

The complaint

Mr B complains about delays by Standard Life Savings Limited (SL) in the transfer of his pension funds.

What happened

Mr B said he transferred his pension cash of over £460,000 from one SL pension product to another and it was received by it on 19 March 2021. SL didn't apply the money until 31 March 2021 and it was invested on 1 April 2021. He said it took them eight days longer to invest that it should have done and he had lost out on investment growth in that time. Other transfers of money done at the time had been invested on the same day.

SL said from time to time it experienced higher volumes of work. While it would have preferred to apply the money earlier it thought eight days wasn't an excessive period of time such that it needed to consider loss of investment. It also said the market might have moved in his favour during that time and Mr B had not provided evidence of loss. Its service level agreement gave an indication of when this type of action would be completed (10 days) but was not legally binding and not set out formally in its literature.

My provisional decision

I issued a provisional decision in this case. I said the following.

SL's conduct of business is governed by rules set out in the Financial Conduct Authority (FCA) handbook.

This includes principles as to how to carry out its business. In particular,

Principle 2

A firm must conduct its business with due skill, care and diligence

Principle 3

A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

Principle 6

A firm must pay due regard to the interests of its customers and treat them fairly.

SL has also referred to its product terms and conditions which it says confirm a timely execution policy and that they would process a transfer as soon as is reasonably practical. I had not seen the terms but SL says they do not contain a specific timescale within which this will be done.

In the absence of a specific contractual timescale it was necessary to decide whether SL did anything wrong in the sense that it caused any delays and whether those were unreasonable.

As there is no contractual timescale, I considered what was a fair and reasonable timescale in the circumstances and having regard to SL's duties to Mr B in the FCA handbook, under its terms and wider industry standards already referred to.

SL had referred to the 2006 ABI statement of good practice on transfers (which suggests a 10-working day timescale) and the 2016 TRIG consultation which suggests shorter times. Looking at how industry has developed it seemed unlikely that 10 working days was an appropriate standard now, so I thought it was reasonable to consider these guidelines, in the context of electronic platforms that can reduce transfers of pension to a matter of days.

I said I would expect SL to be sensitive to consumer's needs not to be out of the market and to manage expectations on timescale if this was going to be the case. SL hasn't said it told Mr B it would take up to 10 days to credit and invest the cash it received. While SL says it took eight working days that excludes the date of receipt and investment which would bring it to 10 working days in total.

I considered that this was a change of product within the same organisation and not a transfer from one unrelated business to another. Further the time in question was from receipt of cash funds not from the point of disinvestment. SL only needed to credit the funds to Mr B's account and invest it in accordance with his instructions. SL had not suggested that it lacked any information needed to enable it to act on those instructions. In the light of this it was difficult to see why it would take eight working days to credit the money to Mr B's account and invest the cash.

Mr B had indicated that some other ISA funds transferred were invested on the same day. I didn't have details of that transfer so I didn't think it is reasonable to assume a same day transfer and investment should have happened in this case. But I did think this showed that SL was capable of investing funds quickly in accordance with client instructions.

Ten business day and even eight business days seemed to me to be a long time to credit the money to Mr B and invest in the one fund he had selected in advance.

I thought it was reasonable to assume that the cash would be credited to Mr B's account the next working day after receipt, particularly as this was a transfer within SL. In accordance with its duties to Mr B and its terms I thought SL should then have moved to invest the money in accordance with Mr B's instructions and its terms 'as soon as reasonably practicable'. SL had given no reason for delay other than that it was busy. I thought that it was up to it, to manage its workforce appropriately to manage the peaks and troughs in demand rather than expect its customers to absorb such delays. In the light of those facts and reasons it is difficult to conclude that it would not be reasonably practical to credit the money one day and invest on the next, especially when the money was within the same organisation.

I thought it was fair and reasonable to assume that the funds would be invested on the next business day which would be 23 March. I thought SL was in error in not proceeding to act on those instructions as soon as reasonably practical.

SL said Mr B may have benefited from the delay but I didn't think that is a reason to support the delay. If SL was right and the price was lower on 1 April than it was on 23 March then Mr B will not have suffered a loss and SL will not have to pay any compensation for financial loss as there won't be one.

Where there is an error, I could consider an award for financial loss (if any) and distress and inconvenience.

My aim in awarding fair compensation for financial loss was to put Mr B back into the position he would likely have been in, had it not been for SLs error. I thought this would have meant he invested in the Nelson Aggressive portfolio selected by Mr B on 23 March 2021 rather than on 1 April 2021.

Any loss Mr B had suffered (if any) should be determined by obtaining the number of units in the fund that Mr B would have purchased had he invested on 23 March 2021 and subtracting the number of units he actually purchased on 1 April 2021.

If the answer is negative (i.e. Mr B received more units on 1 April than he would have on 23 March 2021), there's a gain and no redress is payable.

If there is a loss redress is payable. I proposed that SL should credit to Mr B's SIPP with such number of units in the Nelson Aggressive Portfolio as are equal to the number produced by the calculation above.

The compensation amount should if possible be paid into Mr B'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 wasn't possible or had protection or allowance implications, it should be paid directly to Mr B as a lump sum by applying the unit value of the number of units at the date the payment is made to him to the number of units required to compensate Mr B to produce a cash amount. This amount should then be adjusted, after making a notional reduction to allow for future income tax that would otherwise have been paid.

If Mr B hadn't yet taken any tax-free cash from his plan, 25% of the loss would be tax-free and 75% would have been taxed according to their likely income tax rate in retirement – presumed to be nil/20%/40% as appropriate. So making a notional reduction of nil/15%/30% overall from the loss adequately reflects this.

Before I issued any final decision in this case, I said it would be helpful if both SL and Mr B would confirm that:-

- ☐ He remained invested in the Nelson Aggressive Portfolio and if not provide details of the changes in investment that have taken place

- ☐ Details of any payment made from his pension since the transfer.

- ☐ Details of his actual rate of income tax.

SL should provide details of the calculation to Mr B in a clear, simple format.

I have considered an award for distress and inconvenience. Such an award is to reflect the impact on Mr B not to punish SL. I think that the delay must have been distressing for Mr B and an award of £100 would be fair and reasonable in the circumstances.

Mr B didn't not have anything further to add. He confirmed he remained invested in the same aggressive portfolio and that there had been no payment since the pension transfer and his rate of income tax was 20%.

SL confirmed that Mr B remained invested in the same fund so any comparison could be based on it, as it was always Mr B's intention to invest in it. It said there had been ongoing platform and adviser charges that had required a regular sell from the investment. No payment had been taken from the pension since the investment was made. It indicated Mr

B's tax code and said assuming he had no Lifetime Allowance Protection in place any loss should be able to be applied to the pension.

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 the light of the replies from the parties I have not changed my mind.

Putting things right

I will direct that SL should put things right as follows.

My aim in awarding fair compensation for financial loss was to put Mr B back into the position he would likely have been in, had it not been for SLs error. I think this would have meant he invested in the Nelson Aggressive portfolio selected by Mr B on 23 March 2021 rather than on 1 April 2021.

Any loss Mr B has suffered (if any) should be determined by obtaining the number of units in the Nelson Aggressive portfolio fund that Mr B would have purchased had he invested on 23 March 2021 and subtracting the number of units he actually purchased on 1 April 2021.

If the answer is negative (i.e. Mr B received more units on 1 April than he would have on 23 March 2021), there's a gain and no redress is payable.

If it is positive redress is payable.

I direct that if there is a loss, SL should credit to Mr B's SIPP with such number of units in the Square Mile Nelson Aggressive Portfolio as are equal to the number produced by the calculation above.

The compensation amount should if possible be paid into Mr B'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 lifetime protection or annual allowance implications, it should be paid directly to Mr B as a lump sum by applying the unit value of the number of units at the date the payment is made to the number of units required to compensate Mr B to produce a cash amount. This amount should then be adjusted, after making a notional reduction to allow for future income tax that would otherwise have been paid.

If Mr B hasn't yet taken any tax-free cash from his plan, 25% of the loss would be tax-free and 75% would have been taxed according to their likely income tax rate in retirement – presumed to be 20% . So making a notional reduction of 15% overall from the loss adequately reflects this.

My final decision

I uphold this complaint.

I direct that Standard Life Savings Limited should within 30 days of this service notifying it

that Mr B has accepted this decision:-

- Pay Mr B £100 for distress and inconvenience.
- Arrange to calculate and if appropriate credit Mr B with additional units in his fund or make a cash payment in accordance with my award set out under 'putting things right' above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 October 2022.

Colette Bewley
Ombudsman