

The complaint

Mrs D complains about the value of her self-invested personal pension (SIPP) and said PSG SIPP Limited (PSG) gave her incorrect information that she relied on and then lost out.

What happened

Mrs D said that the value of her SIPP was around £224,000 in August 2021. She said she was led to believe that the value would remain similar but when she actually encashed the value was only around £190,000. When she realised the value would be around £34,000 less she tried to stop the encashment but was told it was too late. She said the communication with PSG was poor and they didn't return calls as they said they would. She felt she should have been given a final settlement amount before the SIPP was cashed in.

She was not asked to countersign anything before giving final go ahead. In the previous year she took 25% of her SIPP she was given a value before she proceeded. She had no need to cash in at that time and could have waited for the markets to recover.

PSG said that Mrs D's SIPP was operated by a different administrator when she took her Pension Commencement Lump Sum (PCLS) in 2021. It took over the business from the previous provider in November 2021, so could not comment on the processes of the previous administrator. On 13 May 2022 Mrs D's partner called and asked about the value and whether it would have reduced since the PCLS was made in 2021. Its adviser said the value should be 'pretty similar it all depended on the funds and how much they've sold down for, but shouldn't be much more or less than what we've previously stated anyway'. PSG agreed that the information provided during the process was incorrect in particular that the value would not be substantially different to that in August 2021. It also accepted it failed to provide a withdrawal value when requested on 13 May 2022. But this did not cause the fall in value and the request was after the instruction to encash had been issued. However had it been contacted before June 2022 it could have held the cash in the SIPP rather than paid it out. It offered £750 for the stress and inconvenience caused by not doing what it said it would.

My provisional decision

I issued a provisional decision. In summary I said the following.

In order to make an award for financial loss against PSG I needed to conclude that it had done something wrong and that this caused financial loss.

Miss D was living abroad and had been doing so for some years. She said she took out the PSG SIPP in February 2014. The advice was not provided by PSG. Her IFA advised her to take 25% as a lump sum, tax free in 2021 and the remainder in 2022, as the policy matured after 8 years, and at that time the transaction would be penalty free.

Mrs D said she didn't realise how poor the market was when she took the remainder of the SIPP in 2022. She said she followed what she was told by the IFA. She said she didn't know enough about investments to question the advice. She was aware of problems due to the

war in Ukraine and this was why her husband contacted PSG to request a valuation and she said was told it wouldn't be affected to any great extent and therefore proceeded to cash in the remainder of the SIPP. She said she had signed up for another year of work for 2023/24 which showed she didn't need to cash in the SIPP when the market was poor.

In short Mrs D is saying that in effect she relied on the assurance that the value would not have been greatly different to that in 2021 and that but for PSG's assurance she would not have cashed in the policy.

I considered the timeline of events (set out below). I noted that this was not a full timeline as I knew Mrs D said she made many calls and sent me call logs to show these.

The timeline instead showed the key dates.

In the light of the timeline I didn't think Mrs D relied on what PSG said about the value, for the following reasons:-

Sunday 13 March 2022 PSG said an initial request to withdraw funds was submitted to it by Mrs D. It provided the documentation needed.

Sunday 20 March 2022 - the benefit payment form was signed by Mrs D on 20 March 2022. This indicated that she wanted to exhaust the SIPP – which the notes say means to (take remaining tax-free cash and close the SIPP – this may have tax implications)

The form shows she requested a lump sum (subject to a 55% tax charge).

She completed a risk questionnaire and signed it on 20 March 2022. This said at point 2.1

There are no guarantees attached to taking benefits via Flexi-Access Drawdown because funds are taken directly from your pension fund and the amount of benefit paid to you, whether a lump sum and/or an income, is determined by the value of your pension fund at that moment in time.

Do you understand that there was no guarantee attaching to the amount of income or lump sum paid via Flexi-Access Drawdown? – Mrs D has ticked 'yes' in response to this question.

Wednesday 30 March 2022, PSG said it received the forms which were sent back to it on 28 March 2022.

Friday 1 April 2022 additional documentation was returned to PSG

Thursday 5 May 2022 PSG said the request to withdraw funds was issued to the investment provider. PSG said this instruction could not be withdrawn once issued.

Friday 13 May 2022 Mrs D's partner called to ask about the delay in encashment and during the call asked for a valuation and whether it would have reduced since the PCLS was made in 2021. The PSG adviser said the value should be 'pretty similar it all depended on the funds and how much they've sold down for, but shouldn't be much more or less than what we've previously stated anyway'.

Friday 13 May 2022 – a statement from the investment provider showed one investment was sold.

Tuesday 17 May 2022 a statement from the investment provider showed that 3 further sales

were completed and around £190,700 paid out as a full surrender.

Tuesday 17 May 2022 funds were received from the investment provider. The value received was around £190,700.

Tuesday 31 May 2022 (at 16.38) PSG said it wrote to confirm the amount of the income payment of around £186,800 would be paid. Its pay roll run would be sent on 5 June 2022 but due to the bank holiday the money may arrive sooner.

Tuesday 31 May 2022 (at 18.22) Mrs D emailed PSG to say she was expecting around £223,000 and could it explain the shortfall.

Tuesday 31 May 2022 (at 19.22) PSG replied that it received around £190,700 from the encashment and already had around £1,800 in the bank account. It still had around £2,300 of tax-free cash to pay and this would be paid separately. It said it had to leave a balance in her SIPP account as it still held a suspended fund. Once the suspended fund was removed the remaining amount can be paid to her at a later date.

Tuesday 31 May 2022 (at 19.27) Mrs G asked for a breakdown as the amount was below her expectations. She asked if any tax had been deducted.

Wednesday 1 June 2022 Mrs D said the payment arrived in her bank account and provided a copy bank statement to show this.

Saturday 4 June 2022 PSG said the withdrawal payment from the SIPP (but not the encashment) could have been stopped at any point up to 4 June 2022. After that date a report would have been made to HMRC.

Sunday 5 June 2022 (at 17.15) Mrs D emailed to question the valuation. She said that when she took 25% in 2021 she got £73,000 which meant the remainder was worth around £219,000. She asked why there was now only £193,000 in the SIPP at drawdown. She asked for a valuation and details of the bank account too and for them to explain the shortfall. She referred to the call on 13 May and said her husband was told the current poor market would not affect the value of the SIPP too much because it was averaged out over a few years.

Tuesday 7 June 2022 at 18.49 Mrs D chased a reply.

Wednesday 8 June 2022 (at 19.47) PSG emailed to say the adviser was out of office and it had already supplied information.

Thursday 9 June 2022 (at 14.09) Mrs D asked when the adviser would be back and said she needed to see the SIPP valuation and obtain a tax certificate.

Tuesday 14 June 2022 Mrs D called again to discuss the drop in value.

Saturday 25 June 2022 (at 20.17) Mrs D chased for an explanation of the shortfall.

Sunday 26 June 2022 (at 22.51) PSG replied that it was awaiting a reply from the investment provider.

Monday 27 June 2022 PSG said the decrease was due to the decrease in market value of the underlying assets at the point of sale.

27 June 2022 (at 09.13) Mrs D asked to be copied into further correspondence with the

investment provider.

Based on this timeline it seemed that Mrs D initiated the request to encash in March 2022. There was no dispute that unlike the situation in 2021, no valuation was provided before the request for encashment. Mrs D could not therefore have been relying on valuation information at the time she sent in the papers to start the process of encashment. She signed all the necessary papers to instruct PSG to go ahead in March 2022. So I thought she had signed all that was needed and PSG was following her instructions.

When I asked Mrs D about the circumstances at that time, she said she was locked into the SIPP for 8 years until 2022. She said she wanted to take money out of the SIPP as soon as she could after the 8 years expired. She had taken advice back in 2014, and was advised to take 25% in 2021, (which was possible without an early redemption penalty) and the remainder in 2022 after the 8-year period elapsed.

Based on what she said and the absence of any valuation or request for one, in March 2022, it seems to me that she was following through the advice from the IFA. Mrs D said she asked repeatedly for a valuation before the drawdown request was put in. But notwithstanding the absence of a valuation she still went ahead. Had she known she said she would have waited as she didn't need the money at the time. But I don't agree. I say that because she didn't wait for a valuation before submitting the papers, so was not relying on valuation information when she made her decision to encash and withdraw.

PSG agrees that the statement that the value would not be substantially different to that in August 2021 was not correct though it did say it depended on the value encashed. It also accepted it failed to provide a withdrawal value when requested on 13 May 2022 as it was not provided until after the surrender took place. But by the time Mrs D's partner called on 13 May to enquire about progress, the request to encash had already been submitted (on 5 May 2022) and it was too late to stop the encashment.

So while the PSG adviser was wrong to say on 13 May 2022, that the value shouldn't be much different, Mrs D didn't rely on that statement in deciding to encash. I said that because the statement was made after she gave the instruction to encash in March 2022 and further it was after the point at which that encashment could have been stopped (5 May 2022).

So in summary I didn't think Mrs D relied on information in deciding to encash and withdraw so I couldn't make any direction against PSG for the fall in value.

Delay in encashment

In preparing a timeline of events I noted that it took from 1 April 2022 until 5 May for PSG to act on Mrs D's instructions to encash her SIPP. While this was not raised as part of the original complaint by Mrs D, this service has wide powers to make enquiries.

I asked PSG if there was a reason for this delay but it said it could not find a reason. It said records showed the documentation had been reviewed and signed by their team shortly after its receipt but was not submitted until 5 May 2022.

It said requests sent as part of a surrender process would take 3 to 5 working days depending on all the information being received from the outset. It said it received all the documentation on 1 April 2022 so the instructions should have been sent no later than 6 April 2022.

So it seemed to me that PSG caused a delay from 6 April to 5 May 2022. I could therefore consider an award for any financial loss caused by that delay.

The purpose of an award for financial loss was to put Mrs D back in the position she would have been in but for the delay.

I thought she may have suffered loss in two ways:-

1. She may have received a higher payment had the value of her investments been higher at the date they should have been encashed compared to when they were encashed on 13 and 17 May 2022 and
2. She received her encashed payment later than she should have done.

Taking each of these in turn:-

1. Following receipt of all the papers on 1 April 2022 PSG would have submitted the request to encash to the investment provider on 6 April 2022.

Based on what actually happened it took from 5 May to 13 May (6 working days) to encash one investment and from 5 May to 17 May – (8 working days) to encash the remainder of the investments.

I therefore proposed that PSG should complete a comparison of the amount that Mrs D would have realised had the instruction been issued on 6 April and the encashments had been processed at the prices prevailing on:-

- 14 April 2022 (in respect of one investment listed as Guinness Asset Management)

and

- 18 April 2002 (in respect of investments listed as Dominion Global Luxury Consumer, Dominion Global and Dominion Global Trends SICA V)

Any loss Mrs D has suffered should be determined by obtaining the notional value of her investments within her pension on the dates above, and subtracting the total value actually realised on 13 May and 17 May 2022.

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

If the answer is positive there is a loss and PSG should pay that amount together with interest at the rate of 8% per annum simple from 3 May 2022 (being the date on which I thought she would otherwise have received payment had the encashment gone ahead sooner – see my analysis in 2 below) to the date of payment pursuant to my final decision in this complaint.

The compensation amount should if possible be paid into Ms D's pension plan. 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 Mrs D as a lump sum. In that case I would typically make an adjustment for a notional reduction to allow for future income tax that would otherwise have been paid. However I note that due to Mrs D's overseas residence she was entitled to receive the payment from the pension scheme free of the 55% tax charge. I have not therefore made any adjustment for this.

I also thought that Mrs D lost out in that she didn't receive the around £190,700 until 1 June 2022. It took 19 working days from the encashment instruction being issued on 5 May until she was paid on 1 June 2022.

By comparison had the instruction been issued on 6 April 2022 (as PSG said it should have been), 19 working days later would have been 3 May 2022. So I thought Mrs D missed out on the use of the around £190,700 she was paid between 3 May 2022 and 1 June 2022. This is 29 calendar days. This service would award interest at the rate of 8% per annum simple for being deprived of use of her money. I therefore proposed that PSG should pay Mrs D:-

(a) interest at the rate of 8% per annum simple on the amount it paid into her bank account on 1 June 2022 (which was around £190,700) for the 29 days of delay

and

(b) interest on the amount calculated under (a) above at the rate of 8% per annum simple from 1 June 2022 to the date of payment pursuant to my final decision in this complaint.

Distress and inconvenience

As I have concluded that PSG made a mistake I could consider an award for distress and inconvenience. Such an award was to reflect the impact on Mrs D not to punish PSG and nor was it to compensate for financial loss which I have considered above.

I did understand Mrs D's frustrations about the absence of a valuation but I concluded that this would not have made a difference. Until I considered this complaint I did not think Mrs D was aware that she had reason to complain about the delay in payment so I didn't think this had caused her distress and inconvenience. I noted however that PSG had offered to pay £750. Given what I had said I thought this was fair and reasonable in the circumstances and I didn't propose to increase that further.

Before I issued my final decision I asked the parties to comment further. I also asked PSG to comment on my proposed calculations.

I proposed to uphold this complaint in part.

I proposed to direct that PSG SIPP Limited should pay Mrs D the amounts (if any) for financial loss, calculated as set out above and £750 for distress and inconvenience.

PSG didn't respond further.

Mrs D responded by making a telephone call with the investigator. I have listened to this in full. Mrs D said she would not have taken the money had she known about the fall in value. She couldn't get a valuation even though she rang many times. The communication was very poor. She didn't plan that they would do anything until the valuation arrived. It didn't cross her mind that PSG would not send a valuation. She thought she could stop the instruction before it went through once the valuation arrived.

Further PSG didn't seem worried about the impact of the war because the SIPP had been in place for quite some time. They didn't need the money. She was guided by the PSG person more than anything. Had she known differently she would have stopped it as she didn't need the money at that point in time.

The £750 was not enough when she had lost £30,000. She felt this could be more generous.

She wanted to reinstate the investigators decision and reinvest and wait for the market to recover. The tax thing didn't matter because they lived overseas. She didn't think this decision was very fair and she felt unfairly treated

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 what Mrs D said and I asked PSG to check again to make sure it did not have a record of a request for a valuation at an earlier date. It said it had reviewed its records again and couldn't see a value had been requested during any conversation prior to that made in May 2022, nor could it find any email request. It may be that Mrs D had called but had not been answered.

I also asked it to comment on whether there would be a loss due to the delay. It said that *'Our dealers endeavour to process instructions on the day of receipt but as that is not always possible they have an overall 48 hour processing window. However, when the instruction is via a full policy surrender the dealers are dependent on the time it takes our claims people to vet the request first. In this case the surrender form was received on 5th May, the request was vetted on 9th May and deals were placed on 10th May, an overall 3 working day turnaround time'*.

It said that had the request to surrender the bond been submitted to them on 06 April 2022, the earliest they would have processed the request would have been 07 April 2022, given the three working day potential processing timeframe they confirmed the bond would have settled to a total value of £198,270.05, a difference of £5,583.26 from what Mrs D'Souza's bond settled for in May 2022 (£192,686.79).

This seemed reasonable to me and within industry guidance for timescales.

PSG reviewed my proposed final direction (set out below) and had not further comments to add.

Putting things right

In the light of what has been said I have not changed my mind and remain of the view that PSG should pay Mrs D the amounts for financial loss, calculated as set out below and £750 for distress and inconvenience.

Mrs D has closed her SIPP account with PSG and taken all the tax-free cash associated with it. The payment due to the delay will therefore need to be paid directly to Mrs D's UK bank account and not via the SIPP account. This should typically be made after making a notional reduction to allow for future income tax that would otherwise have been paid. As Mrs D was not resident in the UK for tax purposes at the time of the original payment the notional reduction should be nil. If PSG believes that it should deduct tax from the payment it should..,

My final decision

I uphold this complaint in part.

I direct that PSG SIPP Limited should, within 30 days of this service notifying it that Mrs D has accepted this decision make the following payments:-

1. £750 for distress and inconvenience (but for the avoidance of doubt it can deduct from the £750 any amount it has already made as a payment for distress and inconvenience in relation to this complaint.), and
2. Interest at the rate of 8% per annum simple on the amount it paid into Mrs D's bank account on 1 June 2022 (which was around £190,700) for the 29 days of delay, and.
3. Interest on the amount of interest calculated under (2) above at the rate of 8% per annum simple from 1 June 2022 to the date of actual payment pursuant to this complaint, and .
4. £5,583.26 for the loss due to the delay, and
5. Interest on the amount calculated under (4) above at the rate of 8% per annum simple from 3 May 2022 to the date of payment pursuant to my final decision in this complaint.

If PSG believes it is required to deduct income tax from any interest payment it should provide Mrs D with a certificate confirming the amount deducted in a form suitable for presentation to HMRC.

As a payment into Mrs D pension isn't possible the amounts under 2,3,4 and 5 above should be paid directly to Mrs D as a lump sum after making a notional reduction to allow for future income tax that would otherwise have been paid. PSG shall provide such reasonable information as Mr D may require to reclaim an overpaid tax from HMRC.

On request by Mrs D, PSG should provide details of its calculations to Mrs D in an easily readable and understandable form.

Mrs D shall promptly provide PSG with details of a UK bank account to receive payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 1 December 2023.

Colette Bewley
Ombudsman