

The complaint

Mr L complains that Phoenix Life Limited trading as Standard Life incorrectly processed investment switches within his personal pension plan (PPP), causing him losses and inconvenience. He wants compensation for the losses and a full explanation of what went wrong.

What happened

Mr L had a PPP with Standard Life and used its App system to manage it. He placed instructions to fully switch two investment holdings into the Money Market Pension fund (the cash fund), in which he already had a holding on 29 October 2023. The total plan value then was around £95,600. Standard Life wrote to Mr L on 1 November 2023 confirming the switch had been made that day. On 30 January 2024 Mr L viewed the App dashboard. This showed a holding of around £41,000 in the Managed fund, which he hadn't been invested in since 2019. He placed an instruction to switch this to the cash fund.

On 2 February 2024 Mr L called Standard Life, as the App was now showing investment in four funds rather than just the cash fund he wanted. The call handler said he could see the previous switch instructions and that a work item was open on the plan. Which suggested an error had already been noted and he said that there would be no detriment to Mr L. The call handler said he would check further and would call Mr L back and did so the same day. He said it appeared to be an IT issue and further details would be provided. Mr L said he was concerned about what had happened and a complaint was logged. Mr L said he wanted a full explanation rather than just confirmation there had been an IT error. Mr L also said based on the APP the plan value had reduced significantly from around £126,900 on 31 January to £121,400 on 2 February 2024. The call handler said this was probably due to the current issue and Standard Life would correct things so there was no loss.

Following a further call with Standard Life Mr L emailed it on 5 February 2024, again querying the reduction in value. He enclosed screenshots of valuations taken from the App on 30 January and 2 February 2024. Standard Life wrote to Mr L on 7 February 2024 confirming the switches from 1 November 2023 hadn't settled properly. But this had now been corrected, so the switch Mr L had requested on 30 January 2024 was no longer required. But it didn't comment on the change in valuation. Mr L replied the same day saying he wanted a full explanation about the problem and the change in fund values. Standard Life said it was looking into this as part of his complaint and would be in touch.

Standard Life sent Mr L a final response letter on 3 April 2024. It upheld the complaint and offered compensation of £250 for the inconvenience it had caused. It said an IT issue had caused a problem and the fund switch requested in October 2023 hadn't completed correctly, leading to the further error of a holding in the Managed fund being incorrectly shown. Standard Life said when Mr L had gone on to place switch instructions for the phantom Managed fund holding the error was flagged, but that it should have realised sooner. It said the differing plan values were due to the corrections being made on the plan. Mr L didn't accept this and made a number of points. He said the reduction in value hadn't been explained and that he'd previously been told that him changing the retirement date had caused the plan holdings error. He said Standard Life had a duty to manage his funds

correctly and it should fully explain what the issue and ensure there was no financial detriment. He said it should re-imburse him the difference between the two valuations. He said he was transferring his plan to another pension provider.

Standard Life replied on 12 April 2024 setting out further information about the switching problem. It said there was a slight difference between the value shown on the dashboard and the actual value of the funds in the plan, which it described as a “*negative amount of units*”. It said it appeared that the unit allocation system had failed in November 2023. But when Mr L had requested the switch on 30 January 2024 of the funds shown on the dashboard which weren’t actually held, this had triggered the correction. And once the correction had been made it was no longer possible to “*pinpoint the exact issue*”. It said the change in retirement date wasn’t relevant and it apologised for suggesting it had been. It said the change in values were due to the error in the systems and there had been no fraudulent activity. Standard Life said the valuation on the App updated each morning and any corrective action taken during the day would change the value shown. It said the correct fund value had been transferred to Mr L’s new pension provider.

Mr L said there had been “*a catalogue of significant and serious system errors and deficiencies*” and despite more than two months of investigation Standard Life couldn’t identify the root cause of the problem. He said it hadn’t adequately explained the change in valuations. Mr L said it appeared his plan had been invested for several months in funds he hadn’t chosen and had increased in value to around £126,000 by 31 January 2024, before being reset with no evidence this had been correctly carried out. In view of this he said it should reinstate the higher value and add growth to the date he’d transferred out of the plan.

Standard Life said it had identified the problem on 1 February 2024 and raised the matter with IT the next day before Mr L had called to query matters. It said IT had confirmed the switch instruction on 29 October 2023 hadn’t been completed due to a discrepancy in the number of units held in the funds. It said the difference in fund values shown in January and February 2024 was due to the system updating itself following a transfer payment from another pension provider being received over that period. Standard Life said it tried to ensure data on the APP was correct but that this wasn’t always possible if transactions were in process or corrections were being made. It said its Terms of Use confirmed that information on the APP might not be current. However, it increased its compensation offer to £350 for the distress and inconvenience caused.

Mr L referred his complaint to our service. Our investigator looked into it, but she didn’t uphold the complaint as she thought Standard Life had fairly resolved it.

Our investigator said our service couldn’t tell Standard Life to change its procedures as we weren’t the financial regulator. She said Standard Life accepted there had been an error but had said that once the problem had been corrected it hadn’t been able to recreate the error in order to determine the cause. She said but for the error Mr L’s plan would have been fully invested in the cash fund from 1 November 2023 until transferred out on 27 March 2024. And Standard Life had confirmed it had reworked the plan to reflect this and the investment returns achieved. She said as this had been Mr L’s intention, this was a fair outcome as he was back in the position he should have been in. She said the higher value of around £126,000 wasn’t accurate as it reflected the returns on funds he hadn’t wanted to be invested in, so it wasn’t fair to base calculations on this figure. She said Mr L had been inconvenienced but that the £350 compensation Standard Life had offered for this was fair.

Mr L didn’t agree. He said his complaint “*escalated when £5,556.00 disappeared*” from his plan on 2 February 2024. He said Standard Life’s explanation of the error showed there were problems with its IT systems which still hadn’t been adequately explained and there may have been other errors in the past. He said not being able to identify the problem was in

reality due to a lack of willingness rather than an actual inability to do so. He said there was a lack of transparency. He said Standard Life hadn't provided an *"unequivocal assurance"* that the lower valuation was correct and the information that had been made available provided no certainty. He said the £5,556.00 shortfall and growth on it should be re-imbursed.

As Mr L doesn't agree it has come to me to decide.

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 am upholding the complaint in part.

I understand how frustrating this has been for Mr L, particularly that Standard Life can't provide a complete explanation of what went wrong. And it could have provided more detail on how it resolved the issue. But I think it has fairly corrected Mr L's plan and put him back into the position he should have been in but for the error. And it does appear that Standard Life had the issue investigated by reasonably senior staff in an attempt to explain what had happened. But as Mr L has been inconvenienced by the errors that did occur, I'm upholding that part of his complaint.

The switching error

Standard Life has told our service that as,

"no details were recorded or screenshots taken prior to the correction work, we also don't know what the plan looked like when it was wrong so can't try to recreate it"

It has apologised for this. Understandably non-explanations like this cause irritation. But Standard Life has also confirmed that there is a known issue with older plans like Mr L's that the number of fund units allocated isn't always up to date. This requires a manual process to be completed before a switch is actioned. And according to the *"Digital Manager"* who checked the plan a problem with or failure to update the unit allocations probably caused the switching problem. When the switch didn't correctly complete, a flag in the system should have been created for this to be fixed. This didn't happen for the November 2023 switch but did for the request made on 30 January 2024.

Other evidence shows that Mr L's plan received a charging discount with fund units added each month, nominally on the 27th, so the unit holdings would change. The Digital Manager also thought the phantom Managed fund holding, which Mr L's plan hadn't held since January 2019, appeared because the system *"was struggling to run calculations"* before disappearing once the unit allocation problem was fixed. This might sound far-fetched to Mr L, but manual processes aren't unusual with older administration systems. And what are termed *"corrective actions"* to unit holdings and valuations are quite common in unit linked investment funds across the industry. So, I think this is a plausible explanation of what is likely to have happened.

Errors do unfortunately occur from time to time and how a business then responds once a mistake is realised is important. Here it does seem the second switch request for the phantom fund holding triggered the system flag, alerting Standard Life that there was a problem, which it does seem to have promptly started work on. Mr L then called the next day. And when he expressed his concern, he was advised that any error would be put right so he wouldn't be disadvantaged.

Standard Life then quickly confirmed, although didn't really evidence, it had corrected matters on 7 February 2024. It has since provided a transaction statement covering the period from 31 October 2023 to 27 March 2024 when the plan was transferred. This shows an opening value that is £72.35 lower than that on the switch confirmation letter dated 1 November 2023. The transaction statement sets out the number of units held in each fund before and after the switch had this been executed correctly. Standard Life has also provided a copy of the annual statement from April 2023, unfortunately this doesn't set out the number of units held in each fund, but it does give valuations, and these are similar to those of 1 November 2023, reflecting the underlying performance of the funds over the period. A transfer into the plan was received on 22 January 2024 of £24,437.02 taking the value to £121,484.33 between 31 January and 2 February 2024 as the price of the cash fund didn't change over those days. A further transfer was then received on 2 February 2024, taking the total value to £142,885.28.

The higher value shown on the App between 31 January and 2 February 2024

Mr L has provided screen shots from the APP dated 31 January 2024 showing a value of £126,884 and one from 1 February 2024 showing a value of £126,964. Standard Life says these were incorrect and must have reflected funds that shouldn't have been held at the time because the price of the cash fund didn't change over these days, so there would have been no change in value. I've looked at the relative performance of the two funds Mr L instructed be switched on 1 November 2023 and also the phantom Managed fund holding. All three increased in value by significantly more than the cash fund, so it does seem likely these App valuations reflected these funds rather than the cash fund Mr L had actually wanted to be invested in.

When errors are made with fund switches our service thinks the fairest way to resolve matters is to work out what should have happened had the right investments been made at the right time and recreate this as closely as possible. That might be through the payment of compensation if there is a loss or as in this case a backdated corrective action. That puts the consumer back into the position they should have been in, which is fair even if the true value is lower than the incorrect one as appears to be the case here. As I've noted from the valuation from April 2023 and allowing for the two transfers received into the plan subsequently, the value Standard Life transferred out on 27 March 2024 appears reasonable based on the returns of the cash fund held.

I appreciate that none of this is as definitive as Mr L hoped for. But I do think it is more likely than not that Standard Life has put him back into the position he should have been in. Mr L has already decided he wanted more certainty over his pension plans than Standard Life could provide and has moved his pension to another provider, which he might not have done had a better explanation been available.

Mr L has been inconvenienced by what happened, but he was advised when he first contacted Standard Life that he wouldn't suffer any financial detriment and the problem was resolved promptly once identified. Because of that I think the compensation offer Standard Life has already made of £350 is fair in the circumstances.

Putting things right

To compensate Mr L for the distress and inconvenience he's been caused I think it is fair that Standard Life should now pay him the £350 compensation it previously offered unless it has already done so. This level of compensation is in keeping with what I would award in similar circumstances.

My final decision

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

I direct Standard Life to pay Mr L the £350 it has already offered in compensation for the distress and inconvenience he's been caused which I consider to be fair in all circumstances of the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 25 February 2025.

Nigel Bracken
Ombudsman