

## **The complaint**

Mr L complains about the administration of his stakeholder pension plan by ReAssure Limited. He says ReAssure hasn't provided sufficient information about the different charges deducted from his plan and that, the information it has provided is conflicting, so he can't be satisfied that the correct amount in charges has been deducted.

Mr L also complains that he was given incorrect information about the applicable charges and that ReAssure failed to provide him with an annual statement.

## **What happened**

Mr L took out his stakeholder plan with another provider in 2011.

In September 2020, at around the time ReAssure took over the administration of his plan, Mr L's former provider sent him a final statement setting out the value of his plan as at the end of August 2020.

Mr L was due to receive an annual statement at the beginning of 2021 but unfortunately ReAssure omitted to send him that statement.

On 16 July 2021 ReAssure sent Mr L a yearly review of his pension plan which set out the value of his plan, some projections and the charges applied by ReAssure. Mr L then contacted ReAssure and asked for details of all charges relating to his plan.

On 3 August 2021 ReAssure wrote to Mr L and provided information about the annual management charges (AMCs) that applied to his plan. The information provided in that letter was unfortunately incorrect.

On 6 August 2021 Mr L contacted ReAssure and informed it that the information in that letter, in respect of the AMCs that applied to his plan, wasn't correct.

Mr L then contacted ReAssure on 11 August 2021 and complained about the information it had provided. He said that he wanted to know how the annual management charges had been applied to his plan.

Mr L also said he wanted full and precise details of all charges affecting his plan and or his unit trust holdings. He asked ReAssure to identify every class of charge, such as stock exchange dealing charges or external auditor's charges, claimed by either ReAssure, or by the fund manager. Mr L also requested that ReAssure confirm whether each charge was taken before or after unit prices were determined and whether the annual charge referred to in the policy review included all those charges.

ReAssure responded to Mr L on 18 August 2021. It confirmed there was no policy fee applicable to his plan and no bid offer spread. It said the only charge applicable to his plan was the tiered Annual Management Charge (AMC).

ReAssure explained the AMC was applied to his fund using three different tiers of fund

value. So, for instance the percentage applied to the first £24,999 invested in the funds in his plan was different to the next tier. It set out the relevant tiers and respective charges.

ReAssure also said that AMCs were calculated and deducted daily and could fluctuate in line with a change to the fund value.

Mr L complained to ReAssure. In summary he said it hadn't properly answered his questions about the type of charges applied to his plan and it hadn't demonstrated that the annual management charges had been properly applied in accordance with the tiers. He also questioned whether the fund value used for the AMC calculation was the total value of his unit trusts, or the value of each separate investment. Mr L also complained that ReAssure had not given any information about any fund charges.

ReAssure wrote to Mr L on 30 September 2021. It apologised for omitting to provide his annual statement and said that it had contacted the relevant department and an annual statement would be issued to him shortly.

ReAssure also apologised for providing incorrect information on 3 August 2021 and confirmed the information, about the charges applied to his plan, in the letter of 18 August 2021 was correct.

ReAssure said that the annual management charge percentages in the tiered structure was for both of the funds combined. It said that the annual management charge was deducted daily and was reflected in the fund value. ReAssure also confirmed that there were no other charges applicable to Mr L's plan.

Mr L was unhappy with the response he had received from ReAssure as he didn't feel it addressed the issue of whether the correct charges had been deducted from his plan. He referred his complaint to our service.

On 10 December 2021 ReAssure sent Mr L a unit statement for his plan.

Our investigator considered Mr L's complaint and didn't think it should be upheld. She noted that Mr L had been sent incorrect information on 3 August 2021 and that he hadn't received an annual statement. However, she took into account that ReAssure had acknowledged those mistakes and had apologised.

The investigator said that annual management charges were applied on a tiered basis as set out in the letter sent by ReAssure on 18 August 2021. So, she said she wouldn't be asking ReAssure to do anything more.

Mr L disagreed with the investigator's conclusions and said in summary that his complaint was concerned with two sources of charges and not simply the charges to his plan. He didn't agree that the investigator had obtained all the necessary information. Mr L reiterated that we should ensure that ReAssure responded specifically to each of the questions raised in his complaint.

We asked ReAssure to provide further information about the actual charges deducted from Mr L's plan.

ReAssure confirmed that the charges deducted are implicit charges, so they are deducted from the units themselves. It provided the key features document sent to Mr L when his application for the plan was accepted. That document set out the annual management tiered percentages.

ReAssure also provided a transaction summary of the annual management charges

deducted from the units in Mr L's plan since the beginning of September 2020.

That information was shared with Mr L who said we had misunderstood his complaint, as his main concern was the question of Investment Management Charges referred to in the policy information document issued by ReAssure on 1 December 2021.

ReAssure said there was no investment management charge applicable for the two funds that Mr L's plan was invested in, and it provided fact sheets for those funds which confirmed this.

As no agreement was reached Mr L's complaint was referred to me for review.

I issued a provisional decision where I upheld Mr L's complaint in part and concluded that ReAssure should pay him £150 for the distress and inconvenience caused by its administrative errors. Overall, I concluded that ReAssure had provided sufficient information to Mr L about the charges it had applied to his plan and the way in which the annual management charges had been calculated and deducted.

Below is an extract from that provisional decision.

*"What I've provisionally 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.*

*To recap, Mr L is unhappy with the information he has been provided by ReAssure about the charges applied to his pension plan. He would like to know what type of charges have been applied by ReAssure and by the fund manager of the two funds he is invested in. Mr L also wants to know that the charges have been applied correctly to his plan.*

*I note that Mr L has a stakeholder plan which means that the charges on his plan are capped.*

*Charges applied to Mr L's pension plan by ReAssure*

*When Mr L took out his pension plan in 2011, he was provided with a key features document which set out the charges that applied to his plan. It explained that an annual management charge was applied to his investments and how this was calculated.*

*It said:*

*"Management charges are due and calculated each day based on the value of your fund on that day. The rate used will be calculated at the beginning of each month and based on 1/365th of the appropriate Annual Management Charge shown as applying to that band.*

*These charges will normally be deducted from your fund monthly in arrears.*

<i>Fund Value Bands (£)</i>	<i>Rate of Annual Management Charge applicable to Band</i>
<i>0 to 25,000</i>	<i>1.000%</i>
<i>25,000 to 50,000</i>	<i>0.850%</i>
<i>50,000 and above</i>	<i>0.650%"</i>

*So, the annual management charge is calculated as a percentage of the fund value, the amount of which may change if the fund value fluctuates. I note this is an implicit charge as ReAssure deducts the annual management charges from the units themselves, rather than*

charging Mr L separately.

Mr L's pension plan is invested in two funds and ReAssure has confirmed that the annual management charge band is applied to the total combined value of both funds.

ReAssure also referred to an investment management charge (IMC) in the information it provided to Mr L about his plan.

ReAssure has given some explanation about this type of charge on its website, as follows:

*"Investment Management Charges (IMCs) are charges or expenses incurred when trading or maintaining the underlying investments, including taxes. Trading costs currently include items such as stamp duty and dealing commissions, while administration costs primarily include investment management and custodian fees."*

However, ReAssure has confirmed that this charge doesn't apply to the two funds Mr L's plan is invested in. I can see the fund fact sheets provided both state there is "0% IMC charge taken from the fund."

In ReAssure's Guide to Unit Linked funds it gives some explanation about the deductions taken from its funds.

*"The fund deductions we make fall into two categories, those that are charges or expenses incurred when trading or maintaining the underlying investments, including taxes, and those that are charges we make in line with your policy documents. These deductions will result in a decrease in the value of your investment. For stakeholder products, ReAssure will ensure that the maximum charge documented in policy terms and conditions is not breached."*

*Any charges or expenses incurred in trading and administering the assets held within the Base Funds are charged directly to the Base Funds. Trading costs currently include such items as stamp duty and dealing commission, while administration costs primarily include investment management and custodial fees. We apply these charges to the Base Funds as they occur."*

*I consider the charges incurred when trading or maintaining the underlying investments fall within the remit of the manager of each fund, and I note the way the fund is managed is overseen by ReAssure's governance forums.*

### Annual management charges

ReAssure has confirmed that no plan fees are applied to Mr L's plan and there is no bid - offer spread, which is where there is a difference in the buying and selling price of the units.

ReAssure has explained that the only charge applicable to his plan, and by this I consider it means applied directly by ReAssure, is the annual management charge.

In its letter of 18 August 2021, it said:

*"The only charge applicable to this policy is tiered Annual Management Charge (AMC). This charge works on a tiered basis, therefore, different parts of fund value have different AMC rates applicable."*

The structure for this is set out in the table below;

<i>Floor Amount</i>	<i>Percentage</i>
<i>0 to £24,999.99</i>	<i>1.000%</i>
<i>£25,000.00 to £49,999.99</i>	<i>0.850%</i>
<i>£50,000.00 and above</i>	<i>0.650%</i>

*I note ReAssure has acknowledged that the information it provided to Mr L about annual management charges on 3 August 2021 was incorrect. And I also take into account that it acknowledged its mistake on 18 August 2021, so relatively soon after that mistake was made.*

*I am satisfied that the information provided by ReAssure in its key features document about the annual management charges accords with the information it provided on 18 August 2021. So, I consider on balance that the annual management charges applicable to Mr L's plan are as set out in the letter of 18 August 2021, as reproduced above.*

*Were the annual management charges correctly applied?*

*Mr L has stated on several occasions that he wanted ReAssure to demonstrate it had correctly applied the AMCs to his plan. Although, I note more recently he has said, in response to information provided to him about those deductions, that this was not his main concern.*

*My role here is to consider the complaint brought by Mr L against ReAssure. This is an informal resolution service, and as set out above, I need to consider what is fair and reasonable in the circumstances of the complaint - so I don't think it is appropriate for me to effectively assume the role of an auditor and reconcile all the deductions taken from Mr L's plan.*

*Having said that, I have looked carefully at the transaction summary provided and, as far as I can tell, the amount deducted from the units accords broadly with the tiered percentages of annual management charges, taking into account the value of Mr L's plan. I note that when the value of the plan fluctuates that will impact the amount deducted even though the tiered percentages remain the same.*

*Investment management charges (IMCs)*

*Mr L has correctly pointed out that ReAssure referred to another type of charge in the plan information it provided in December 2021; the investment management charge, which I have referred to above.*

*In that letter ReAssure referred in a general way to the different charges and said:*

*"Explicit charges are taken from your policy value and premiums and can include charges such as policy fees and bid-offer spread. There are also charges that are taken from the daily prices of every unit you're invested in. These are called Implicit charges, and include Annual Management Charges (AMCs) and Investment Management Charges (IMCs) and are used to cover the cost of administering your policy. Learn more at [www.reassure.co.uk/charges](http://www.reassure.co.uk/charges)"*

*Mr L would like to know how this charge has been applied to his plan. Mr L has also asked for details of all the expenses incurred by the fund managers, such as stock exchange dealing charges and external auditor's charges.*

*I appreciate that Mr L would like to know which charges have been taken from his plan and*

from the investments within his plan. And, of course, charges are important because they have an impact on investment return.

As I have said, ReAssure has confirmed that the investment management charge deducted from Mr L's fund is 0 percent. This is confirmed in the fund fact sheet which is available from the ReAssure Fund Centre on its website.

I consider it more likely than not that some expenses such as trading costs will have been taken from the funds themselves because any fund will inevitably have some running costs. So, it may well be that 0 percent is an approximation of the costs, taking into account the large overall value of the fund and the comparatively small amount of trading costs.

However, I don't think it would be proportionate in the circumstances to ask ReAssure to provide details to Mr L of every expense deducted from the base fund and how that in turn relates to his fund value. I consider the most important issue for Mr L, as the investor, is the impact of any charges on his return. So, where the investment management charge is, in effect, 0 percent – then the impact must be fairly minimal.

And I don't think it is my role here to check whether the fund managers have correctly deducted the expenses of running each fund. Firstly, I don't have any specific complaint asserting that the expenses have in fact been incorrectly deducted from the base fund, and in what way, or any evidence of mismanagement. Secondly, ReAssure has governance forums which oversee the management of its funds. And thirdly, if the funds were being incorrectly managed, then that is primarily a regulatory issue. Whereas my role is to consider the individual dispute between Mr L and ReAssure within the framework of our informal dispute resolution service.

I also note there is information available about these funds in the public domain on the ReAssure website and on the Trustnet website.

### Summary

Overall, I am satisfied on balance, and notwithstanding my comments immediately below, that ReAssure has provided sufficient information to Mr L about the charges it has applied to his plan and the way the annual management charges have been calculated and deducted.

### Administrative errors

It is accepted by ReAssure that it sent out incorrect information about the annual management charges on 3 August 2021. As I have said, it did acknowledge that mistake fairly quickly. However, I also note that Mr L had to bring the error to its attention in the first place. This wasn't a case of ReAssure realising of its own accord that it had provided incorrect information.

I think this error made Mr L concerned about whether ReAssure was properly applying the correct annual management charges to his pension plan. And this wasn't helped by the fact that no annual statement had been sent at the beginning of that same year, which I think is likely to have reinforced the feeling that information was missing or incorrect.

I am satisfied therefore that Mr L was caused distress and inconvenience by the combination of those two factors. And I therefore think ReAssure should pay some compensation to address that fact. Given the nature of the error, the relatively short time taken to rectify it and the overall impact on Mr L, I consider £150 is a fair and reasonable sum to reflect the distress and inconvenience caused.

## Summary

*ReAssure should pay £150 compensation to Mr L for the distress and inconvenience caused by the administrative errors it made.”*

ReAssure acknowledged my provisional decision and said it had no further representations.

Mr L also acknowledged the decision and in summary he said:

- He noted that I had understood the difference between the management of the plan and the management of the investments that were the subject of that plan.
- He also noted the distinction between payment for out-of-pocket expenses such as stamp duty, dealing commission, overdraft interest or custody fees, and payments that yield profit to ReAssure and another business that manages the funds.
- He said he would accept my decision on condition that I asked ReAssure to confirm that the manager of the funds takes its profit out of ReAssure’s annual management charge. As he said that the fund manager could not be carrying out its role without charge.
- He said if this wasn’t confirmed in response to such a request, then it appeared that either a) he was paying profit charges in addition to ReAssure’s Annual Management Charge or b) there was a possibility that ReAssure hadn’t disclosed the fund manager’s profit charge.

## **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 carefully considered the representations made by Mr L in response to my provisional decision and I note he would like specific information about the implicit charges or “profit charge” deducted from his funds by the fund manager and how any such charges are funded.

I agree with Mr L that it is unlikely that the manager of the funds held within his plan is providing its investment services without charge.

I also think it is fair and reasonable to ask ReAssure to provide information about what charges *it* deducts from Mr L’s plan and I am satisfied that it has done so here, by giving specific information about the annual management charge deductions. And I note it has also provided some information in relation to the investment management charge and explained that for these funds it is 0 percent.

However, *if* ReAssure pays some of the money it receives from the annual management charge to a third party, such as the fund manager, then I would consider that to be a commercial decision by ReAssure. On that basis, that is not information which would be appropriate for me to ask it to disclose. And, importantly, not information that I think it is necessary to obtain in order to fairly and reasonably determine this complaint. This complaint is essentially about the charges deducted from Mr L’s pension plan and the funds within the plan, however it has been brought against ReAssure. ReAssure has confirmed what charges *it* takes and how those charges are calculated. It has also provided specific information about how those charges were applied to Mr L’s plan over the relevant period. So, I consider that to be the relevant information to determine this complaint against ReAssure.

Therefore, having considered the representations made, I still remain of the view set out in my provisional decision. For the reasons I have already outlined there, ReAssure should pay £150 to Mr L. However, I am not asking it to provide any further information to Mr L.

**Putting things right**

ReAssure should pay £150 to Mr L for the distress and inconvenience caused.

**My final decision**

My final decision is that Mr L's complaint against ReAssure Limited is upheld in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 22 June 2023.

Julia Chittenden  
**Ombudsman**