

## **The complaint**

Mrs C complains that Integrated Financial Arrangements Ltd trading as Transact (Transact) made errors and provided her with a poor service for the pension she held with it.

## **What happened**

Mrs C had a Personal Pension with Transact which she set up in 2022 following advice from her then Independent Financial Adviser (IFA). She completed paperwork on 30 May 2022 to set up a direct debit employer pension contribution of £1,500 each month and to select her husband as her nominated beneficiary. Transact said it received the completed paperwork on 31 May 2022.

Transact said that it set up Mrs C's regular monthly pension contributions on 30 June 2022, for them to start on 11 August 2022. But it mistakenly set them up as member contributions instead of employer contributions. This led to Mrs C's pension incorrectly receiving £375 tax relief on each of her monthly contributions. The regular contributions - including the tax relief - were invested each month.

Transact sent Mrs C an annual report for the 2022 to 2023 tax year dated 5 May 2023. This included a cashflow summary for her pension. And showed eight separate tax relief contributions of £375 between 22 August 2022 and 21 March 2023. These were in respect of the contributions received between 4 July 2022 and 11 January 2023.

Transact sent Mrs C an annual report for the 2023 to 2024 tax year dated 3 May 2024. This included a cashflow summary for her pension. And showed twelve separate tax relief contributions of £375 between 21 April 2023 and 21 March 2024. These were in respect of the contributions received between 13 February 2023 and 11 January 2024.

Transact said that it received Mrs C's Expression of Wishes form, naming her husband as her nominated beneficiary, on 3 June 2024. It said it added him as Mrs C's pension beneficiary on 5 June 2024.

On 16 July 2024, Mrs C's new IFA contacted Transact to confirm that it'd incorrectly set up Mrs C's monthly contributions. The letter said that Mrs C's contributions should be classed as employer contributions, rather than member contributions, and as such, Mrs C shouldn't receive any further tax relief. It also confirmed that the IFA had explained to Mrs C that the tax relief she'd received by mistake would be reversed.

On 22 July 2024, Mrs C's IFA raised a complaint on her behalf about the contribution error. He said that if he hadn't noticed the error, it could've gone unnoticed for longer. And that if it had, it would've had a worse effect on Mrs C's overall planning, and could've had implications for her business.

The IFA said that Mrs C wasn't happy that Transact had repaid the tax relief from her pension without consulting her to ask what she wanted to do. He also said that she was unhappy that her husband hadn't been added as her nominated beneficiary when she'd completed her initial paperwork in 2022, as she was concerned about what would've

happened if she'd died before the nomination had taken effect in 2024.

Transact said that on the same day it received the complaint, it reversed all twenty-four tax relief payments received into Mrs C's pension to HMRC, using the available cash balance in her pension. This left Mrs C with a negative cash position of £4,143.09 in her pension.

Mrs C's IFA emailed Transact again on 26 July 2024 to explain that Mrs C was also unhappy that it'd reversed the tax relief without contacting her and without her agreement.

Transact issued its final response to the complaints on 7 August 2024. It apologised for its error. It said it'd had no option other than to return the funds to HMRC. But it acknowledged that it should've explained this to Mrs C.

Transact acknowledged that its error had led to Mrs C receiving tax relief payments to which she wasn't entitled. But felt she'd not suffered a financial loss as a result of its error as the tax relief it'd received incorrectly had benefitted from investment growth.

Transact acknowledged that it'd only added Mrs C's husband as her nominated beneficiary in June 2024 when it'd received her form. It said it should've realised that Mrs C had appointed her husband as her nominated beneficiary in May 2022. But it explained that if she'd died without a recorded nominated beneficiary, it would've carried out a full review of all the documents it held to identify her intended beneficiaries. So if the worse had happened, it would've identified her husband as her nominated beneficiary.

Transact offered Mrs C £100 in recognition of its errors, and the concern and frustration they'd caused Mrs C. And said that she could either make a one-off contribution into her pension to resolve the negative cash position of £4,143.09, or she could place asset sales.

Mrs C wasn't happy with Transact's response. So her IFA raised further complaint points on 16 August 2024. She felt that if her investments had lost money, she would now be in a worse position given she'd had to pay back the tax relief. She still didn't think Transact should've paid back the tax relief without talking to her first. Mrs C was also unhappy with how long it'd taken for Transact's error to be noticed. While she acknowledged that she'd suffered no financial loss as a result of the error, she felt the compensation Transact had offered her was too low given the stress it'd caused her.

On 21 August 2024, Transact emailed Mrs C's IFA with an increased compensation offer of £200 in acknowledgement of the stress it'd caused Mrs C. It also said that if her investments had lost money, it would've taken steps to put her back to the correct unit position and would've covered any additional cost against the purchase prices obtained. It also explained that once it'd set up the direct debit, it wouldn't have looked at the instruction again. So it wouldn't have picked up the error unless Mrs C or her IFA had noticed it.

Mrs C didn't accept the revised offer. Her IFA asked Transact to send a further final response letter, which it sent on 22 August 2024. This confirmed its £200 compensation offer.

Unhappy, Mrs C brought her complaint to this service. She said she wanted a refund of the management charges Transact had taken, given the errors it'd made. She also wanted assurance that an error like this wouldn't happen again.

Mrs C said she would've expected to repay HMRC for the incorrect tax relief out of her savings. She also said that it'd been distressing owing tax to HMRC. And she'd been concerned about how this could affect her business. She'd also been worried about the impact her death would've had on her pension, thinking that her husband might've had to

pay 40% tax. She said this had caused her to lose faith in Transact as her pension manager, so she was in the process of moving her pension away from it. She said all of this had led to inconvenience in sorting everything out.

Transact told this service that it hadn't noticed the error with the regular contribution set up as it wasn't aware it'd been set up incorrectly, noting it wouldn't have had any reason to revisit the instruction once it was set up and operating. It said it therefore would've only become aware of the error when notified about it.

Transact said that it'd provided two annual reports to Mrs C, which it'd copied to her IFA, during the period that contributions were being paid as member contributions and tax relief was being received. It felt the reports had clearly detailed the dates of the regular member contributions and the accompanying tax relief. It also noted that both Mrs C and her IFA had 24-hour online access to her portfolio, which included details of all deposits and asset purchase instructions within her pension. It said its records indicated that Mrs C and her IFA had accessed online information throughout the relevant period.

Transact said that when there was a tax error, HMRC expected this to be corrected straight away. As such, it said it had no option but to return the funds to HMRC. It felt Mrs C was aware that it would pay the tax relief back to HMRC as her IFA had told it on 16 July 2024 that he'd explained that to her.

Transact also said that it could assure Mrs C that, as part of its root cause procedure, it'd carried out a review to prevent the error it had made with her contributions from happening again.

Our investigator felt that Transact had taken reasonable steps to put things right. He didn't think that it should be required to refund the charges it'd taken for managing Mrs C's account. He said these charges would've always applied as they were taken for administering her account. Therefore, even though Transact had made errors, he couldn't fairly ask Transact to refund the charges. He also felt that the £200 compensation it'd offered was fair under the circumstances.

Our investigator said that this service couldn't look into hypothetical scenarios, but that if Transact's errors had gone unnoticed for a longer period, leading to a financial loss, it would've had to return Mrs C to the correct position at its cost. He also said that if Mrs C's business had been affected, further compensation would've been needed.

Mrs C didn't agree with our investigator. She didn't think that £200 compensated her adequately. She made the following points:

1. Transact had charged her £1,749.22 to manage her account. She felt it clearly hadn't managed it. She therefore felt a refund would be fair.
2. Her tax payments were her responsibility. She felt that Transact had no authority to decide when and how she made payments to HMRC.
3. Given she'd lost trust in Transact due to its errors, she felt she'd had no option but to transfer her pension. She said this had taken three to four months to complete and was time consuming, stressful and inconvenient.

As agreement couldn't be reached, the complaint has come to me for a review.

## **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 that the steps Transact has already taken to put things right, and the £200 compensation it's offered Mrs C for the distress and inconvenience the errors it made have caused her is fair under the circumstances of this complaint. I know this will be disappointing. I'll explain the reasons for my decision.

I first considered whether Transact acted fairly when it returned the tax relief that had been paid into Mrs C's pension to HMRC from her pension account without first consulting her.

### *Repayment of tax relief*

Mrs C felt that Transact shouldn't have decided when and how she repaid the tax relief that had incorrectly been paid into her account.

While I agree with Mrs C that tax payments are an individual's responsibility, I can't fairly agree that Transact did anything wrong when it paid HMRC the tax relief that'd been received in error into her account.

I say this because once Transact was notified of the error, and because it knew that HMRC expected this to be corrected as soon as possible, it had to take steps to quickly return the funds to HMRC. So it returned the funds from the pension, as the pension was artificially high due to the incorrect tax relief having been paid into it.

I also say this because I agree with Transact that Mrs C's IFA had told it in his 16 July 2024 email that he'd already explained to Mrs C that the tax relief she'd received by mistake would be reversed. I therefore think it was reasonable for Transact to consider that Mrs C was already aware that the funds would be taken from her pension.

I do acknowledge that it would've been better service if Transact had explained to Mrs C what it was going to do to repay HMRC before it took the steps that it did. But I can see why it didn't take this step, given what Mrs C's IFA had told it on 16 July 2024.

I also acknowledge Mrs C's point that but for the fact that her pension achieved a positive investment return over the period the tax relief monies were incorrectly invested, she could've suffered a financial loss. But I'm satisfied that this was not the case here.

I've also thought about Mrs C's other points related to this part of her complaint. But I consider that in acting as quickly as it did to correct the tax relief error, Transact minimised the time that Mrs C owed tax to HMRC. This was clearly a good thing as Mrs C said it'd been distressing owing that tax.

I've also considered Mrs C's point that she was concerned about how the tax she owed could affect her business. But I've not been presented with any evidence that it has had any impact.

I next considered whether Transact should be required to refund its management charges.

### *Should Transact refund Mrs C's management charges?*

Mrs C told this service how much she'd paid Transact to manage her pension. She felt it should refund those fees given the errors it'd made, as she felt they showed it hadn't

managed the pension.

As our investigator explained, Transact charged management fees – which were charged in line with its terms and conditions – to cover its administration of Mrs C's pension.

I acknowledge that Mrs C doesn't consider that Transact correctly administered her account, given it didn't notice its error with her contributions, and as it failed to record her husband as her nominated beneficiary until 2024. But I can't agree that this means that it should be required to refund the management fees.

I say this because I'm satisfied that Mrs C's pension has been put back into the position it would've been in but for the mistakes. Therefore the administration Transact has carried out overall has been successful, despite the errors. As such, it wouldn't be fair or reasonable to require Transact to refund the fees it took for the service it provided, despite that service not always having been perfect. Having said that, I will consider the impact of those errors on Mrs C in the next part of my decision.

I finally considered the distress and inconvenience Transact's errors have caused Mrs C.

#### *Distress and inconvenience*

Transact has offered Mrs C £200 compensation for the distress and inconvenience its errors have caused her. But Mrs C doesn't think this is adequate.

The evidence shows that Transact made the following errors:

- It failed to correctly set up her contributions as employer contributions. This led to tax relief being incorrectly awarded, which then had to be returned to HMRC. It didn't let Mrs C know how it would return the overpaid tax relief to HMRC.
- It failed to record Mrs C's husband as her nominated beneficiary once it received her set up paperwork in May 2022, only doing so in June 2024.

Mrs C said that Transact's failure to correctly set up her contributions in line with her clear instructions caused her concern about owing tax to HMRC and about the potential impact of this on her business. She also said that Transact's failure to record her husband as her nominated beneficiary in 2022 caused her worry about the tax her husband might've had to pay on her death. She said Transact's errors had led to her decision to transfer her pension to a new provider. And that this had led to additional inconvenience and stress over the three to four months it'd taken to complete.

I can see that as soon as Mrs C's IFA notified Transact about the contribution error, it took steps to correct Mrs C's position. It has explained to Mrs C why it didn't notice the error sooner. It has also told this service that it provided information to both Mrs C and her IFA in its annual reports and online which it felt could've meant they identified the error sooner.

Having considered all of the points made, I can only reasonably conclude that although Transact is responsible for the initial error, it could've been possible for either Mrs C or her IFA to have noticed the issue sooner.

I've thought carefully about the impact of Transact's error on Mrs C. I can see that it caused her some distress and inconvenience over the tax she owed to HMRC. But I'm pleased to note that Transact took quick action to repay this tax. And I noted earlier that I felt it was reasonable for Transact to have taken the action it took without first discussing it with Mrs C, given what her IFA had told it.

Transact has also acknowledged that it should've recorded Mrs C's husband as her nominated beneficiary from 2022, but that it didn't do so until July 2024.

I can see that it would've been concerning for Mrs C to have discovered that her husband hadn't been her nominated beneficiary between 2022 and 2024. But the evidence shows that she only became aware of this in July 2024. And I can see that Transact quickly acknowledged its error and explained in early August 2024 that although it'd made this error, even if Mrs C had died between 2022 and 2024, it still would've identified her husband as her nominated beneficiary. As such, there wouldn't have been any tax consequences.

Therefore, while I can see this would've been concerning for a short period of time, I'm satisfied that Transact clearly explained the situation shortly after Mrs C first became aware of the potential issue. I'm also satisfied that the error didn't lead to a financial loss.

I understand why Mrs C feels that Transact should be held responsible for the additional stress and inconvenience she's been through due to her decision to change pension provider. But I can't fairly agree with her on this point.

I say this because I agree with our investigator that it's not unusual for a consumer to lose faith in a provider which has provided a poor service or made errors. But it's then up to that consumer to decide whether they want to stay with that provider or move to another one. I can't fairly hold Transact responsible for the consequences of Mrs C's decision to change providers.

Overall, I'm satisfied that the £200 compensation Transact has offered Mrs C is fair and reasonable compensation for the impact its errors have had on Mrs C. I therefore uphold the complaint, as I understand Transact has yet to pay this amount to Mrs C.

### **Putting things right**

If Transact hasn't already paid the £200 it offered Mrs C for the distress and inconvenience caused, it must pay this to her directly.

### **My final decision**

For the reasons set out above, I uphold Mrs C's complaint. Integrated Financial Arrangements Ltd trading as Transact must take the action detailed in "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 14 May 2025.

Jo Occleshaw  
**Ombudsman**