

Ombudsman's Determination

Applicant	Mr E
Scheme	University of Leicester Pension and Assurance Scheme (the Scheme)
Respondents	The Trustees of the University of Leicester Pension and Assurance Scheme (the Trustees) Aon

Outcome

1. I do not uphold Mr E's complaint and no further action is required by the Trustees or Aon.

Complaint summary

2. Mr E has complained that Aon split his pension payments in two, 10 years after he first began to receive his pension. Mr E is also unhappy that this change was made without any warning. As a result, his tax code was incorrect and he underpaid income tax by around £10.

Background information, including submissions from the parties

3. On 5 July 1999, Mr E joined the University of Leicester (**the Employer**) and became an active member of the Scheme.
4. Mr E left the Employer on 28 July 2000 and became a deferred member of the Scheme.
5. On 20 November 2000, Mr E re-joined the Employer, and the Scheme, until he retired on 29 April 2010.
6. Mr E has said that he worked for the Employer again, after he retired.
7. Aon, the Scheme Administrator since 1 July 2013, has said that the Employer set up Mr E's pension as one payroll record for the two periods of service before he retired.

8. In May 2010, Mr E began to receive his pension as one monthly payment for the two periods of service (**combined pension payment**) along with one pension advice slip. Capita administered the Scheme at the time.
9. In 2018, the Trustees appointed Ernst & Young (**E&Y**) to carry out an annual review of the Scheme's accounts and processes. E&Y identified five retired members who were receiving a combined pension payment for two separate periods of service with the Employer. E&Y raised the issue with Aon which instructed its payroll department to make separate pension payments for each period of service. The total amount payable remained the same.
10. In February 2019, Mr E contacted Aon because he had received two payments and two pension advice slips that month. Aon explained that Mr E had two separate periods of service so it had split his payments accordingly (**pension payment one and pension payment two**). Mr E complained that he was not informed of the change and therefore had underpaid his income tax.
11. On 12 February 2019, Aon responded to Mr E's complaint and said:-
 - The Employer originally set up Mr E's pension as one record despite him having two periods of service.
 - In 2018, E&Y identified that there were retired members of the Scheme who were receiving a combined pension payment. E&Y had raised the issue with Aon and Aon instructed its payroll department to start making pension payment one and pension payment two, in line with standard payroll practice.
 - It apologised for not informing Mr E that his pension would be split and that it would have to use the basic tax code, 1185L, until Her Majesty's Revenue and Customs (**HMRC**) provided the correct tax code. This could result in an underpayment or overpayment of tax that would be resolved in the next pay cycle.
 - Mr E's payroll record had been correctly updated and the tax owing would be deducted from his pension payments in March 2019.
 - It was willing to offer Mr E £250 in recognition of the inconvenience and distress that he had suffered.
12. On 4 March 2019, Aon wrote to Mr E again and said that:-
 - His tax deductions had been adjusted.
 - He did not pay tax on pension payment two in February 2019 because the payment was made before it received the new tax code from HMRC.
 - Once Aon received the new tax code from HMRC, it adjusted Mr E's pension payments for March 2019.
 - The tax underpayment had been corrected.

13. Mr E remained dissatisfied with Aon's response so he contacted HMRC for a copy of his National Insurance contributions and to ensure that his tax record was correct.
14. On 8 May 2019, Mr E raised a complaint under the Scheme's Internal Dispute Resolution Procedure (**IDRP**) and said:-
 - He was dissatisfied with Aon's explanation for the change in how his pension payments were made.
 - It was unclear why Aon changed the payment method when he had been receiving the combined pension payment since May 2010.
 - Aon should have informed him that he would receive pension payment one and pension payment two instead of the combined pension payment.
 - He was unhappy that he had to contact HMRC to check his tax liability when Aon applied the incorrect tax code.
15. On 10 May 2019, the Trustees acknowledged Mr E's complaint and confirmed that he could expect to receive a response within two months.
16. On 17 July 2019, the Trustees responded to Mr E's complaint with the same information that Aon provided, as set out in paragraph 12. In addition, the Trustees said:-
 - It agreed that Mr E's combined pension payment was split without any notification.
 - The split resulted in a tax underpayment because Aon used the basic rate tax code.
 - The correct tax code was applied to Mr E's March 2019 payments, which resolved the tax underpayment issue.
 - Aon should have notified Mr E of the changes in advance to prevent him from having to contact HMRC, Aon or the Trustees.
 - Aon's offer of £250 in recognition of the distress and inconvenience remained open for Mr E to accept.
 - The Trustees had taken steps to ensure that Aon's processes were updated to avoid a similar situation arising again.
17. Mr E remained dissatisfied with the IDRPP response. He sought to establish why he received the combined pension payment when he should have been receiving pensions payment one and pension payment two.
18. The Trustees have confirmed that Mr E has received the correct amount since his pension commenced in May 2010 and that neither method of payment was incorrect. Instead, E&Y's recommendation had been implemented to enable better record keeping and make auditing pension payments easier.

Adjudicator's Opinion

19. Mr E's complaint was considered by one of our Adjudicators who concluded that there had been maladministration on the part of Aon. The Adjudicator's findings are summarised below:-
- Aon had sufficient time to notify Mr E of the change to his pension payment.
 - The newly appointed auditor recommended that Aon make pension payment one and pension payment two, but Mr E was receiving the correct pension amount.
 - Aon had apologised and had offered Mr E £250 in respect of the distress and inconvenience which he had suffered. She did not believe that the Ombudsman would uphold the complaint and increase the level of award.
20. Mr E did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr E provided his further comments which do not change the outcome. Mr E has said:-
- It was not clear why Aon did not identify the issue sooner.
 - He was unhappy that he was the only member to have suffered because of the issue.
21. My Office contacted the Trustees for their comments and they said:-
- The issue had not been raised prior to E&Y's audit in 2018.
 - Aon split the payments to bring them in line with standard payroll practice and to avoid the issue being raised in further audits.
 - The Trustees would expect to adopt the changes recommended by new auditors for the purpose of improving data accuracy and ease of use.
22. I note the additional points made by Mr E but I agree with the Adjudicator's Opinion.

Ombudsman's decision

23. As I understand it, Mr E would like to know why Aon and the Trustees did not split his combined pension payment earlier.
24. Capita administered the Scheme when Mr E retired from the Employer and began to receive his pension. The Trustees have said that they are not aware of any concerns being raised whilst Capita administered the Scheme. Aon and the Trustees have confirmed that Mr E's record was not questioned until 2018, when E&Y audited the Scheme. The fact that a recommendation to split Mr E's payments was not made sooner suggests that it was not an issue and that Mr E's payments have been made at the correct level. E&Y made the recommendation in order to bring payments in line with standard payroll practice. Furthermore, had it been an issue, HMRC would have

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informed Mr E of any further tax liability and I would expect the Trustees to have been be aware of the anomaly much earlier.

25. I agree that Aon could have informed Mr E that his pension payment would be split earlier than it did, however, I understand that Mr E is satisfied with the recommended £250 award for this element of the complaint. Mr E should contact Aon and the Trustees in order to take up the offer.
26. I do not uphold Mr E's complaint.

Anthony Arter

Pensions Ombudsman
20 October 2020