

The complaint

Mr H says Scottish Friendly Assurance Society Limited (Scottish Friendly) is responsible for delaying the switch of his personal pension to a different provider. He says this has caused him financial detriment, inconvenience and anxiety.

Mr H brought another complaint against Scottish Friendly which focused on fund values. This has been dealt with separately.

What happened

The Investigator established the chronology of events in the view he issued on 17 April 2024. There's now broad agreement between the parties about what happened in this case.

In summary, Mr H began to explore what to do with his Scottish Friendly personal pension in February 2022. He appointed an independent financial adviser to assist him in December 2022. There were multiple exchanges between the parties over the following months. On 28 June 2023 Scottish Friendly received a switch request from Mr H's chosen new provider, Royal London. But it wasn't until 14 September 2023 that it was confirmed his pension funds had been transferred.

Mr H raised several concerns with Scottish Friendly about what had happened. Amongst other matters, he says he was given incorrect information about the date his funds would transfer to his new provider. And there was a mix-up with his national insurance number. He was worried about the impact of the delays, and even thought there might be problems with Scottish Friendly ability to meet its obligations.

Scottish Friendly responded to Mr H's complaint on 25 August 2023. It accepted it had caused some delays and offered him £100 to put things right. It later offered him a further £300. Mr H rejected the offer and brought his case to this Service.

An Investigator reviewed Mr H's case and upheld it. He identified further issues with Scottish Friendly handling of the pension switch, for example the fact that a discrepancy around his national insurance number should've been resolved prior to the events complained about. Scottish Friendly have since accepted this point. The Investigator proposed an approach to redress that seemed to gain the acceptance of both parties. But Scottish Friendly ultimately decided that what it was being asked to do wasn't fair.

As both parties couldn't agree with the Investigator's redress proposals, Mr H's complaint was passed to me to review afresh. I issued my provisional decision in August 2024. As neither party has provided any new evidence or arguments, I see no reason to depart from the outcome I proposed previously.

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.

Where there's conflicting information about the events complained about and gaps in what we know, my role is to weigh the evidence we do have and to decide, on the balance of probabilities, what's most likely to have happened.

I've not provided a detailed response to all the points raised in this case. That's deliberate; ours is an informal service for resolving disputes between financial businesses and their customers. While I've taken into account all submissions, I've concentrated my findings on what I think is relevant and at the heart of this complaint.

I'm upholding Mr H's complaint. I'll explain why.

The first thing I've considered is the extensive regulation around the services like those performed by Scottish Friendly for Mr H. The FCA Handbook contains twelve Principles for businesses, which it says are fundamental obligations firms must adhere to (PRIN 2.1.1 R in the FCA Handbook). These include:

- Principle 2, which requires a firm to conduct its business with due skill, care and diligence.
- Principle 3, which requires a firm to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
- Principle 6, which requires a firm to pay due regard to the interests of its customers and treat them fairly.
- Principle 7, which requires a firm to pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

So, the Principles are relevant and form part of the regulatory framework that existed at the relevant time. They must always be complied with by regulated firms. As such, I need to have regard to them in deciding Mr H's complaint.

It's also useful to understand what service levels firms should be aiming for when switches take place between providers. In this regard the sector best practice issued by the Transfers and Re-registration Industry Group (TRIG); whose membership included several trade bodies is instructive. In 2018 it published an Industry-wide framework for improving transfers and re-registrations. It noted:

"When moving investments, assets and entitlements between institutions, people have a legitimate right to expect the industry to execute their instructions in a timely and efficient manner. Furthermore, customers' service expectations are increasing due to the relative simplicity of switching in other markets. Slow transfers can cause detriment to customers; and the actions of one party can reduce the efficiency of all parties in the chain."

In this publication TRIG established what it considered to be reasonable timeframes for firms to adhere to for transactions like those being performed for Mr H.

As I've already outlined, both parties are now in broad agreement about what happened, including that the switch of Mr H's pension was delayed and that Scottish Friendly failed to provide a service that met good practice standards.

Scottish Friendly agreed that Mr H's pension transfer value should've been taken at 30 June 2023. And the Investigator concluded Royal London should've been in receipt of his pension funds on 14 July 2023, rather than 13 September. I see no strong argument to disturb these assumptions which seem reasonable in the circumstances.

Scottish Friendly subsequently confirmed the value of Mr H's pension on 30 June would've been £358,533. It needs to provide the schedule supporting this valuation. The figure transferred to Royal London on 13 September 2023 was £359,050, around £517 higher. So, this decision is focussed on how to put things right.

Putting things right

I'm upholding Mr H's complaint, so he needs to be returned to the position he'd have been in now, or as close to that as reasonably possible, had it not been for Scottish Friendly Assurance Society Limited's failings.

Scottish Friendly ultimately concluded the Investigator's proposal on redress wasn't fair. This may've been because we haven't explained matters as clearly as we might've. I say this because our basic approach on these matters is well established. I've set out the method for calculation in slightly different terms and hope this provides clarity.

I require Scottish Friendly Assurance Society Limited to assess what Mr H's notional position would be now had it provided a more effective service. In doing so it should assume a pension transfer value as at 30 June 2023 and that the funds were received by Royal London on 14 July 2023. It then needs to consider each element of the pension benefits Mr H received.

Tax-free cash (TFC)

Subject to confirmatory evidence from Scottish Friendly Assurance Society Limited of the transfer value of Mr H's pension, he lost the opportunity to use his TFC between 14 July and 12 September 2023. So, he needs to be compensated for this.

Our usual approach is to add 8% simple interest to the relevant amount, for the relevant period of delay. Scottish Friendly has indicated this would amount to about £959. It should be able to adjust the sum derived here by any overpayment of TFC – again, based on its figures, that would be around £129.

To the sum derived, of about £830, Scottish Friendly will need to add 8% simple interest for the period from 13 September until settlement.

Investment funds

The balancing 75% of Mr H's pension funds were invested through his new pension provider. Scottish Friendly Assurance Society Limited will need to liaise with Royal London assuming the balance of his funds would've been invested in the same funds in the same proportions, at the prices available at the earlier date of 14 July 2023. It will need to find a value for this notional pension at the date of calculation. This is value A.

Scottish Friendly Assurance Society Limited should then assess Mr H's position as it stands, for the relevant funds within the scope of this dispute, making adjustments for any additional contributions or withdrawal of monies that he's made, so as to arrive at a like for like comparison. This is value B.

If value A is greater than value B, Mr H has suffered a financial loss. Scottish Friendly Assurance Society Limited will be required to make good this sum. It will need to do so within 28 days of being notified that Mr H has accepted my final decision. After this it will need to add 8% simple annual interest on the outstanding sum.

If value B is greater than value A, Mr H hasn't suffered a financial loss on his investments. If there is a loss, Scottish Friendly Assurance Society Limited should pay into Mr H's pension plan, to increase its value by the amount of the compensation and any interest. Payment should allow for the effect of charges and any available tax relief.

Scottish Friendly Assurance Society Limited shouldn't pay the compensation into the pension plan if it would conflict with any existing protection or allowance. If it isn't able to pay the compensation into Mr H's 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. The compensation should be reduced to notionally allow for any income tax that would otherwise have been paid.

The notional allowance should be calculated using Mr H's actual or expected marginal rate of tax at his selected retirement age. For example, if Mr H is likely to be a basic rate taxpayer at the selected retirement age, the reduction would equal the current basic rate of tax.

Scottish Friendly Assurance Society Limited should provide Mr H with a breakdown of the redress calculations in a clear and simple format.

Trouble and upset

When I'm considering a complaint like Mr H's I think about whether it's fair to award compensation for distress and inconvenience. This isn't intended to fine or punish a business – which is the job of the regulator. But when something's gone wrong, recognition of the emotional and practical impact can make a real difference.

We're all inconvenienced at times in our day-to-day lives – and in our dealings with other people, businesses and organisations. When thinking about compensation, I need to decide that the impact of a firm's actions was greater than just a minor inconvenience or upset. It's clear to me that this was the case here.

It's important to recognise that Mr H's personal pension was his main provision for retirement. I recognise the frustration and anxiety he experienced.

Scottish Friendly Assurance Society Limited accepted it got things wrong for Mr H and that its failings had caused him trouble and upset. It apologised and ultimately offered him £400 in respect of this complaint. I think that award is fair in the circumstances. If it hasn't done so already, it should now honour this award, or any element of it which hasn't yet been paid.

My final decision

For the reasons I've set out, I'm upholding Mr H's complaint and require Scottish Friendly Assurance Society Limited to put things right in the way I've directed

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

Kevin Williamson

Ombudsman