

The complaint

Mr D complained PSG SIPP Limited (PSG) caused a significant delay to the transfer of his pension benefits to a new provider, leading to a potential financial loss.

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

What happened

I issued my provisional decision March 2024, the relevant parts of which are reproduced below and forms part of my decision:

Mr D held a personal pension plan with PSG, from which he wanted to transfer the benefits to a SIPP with another provider (Scheme A). On 28 April 2023 Scheme A sent completed transfer out and discharge forms to PSG to start this process, indicating that he wished an 'in-specie' transfer, which would mean his investments would be transferred between the two schemes without being encashed.

PSG did not act upon these forms and did not start the transfer process, leading both Mr D and Scheme A to contact them. PSG did not respond until 2 June 2023, when it asked for the original forms to be resubmitted.

Mr D contacted PSG on 7 June 2023 to complain about the poor service he had received and the significant delay to his transfer.

PSG issued its final response to Mr D on 7 July 2023. It accepted that it now had all the information it required from him and would contact him to confirm his instruction to proceed once it had heard from the organisation that currently managed his investment (Fund Manager B). It accepted that it had caused a delay to the transfer and paid him £100 for his distress and inconvenience although it found that he had not suffered a financial loss, as he had requested an in-specie transfer.

In its response to his complaint, PSG also told Mr D that:

We have now reviewed the information provided and completed the due diligence checks required under the Occupational and Personal Pension (Conditions for Transfer) Regulations and our transfers out team have been notified that the in-specie transfer can proceed. Our transfers out team have contacted [Fund Manager B] for details of their requirements and any charges that may apply and once we have received a response from them, the team will update you to confirm that you want to proceed.

I would point out that in-specie transfers do generally take longer to process than a cash transfer and we have no control over delays of any third party such as [Fund manager B].

Following on from this, Mr D contacted PSG on numerous occasions to try to have the transfer completed. A complicating factor in the transfer process is although Scheme A is able to accept in-specie transfers, it appears that Fund Manager B was unable to complete

the transfer to scheme A in this instance. Fund Manager B communicated this fact to PSG on 28 July 2023. PSG wrote to Mr D of 14 August 2023 to update him on the difficulty of completing the in-specie transfer. It appeared at this point that Fund Manager B had found a solution to allow a transfer to take place, but this was not a solution that Scheme A could facilitate. It said it could

allow the reregistration of the bond in its entirety to the new scheme, but I understand this is something that [Scheme A], who are dealing with the reregistration of the assets on behalf of [receiving administrator], are unable to facilitate.

Between August and early October 2023, Scheme A contacted PSG with some queries, which it did not receive an answer to.

Mr D contacted Scheme A, which responded to him on 3 October 2023 to say it was still waiting for the response to queries it had raised with PSG. Mr D then contacted PSG on 10 October to ask for an urgent update on the progress of the transfer request, pointing out that it had now taken over six months from the original request being submitted.

Unhappy with the delay to his transfer, Mr D brought his complaint to this service.

On 19 October 2023, PSG wrote to Scheme A giving details of the ISIN reference for the fund Mr D's assets were invested in and asked it if it were able to proceed with the in-specie transfer through a deed of reassignment. Scheme A responded the same day to confirm that it could hold the fund and was waiting for Mr D to confirm how he wished to proceed.

Mr D wrote again to PSG on 25 October to ask about any exit charges he would incur as a result of the transfer and how long a cash transfer would take. PSG wrote back to Mr D on 31 October to confirm that he would face no exit penalties and to answer his questions about the likely timescales relating to cash transfer. The following day Mr D sent an instruction to PSG to undertake a cash transfer. This transfer was completed on 20 November 2023.

Our investigator wrote to PSG on 19 October 2023 to request its file on Mr D's transfer and complaint. As it felt it had not had time to investigate Mr D's complaint points after its response in June, it asked for eight weeks to investigate and produce its findings.

The investigator agreed to this in an email sent to PSG on 15 November 2023 asking for a final response by 14 December 2023. When no response was received, they wrote again on 15 January 2024 to request PSG's evidence once more before. As no response was again received, our investigator reviewed all the evidence and reached a view that they felt PSG's offer of redress to Mr D was not sufficient in the circumstances of this case. They felt that PSG should undertake a loss calculation, pay Mr D the sum of c£400 in respect of additional costs associated with ongoing SIPP management fees and increase its offer of distress and inconvenience payment to £200.

PSG replied to say that it did not accept this view. It stated that it had not received our investigators email of 15 November 2023 and it had not had enough time to investigate the further complaint points. At the time of this provisional decision, PSG had not provided Mr D with an updated response to his complaint.

As PSG disagreed with our investigators view, this complaint has now been passed to me to consider the evidence again and make a final decision. Before making my decision, I sought and received some additional information from both Mr D and PSG.

Mr D responded to my provisional decision to make three points. The first was to reiterate that the one of the key triggers that made him request the transfer was a change in the terms

and conditions of his PSG SIPP which would have resulted in higher charges for him. The second was that the ISIN reference for the fund he was invested in (and wished to transfer) was known both to him and Scheme A from the outset of the transfer and Scheme A had confirmed it could hold it, which led him to request an in-specie transfer. The third point was that he had retired from his main employment in 2020 and has been drawing from savings since then to provide his income. He questioned the assumption that he should be considered a basic rate taxpayer.

PSG did not respond to my provisional decision.

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 PSG should put things right, so I think it's fair to give both Mr D and PSG the opportunity to consider my findings before I issue my final decision. Firstly, I'd like to say that PSG is correct when it says that in-specie transfers can take significantly longer than cash transfers. Having said that, in this case, it appears from the evidence presented that the transfer could have been completed more quickly, and so I consider that it has been delayed.

The first, and clearest, element of delay can be seen to have occurred between 28 April 2023 and 2 June 2023, following the original submission of the transfer documents from Scheme A to PSG and PSG's subsequent request for the forms to be submitted. This amounts to some 23 working days. PSG accepts that the service it gave to Mr D fell short of the standards it aims to provide to its customers, acknowledging and apologising for its errors in its response to Mr D's complaint on 24 July 2023. Given this, I find it reasonable to find PSG solely responsible for this element of the delay.

Turning now to the other elements that may have contributed to the delay, the evidence is less clear cut, so I will need to take a view of what I think is fair and reasonable in the circumstances.

In its response to his complaint, PSG had told Mr D that:

We have now reviewed the information provided and completed the due diligence checks required under the Occupational and Personal Pension (Conditions for Transfer) Regulations and our transfers out team have been notified that the in-specie transfer can proceed. Our transfers out team have contacted [Fund Manager B] for details of their requirements and any charges that may apply and once we have received a response from them, the team will update you to confirm that you want to proceed.

From this, I think it's reasonable to conclude that PSG had all the information from Mr D that it required to complete his transfer. Given this, I can't see that Mr D could be held responsible for any element of the subsequent delay.

PSG also said:

I would point out that in-specie transfers do generally take longer to process than a cash

transfer and we have no control over delays of any third party such as [Fund manager B].

I also agree that this statement is correct. In the absence of any information relating to the service standards PSG aims to meet internally, or information relating to the service standards it has agreed with Fund Manager B, however, it is not clear that Fund Manager B introduced any element of delay into the process.

It is also clear that Mr D contacted PSG on numerous occasions to try to have the transfer completed. A complicating factor in the transfer process is although Scheme A is able to accept in-specie transfers, it appears that Fund Manager B was unable to complete the transfer to scheme A, as shown in its communication with PSG on 28 July 2023. PSG wrote to Mr D on 14 August 2023 to update him on the difficulty of completing the in-specie transfer. It appeared at this point that Fund Manager B had found a solution to allow a transfer to take place, but it transpired this was not a solution that Scheme A could facilitate, so I find that PSG should have been aware of this at that time and spoken to Mr D to let him know.

As PSG has not responded to our investigators request for further information on what happened after its original response to Mr D's complaint, I have to take a view of how much of the time taken for Mr D's transfer was attributable to necessary activities related to an in-specie transfer, and how much is attributable to delays caused by PSG or the other parties. This view is based upon what I find to be most probably the case given the information that has been provided. As this complaint has been made against PSG, I must decide if whether or not any delays to Mr D's transfer are entirely attributable to errors made by PSG, and if not, to what extent it is responsible for them. On balance, I find that PSG is indeed responsible for the majority, if not all the delays Mr D experienced.

Bearing this in mind, I also have to consider to what extent Mr D has suffered financial loss and the distress and inconvenience the delays have caused him. Subsequently, what level of redress I think is fair in all the circumstances of this complaint and would put him back into the position he would have been in if PSG had processed his transfer with no delays.

I carefully considered the evidence available in this case, and concluded that, the fact that Mr D remained invested throughout the period in his original investment and continued to seek an in-specie transfer until all prospect of it was exhausted leads me towards a conclusion that he did not suffer a financial loss in terms of his investment value.

Mr D has provided evidence to show that he has not reinvested his transferred funds exactly as they were invested with PSG but is following a similar investment approach and investing into a number of funds similar to those he held with PSG. He also said that

my claim was about mainly about the PSG delay causing wasted costs charged by PSG & FPI and the delay/disruption to my freedom to invest my SIPP money who I choose.

I can see that Mr D incurred SIPP management costs totaling £423.15 which arose on 1 July 2023, 1 October 2023 and on 14 November 2023. On balance, I find that if the avoidable delays caused by PSG had not occurred he would not have incurred these costs.

Looking at the points Mr D raised in response to my provisional decision, I find that the first two of these have no material bearing upon my decision, which is to uphold his complaint. In terms of the third, although Mr D may indeed not be a basic rate taxpayer at the current time, the assumption is based upon what his likely status will be throughout the majority of his retirement. Given his likely taxable income from both his state and personal pensions and the income threshold at which basic rate tax occurs, coupled with the likely increases in state pension rates, I still find it likely that Mr D will be a basic rate taxpayer in retirement.

Putting things right

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

PSG UK Limited should:

- *Pay Mr D the sum of £423.15 in respect of the additional SIPP charges he incurred.*
- *Interest at the rate of 8% simple per annum should be added from the date of my final decision until the date of settlement.*

The compensation in respect of the additional SIPP charges should be made into Mr D's new SIPP with Scheme A. If PSG UK Limited is unable to pay the compensation into Mr D'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 D won't be able to reclaim any of the reduction after compensation is paid.

This notional allowance should be calculated using Mr D's actual or expected marginal rate of tax at his selected retirement age. It's reasonable to assume that Mr D is likely to be a basic rate taxpayer at the selected retirement age, so the reduction would equal 20%. However, if Mr D 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%.

PSG UK Limited should also pay Mr D £500 for the distress and inconvenience its errors have undoubtedly caused him. This sum to include any payments already made.

My final decision

For the reasons explained above, I uphold the complaint. PSG UK Limited should pay Mr D the sums outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 27 May 2024.

Bill Catchpole
Ombudsman