

The complaint

Mr A complains that Freetrade Limited (Freetrade) failed to properly administer the transfer of his pension benefits. He said it failed to follow his instructions for a partial transfer, instead requesting a full transfer. Mr A said this caused him a financial loss.

What happened

Mr A has a pension with a provider I'll refer to as provider P. This is related to his employment with that provider. He also has a Self-Invested Personal Pension (SIPP) with Freetrade which he's held since May 2021.

On 3 July 2024, Freetrade acknowledged Mr A's request to transfer funds into his Freetrade SIPP. It said it'd initiated the transfer request and that it could take several weeks to complete.

On 12 July 2024, Freetrade told Mr A that his transfer had completed and that it'd applied £170 to his SIPP from provider P.

On 24 July 2024, Mr A submitted a further request to partially transfer £170 to his Freetrade SIPP. The following day, Freetrade acknowledged the request and said it could take several weeks to complete.

Due to a human error on 25 July 2024, Freetrade submitted the transfer request as a full transfer. It quickly realised its error and tried to resubmit the correct request a couple of minutes later, but the request was automatically rejected by provider P.

On 30 July 2024, Mr A had a webchat with Freetrade as he wanted an update about his transfer request. He said he was simply looking for confirmation of the transfer type (partial or full) and the requested transfer amount. Freetrade confirmed that Mr A had requested a partial transfer for £170. Freetrade ended the chat by saying it would look into getting the transfer sorted for Mr A.

On 1 August 2024, provider P wrote to Freetrade about the transfer out request. It said it'd disinvested the funds and was ready to pay the transfer to it. But it'd noticed that the Origo request had been cancelled without explanation.

Provider P explained that if Freetrade raised another Origo request, its automations would cancel that as Mr A no longer had an invested balance with it. It therefore asked Freetrade to confirm if it could accept the transfer payment without the need for an open Origo request.

Mr A complained to Freetrade on 5 August 2024. Provider P had told him what had happened. It said that although Freetrade had tried to correct its error, its automation meant that it'd completed the disinvestment and placed Mr A's funds on hold on 1 August 2024. It'd therefore contacted him to ask him to confirm if he wanted a full transfer out to go ahead, or if he wanted to cancel that incorrect request so that Freetrade could request the partial transfer. It said the latter option would require reinvesting the funds which would take up to five working days.

Mr A felt that Freetrade should've immediately called provider P the moment it realised its error. He also felt it should've notified him of the error.

Mr A felt that Freetrade's error had risked the closure of his provider P pension account, which would've led to him missing out on future employer contributions. He also felt it'd caused unnecessary delay to his transfer, noting that his entire fund was now 'out of market'.

Mr A felt that Freetrade should compensate him for its error.

Freetrade made the transfer request to provider P again on 9 August 2024 but it was rejected due to Mr A having no remaining invested balance due to the full fund disinvestment.

Freetrade corresponded with provider P on 13 August 2024. It acknowledged it'd cancelled the transfer request due to its error. And noted that provider P had gone on to cancel its next transfer request, giving the reason: "*already transferred*", with a note saying there was another transfer open. It said it'd now resubmitted the transfer request. Provider P confirmed that Mr A still wanted to proceed with the partial transfer. It said it had to reinvest his full balance before a new partial transfer could be submitted. And that the reinvestment would complete the following day.

Freetrade then raised a further transfer request on 15 August 2024. It was again rejected as provider P said that for a partial transfer, Mr A had to have left at least 5% with it.

Freetrade said it reached out to Mr A on 23 August 2024 to confirm how he wanted to proceed. Mr A confirmed that he wanted to proceed with the partial transfer on 9 September 2024.

I understand that provider P confirmed to Freetrade on 13 September 2024 that it could now raise a new partial transfer request, which it did on 24 September 2024. However, that request was raised with the wrong pension provider and was therefore rejected.

Freetrade correctly submitted the partial transfer request on 27 September 2024. And the transfer completed on 10 October 2024.

Mr A brought his complaint to this service on 24 October 2024, before Freetrade had responded to his complaint.

In mid-December 2024, Mr A told this service that he hadn't invested the £170 once it'd been transferred as he felt he'd already missed the buying opportunity of the stock he'd wanted – stock A. He felt that if the transfer had completed on time, he would've had £3,800+ to invest into stock A – including the other funds in his Freetrade account. He felt that the avoidable delays Freetrade had caused had cost him the notable gains he could've made.

Freetrade issued its final response to the complaint on 19 December 2024. It upheld the complaint and apologised for the frustration it'd caused Mr A. It explained its service standard for transfers, noting that it aimed to complete them within eight weeks of a request. As the transfer had taken 77 days to complete, rather than the 56 days allowed under its service standard, Freetrade said it'd caused a delay of 21 days.

Freetrade acknowledged it'd made the following errors:

- Initially set up the transfer on Origo as a full transfer, rather than a partial one
- Sent a subsequent request to the wrong ceding scheme.

To apologise for the poor customer service and the frustration caused by the delayed transfer, Freetrade said it would arrange to credit Mr A's account with £100.

Freetrade also credited Mr A with 78p interest on the £170 for the 21-day delay, based on 8% simple interest.

At the end of December 2024, Mr A provided this service with evidence of his previous trades in stock A, although none of the trades related directly to the £170 transferred.

Mr A said that between his 24 July 2024 transfer request and the completion of that transfer on 10 October 2024, the lowest price of stock A - excluding July because he wouldn't have expected his transfer to complete so soon - was 5 August 2024, when it was \$60.46. He said the highest price point was \$81.16 on 8 October 2024. He was frustrated that stock A's price had continued to rise, given he'd missed the opportunity to buy it due to Freetrade's delays.

Mr A said that the £100 compensation Freetrade had offered wasn't enough. He felt he would've made at least £2,000 on stock A but for the delays.

Freetrade told this service that it hadn't received any automation messages from provider P.

Our investigator felt that the complaint should be upheld. He felt that the evidence showed that Mr A had actively chased his transfer. He noted that Freetrade hadn't responded as quickly as it should've done on more than one occasion. He also noted that Freetrade had incorrectly sent a follow-up request to the wrong ceding scheme. He said this meant Mr A's information was shared with a third party that had no authority.

Our investigator acknowledged that Freetrade had accepted it'd caused a 21-day delay, but said it'd failed to offer to carry out a loss assessment.

Our investigator considered when the partial transfer should've been made but for Freetrade's delays, noting the investment information Mr A had provided. He felt it would've been reasonable for the funds to be transferred on 1 August 2024 and received the following day (2 August 2024), ready for investment. He therefore considered that Freetrade should carry out a loss assessment based on what the value of Mr A's SIPP with it would've been if he'd used the £170 transferred to buy stock A on 2 August 2024.

Our investigator noted that Mr A felt Freetrade's error had cost him at least £2,000. But he didn't think that the delays had prevented Mr A from investing his other funds. He felt that the £170 that had been partially transferred was the only amount affected by that delay.

Our investigator considered the £100 compensation Freetrade had paid Mr A for the frustration its delays had caused and for the poor service. He didn't think this was enough given Freetrade's error, the fact it hadn't called either provider P or Mr A when it realised there were problems, and the fact that it'd sent a subsequent transfer request to the wrong provider. In light of the multiple errors and communication issues, he felt that Freetrade should increase the distress and inconvenience compensation from £100 to £250.

Mr A thought our investigator's view was largely fair. But questioned whether higher compensation was due. But after querying this with our investigator he accepted his view.

Freetrade didn't respond to our investigator. Therefore, 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 Freetrade should carry out a loss assessment based on the partial transfer having completed and the funds available for investment on 2 August 2024. I also agree with him that Freetrade should increase the amount of compensation for distress and inconvenience. I'll explain the reasons for my decision.

I first considered whether Freetrade's delays affected what Mr A did with the other funds he held in his Freetrade account.

Which funds did Freetrade's delays affect?

Mr A said he hadn't invested the transferred £170 as he felt he'd already missed the buying opportunity for stock A. He felt that if his partial transfer had completed on time, he would've invested more than £3,800 into stock A. Given how the stock price had changed since then, Mr A felt he would've made at least £2,000 on stock A but for the delays.

I agree with our investigator, and for the same reasons, that I can't reasonably hold Freetrade responsible for Mr A's decision not to invest the money he already had in his Freetrade account in stock A when he said he wanted to. I say this because there's no direct link between the money that was already available in Mr A's Freetrade account and the £170 partial transfer. Therefore, I can't reasonably conclude that the partial transfer delay had any effect at all on the existing funds available to Mr A.

I agree with our investigator that the delays did affect Mr A's ability to invest the £170 he wanted to transfer. While I can't know exactly how he would've invested that money but for the delay, I'm satisfied – based on the evidence he's provided – that he would've used it to buy stock A on 2 August 2024.

I have also considered the fact that Mr A's funds with provider P were disinvested for a short period of time during the transfer process. While I acknowledge that if Freetrade hadn't made the mistake it did this wouldn't have happened, I can't reasonably hold it responsible for the actions of another provider. I say this because the evidence shows that Freetrade tried to immediately correct its error. I think it would've been reasonable for it to have been able to do so.

I next considered whether the £100 compensation Freetrade has offered Mr A is reasonable under the circumstances of this complaint.

Distress and inconvenience

Based on what I've seen, Freetrade made the following errors:

- It initially set up the transfer on Origo as a full transfer, rather than a partial one.
- Its transfer request error led to the temporary disinvestment of Mr A's provider P funds,
- It led Mr A to think there was a risk of him losing his employer's pension.
- It sent a subsequent request to the wrong ceding scheme.

- Freetrade didn't tell Mr A what was happening as soon as it could've.

While Freetrade acknowledged the initial request error and its error when it sent a follow up request to the wrong provider when it made its £100 compensation offer, I can't see that it considered the other points above in that compensation. I take the view that those other points had a distressing impact on Mr A that could've been avoided. I therefore agree with our investigator that Freetrade should increase the compensation it's offered Mr A to £250.

I therefore uphold the complaint.

Putting things right

My aim in awarding fair compensation is to put Mr A back into the position he would likely have been in, had it not been for the avoidable delays Freetrade caused. I think this would have meant he invested £170 in stock A on 2 August 2024.

I'm happy to see that Freetrade has already paid interest at 8% simple on the delayed £170.

What Freetrade must do

To compensate Mr A fairly Freetrade must:

- Establish the notional value at the date of my final decision of Mr A's Freetrade SIPP had the £170 transferred been available for investment on 2 August 2024, and if Mr A had used it to buy stock A. This is the fair value.

Any additional sum paid into the Freetrade SIPP should be added to the fair value calculation from the point in time when it was actually paid in.

Any withdrawal from Freetrade SIPP should be deducted from the fair value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there is a large number of regular payments, to keep calculations simpler, I'll accept if Freetrade total all those payments and deduct that figure at the end to determine the fair value instead of deducting periodically.

- Compare the fair value with the actual value.
- If there is a loss, the compensation amount should if possible be paid into Mr A's Freetrade SIPP. The payment should allow for the effect of charges and any available tax relief. The compensation shouldn't be paid into the pension plan if it would conflict with any existing protection or allowance.
- If a payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr A as a lump sum after making a notional reduction to allow for future income tax that would otherwise have been paid.
- If Mr A has remaining tax-free cash entitlement, 25% of the loss would be tax-free and 75% would have been taxed according to his likely income tax rate in retirement – presumed to be 20%. So making a notional reduction of 15% overall from the loss adequately reflects this.
- Provide the details of the calculation to Mr A in a clear, simple format.
- Pay Mr A an additional £150 compensation for the distress and inconvenience caused.

If payment of compensation is not made within 28 days of Freetrade receiving Mr A'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 Freetrade deducts income tax from the interest, it should tell Mr A how much has been taken off. Freetrade should give Mr A a tax deduction certificate in respect of interest if he asks for one, so he can reclaim the tax on interest from HMRC if appropriate.

My final decision

For the reasons set out above, I uphold Mr A's complaint. Freetrade Limited must take the action detailed in "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 7 July 2025.

Jo Occleshaw
Ombudsman