

## Ombudsman's Determination

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| Applicant  | Mr M  |
| Scheme     | Standard Life Private Personal Pension Plan ( <b>the Plan</b> ) |
| Respondent | Standard Life   |

## Outcome

1. I do not uphold Mr M's complaint and no further action is required by Standard Life.

## Complaint summary

2. Mr M complained that Standard Life did not adequately inform him about the reduction in his Money Purchase Annual Allowance (**MPAA**). He would like the transaction to be reversed to stay within the allowance limit.

## Background information, including submissions from the parties

3. On 19 and 29 January 2020, Mr M telephoned Standard Life to discuss taking his benefits from the Plan. Following this, Mr M proceeded to take full encashment of £14,000 from the Plan.
4. On 4 February 2020, Standard Life wrote to Mr M to confirm that the Plan had been used to provide benefits to him. It said in summary:-
  - On page 1, "The amount taken as income may be less than the amount earmarked for income due to charges".
  - On page 2, "Under new Government rules, your annual limit changes when you access your pension benefits flexibly. This payment means that you've done that, and your annual allowance has changed".
  - On page 3, "You've flexibly accessed your pension. Under new government rule, your annual allowance limit changes when you access your pension rights flexibly".
  - Your annual allowance becomes £4,000 for any 'money purchase arrangement' when you flexibly access your benefits. This means that if you or someone else on

your behalf pays more than £4,000 into those arrangements in a year, you'll have to pay an annual allowance charge on the extra".

5. On 16 June 2021, Mr M telephoned Standard Life and raised a formal complaint. He said Standard Life should have explained the reduction in the MPAA during its telephone calls with him on 19 and 29 January 2020, when discussing taking his benefits.
6. On 21 June 2021, Standard Life telephoned Mr M to discuss his complaint. It followed up by sending him an email detailing its response to his complaint. It said in summary:-
  - As Mr M was happy to request his full encashment online, it did not discuss the MPAA with him during the telephone calls of 19 and 29 January 2021 as its online retirement journey had been designed to cover the key information and considerations in taking benefits from one's pension plan.
  - There was information available about making future contributions, and how limits may be affected in the online journey under the 'Things to think about' and 'Confirmation' section.
  - The MPAA was explained to Mr M in its letter of 4 February 2020.
  - It provided Mr M with sufficient warning and notification that the amount he could contribute could be reduced by proceeding with his chosen retirement option. So, it did not uphold his complaint.
7. Following the complaint being referred to The Pensions Ombudsman, Standard Life and Mr M made further submissions that have been summarised in paragraphs 8 to 12 below.

### **Standard Life's position**

8. It does not agree that Mr M was not sufficiently warned about the impact of taking his benefits. It wrote to Mr M explaining the annual allowance changes when benefits are accessed flexibly and covered this information again when Mr M completed the online journey which included adequate warnings about MPAA.
9. It believes it was reasonable for it to reject Mr M's complaint.

### **Mr M's position**

10. Standard Life was complicit in not advising him that by accepting the full amount of £14,000 instead of £10,000 would render his annual allowance of £40,000.00 void.
11. He cannot understand how Standard Life does not understand its poor guidance has caused detriment in his ability to make tax free contributions.
12. If the MPAA charges were explained properly, he would have only withdrawn £10,000 from the Plan.

## Adjudicator's Opinion

13. Mr M's complaint was considered by one of our Adjudicators who concluded that no further action was required by Standard Life. The Adjudicator's findings are summarised in paragraphs 14 to 18 below.
14. Having reviewed Standard Life's online journey forms, it was the Adjudicator's view that Mr M had sufficient warning and notification about the reduction at the time of requesting a full encashment online. So, in her opinion Standard Life cannot be held responsible.
15. On the Key Considerations page of the online journey, Mr M was asked, "Are you planning to continue contributing to this or any other pension". As Mr M was planning to do so, he would have clicked yes, where a warning was then provided. This warning read, "Excellent. But did you know that your contributions allowance may drop? When taking more than your tax free cash, the maximum that you or an employer can pay into any of your defined contribution pensions, without attracting a tax charge, will reduce to £4,000 a year with no carry forward. [...] If this allowance is exceeded, a tax charge of up to 46% pay apply so check this allowance isn't going to be a problem going ahead...".
16. Through the journey, Mr M would have also had sight of warnings on the Understand Page and then the Confirmation page which said, "In future you may be more restricted in how much you or an employer can pay into this or any other pension you may have to tell other Pension Providers. When you take more than the tax free cash, the maximum that you or an employer can pay into any of your defined contribution pensions without attracting a tax charge will reduce to £4,000 a year. [...] Check this limit isn't going to be a problem before going ahead. Once the limit reduces you can't change your mind later".
17. The Adjudicator understood that Mr M expected Standard Life to have mentioned the MPAA during its telephone calls, however, as Mr M said he wanted to take full encashment of his benefits he was directed to do so using the online journey, so it was reasonable for Standard Life not to mention the MPAA during the telephone calls.
18. The Adjudicator believed that Standard Life provided adequate warnings to Mr M and concluded that she did not believe Standard Life's actions amounted to maladministration, so Mr M's complaint should not be upheld.
19. Mr M did not accept the Adjudicator's Opinion, and the complaint was passed to me to consider. Mr M provided his comments in response to the Opinion, as follows:-
  - He is not a pensions expert and if he were told in layman terms that the cash sum at £14,000.00 would have affected his ability to contribute tax free sums each year, he would not have gone ahead with this amount.

- The wording sent to him by Standard Life in its communication is not sufficient enough.
- His decision to take his benefits was made after verbal communication with Standard Life, so he should have been made aware of the MPAA verbally on the telephone.

### **Ombudsman's decision**

20. I have noted Mr M's comments in relation to Standard Life not referring to the MPAA during its telephone calls with him. While it would be beneficial for all customers to be alerted to the MPAA on the telephone before taking their benefits, Standard Life does not have an obligation to do so. My role is to consider complaints of maladministration causing the applicant financial injustice. I cannot make any direction for Standard Life to change its processes when it is not required to do so.
21. I note that once Mr M confirmed that he wished to proceed with a full encashment, Standard Life sent a letter to him which set out the potential implications to the MPAA. Mr M signed agreement to this letter before sending it back to Standard Life.
22. Standard Life's online journey made reference to the MPAA on several occasions. Consequently, if Mr M did not understand the selections he was making, he should have contacted Standard Life in advance of taking his benefits to establish what the various options meant. Standard Life cannot be held responsible that he failed to do that, so, I do not agree that there has been maladministration. It follows therefore, that Standard Life has not caused Mr M to suffer any financial loss.
23. I do not uphold Mr M's complaint and no further action is required from Standard Life.

### **Anthony Arter CBE**

Deputy Pensions Ombudsman

29 October 2024