DRN-3551323

The complaint

Mr R complains that ReAssure Limited (ReAssure) caused unnecessary delays in the transfer of his Stakeholder Pension Plan into a Self-Invested Personal Pension (SIPP) with another business, and there was a fall in the value of his funds as a result.

What happened

Mr R had had a Stakeholder Pension with Legal & General (L&G) since 2002. His funds were invested in the L&G International fund.

As a result of a business acquisition, in 2019 his pension plan was transferred from L&G to ReAssure.

On 13 April 2021 Mr R submitted a transfer request to ReAssure informing it he wished to transfer his pension in specie into a SIPP held by Interactive. On 14 April 2021 Mr R signed ReAssure's Transfer Payment Release (TPR) form, which was then completed and signed by the receiving scheme's trustees on 30 April 2021 and sent to ReAssure.

On 10 May 2021 ReAssure wrote to Mr R acknowledging his transfer request and asked him to complete a TPR. Mr R did so and signed it on 13 May 2021.

On 28 May 2021 ReAssure wrote to Mr R saying it was unable to complete the transfer as it required a wet signature on the TPR. Mr R queried this on the telephone and was told by ReAssure that it wasn't that a signature was required, but that the investment couldn't be transferred in specie, and had to be sold down to cash first. Mr R agreed.

Mr R chased ReAssure several times over the next two weeks, and on 18 June 2021 complained to ReAssure about the delays.

On 22 June 2021 ReAssure wrote to Mr R with his pension's closing statement. It said it had valued his fund on 11 May 2021. The transfer was completed on 25 June 2021. Mr R queried the date used for the fund valuation and delays several times more, until he wrote a formal complaint to ReAssure about the delays, and the date used to value his fund. He thought it was unfair that ReAssure had taken the value of his fund on 11 May 2021 for the transfer, which was approximately £57,000 less than its value as of the closing date of 22 June 2021.

ReAssure sent Mr R its final response letter to his complaint on 19 July 2021. It agreed it had caused some unnecessary delays in the transfer, and offered him £200 compensation for the distress and inconvenience he'd been caused. It said it would investigate if Mr R had been caused any financial loss by the delays and would let him know the outcome.

Unhappy with this response, Mr R referred his complaint to our service. And having considered the circumstances our Investigator thought his complaint should be upheld. He thought ReAssure had caused an unnecessary delay of about one month to the transfer of Mr R's pension. He agreed that £200 in compensation for the distress and inconvenience ReAssure had caused Mr R was fair and reasonable, but thought it should also undertake a redress calculation to establish if Mr R had suffered a loss to the value of his pension as a result of the delay. And he explained the calculation methodology he thought ReAssure should use, and if a loss was identified, how this should be paid to Mr R.

After some more explanation of the redress methodology Mr R accepted the Investigator's view. But ReAssure did not respond, so the complaint has come to me for a final 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 agree with the view of the Investigator, for broadly the same reasons. I'll explain.

ReAssure has agreed that it caused unnecessary delays in facilitating the transfer of Mr R's funds to his new SIPP. But what is in dispute is the extent of these delays, and the impact these may have had on Mr R personally, and the value of his pension fund.

ReAssure initially said it calculated the transfer value on 11 May 2021 as this was the point in time it had all the necessary information to facilitate the transfer request. But when the process was reviewed, ReAssure agreed with our Investigator that the date should've actually been 13 May 2021 as this was the date that it had received the wet signatures from both Mr R and the receiving scheme trustees. And I'm satisfied that receiving these signatures was a reasonable necessity in the circumstances, and as this was the point that ReAssure had all the required information, it is fair to use this date to obtain the transfer value of the pension.

The transfer wasn't completed until 25 June 2021, and I can't see any reason to justify why it took this long. It is impossible to say exactly how long pension transfers should take, as each has its own details and peculiarities, but I don't think it would be unfair to say a cash transfer such as Mr R's should've been completed within the standard industry practice of 10 working days. So I'm satisfied, using 13 May 2021 as the liability date, Mr R's transfer should've been completed by around 27 May 2021.

Mr R's pension fund was uninvested and held in cash whilst the transfer was completed. I understand Mr R requested the transfer was completed in-specie, and had it been so it would've remained invested during this time. But ReAssure have explained this is not its business practice, so I don't think it was unreasonable to insist the investments were sold and held in cash. But the delay in the transfer process meant his funds remained in cash and uninvested for longer than necessary, and whilst uninvested were not exposed to the market and any market gains which occurred. So I'm satisfied that Mr R's pension fund may not currently reflect the value it would've had the delay not occurred and he had been able to reinvest his funds at an earlier date.

I cannot know for certain what investment choice Mr R would've made within his new SIPP had his funds been available on 27 May 2021. But given he had remained with the same fund since his pensions inception, and he'd requested the transfer be made in-specie, I think it is a fair assumption to make that he would've most likely re-invested in the same fund he was in previously. And I think it most likely he would've done this on or very soon after 27 May 2021.

I'm also satisfied that £200 compensation for the distress and inconvenience the delay caused to Mr R is fair and reasonable in the circumstances. I can see he had to chase ReAssure a number of times and was given unclear and conflicting information which would’ve likely heightened the stress that Mr R was feeling, especially given the transfer was exposing his retirement savings to instability and change. £200 is fair and in line with the approach of our Service in circumstances such as these.

Putting things right

In order to put Mr R back as closely as possible in the position he would’ve been in had the delays not occurred, I require ReAssure to undertake a loss calculation as set out below.

Fair compensation

I take the view that Mr R would have invested his funds into the LG International Fund Accumulator (series 17) earlier than he was actually able to do. I’m satisfied that what I’ve set out below is fair and reasonable and most likely reflective of his investment intentions when he requested the transfer of his funds.

What must ReAssure do?

To compensate Mr R fairly, ReAssure must:

- Compare the performance of Mr R's investment with that of the benchmark shown below. If the actual value is greater than the fair value, no compensation is payable.

  If the fair value is greater than the actual value there is a loss and compensation is payable.

- ReAssure should pay into Mr R's pension plan to increase its value by the total amount of the compensation and any interest. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.

- If ReAssure is unable to pay the total amount into Mr R's pension plan, it should pay that amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the total amount 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 Mr R won’t be able to reclaim any of the reduction after compensation is paid.

- The *notional* allowance should be calculated using Mr R's actual marginal rate of tax at his selected retirement age. Mr R is a higher-rate taxpayer, so the reduction would equal 40%. However, if Mr R is able to take a tax-free lump sum from his pension fund, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 30%.

- Pay to Mr R £200 for the distress and inconvenience caused by the delays in the transfer process.

Income tax may be payable on any interest paid. If ReAssure deducts income tax from the interest it should tell Mr R how much has been taken off. ReAssure should give Mr R a tax deduction certificate in respect of interest if Mr R asks for one, so he can reclaim the tax on interest from HM Revenue & Customs if appropriate.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
Interactive SIPP	Still exists and liquid	LG International Fund Accumulator (series 17)	27 May 2021	Date of my final decision	8% simple per year from final decision to settlement (if not settled within 28 days of the business receiving the complainant's acceptance)

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.

I'm not aware that he has made any, but any withdrawal from Mr R's Interactive SIPP 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 have been a large number of regular payments, to keep the calculations simpler it is acceptable to 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 decided on this method of compensation because Mr R would have most likely invested in the LG International Fund Accumulator (series 17) sooner, had the delays not occurred.

My final decision

I uphold this complaint. My decision is that ReAssure Limited should pay the amount calculated as set out above. It should provide Mr R a copy of its calculations in a clear and understandable format. In addition, it should pay Mr R £200 for the distress and inconvenience he's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 9 February 2023.

Chris Riggs
Ombudsman