

The complaint

Mr K complains about the administration of his personal pension by Vanguard Asset Management, Ltd (Vanguard). He says he was unable to make a company pension contribution from his limited company because the requirements set out by Vanguard, as part of its verification process, were excessive and inflexible. Mr K also says he provided the information requested but Vanguard didn't accept what he had provided.

Mr K complains that he lost the investment growth on that contribution from October 2022, when his other pension monies were invested in a fund, until January 2023 when the units in that fund were sold.

What happened

On 24 August 2022 Mr K contacted Vanguard and said he wished to make a pension contribution from his limited company.

On 25 August 2022 Vanguard replied and explained it would need to verify the company. It said that while it was doing that, Mr K could make a single initial payment.

On the same day Mr K signed a company director consent form which outlined that Vanguard would aim to verify his identity and that of any other shareholders or directors holding more than 25 percent of the company.

On 29 August 2022 Vanguard wrote to Mr K and informed him that it was unable to locate the Certificate of Incorporation for his company. It asked him to provide a copy and said the certificate would also need to be supplied to Companies House. Vanguard explained that it was unable to process any additional company contributions until the company was verified.

There were then a series of emails between Vanguard and Mr K about the verification requirements.

Mr K said he didn't know why the Certificate of Incorporation wasn't available but said perhaps it was because the company was incorporated before the certificates started to be put online. He said he was able to provide alternative documentation to show he was a shareholder and an employee.

Vanguard responded on 13 September 2022 and said that the incorporation document had to be available on the Companies House website in order for it to carry out the verification process. It asked Mr K to let Vanguard know when he had uploaded the document.

Mr K queried whether the certificate of incorporation was necessary to verify ownership, employee status and incorporation.

Vanguard said it required the certificate and noted that the document wasn't visible on page three of the Company's Filing History. It asked Mr K to let it know when that document was available at Companies House.

Mr K said he didn't think that the certificate was necessary because he said the information filed at Companies House showed the company existed, when it was incorporated and who

the shareholders were. Mr K complained to Vanguard as he said this requirement was unnecessarily inflexible.

Mr K subsequently provided a copy of the incorporation document. He then received a reminder from Vanguard to say that documents were still outstanding and queried this.

On 20 October 2022 Vanguard wrote to Mr K to explain that the difficulty was that the incorporation document wasn't available at Companies House for viewing. Mr K then sent a link to the incorporation document. Vanguard responded on 21 October and said it needed the link to the page on the Companies House listing where it could find that document, as opposed to a link to the document itself.

Mr K provided another link as requested but Vanguard said it was still unable to locate the document. It said the Companies House entry stated the incorporation document was not available online and it was necessary to request it and pay a fee.

Mr K didn't agree and reiterated that the document was available at Companies House. He said he now wanted to transfer his pension to another provider.

Mr K's application to transfer his pension plan was processed and completed on 9 December 2022. So no company contribution was made to his pension with Vanguard.

Vanguard didn't uphold Mr K's complaint. It said it required the certificate as part of its verification process for company contributions. Vanguard referred to its personal pension declaration which it said outlined that a verification process would take place in these circumstances.

Mr K didn't agree with Vanguard and referred his complaint to our service.

Our investigator considered his complaint and upheld it in part. He was satisfied that Vanguard was carrying out the checks on the company as part of its verification process. He didn't think the Certificate of Incorporation was easy to locate on the Companies House Listing. So he didn't think it was unreasonable that Vanguard hadn't been able to find it initially. However, he considered that Mr K provided links to the document on 20 and 21 October 2022, which he thought should reasonably have enabled Vanguard to locate the relevant document.

The investigator was satisfied that Mr K would have otherwise made the pension contribution from his company as there were funds available. He took into account that a much larger sum had been invested in one fund and so he was satisfied on balance that is where it would have been invested over the relevant period. He didn't think that Mr K had lost the opportunity to contribute to his pension in a tax efficient way as there were still several months of that tax year remaining when he transferred his pension to another provider. However, he considered that Mr K had lost the opportunity of investment growth on the period between the end of October 2022 and when the pension monies already invested in the fund was sold in 2023.

The business accepted the investigator's view and calculated the lost investment growth using the next available fund price point, which it said was 1 November 2022, as it said it would take five working days to verify the document and process the request.

Mr K didn't agree with the way the compensation had been calculated. He said the relevant date was 17 October 2022 which is when he had invested all the cash in the pension plan in one fund. He said the relevant information had been available on the Companies House website a long time before then.

Our investigator reiterated that he was satisfied that Vanguard hadn't been able to locate the relevant document on Companies House because it was difficult to locate. However, he thought that when Mr K sent the links on 20 and 21 October 2022, he gave Vanguard the relevant information it needed to locate the document. So he considered that was the relevant time period.

The investigator was satisfied that the business would've then had to verify the document and process the contribution and he noted its standard timeframe was five working days. So, he agreed that 1 November 2022 was the next fund price point and was the correct date for the fund price in order to calculate compensation.

Mr K didn't agree with the investigator's conclusions with regards to the calculation of compensation.

As no agreement could be reached the complaint was referred to me for review.

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.

To recap, Mr K held a personal pension with Vanguard. He wanted to make a contribution to his pension from his limited company. At the start of the process Vanguard informed him that it would need to verify that company. I think this was also outlined in the consent form signed by Mr K and in the terms and conditions.

The consent form said:

"I understand that Vanguard will aim to verify my identity and the identities of all other directors and shareholders controlling 25% or more of the company, electronically to satisfy anti-money laundering regulations. In the event that Vanguard is unable to do this, I agree to provide documentary evidence as an alternative."

The terms and conditions for his plan provided that:

- 1.3.7. *Under applicable money laundering regulations, we are required to verify the identity of our investors, beneficial owners and anyone controlling or paying for Vanguard Funds (which for your Pension Account may include your employers' directors and Significant Shareholders where Contributions are made by your employer). We will carry out electronic searches on private and public databases, and use credit reference agencies which will record that an enquiry has been made. We may also need to ask you for further documentation as evidence.*
- 1.3.8. *The Vanguard Personal Pension can only accept payments from an employer in circumstances where:
(i) you are a Director of your own limited company; and
(ii) any Contributions are made directly from your company's bank account of which you are authorised to use.*
- 1.3.9. *Until we have verified your identity and, where appropriate, your company details, we will place restrictions on your Account, in respect of:*
 - 1.3.9.1 *a Pension Account, we may prevent any payments of Benefits to you or refuse any Contributions or Transfers; or*

Vanguard has explained that the reason for these checks and the verification process was to satisfy its obligations under legislation to prevent money laundering. I consider that to be a reasonable explanation. So, I am satisfied on balance that it was reasonable for Vanguard to carry out some checks on any company making a pension contribution to its personal pension plans. And accordingly I don't think it was something that applied solely to Mr K. Vanguard carried out checks for any pension contribution being made in this way by a company.

I think it is a matter for Vanguard as to how it carries out its verification process and which documents it requires in order to do so. Vanguard may well have decided to exercise a degree of caution with regards to the documents it will accept, in order to ensure that it doesn't breach anti-money laundering legislation. However, it does have to treat Mr K fairly and reasonably when carrying out that process.

Requirement for Certificate of Incorporation filed at Companies House

Mr K has said that he doesn't understand why Vanguard wanted to see the certificate of incorporation for his company as he says it didn't provide much in the way of information.

I appreciate that there was some information about the company available to Vanguard, which Mr K has referred to. However, I think that the Certificate of Incorporation is an important document because it shows that the requirements of the Companies Act 2006 as to registration have been complied with and that the company is registered under that Act.

So, I consider that it assists in demonstrating the legitimacy of the company making the contribution. On that basis I don't think it was unreasonable for Vanguard to ask to see that document as part of its verification process where a company was making a pension contribution to Mr K's pension.

Mr K has also said that he had already supplied a copy of the document in September 2022, but he says that it hadn't been inspected or accepted by Vanguard. He notes that in an email of 5 October 2022 he told Vanguard that he had provided the relevant document almost two weeks before.

Vanguard has said that it needed to see that document on the Companies House website. I don't think that was unreasonable because its inclusion in the Companies House Listing would support the authenticity of the document. And I think Vanguard made Mr K aware of this on 29 August, when it said the certificate would need to be supplied to Companies House, and again on 13 September when it informed him that the certificate would need to be available on the Companies House website.

Were reasonable efforts made to locate the document on the Companies House website listing?

Mr K has pointed out that the incorporation document was included in the Companies House listing. So he says that Vanguard should have been able to locate this when he first informed it that he wanted to make a company contribution.

I appreciate that from Mr K's point of view the verification process was delaying a contribution being made from his company and I can understand that would have been frustrating for him.

I note Vanguard had said at the outset that one contribution could be made while the verification was taking place. However, Mr K has said he was concerned about doing that in case the contribution was subsequently rejected.

As the investigator has pointed out in his conclusions, Vanguard would've been dealing with numerous applications of this nature, so I don't think it would be reasonable to expect it to have to carry out extensive searches to find relevant information.

I am satisfied on balance that the incorporation document wasn't in an obvious and easily accessible location on the Companies House website listing. It was located in the filing history with documents from 2015 but those related to a change of name and weren't labelled as incorporation documents. It was also on the second page of that filing item.

I also note that if you filter the documents under the incorporation category then the information that is displayed indicates that the incorporation document is not available online and can be requested for a fee.

I take into account and think it is significant that Vanguard informed Mr K at an early stage that it couldn't locate the certificate, only a few days after he had made the request. So, I think it put Mr K on notice that there was a problem.

On that basis I think it would be reasonable to expect Mr K, who was making the application, to direct Vanguard as to where the information could be located. And I think, given his role in the company making the contribution, that he was in a position to do so.

However, I agree with the investigator that by 21 October 2022, Mr K had provided sufficient information for Vanguard to reasonably be able to locate that document. So at that point it should have verified the document and processed the contribution.

What would Mr K have done if Vanguard had located the relevant documentation on 21 October 2022

Mr K has said he intended to invest £20,000 from his company. He has provided evidence to demonstrate those funds were available and I note he held significantly more cash in the plan. So, I think it is more likely than not, that if Vanguard had located that information on 21 October, the £20,000 company contribution would have been made shortly after.

I can also see that on 17 October 2022 Mr K used all the cash in his pension plan and bought units in one fund which remained invested until shortly after he transferred his plan to another provider. So, I think it is more likely than not that he would have invested that £20,000 pension contribution in the same fund.

Vanguard has explained that it had a five working day timescale to verify and process the contribution. So, it says if it had acted on the information provided on 21 October the contribution would have been made by 28 October 2022 and the next price point when buying units in the fund Mr K invested in, would have been 1 November 2022.

I indicated to Vanguard that I didn't think it was fair and reasonable to apply its standard turnaround time here given the background and the time that had already passed.

Vanguard said that when it receives a document for verification it is added to a queue and is picked up by the relevant team and worked in order of receipt. Vanguard said while the team tries to complete the process in 2-3 business days, that is not always possible due to

workload volumes, and it may therefore need the full five business days to complete the necessary steps.

Vanguard also said that it didn't have the facility to escalate any verifications and to do so might mean that other customers' verifications weren't completed within five working days.

Whilst I accept that Vanguard would have a process to follow, I don't think it fair and reasonable to apply its standard turnaround time here. I say this because by the time the information was provided in October 2022, Mr K had already contacted Vanguard in relation to its requirements for the company pension contribution and so he was already in the system.

I understand the point Vanguard makes about the fairness of working through the documents in order of receipt, so as to be fair to all its customers. However, here Mr K had already contacted Vanguard and tried to provide documentation to satisfy its requirements, even if unsuccessfully. So, in those circumstances I don't think it would have been unfair to prioritise his request at that stage.

I think therefore that once Vanguard had received the information that enabled it to locate the relevant document, it should've then prioritised Mr K's application. I note it has said it doesn't have the "facility" to escalate a verification. While I appreciate that it may not have a specific system in place which enables it to escalate a verification, I think it more likely than not, that someone from Vanguard could have contacted the team and asked it to fast track this verification. I think it is more likely than not, that if it had done so, Mr K's company contribution would then have been made more quickly than five working days.

Vanguard has said that its team seeks to complete the process within 2-3 working days and I consider it more likely than not, that if some account had been taken of Mr K's previous contact with Vanguard, this would have occurred within that time frame. In any event, as Mr K had already been in contact with Vanguard, I consider the verification was more likely than not to have been completed within that shorter timeframe.

I think it is therefore reasonable to assume a process time of three working days instead, with the contribution to his pension plan being made on 26 October 2022 and the units in the fund being purchased the next working day which was 27 October 2022.

On that basis I think it is fair and reasonable to conclude Mr K has lost the opportunity to make any investment growth on that intended £20,000 pension contribution between 27 October 2022 and the date his other pension investments in the fund were sold in January 2023.

I have also considered whether Mr K made any return on that intended pension contribution of £20,000, by virtue of the money remaining where it was. I can see that the intended contribution was held in a business bank account and that account didn't pay interest on any credit balance. So, I am satisfied on balance that there is no return to offset here.

Putting things right

Vanguard should calculate the lost investment growth on the intended pension contribution of £20,000 between 27 October 2022 and the date the rest of the fund was sold.

My aim in awarding fair compensation is to put Mr K back into the position he would likely have been in, had it not been for Vanguard's error. I think this would have meant he made a pension contribution in October 2022 which would then have been invested in the same fund as the rest of his pension plan at that time. However, I note Mr K still retains that lump sum as it wasn't invested.

Any loss Mr K has suffered should be determined by calculating the lost investment growth on his intended pension contribution. That percentage loss as at the date of the transfer

should then be applied to the value of Mr K's pension funds as at the date of this decision. And the difference is then the overall loss to Mr K.

The compensation amount should if possible be paid into Mr K's pension plan, i.e. making the plan up to the value it should be. The payment should allow for the effect of charges and any available tax relief. The compensation shouldn't be paid into the pension plan if it would conflict with any existing protection or allowance.

If a payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr K as a lump sum after making a notional reduction to allow for future income tax that would otherwise have been paid.

If Mr K has remaining tax-free cash entitlement, 25% of the loss would be tax-free and 75% would have been taxed according to his likely income tax rate in retirement – presumed to be 20%. So making a notional reduction of 15% overall from the loss adequately reflects this.

Payment is to be made within 28 days of the notification of acceptance. If it isn't made within 28 days, interest of eight percent simple per year should be added up until the date of settlement.

I understand that Vanguard has already paid approximately £1,300 to Mr K following the investigator issuing their view. If that is the case, then the compensation already paid by Vanguard should be taken into account and deducted from the compensation I have outlined above.

My final decision

My final decision is that Mr K's complaint against Vanguard Asset Management, Ltd is upheld in part and it should pay Mr K compensation as outlined in this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 23 November 2023.

Julia Chittenden
Ombudsman