

## **The complaint**

Mr R complains that Interactive Investor Services Limited (“IISL”) failed to complete the inbound transfer of his pension investments in a timely manner.

## **What happened**

Mr R held pension savings with a firm that I will call H. In June 2020 Mr R completed an online instruction with IISL to request the transfer of his pension savings from H, and to place them in a self-invested personal pension (“SIPP”) with the firm. It seems though that there was an error in the instruction Mr R sent – he wanted his pension investments to be transferred in-specie, rather than in cash as his original request had suggested.

In order to request an in-specie transfer, Mr R needed to complete a physical application form. IISL sent that to him by post and received it back in early August 2020. And after receiving some initial information from H, IISL explained to Mr R that some of his pension investments couldn’t be held on the IISL platform. But it said that it needed further information from H before it could give a final update to Mr R.

H sent the further information to IISL on 22 September 2020. And around three weeks later IISL provided more information to Mr R about the investments that couldn’t be transferred. But following some additional information from Mr R, IISL sought an updated valuation from his old provider.

Over the following three months IISL sent Mr R a number of different lists of the investments that couldn’t be transferred. It appears that Mr R responded promptly to each message, asking for clarification about why the affected assets had changed. But it doesn’t seem that Mr R was satisfied by the responses he received. So he asked IISL to formally respond to the complaint he’d previously raised about the delays.

IISL accepted that its communication hadn’t been as effective as it would have hoped. So it paid Mr R £100 for the inconvenience he’d been caused. But Mr R’s transfer was still incomplete. H again sent IISL an updated valuation in February 2021 that led IISL to provide Mr R with a new list of funds that couldn’t be transferred. Mr R again sought clarification about why that list had changed from what he’d been sent previously.

In March 2021 Mr R instructed IISL to proceed with the transfer of those assets it could hold on its platform. And he told IISL that the remaining assets should be left with H. The majority of Mr R’s pension investments were transferred to IISL in April 2021. But two investments remained unreconciled. Those two investments were added to Mr R’s SIPP in May 2021 at which point the transfer could reasonably be considered to have been completed.

One of our investigators has looked into Mr R’s complaint. At first that assessment was completed without the benefit of information from IISL. But when IISL later sent its file to the investigator he confirmed that its contents hadn’t caused him to alter his findings on the complaint. The investigator thought that IISL had failed to provide Mr R with clear or consistent information about the transfer and so had been responsible for much of the delay. He asked IISL to pay Mr R some compensation to reflect the additional SIPP charges he’d

needed to pay as a result of the delayed transfer. And he asked IISL to pay Mr R a further £200 (so making a total payment of £300) for the inconvenience he'd been caused.

Mr R accepted the investigator's proposals. IISL agreed to pay the additional compensation to Mr R for the inconvenience he'd been caused. But it said that it needed to gather some more information from H about the additional charges Mr R had paid before it could agree that part of the compensation. However since we've not had any further agreement from IISL and thus the complaint hasn't been resolved informally, the complaint has now been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mr R 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 Mr R and by IISL. 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.

Both Mr R and IISL have provided us with timelines of what happened during the transfer. There is little difference between the two sets of information. So I don't intend to expand to any great length on the overview of the transfer that I set out earlier.

At the highest level, Mr R's transfer started on 30 June 2020 and didn't complete until 5 May 2021. I think both parties would agree that timescale was far in excess of what we might normally expect to see. I accept that this wasn't the most straightforward of transfer requests. Mr R was asking for his pension investments to be moved in-specie. So IISL was at times dependent on H for the provision of information about his holdings, and to initiate the transfer instructions. And H appears to have had some processing delays of its own. But even taking that into account I think that IISL should bear responsibility for the majority of the delay.

It seems that the key issue in completing the transfer was dealing with those pension investments Mr R held with H, that couldn't be held on IISL's platform. But before Mr R could decide what to do with those investments, he was reliant on IISL identifying which of his pension investments were affected. And I can see that, over the course of the transfer process, IISL provided at least seven separate assessments of which investments were affected. And in the worst case it provided two assessments on the same day – the first identifying four affected investments, the second showing 18 affected investments.

We have asked H to provide details of any changes that Mr R made to his pension investments during the time the transfer was progressing. H has confirmed that the only trades that were placed were as a result of the reinvestment of two dividends that had been received. So materially, Mr R's pension investments didn't change at all. I appreciate that

IISL said at the time that the information it received did indicate some changes had been made. But it doesn't seem that was correct analysis.

Given the inconsistency in the information that was being provided to Mr R it is unsurprising that he wanted IISL to provide clarification and double-checking of its information at each stage of the process. And whilst that might have, to a small degree, introduced some further delays into the process, I would generally consider those to have arisen directly as a result of IISL's earlier failings.

In this decision I make no criticism of IISL's decision to not accept the transfer of all of Mr R's pension investments. IISL is free to choose which assets it wishes to offer on its investment platforms. But what was important was providing that information to Mr R in a clear and consistent format. That allowed him to decide how he wished to proceed with the transfer. Ultimately Mr R decided to leave four of his affected pension investments with H. He later sold some of those assets and moved the cash proceeds into his SIPP with IISL. I think that is the approach Mr R would most likely have taken with all his pension investments had he been provided with appropriate and timely information by IISL.

Looking at the initial timeline for the transfer I think IISL should have been in a position to provide Mr R with a definitive list of those pension assets that could be transferred by the end of October 2020. So then considering the time it took for H to complete its work on the transfer, and for the transfer to complete, I think it would have been reasonable for Mr R to have expected matters to have concluded by the end of 2020.

Mr R has told us that the costs of holding his SIPP with IISL were much lower than he was paying with H. I accept that, as things ultimately worked out, Mr R ended up holding a SIPP with both providers. But I think that was in response to his understandable frustration at the delays and in an attempt to progress matters. Mr R's aim was to move all his pension investments to his SIPP with IISL. Had there been no delays I am persuaded that he would have in fact sold the non-transferable assets and reinvested the cash proceeds within his IISL SIPP.

So I think that IISL needs to calculate whether Mr R has lost out by needing to pay H's SIPP fees for a period of time, and then fees for both SIPPs. And Mr R has made me aware that IISL also offered him an introductory discount where no SIPP fees would be levied until April 2021. So that needs to be taken into account too.

As I said earlier, IISL has paid Mr R £100 in recognition of the inconvenience he's been caused. I don't think that is enough to reflect the prolonged period of delay that was caused, and the inconvenience Mr R was caused by needing to repeatedly seek updates, and progress, from IISL. I think a further payment of £200 (so making a total payment of £300) would be reasonable here.

### **Putting things right**

As I explained earlier, my aim when considering any compensation would be to put Mr R back into the position he would have been had nothing gone wrong. Here I think that means that the transfer would have completed by 31 December 2020. Given that the transfer was largely completed in-specie I don't think I need to consider whether the delays caused any changes to the value of Mr R's pension investments. But, as I explained earlier, I think it likely that Mr R has paid additional SIPP fees as a result of the delay.

So, to put things right, IISL should;

- obtain from H the notional value of Mr R's SIPP on 31 December 2020 (less the value of any investments Mr R held at that point that IISL were unable to accept) on the basis that it had been transferred to IISL by then at the latest;
- calculate what the SIPP would now be worth (accounting for any investment changes, contributions or drawdowns made in the meantime) should it have been subject to IISL's standard charges since then (but taking into account the introductory fee offer made by IISL)
- subtract from that value the current value of Mr R's SIPP (in relation to the investments that were able to be transferred to IISL). If the result is negative Mr R hasn't lost out, and no compensation in relation to this is payable.

The compensation should be paid into Mr R's SIPP. 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 IISL is unable to pay the total amount into Mr R's SIPP, 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.

The notional allowance should be calculated using Mr R's actual or expected marginal rate of tax at his selected retirement age. I expect Mr R is likely to be a basic rate taxpayer so the reduction should equal the current basic rate of tax. However, as Mr R would have been able to take an additional tax-free lump sum, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 15%.

IISL should additionally pay Mr R a further sum of £200 (so making a total payment of £300) to reflect the inconvenience he has been caused by the delay.

## **My final decision**

My final decision is that I uphold Mr R's complaint and direct Interactive Investor Services Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 7 December 2022.

Paul Reilly  
**Ombudsman**