the time of the transfer, I don't think there's an actual loss here, but more one of expectation. And taking into account the manner in which Aviva has let Mr W down here, i.e. the lack of clarity in the explanation, and the type of award which this service might make in similar circumstances, I think the amount offered of £100 is probably about right.

My final decision

My final decision is that the offer of £100 made by Aviva Life & Pensions UK Limited is appropriate in the circumstances here.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 29 July 2024.

Philip Miller
Ombudsman