

The complaint

Mr D complains about ITI Capital Limited's administration of his investments held within a Self-Invested Personal Pension (SIPP), after they were transferred from a business that is now insolvent - 'S'.

What happened

In June 2020 Mr D's investment portfolio was transferred to ITI.

In September 2020, Mr D complained to ITI about the delay in transferring his portfolio and the limited access he had to manage his investments. ITI upheld his complaint and offered him £175 in compensation.

Mr D didn't accept this offer and brought his complaint to this service. Mr D says that ITI's actions have caused him stress and anxiety. In summary, his remaining concerns are:

- There were problems with ITI's systems which delayed setting up access to his pension portfolio online and prevented him from placing deals online.
- Mr D's portfolio was transferred inaccurately; certain holdings don't reconcile with previous statements and records of Corporate Actions affecting his holdings are incomplete.
- ITI administered the transfer in a way that generated fractional shareholdings which ITI won't allow to be sold.
- ITI caused delays to Mr D's transfer to a different SIPP provider and charged fees despite previously agreeing not to do so.
- The proceeds from a cash offer on Mr D's 'SG' holding weren't added to his account.

In order to resolve the complaint, Mr D wants the errors in his portfolio holdings to be corrected, an assurance that all transactions will be documented to provide a clear audit trail, and more compensation than has been offered by ITI.

Our investigator looked at the complaint, and thought it should be upheld – and didn't think that ITI had gone far enough in compensating Mr D.

ITI responded to the investigator's view which was sent in January 2022 and asked for more time to consider what our investigator had said. However, despite chasing ITI for a response, it still hasn't responded fully.

So, the complaint has been passed to me to make 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 agree with our investigator for much the same reasons. And given ITI's lack of response here, there is little to add to the investigator's findings. Overall, I feel that ITI

hasn't done enough to put things right for Mr D.

As the complaint is quite complex and contains many different issues, for clarity, I will deal with each matter individually to explain why.

Online access

Administrative responsibility for Mr D's portfolio was transferred to ITI in June 2020. However, Mr D didn't receive instruction from ITI on how to access his portfolio online for some time – finally getting a brief update about online access issues in September 2020.

On receipt of the instructions, Mr D then found that the values of his portfolio were incorrect and was understandably reluctant to complete the onboarding process until this was rectified. He completed the onboarding in October 2020 – but still was only able to place deals by telephone, and not online as he wanted.

I consider the delay for Mr D to be able to access his pension online to be considerable. And I can't see that ITI sought to expedite Mr D's repeated requests for access, or provide any meaningful update explaining the delay, causing frustration and stress to Mr D, which is clear from the correspondence between Mr D, his financial adviser and ITI. It's clear that some of the delay was caused by Mr D's reluctance to complete the onboarding process while he considered wider issues to still be unresolved – but I don't think that was unreasonable.

While the £175 offered by ITI in response to this aspect of the complaint may, on its own, be reasonable, I think there were significant other issues that Mr D raised which were not taken into account. So, I intend to award further compensation, which I'll go on to explain below.

Portfolio transfer

Mr D has provided information highlighting the differing values he has found between the statement he received from his previous SIPP providers former Administrator, and the value provided to him by ITI. ITI still hasn't submitted a statement for Mr D's portfolio or provided any explanation of how the discrepancy occurred.

I'm aware of wider issues between former clients of S's portfolios to ITI, so this is clearly not an issue that has only affected Mr D. But in absence of any evidence to the, I can only conclude that there were problems in the accuracy of the transfer completed by ITI.

Fractional shares

Mr D received correspondence from his former SIPP provider, S, which indicated that the fractional share holdings in his portfolio had come about from ITI's request for hardship payments to be made from pooled client accounts, rather than from individual client accounts.

ITI has made it clear that it cannot sell fractional share holdings – and that the only option available for removal from Mr D's account is for him to 'gift' these to ITI.

It is clear here that it was ITI's requests for client's assets to be administered in this was the cause of the fractional share holdings. And I think this decision, together with its refusal to allow trading of these shares, has clearly created an unfair situation for Mr D.

Mr D was given no choice in becoming a client of ITI. So, in effect, it is holding him hostage to the limits which it has imposed. ITI hasn't provided any evidence, or explanation as to why

it doesn't allow the sale of fractional shares (I am also aware that other providers do offer this option), so I cannot see how it is justified in doing so, and so I don't feel that it has treated Mr D fairly in this aspect of his complaint.

SIPP transfer

Mr D requested to transfer his SIPP on 21 January 2021. ITI proceeded to sell the majority of his holdings on 4 February 2021 – bar some illiquid holdings for which there was no available market. The proceeds were then transferred to Mr D's new SIPP provider on 22 February 2021.

ITI charged fees on these transactions to facilitate the transfer. I've considered ITI's Terms of Business which state the following:

'Following the Effective Date, to the extent that you instruct ITI either to transfer your cash and/or assets to a third party not associated with ITI prior to 23 March 2021, ITI shall not apply any exit fees or other transaction rates, charges or commissions on such transfers to you, save that ITI shall debit any stamp duty, stamp duty reserve tax or any other transaction tax applicable to any such transfer as required by Applicable Regulations (as defined in the Terms).'

It took ITI a significant period of time – 21 working days – before it completed Mr D's request to transfer his SIPP. To my mind, this seems unnecessarily long to complete such a transaction. And I've seen nothing to suggest that there was any justification or barrier as to why Mr D's request couldn't have completed and transferred to his new provider within 10 working days of the request being made.

Additionally, when considering what it stated within ITI's Terms of Business regarding fee charging, I cannot see why ITI charged Mr D transaction fees connected to his request. ITI was aware, prior to 23 March 2021 that Mr D has made a request to another SIPP provider not connected to ITI – and so it seems clear that he shouldn't have been as per ITI's own terms which it set out.

So, I think that ITI hasn't treated Mr D fairly here either.

Cash offer for holding in 'SG'

Mr D received a cash offer for one of his holdings on 17 February 2021 which he accepted on 18 February 2021. The payment date under offer was recorded as 31 March 2021, but as of June 2021, he still hadn't received the proceeds. ITI hasn't provided an explanation for this delay.

It's not clear what caused this delay. It's possible this was the fault of the third parties involved, but in the absence of any further evidence or commentary from ITI on this point, I don't think that ITI have treated Mr D fairly here either.

In conclusion, based on what I've seen, while I accept that ITI has fairly compensated Mr D for its initial poor service, it hasn't done so for the further and ongoing issues Mr D has experienced.

Therefore, I uphold Mr D's complaint, and set out below what it should do to put things right.

Putting things right

Our investigator has clearly set out to ITI what they felt it needed to do in order to put things right for Mr D. Having reviewed all the evidence available, I see no reason to depart from their recommendation – other than to formalise it as part of this, my final decision.

Portfolio transfer

ITI needs to demonstrate Mr D's portfolio was transferred to it correctly, with no loss of assets.

So, to put this right, ITI should:

- Provide Mr D with a clear portfolio statement from when it was fully transferred to ITI, with a clear record of how any differences are reconciled.
- If there are any differences that can't be reconciled and Mr D is worse off as a result, ITI should calculate the difference in the number of shares or units held and pay Mr D the value of them at the date of settlement.
- If Mr D is better off, then ITI should calculate the difference in the number of share or units held and deduct the value of them at the date of settlement from the loss calculated in the other parts of the settlement I'll explain below. If the value of the difference is greater than the loss calculated in the other parts of the settlement below, then ITI may deduct the outstanding amount from the value of any assets Mr D still has with ITI.

Fractional shares

Mr D's fractional share holdings only exist because of ITI's actions and its refusal to allow him to sell them. This has prevented Mr D from selling and reinvesting the proceeds as he sees fit.

So, to put this right, I'm recommending ITI:

- Purchase Mr D's fractional share holdings from him at their market value at the date of settlement, and cover any costs involved in doing this.
- Compare the performance of Mr D's fractional shareholdings 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 this demonstrates a loss, the compensation and the proceeds from the purchase of the fractional shareholdings should if possible be paid into Mr D's pension plan. The payment should allow for the effect of charges and any available tax relief. The compensation shouldn't be paid into the pension plan if it would conflict with any existing protection or allowance.

If a payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr D as a lump sum after making a notional deduction to allow for income tax that would otherwise have been paid.

Typically, 25% of the loss could have been taken as tax-free cash and 75% would have been taxed according to his likely income tax rate in retirement – presumed to be 20%. So, making a notional deduction of 15% overall from the loss adequately reflects this.

Investment name	Status	Benchmark	From ("start date")	To ("end date")
Fractional shares	Still exist	FTSE UK Private Investors Income Total Return Index	Date fractional shares were created	Date of settlement

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

Why is this remedy suitable?

I've decided on this method of compensation because:

- Mr D was willing to take some risk with his pension investments.
- The FTSE UK Private Investors Income total return index is made up of a range of indices with different asset classes, mainly UK equities and government bonds. It's a fair measure for someone who was prepared to take some risk to get a higher return.
- I consider that Mr D's risk profile was a close match to this benchmark. It does not mean that Mr D would've invested in some kind of index tracker investment. Rather, I consider this a reasonable compromise that broadly reflects the sort of return Mr D could have obtained from investments suited to his objective and risk attitude.

SIPP transfer

The delays ITI caused to the transfer of Mr D's pension may have caused him a financial loss they should compensate him for. The fees they charged him in connection to the transfer will have certainly caused him a financial loss. So, to put this right, I'm recommending ITI:

- Obtain the notional value of Mr D's pension from his new provider on the basis that it had been liquidated on 22 January 2021, then transferred and reinvested on 4 February 2021 in the assets it's currently invested in.
- Subtract the current value of Mr D's pension from this notional value. If the answer is negative, there's a gain and no redress is payable.
- Refund the fees it charged Mr D in connection with the transfer and calculate the up to date value of these fees had they remained invested. ITI should calculate the up to date value of these fees using the benchmark mentioned above, and the date the fees were charged and the date of settlement as the start and end dates respectively.

As above, these payments should if possible be paid into Mr D's pension plan. The payment should allow for the effect of charges and any available tax relief. The

compensation shouldn't be paid into the pension plan if it would conflict with any existing protection or allowance.

If a payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr D as a lump sum after making a notional deduction to allow for income tax that would otherwise have been paid. Typically, 25% of the loss could have been taken as tax-free cash and 75% would have been taxed according to his likely income tax rate in retirement – presumed to be 20%. So, making a notional deduction of 15% overall from the loss adequately reflects this.

Impact of events on Mr D

These events as set out above have clearly had an impact on Mr D. This is supported both by the lack of meaningful response from ITI to rectify its errors, and the volume of correspondence both Mr D and his financial advisor entered into with ITI to try and resolve matters before this Service's involvement.

Mr D has been clear to our service that these issues have left him feeling aggrieved and unfairly treated – and it is clear that the whole matter has been extremely stressful and time consuming for him.

It is clear that some of the issues have arisen due to the collapse of Mr D's previous SIPP provider – and that this has caused the fall in value of the investments it made with his pension monies. Obviously, this is not the fault of ITI as it was not involved in what happened here – but I don't think it went far enough in mitigating the impact of these issues on Mr D.

ITI didn't provide timely, or meaningful updates to Mr D – and had to be repeatedly chased for response. And while it did offer Mr D compensation, I don't feel this was adequate given the impact of its actions on Mr D.

When considering everything I've said, and the overall impact on Mr D, I have decided that ITI should both apologise to Mr D for its numerous errors and pay him £500 compensation, less any compensation it has already paid him.

My final decision

I uphold this complaint, ITI Capital Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 22 September 2022.

Claire Pugh
Ombudsman