

The complaint

Mr S complains about the way in which Investment Funds Direct Limited trading as M&G Wealth Platform (“M&G”) has corrected an error in the setup of contributions being made to his pension plan.

What happened

Mr S has been assisted in making this complaint by his current financial advisor. But in this decision, for ease, I will generally refer to all communication as if it has been with, and from, Mr S himself.

Mr S opened his pension plan with M&G in May 2017 with the assistance of a previous financial advisor,. At that time he submitted an application form to confirm that his employer would pay monthly contributions of £350 to the pension by standing order. Those contributions have continued since then, increasing to £400 per month in July 2020.

It appears that Mr S has now engaged a new financial advisor. That advisor noticed that Mr S was not receiving any tax relief on the pension contributions that were being made. As he was a sole trader, what had previously been designated employer contributions should be treated as personal contributions and benefit from tax relief. Mr S asked M&G whether it could correct the nature of those contributions and add the tax relief that would be due.

M&G accepts that it took a relatively long time to answer that question. It said that it was a unique and complex enquiry to resolve. But in May 2024 M&G agreed, as a gesture of goodwill, to add tax relief to each of the contributions that had been received on Mr S’ pension amounting to £8,587.50. But Mr S asked that M&G also compensate him for the lost investment growth on those payments. M&G explained that, since it had made no error and had simply acted in accordance with the application form it had received, it wouldn’t be able to pay any compensation for investment loss. Unhappy with that response Mr S brought his complaint to us.

Mr S’ complaint has been assessed by one of our investigators. He didn’t think that M&G had done anything wrong. He thought that M&G had simply acted on the reasonable instructions provided by Mr S and his former financial advisor. So he didn’t think M&G needed to do anything more than it had already by adding the tax relief to Mr S’ contributions.

Mr S didn’t agree with that assessment. So, as the complaint hasn’t been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr S and by M&G. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

There are two regulated entities that were involved in the set up of Mr S' pension plan and its contributions. Mr S says his former financial advisor provided him with advice and assisted with the completion of the application form. And then M&G has administered the pension plan and applied the contributions Mr S has paid. Mr S also says that his former advisor has collected ongoing charges from his pension savings for which he has not received any services.

But this complaint only relates to the actions of M&G. So I won't be making any findings of fault against the former financial advisor. Should Mr S be unhappy about how his pension plan was set up, or the ongoing charges that have been collected since by that advisor, he would need to make a complaint to that firm.

M&G has provided us with a copy of the original application Mr S made for contributions to be added to his new pension plan. That form is clearly headed up "SIPP Employer Contribution Form" and confirms that the contributions will be paid by Mr S' employer. Contributions made by an employer do not benefit from tax relief, so I think M&G acted correctly when it set up Mr S' pension plan, and dealt with the subsequent contributions.

Mr S has said that no company number was stated on the form and if M&G had done the necessary due diligence this error would have been noticed at the outset. But I'm sorry to tell him that I don't agree. The error here was in the form that was used to set up the contributions. I'd assume that form was used following advice from the former financial advisor. If that were the case, that is where the error would lie, and not with M&G.

I think M&G has treated Mr S very fairly in adding the tax relief that his contributions would have received had they been set up correctly at the outset. Although I agree it took some time for that correction to be completed, I accept M&G's explanation that this was a novel and complex situation. So it would have required some detailed research and potentially discussions with HMRC and M&G's legal advisors. I don't find any fault in the time it took for the correction to be performed.

Mr S is entirely correct that he will have lost out on investment growth as a result of the tax relief not being added at the time the contributions were made. But that lost investment growth should be compensated by the party that made the error when the pension plan was originally set up. I don't find that responsibility to sit with M&G.

I appreciate that this decision will be disappointing for Mr S. I'd encourage him to investigate further the circumstances behind his original application to M&G, and whether he was badly advised by his financial advisor at the time. But I think what M&G has done here, retrospectively adding the tax relief to Mr S' pension contributions is fair and reasonable in the circumstances. I don't think M&G needs to do anything more.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Investment Funds Direct Limited trading as M&G Wealth Platform.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 May 2025.

Paul Reilly
Ombudsman