

The complaint

Mr M has complained that abrdn Financial Planning and Advice (abrdn) did not inform him that ongoing advice on his self-invested personal pension (SIPP) was optional and that he could cancel it at any time.

He would like the charges he has paid to be refunded.

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.

In 2017, Mr M received financial advice to allow him to transfer his occupational pension defined benefit scheme to a Self-Invested Personal Pension (SIPP). He accepted the advice he was given and paid an initial a fee of £4,000.

At the same time, Mr M also entered into an ongoing agreement with a charge of 0.5% per annum of the value of his funds. This entitled him to receive an annual 'checkpoint' review of his financial position and a full financial review every three years. These charges included providing Mr M with recommendations on the funds his pension benefits were invested in. This charge was increased to 0.79% in 2018.

Mr M received these yearly reviews until 2022. At the review held in 2018 some changes to Mr M's investments were recommended and accepted by him.

In 2023, Mr M did not receive a review. His financial adviser had left abrdn and responsibility for Mr M passed to another adviser. This new adviser contacted Mr M in early 2024 and conducted another annual review, some three months after it had been planned to take place. The adviser made further recommendations to Mr M to change some of his investments, which he again accepted.

During this review meeting, abrdn also discussed with Mr M that the annual reviews he had been receiving were optional and that he could cancel them if he wished. He asked that the ongoing service should be stopped after the recommended fund changes had taken place.

Mr M subsequently complained to abrdn on 12 March 2023 that he didn't believe the ongoing service was necessary, that he was not aware that it was optional and that he could have asked for advice on an ad hoc basis. Mr M also complained that he had not received a review in 2023 and that the charges applied for the ongoing service were not transparent or reflective of the service abrdn provided to him.

abrdn responded to his complaint on 6 June 2024, not upholding it. It said it didn't agree that ongoing advice was unnecessary or that the charges were not reflective of the service it had provided him. It said:

It is important to acknowledge that the annual checkpoint review call is only one part of the process and there is a requirement for preparatory work in advance of the annual checkpoint

review together with implementation activity afterwards. There is also the requirement for ad hoc activity outside of the annual review process which is encompassed by the ongoing advice charge.

The ongoing advice charges, therefore, take into account all activity that takes place on your account in a given review period rather than simply the annual checkpoint meeting.

abrdn also noted that Mr M had signed documents agreeing to the ongoing service and charges on a number of occasions. It did, however, accept that there was delay in Mr M receiving the annual review that should have taken place in 2023. It therefore offered him £300 compensation for the delay and inconvenience that it may have caused him.

Mr M was unhappy with this response and subsequently brought his complaint to this service.

Our investigator reviewed the evidence provided by both parties and formed the view that his complaint should not be upheld.

Mr M was unhappy 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 do not uphold Mr M's complaint. I also agree with investigator that the compensation abrdn has offered to Mr M is appropriate in the circumstances of this complaint.

I can appreciate that this will be disappointing to Mr M, so 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 as 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.

Mr M's overarching complaint is that he was unaware that the ongoing service abrdn provided him was an optional, rather than compulsory service. He also complained that the fees he was charged were not transparent or reflective of the service he was provided and that he did not receive an annual review in 2023, when he should have done. To decide whether I think his complaint should be upheld, I'll consider each of these points in turn.

Firstly, in 2017, when Mr M received advice from abrdn to transfer his occupational pension to a SIPP he signed a client agreement which included an ongoing advice fee of 0.5% per annum.

This agreement referred him to abrdn's terms of business and services and costs document. In the terms of business, it stated:

“Ongoing Services

We recognise that your needs are as individual as you are and will change over time. We want to ensure we give you the right level of support now and in the future. In order to keep your financial plan under review and continue to meet your needs your Planner will recommend the appropriate ongoing service.

Full details of fees payable are contained in your Engagement Letter and Suitability Letter. You can cancel our ongoing services at any time by writing to us. The cancellation will be effective when we receive your notification. Please be aware that we may charge you for any work carried out before we receive notice of your cancellation.”

The Services and Costs document also explained that:

You can cancel our ongoing services at any time by writing to us at: [Postal address]. This cancellation will be effective from when we receive your notification. A cancellation notice sent by post will be deemed to be delivered to us five business days after being posted to the address above. We’ll acknowledge your cancellation in writing and also let you know if there are any outstanding charges payable for services provided prior to cancellation.

I’ve considered that the main part of the advice Mr M received at this time related to the transfer of his occupational pension benefits to a SIPP, for which he paid an initial fee of £4,000. I can appreciate that his main focus at that time was this pension transfer advice, but I can’t reasonably say abrdn did not inform him that he could cancel the ongoing service at any time. Given this, I can’t see that abrdn has done anything wrong in this respect.

Turning now to look at the transparency of the costs of the service, I’ve looked at the communications Mr M received as a result of his annual reviews. I can see that each of these explicitly state the percentage fee that will apply to the following year, together with an estimate of the absolute costs based on the current value of his investments. I consider that abrdn did indeed make Mr M aware of the fees associated with the ongoing service that it was providing to him. Consequently, I can’t see that abrdn has done anything wrong in this respect either.

In terms of whether the charges for the ongoing service are reflective of the service that Mr M has received, this is a more nuanced and necessarily subjective decision. While I appreciate that Mr M has said that he considers the main element of service to be:

...represented by an annual meeting that would last 60 – 90 minutes.....

Against this, I also have to consider that abrdn contends that work is also undertaken in the background reviewing his funds before and after the meeting to ensure the chosen funds are performing as expected and adapting to any changes in Mr M’s circumstances and objectives. Given that abrdn has recommended changes to the balance of Mr M’s investments during the period he has held his SIPP to my mind reinforces the weight I find this view holds. On balance, therefore, I can’t agree that it would be fair or reasonable to consider that the ongoing service mainly consists of a relatively short meeting, as Mr M contends.

Where I do consider that abrdn has made an error is in not ensuring that Mr M’s annual review took place as planned in October 2023 when his financial adviser changed. abrdn itself has acknowledged this, and has apologised to Mr M as well as offering him the sum of £300 in respect of the distress and inconvenience that this caused him.

I have considered that it may be appropriate to ask abrdn to refund Mr M all the ongoing service charges he paid in 2023, as his review was delayed. However, as the annual review took place some three months later and in line with my finding that the ongoing charges represent more activity than just the annual review, I don't consider that it would be reasonable in the circumstances. Having reviewed the evidence and bearing in mind the guidance this service publishes to ensure consistency in awards, I consider that the payment of £300 is appropriate in the circumstances of this complaint.

My final decision

For the reasons given above, I do not uphold Mr M's complaint.

abrdn Financial Planning and Advice Limited should, however, pay Mr M the £300 in respect of the distress and inconvenience he has suffered, if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 January 2025.

Bill Catchpole
Ombudsman