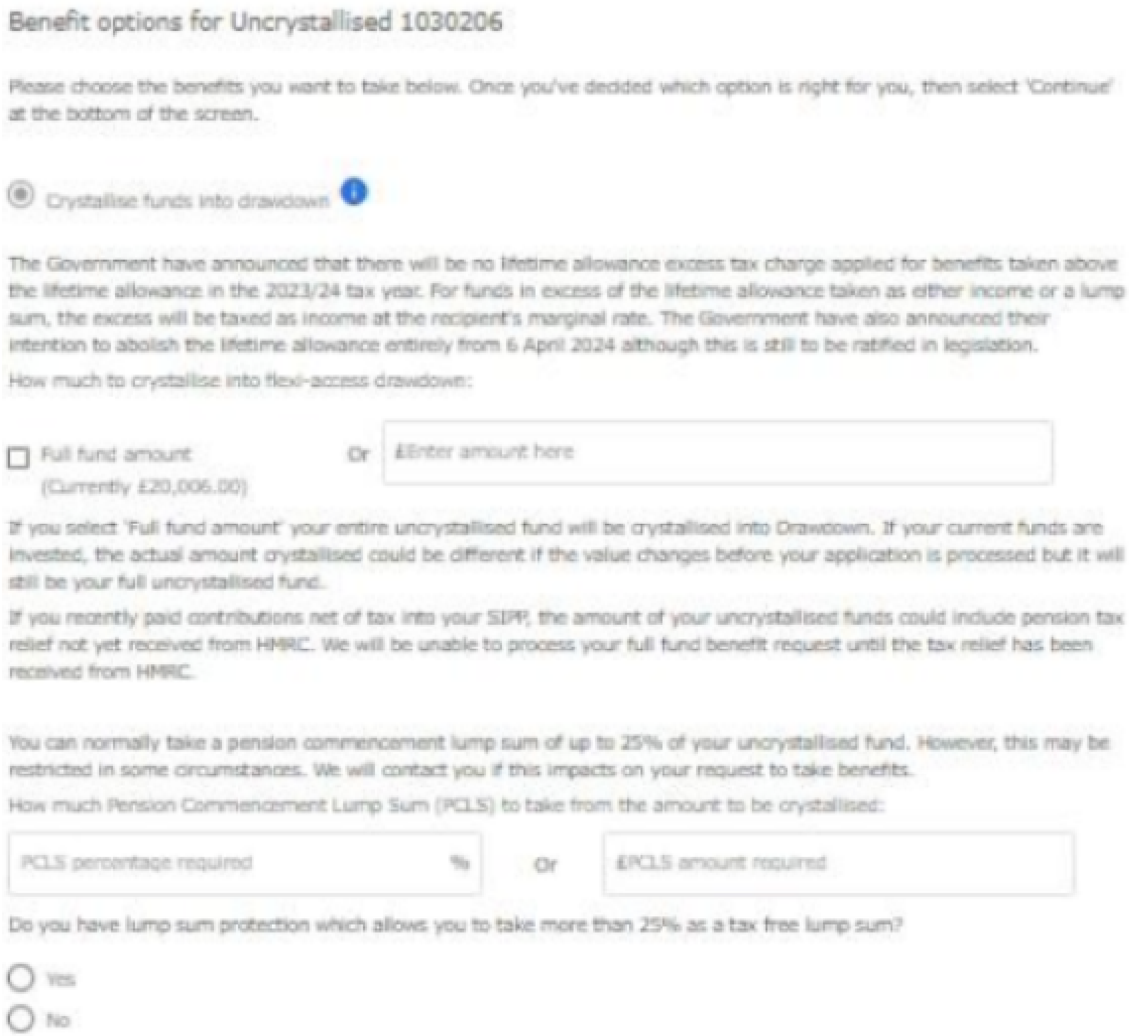
DRN-5220112

The complaint

Mr M is unhappy with the service he received from Interactive Investor Services Limited (Interactive Investor) which he says led to him missing out on taking tax-free cash.

What happened

Mr M has a self-invested personal pension (SIPP) with Interactive Investor. On 30 May 2021 he got in touch with Interactive Investor as he was having trouble starting regular pension withdrawals as he received an error message.
Interactive Investor has provided this service with a copy of the 'Taking Pension Benefits' application form. It provided Mr M with Pension Wise's details and MoneyHelper's website, which contains a list of local independent financial advisers. I followed the link to their website which provides instructions alongside screen shots of application pages.



Benefit options for Uncrystallised 1030206

Please choose the benefits you want to take below. Once you've decided which option is right for you, then select 'Continue' at the bottom of the screen.

Crystallise funds into drawdown

The Government have announced that there will be no lifetime allowance excess tax charge applied for benefits taken above the lifetime allowance in the 2023/24 tax year. For funds in excess of the lifetime allowance taken as either income or a lump sum, the excess will be taxed as income at the recipient's marginal rate. The Government have also announced their intention to abolish the lifetime allowance entirely from 6 April 2024 although this is still to be ratified in legislation.

How much to crystallise into flexi-access drawdown:

Full fund amount (Currently £20,006.00) Or £Enter amount here

If you select 'Full fund amount' your entire uncrystallised fund will be crystallised into Drawdown. If your current funds are invested, the actual amount crystallised could be different if the value changes before your application is processed but it will still be your full uncrystallised fund.

If you recently paid contributions net of tax into your SIPP, the amount of your uncrystallised funds could include pension tax relief not yet received from HMRC. We will be unable to process your full fund benefit request until the tax relief has been received from HMRC.

You can normally take a pension commencement lump sum of up to 25% of your uncrystallised fund. However, this may be restricted in some circumstances. We will contact you if this impacts on your request to take benefits.

How much Pension Commencement Lump Sum (PCLS) to take from the amount to be crystallised:

PCLS percentage required % Or £PCLS amount required

Do you have lump sum protection which allows you to take more than 25% as a tax free lump sum?

Yes

No

In early June 2021 a benefit pack was issued to Mr M following completion of the above benefits form. Interactive Investor told Mr M that they would set his benefits up within 5 days unless they required further information from him in which case they would be in touch. Within the benefit pack there is a declaration which states that Mr M has agreed to the following:

> *"I confirm I have neither requested, nor received, advice from Interactive Investor. I am also aware of my options for obtaining financial advice and/or guidance from an approved source (e.g. Pension Wise or an FCA regulated financial adviser), and where I consider it necessary, have done so.*
>
> *I understand the risks associated with the option(s) I have elected and the sustainability and tax implications of any income option selected."*

Under *"guidance and advice"* it sets out: *"You have indicated that you have a good understanding of pensions and financial planning.*

> *You have indicated that you have received guidance from Pension Wise.*
>
> *You have indicated that you have NOT received advice from an FCA Regulated Financial Adviser before deciding how to take your benefits.*
>
> > *You have indicated that your future pension contributions are not likely to exceed £4,000 gross per annum.*
>
> ***Although you have indicated that you have a good understanding of pensions and financial planning and have accessed Pension Wise, please note that there may still be value in using a regulated financial adviser before finalising how you access your pension funds."***

And about the tax implications:

> "Income tax implications
>
> You have indicated that you are currently subject to Basic rate Income Tax (or Starter rate, Basic rate or Intermediate rate Income Tax if you are a Scottish taxpayer). Pension withdrawals are largely taxed at marginal rates of Income Tax and you may end up paying a higher rate of tax."

There are some points within the document that ask Mr M to check the options are right for him and point to the free pension service Pension Wise and also suggest contacting an independent financial adviser.

Key facts were provided about the option Mr M has chosen – "Flexi-Access Drawdown Illustration". They set out that Mr M will have £0 in uncrystallised funds after the event and there has been £0 taken as a pension commencement lump sum (PCLS) and sets out how much would be the standard PCLS. At the end of the summary, the key facts stated at point 3:

> *"There are many other products on the open market and these may better meet your financial needs. It is therefore important that you take advice from an Independent Financial Adviser or visit the Government's Pension Wise website at www.pensionwise.gov.uk for guidance."*

On 14 June 2021 Interactive Investor emailed Mr M they asked:

> *"I refer to your recent online benefits request.*

> *You have selected a PCLS value of less than 25%, please can you confirm this is correct, also if you do not take it now you will not be able to take the PCLS at a later stage of the amount you are to crystalise."*

Mr M responded to this email;

> *"Thank you for your attention regarding the start of my SIPP drawdown. I confirm that I do not wish to draw any tax-free cash, the withdrawal would only transfer funds from my tax efficient SIPP to a tax inefficient fund and share account I do not need a forge slice of cash"*

Interactive Investor respond to say that they will process his request. Mr M chased them for an update on payments in June 2021 and the benefits were set up. The document provided Mr M with 30 days to cancel if he had changed his mind. Mr M's withdrawals began in August 2021.

At the end of February 2022 Mr M emailed Interactive Investor to ask if it was possible for him to access tax free cash. He said:

> *"A bit late in the day, but is it possible to access any tax free cash, I declined this benefit when I started this drawdown."*

Interactive Investor responded by saying they would run a crystallised/uncrystallised fund split so that Mr M could see the value of his uncrystallised funds. Mr M chased for a response at the beginning of March 2022 – he explained he didn't know why they mentioned crystallised/ uncrystallised funds, he had asked if he could take some tax-free cash:

> *"just need to know if tax free cash is still available and if so how much, not really interested in crystallised/ or not funds as this had no meaning to me"*

Interactive Investor let him know that he only held crystallised funds and so he could not access tax free cash.

There was some back and forth between Mr M and Interactive Investor. They explained that Mr M had asked for the full fund to be crystallised, they had checked with him at the time that this is what he wanted to do and explained that he wouldn't be able to take tax free cash later. And they said that he had a 30-day cancellation period which had passed – there was nothing further they could do. Mr M offered to pay reasonable administration fees to alter the arrangement – he said that he should have been offered an uncrystallised funds pension lump sum (UFPLA) and wanted to know why he couldn't access the tax free cash as it had been less than 12 months from the crystallisation event.

Mr M raised a complaint in September 2023, he said that Interactive Investor's communication and explanation around the tax-free cash during the process of selecting flexi-drawdown was poor.

On 7 November 2023 Interactive Investor provided their final response, they agreed they could have been clearer when Mr M asked if it was possible to take tax-free cash in February 2022. So, they awarded £75 compensation. They didn't uphold the main crux of Mr M's complaint. Interactive Investor said that they are not able to provide advice to Mr M, within their documentation they pointed Mr M to seek advice from Pension Wise and an independent financial adviser. They also asked him, when he had filled out the forms to enter flexi-drawdown if he was sure he didn't want to take any tax-free cash which he responded that he didn't. And they pointed out that if he didn't take it at the time, then he would not be able to do so in the future. So, they didn't uphold this part of this complaint.

We have been provided with a copy of Mr M's SIPP key feature's document which provides information about the type of income that can be received the options available are explained as buying an annuity and drawdown:

> *"If you designate funds into drawdown for the first time on or after 6 April 2015, the funds will be designated into a flexi access drawdown fund. There is no limit on the amount that you can draw each year, and you can take payments as one or more lump sums, or as regular income payments. You can choose to designate new funds into a flexi-access drawdown fund in stages, usually subject to a minimum amount.*
>
> *You should make sure that you understand how much tax you will have to pay before you decide how much flexi-access drawdown pension to take. If you take several large payments in a short period of time, you may be liable to pay more in income tax."*

It goes on to explain what lump sum payments can be received:

> ***"What lump sum payments can I receive?***
> ***Pension commencement lump sum***
> *When you designate new funds into a drawdown pension you can usually take a cash lump sum known as a pension commencement lump sum (PCLS). The amount is currently up to 25% of the value of the funds you have designated for payment of the drawdown pension, or which are used to purchase an annuity.*
> *At present, this lump sum is paid tax-free. The maximum that can be withdrawn as Tax-Free Lump Sums will be limited to the lower of your LSA or LSDBA (usually £268,275, except where protections apply - which can allow entitlement to a higher tax-free amount to be maintained).*
>
> *You do not need to designate your full fund into drawdown all at once: you can choose only to designate sufficient to realise the PCLS amount you require each time (e.g. to take a PCLS of £10,000 you need only designate £40,000 into drawdown). However, please note that, currently, if you designate your total fund into drawdown but take less than the maximum amount allowed as a PCLS, you cannot take a further PCLS sum at a later date to bring you up to the maximum PCLS. If, therefore you want to take the maximum PCLS for your full fund you will have to do so in a single payment.*
>
> ***Uncrystallised funds pension lump sum***
>
> *You can choose to access some or all of the funds in your SIPP by taking an uncrystallised funds pension lump sum (UFPLS).*
>
> *Usually, 25% of the UFPLS will be tax-free, with the remainder taxable as pension income at your marginal tax rate.*
>
> *You must have sufficient LSA and LSDBA available to cover the amount of the UFPLS being taken. You can take a single or series of UFPLS in this way, although you should consider the amount of tax that will be payable if you take payments in this way."*

Mr M was unhappy with Interactive Investor's response and so he referred his complaint to this service. An investigator reviewed the complaint, they didn't uphold it. In summary they said that the offer of £75 was fair and reasonable in respect of the confusing response they sent when Mr M contacted Interactive Investor in February 2022 to ask if he could now access some tax free cash. And they thought that Interactive Investor had followed their terms and conditions and so they were not able to retrospectively allow Mr M to take his tax free cash.

Mr M remained unhappy – he questioned why Interactive Investor couldn't make an exception as he had returned to them within 12 months of the crystallisation of his full fund. An investigator provided their assessment on Mr M's complaint. They didn't uphold it. In summary they said that Interactive Investor had acted within their terms and conditions. Mr M asked for an ombudsman to review his complaint.

I issued my provisional decision on 10 October 2024. I said:

> *"I have considered appropriate rules, regulations and guidance when reviewing Mr M's complaint. I appreciate that Interactive Investor are a non-advisory firm, they were not required to provide Mr M with advice about his personal circumstances or to tell him which benefit option would have been best for him. However, they are required to adhere to the regulators principles and so do owe Mr M a duty of care. Principle 7 sets out that Interactive Investor must communicate information in a clear and fair way which is not misleading.*
> *The benefit form provided information about the three ways he could take benefits Interactive Investor's website provides details about two of those options as:*
>
>> *"B - Flexi-Access Drawdown*
>> *For regular or ad hoc taxed income payments and the option to draw a taxfree lump sum (known as Pension Commencement Lump Sum) normally of up to 25% of your SIPP value . ."*
>>
>> *"C - Uncrystallised Funds Pension Lump Sum payment (UFPLS)*
>> *This is a one-off amount taken from uncrystallised funds, where the first 25% of each withdrawal is usually paid to you tax-free and the remaining 75% is paid after deduction of income tax."*
>
> *I think these descriptions of the benefit options are clear. Mr M crystallising his full fund and not taking any tax-free cash was unusual. And he had let Interactive Investor know that he had not sought advice from an independent financial adviser. Interactive Investor recognised Mr M's request as unusual at the time, and appreciated the need to explain to Mr M what his selection would mean. I think this was the right thing for them to have done in the circumstances.*
>
> *In the email Interactive Investor sent to Mr M they said:*
>
>> *"You have selected a PCLS value of less than 25%, please can you confirm this is correct, also if you do not take it now you will not be able to take the PCLS at a later stage of the amount you are to crystalise."*
>
> *Considering the unusualness of Mr M's choices, and the potential tax implications – I don't think this communication went far enough or made the message clear to Mr M. Whilst the email sent to Mr M sets out that he wouldn't be able to take a PCLS at a later date, it caveats this by setting out that is it capped at the amount Mr M is going to crystalise. Mr M has said that he didn't understand what crystallised/ uncrystallised meant. This is apparent in his communications with Interactive Investor later on in February 2022 when he didn't understand why he was being told the split of his funds.*
>
> *In addition, Interactive Investor agree that their response to Mr M in February 2022 was not clear because they referred to crystallised and uncrystallised funds – rather*

than explaining to Mr M that he could not access a PCLS in laymen terms. The communication sent in June 2021 is the same in that Interactive Investor use a technical term – crystallised, to explain a limitation on the choice that Mr M was making. It stands to reason that they will agree with me that this communication was also not clear enough.

So, I agree that Interactive Investor were right to contact Mr M as his request was unusual. But that communication needed to be presented in a clear and fair way to him and I don't think it was.

<u>What should Interactive Investor have done?</u>

At the time of sending this email to Mr M in June 2021, Interactive Investor knew that he had requested to crystallise 100% of his fund. They ought to have been clear in their communication that this is what he had requested. That meant that there would be no possibility of receiving any tax-free cash from his total fund. And that crystallising funds was not reversable – following the 30-day cancellation period. I also think it would have been good practice for Interactive Investor to reiterate in this communication the risks and warnings they set out to Mr M within the benefits pack. Interactive Investor argue that any further information provided by them could be seen as them obstructing Mr M in taking his benefits in the way that he had chosen. But I disagree. If Interactive Investor identify a need to provide Mr M with further information during the process of taking benefits which they feel are necessary – like letting Mr M know that there would be no further opportunities to take tax free-cash. That information should be provided to him in a clear and fair way, so that he could make an informed choice. I don't agree their communication was clear, and making the facts clear to Mr M would not, in my opinion, constitute Interactive Investor causing Mr M an obstruction or providing him with advice.

Mr M responded to the email by saying that he had no need for the full lump sum taxfree cash. He explained that withdrawing it would take it out of a tax efficient wrapper into an inefficient situation for tax purposes. I don't think this response should have satisfied Interactive Investor that they had communicated clearly to Mr M the implications of his decision to crystalise his full fund and not to take any tax-free cash. It's clear from this email that he did not understand what Interactive Investor had been trying to convey.

So, I don't think Interactive Investor should have taken comfort from his response that they had done what they intended to with their email to him, which was to highlight the consequences of him crystallising his full fund and not taking any taxfree cash.

<u>What would have happened, had Interactive Investor been clear in their communication?</u>

As set out above I appreciate that Interactive Investor were not expected to provide Mr M with advice. But they should have given him clear information in a way that he could understand it and the implications of his choice. And they should have been satisfied that he understood what they had explained.

Mr M got in touch with Interactive Investor after receipt of a number of withdrawals from his SIPP to ask if he could take tax-free cash. It is clear that Mr M's intention was to withdraw funds that provided for 25% tax free. I say that because when Mr M realised, he was being taxed on the withdrawals in full, and Interactive Investor had told him there was nothing they could do about that, he stopped drawing funds.

I’m satisfied that had Interactive Investor explained to Mr M clearly the option he was taking meant that he would receive no tax-free cash now or in the future, so that he understood that information in June 2021, he would most likely have cancelled the drawdown and instead chose to select the option of an UFPLS.

Interactive Investor have said that Mr M had 30 days within which to cancel the drawdown selection. As I have set out above, I think it most likely that Mr M would have chosen to cancel the drawdown had he been provided with clear communication from Interactive Investor in June 2021.

The Finance Act 2004 allows for a PCLS to be paid within an 18 month period – which ends 12 months after the member becomes entitled to it. So, legislation states that Interactive Investor could have paid Mr M the PCLS up to 12 months after his funds were crystallised. I don’t have the exact date but this was around the end of June 2021 – so Mr M had until June 2022.
I asked Interactive Investor what barriers were in place for them to pay the PCLS to Mr M when he contacted them in February 2022 – within 12 months from his entitlement to it. Other than their own terms and conditions, they said that their Pension Administrator is unable to facilitate payment of the PCLS after crystallisation. I find it difficult to understand there being no way for Interactive Investor to facilitate a PCLS following entitlement in case of errors on their part. I understand that it might cause some additional administration – but I don’t believe that it is simply not possible at all.

When Mr M contacted Interactive Investor in February 2022, upon review of their previous communications I think they ought to have paid Mr M his PCLS. Had they done so, they would have been within legislation time limits. I appreciate Interactive Investor’s terms and conditions set out that they won’t pay a PCLS after entitlement, but that shouldn’t apply when correcting an error they have made. As such it is my intention to uphold Mr M’s complaint.

<u>Compensation</u>

Interactive Investor offered Mr M £75 compensation to recognise the service they provided to him in 2022 and the unclear correspondence they sent. I don’t think this goes far enough and so I will be suggesting Interactive Investor increase this to a total of £300. This is to recognise the distress Mr M was caused from the unclear communications.”

Interactive Investor responded, they didn’t agree with my decision. They said:

- The illustrations clearly showed that Mr M would be taking £0 PCLS. This was an opportunity for him to query this or get financial advice.
- Although the acronym PCLS was used Mr M responded to the email of 14 June 2021 to advise he didn’t want any tax-free cash. Which demonstrates he had a good understanding of the terminology.
- When Mr M contacted Interactive Investor in February 2022 he said “A bit late in the day” which indicated he understood he had lost access to the tax-free cash.
- Whilst the Finance Act allows for pension providers to facilitate PCLS at a later date, Interactive Investor make it clear within their terms of service that they do not.
- Interactive Investor disagree that Mr M would have done anything differently – as they feel that the information they provided to him was clear.

- As part of the risk warnings provided Mr M selected that he had a good understanding of pensions. So, the use of standard pension industry wording was correct. They provided the below wording from one of the warnings provided:

  "Although you have indicated that you have a good understanding of pensions and financial planning and have accessed Pension Wise, please note that there may still be value in using a regulated financial adviser before finalising how you access your pension funds."

Mr M accepted the provisional decision and had no further comments to add.

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 reconsidered all the evidence that has been provided to me, and the comments made following my provisional decision, my decision remains largely as I set out previously. I have included my provisional findings above and these form part of my final decision. I won't repeat those findings in full again here, I've instead concentrated on addressing the latest submissions.

Interactive Investor believe Mr M understood what option he was choosing when he took his benefits, but I don't agree. I don't think Mr M starting his communications with Interactive Investor in 2022 with 'a bit late in the day' is evidence that he understood what he was told in 2021. Mr M has explained that he never wanted a large lump sum of money – and he had realised, in 2022, that he was being taxed in full on his withdrawals. I don't think his email suggests that he was aware that he wouldn't be able to take any tax free cash at any point in the future. And I think other communications with Mr M support this, which I'll go on to discuss below.

As set out within my provisional decision I have considered appropriate rules, regulations and guidance when reviewing Mr M's complaint. One of the rules relevant to Mr M's complaint can be found in the Financial Conduct Authorities (FCAs) Handbook under a section entitled 'Conduct of business sourcebook' (COBS). The rule at COBS 4.2.1 sets out:

> *"(1) A firm must ensure that a communication or a financial promotion is fair, clear and not misleading."*

And the guidance:

> *"(1) The fair, clear and not misleading rule applies in a way that is appropriate and proportionate taking into account the means of communication, the information the communication is intended to convey and the nature of the client and of its business, if any. So a communication addressed to a professional client or an eligible counterparty may not need to include the same information, or be presented in the same way, as a communication addressed to a retail client."*

Interactive Investor have said that they do not make it clear to consumers that they will lose the ability to withdraw any tax-free cash when selecting to 'crystalise funds into drawdown'. Interactive Investor themselves identified this as a failing in the process for those retail customers who are crystalising and not taking the full 25% PCLS. And so, they told this service that they reach out after the application – and did so in this case by emailing Mr M. This occurred after the illustration Interactive Investor mention within their further submissions. So, Interactive Investor appreciated that further contact and clarification needed to be made with Mr M.

I think it's important to note that the choice Mr M had made, not to take any tax free cash was really unusual. And, would be an illogical choice for Mr M to have made, had Mr M understood clearly the repercussions of that choice.

Interactive Investor emailed Mr M to clarify the repercussions of his unusual choice. This was the right thing for them to do. But, as set out within COBS 4.2.1 they needed to communicate clearly to him. Mr M was a retail consumer and so the communication Interactive Investor sent to him in June 2021 needed to be clear based on what a retail consumer would reasonably have understood.

The message that Interactive Investor wanted to convey was that Mr M would lose the ability to ever withdraw any tax-free cash. And having carefully considered the email chain, I don't agree that the communication was clear.

The email that was sent was a few lines, which set out that no tax free cash could be taken in the future, but caveated this at the cap of the amount that was being crystalised:

> *"you will not be able to take the PCLS at a later stage of the amount you are to crystalise"*

There was no comment or information provided to Mr M about how much of his pension he was 'crystalising'. Or what crystalising meant.

In order to make this message clear, I think Interactive Investor ought to have set out that Mr M had chosen to 'crystalise' all of his fund. And that meant that he would not be able to take any tax free cash at all in the future. This email was received by Mr M in isolation of the other information he had been provided, and it assumed he understood what 'crystalise' meant. Interactive Investor argue that Mr M's response showed that he understood the acronyms used in the pension industry. I agree that it appears Mr M understood that PCLS had meant 'tax free cash '– as he refers to it in his response. But he says:

> *"the withdrawal would only transfer funds from my tax efficient SIPP to a tax inefficient fund and share account I do not need a forge slice of cash"*

The content of Mr M's email makes it clear he didn't understand that he was losing one of the most tax efficient benefits one can take from a pension account, his tax-free cash. The option that Mr M was selecting was not tax efficient. He was stating within this email that he had no use for a large lump sum of money. Rather than evidencing that he understood that he would lose the ability to take any funds from his pension, tax free.

And in later communications between Mr M and Interactive Investor it is clear Mr M does not understand what is meant by 'amount you are to crystalise'. And as I set out within my provisional decision – Interactive Investor have awarded compensation for their use of this term in early 2022. Which indicates they too agree that it is a term regular retail consumers will not understand. Thus, making their email to Mr M on 14 June 2021 unclear.

Whilst I agree with Interactive Investor's decision to alert Mr M to the unusual choice of not taking any tax free cash, and giving up the chance to ever take any tax free cash. I don't think that correspondence should be seen as a tick box exercise. The communication should have been clear, which means it's set out in a way that a retail consumer could understand. And, on receipt of the response – Interactive Investor should have been satisfied that Mr M had understood what he had been told. For the reasons set out here and in my provisional decision above, I don't think they made things clear. And I don't think they should have taken comfort from the response that Mr M provided to them, or believed that he had understood the message they were presenting.

<u>What would Mr M have done, had the communications been clear?</u>

Interactive Investor have argued that this service should not consider hypothetical situations. But where an error has occurred – it is not possible to know exactly what someone would have done. Because it never happened. And so, in order to put things right, if needed, consideration has to be made about what would likely have happened, had things worked as they should.

When Mr M realised that he was being taxed on the full withdrawal amounts, he stopped withdrawing funds. It stands to reason then that had Mr M realised in June 2021 that he would be taxed on the full withdrawals he intended to make, he would have stopped that process.

Mr M has said that his intention was to make regular withdrawals with 25% of those being tax free. He said he had no need to withdraw a large lump sum in one go. And so, it is most likely he would have cancelled the full crystallisation of his fund and chosen an uncrystallised pension lump sum, which would have allowed him to withdraw adhoc lump sums, with 25% of each payment being tax free.

Summary

Interactive Investor are not able to provide Mr M with advice, but, as his SIPP administrator they are expected to provide Mr M with clear and accurate information so that he can make informed decisions. Interactive Investor recognised that they did not make things clear to Mr M during the application process. So, they needed to inform Mr M that he would not be able to take any tax-free cash based on him requesting the full crystallisation of his fund. They did this via email and I think this was the right thing for them to have done. However, when contacting Mr M they didn't make their message clear enough for him to understand the implications of the option he was choosing. And I don't think Mr M's response to their email should have provided them with comfort that they had fulfilled their objective – to inform Mr M about the implications of the option he'd chosen.

Mr M stopped making withdrawals once he realised that he was not benefiting from a 25% tax-free amount. So, I think had Interactive Investor been clear with him when they emailed him in June 2021, he would have cancelled the drawdown request. And entered into a UFPLS arrangement instead.

Putting things right

It is my intention to place Mr M back into as close to the position he would have been in, but for Interactive Investor's error. As set out above, I think it most likely that Mr M would have cancelled the crystallisation of his full fund in order that he could make further withdrawals with 25% of the withdrawals being tax-free. Putting things right It is my intention to place Mr M back into as close to the position he would have been in, but for Interactive Investor's error. As set out above, I think it most likely that Mr M would have cancelled the crystallisation of his full fund in order that he could make further withdrawals with 25% of the withdrawals being tax-free.
As such, I direct Interactive Investor to:

- Reimburse Mr M the tax he has incurred on 25% of the withdrawals he made following the crystallisation.

- Add 8% simple interest to any tax being reimbursed above, from the date of the withdrawal to date of reimbursement. This is to account for Mr M being without these funds.
- Unwind the crystallisation of Mr M's pension fund in order for him to take his benefits as he would like to.

  If Interactive Investor are unable to unwind the crystallisation of Mr M's fund they should increase his pension fund by 5% to reflect the loss of the ability to withdraw 25% of it tax free. Mr M has indicated that he is a basic rate taxpayer and intends on withdrawing a monthly income from his SIPP. Had he been entitled to 25% of each withdrawal tax free, this would have been an overall reduction of 15% on each payment. However, if Interactive Investor are unable to rewind the crystallisation, Mr M will pay 20% tax on each withdrawal. So, the 5% increase reflects the difference.
- Pay Mr M a total of £300 compensation in recognition of the service that they have provided to him and the stress it has caused him.

If payment of compensation is not made within 28 days of Interactive Investor receiving Mr M's acceptance of my final decision, interest must be added to the compensation at the rate of 8% per year simple from the date of my final decision to the date of payment.
Income tax may be payable on any interest paid. If Interactive Investor deducts income tax from the interest, it should tell Mr M how much has been taken off. Interactive Investor should give Mr M a tax deduction certificate in respect of interest if Mr M asks for one, so he can reclaim the tax on interest from HMRC if appropriate.

My final decision

I uphold Mr M's complaint and direct Interactive Investor Services Limited to award compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 January 2025.

Cassie Lauder
Ombudsman