

The complaint

Mr C complained Aon UK Limited (Aon) caused a significant delay to the transfer of his pension benefits to his SIPP, leading to a financial loss in terms of a reduced transfer value and costs associated with late access to a tax free lump sum.

He is seeking compensation for these losses, together with compensation for the distress and inconvenience he has suffered.

What happened

I issued my Provisional decision in November 2023, the relevant parts of which are reproduced below and forms part of my decision:

Mr C holds a personal pension plan with Aon, from which he wanted to transfer the majority of the benefits to a SIPP with another provider (Scheme A). On 19 April 2022 Mr C wrote to Aon to start this process indicating that he thought the overall value of his benefits was c£68,000. This was received by Aon on 22 April but made no reference to this request being for a partial, rather than a full, transfer of benefits. An amended version of these forms indicating that he wished for a partial transfer, leaving £1,000 invested was received 2 days later on 24 April 2022. On 28 April, Aon wrote back with transfer discharge forms for him to complete, with an estimated transfer value as of that date of c£66,000 and a request to Mr C that Scheme A send through the request using the origo system.

Scheme A sent an electronic transfer request to Aon on 23 May 2022. This request was for a partial transfer of benefits, with a value of £68,000. This request, had, however, been submitted to an incorrect portal reference. Aon responded to the request on 26 May giving details of the correct portal for the request and asking for it to be resubmitted accordingly. A transfer request to the correct portal was received on 30 May 2022.

On 1 June, Aon informed Mr C that the value of his benefits were in the process of being calculated, and the transfer would take place once this had been completed. Aon then contacted Scheme A on 8 June to inform it that a minimum of £1,000 had to be retained in Mr C's account for it to remain live. Scheme A responded on 9 June to confirm that the transfer should be completed, leaving £1,000 in the account with Aon.

On 15 June 2023, Mr C complained to Aon about how long the transfer process was taking. The following day Aon sent a further request to Mr C for him to complete a final form before the transfer could take place, which he completed and sent back on the same day, 16 June 2023.

Aon then wrote to Mr C on 28 June 2022 to confirm the funds had been sold on 23 June, and a transfer of c£64,000 had been authorised to be made to Scheme A.

However Aon's bank, stopped the payment from being made as it needed further information to authorise the transfer of funds, asking Aon for this information on 1 July 2022. Aon responded to the bank on 20 July 2022 and the payment was made to Scheme A on 1 August 2022.

During the period between 20 July and 3 August, when Scheme A received the funds, Mr C contacted Aon on several occasions to try and expedite the completion of the transfer.

On 26 September 2022, Aon wrote to Mr C with a response to his complaint. It upheld his complaint and offered him c£1,500 in respect of the financial loss it considered he had incurred owing to the delay it had caused. For the purposes of the calculation, it considered the delay it had caused had been between 28 June and 3 August 2022.

It also offered Mr C an additional payment of c£1,000 to compensate him for the likely loss of potential investment growth as a result of the late payment and £250 in respect of the distress and inconvenience it had caused him.

Mr C did not accept Aon's offer. He felt that the delay had led to him incurring higher losses than Aon calculated. His estimate of his financial loss was in the region of £5,000. He felt that the delay caused to the transfer was longer than Aon believed it was, and that his benefits should have been divested on 19 April 2022, when he first instructed Aon to undertake the transfer.

Aon revisited its response to Mr C's complaint and gave a more detailed explanation of its conclusions on 15 March 2023. It explained that although Mr C's benefits were valued at c£67,000 on 19 April, by the time they were divested into cash, the value had fallen by c£2,000.

It also investigated delays to the payment it was making to Mr C's SIPP in respect of his financial loss. This had been affected by more banking delays, eventually being paid on 6 February 2023. It determined that it was responsible for the delay up to 15 December 2022, with the balance of the delay outside its control. It offered to add interest at the rate of 8% p.a. simple for the period of this delay and increased its offer for distress and inconvenience to £625.

Mr C remained unhappy with this response and brought his complaint to this service.

Our investigator reviewed all the evidence provided by both parties and reached a view that they felt Aon's offer of redress to Mr C was fair in the circumstances of this case. They felt that Mr C's complaint about the delay to the payment of the redress to his SIPP was not within the jurisdiction of this service, as this was not a regulated activity, but was related to Aon's complaint handling.

Mr C disagreed and so the complaint has been passed to me to make a final decision.

Both Aon and Mr C responded to my provisional decision, so I will now issue my final decision.

In its response, Aon agreed with my decision to uphold Mr C's complaint. It explained it's proposal that to avoid any further delays in paying compensation that it should pay the losses direct to Mr C rather than into his pension. It also accepted the redress specified and advised which elements had already been paid and which remained outstanding.

Mr C also accepted my provisional decision. He asked for Aon to provide details of the calculations relating to the compensation it has and will pay him. He also reiterated that he considered it was always his intention to keep his plan open and that he had made past transfers from the plan on that basis.

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.

In my provisional decision, I stated:

I have considered all the evidence provided to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I intend to uphold this complaint.

I have, however, reached a different conclusion to our investigator in relation to how Aon should put things right, so I think it's fair to give both Mr C and Aon the opportunity to consider my findings before I issue my final decision.

I would firstly like to emphasise that the merits of this complaint are not in question. Aon accepts that the service it gave to Mr C fell short of the standards it aims to provide to its customers. The issue that I have to decide is whether or not the redress it has offered Mr C is fair in all the circumstances of this complaint and would put him back into the position he would have been in if Aon had processed his transfer with no delays.

To do this, I will consider the key stages of the process in turn, to identify the causes of the delay to Mr C's transfer and to see whether I think it fair and reasonable to hold Aon responsible for each element.

Mr C has said that he believes that Aon should have transferred his holdings into cash when it first received his instruction to carry out the transfer to Scheme A. He stated that he felt this should be 19 April 2022, when his first instruction was dated. I take a different view on this. If Aon had indeed acted immediately to divest Mr C's pension benefits when it received the first request on 22 April 2022, it would have had to close Mr C's existing pension in order to comply with this, which subsequent requests show was not his intent – he explicitly asked that this be kept open by retaining the minimum balance of £1,000. Consequently, I find that it is reasonable that Aon should not have sold the investments in Mr C's pension until it had received all the information it required to make sure that the transfer could be successfully completed.

In its final response to Mr C's complaint, Aon said that it considered that it should have sold Mr C's investments into cash on 9 June 2022, and that was the start date for its calculation of Mr C's financial loss.

I now need to decide whether 9 June 2022 is the correct date, or whether any other date would be more reasonable. While Scheme A submitted a request for a partial transfer on 25 April, Aon responded on 28 April with a full set of transfer discharge forms. This pack also informed Mr C that if Scheme A was able to request the transfer using origo, and stated that this approach:

reduces the amount of paperwork that you have to complete and ensures that your funds are transferred to your chosen provider as quickly as possible.

The origo request was not correctly received by Aon until 30 May 2022, as the first request (received on 23 May 2022) was directed to the wrong provider, one that did not hold Mr C's benefits. The subsequent request received on 30 May did not, however, make clear that the transfer request was for all benefits above £1,000, which was to be left in the account to keep it open. Aon informed scheme A of the requirement to leave £1,000 in the account on 8 June and received confirmation from scheme A on 9 June to proceed on this basis.

Aon has provided evidence that the response it sent to scheme A on 8 June complied with its own internal service standards. It is not the role of this service to dictate to companies what their internal processes and standards should be, but to understand where they have failed to comply with them, so I cannot find that this was an undue delay to the transfer taking place.

There was obviously a delay of around a month between Aon sending Mr C the transfer forms and the receipt of the correct origo transfer request, but I can't see that this delay was caused by Aon. Given all the evidence cited above, it follows that I find that 9 June 2022 was the appropriate date for Aon to use for the start of its loss calculation.

Mr C has also complained about the reduction in his fund value between the time that he first requested a transfer, c£67,000, and when the transfer was completed on 28 June, c£65,000. During this time he made further contributions of c£2,600 into his pension fund. As I have already found that the Aon cannot be held responsible for any delay prior to 9 June 2022, I cannot hold it responsible for any reduction in the value of his benefits before this date.

In terms of the of delay in paying the redress for this loss to Mr C, I take a different view to our investigator. While they are correct that complaints about complaint handling are not within the jurisdiction of this service, in this case the poor service Aon has provided to Mr C in respect to the delays are part of his overall complaint and consequently, I can consider this.

Aon has taken the view that it was responsible for the delay in paying redress to Mr C from 26 September 2022 until 15 December 2022, when it passed information to its bank to enable payment to be made. I take a different view. I find that it is the responsibility of Aon to ensure that the redress for Mr C's financial loss was paid to him in a timely manner. Consequently, I find that Aon should pay compensation to Mr C for the period from 26 September until 6 February 2023 when the payment was made.

Aon has proposed adding interest to the delayed compensation payments at the rate of 8% per annum simple. This is the approach that this service would normally award, so I find this to be appropriate in this case. I note that Aon suggested that the compensation it should pay Mr C in respect to the loss of investment growth in his new pension should be paid directly to his bank account instead of to his pension to avoid any further delays. That is not the approach this service would look for, and that all compensation for financial loss and any interest payable because of delays in making compensatory payments should be made into Mr C's pension with Scheme A if possible.

I have noted that Aon has proposed paying the outstanding elements of redress direct to Mr C rather than into his pension to avoid the risk of any further banking delays. I remain unconvinced by this argument and find that it should pay the compensation into his pension unless it is unable to do so, as set out in my provisional decision.

I note Mr C's contention that he had made past transfers from his plan, but always keeping it open by maintaining a minimum balance. Whilst I accept that, I have to consider whether Aon acted correctly to query in this instance whether this was the case, and I believe that it was. Consequently, I don't hold Aon responsible for that element of the delay. Mr C has also asked for the details of all elements of the compensation due to him to be shown individually in a simple and easy to understand format. This to include any and all assumptions used in the calculations. Aon should provide this to him.

Putting things right

My aim in awarding fair compensation is to put Mr C back into the position he would likely have been in, had it not been for Aon's error. I aim to do this in the following way:

Aon UK Limited should calculate what Mr C's transfer value would have been on 9 June 2022. If that value is higher than the value actually transferred, then it should pay such an amount into Mr C's pension with his new provider to increase its value by that difference.

Interest at the rate of 8% simple per annum should be added to any compensation due from 26 September 2022 until 6 February 2023.

In addition, it should compensate him for any financial loss owing to the change of value of the FTSE All Share Index between 28 June 2022 and 3 August 2022, as previously indicated by Mr C's new provider, being 2.08%. The payment should allow for the effect of charges and any available tax relief. Aon UK Limited shouldn't pay the compensation into the pension plan if it would conflict with any existing protection or allowance.

Interest at the rate of 8% simple per annum should be added to any compensation due from 26 September 2022 until 15 March 2023, the date it issued its second final response letter.

Further interest, paid at the same rate, should be made from the date of Mr C's acceptance of my final decision until the date of settlement.

If Aon UK Limited is unable to pay the compensation into Mr C's new pension plan it should pay that amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the compensation should be reduced to notionally allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount – it isn't a payment of tax to HMRC, so Mr C won't be able to reclaim any of the reduction after compensation is paid.

This notional allowance should be calculated using Mr C's actual or expected marginal rate of tax at his selected retirement age. It's reasonable to assume that Mr C is likely to be a basic rate taxpayer at the selected retirement age, so the reduction would equal 20%. However, if Mr C would have been able to take a tax free lump sum, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 15%.

Aon UK Limited should also pay Mr C £625 for the distress and inconvenience its errors have undoubtedly caused him.

Aon UK Limited should provide details of all elements of the compensation due to Mr C. These to be shown individually in a simple and easy to understand format. This to include any and all assumptions used in the calculations.

My final decision

For the reasons explained above, I uphold the complaint.

Aon UK Limited should pay amounts calculated, taking into account the payments it has already made to Mr C.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 February 2024.

Bill Catchpole
Ombudsman