

The complaint

Mrs P has complained that Seven Investment Management LLP (Seven) caused a delay in processing her request to take a lump sum payment from her Uncrystallised Funds Pension Lump Sum (UFPLS). This delay caused her to suffer a financial loss that she would like to be compensated for.

Mrs P is represented in this complaint by her independent financial adviser (IFA). For reasons of simplicity, I shall refer to all correspondence as if it were between Mrs P and Seven.

What happened

In early 2024, Mrs P asked her IFA to request a tax free lump sum from her pension. She wanted to complete the withdrawal in the 2023/2024 financial year to enable her to make a contribution into an individual savings account (ISA) in that same year.

Mrs P also wanted to make the withdrawal in that particular tax year as she had earned little or no income in that year and this approach would enable her to use her tax allowance receive a higher amount of tax free cash.

On 20 March 2024, Seven contacted the IFA to confirm that the application could be processed before the end of the tax year if it received the withdrawal forms that same day. The IFA returned the forms by email later that day, requesting a UFPLS of £16,000. This comprised £4,000 as a tax free lump sum and the remaining £12,000 as an income lump sum. The email also stated that the payment :

needs to be paid out before tax year end.

The following day, 21 March 2024, Seven replied to the IFA to confirm that it had received and processed the withdrawal form and that the funds would be paid within five working days. The IFA responded to ask Seven to confirm the funds would be made available to Mrs P on 1 April 2024, which Seven duly did.

Seven contacted the IFA again later that same day to inform the IFA that the tax free cash would be paid one day before the remaining lump sum which would be paid on 1 April 2024 as previously advised.

On 22 March 2024 however, Seven identified a discrepancy on the withdrawal application form, which identified a differently named IFA as being shown as acting for Mrs P on Seven's system than the one which had requested the withdrawal on her behalf.

On 25 March 2024 Seven established that the IFA that had requested the withdrawal was an appointed representative (AR) of the firm named on its system, so it was satisfied that the instruction had been made correctly. It subsequently began processing the withdrawal the following day, March 26 2024.

Seven completed the withdrawal process on 4 April 2024 and sent the proceeds on 5 April 2024, although the payment was not completed until 8 April. 2024.

In the meantime, Mrs P complained to Seven on 4 April 2024 and followed this with an email of complaint on 9 April 2024.

Mrs P complained that Seven had not completed the payment to her by 1 April 2024 as it had assured her would be the case. She felt that this delay had meant that she was unable to use her ISA allowance for 2023/24 and had incurred a further financial loss in relation to additional income tax that would fall due in 2024/25.

Seven responded to Mrs P's complaint on 30 May 2024, not upholding it. It said that although it had received the withdrawal form late in the afternoon of 20 March 2024. On 22 March, the SIPP administrator highlighted a discrepancy the name of the nominated IFA on the form and the one listed on Seven's system as Mrs P's IFA.

When it investigated, Seven discovered that the IFA nominated on the form is an appointed representative of the firm named on the system and so the transaction was cleared to proceed. This took one working day.

Seven explained the need for the check by saying:

Please note that our SIPP Administrator will not process with any payments where there is a discrepancy between the paperwork and their records, and as such, they were within their rights to query this as part of standard due diligence before making a payment.

Seven went on to say:

we provided an estimated completion timescale of 10 working days for an income payment to be issued from the date that we receive paperwork. Given the time that the paperwork was received on the 20th March 2024, it was not realistic for work to progress on the case until the next working day. Therefore, from the 21st March 2024, ten working days would be the 4th April 2024, and this timescale can only be met if there are no discrepancies or delays when processing the request. As there was a discrepancy, there was no guarantee that the payment would be made on the 1st April 2024

The next available payroll date was 8 April 2024, after the end of the tax year.

On 4 April 2024, Seven instructed its SIPP Administrators to process an ad-hoc payroll, with the payment sent to their SIPP Administrator on 5 April 2024 and issued on 8 April 2024.

The SIPP Administrator subsequently issued this payment on April 8, 2024

Seven concluded that owing to the timescales involved and the need to address the discrepancy in its records that it could not accept any liability for the late payment and any consequential losses Mrs P believed she had incurred.

Unhappy with this response, Mrs P referred her complaint to this service. Our investigator considered the evidence and formed the view that Mrs P's complaint should not be upheld.

Mrs P subsequently provided further evidence that she had provided a Transfer of Servicing (TOS) form to Seven on 14 March 2023, which identified the IFA named on the application as acting on her behalf and stated that it was an appointed representative of the IFA firm previously named as her representative. Seven did not update its records to reflect this information.

Having considered this information, our investigator issued a second view, which found that the complaint should be upheld. Seven responded to this second view to state that the information provided on Mrs P's transfer form relating to the IFA did not exactly match the TOS request and so a discrepancy in the information would still have existed.

As Seven was unhappy with the second view 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 agree with our investigator and uphold this complaint.

I shall explain how I reached my decision.

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 the customer for any financial loss they may have suffered.

I have carefully considered the evidence that has been provided by both Mrs P and Seven. Where the evidence is unclear, or contradictory, I have based my conclusions on the balance of probabilities - what I think is more likely to, or should, have happened.

The key issue for me to decide is whether Seven was at fault when Mrs P's pension withdrawal request was processed in the tax year 2024/25 rather than 2023/24 as she had requested and Seven had indicated it could be.

To do this, I have considered the timeline of events that took place from the start of the transfer process. Firstly, it's clear to me that there were a total of eleven full working days between when application was received by Seven and the end of the tax year on 5 April 2024. This means that the withdrawal application needed to be completed within a relatively short period.

I can see that Mrs P submitted the application by email on 20 March 2024, shortly before the close of business that day. Seven passed the application the following day to its SIPP administrators to begin processing the withdrawal request. On 22 March 2024, the SIPP administrator noted that the name of the IFA on the withdrawal form differed from that held on the computer system. It investigated the discrepancy and satisfied itself that the IFA firm named on the form was an appointed representative of the firm named on the system on 25 March 2024 and proceeded to action the transfer. As Seven had a duty to ensure that all payments and transfers are correctly authorised, I find it reasonable to conclude that it had no choice but to investigate this discrepancy, so I can't see that it did anything wrong by doing so. The effect of this additional check, however, caused a delay of one working day at this point which this meant that the process could not be completed before 29 March 2024, which was a bank holiday. Monday 1 April 2024 was also a bank holiday, and so the transfer missed the scheduled payroll run on that day.

I can also see that Seven subsequently attempted to manually complete the transfer of funds before the end of the tax year, but was ultimately unsuccessful in doing so.

I consider that the timescale that the transfer needed to be completed in was very challenging, but have to also consider that Seven itself believed it would be possible to complete the transfer before the end of the tax year if no delays occurred. Given this, I think it's fair and reasonable to conclude that the delay in processing the transfer was responsible for the failure of the transfer to complete before the end of the tax year.

It therefore follows that I find that the check Seven undertook to investigate the discrepancy ultimately caused the transfer to be completed after the end of the tax year.

As I've already mentioned, I have concluded that Seven was correct in checking the discrepancy in that paperwork, but I now have to decide if the discrepancy which caused the one working day delay in the transfer was the responsibility of Mrs P or Seven.

To do this, I have carefully considered the evidence from both parties. I can see that Mrs P sent a TOS to Seven on 14 March 2023 which identified an Individual, their IFA firm name and the fact that they were an appointed representative of another IFA firm. I can also see that the signed transfer form was submitted by the named individual and gave the name of their firm, although not the name of the firm it was an AR for.

A further point I have considered is that Seven did not update its records with the information Mrs P had provided in the TOS, which would have provided the name of the correct individual and IFA firm. Although I can appreciate Seven's contention that Mrs P should have provided all three pieces of information on the transfer form, on balance I think that having those two pieces of information matching what should have been on the system would have been enough for validation. As it was Seven's mistake in not updating the system when Mrs P provided the TOS, I find that Seven bears the responsibility of the delay occurring.

In conclusion, therefore, I uphold Mrs P's complaint.

As I mentioned earlier in my decision, it is my aim to put Mrs P as closely as possible back into the position she would have been in had the transfer completed before the end of the 2023/24 tax year. It is, however, not possible to allow her to retrospectively invest into an ISA for the 2023/24 financial year, so this redress is designed to compensate her for this loss.

I can see that Mrs P has provided clear evidence of her intention to make an investment into an ISA in the tax year 2023/24. An investment of £20,000 was made in June 2024.#

She has also stated an intention to fully use assets from other investments to fully utilise her ISA allowances in future years, although she accepts that this is dependent on further tax advice from her IFA to avoid triggering any future capital gains tax liabilities. Given this, I find that Seven should make a one off payment of £350 to Mrs P in respect of the distress and inconvenience she has suffered as a result of losing her ISA allowance for 2023/24.

Putting things right

To put things right for Mrs P, Seven must:

- Repay the additional income tax that Mrs P became liable for as a result of not being able to use her income tax allowance in 2023/24. This amount was shown as a deduction of £3,778.19 which was deducted from the taxable lump sum that she withdrew from her pension.
- Pay Mrs P interest on this amount at 8% per annum simple from the date the tax was deducted until the date of settlement.

- Pay Mrs P the sum of £350 in respect of the distress she experienced and the inconvenience of losing access to her ISA investment allowance in 2023/24.

My final decision

For the reasons explained above, I uphold Mrs P's complaint.

Seven Investment Management LLP should pay Mrs P the sums calculated above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 13 June 2025.

Bill Catchpole
Ombudsman