

The complaint

Mr P complains that Standard Life Assurance Limited (Standard Life) delayed the payment of pension benefits from his Self-Invested Personal Pension (SIPP) causing him losses. He wants compensation for the losses and inconvenience caused.

What happened

Mr P had a SIPP with Standard Life held through its WRAP account. He wanted to take benefits from it for the first time. He was living abroad and tax resident in the other country.

Mr P called Standard Life on 7 September 2021 to withdraw £5,000 from his SIPP. He says he wanted the money paid before 31 December 2021, the end of the tax year in his country of residence, to utilise the balance of his tax-free income allowance. Standard Life ran through various risk questions and sent him an application form. Which Standard Life received back on 21 September 2021.

The form gave instructions on which investments were to be sold to raise the £5,000 required. Standard Life placed sell orders on 2 October 2021. On 8 October 2021 it wrote to Mr P to verify his bank account details. It asked for an original bank statement or certified copy to be provided. It said once it had this information it would continue to process his payment request, and he would hear from it within 10 working days. Mr P contacted his bank for an original statement, but it was 2 December 2021 before Standard Life received it. Mr P then called Standard Life several times through December 2021 for updates.

Standard Life checked the bank verification details, and then valued Mr P's SIPP. One of the investments was externally held and it called the provider of this investment (Gallium) on 20 December 2021. Gallium asked for the request to be made by email, which Standard Life sent the same day. But the valuation wasn't provided until 4 January 2022 and the payment was made on 7 January 2022.

Mr P complained about the delay. He said he'd lost out on investment returns with the £5,000 sale being made in October 2021 but not paid out to him until January 2022. And he said he'd lost the benefit of his tax-free allowance on the income as the payment hadn't been made in the correct tax year.

Standard Life didn't uphold the complaint. It said Mr P hadn't said the payment needed to be made by 31 December 2021. It said as he'd not previously taken benefits it had to complete a full valuation before making the payment of tax-free cash to avoid potentially adverse tax consequences. It said it wasn't responsible for the delays caused by third parties in providing values. It said as the application Mr P had completed gave an instruction to sell £5,000 worth of investments, it had to act on this in a timely manner and had done so. It said the main delay was in Mr P providing the bank statement required to verify his account details.

Mr P referred his complaint to our service and said he intended to take a withdrawal annually. He said he wasn't entitled to receive tax-free cash and any payment he received was taxable outside his annual allowance. Our investigator looked into the complaint, and she decided to uphold it.

Our investigator said it wasn't unreasonable for Standard Life to want to verify Mr P's bank details. It had warned him of this during the initial call in September 2021. She said it had formally requested the evidence in a reasonable timeframe. She said selling the investments in October 2021 was reasonable given Mr P's instruction. But she thought Standard Life had caused an unnecessary delay. As it wasn't clear why it hadn't requested a valuation from Gallium earlier than it did. And after it received the bank statement it took 12 working days rather than the 10 stated before it did request the valuation.

Our investigator said Standard Life should have requested valuation details on 2 October 2021 when it sold the other investments. And payment should have been made to Mr P around the middle of December 2021. She said if he had incurred a tax charge as a result of the payment being made in 2022 rather than 2021 it was fair that Standard Life compensate him for that loss. She also said it should pay him £100 compensation for the distress and inconvenience caused.

Standard Life disagreed. It said that it was obliged to value the SIPP at the time the payment was made. And had it valued the plan on 2 October 2021, this would have been out of date by the time Mr P provided the bank account verification. It said whilst its letter requesting verification had said Mr P "should" hear from it within 10 working days, this didn't confirm it would make payment in this timeframe. And it had told Mr P when he called in September 2021 that the process could take up to 20 days, subject checks, and any other information it needed. It said it was Mr P who'd decided to invest in external assets that couldn't be valued immediately. And it questioned whether Mr P would have a tax liability given the double taxation agreement that existed between the UK and his country of residence.

Our investigator said her opinion hadn't changed as she still thought the valuation should have been requested sooner. And whilst Mr P hadn't evidenced a loss if he had suffered one it was fair that he be compensated.

Mr P didn't agree. He said £100 compensation was inadequate as he still considered he suffered a loss through the investments being sold in October 2021. He said he wasn't "*sure what proof I could show to that I suffered a tax charge in the wrong tax year as, in effect I would be trying to prove a negative.*" He also said that Standard Life hadn't properly checked his bank details because it had told him it had destroyed his bank statement rather than returning it to him, mistakenly believing it to be a copy not an original. That meant as the bank statement hadn't been certified (as a copy needed to be) it hadn't properly verified his account details. And it could have made payment sooner as he could have emailed a copy statement the day after the request.

As Mr P doesn't agree it has come to me to decide.

My provisional decision

I issued my provision decision on 21 September 2023, I explained the reasons why I was planning to uphold the complaint. I said:

I've considered all the available evidence and arguments to decide (provisionally) what's fair and reasonable in the circumstances of this complaint. Having done so, I'm planning to uphold the complaint.

I thought that some of the telephone calls between Mr P and Standard Life might be relevant and our service first requested these several months ago. Standard Life provided some recordings. But these couldn't be opened and were re-requested. But despite several reminders it hasn't responded further. As Mr P has been waiting for a decision for some time

now, I've decided to issue this provisional decision to set out what I think would be a fair resolution of this complaint.

At this stage I think the complaint should be upheld, because I think there was an avoidable delay and Mr P has been caused inconvenience. It's also possible he has incurred a loss as a consequence of the delayed payment. But I don't think it is reasonable for me to tell Standard Life to pay redress in respect of this potential loss without further clarification from Mr P. I've set out what I think about this below.

I have some sympathy for both Mr P and Standard Life's position here. But I think it should have processed the payment more promptly than it did. Standard Life's product is set up to deal primarily with UK residents and it's entirely reasonable that it follows the processes and procedures required by UK legislation. That meant it had to calculate the allowable benefits from the SIPP under UK tax rules, not those of where Mr P resided. So, it's reasonable that it valued the whole arrangement at or near the point the payment to Mr P would be made.

Mr P had completed the application form to request a single payment of tax-free cash not income. This did provide an instruction to sell the assets to make funds available for the withdrawal, so I think it was reasonable for Standard Life to act on the instruction promptly, as it did. But by the same measure I think it was also necessary for it to deal with the other requirements promptly, and I do think there were some unnecessary delays.

Standard Life received the application on 21 September 2021 but took 14 working days to write to Mr P to request the verification details. It also knew he lived abroad and that postal times might be typically longer than for UK residents. As it had processed things adequately to place sale instructions by 2 October 2021. I think it's reasonable it could have sent the verification request at the same time. As this was also a requirement for it to make the withdrawal. And once it received the bank statement from Mr P it did take 12 rather than 10 working days it had advised to deal with this and instigate the next part of its process.

It isn't my role to tell Standard Life how to run its operations, but I can consider whether these may have resulted in unfair outcomes. It seems it used a combination of email and post to communicate with Mr P as well as the telephone calls. It seems to have chased up the bank verification evidence it required by email but requested it initially by post. Had it requested this by email in the first place this may well have saved some further time.

Together these delays were around seven working days which could have brought the payment to Mr P back into December 2021, even allowing for the delay in hearing back from Gallium.

I understand Standard Life's point that Mr P knew there was a third-party investment and should have been aware that a valuation might take longer to obtain. But whilst Standard Life says it wasn't aware of any deadline to make payment, I think it was likely to be better aware of possible valuation issues with off platform investments (one it was happy to accept) than Mr P.

I don't have details of what the investment with Gallium is, but I note that when Standard Life did receive the valuation it "was the last annual accounts showing last valuation April 2020". That might be typical of the type of investment and if so, Standard Life may already have had a note of this valuation on its system. Not least because it charges fees as a percentage of the value of assets held. So, there may have been an opportunity to manage this problem before it occurred.

I'm not sure there was an error on the handling of the bank statement other than the delay. But if there was, it was relatively minor. Money laundering and fraud prevention

requirements are quite onerous for financial firms and it's unlikely that Standard Life considered the statement to be an uncertified copy if it accepted it. And I note that the letter sent to Mr P requesting bank verification details did state that neither copy or original statements would be returned. Mr P accepts this hasn't caused him a problem as he doesn't require an original statement for his records.

So, unless some evidence persuades me otherwise (perhaps comments made in the telephone calls by Standard Life) I think there were avoidable delays. And Mr P has undoubtedly been inconvenienced and it is fair that he be compensated for that inconvenience. But at this stage it isn't clear how much inconvenience Mr P has suffered. That's because I need more information about the losses he says he has incurred.

If there is a tangible financial loss, I'm likely to conclude that it's fair that Standard Life puts Mr P back in the position he should have been in. And reimburses him any additional tax he has paid, very likely with interest added to reflect him being out of pocket since he paid the tax bill. And on that basis, I think the £100 compensation for inconvenience proposed by our investigator is fair in reflecting the calls and the chasing up Mr P had to do the try to progress matters.

But it maybe that Mr P doesn't have a tangible loss, he might instead have suffered a loss of opportunity.

Is there a financial loss or was it loss of opportunity?

At this stage Mr P hasn't demonstrated he has suffered a tangible financial loss. And in fairness to Standard Life that is what I think he needs to do. Whilst he says he can't prove a negative, if as he says he couldn't use his tax allowance in the year ending December 2021 he must by now have details of his tax situation in both 2021 and 2022. That may show he paid extra tax in 2022 when he wouldn't have if the payment been made in 2021. That would be a tangible loss. It doesn't require him to have taken out a further £5,000 or some other sum from the Standard Life plan in 2022.

It's reasonable that he shows evidence of this in English (because that is the basis of the terms and conditions with Standard Life) should the normal tax records be in another language, as is likely to be the case.

If that isn't the case and he paid no more tax in 2022 as a result of the delayed payment by Standard Life. Then instead of a loss he has been denied the opportunity to take income tax efficiently in the year in question. Indeed, Mr P may have decided not to take a further payment from his plan in 2022 because it would have caused him an additional tax burden. If so that suggests he didn't need to take the income and there is still no direct financial loss in this scenario.

But if there has been a loss of opportunity, I think the inconvenience level is somewhat higher than Mr P being put back in the position he would have been in by having any actual tax loss re-imbursed. And I think it would be reasonable to increase the compensation to reflect the additional inconvenience caused by this loss of opportunity. But I would need further details of the situation to decide what is fair in the circumstances. So, it would be helpful if Mr P can provide further evidence as requested.

I asked both parties to now send me any further information or comments they would like me to consider before I made a final decision.

Response to provisional decision

Mr P didn't respond to my provisional decision and so hasn't provided any evidence of a loss.

Standard Life disagreed with my provisional decision and provided a substantive response.

It said it didn't know why our service hadn't been able to listen to the telephone recordings. It said it had requested that these audio files be provided again by its external provider. It said it had already asked Mr P to provide evidence of his loss on several occasions and couldn't consider paying compensation without this.

In terms of administrative procedures, it said different teams were responsible for various stages of the process including determining what money laundering procedures were necessary, so it wasn't reasonable to expect that sell trades and the verification checks to be completed at the same time. And it said it had told Mr P on the phone that he might be asked to provide an original bank statement, giving him time to arrange this.

It said whilst it could have emailed this request it was the length of time that Mr P took to provide the bank statement that caused the main delay which was outside its control as was any delay in obtaining the valuation. It said it was required to obtain a full valuation of assets in Mr P's pension and given the number of external investments it makes available to its clients it was unreasonable to expect it to know that for Mr P's external investment the last annual accounts were the most recent valuation available.

Standard Life said once Mr P had sent in his bank statement it had explained its process when he called and set an expectation of how long this would take. And it was only at this point that Mr P advised he required the payment to be made before 31 December 2021, and;

"Regardless, what he stated in his initial call with the team, there was no mention of this requirement submitted with his request".

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.

Having done so, I've decided to uphold the complaint in part.

I've waited some time before issuing this final decision, but the audio files promised by Standard Life still haven't been provided. That's frustrating, as this is obviously key evidence into how efficiently or otherwise Mr P's request to access funds from his pension was processed. And Mr P hasn't given any further response in terms of providing evidence of his loss.

So, I've decided the complaint on the evidence available to me.

Delays

I think there were delays, some due to Mr P and some due to Standard Life. But Standard Life did cause delays all through the process of taking the benefits from the plan, some of which could have been avoided and this inconvenienced Mr P.

The financial loss or loss of opportunity

It isn't reasonable for me to tell Standard Life to pay Mr P compensation for a loss he hasn't evidenced, so I can't uphold this aspect of his complaint.

Putting things right

I think Mr P was inconvenienced by avoidable delays and it is fair that he be paid compensation for this. I think Standard Life should pay him £100 compensation, which is fair in the circumstances of the complaint.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint in part against Standard Life Assurance Limited.

I direct Standard Life Assurance Limited to pay Mr P £100 compensation for the distress and inconvenience he has been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 14 March 2024.

Nigel Bracken
Ombudsman