DRN-5066427

The complaint

Mrs L complained Standard Life Savings Limited trading as abrdn (abrdn) caused her a financial loss by delaying the transfer of her pension benefits to a new provider.

She would like to be compensated for this loss.

Mrs L is being assisted in bringing her complaint by her Independent financial adviser (IFA). For reasons of simplicity, I shall treat all communications as coming from and being received by Mrs L.

What happened

I have reviewed all the evidence provided by both parties. I have not reproduced all of this in this decision but concentrated on what I believe to be the most relevant parts.

Mrs L held a personal pension with abrdn. On 22 November 2023 she asked for these pension benefits to be transferred to a new provider. Abrdn placed sale orders on 2 December 2023, eight working days later. It received the proceeds from these sales after a further six working days, on 11 December 2023. It then transferred the benefits to the new provider on 22 December 2023, a further nine working days later.

Overall, the process took 23 working days.

Mrs L complained to abrdn about the length of the transfer process on 6 February 2024. She felt that the process should have been completed sooner, with the new provider originally being told to expect the funds on 11 December, before actually receiving them on 22 December. She claimed that she had suffered a loss of c£18,000 as a result of the delay in completing the process.

abrdn responded to her complaint on 5 March 2023, not upholding her complaint. It said:

We arranged the sale of funds on 2 December, eight days after we received the request and within our expected turnaround times. The final sale of funds settled on 1 1 December….

……Following the settlement of funds, we are arranged the transfer of the cash balance to [new provider]. This was completed on 22 December, 9 working days after sales completed and again, within our expected turnaround times.

Unhappy with this response, Mrs L referred her complaint to this service.

Our investigator reviewed the evidence and formed the view that abrdn had treated Mrs L unfairly by delaying her pension transfer. They felt that the cash transfer following the settlement of the sell orders should have been completed more quickly, in line with the recommendations of the Transfers and Re-registrations Industry Group (TRIG) framework published in June 2018 which this service considers to represent good practice in the industry in general.

They concluded that the cash should have been transferred to the new provider on 14 December 2023 and that abrdn should undertake a loss calculation based on the transfer of funds taking place on that date rather than 22 December 2023.

abrdn did not agree with this view and so the complaint has been passed to me to make a final 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.

Having done so, I have reached the same conclusion as our Investigator and uphold Mrs L's complaint.

I will explain now how I have reached my conclusions.
Firstly, I think it's important to reflect upon the role of this Service. Our role is to impartially review the circumstances of a complaint and make a decision on whether a business has made errors or treated a customer unfairly. Where it has, we expect a business to fairly compensate a customer for any financial loss and distress and inconvenience they have suffered a result.

It is also important to point out that the role of this service is as an informal alternative to court action. In this spirit, we have to arrive at a decision that we think, on balance, is fair and reasonable to both parties.

To determine whether I believe that there was an undue delay to Mrs L's pension transfer, I'll look at each of the three key stages in turn.

The first of these is the time taken from abrdn receiving Mrs L's instruction to transfer her benefits to the new provider on 22 November 2023 and the placing of the sales orders on 2 December 2023, some eight working days later.

I've examined the Terms & Conditions of the Mrs L's account with abrdn, which describe the timescales for carrying out dealing instructions. They state:

`…dealing instructions received via the wrap platform within three business days of the business day we receive them, as long as there is sufficient cleared cash in the Client Terms and Conditions relevant product cash account…

Dealing instructions which we receive from you or on your behalf other than via the wrap platform will be added to the wrap platform within five business days of the business day we receive them, and then the three business day period above begins.`

I also note that the Terms and Conditions of her account stated that the process may be:

quicker but timescales vary depending on the type of investment and the dealing cut-off point offered.

Given this, I think it's fair and reasonable to find that abrdn have complied with the standards articulated here. Although the transaction took effect at the very end of the eight working day standard, I can't see that it has caused a delay in this stage of the process.

The second part of the process is the time taken for the sale of assets to take place and the resulting cash proceeds to settle into Mrs L's account at abrdn. As our investigator correctly stated, the sale of funds and remittance of the cash funds are controlled by third parties and so outside the control of abrdn. Consequently, I don't think it's reasonable to hold abrdn to account for the time taken for the assets to be sold and the funds settled to Mrs L's account.

This brings us to the final stage of the process, the transfer of the cash from abrdn to the new provider. This stage took nine working days. To decide whether I think this constitutes an undue delay in transferring the cash, I have to consider abrdn's evidence that the platform updates overnight, so the earliest the transfer could have begun was 12 December 2023. Abrdn has taken the view that such a timeframe for a cash transfer is reasonable while Mrs L contends that it should be completed much sooner.

Unfortunately, the Terms & Conditions do not provide explicit timescales for the transfer of proceeds to a new provider, so I have had to consider what other evidence there may be to identify how long such a transfer should reasonably take.

In terms of industry standards for cash transfers between providers, this service accepts that the Transfers and Re-registrations Industry Group (TRIG) represents good practice framework that financial services firms should aim to adhere to.

The TRIG framework suggests the standard should be two full working days, plus the day of receipt, to complete each step of a transfer process. I have discussed why I think the sale request is reasonable in this case. On balance, I find that the transfer of funds, once settled in the account, could have been completed sooner than it was.

I now have to consider what I think would represent a fair timescale for this step of the process to be completed and consequently how long I find the delay to the transfer to be.

I've considered abrdn's view that it doesn't consider the TRIG framework to be a fair basis for comparison, as it has no legislative force. It also noted that the framework the standard for pension transfers is ten working days, with two working days for all other cash transfers. I agree, however, with the view of our investigator that the ten day standard for cash pension transfers includes the whole process, while the delay occurred in the last step of the process, that of simply transferring the cash to the new provider. I agree that this is a relatively simple cash transfer, so the two day standard should apply. It's my experience that such cash transfers between providers can take place much quicker than the ten days abrdn suggests.

Consequently, on balance, I find that the funds should have been transferred to the new provider on 14 December 2023.

Putting things right

In assessing what would be fair compensation, my aim is to put Mrs L as close as possible to the position she would probably now be in if the delay hadn't occurred. I am satisfied that what I have set out below is fair and reasonable.

To compensate Mrs L fairly, abrdn should:

- Compare the actual value of Mrs L's pension funds with the new provider with the notional value if the transfer of cash had taken place on 14 December 2023.

- If the notional value is greater than the actual value, there is a loss.

- If there is a loss, abrdn should pay into MrsL's pension plan, to increase its value by the amount of the compensation. The payment should allow for the effect of charges and any available tax relief. abdrn shouldn't pay the compensation into the pension plan if it would conflict with any existing protection or allowance.

- If abdrn is unable to pay the compensation into Mrs L 's pension plan, it should pay that amount direct to her. 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 Mrs L won't be able to reclaim any of the reduction after compensation is paid.

- The notional allowance should be calculated using Mrs L's actual or expected marginal rate of tax at her selected retirement age.

- It's reasonable to assume that Mrs L is likely to be a basic rate taxpayer at the selected retirement age, so the reduction would equal 20%. However, if Mrs L 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%.

- Provide the details of the calculation to Mrs L in a clear, simple format.

Actual value
This means the actual value of Mrs L's pension based upon the transfer of the cash benefits on 22 December 2023.

Notional value
This means the notional amount of Mrs L's pension if the cash had been received by the new provider on 14 December 2023. For the purposes of this calculation, it should be assumed that the total would have been invested in the same proportion as it actual investments

Any additional sum paid into the investment should be added to the fair value calculation from the point in time when it was actually paid in. Any withdrawal, income or other distributions paid out of the investments should be deducted from the fair value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there is a large number of regular payments, to keep calculations simpler, I'll accept if abrdn total all those payments and deduct that figure at the end.

My final decision

For the reasons given above, I uphold Mrs L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 26 December 2024.

Bill Catchpole
Ombudsman