

The complaint

Ms D complains that Phoenix Life Limited has failed to fairly calculate the value of her pension savings when she asked that they be transferred to another provider.

What happened

Ms D held pension savings with Phoenix. On 29 January 2021 Phoenix received a request from another provider for the transfer of Ms D's pension savings to that firm. But Ms D's pension savings with Phoenix were subject to valuable guarantees, so Phoenix was required to write to Ms D to explain the pension benefits she would be giving up, and provide her with a period of 14 days to reconsider her request.

Phoenix wrote to Ms D as soon as it received her transfer request and sent her the discharge forms that she would need to complete. It also provided her with an indicative value for her pension savings, but explained that the value would be recalculated before the transfer payment was made. Ms D returned the forms promptly, and Phoenix received them on 5 February 2021.

Phoenix says that the return of the forms should have started the 14-day period before Ms D's pension savings could be transferred. So it says that Ms D's pension savings should have been sent to the new provider on 19 February. But the actual payment wasn't made until 4 March. So Phoenix accepts that it caused a delay in Ms D's transfer. But, in line with its normal approach, Phoenix backdated the value of Ms D's pension investments to the date that the transfer request was first received – 29 January 2021.

Ms D's pensions investments benefitted from the addition of an annual bonus. The anniversary date for her pension plan fell on 26 February. Due to the processing delays I've mentioned above, Ms D's pension plan still appeared to be live on Phoenix's systems at that date. So it wrote to her providing her annual statement and showing an increase in the value of her pension savings amounting to approximately £2,800. But since the transfer value was backdated, the additional value didn't form part of the transfer that Phoenix sent to the new provider.

When Ms D first complained to Phoenix it accepted that it had caused a delay to the transfer, and that it had failed to address Ms D's concerns in a timely manner. So it offered her £150 for the inconvenience she'd been caused. And it said that it would write to her new pension provider to determine whether the late transfer had caused any investment losses. Ms D didn't accept that offer – she thought that Phoenix should have calculated the value of her pension savings as at the actual date the monies were transferred. So it should have included the additional bonus in its calculations.

Ms D's complaint has been assessed by one of our investigators. Although there was nothing specific in the terms and conditions of Ms D's pension plan, he accepted that it was Phoenix's normal practice for a transfer value to be calculated as at the date the request was received. So he didn't think the additional amount should have formed part of the transfer payment. Our investigator thought that the compensation Phoenix had offered for Ms D's inconvenience was reasonable, and he established that the late transfer had caused an

investment loss of £19.13. So he thought that Phoenix should now pay both aspects of the compensation in order to settle the complaint.

Phoenix accepted the investigators findings, and agreed to pay both the compensation for the inconvenience and for the investment loss to Ms D. But Ms D didn't agree with the assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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 deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Ms D and by Phoenix. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Ms D's pension plan was taken out in 1985. So the applicable terms and conditions were written almost 40 years ago, and therefore don't anticipate many of the pensions transfer arrangements that are now common. But I think it is important to note that, whilst the lack of information about the arrangements for a transfer of benefits doesn't support the approach Phoenix has taken, nor does it preclude it. So I think it is right that I should decide this complaint, in line with my statutory powers, on the basis of what I think is fair and reasonable.

It is always important, when dealing with a transfer request, that a business values the pension savings at a fair point in time. With the potential for delays in the receipt of paperwork, or the need for additional information, Phoenix says that its normal approach is to treat the effective date of a transfer as being the date that a request is received. That seems to me to be a reasonable approach – and ensures that all consumers who are requesting a transfer are treated equally without being subject to the vagaries of investment price movements following any processing delays.

So I don't think it was unreasonable for Phoenix to use the value of Ms D's pension savings on the date it first received the transfer request as the basis for the transfer.

Due to the processing delays, Ms D's plan remained active on Phoenix's systems past its normal anniversary date. So around that time Ms D was sent an updated statement showing the addition of a further year's growth. So I can understand why Ms D thinks that, by the time her pension savings were actually transferred, they were worth more than the transfer value.

But, as I explained earlier, my aim if something had gone wrong would be to put Ms D back into the position she would have been if that error hadn't occurred. Here, Phoenix has already told us that it caused a delay in making the transfer payment. It says that transfer

should have been completed by 19 February – allowing for 14 days to elapse following its receipt of Ms D's completed transfer paperwork.

So, even if I accepted that Phoenix should have calculated the transfer value at the date the transfer was made (which for the avoidance of doubt I don't), I would expect the value to have been set as at 19 February – the date the transfer should have completed. And a transfer at that date would also not have benefitted from the annual increase that was due on 26 February.

It is unfortunate that Ms D's expectations were raised by the annual statement that was issued whilst the transfer was being processed. But I haven't seen anything that makes me think she made any irrevocable financial commitments as a result of the increase that statement showed. On balance I don't think that Ms D was entitled to receive the annual increase to her pension savings. The transfer date was reasonably set as the date that Phoenix received the transfer request. And even if I thought the date should be later, I think the transfer should have been completed before her policy anniversary.

Ms D's transfer was delayed by around two weeks. So it is right that I take account of any changes in the price of the investments that Ms D made once the transfer had been completed. Her new provider has calculated that the loss Ms D was caused as a result of the delay amounted to £19.13. I am pleased to see that Phoenix has agreed to pay that compensation to her.

There is no doubt that the delay Phoenix caused, and the subsequent information that Ms D received about her pension transfer value, gave rise to a degree of inconvenience for her. I think that the offer Phoenix has already made, a payment of £150, is in line with what I would expect in circumstances such as these.

Putting things right

I think that the offers already made by Phoenix, to compensate Ms D for her inconvenience and her investment losses are reasonable. So Phoenix should now pay the following to Ms D;

- £150 in respect of the inconvenience Ms D has been caused.
- £19.13 to reflect the investment losses caused by the delayed transfer.

My final decision

My final decision is that I uphold Ms D's complaint and direct Phoenix Life Limited to put things right as detailed above, and in line with its previous offers.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 9 January 2023.

Paul Reilly
Ombudsman