

## The complaint

Mrs B and Mr B have complained about the charges applied by Wesleyan Financial Services Ltd.

## What happened

Mrs B and Mr B were alarmed when they received their 2020 With Profits ISA annual statement. They noticed that the charges applied in 2020 were much higher than those made in 2019. They felt that they had been overcharged and wanted a reduction back to the percentages used in previous years.

Our investigator didn't recommend that the complaint be upheld. Mrs B and Mr B appealed. In particular they queried the extra fee to Wesleyan Financial Services plus the charges and percentages used.

I issued a provisional decision on 24 February 2023. I said as follows:

*I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I'm minded to uphold this complaint. I'll explain why.*

*Firstly, I'm aware I've set out the background to this complaint in less detail than the parties. I've focused on what I find are the key issues here as far as I am able given the limited response from Wesleyan. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is the right outcome.*

*In 2020 a service charge appeared on Mrs and Mr B's statement for the first time. I understand why they found this confusing and Wesleyan admitted it has not always been as transparent. Wesleyan explained that a service charge has always been applied for administration, previously in the product and fund management charges section.*

*Further Wesleyan explained how the annual management charge was calculated. I appreciate that charges and fees being shown together can be confusing and this service is not able to tell financial firms how its documentation should look. Wesleyan also explained that the 2020 charges were higher due to a longer billing period.*

*Nevertheless the explanation gave rise to other questions, which Mr B reasonably posed.*

*The Key Facts document pre-December 2012 shows the annual management charge as 1%. The 2017 Key Facts document stated that the cost of Wesleyan Financial Services providing ongoing advice is included in the annual management charge. It also confirms the charge will be 1% of the fund if you opt out of the annual advice service. Mrs B and Mr B had opted out. The terms and conditions do allow Wesleyan to vary the charge amount. But this service has asked Wesleyan three times since November 2022 whether the charge was varied, if so when and if notice was given. We asked too if not varied why has the charge gone up? We have not received a comprehensive reply.*

*We also asked why the fee to Wesleyan Financial Services wasn't included in any documentation, whether it had always been included at the current proposed rate and the basis for the fee. Again no response.*

*Without answers to the questions asked I can't be satisfied that that the charges complained about were made fairly. Therefore I am provisionally satisfied that compensation is due to Mrs and Mr B.*

*Time has now moved on, but this provisional decision concerns only the 2020 charges. I also note in the complaint to this service Mrs and Mr B have said they are disappointed with the returns on the fund, although this doesn't appear to be a complaint point as not included in the 'tell us what your complaint is about section' of our complaint form.*

For the reasons given I explained I was minded to require Wesleyan to pay Mrs and Mr B compensation equivalent to a refund on any charges made on their policies in 2020 that exceeded the charges made in 2019.

Mrs B and Mr B accepted my decision. However they were concerned that the excess charges, not written into the product documentation, continued to be deducted.

Wesleyan responded. It made the following points:

- The Wesleyan Financial Services Advice Fee is different to the Wesleyan Financial Services Service Fee.
- The Society pays a Service Fee to Wesleyan Financial Services each year for the provision of administration services. The Wesleyan Financial Services Service fee is variable from year to year because the value of the services Wesleyan Financial Services provide to the Society changes from year to year. Therefore, it cannot be determined at outset.
- In addition, it is not a direct fee to the policyholder, it is applied to the whole With Profits fund, which subsequently reduces the value of a policyholder's fund value.
- The other recurring charges are other costs and payments (mainly transaction costs of buying and selling assets) that impact the profits of Wesleyan, which in turn impact the final bonuses applied to the With Profits policies.
- These other costs and payments that impact on the fund have always applied, but since implementation of the Insurance Distribution Directive requirements, all firms are now required to show the impact of these type of deeper level costs to the fund. The With Profits fund literature states that the return on the fund is impacted by the profits and losses of the society and its subsidiaries.

Wesleyan didn't therefore believe that Mrs B and Mr B had been overcharged, but that they had paid the correct charges. However it felt that Wesleyan should have provided more

information within the annual statements on the way that charges were being displayed, to avoid any potential distress and inconvenience to customers. With that in mind it offered a compensatory payment to Mrs B and Mr B of £50 each.

### **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'm grateful for Wesleyan's response and for its recognition that its documentation wasn't clear. The points it makes however were largely made in its final response to Mrs B and Mr B. It still doesn't answer the questions posed several times to Wesleyan and repeated in my provisional decision. Without specific answers to those questions, I'm not persuaded to depart from my provisional findings which I adopt here for the reasons given in my provisional decision and set out above.

I still cannot say for sure that Mrs B and Mr B have been treated fairly. And I find compensation is payable to them at an amount equivalent to a refund on any charges made on their policies in 2020 that exceeded the charges made in 2019. As I explained to Mrs B and Mr B, in this decision I am only dealing with the complaint to hand and can't make any ruling on future charges or complaint points not before me.

### **My final decision**

My final decision is that I require Wesleyan Financial Services Ltd to pay Mrs and Mr B compensation equivalent to a refund on any charges made on their policies in 2020 that exceeded the charges made in 2019.

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

Lindsey Woloski  
**Ombudsman**