

## The complaint

Mr L has complained that Continuum (Financial Services) LLP (“Continuum”) made an error in processing his pension switch. He wanted to transfer £120,000 from his Aegon personal pension to his Standard Life SIPP but the whole fund was transferred. His money was uninvested while this was resolved, causing him lost growth. He would like the losses to be reinstated and to be compensated for the time taken to resolve the issue and the stress it caused him.

## What happened

Mr L was a client of Continuum. Having previously self-managed his pensions he was moving funds over to Continuum’s management in stages because he did not want to move all the money at once.

Continuum submitted an online application to Standard Life on 25 February 2022 which specified that the amount to be transferred was £120,000. There was nowhere to select full or partial transfer, or to state the full value of the ceding scheme. At the time the full value was £378,587. The same day the Continuum adviser emailed the Standard Life new business team to let them know the application had been submitted.

The Standard Life transfer form requested the transfer of “all sums due to me” and on 28 February Standard Life requested a full transfer from Aegon.

The same day Standard Life emailed the Continuum adviser to inform him that they had requested the full transfer from Aegon. The adviser replied straight away, saying “Please note that this is a **partial** transfer for the sum of £120,000 only. Please ensure the request to Aegon reflects this.” He also informed his relationship manager at Standard Life.

The transfer request was actioned by Aegon on 2 March, with all funds in his Aegon pension being sold ready for transfer. The next day Standard Life tried to cancel the full transfer request but it was already too late.

Over the following weeks Standard Life kept the £120,000 as intended and returned the remaining funds to Aegon. The money was replaced in Mr L’s Aegon pension, but the fund values had risen in the meantime, so the money was not able to buy the same number of units in the funds as he had previously held.

Mr L submitted complaints to both Aegon and Standard Life. Aegon did not uphold the complaint because they said they followed the instructions they were given and by the time they were told it should have been a partial transfer it was too late. Standard Life did not uphold the complaint because they said that the transfer was initiated as a full transfer, and they had responded to the email requesting a partial transfer within a reasonable timescale. Standard Life also said that in Aegon’s position they would have raised a query given the large discrepancy between the £120,000 requested and the full value of the pension.

Mr L then made a complaint against Continuum. Their response was that they were unable to uphold the complaint. Standard Life did not have a formal process for partial transfers, so

the adviser did what he should have done by informing Standard Life separately (via email) that the transfer was partial.

Mr L did not agree so he brought his complaint to this service. Our investigator upheld the complaint against Continuum as the adviser should have recognised that the Standard Life form requested a full transfer. Continuum disagreed and provided further evidence to support their position including screenshots of the online application process. They said that they had followed the process that was in place, namely to provide separate confirmation of the partial transfer.

The complaint was referred 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.

In preparing their response to the complaint, Continuum asked Standard Life about their partial transfer process. Standard Life said advisers should process the transfer online as normal and inform Standard Life separately that the particular transfer was to be partial, not full.

Continuum's position is that they followed the Standard Life process since the online instruction was for £120,000 and they instructed Standard Life that the transfer was partial.

While the transaction was input online for an amount of £120,000, the Standard Life form refers to "all sums due to me" so I think Continuum ought to have known that this would generally be taken to mean a full transfer. And Standard Life were not told in advance that the full value of the Aegon SIPP was £378,587, so would have had no reason to query the £120,000 amount.

On 25 February, when the application was submitted, the Continuum adviser emailed the Standard Life New Business team but the email did not specify that the transfer was partial, only that it was for £120,000. Nor did the email tell Standard Life the full value of the ceding scheme. It was not until Standard Life emailed the adviser on 28 February to say that a full transfer had been requested, that the adviser told Standard Life the £120,000 was a partial transfer. In fairness to the adviser he responded straight away, but by the time Standard Life acted on the request (albeit within a reasonable timescale) it was too late. Aegon had already acted on the initial instruction/request for a full transfer.

I have some sympathy with the view that Aegon ought to have questioned the amount, given that £120,000 was clearly specified, although I also understand that the process was automated so that there was no opportunity to intervene. Equally, if Standard Life's systems had been set up to allow for partial transfer requests then there would be no need for a manual workaround for partial transfers. But Standard Life didn't know until it was too late, nor did they know the full value of the scheme so they had no reason to query the amount.

So although the adviser did inform Standard Life that the transfer was to be partial, he did not do so until the transfer had already been requested, when it was too late. To ensure the transfer was processed correctly the adviser could have contacted both providers in advance to make the instructions impossible to misinterpret.

Therefore I find that Continuum are responsible for the transfer being processed as a full transfer and I am going to uphold Mr L's complaint.

Mr L told us that the whole situation has taken him many days to sort out, and caused a lot of worry and stress given the amount of money involved.

### Putting things right

My aim is that Mr L should be put as closely as possible into the position he would probably now be in if not for the error.

It's clear Mr L wanted to transfer £120,000 only so Continuum will need to obtain a notional value from Aegon. I am satisfied what I have set out below is fair and reasonable given Mr L's circumstances and objectives when he invested.

### What must Continuum do?

To compensate Mr L fairly, Continuum must:

- Compare the performance of Mr L's investment with the notional value had it remained with Aegon (less the £120,000 he wanted to transfer). If the actual value is greater than the notional value, no compensation is payable. If the notional value is greater than the actual value, there is a loss and compensation is payable.
- Continuum should also add any interest set out below to the compensation payable.
- Continuum should pay into Mr L's Aegon 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 Continuum is unable to pay the total amount into Mr L'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 L won't be able to reclaim any of the reduction after compensation is paid.
- The notional allowance should be calculated using Mr L's actual or expected marginal rate of tax at his selected retirement age.
- It's reasonable to assume that Mr L is likely to be a basic rate taxpayer at the selected retirement age, so the reduction would equal 20%. However, if Mr L would have been able to take a tax free lump sum, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 15%.
- Pay to Mr L £300 for the time taken to pursue his complaint and resolve the issue with his pension, and the stress caused as a result of the amount of money involved.

Income tax may be payable on any interest paid. If Continuum deducts income tax from the interest it should tell Mr L how much has been taken off. Continuum should give Mr L a tax deduction certificate in respect of interest if Mr L 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
Aegon	Still exists and	Notional value	2 March 2022	Date of	8% simple if

personal pension	liquid	from previous provider	(date of sale of funds)	calculation	not settled within 60 days of Mr L accepting the final decision
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### **Actual value**

This means the actual amount payable from the investment at the end date.

### **Notional Value**

This is the value of Mr L's investment if only £120,000 had been sold and transferred and the rest had remained with Aegon until the end date. Continuum should request that the previous provider calculate this value.

Any withdrawal from the Aegon personal pension should be deducted from the notional 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 is a large number of regular payments, to keep calculations simpler, I'll accept if Continuum totals all those payments and deducts that figure at the end to determine the notional value instead of deducting periodically.

There is guidance on how to carry out calculations available on our website, which can be found by following this link: <https://www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding-compensation/compensation-investment-complaints>

Alternatively, just type 'compensation for investment complaints' into the search bar on our website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

If you are unable to obtain a notional value, you will need to determine a fair value for Mr L's investment instead, using this benchmark: FTSE UK Private Investors Income Total Return Index. The adjustments above also apply to the calculation of a fair value using the benchmark, which is then used instead of the notional value in the calculation of compensation.

I am allowing Continuum 60 days from the date Mr L accepts the final decision before applying interest to allow time to obtain the notional value from Aegon.

### **Why is this remedy suitable?**

I've chosen this method of compensation because:

- We know what Mr L would have invested in.
- If Aegon is unable to calculate the Notional Value, then I consider the measure below is appropriate.
- The FTSE UK Private Investors Income total return index (prior to 1 March 2017, the FTSE WMA Stock Market 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.
- Although it is called income index, the mix and diversification provided within the index is close enough to allow me to use it as a reasonable measure of comparison given Mr L's circumstances and risk attitude.

### **My final decision**

For the reasons given I uphold the complaint. My decision is that Continuum (Financial Services) LLP should pay the amount calculated as set out above.

Continuum (Financial Services) LLP should provide details of its calculation to Mr L in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 24 May 2023.

Martin Catherwood  
**Ombudsman**