

The complaint

Mr H complains that Financial Administration Services Limited (Fidelity) blocked income payments from his Self-Invested Personal Pension Plan (SIPP) pending the finalisation of his divorce causing inconvenience and financial losses. He wants compensation for his losses.

What happened

Mr H had a SIPP (the plan) with Fidelity and was taking benefits through income withdrawal, after tax he received around £3,000 per month, which he says was his only form of income. Mr H was divorcing, which he says whilst being fairly amicable, was still stressful. He says he and his wife were only using one solicitor, who primarily acted for his wife. As part of the financial settlement Mr H was to share around 32% of his plan with his wife. Once a Pension Sharing Order (PSO) was made by the Court this would allow his plan to be split, with Mrs H transferring her share out to her own pension plan, which was also with Fidelity.

On 18 July 2024 the solicitor wrote to Fidelity in respect of Mr H's plan saying a PSO was to be implemented, and it enclosed a draft Financial Consent Order (the FCO) and Pension Sharing Annex (the Annex) documents and requested Fidelity's comments on the completion of these. Mr H's next income payment was due on 23 July 2024 and was paid as normal. In response to the solicitor's letter Fidelity wrote to Mr H on 2 August 2024, saying the documents provided seemed to be in order and it would need the Decree Absolute, Court Order and Annex stamped by the Court to implement the PSO. And, it said as the PSO was "*now in progress*" it had placed a hold on his plan "*to stop any further withdrawals*".

On 6 August 2024 Mr H called Fidelity about the block on withdrawals, and it told him this was a legal requirement. He said he was disappointed but that he was aware he might not receive any income for a couple of months. On 3 September 2024 Mr H contacted Fidelity again and complained about his income not being paid. He asked why if the account was on hold, both Fidelity's and his IFA's charges were still being taken from it. Fidelity didn't uphold the complaint and issued a final response on 24 September 2024. It said it couldn't allow income withdrawals until the PSO was completed due to regulatory requirements, but payment of agreed fees, like the IFA's were acceptable deductions. Mr H didn't agree. He emailed Fidelity and said the provider of another pension which was also to be subject to a PSO had allowed a fund transfer during this time. He asked what the regulatory requirements were and said his income should be paid. Fidelity didn't respond and Mr H sent a chaser email followed by a letter on 31 October 2024.

During this period, Fidelity received a stamped copy of the Court Order and Annex from the solicitor on 16 October 2024. It called Mr H on 31 October 2024 and said it would look into whether the hold could be lifted. Mr H's financial adviser uploaded a copy of the Decree Absolute to Fidelity on 6 November 2024, but this wasn't worked on until 25 November 2024. But, on 12 November 2024 Fidelity wrote to the solicitor saying the case number was missing on the Annex and this would need to be rectified for it to proceed with the PSO. On 15 November 2024 Fidelity called Mr H. It said restricting his SIPP on being notified of a PSO was its own business decision, rather than a legal requirement. And it was establishing whether this could be lifted. On 18 November 2024 Fidelity received the amended Annex

from the solicitor. On 22 November 2024 Fidelity called Mr H and said as FCO under section 9b did say no funds could be withdrawn without prior written agreement, it had been correct to put the hold on the plan. But it might be able to remove this if Mr H's (by now) ex-wife agreed to this in writing. It offered Mr H £75 in compensation for the delays in responding to him, which he rejected.

On 25 November 2024 Fidelity sent Mrs H an internal transfer request form it required to implement the PSO. Fidelity also spoke with Mr H, who said his ex-wife had agreed income could be paid but wanted to know what needed to be included in the letter requesting this. Fidelity said it would check and call Mr H back. But on 27 November 2024 it said the request would need signing off by its legal team and there were "*no guarantees*". It received the internal transfer request form from Mrs H on 9 December 2024.

Fidelity provided a further response to Mr H's complaint on 11 December 2024. It said his SIPP had two parts, broadly being one that held the investments and a cash account that paid the income (and charges) using funds encashed from the investment account. It said it had never placed a hold on the income account and income had only stopped because there were inadequate funds available to pay it. On 12 December 2024 the PSO was processed, and this was confirmed to Mr H on 17 December 2024, but the process wasn't completed until 6 January 2025 and Mr H's income payments restarted on 22 January 2025.

Unsatisfied Mr H referred his complaint to our service saying blocking any large transfers or payments was reasonable, but not his regular income that he'd been taking for around six years, and this should have continued to be paid. He said he'd had to use other savings to meet regular expenditure between August 2024 and December 2025.

Our investigator looked into it, and she upheld the complaint in part.

Our investigator said Fidelity had shown evidence that its internal procedure was to put SIPP accounts on hold once notice of a PSO was received and this wasn't an unreasonable business decision. And closing or suspending an account was provided for in the terms and conditions of the SIPP if necessary. She said the Consent Order signed by both Mr H and Mrs H stated funds wouldn't be withdrawn, unless there was a written agreement to the contrary. And as no agreement was in place it wasn't unreasonable for Fidelity to have put a hold on the SIPP. She said whilst there had been several months of delay after August 2024, most of this wasn't caused by Fidelity as it had been waiting for completed Court documents and the return of the internal transfer form.

But our investigator said Fidelity should have processed some things more quickly, particularly as it knew Mr H was chasing the payment of his income. She said once it received the Decree Absolute it had taken Fidelity thirteen working days to allocate this to his account which had delayed the internal transfer form being issued. And once it did have all the documents it required, it had taken a further seventeen working days to complete the PSO. And, but for these delays it was likely that Mr H would have received an income payment in December 2024. But she said Mr H's pension fund had remained invested and he hadn't been deprived of access to all his funds. And as Fidelity hadn't acted unreasonably in blocking the account awarding compensatory interest wasn't fair.

Our investigator said as complaint handling wasn't a regulated activity any delays in Fidelity responding to Mr H's complaint wasn't something our service could consider, even though it had paid him £75 compensation for this. But she did agree Mr H had been somewhat misled about whether his income could be restarted during the various calls around this and this had caused him some inconvenience and loss of expectation. She said considering this and the possible missed income payment in December 2024, Fidelity should pay further compensation of £125.

Mr H didn't agree. He said it was "grossly unfair" that one party to a divorce should have their income stopped whilst the PSO was put in place. He said the solicitor had confirmed this wasn't required, although with hindsight he'd been foolish not to have his own legal advice. He said the five months gross withdrawals that Fidelity hadn't paid amounted to around £16,000 meaning the amount paid to his ex-wife under the PSO was higher than it would have been otherwise. And he said the delay of a month in implementing the order identified by our investigator had directly cost him around £1,035 being the additional amount paid to his ex-wife.

Our investigator said she still didn't think Fidelity had made an error in putting the hold on his plan, which had remained invested throughout. And Mr H could ask Fidelity to pay additional withdrawals to top up his missed income. But she said it had caused delays and failed to manage his expectations which had caused inconvenience. But she said she felt an award of £125 was fair for this.

Fidelity said it didn't entirely agree with our investigators view of the complaint it was prepared to accept it provided Mr H was. But it said if Mr H made any further points, it wanted the opportunity to respond to them.

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

My provisional decision

I issued my provision decision on; 18 July 2025, I explained the reasons why I was planning to uphold the complaint. I said:

Our service takes the view that a business can decide how it wants to administer the products it offers, making business decisions as it sees fit. However, we can consider whether those decisions result in unfair outcomes for individual consumers. And whilst I've noted Fidelity's comments about potential issues in cases where divorces are disputed, I think it was the specific impact on Mr H that it needed to consider in order to treat him fairly. And at this stage I don't think it did that and this resulted in unfair outcomes for him.

As well as the decision made to put a hold on Mr H's plan there were delays after Fidelity was provided with the Court documents necessary to complete the PSO. There appears no logical reason why the internal transfer request form couldn't have been sent to Mrs H for signature much sooner than it was. The document appears a standard pro forma and was date stamped "20AUG24", but this wasn't sent out until weeks after Fidelity had received everything else required to action the PSO in November 2024.

As for the hold on the plan, Mr H wasn't asking Fidelity to cash his pension fund or make unusual payments, only to continue an established pattern of withdrawals. It's argument in December 2024, that it hadn't actually put a hold on the account making income payments but rather on the one holding the investments is spurious. The investment account funded the cash account via benefit crystallisations. And I've seen no evidence that Fidelity told Mr H he could still withdraw the available balance of his cash account, which I think it should have done when he called it on 6 August 2024.

I think this complaint can be split into two parts, being the events before the actual Court Order became effective and those before. It seems clear that once the Court Order became effective there couldn't be any payments from Mr H's fund until the PSO had been fully implemented, unless there was a separate agreement, so how quickly things were dealt with after that was important. Fidelity received a copy of the order on 16 October 2024 and says it processed this within its stated service standards pending the receipt of other documents it

required. A business can set a service standard if it chooses but that doesn't necessarily mean they are fair, and I don't think they were here. Fidelity did cause unreasonable delays, and if it hadn't the PSO could have been implemented sooner than it was.

Pre Court Order

When the solicitor wrote to Fidelity on 18 July 2024 it enclosed a draft of the Consent Order and Annex and asked Fidelity whether it was correctly completed, and whether,

“the pension share as set out in the annex can take place once agreed by a Judge”

Fidelity confirmed the documents seemed to be in order but specifically focused on what was set out under section 9.b of the Consent Order which said,

“The Applicant and the Respondent shall not intentionally claim, draw down, transfer or otherwise deal with any pension benefits subject to a pension sharing order in this order until the pension share so ordered has been implemented, save in the event of prior written agreement as between the parties.”

That wording is clear and there wasn't a written agreement, but at that point there also wasn't a Court Order agreed by a Judge. There is no case reference number on the Annex (which was to cause a delay later) and the documents hadn't been stamped by the Court. The Annex states that the PSO takes effect from the later of,

- “a. the date on which the Decree Absolute ... is granted ...”*
- b. 28 days from the date of this order ...”*

It continues that the pension arrangement then has up to four months from the later of the day the order takes effect or from the date it has the PSO, the Annex, the Decree Absolute and other necessary details set out in the Annex to implement it. So, I don't think there was a clear requirement to prevent Mr H's regular pattern of withdrawals at that point. I think it would have been appropriate and fair to consider the individual circumstances.

Post Court Order

The Court Order was dated 2 October 2024 and would presumably come into effect 28 days later, so 30 October 2024 or the date of the Decree Absolute (or in this case the “Final order”) if earlier. The Final order was dated 23 October 2024, and was sent to Fidelity on 6 November 2024 but wasn't worked on until 25 November 2024. This was an excessive delay given Fidelity knew Mr H was seeking the payment of income from his plan and was supposed to be looking into this for him, as it had promised on 31 October 2024.

There are several potentially relevant dates here and I'm not a legal expert, but it seems to me the likely effective date of the PSO was 23 October 2024. At which point there should be a hold on the plan unless a written agreement to the contrary was in place. Whilst Fidelity did eventually concede there wasn't any legal or regulatory requirement for it to have put a hold on the pension in August 2024, it continued to argue it was right to do so. But I think it took too long to indicate it might be possible to remove the block, before backtracking and also stating that attempting to do so might further delay implementing the PSO. This self-imposed red tape and bureaucracy understandably caused Mr H frustration, and I don't think Fidelity was treating him fairly.

Because the actual Consent Order seems clear that with a written agreement the withdrawals could be made, and this was received on 16 October 2024, but by 27 November 2024, Fidelity still didn't know whether it could comply with such a request, which is clearly

unreasonable. And I think it misled Mr H in August, September and October 2024 by making either inaccurate statements or failing to respond to him in a reasonable timeframe. It should have either removed the hold and/or properly and promptly considered the written agreement position until the actual Court Order came into effect. I think it should reasonably have paid the withdrawal due in August, September and very probably in October as this would likely to have been in transit before the Final order was made. Had it then dealt with things efficiently it might have been possible to implement the PSO, or for Mr H to put a written agreement in place if this hadn't already been dealt with to facilitate the payment of the November 2024 withdrawal. It certainly should have been possible to then implement the PSO before the December 2024 withdrawal was due.

So, I think Mr H should reasonably have received those withdrawals and that has had financial consequences for him. The funds did remain in his pension and were invested, and Mr H could of course withdrawn additional payments to catch up, although this might potentially give rise to additional tax liabilities. But I think he is correct to say that his fund had a greater value than it otherwise would have when the PSO was implemented. So, whilst his ex-wife was paid the 32.375% share called for in the PSO this was a greater monetary sum than it would have been. And I think the 32.375% reduction on the regular withdrawals that should have been made is Mr H's loss. I also think he was caused distress and inconvenience by what happened.

Putting things right

I said my aim in awarding compensation was to put Mr H as closely as possible back into the position he would have been in but for the errors made by Fidelity.

I said it should have been possible for Mr H to make his withdrawals as normal between August and December 2024. And his loss was 32.375% of the cumulative value of the withdrawals over that period because that sum was no longer available to him. And Fidelity should calculate the total amount and pay this either into Mr H's pension plan or to him directly after a notional deduction for income tax at the appropriate tax rate. I said it should provide Mr H with a simple calculation of how it worked out the figures. And I said it should pay a further £250 in compensation for the distress and inconvenience he'd been caused.

I asked both parties to send me any further information or comments they would like me to consider.

Response to provisional decision

Mr H said he accepted my provisional decision.

Fidelity accepted my provisional decision in part, but said it felt it was fair to change the compensation I'd suggested. It said but for the delays it was responsible for, Mr H would have been able to receive income again from 6 December 2024. It accepted that Mr H should be compensated for the payments he didn't receive from August to October which it calculated as being £2,641.80 after a 15% notional deduction for tax, to which it would add interest at 8% per year simple. But Fidelity said the withdrawal wouldn't have been payable in November 2024, as the Court Order had come into force then. And it said as the hold (on withdrawals) should have been removed from 6 December 2024 a payment could have been made then, so it wasn't "*appropriate to apply the 32.375% calculation here*". In total Fidelity said it felt compensation of £2,641.80 for the missed income payments, plus £627.31 (at the time of calculation) in interest for late payment and the £250 I'd proposed for distress and inconvenience was fair.

I sent Mr H a copy of Fidelity's proposal, and he said it might be reasonable to have held the November payment following the receipt of the Court Order. But he said the December payment hadn't been made only because of the errors and delays Fidelity had caused. He asked that as he'd now transferred his pension away from Fidelity that any compensation was paid directly to him rather than to his pension plan.

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've decided to uphold the complaint.

I think Fidelity treated Mr H unfairly by effectively implementing the Court Order in advance, particularly without having a clear and simple process around the need for any written agreement to prevent a hold on income withdrawals. I think this resulted in financial losses and inconvenience for Mr H.

Having considered the further comments of both Mr H and Fidelity it seems that Mr H always had an expectation that there would be some impact on his regular withdrawals. And both sides agree, without a separate agreement, this would have occurred in November 2024 rather than before. So, I think it is fair to exclude that month from any redress calculation. But it remained important that the PSO was then actioned promptly by Fidelity, and it wasn't. And in terms of the December 2024 withdrawal, I don't follow Fidelity's rationale that this shouldn't also be compensated.

This wasn't paid because Fidelity hadn't completed the PSO exercise in December 2024 and Mr H couldn't take his withdrawal for that month. So, it should reasonably be included in the loss calculation. The relevant date for Mr H here was the date the funds were actually transferred to his ex-wife's pension, which appears to have been 6 January 2025 when Fidelity confirmed the process was complete, not when it says it "*implemented*" processes around the PSO on its system through December 2024.

So, I think to compensate Mr H fairly, the missed withdrawals for August to October and December 2024 should be considered, as these should have been made but for Fidelity's errors.

Putting things right

My aim in awarding compensation is that Mr H should be put as closely as possible back into the position he would probably now be in if he'd been treated fairly by Fidelity.

- I think it should have been possible for Mr H to make his withdrawals as normal for August, September and October 2024. The November 2024 payment would reasonably not have been made pending implementation of the PSO. But the December 2024 payment should have been made. As I've explained I think his loss is therefore 32.375% of the cumulative value of the withdrawals over that period, because that sum is no longer available to him.
- Fidelity should calculate the total amount of the August, September, October and December payments and add interest to the date it makes settlement at the rate of 8% per year simple.
- This must be paid directly to Mr H as a lump sum after making a notional reduction to allow for future income tax that would otherwise have been paid. As Mr H 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 of 20%. So, making a notional reduction of 15% overall from the loss adequately reflects this.

- Fidelity must provide Mr H with a simple calculation of how it worked out the figures.
- Mr H was caused distress and inconvenience by what has happened, particularly as Fidelity failed to respond to his concerns and caused delays in finalizing the PSO. So, I think it's fair that it pays him a further £250 in compensation in addition to any other amount it has offered him separately.
- Income tax may be payable on any interest paid. If Fidelity deducts income tax from the interest, it should tell Mr H how much has been taken off. Fidelity should give Mr H a tax deduction certificate in respect of interest if Mr H asks for one, so he can reclaim the tax on interest from HM Revenue & Customs if appropriate.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint against Financial Administration Services Limited.

I direct Financial Administration Services Limited to undertake the calculations set out above and pay the compensation due to Mr H.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 September 2025.

Nigel Bracken
Ombudsman