DRN-5081179

The complaint

Mr B complains that the way Scottish Equitable Plc T/A Aegon handled the switch of one pension plan to another caused him a financial loss.
Your text here

What happened

Mr B's employer changed their workplace pension from a standard pension to a salary sacrifice pension, both held with Scottish Equitable Plc trading as Aegon (referred to here as "Aegon").

Mr B was told he could transfer the old plan to the new one. So as he was approaching age 60, he thought it made sense to consolidate his pension savings by transferring two inactive pension plans (RR and ASE1 below) into his new active workplace pension (ASE2), to save on charges.

All of his three plans were held within the wider Aegon group, of which Scottish Equitable Plc T/A Aegon is part. These were:

- Plan RR (ending *462) – a Self-Invested Personal Pension ("SIPP") wrapper, known as the Aegon "Retiready" account within which was held pension savings of around £30,701, managed through the Retiready online portal
- Plan ASE1 (ending *284) – his original workplace group personal pension ("GPP") valued at around £224,242 held with Scottish Equitable Plc (trading as Aegon)
- Plan ASE2 (ending *540) valued at the time around £8,821 his new active workplace GPP also held with Scottish Equitable Plc (trading as Aegon).

On 22 June 2023 Mr B logged into Aegon's "Retiready" platform and requested two transfers-in, completing the relevant forms. Aegon asked Mr B to clarify if he intended to transfer away from Aegon, or from one plan to another. Mr B explained he wished to transfer his non-active Aegon plans into his active plan. There was some further back and forth while Aegon sought to clarify Mr B's instructions. Aegon said it couldn't transfer Plan RR to Plan ASE2 unless Mr B consulted a financial adviser. But on 5 July 2023 due to the way Mr B had completed the transfer request, Aegon transferred Plan ASE1 into Plan RR (the SIPP wrapper), rather than into Plan ASE2, the new workplace GPP as he wished.

Mr B wasn't happy his instructions hadn't been followed, and a month later when the problem hadn't been resolved, he decided to consult a financial adviser. He hasn't disclosed the advice he received, but on 28 October 2023 Mr B transferred Plan RR (which included Plan ASE1) totalling around £247,653 from Aegon to Quilter. His active workplace pension (Plan ASE2) remains with Aegon.

When Mr B complained to Aegon in July 2023 it apologised for the poor service and offered £650 for the inconvenience it had caused, but said no loss calculation was possible as it no longer held his plans.

So in October 2023 Mr B referred his complaint to this service, where one of our investigators reviewed what had happened and sought a clearer explanation from Aegon. It said Mr B input his instructions in such a way to suggest he intended to transfer two external (meaning "ex-Scottish Equitable") plans to his Aegon Retiready plan. And that despite attempts at clarification he then appeared to be transferring Plan RR to itself as the same number had been quoted. The confusion arose because while all Mr B's pension plans are held within the wider Aegon group and are visible on the Retiready platform, the two brands remain separate entities. The Retiready (RR) account is held by Aegon Digital Solutions, and the Scottish Equitable plans (ASE1 and ASE2) are held by the Existing Business element of the group. These two elements are not fully integrated and don't share the same systems or processes, so moving funds between RR and ASE accounts while within the same wider group is treated as an external transfer. Mr B's initial instructions had been confusing, but Aegon conceded he had clarified his intentions. And so while it wasn't possible to transfer Plan RR and ASE1 to ASE2 through the Retiready platform, it shouldn't have transferred Plan ASE1 to RR.

But although Aegon had made an error, the investigator wasn't persuaded it should reimburse Mr B's financial adviser fees. Mr B hadn't shared the advice he received, but the investigator didn't think it was likely an adviser would've recommended a transfer away from Aegon purely because it had carried out an internal switch incorrectly. They expected the advice would've involved a wider review of Mr B's financial circumstances and objectives which would incur a fee. But as Aegon had switched plans against Mr B's wishes and the two plans are likely to be invested differently, the investigator would normally require Aegon to carry out a loss calculation, but that was no longer possible. So they thought the £650 Aegon had offered was sufficient to put things right.

Mr B didn't agree, saying that Plan ASE1 would've grown more if it had remained invested as it originally was, rather than switched into Plan RR prior to the transfer to Quilter. He also thought he might have paid higher charges than he should have, and wanted his losses reimbursed.

<u>Provisional findings</u>

I issued a provisional decision on this complaint in September 2024 as I agreed with the outcome reached, but thought things should be put right differently. I made the following findings (summarised for brevity).

> I understood why Mr B thought that as he could see all his plans in his Retiready account, and they were all held within the wider Aegon group he'd be able to manage them himself and arrange a switch from one plan to another. And I thought it was reasonable to say there'd been sufficient time for systems to be integrated since the merger of Scottish Equitable and Aegon in 2006. I thought it was confusing that a switch between an Aegon plan and an ex-Scottish Equitable plan is still considered to be an external rather than internal transfer, particularly as the terms and conditions of the Retiready account explain that Mr B had an Aegon Retiready SIPP and that "*Retiready and Aegon are brand names of Scottish Equitable plc".* This is repeated in the Key Features document, and in the footers of the emails Mr B received. I'd seen no reference to alert customers that the two brands remain separate entities and that transfers between the two will be considered external, requiring additional checks. Aegon had provided screen shots of the instructions Mr B input through the Retiready platform, which they say show they were keyed incorrectly. But even if he had done so, Aegon emailed him on 23 June 2023 querying his instructions. And on 26 June 2023 Mr B clarified he wanted to transfer an inactive Aegon plan into his active one, and would email the completed forms. Which he did on 30 June with a covering email explaining he wished to transfer plans *462 and *284 to *540.

But as plan *540, Mr B's active workplace plan ASE2 was not a Retiready plan the forms couldn't be used in that way, and Aegon queried his instructions again. Mr B clarified that he wanted to transfer the RR (*462) valued at around £30,792 into his active ASE2 plan (valued at £8,824) to save on admin costs. As in Aegon's eyes this would be an "external" transfer, Mr B was asked if he'd received financial advice or consulted the free PensionWise service. Mr B said he thought "*the question was moot as the transfer had been cancelled*".

But Aegon had already processed the transfer of plan *284 (ASE1 the previous workplace scheme) to his RR SIPP *462 which Mr B had made clear he didn't want, and thought had been cancelled. The transfer was done in cash rather than in specie, and funds were received on 7 July 2023. Aegon explained it would take a couple of days to purchase his chosen funds. Although this was against Mr B's wishes, Aegon initially said there'd been no error on their part as they'd followed the instructions they received. Mr B disputed this as he had not requested a transfer to his RR plan *462. At this point Aegon offered to transfer the balance of his RR plan to his active workplace scheme, but instead Mr B appointed a financial adviser ("Mr M") and told Aegon to take no further action. And eventually instead of consolidating his pension savings into his active workplace plan to save admin charges as he originally intended, Mr B was advised to transfer his RR account of around £247,653 (which included the balance of ASE1) to Quilter, which took place on 28 October 2023.

I didn't agree with Mr B that Aegon should cover his financial advice costs, as the email of 1 August 2023 shows that the transfer could have been done without a financial adviser if he'd accepted Aegon's offer, and I thought it could have completed sooner than late October. Alternatively Mr B could've insisted Aegon reverse the transfer from ASE1 to his RR account as he clearly didn't intend that to happen. In any case, Mr B wasn't advised to consolidate his pensions into plan *540, despite the fees on a workplace plan generally being subsidised by the employer. I agreed with the investigator that Mr B's financial adviser would've reviewed his financial circumstances, objectives, and attitude to risk, to produce a suitable recommendation to invest his pension. And that the selection of Quilter is likely to have been based on more tangible evidence than wanting to leave Aegon due to inefficient communication. Because Mr B ultimately didn't consolidate his plans into his low-cost workplace scheme, I didn't consider further his claim that Aegon caused him to pay higher fees than he should have.

But I didn't think Aegon should have transferred Mr B's ASE1 plan (*284) to his RR account. So I said it should carry out a loss calculation for the period between 30 June when the funds were disinvested, to 28 October 2023 when they were transferred to Quilter, and set out how that should be done. But as it was Mr B's choice to consult a financial adviser, and because he didn't actually consolidate his plans into his new workplace GPP as he originally intended, I didn't ask Aegon to reimburse the advice fee, or to cover any costs or losses incurred after the transfer to Quilter.

Responses to the provisional decision

- Mr B accepted the provisional decision, He explained he transferred away from Aegon as a "*knee jerk reaction*" to what he saw as their incompetence, and although his adviser recommended Quilter he could easily have gone somewhere else.

- Aegon accepted the outcome and the proposed redress.

So I'm now in a position to finalise the 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.

As both parties have accepted the outcome and redress, I see no reason to depart from the conclusions and proposed redress set out in the provisional decision. So I require Aegon to carry out a loss calculation to ensure Mr B isn't disadvantaged by the switch of plan ASE1 to the RR account which he hadn't requested.

Putting things right

My aim in awarding fair compensation is to put Mr B back into the position he would likely have been in, had it not been for Aegon's error. I think this would have meant plan ASE1 would've remained where it was and not transferred into his RR plan.

So to put things right Aegon should do the following:

- Clarify the value of Mr B's ASE1 plan (*284) on 30 June 2023 when it was disinvested and transferred to his RR account (*462) (Value A)
- To determine the value of that element of Mr B's plan once it had been transferred to RR, uplift Value A by the relevant investment growth (or loss) for the RR plan, allowing for the applicable charges, for the period from 7 July 2023 (when the funds were invested within the RR) until 28 October 2023 when they were disinvested and transferred to Quilter (Value B).
- Calculate the notional value of Mr B's original workplace plan as at 28 October 2023 had the transfer to RR not happened, and Value A had remained invested in ASE1 (*284) and subject to the applicable charges for that plan (Value C).
- If Value C is higher than Value B then there's been investment loss and compensation is due. If Value B is higher or the figures are equal then Mr B has not been disadvantaged by the transfer to RR and no compensation is payable.
- If there is no loss Aegon should pay Mr B £350 for the trouble and upset he has experienced.
- If there is a loss the compensation amount should if possible be paid into Mr B's pension plan. As Mr B has transferred the bulk of his pension away from Aegon it may be easier to pay any compensation into his active workplace scheme (ASE2). The payment should allow for the effect of charges and any available tax relief. The compensation shouldn't be paid into the pension plan if it would conflict with any existing protection or allowance.
- If a payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr B as a cash lump sum, after making a notional reduction to allow for future income tax that would otherwise have been paid.

- If Mr B has remaining tax-free cash entitlement, 25% of the loss would be tax-free and 75% would have been taxed according to his likely income tax rate in retirement. In the provisional decision I made the assumption that Mr B is likely to be a basic rate taxpayer in retirement so have used 20% and neither party has disputed this. So making a notional reduction of 15% overall from the loss adequately reflects this.

- In addition to the financial loss compensation set out above, Aegon should also pay Mr B a further £350 to represent the trouble and upset he experienced.

- Aegon should provide Mr B with the calculation set out in a clear and simple format.

My final decision

I uphold this complaint and require Scottish Equitable Plc trading as Aegon to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 November 2024.

Sarah Milne
Ombudsman