

The complaint

Mr S complains about unsuitable advice from Tuto Money Limited (Tuto) to transfer his pension.

What happened

Mr S said he was unhappy with the advice to transfer from his existing plan to a new plan based on the advice from Tuto. He didn't think the advice was suitable for him.

Tuto said that it didn't uphold the complaint. Mr S wanted higher potential returns and flexibility re income drawdown. The charges in his existing plan were higher and at that time he could not transfer internally to a self-invested personal pension with his current provider. All procedures were followed. The annual review the following year showed the fund value increased even after the initial charge and management charges.

The investigator said that Mr S was charged almost 10% of his modest pension value for the advice. Given this there needed to be clear evidence of benefit. While the projections showed slightly higher growth could be achieved this was not guaranteed and didn't outweigh the cost of advice. With such a small difference in growth rate it increased the risk that the initial charges for advice were not earned back by retirement. While the new fund charges were 0.5% less than his existing plan, they didn't have a significant impact on the overall fund projection. It posed more risk to pay for the advice and go ahead than to stay with his existing provider. She didn't think it would be likely that a switch would maximise pensions growth. Mr S had complained that he had been advised to invest in plans that were too high risk for his personal attitude to risk and capacity for loss. But the investigator didn't agree and felt the investment was suitable for him.

While Mr S wanted increased flexibility, he had also said he didn't plan to retire for 14 years, so there was no immediate need to use the funds and therefore a reason why access to drawdown was necessary at that time. He could instead have made the switch closer to his retirement date. If he needed cash urgently there were other options it could have discussed with Mr S such as borrowing.

She could not see any other good reason to transfer and felt the advice was not suitable for his situation at the time. She thought Mr S should have been advised to stick to his existing arrangement which provided similar benefits including income in retirement, instead of paying for advice.

Tuto didn't agree. It said the new fund had a lower fee – half that of the existing fund. The investigator had agreed the fund was appropriate for Mr S's attitude to risk and capacity for loss. The charge of £995 was its minimum and after 1 year the fund had grown even after the initial fee and annual management charge. He had a net growth of over 5% so there was a clear benefit. The difference in fund charges would produce greater effect with time. Mr S had no capacity for additional borrowing as confirmed in the fact find. It completed a loss assessment and believed it was around £14.87 and the loss would reduce with time due to the lower fees. It offered to pay £14.87 to settle the complaint.

Mr S declined the offer.

My provisional decision

I issued a provisional decision in this complaint. I said the following:-

The Financial Service Authority (now FCA – Financial Conduct Authority that regulates advice given by Tuto) published a report and checklist in 2009 for pension switching. The FCA were clear that the reasons for switching pensions (as is the case here) need to be sound in the context of the individuals circumstances at the time. The potential to be better off had to be enough to more than compensate for the risk that the consumer might end up worse off. So someone with a low attitude to risk would need to have a greater potential for gain without taking more investment risk than a consumer with a high attitude to risk. As we know Mr S had a low medium attitude to risk so the potential gains from switching needed to be greater to make up for the cost of the switch.

I considered a number of areas highlighted by the FCA in the light of Mr S's circumstances at the time.

The pension report and switching report prepared by Tuto in 2016 said that Mr S was in his early fifties and a full-time carer for his wife. They had adequate income for their expenditure. But there was no income and expenditure assessment done and there was reference to income from benefits – it is unclear whether this was the only source of income at the time. It said Mr S had a property worth around £120,000 subject to a mortgage worth about 60% of its value but did not comment on how long remained on the mortgage term. It said Mr S had further debt of around £15,000, no savings or investments or other sources of income and no emergency fund. Overall this showed that Mr S didn't have any safety nets in the form of savings, other than his pension and therefore his resilience to unexpected financial challenges was low.

I could see from the papers that his existing plan started in early 2002, was paid up (around 2012) and was a stakeholder pension plan worth around £10,600 at March 2016. He was invested in the provider's Managed Pension Fund which the papers said offered a balanced lifestyle profile. The papers did not list the charges for the old scheme. The information on the plan details sent to Tuto, note that the provider *'offers products that allow your client to access their benefits flexibly'*.

While charges were not listed, Stakeholder pensions offered low and flexible contributions, capped charges and a default investment strategy which could be helpful if the member did not want to make investment decisions. There was a legal limit on charges of 1.5% per year in the first 10 years and then 1% after that. As we know the plan was started in 2002 and became paid up in 2012, 2016 was more than 10 years since the start and I would expect the charges to be capped at 1% and prior to that 1.5 % (so it was difficult to understand the suggestion in the report that charges could be 1.6%).

Mr S is listed as having no investment experience but it stated he needed immediate access to the money so he was prepared to take a risk for a potentially higher return. His risk profile was assessed as 'low medium' and Tuto said he had a long-term period for investment as he intended to retire in around 14 years' time.

It wasn't clear to me how the 'long-term investment strategy' fit the suggested need for immediate access. Further Mr S was 50 at the time of the advice so immediate access would not have been possible for another 5 years when he reached the minimum age to access his pension, 55.

The objective of the review was said to be for higher potential returns, flexible/income

drawdown (which Tuto said was not available under the current plan), lower charges and ability to leave funds to his wife on his death. In a letter dated 16 March 2016 from Tuto to Mr S it also said its advice was to *'enable it to proceed and move his pension to a more modern and cheaper plan, which will also allow you to contribute and take flexible benefits when you are 55'*.

The FCA guidance suggests various issues should be considered. I have considered some below, in the light of this context.

Consider a stakeholder

Tuto was obligated to consider stakeholder pensions as an alternative to the new plan proposed. However Tuto's notes do not consider one and say there is 'insufficient information'. However it may be that as Mr S's current plan was a stakeholder this comparison was in effect being undertaken in the review – but the report doesn't say that.

Illustrations

The FCA indicates that illustrations of future growth used to compare the benefits of switching, should start with the value *after* all penalties and adjustment had been applied from the existing plan and should be projected to retirement age. This is because if there's only a short period before the consumer intends to retire, the projected growth might not offset the impact of the costs deducted for the advice to switch. But Tuto's report suggests there weren't any exit penalties by the old pension scheme. But there were additional charges payable to Tuto for their advice (£995).

It was important to be clear that the new pension had a realistic chance of growing fast enough to overcome those costs in a reasonable amount of time. Growth projections to an age later than his proposed retirement age, could have the effect of spreading the costs of transferring over a longer time period, and make them look lower on average per year.

I needed to consider how the information was presented and whether it was realistic to expect Mr S to remain invested until any later age shown in the report. It wasn't clear to me whether the initial fee of £995 had been taken into account in producing the growth projections. There was a separate table showing that the total charges were projected to a later retirement date of age 75, whereas Mr S had said he would retire ten years earlier at 65. So there seemed to be a mismatch and the later age of 75 had the effect of spreading the charges over a longer period and making the impact seem less. The Tuto report showed the estimated impact of charges for year one, was £1024.41. Given the starting plan value was around £10,600 this is a significant charge and represented around 10% of his plan value at that time. Tuto's analysis suggested it could take between 5 and 10 years before this cost is recouped.

Ongoing costs

I also needed to consider if the illustrations took into account the future charge structure *including* charges deducted to pay for commission or fees of Tuto for making the switch. The FCA indicated that simply comparing new and old charges was not enough as it needed to reflect what was lost in the switch. I have therefore considered what was said about the charges of £995 for the switch report and the annual fee of 0.3% payable to Tuto.

The report by Tuto contained a pension plan comparison of charges. It said that the charges on the new plan were lower than the old plan. It said the new plan costs 0.8% per annum with the existing plan costing 1.5 or 1.6% depending on growth. It then suggested that Mr S would save 0.8% per annum. But it said the table did *not* include the cost of advice in the agreed fees section of the report (£995 and 0.3% per annum).

It wasn't clear to me how the old plan charges could be as high as 1.5 or 1.6%, given that it

was a stakeholder plan that was more than 10 years old and charges should therefore be capped at 1%. Even before it was 10 years old the cap was 1.5% so a charge of 1.6% should not be possible. But even if I was wrong and the stated charges of 1.5 or 1.6% are correct, Tuto said that its comparison of the costs of the two plans did not include Tuto's charges (£995 and 0.3%).

Further the charges of 0.8% were made up of the new providers annual management charge of 0.30% (plus investment related charges of) 0.5% (assuming investment in the Aviva Ins Multi-asset Fund III S14 (GB00B8DS2225)). If Mr S was advised to change fund this charge could change.

With Tuto's annual fee of 0.3% in addition to the 0.8%, the total charges in the new plan were actually 1.1% not 0.8%. So in reality the difference between the charges in the new plan (1.1%) and old plan (suggested to be 1.5 or 1.6) was only 0.4 or 0.5%. If I was correct and there was a stakeholder cap on charges in the old plan of 1%, the new plan was actually 0.1% *more expensive* than the existing plan.

So in summary it wasn't clear to me that the new plan was cheaper and indeed may be more expensive. Even if it was cheaper the difference in ongoing charges was small at 0.4 to 0.5%. I applied the FCA suggestion that the potential to be better off had to be enough to more than compensate for the risk that the consumer might end up worse off (due for example to the initial reduction of around 10% to pay for the switching advice of £995). On balance I didn't think there was a clear enough potential to be better off either because the new plan was actually more expensive than the old one or because the saving was relatively small (0.4% to 0.5%) and it would take some time to recover the initial charges of £995 (Tuto suggests between 5 and 10 years). The chance to better off has to more than compensate for the risk that the Mr S might end up worse off due to charges and investment risk. On balance for the reasons given, I didn't think there was.

Flexibility

The FCA had been clear that just because a new plan offered more flexibility, a wider range of funds than the existing pension and would enable benefits to be taken by way of income drawdown, did not make the advice to switch suitable, even if these are correct and attractive features. That is because they may not be needed at that time, so should not be recommended.

The report suggested that Mr S's existing pension only offered 12 funds whereas the new provider pension offered more than a 100 funds. But notes on the old plan reflect a total return of fund on death and no income drawdown.

But Tuto only advised an investment in one fund so there wasn't any use of the '*wider range of funds*'. The ability for Mr S's wife to inherit on his death already existed in his then current plan. Mr S could have switched for flexibility at a much later date closer to or at retirement and the old plan noted that the provider could provide such options. So it did not seem that any of these factors provided good reasons to switch.

Attitude to risk

The FCA questions whether the investments recommended are in line with the consumer's attitude to risk. And whether the consumer can afford to take that amount of risk. It suggests an adviser should not encourage a consumer to take more risk than they reasonably wanted or could afford to take, in order to make the advice given more 'suitable'.

I do not know the risk profile of the fund in the old pension scheme. Tuto suggested Mr S had a low medium attitude to risk and suggested a new fund that matches this profile. But the report did not tell me whether that risk profile was suitable for him nor how it compared to

the risk profile of the fund in his old scheme. If there was a difference in the risk profile, in that the new fund was relatively higher risk, it seemed likely that the new fund would most likely have higher growth projections that could make the switch seem more attractive and make the advice seem more suitable.

As his adviser, Tuto should not simply have recoded his attitude to risk but also asked how much of his pension and her overall wealth was put at risk. Given what we know about Mr S's financial context it seems his pension was his only safety net (once he was over 55). While one of the reasons to switch was said to be 'higher potential returns' that should not be at the cost of adopting a risk profile that was not suitable for Mr S given his situation at that time.

On balance I think Tuto should have challenged Mr S's adoption of a low medium attitude to risk given his poor financial resilience and made clear whether there was a difference in the risk profile of the investment between the new and old scheme.

Ongoing reviews

The agreement with Mr S said that the ongoing 0.3% per annum fee payable to Tuto was to cover an annual review and ensure the plan remained aligned with his needs and circumstances.

However after a review by the regulator in this area known as the Retail distribution review, advisers were required to specifically explain what service they would be providing in return for further ongoing fees they were going to collect. The regulator also noted that pension arrangements, may be less likely to need regular reviews if the consumer has been invested into broadly managed fund(s), especially if they have lifestyle investment included.

I note that the old pension scheme documents says that it was just such a lifestyle investment, so I assume annual reviews were not needed.

The Tuto report said

Ongoing Review Service - Your financial objectives may change over time due to changes in your lifestyle or circumstances. We believe it is essential to ensure that your portfolio continues to meet your lifestyle and investment objectives. Our ongoing review and management service offers a range of services which include:

- ☐ Structured annual reviews to give you piece of mind*
- ☐ Assessment of your current circumstances and any changes to your plans that are needed*
- ☐ Review of your attitude to risk and whether your investments are still suitable*
- ☐ Review of your investment performance to date*
- ☐ Ongoing support with correspondence and administration issues*

Given Mr S had very limited financial flexibility due to his income and liabilities and given the existing plan had a lifestyle strategy, it wasn't clear to me that he had a need for annual reviews, nor the additional costs of having them.

My view of suitability

Having considered each of these areas and Mr S's context at the time, on balance I didn't think the advice to switch was suitable.

I said that because as shown above:-

- ☐ The saving in ongoing annual charges was relatively low (if any) compared to the costs of over £1,000 for the switch advice and the time needed to recoup that cost through growth and cost saving.
- ☐ he couldn't access his pension for another 5 years, so could not get immediate access nor did he need flexibility now and could have got it at a later date.
- ☐ He could already pass the benefits to his wife on his death.
- ☐ The new plan was either more expensive or only marginally cheaper and the saving would depend on the fund he invested in.
- ☐ He didn't need a choice of over 100 funds and was advised to invest in one.
- ☐ He already had an investment that didn't need to incur the cost of an annual review as it had a lifestyle approach.

I also thought that there was a need to question whether Mr S's attitude to risk at low medium was suitable for him given his lack of any financial resilience at that time and therefore whether the proposed low medium investment was suitable for him at the time. This could mean that the growth comparisons presented were misleading if there was a difference in risk profile of the new and old investment fund.

I noted that Tuto said that at the first annual review the fund had increased in value so he must be better off. But that is not necessarily the case. I said that because we do not know what value was invested at the actual transfer date (only the value at the date of the report) and we don't know how much his pension would have been worth had it remained invested in the old pension plan and had he not paid out over £1,000 in charges.

However before I issued my final decision it would be helpful if

Tuto could confirm the following:-

1. The charges in the old scheme given that it was a Stakeholder plan and therefore resolve whether the new plan was cheaper or more expensive than the old plan.
2. The risk profile of the investment in the old pension scheme.
3. Whether the growth projections used as a starting value reflected the amount that would be deducted to pay Tuto's fees such that the starting value invested was lower than the amount transferred from the old scheme.
4. The amount of the actual transfer value received from the old plan and the amount invested in the new plan after deduction of Tuto's charges and the date of the transfer.
5. Confirmation as to whether Tuto completed any further annual reviews after 2017 and if so provide details

Mr S could confirm whether he has withdrawn any money from his pension and if he could provide details of the current value, investments and details as to whether Tuto completed any further annual reviews after 2017.

As I had provisionally concluded that the advice to switch was not suitable, I could consider an award for financial loss and distress and inconvenience.

I had not set out a basis for calculating financial loss as I wanted to be able to review Tuto's answers to my questions above which could change my conclusions. If I didn't change my mind I said I would issue proposals for calculating financial loss to both parties before I issue my final decision.

Distress and inconvenience

I thought Mr S had been put to trouble due to the unsuitable advice. I thought the impact was moderate and I proposed an award of £150 would be fair and reasonable in the circumstances.

I proposed to uphold this complaint.

I proposed to direct that Tuto Money Limited should:-

1. Pay Mr S £150 for distress and inconvenience
2. Such amount of redress as is calculated in accordance with my redress award for financial loss.

Mr S accepted by proposed decision.

Tuto said the following:-

It still thought that Mr S had been given good advice. It said

1. As there were no specified charges in the Standard Life documentation, the systems switching report uses the actual quotes and growth rates provided by the old scheme to extrapolate the approximate charges. These charges are for example purposes only and have no bearing on the illustration comparisons which are used for the basis of the advice. It was clear however, that even including its initial charge of £995, the projected pension fund is higher at low, medium and high growth rates in the new plan rather than remaining in the old plan. (as detailed on page 7 of the systems "FCA's Pension Switching Advice Template").

What was not made clear in its suitability report however was that it had a preferential charging structure with the new plan for this range of funds and as shown in the systems "FCA's Pension Switching Advice Template" Page 8, the actual fund charge is only 0.1%, not 0.5% as is the full rate. So the total charges for the new Aviva plan are a fund charge of 0.1% and an AMC of 0.3%, a total of only 0.4% p.a. Even when its ongoing advice charge of 0.3% was added in, the total ongoing charges were only 0.7%. considerably less than the 1% charge for the existing plan. It said its ongoing adviser charge of 0.3% stopped in November 2019 and had been 0% since.

I provided Tuto with a recent annual statement supplied by Mr S. This said the following

These include the following:

- Financial adviser commentary

"The start date of this policy was 17/06/2016

- The Aviva charge for this client is :

First 30,000.00 (%) 0.4

From 30,000.01 to 250,000.00 (%) 0.35

From 250,000.01 to 400,000.00 (%) 0.25

From 400,000.01 (%) 0.15

- Core Choice Discount Eligibility?

Yes

The Ongoing adviser charge on the plan is 0.00%

In the period from November 2019 to November 2022 it said that the ongoing advice charge was 33.25 and the Aviva charge 127.01.

I supplied a copy of the statement to Tuto as it didn't seem to reflect the position as they now suggested it was. It would seem from this extract from Mr S's plan and given the current value is under £30,000, that the Aviva client charge is 0.4% not any lower figure. The ongoing adviser charge had stopped as Tuto was no longer retained.

It also said that the Aviva charge shown in the client report should be 0.3% not 0.4% as quoted. It said this totalled the £127.01 shown in the annual statement. But this did not include the 0.5% fund charge which needed adding on top.

The original report showed an ongoing charge of 0.3% plus the 0.3% and 0.5% charge for the provider and the fund.

It would seem to me from the extract from Mr S's plan and given the current value is under £30,000 that the Aviva client charge is 0.4% not any lower figure. The ongoing adviser charge had stopped as Tuto was no longer retained.

It said the original suitability report was correct as it shows 0.3% ongoing adviser charge and a total of 0.8% (0.3% AMC and 0.5% fund charge) for the overall product charge. Which is more than 1% in total.

2. The old Managed fund was a balanced fund so had a medium attitude to risk. Tuto said this however reduced considerably as the client gets nearer to their NRD and life styling automatically switches funds into a risk-free cash fund starting 5 years away from the pension plan NRD of 65. This was not what Mr S wanted at all, he wanted flexibility, accessing the fund as he wished and did not want to buy an annuity on his 65th birthday. Therefore any analysis of projections would be worse for him if he had not been moved, but this is not reflected in the analysis.

Tuto offered a comprehensive ongoing review service which included an annual review of the client circumstances, ATR check and an assessment as to whether the investments are still suitable, switching free of charge if necessary. The service would also include ad hoc communications, and the taking of client telephone calls, especially at times like these when markets are turbulent. The ongoing charge is 0.3%, so costs was approximately £30 p.a.

3. The growth projections did allow for the £995 initial fee having been taken at outset and the lower amount would have been used for the basis of the comparison.

4. The fund value at the time of the transfer was £10,592.50 and the initial charge had been allowed for in the comparison quotes, the actual amount invested would have been £9,597.50. It later said it had found a report on 8 August 2017 which said the actual value was £11,142.53 which was after the Tuto charge and on the initial investment of £10,592.50 gross and £9,9597.50 net.

5. Annual Reviews No Further Reviews were undertaken.

I asked Mr S to confirm whether he had made any withdrawals from his pension and evidence of reviews offered by Tuto since the contract started and for current valuation and

charges information. Mr S's representative said it did not appear there had been any withdrawals and Mr S had not provided evidence of any reviews by Tuto. He also confirmed he was not a tax payer as he was a full-time carer.

I also sent the proposed redress wording (based on what the investigator had proposed) to Mr S and Tuto.

Mr S said he was happy to accept the proposed compensation and that his marginal rate of tax was zero as he was a carer for a family member.

Tuto said from its understanding the value of the fund with the provider was currently around £12,923.58 and questioned whether that included the initial fee of £995 or whether it excluded it. It said this was then compared to the £11,979.58 if he had left it with the old provider. I explained that neither figure was correct. For the purposes of the loss calculation it was necessary to compare what the value of the old plan would have been had it never moved. The value would be at the date of calculation which I suggested would be the date of my final decision. This value would not have the £995 deducted as it would never have been moved.

This would then be compared to the current value of the new plan on the calculation date (the date of my decision). That value would already take into account the £995 that was deducted before it was invested and any ongoing charges.

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.

I have considered the replies from Tuto but having done so I have not changed my mind . I say that for all the reasons I set out in my provisional decision.

I note Tuto says that actual ongoing charges were lower as it had an arrangement with the new provider. This meant the new scheme was cheaper. But when I questioned it about this I did not find their answer clear or helpful nor did it clearly explain how this was reflected in the current scheme statements which did not seem to support what they had said. But even if I am wrong and as they say there was a preferential lower charge, that was not clearly set out in the initial advice report and this is what Mr S relied on in making his decision. So I don't think Tuto demonstrated in its original advice that there were sufficient saving on charges to make the switch worthwhile either because the plan wasn't cheaper or wasn't sufficiently cheaper to justify the switch or because that wasn't explained in the information Mr S relied on in making his decision.

I note it says the old scheme investment had a medium attitude to risk profile and the growth projections showed it did better at low, medium and high growth rates were assumed. But it isn't clear to me why this wasn't clearly explained in the report and why it referred to high charges in the old plan. This meant that the report did not clearly demonstrate suitability on the basis of cost. This was important and it was based on the report that Mr S made his decision.

I note the comments about Mr S's desire for flexibility and not wishing to buy an annuity at age 65. But I have already commented on this in my provisional decision and noted that he could have switched at a later date closer to his retirement age and/or before the lifestyle investment changes would have started.

I note also that Tuto say no further annual reviews were performed after 2017. But Mr S was paying for a service he didn't previously need.

It refers to the FCA pension switching suitability assessment template. There is one on the file that was completed in 2016 and this seems to show that it was not demonstrably clear that the new plan was suitable. But even if I am wrong in that for all the reasons I have given and the reasons set out in my provisional decision, I remain of the view that the advice given by Tuto to Mr S wasn't suitable for him.

I can therefore make an award for financial loss and distress and inconvenience.

Putting things right

The investigator proposed the following basis for compensation and both parties were given the chance to comment further on it. I have not changed the redress in the light of the questions by Tuto as they did not comment on the approach just questioned the figures and calculation.

In order to put things right, within 30 days of this service notifying Tuto Money Limited that Mr S has accepted this decision, Tuto Money Limited should:-

1. Pay Mr S £150 for distress and inconvenience and
2. carry out a loss assessment to see what Mr S's pension value would have been at the date of this direction if *he'd stayed within his stakeholder plan invested as he was prior to the transfer*.

Any loss Mr S has suffered should be determined by Tuto:-

- (a) obtaining the notional value of Mr S's pension (from his previous stakeholder provider) as it would have been *on the date of this decision* and on basis that his pension had remained invested in the same funds as it was prior to the transfer (and for the avoidance of doubt without deduct the advice fee of around £995)

and then

- (b) subtracting (from the amount determined in (a) above), the value of the pension with Mr S's new provider *on the same date*.

If the answer is negative, there's a gain and no redress is payable.

If the value is positive there is a loss and Tuto Money Limited should pay that amount into Mr S's pension plan, to increase its value by the amount of the loss.

The payment should allow for the effect of charges and any available tax relief. Tuto Money Limited shouldn't pay the compensation into the pension plan if it would conflict with any existing protection or allowance.

If Tuto Money Limited is unable to pay the compensation into Mr S'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 compensation should be reduced to *notionally* allow for any income tax that would otherwise have been paid.

The *notional* allowance should be calculated using Mr S's actual or expected marginal rate of tax at his selected retirement age, which is zero, so no deduction for tax should be made.

If Tutu Money Limited does not pay Mr S the amount calculated under (2) above (if any) within 30 days of this service notifying it that Mr S has accepted this decision the amount payable under (2) above shall be increased by simple interest at the rate of 8% per annum simple from the expiry of the 30 days to the date of payment to Mr S.

My final decision

I uphold this complaint.

I direct that Tutu Money Limited must within 30 days of this service notifying Tutu Money Limited that Mr S has accepted this decision,:-

1. Pay Mr S £150 for distress and inconvenience and
2. Pay Mr S such amount (if any) as represents his loss calculated by carrying out a loss assessment to see what Mr S's pension value would have been at the date of this direction if he'd stayed within his stakeholder plan invested as he was prior to the transfer.

Any loss Mr S has suffered should be determined by Tutu:-

- (a) obtaining the notional value of Mr S's pension (from his previous stakeholder provider) as it would have been *on the date of this decision* and on basis that his pension had remained invested in the same funds as it was prior to the transfer (and for the avoidance of doubt without deducting the advice fee of around £995 payable to Tutu)

and then

- (b) subtracting (from the amount determined in (a) above), the value of the pension with Mr S's new provider *on the same date*.

If the answer is negative, there's a gain and no redress is payable.

If the value is positive there is a loss and Tutu Money Limited should pay that amount into Mr S's pension plan, to increase its value by the amount of the loss.

The payment should allow for the effect of charges and any available tax relief (but for the avoidance of doubt without deducting the advice fee of around £995 payable to Tutu from the amount the notional value of the previous stakeholder pension plan). Tutu Money

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

If Tuto Money Limited is unable to pay the compensation into Mr S'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 compensation should be reduced to *notionally* allow for any income tax that would otherwise have been paid.

The *notional* allowance should be calculated using Mr S's actual or expected marginal rate of tax at his selected retirement age which is zero, so no deduction for tax should be made.

If Tuto Money Limited does not pay Mr S the amount calculated under (2) above (if any) within 30 days of this service notifying it that Mr S has accepted this decision the amount payable under (2) above shall be increased by simple interest at the rate of 8% per annum simple from the expiry of the 30 days to the date of payment to Mr S.

Tuto Money Limited must provide Mr S with detailed calculations to support the amount that it pays and to demonstrate that the calculation has been completed correctly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 February 2023.

Colette Bewley
Ombudsman