

The complaint

Mr G complained that Interactive Investor Services Limited (IISL) was the cause of delays in him making a tax-free cash withdrawal from his Self-Invested Personal Pension (SIPP) and that this caused him financial loss and worries in completing the transaction.

What happened

I am not summarising all of the events and communications I have reviewed, and I hope the parties will understand I mean no discourtesy by this. I would like to assure all parties that I have considered everything that has been provided to this service with care and attention. I have focused my decision on what I consider to be the most important aspects of the complaint.

On 16 December 2020 Mr G first contacted IISL to enquire about the process required for him to make a withdrawal from his SIPP. IISL responded on 24 December telling him that he needed to complete a 'Taking Pension Benefits' form which was the first of three stages in the process.

IISL said in this message that their response time to messages was 'usually within a few days' but if they were busy it could be up to five days. For more urgent requests, they offered the option of phoning.

Mr G also informed IISL of a change of address, to a new country. IISL asked him for some additional information to meet their anti-money laundering responsibilities as the new country had been classified as higher risk. He felt that he was being singled out, but when IISL told him there was no suggestion that he himself was involved in any criminal activity, but that the request was to meet their own regulatory requirements, he responded the same day by making the first of his formal complaints, with the basis of the complaint being unreasonable response times and unreasonable demands for documentation. Nevertheless, he completed and returned the form the next day, but without the accompanying documentation that had been requested.

On 21 January, Mr G contacted IISL saying that instant action was required because he needed funds to complete a property purchase, although he did not specify a date by which he needed the funds. In this message he said that he could not accept the five day response time.

Following some difficulties processing the request online, IISL had received the completed form by 24 January and the pre-retirement pack (stage two of three) had been completed and returned the following day. IISL acknowledged receipt of this paperwork, which was being processed, on 26 January.

Mr G was told that he could expect his funds by 3 February, and in anticipation of this he converted his pension fund, which was held in cash, from USD to GBP so that funds could be sent to his UK bank account.

On 4 February Mr G queried why he had not received his funds, which he had expected the

day before. IISL explained the full process to him and apologised that he had been led to expect funds by 3 February.

By 5 February Mr G had completed all the necessary paperwork and sent it to IISL who forwarded the necessary documents to their pension administrators, BW.

On 10 February he was reminded that taking funds from his pension was not an instant withdrawal, and he had become concerned about whether IISL actually had the funds available. On 17 February IISL told him that he should have funds in the next 24/48 hours.

Following some final queries from the pension administrators on 23 February, the tax-free cash sum was finally released on 2 March 2021.

IISL's response to his complaint was issued on 14 April, having been referred to this service by Mr G in March. In July, IISL amended their response. IISL denied any fault on their part relating to the additional anti-money laundering requirements. They also said that all but one message had been responded to within their five day timescale (16 December to 24 December) so they upheld this part of the complaint and offered compensation of £50.

In relation to the delays for the withdrawal, IISL explained their three stage process: Taking Pension Benefits form; Retirement Questionnaire; and finally confirmation to proceed from the investor and a Lifetime Allowance Declaration. Standard timescales were quoted as up to 5 working days for IISL to respond/upload documents and up to 7 days for the scheme administrators to complete checks and respond.

IISL accepted that Mr G should not have been told that he could expect funds by 3 February, since this would not have been possible due to the other requirements and processing time. IISL felt that this had already been compensated with the £50 offered. There was a further delay between 8 February and 23 February on the part of BW, the administrator, which was outside BW's 7 working days timescale. IISL offered a further £100 compensation for this delay.

Mr G explained to this service that he had suffered some stress and almost lost out on a property deal as a result of the delays.

In essence our investigator's view was that the initial one day delay (24 December) did not have a material impact; that the five day maximum turnaround time was acceptable, and was met apart from the one occasion already mentioned; it was clear from the various information provided that there were three stages to the process and that funds would not be transferred instantly; and that there was a delay from 8 February at the administrators, such that funds should have been sent to Mr G on 26 February.

Mr G later confirmed to this service that he had switched his fund from USD cash to GBP cash on or around 1 February in anticipation of funds being released to his bank account on 3 February. He would have stayed in US dollars until the last minute had he known that funds would not be released on that date. He was annoyed that it took '5 months' for him to get his money.

There was some discussion over the potential for loss due to currency movement. Our investigator thought that the business should compensate in the event of any currency loss caused by the delay. IISL thought that, since he had already converted into GBP in early February then there was no potential for loss.

Provisional findings

I issued my provisional decision on 22 September 2022. It said:

The issues that need to be decided relate to any delays, additional requirements due to Mr G's country of residence, and whether there is the potential for investment losses due to currency fluctuation as a result of IISL's actions. I also need to decide how IISL should put things right, if I find that they have acted unfairly.

I am providing this provisional decision as, based on everything I have seen thus far, I intend to depart from the investigator's decision in some respects.

In relation to the delay in Mr G receiving the withdrawal from his pension scheme, I find that there was a delay and that it was attributable to IISL (more specifically, their pension administrators). I agree with both the investigator and IISL that the delay was from 8 February until 23 February. I think that it was reasonable to expect that the funds should have been transferred on 26 February rather than 2 March.

I also agree with our investigator that, although there was one occasion where IISL did not meet their five day turnaround time, this did not materially affect the outcome as Mr G did not move forward with the withdrawal request until a few weeks later.

In relation to the additional information IISL requested as a result of Mr G moving to a new country abroad, I agree with both IISL and the investigator. IISL made it clear that there was no suggestion of improper behaviour on his part and that they were simply meeting their regulatory requirements. IISL neither targeted Mr G, nor did they decide that his choice of where to live was deemed at higher risk of money laundering by the authorities. When Mr G did not provide the documentation asked for, IISL were able to verify what they needed to by other means. I find that IISL did nothing wrong in this regard.

While the actual delay was relatively short, Mr G was misled by IISL on two occasions about when he could expect to receive his funds. He was first told (and IISL have accepted that this was wrong) that he could expect funds on 3 February. On 17 February he was told that he could expect funds in 24/48 hours, which was also inaccurate. I think that it is likely that, had he been given a more realistic timeframe from the start, such as a few weeks, then he would have experienced lower levels of stress as a result.

Although individual messages displayed the five day turnaround time, I can see no evidence that IISL clearly explained to Mr G how long the full withdrawal process might take, which was likely not just a few days. So I find that IISL did not act fairly in managing his expectations of the length of time the transaction might take. Equally, however, the entire process did not take the 5 months that Mr G alleged.

This leaves the matter of investment losses due to currency fluctuation. Our investigator said that IISL should carry out a calculation and where there were any losses as a result of Mr G receiving his lump sum three working days late (26 February to 2 March), then the business should compensate him for that. IISL replied that, since the currency conversion had already been carried out, on or around 3 February, then there was no potential for loss. But I don't agree with this analysis.

As I have already said, I found (and IISL previously acknowledged) that Mr G was misled when he was told that he could expect funds by 3 February. He told this service that he sold his USD and converted to GBP in anticipation of the withdrawal of funds on 3 February. He said that if he had known the withdrawal would not happen then he would have continued to hold USD.

I therefore also find that, where there were any losses on the amount withdrawn due to

currency fluctuation between 3 February and 26 February, then IISL should take action to make good such losses. I would stress that this applies only to the 25% tax free cash withdrawal and not the remainder of the fund which Mr G could still invest as he wanted (and could have been left in USD if he wanted to).

I can see that the episode caused Mr G some unnecessary stress and worry. Although he didn't think the timescale was reasonable, he knew about the five day turnaround time and the option to phone so I do not agree that he could reasonably have expected faster responses than he had. However, he was twice given wrong information about when he could expect his funds to be released. Both of these occasions were after he told IISL that he needed the funds for a property purchase, and I think he was entitled to rely on that information. And the records indicate he made numerous phone calls which I appreciate would have been inconvenient and frustrating. For his part, Mr G responded to messages promptly and told IISL that he needed the funds for a property purchase. However, I would also acknowledge that, despite the additional stress, in the end he was able to complete his property purchase. IISL acknowledged their mistakes and made an offer for the inconvenience caused.

Taking all of this into account I think that a total payment of £250 for the additional stress and worry is fair and reasonable in all the circumstances and is in line with this service's guidelines.

Putting things right

To compensate Mr G fairly, IISL must:

- Calculate the value of 25% of the pension fund if it had remained in USD until 26 February 2021 and compare this to the value as converted to GBP on 3 February 2021.*
- Where this results in a loss, IISL should compensate Mr G for the amount of that loss. Since any loss will be on the tax free cash he has withdrawn, the amount should be paid to him directly with interest at 8% per year simple from 26 February 2021 to the date of settlement to compensate Mr G being deprived of these additional funds during this time.*
- Pay Mr G interest at 8% per year simple on the amount withdrawn (after deduction of the lifetime allowance tax charge) between 26 February 2021 and 2 March 2021. This is to compensate Mr G for being deprived of his funds between the date funds should have been released until when they actually were released.*
- IISL should make a total payment to Mr G of £250 for the additional stress and inconvenience caused. If they have already paid any of the £150 they offered then this can be deducted so that the total amount for this element is £250*

Response to my provisional decision

Both parties have responded to my provisional decision and neither has offered any new information or arguments.

IISL explained that the mid exchange rate (USD-GBP) on the 26 February would have been less beneficial for Mr G than the rate used on 3 February, so there was no loss. The interest for the four day delay was calculated as £226.90 which would bring the total redress (including the £250 distress and inconvenience payment) to £476.90.

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.

As no new information has been provided I see no reason to change my decision. So I remain of the view I set out in my provisional decision.

My final decision

For the reasons given above, I uphold this complaint. I require Interactive Investor Services Limited to take the actions detailed in the "Putting things right" section above and provide Mr G with their calculations in a clear and simple format.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 4 November 2022.

Martin Catherwood
Ombudsman