

The complaint

Mr H's complaint is about the significant fall in the value of his pension and how ReAssure Limited have administered it. He understood he was in lower risk funds – however he doesn't think this has turned out to be the case. And he understood that when ReAssure Limited took over the administration of his pension the charges wouldn't change – but he thinks they had tripled.

What happened

I issued my provisional decision on this complaint on 31 October 2024. The background and circumstances to the complaint were set out in that decision. I've copied the relevant part of it below, and it forms part of this final decision.

Copy of provisional decision

Mr H's complaint was considered by one of our investigator's. He issued his assessment of the complaint on 14 February 2024. The background and circumstances to the complaint were set out in his assessment and are known to both parties, so I won't repeat them all here.

However to recap, Mr H had been a member of his employer's group pension scheme. His employer decided to wind up that scheme and move it to a Stakeholder pension plan with a pension provider which I will refer to as Provider A. In 2020 there was a transfer of the pension business from provider A to ReAssure.

When Mr H received his annual statement in August 2022 he noticed it had dropped significantly in value. He was surprised, because it was supposed to be invested in less volatile/risky funds. It also raised concerns about the charges that ReAssure was applying - he thought ReAssure was applying higher charges than it should have been. He was also concerned that his monthly contributions weren't being reflected in the value of the plan and the number of units appeared to be decreasing at times.

Our investigator said he thought that when Mr H's pension had been administered by Provider A Mr H had been paying charges of 0.45%, plus 0.15% where invested in external funds. He didn't think ReAssure had been applying higher charges. And the investigator said he thought the annual statements showed that Mr H's contributions had been paid into the plan.

The investigator said the investment strategy had been advised upon by another firm. And so Mr H should raise any concerns about mis-selling with that firm. He said Mr H had been switched to what were considered to be more cautious funds as he had approached retirement. But that wider market conditions had impacted the value of those funds. He thought these factors were outside of ReAssure's control. Overall, he didn't think that ReAssure had done anything wrong.

Mr H didn't accept the investigator's findings. He provided copies of extracts from his statements where ReAssure had referred to different sets of charges – from 0.15% to

0.45%. He said ReAssure had also said the AMC (Annual Management Charge) was deducted by adjusting the unit price of the funds. And he said on the pension portal units were disappearing from his funds – even though he was making contributions of £125 a month into it. Mr H provided a screenshot from the pension portal which recorded his £125 contribution. It went on to say that £63.93 of the contribution was used to go towards ‘Explicit policy charges’. But that there were also implicit policy charges which included the AMC and IMC (Investment Management Charges). Mr H said ReAssure was unwilling to tell him what it was charging and where his monthly contributions were going.

What I’ve provisionally 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.

Like the investigator, I’ve seen no persuasive evidence that ReAssure was responsible for the general fall in the value of the particular funds that Mr H was invested in. The falls in the value of those funds were due to wider market conditions which were explained by the investigator. Mr H appears to have been aware that he was invested in the cash and fixed interest funds, and was alerted that the investment strategy was to move his pension into those funds as he approached retirement date with the aim of buying an annuity.

Mr H’s pension was largely invested in a fund that was invested in UK government stocks and other fixed interest securities. The fund would traditionally have been considered to present lower risk than shares. And as the investigator explained, there is generally an inverse relationship between the returns on these types of fixed interest funds and annuity rates – the rates that are used to turn a pension fund into income. So even if the value of the fund decreased, the corresponding increase in annuity rates should mean that Mr H could buy a similar level of income with a lower value fund. I understand why Mr H is disappointed that the value of his pension fell. However having carefully considered the matter, I don’t think ReAssure was responsible for the ‘losses’ suffered by Mr H as a result of being invested in those funds.

Mr H is also concerned about the charges that are being applied by ReAssure. He’s said ReAssure was unwilling to tell him exactly what it was charging, and where his monthly contributions were going.

Having considered the information that has been provided to Mr H and what has been provided to us, I tend to agree that it’s very difficult to be satisfied that the charges have been applied correctly.

My understanding is that when the pension was transferred from Provider A to ReAssure the charges were supposed to remain the same. I’ve seen Provider A’s description of the charges that it applied to the pension. This says, effectively, it applied an AMC of 0.45% on the fund value. It goes on to say:

There is an additional annual management charge for any money invested in [Provider A’s] pension funds managed by external fund managers. The rate of charge for [Provider A’s] Stakeholder Pension Plan is currently 0.15%.

My understanding is that this 0.15% was in addition to the 0.45% where a Stakeholder pension uses external fund managers. So I think the basic AMC charge for Mr H’s pensions should be 0.45% if his funds aren’t invested with external managers.

Some of the statements that have been sent to Mr H say the charges are 0.45%. However other information refers to different levels of charges - some lower and, more recently, some higher. Some of the statements say:

Charges

You pay for the costs of running your policy, such as administration and investment fees, directly from your policy. These costs are taken into account each day when we work out the price of your investment units.

However Mr H has provided a screenshot from the pension portal which shows the monthly premium payable of £125. It then goes onto say £61.07 was used for savings. And £63.93 was used to pay 'Explicit policy charges'.

The accompanying explanation said:

"The above figures are based on your last regular payment and any one-off payments made between 1 February 2024 and 29 February 2024. Explicit charges are taken from your policy value and premiums and can include charges such as policy fees and bid-offer spread. There are also charges that are taken from the daily prices of every unit you're invested in. These are called implicit charges, and include Annual Management Charges (AMCs) and Investment Management Charges (IMCs) and are used to cover the cost of administering your policy.

ReAssure has said the only charge applied to the plan is the AMC. The information provided to Mr H says the AMC is taken through implicit charges - from the daily prices of every unit you're invested in. However the information also says £63.93 was used to pay 'Explicit policy charges' – which don't appear to include the AMC.

When we tried to clarify the issue with ReAssure it said:

The only charge applicable to this policy is the Annual Management Charge.

The Annual Management Charge (AMC) for this policy is tiered. This charge works on a tiered basis, therefore, different parts of fund value have different AMC rates applicable:

- £0 to £25,000.00 – 1.00% Annual Management Charge applies
- £25,000.00 to £50,000.00 – 0.90% Annual Management Charge applies
- £50,000 and above – 0.80% Annual Management applies.

Please note, AMC's are calculated and deducted daily and can fluctuate in line with the change to the Fund Value.

However this isn't consistent with my understanding that the charges should be 0.45% and information provided in other correspondence.

ReAssure also said, in relation to the £63.93 charge:

There are no other charges applicable to this policy. – This is a daily charge (the ~£63 would be the yearly charge at the point of the correspondence.)

The £63.93 charge was set out on the pensions portal. It said this was what part of the regular premium of £125 which was paid monthly was used for. So it's not entirely clear to me how it could be deducted daily - or if 'yearly charge' relates to the AMC.

Mr H has also said the number of units shown on the pension portal sometimes falls. There is a written summary of the number of units over time which does show this on occasion. I haven't got access to the portal and so I cannot reconcile the figures provided. However I note that the letter sent to Mr H dated 30 September 2023 said there were 61,216 units in the fixed interest fund (it said the unit price was at 17 August 2023, however I'm unsure if the number of units was at that date or the date of the letter). However in the later letter sent to Mr H dated 8 November 2023, it said he had 61,289 (valued at £127,053). Mr H had also made further contributions by this point. I thought units might be switched between funds (the other fund being the cash fund) to maintain the 75%/25% split. However the values for each fund don't reflect that split, so I assume that isn't the reason for the fall in the number of units.

Mr H is also concerned that five of his regular monthly payments were missing on one of his statements (that also outline the contributions received). ReAssure has provided a printout showing the payments were received along with audit reference numbers. I accept that this shows the payments were received by ReAssure. But I don't think it's sufficient evidence to conclude they were paid into Mr H's pension itself – particularly in light of the other inconsistencies with the number of units as set out above.

All in all, I can see why Mr H isn't satisfied that the correct charges are being applied to his plan given the inconsistent information provided by ReAssure.

My provisional decision

My provisional decision is that I uphold the complaint in part.

I intend to order that ReAssure Limited send Mr H a record of all the charges that have been taken from the pension in monetary and percentage terms since it was transferred to it in 2020.

It should confirm whether any charges have been taken through adjustment of unit prices.

It should confirm whether the Explicit policy charge is the AMC, and is the only charge taken.

It should explain why there appears to be a fall in the number of units allocated to the fund at times.

It should check and provide evidence to Mr H that the contributions paid between 1 September 2021 and 1 January 2022 were applied to his pension.

My current understanding is that the total charges should be no higher than 0.45% (unless external fund have been used which incur an additional 0.15%). If it is identified that the charges taken are higher, or that units have been incorrectly deducted, then the value of Mr H's pension should be reworked to reflect the correct maximum charges being deducted/the correct number of units.

Mr H is approaching his retirement and it's understandable he wants to ensure the value of his pension is correct. I'm satisfied the uncertainty is likely to cause a degree of distress and inconvenience to Mr H, and the issues have been going on for some time. I'm therefore minded to award Mr H £150 for the distress and inconvenience caused to him by the matter.

I asked Mr H and ReAssure Limited to let me have any further evidence or arguments that they wanted me to consider before I made my final decision.

Mr H didn't fully accept my provisional decision. He said, in brief, that he wasn't happy with

the actions of the original pension provider or how ReAssure had handled his pension when it took it over. He said he still didn't understand what charges ReAssure was applying given the different figures it kept providing.

ReAssure Limited said it accepted my provisional decision. It provided information about the charges and a list of charges applied to Mr H's plan.

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've seen no reason to depart from my provisional decision to uphold Mr H's complaint in part.

ReAssure Limited has said it accepted my provisional decision. However the information it provided about charges wasn't consistent with what I or the investigator had said or with information that had been previously provided to Mr H – it said the AMC started at 1%. And explained in the standard manner that has been provided before. No further explanation about the charges was provided or for the previous inconsistencies.

As I said in my provisional decision, it's very difficult to be satisfied the charges have been applied correctly given all the inconsistent information that has been provided and/or the lack of explanation for the inconsistencies. I understand Mr H's frustration with the matter.

In my opinion the balance of the evidence suggests the charges should be as I outlined in my provisional decision – 0.45% with an additional 0.15% if Mr H was invested in an external fund. Mr H's pension was taken over from the previous provider. And the information provided to Mr H at that time said the charges wouldn't change. The evidence provided about the previous provider's charges show it was as above – 0.45%. And this is consistent with the statements sent to Mr H saying charges were 0.45%. So as I say, I think it's more likely than not that the charges should be 0.45% (with 0.15% if invested in an external fund).

So I think it's fair for ReAssure Limited to check that these charges have been applied correctly, and if it's identified that higher charges have been taken, or, as I explained in my provisional decision, that units have been incorrectly deducted, then the value of Mr H's pension should be reworked to reflect the correct maximum charges being deducted/the correct number of units.

ReAssure Limited also provided us with some information about the charges that had been deducted from Mr H's pension. However in a format that is difficult to understand, and there is no accompanying explanation – for example what the credits are for, or their significance in calculating the overall charges. In providing the information to Mr H it needs to do so in terms that are understandable to a layman.

My final decision

My final decision is that I uphold Mr H's complaint in part.

I order ReAssure Limited to provide the information I set out in my provisional decision to Mr H, rework the value of his plan if it has applied charges higher than the 0.45% (and 0.15% if applicable), and pay Mr H £150 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 20 December 2024.

David Ashley
Ombudsman