

## **The complaint**

Mr R's complaint is about a transfer from a Child Trust Fund (CTF) with Forester Life Limited. He is unhappy that the value transferred was calculated using the unit price on the date the transfer request was received by Forester, rather than that of the date of the transfer, as that would have given a higher value.

## **What happened**

In 2017 Mr R started the CTF, which was subsequently transferred to Forester. In 2019 he decided to change to a junior ISA with another provider.

The new product provider wrote to Forester on 22 August 2019 with instructions to transfer the cash value of the CTF to it. That instruction was received by Forester the following day.

Before Forester started to process the instruction, a further direct debit contribution was called for from Mr R's bank account. This was paid on 2 September 2019 but had to clear through the banking system before allocation to the CTF could be confirmed. Due to this payment, Forester delayed processing the transfer until the payment had cleared. The transfer was completed on 11 September 2019, including the additional payment, but based on the unit value on the day the instruction was received.

Mr R wasn't happy that despite the transfer not taking place until 11 September, the unit value used was that from 23 August. This was because the September value was higher than the August value and Mr R believed Forester had deprived his child of money that was rightly his. He complained to Forester.

Forester responded to the complaint, but didn't uphold it. It explained the transfer request was received on 23 August 2019. It aims to process transfers in five to seven working days, however, the actual time for processing is dependent on workflow at the time. Forester confirmed the processing time must allow for uncleared contributions to process so the funds can be included in the transfer. It explained if the transfer was being processed whilst a payment was being collected it can cause further delays due to the funds having to be recalled by the bank. Any slight delay in the processing doesn't alter things as the date of instruction remains the date used for the calculation of the transfer value.

One of our investigators considered Mr R's complaint. Ultimately, she upheld it in part. She was satisfied there was nothing wrong with Forester processing the transfer as at the date of the instruction – it was normal practice in the industry. Nor did she think that the transfer was unduly delayed or that this was done in order for Forester to retain growth between instruction and transfer.

However, the investigator considered that Mr R had made a valid point when questioning the treatment of the additional contribution paid shortly after the transfer instruction was received by Forester. She concluded that it was not appropriate for Forester to backdate the value of the contribution to the date of the transfer instruction, given it hadn't been made at that date. As such, she concluded Forester should pay the value of the contribution as at the date it was received, less whatever had been paid out already. Interest at 8% simple should be

added from 11 September 2019 to the date of settlement. In addition, she considered this matter had caused Mr R some upset and inconvenience, and it should pay him £50 in recognition of this.

Forester said that when it gets transfer instructions it doesn't cancel the direct debit mandate separately when a transfer instruction is made, although a customer could do so. It also quoted from HMRC guidance which states:

*'The transfer should be carried out by the old provider as soon as requested by the new provider, subject to the reasonable business period required to carry out the transfer (not exceeding 30 calendar days). The transfer should not be delayed due to waiting for re-registration of investments, or receipt of outstanding government contributions or dividends or other income from investments. Any sums received after transfer should be forwarded to the new provider together with details of the CTF in respect of which the sums have been received.'*

Forester said that is what happened in Mr R's case. It asked that the complaint be referred to an ombudsman.

Our investigator highlighted to Forester that the additional payment made to the CTF after the transfer instruction was received was not simply forwarded to the new provider. Rather it was invested into the CTF as of the date it was received, and its value backdated to the date of the transfer.

In response Forester calculated what difference to the amount it would have transferred to the new provider if the 2 September 2019 payment had its value not been backdated. It calculated this as 18 pence. It repeated its request for the complaint to be considered by an ombudsman.

Mr R said his understanding from selling shares in the past is that it's standard in the industry for a transfer to be done in five business days. He didn't consider Forester dealt with the transfer in a reasonable business period and it '*manufactured*' a longer period by waiting to see if the next payment would be made. Mr R also considers the terms and conditions are unclear as the '*effective date*' is not defined. He also commented that Forester didn't explain why the CTF holdings weren't sold on the effective date, but rather 11 September 2019 - 19 days later. He remained of the opinion this was Forester using the CTF to make money for itself.

In addition, Mr R accepted the loss on the 2 September 2019 payment was 18 pence. However, he thinks the true loss is the £56.64 difference in unit value between 23 August and 2 September 2019.

As agreement couldn't be reached the complaint has been passed to me to consider.

### **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.

This complaint is about the transfer of an investment for Mr R's child from Forester to another provider. Whilst Mr R has said he wanted the investment transferred as it was, i.e. as the investment contained within the fund, that wasn't going to be an option as he was transferring to a different provider that used a different fund for investment. If he'd wanted to move the investment from the CTF to a junior ISA with Forester that was to be invested in the same fund, it may well have been possible to transfer the holdings between the two

products. However, a transfer from one business to another will need to involve a cash transfer value being passed to the new provider, which will be why the new provider changed the transfer form.

When a transfer request is made it is normal for the provider to treat the transfer as being done with effect from the date the instruction is received. This prevents a consumer being subject to the vagaries of the administration process within the product provider. Most providers will have normal service standards for completing the administration on changes to products, but these standards are not always met because a provider can't always predict when it is going to be busier than usual. Forester has confirmed its normal service standard is five to seven working days, which is quite typical within the industry, but that doesn't mean it will have been deemed to have done something wrong if it doesn't comply with the normal timings if that was for good reason.

In this case the transfer instruction was received on 23 August 2019. It was entirely reasonable for Forester to use that date as the one used for the valuation of the CTF for transfer purposes. I know that Mr R believes Forester should pay out what the fund value was on 11 September when it was actually transferred, because the value was higher than it was on 23 August. I can understand why he would want the higher value. However, had the administration taken less time, and happened at a point where the fund value was lower, I don't think Mr R would have been happy with that situation. As we have explained it is quite standard practice for the transfer value to be calculated using the date the instruction was received and I don't think Forester did anything wrong in doing so. As such, I won't be asking it to make any settlement in this regard.

Had the administration of the transfer instruction been started within the first couple of days of receipt Forester could have stopped the direct debit payment being called for, not that this is something it routinely does. However, the paperwork started being processed after the automated system had called for the 2 September 2019 payment, so it was always going to be collected. Whilst the payment was received, when a direct debit is collected there is a window in which the payment 'clears', during which it might be recalled. So Forester couldn't include the payment in a transfer until it was satisfied the payment wasn't going to bounce. In light of this, I am not persuaded Forester purposely delayed the processing of the transfer to make a profit from the situation as Mr R believes.

That said, I'm not persuaded Forester's treatment of the 2 September 2019 payment was appropriate. The payment was received after the effective transfer date and shouldn't reasonably have been applied to the CTF and then its value recalculated using a unit value from before its payment. Forester has confirmed if the £12.09 had simply been added to the transfer value, the transfer value would have been 18 pence higher. This reasonably should be paid to the new provider now, along with interest at 8% simple per annum. This matter has clearly caused Mr R significant upset. Whilst I don't consider most of that was due to anything Forester did wrong, I do think the addition of the issue with the September 2019 payment would have increased the upset. In light of this, I consider Forester should pay Mr R £50 compensation.

### **Putting things right**

Forester should forward to the new provider the amount it has calculated plus simple interest at 8% per annum, from 11 September 2019 to the date of settlement.

In addition, it should pay Mr R £50 for the upset and inconvenience this matter has caused him.

**My final decision**

My decision is that I partially uphold this complaint and require Forester Life Limited to settle the complaint as detailed above. Under the rules of the Financial Ombudsman Service, I am required to ask Mr R to accept or reject my decision before 11 March 2021.

Derry Baxter  
**Ombudsman**