

The complaint

Ms G complains that ReAssure Limited failed to transfer one of her pension plans to another provider in a timely manner.

What happened

Ms G held two almost identical (save for their values) pension plans with ReAssure. On 11 November 2020 ReAssure received a request from another provider, via the Origo Options automated system, for the transfer of the two pension plans.

ReAssure actioned the transfer of one of the plans almost immediately – it issued a confirmation of its completion on 13 November. But the transfer of the other plan was delayed. Ms G first queried that delay on 18 November and ReAssure advised her that the transfer had been delayed so ReAssure could confirm that Ms G was aware an exit penalty would apply to her plan.

Over the next few days it seems that Ms G continued to chase ReAssure for further information, and promised call backs failed to be made. It wasn't until 25 November that ReAssure confirmed to Ms G that the transfer of the second plan had been completed. But it told her that, in line with its normal approach, the value of the transfer would be calculated as at 11 November – the day after the initial instruction had been received.

Ms G complained to ReAssure about the delay and the value it had used for the transfer. ReAssure explained that, although the two transfers appeared to have been treated differently, they had both completed within the normal ten-day processing period. So it didn't agree with Ms G's complaint.

Ms G's complaint has been assessed by one of our investigators. He noted that there was no apparent reason why the two transfers had been treated differently. And he thought it likely that the main reason the second transfer was completed within the ten-day period was because of Ms G's chasing. He didn't think that the number of calls Ms G needed to make, and the failures by ReAssure to return those calls, represented good customer service. He thought that the delay to the transfer had meant Ms G had missed out on some investment growth. So he asked ReAssure to pay Ms G some compensation, together with an additional payment for the trouble and upset she'd been caused.

ReAssure didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Ms G accepts my decision it is legally binding on both parties.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Ms G and by ReAssure. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

In June 2018, a discussion document was produced by the Transfers and Re-registration Industry Group ("TRIG"). The group was formed to review current transfer and reregistration processes, and comprised of ten participating trade bodies and their nominated member Representatives. ReAssure is a member of one of the trade bodies. That document suggested that each stage of the transfer process should complete within two working days. So, in the case of Ms G's transfer, it might be reasonable to expect ReAssure to have completed its processing within those two days.

ReAssure has said that its internal processing target is to complete transfers within ten days. And, although that is in excess of what I've referenced above, in some cases I might think that isn't an unreasonable target. But I think it also needs to be balanced against what is reasonably possible. I am mindful that, since ReAssure sets the value for transfers on the day after the instruction is received, a prolonged processing period will mean consumers are "out of the market" for an extended period.

As I said earlier, Ms G held two, largely identical, pension plans with ReAssure. And ReAssure completed the transfer of one of those plans within just a couple of days allowing Ms G to reinvest her pension savings with the new provider and take advantage of a rising market. But ReAssure says that it held the other transfer as it wanted to ensure that Ms G was aware that an exit penalty would be payable.

It isn't clear to me why two near identical transfers were treated differently. ReAssure appears to suggest that both transfers should have been delayed, as both had an exit penalty. But when Ms G complained about that exit penalty ReAssure went to great lengths to explain that she, or at the very least her financial advisor, had been made aware of the charge beforehand. So I'm not persuaded that ReAssure needed to make that additional check. And that conclusion is supported by the apparent lack of contact from ReAssure at the time – if it had held the processing of the second transfer, I'd assume that decision was made at the same time as the first transfer was paid. It doesn't seem that ReAssure made any attempt to contact Ms G before she called around a week later.

I accept that ReAssure's normal processes indicate that the value of the transferred funds will be set at the day after the instruction was received. But I think there is more to consider here. It appears that ReAssure wouldn't have disinvested Ms G's pension savings in the second plan until she was advised of the exit penalty, and so a higher value was most likely received for those investments than has been paid to Ms G on the basis of the earlier unit prices. That means, as far as I can tell, that ReAssure has profited from the delay.

For me to agree with such a process would effectively be enabling businesses to delay making a transfer on the basis that they could then potentially profit by offering the lower payment due at the earlier date, but capitalising on a higher payment received for when

investments are sold at the later date. My view is that this could result in particularly poor consumer outcomes and is something in which I think the regulator might take a keen interest.

Therefore, whilst I don't think there is any suggestion that ReAssure has acted dishonestly here, I don't think Ms G should lose out as a result of the delay. ReAssure shouldn't profit from the time it took to complete the transfer. To do so would create the type of moral hazard I've outlined above.

I don't think it is reasonable for ReAssure to expect Ms G to be "out of the market" for an extended period of time whilst its back-office processes catch up. If ReAssure wanted to contact Ms G before completing the transfer instruction it should have set the effective date of the instruction as when that confirmation had been received. So that would have allowed Ms G to potentially benefit from any market uplift before her pension savings were transferred to the new provider.

But, on balance, I see little reason why the second transfer should have been delayed. ReAssure has explained at length why it was reasonable to deduct the exit penalty, and that Ms G had been sufficiently informed about it beforehand. So I think the second transfer should have proceeded in a similar timescale to the first. I see nothing different in the two transfers that makes me think that, if ReAssure had acted correctly, it wouldn't have completed at the same time. I don't therefore agree with ReAssure that Ms G should take any comfort from an assurance that both transfers were completed within the normal processing expectations.

Ms G has explained that her pension savings from the first plan, once transferred to the new provider, saw significant growth in the period before her second plan was transferred. I think ReAssure should put things right for Ms G by paying her compensation equivalent to that growth on the transferred value of her second pension plan.

As I've explained earlier I think ReAssure's customer service fell short of the levels I would think are reasonable when she was calling to understand the status of, and delay to, the second transfer. I think it would be reasonable for ReAssure to pay an additional sum of £250 for the inconvenience she's been caused.

Putting things right

I think ReAssure needs to compensate Ms G for the loss of investment growth on her second pension plan during the unnecessary time it took to validate her instruction. So ReAssure should;

- Compare the performance of Ms G's investment with that of the benchmark shown below. If the fair value is greater than the actual value, there is a loss and compensation is payable. If the actual value is greater than the fair value, no compensation is payable.
- If there is a loss, ReAssure should pay into Ms G's pension plan, to increase its value by the amount of the compensation. The payment should allow for the effect of charges and any available tax relief. ReAssure shouldn't pay the compensation into the pension plan if it would conflict with any existing protection or allowance.
- If ReAssure is unable to pay the compensation into Ms G's pension plan, it should pay that amount direct to her. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the compensation should be reduced to notionally allow for any income tax that would otherwise have been paid. This is an

adjustment to ensure the compensation is a fair amount – it isn't a payment of tax to HMRC, so Ms G won't be able to reclaim any of the reduction after compensation is paid.

- The notional allowance should be calculated using Ms G's actual or expected marginal rate of tax at her selected retirement age. I think it's reasonable to assume that Ms G is likely to be a basic rate taxpayer at the selected retirement age, so the reduction would equal 20%. However, as Ms G would have been able to take a tax-free lump sum, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 15%.
- In addition, Ms G should be paid £250 for the distress and inconvenience this matter has caused to her retirement planning.

Portfolio Name	Status	Benchmark	From ("start date")	To ("end date")
Policy ending 49A	Transferred to new provider	Ms G's pension investment performance with the new provider	13 November 2020	Date of this final decision

Actual value

This means the actual amount payable from the investment at the end date.

Fair value

This is what the investment would have been worth at the end date had it produced a return using the benchmark.

Any additional sum paid into the investment should be added to the fair value calculation from the point in time when it was actually paid in.

Any withdrawal from the policy should be deducted from the fair value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there are a large number of regular payments, to keep calculations simpler, I'll accept if you total all those payments and deduct that figure at the end to determine the fair value instead of deducting periodically.

Why is this remedy suitable?

I've chosen this method of compensation because:

- Ms G wanted to transfer both her ReAssure pension policies to the new provider.
- Had the transfer progressed without a delay by ReAssure, it should've completed at the same time as the other policy. The calculation above will therefore establish whether Ms G suffered a financial loss due to the transfer of the second policy being completed 10 working days after the transfer value was set on the notification date.

My final decision

My final decision is that I uphold Ms G's complaint and direct ReAssure Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 14 September 2022.

Paul Reilly
Ombudsman