

The complaint

Mrs H complains London & Colonial Services Limited caused her a financial loss by delaying the transfer of her self-invested personal pension (SIPP) to another provider. She says it didn't respond promptly to enquiries or warn her of an early withdrawal charge.

Mrs H complained to Options Pensions UK (part of the STM group), which provides third party administration services to London & Colonial Services Limited. But London & Colonial is responsible for answering the complaint, so to keep things simple I'll refer to them in the decision.

What happened

Mrs H is based in Switzerland, and in 2017 on the advice of her Swiss financial adviser, opened an international SIPP provided by London & Colonial Services Limited ("L&C").

In April 2018 L&C confirmed it had received around £241,363, being the deferred benefits of Mrs H's UK Group Personal Pension. Mrs H was advised to open a portfolio bond with "STM Life", based in Gibraltar, paying a premium of £226,905 to be held in her SIPP, with L&C as the trustee. In June 2018 the adviser arranged for around £48,000 to be used to purchase units in a structured investment I'll call "C" to be held within the portfolio bond. The balance of around £192,000 remained in the cash account.

At some point later Mrs H's adviser no longer acted for her, and she struggled to appoint another one, either based in Switzerland or the UK, so she had nobody to make investments on her behalf. And she was unable to arrange investments herself as the servicing platform she'd been given access to only worked from the UK. By now Mrs H was very concerned at the investment loss arising from the bulk of her funds remaining in cash. There was some communication back and forth between Mrs H and L&C, but the issue remained unresolved.

By late 2019 Mrs H had lost faith in L&C so asked how she could transfer to a new provider. L&C explained the process, and in June 2020 L&C sent disinvestment instructions by post to STM Life's offices in Gibraltar. STM released the proceeds of the portfolio bond to L&C at the end of July 2020, and L&C completed the transfer to Mrs H's new provider in early August 2020.

Mrs H was shocked to find the proceeds were significantly less than she'd expected, due to an early withdrawal charge she didn't know about. Mrs H feels L&C should have made her aware of this when it explained the transfer process. She was also unhappy she'd been charged management fees throughout, despite her funds being largely uninvested. Mrs H complained to both L&C and STM Life. The complaint against STM Life was dealt with separately and doesn't form part of this decision.

L&C didn't uphold her complaint. So Mrs H referred her complaint to this service, on the basis she'd expected L&C and STM Life to have worked more cooperatively together, being part of the same overall corporate group. And if she'd been told about the early withdrawal

charge she wouldn't have requested the transfer to a new provider. As she's now worse off, she feels L&C should compensate her for the loss.

One of our investigators explained L&C and STM Life may belong to the same overall corporate group, but they are separate legal entities based in two different countries. He didn't think it was reasonable to expect L&C to be aware of the early withdrawal charge applicable to another firm's product. He said Mrs H's financial adviser was responsible for ensuring the product was suitable for her needs, and that she understood the terms and conditions, including any fees and charges. He could see from the portfolio bond's application form that the investment was intended for the longer term, with an early withdrawal charge reducing by 1% each year for the first ten years. He didn't think L&C was responsible for Mrs H's investment loss or the early withdrawal charge. But he could see L&C hadn't always responded to Mrs H's queries promptly, requiring her to chase several times, and the delay in responding would've added to her worry. So he said L&C should pay Mrs H £300.

L&C agreed to pay £300 and Mrs H accepted the outcome initially. But on reflection she still thought it was unfair L&C hadn't been held responsible for not telling her of the early withdrawal charge and hadn't been more helpful when her funds were uninvested.

So she asked an ombudsman to issue a decision.

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.

Having done so, I've come to the same overall conclusion as our investigator. Let me explain why.

There are a number of different firms involved here. But this complaint is just about the actions of L&C.

Mrs H's Swiss adviser recommended the transfer of her pension funds to the L&C SIPP and arranged for the portfolio bond with STM Life to be opened. L&C didn't advise Mrs H and isn't responsible for ensuring the products met her needs or she understood them. L&C is the SIPP provider and trustee. A SIPP is a "wrapper" which allows a range of different investment types to be held within it. The portfolio bond application form completed on Mrs H's behalf by her adviser, states that it should be read in conjunction with the Key Features for the product, and the bond documentation which would have been provided at the time.

The form sets out the bond's charges, which were STM Life's quarterly fixed fee of £100 for sterling bonds, plus a quarterly management charge of 0.25% of the value, for the first ten years. It also explained the Early Encashment Charge payable for the first ten years as follows *"10% of the total premium reducing by 1.0% p.a. for 10 years. There are no Early Encashment charges after 10 years"*.

The *"Investment instructions"* section of the form has the handwritten note *"To be Advised"*, so the funds weren't invested at the outset.

The illustration dated 25 October 2017 showed the potential investment returns over ten years. Underneath it warned *"If the policy is surrendered in the first 10 years surrender penalties will be applicable that would reduce the above figures"*. And in the same illustration under *"Investment category"* it shows that the full premium of £226,905 was held in cash. It

looks like Mrs H signed the bottom of the illustration on that date, so I think it's likely she saw it at the time. I can't hold L&C responsible if the adviser didn't make the terms clear to Mrs H, or if she didn't understand the product she was applying for.

In June 2018 the adviser arranged to invest £48,000 in the C product, which the fact sheet describes as "*a 6 year investment linked to the performance of Chinese, Italian, Swedish and Australian indices*", with the remainder of Mrs H's investment still in cash.

It seems to me Mrs H's problems arose when her adviser was no longer able to give investment instructions on her behalf, following the initial £48,000 investment with C. I don't know why that was, but Mrs H told L&C in November 2019 she hadn't been able to appoint a new adviser, either in Switzerland or the UK. So she wanted to know how she could view her investments online and if she could self-invest, or if she'd have to transfer to another provider. I can't hold L&C responsible for difficulties arising from Mrs H no longer having a financial adviser acting for her. But I think it could've provided a better service.

I can see Mrs H initially contacted the generic email of the L&C servicing team. But when she didn't receive a reply, she contacted a named individual and asked if she should raise her concerns with the regulator. This prompted a telephone discussion in December 2019, followed up by an email from L&C covering self-investing, fees, the need for a financial adviser and whether a UK-based adviser could service a client in Switzerland. I don't think it was particularly helpful to suggest Mrs H could self-invest through the "Selftrade" platform as she discovered it wasn't an appropriate solution for someone based outside the UK. L&C provided Mrs H with the transfer form to send to her chosen new provider. Email conversations carried on during January 2020, with Mrs H becoming increasingly frustrated by the lack of progress. She'd decided on a new provider and wanted the transfer to proceed without further delay. So I understand why Mrs H felt L&C weren't being helpful.

Investments in a SIPP are held by the SIPP trustee (L&C) on behalf of Mrs H. So STM Life would only accept surrender instructions from L&C as the policyholder, not Mrs H herself. L&C sent disinvestment instructions to STM Life by post on 18 June 2020, two days after it received them from the new provider, which I think is a reasonable timescale. I'm not clear what caused the lack of progress between January and June 2020. But as L&C didn't receive the instructions until 16 June 2020 and sent them on to STM Life promptly, it doesn't look like they contributed significantly to the delay.

Many UK based providers have access to an electronic system to facilitate transfers. But L&C was aware STM Life is based in Gibraltar, and providers often require original signed instructions to surrender investments, rather than accept an electronic copy. So I can't say it was unreasonable of L&C to send the instructions in the post. It seems STM Life didn't receive the instructions until 8 July 2020, 12 working days later, but I can't hold L&C responsible for the postal service. And then the surrender process involved the instructions being forwarded to the custodian. L&C says it chased STM Life a number of times and provided an example of a chaser email. The proceeds (less the early withdrawal charge) were received by STM Life on 16 July, and sent to L&C on 29 July 2020, nine days later. L&C completed the transfer to the new provider on 4 August, four working days later.

End to end the transfer took more than 30 working days, but from what I've seen L&C acted promptly and didn't cause any unreasonable delays. I understand Mrs H doesn't see the distinction between L&C and STM Life, as they are part of the same overall group. But as I've explained, this decision purely concerns the actions of L&C. And I don't hold them responsible for Mrs H's loss caused by her funds being uninvested for so long, and it wasn't L&C's role to explain the product fees or the early withdrawal charge.

I think L&C could've been clearer with Mrs H about how she could self-invest, it didn't always respond to her queries promptly, or get back to her when it said it would. And it's clear Mrs H found the lack of progress while her funds remained in cash quite stressful. So for these reasons I think a fair outcome would be for L&C to pay Mrs H £300.

My final decision

I uphold this complaint. London and Colonial Services Limited should pay Mrs H £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 23 March 2022.

Sarah Milne
Ombudsman