DRN-5506062

The complaint

Mr S complains that St James's Place UK Plc (SJP) delayed the transfer of his personal pension plan (PPP) and transferred less than the true value of the plan.

What happened

Mr S wanted to transfer his SJP PPP to a new plan with True Potential. He said SJP received his completed transfer request on 24 November 2023. When he didn't hear anything Mr S says he called SJP on 11 December 2023 for an update and was told the transfer value paid would be the plan value on the date of transfer. SJP then transferred £348,558.24 to True Potential on 13 December 2023. Mr S generated an online Wealth Account Summary valuation (the valuation) the same day. This showed a transfer value of £361,988, around £13,440 more than had been transferred to True Potential. SJP sent a summary letter dated 14 December 2023 confirming the transfer paid but no other details.

Mr S complained to SJP on 15 December 2023 about the difference in value. It wrote to him on 8 February 2024 saying it was still looking into his complaint, but he could refer it to our service. Hearing nothing further Mr S referred his complaint to us on 9 April 2024. He said his new plan had increased in value by around 11.4% causing him a further loss.

Our investigator looked into it and asked SJP to issue a final response to Mr S and to provide its file. When SJP didn't respond, our investigator considered the evidence available, and he said the complaint should be upheld.

Our investigator said the valuation clearly showed a net value of £361,988 after the application of an early withdrawal charge with the gross value being £373,829. He said no explanation had been provided why the amount actually transferred to True Potential was lower. He said SJP should liaise with True Potential to calculate whether the new plan was showing a loss as a result of the £13,429.76 underpayment, and to pay compensation if it had. He also said Mr S had been caused distress and inconvenience by what had happened and SJP should pay him £150 compensation for this.

Mr S accepted our investigators view but SJP didn't reply, and the complaint was referred to me to decide.

SJP then issued a final response letter dated 19 September 2024, it apologised for the delay in considering the complaint, but it didn't uphold it. It said True Potential had initially submitted the transfer request on 23 November 2023, but the request contained an error over the type of benefits to be transferred. It said a second request was made on 28 November 2023, and it said it's normal service standard would have been to complete this by 12 December 2023. It said despite the system problem advised on 11 December 2023 when Mr S had called it did issue the transfer payment on 12 December 2023.

SJP said an early withdrawal charge of £11,607.25 had been correctly applied. It said whilst Mr S had asked if the fund prices on the transfer date would be used this wasn't something it would do for any withdrawal and its staff member had only confirmed he couldn't authorise anything and would seek to escalate the transfer. It said as a correct transfer request had been made on 28 November 2023 it had, as was its normal procedure, used the valuation from the next working day, the 29 November. It did say the call handler had advised an incorrect timescale when saying it would take seven working days to complete a transfer because this didn't include how long a BACS payment would take to clear.

Mr S said he was disappointed by SJP's response. He said the early withdrawal charge was fair but not the additional £13,430 it had retained, which he said was totally unacceptable.

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

My provisional decision

I issued my provision decision on 24 January 2025, I explained the reasons why I was planning to uphold the complaint in part. I said:

I asked SJP some questions about what had happened, and the valuation obtained by Mr S. I also requested a recording of the telephone call from 11 December 2023. SJP said its final response to Mr S "could have offered more detail about our reporting and why the value referred to was not transferred". Which would have allowed it to confirm there was no loss on transfer and helped Mr S's understanding. It said the valuation produced on 13 December 2023 was incorrect as it didn't reflect that the investments had been "reserved" to be sold on 29 November 2023, being the day after a correct transfer request was received, which it accepted was "not ideal".

SJP said its online reporting was an overview, for "information purposes only" and that it asked clients to contact it to check before relying on reported values. It said Mr S had only been able to generate the valuation report on 13 December 2023 because of "an IT system defect". It said it always used next day pricing for all investment sales and purchases, but it understood clients would be anxious to re-invest proceeds and it had met its service standards to complete the transfer.

I think SJP did make errors and delayed the transfer. And it took too long to answer Mr S's queries. But I think it has paid the correct transfer value.

The transfer value paid

I think SJP used the correct valuation date and fund prices, and it correctly applied the early withdrawal charge provided for in the terms and conditions of the policy. The initial Origo transfer request submitted for Mr S on 23 November 2023 contained an error which SJP confirmed the next day, so it didn't cause any delay here. It received a correct transfer request on 28 November 2023, and it did use the fund prices from the next working day. It is very common for pension providers to use the fund price prevailing the day after it receives a transfer request and provided it then sends the money to the new provider promptly that isn't unreasonable.

I've listened to the call Mr S made to SJP on 11 December 2023. It's clear that Mr S had worked as a financial adviser with SJP for many years. So, I think it is more likely than not that he would have a good understanding of the typical transfer procedures and timeframes in place with SJP. I also think he would understand SJP's valuation reports and the charging structure in place for his plan.

At the start of this call Mr S asks what valuation would be used as he said the Origo transfer request should have been dealt with within three working days. The call handler concedes there had been a delay, and it should have been processed but hadn't due to an IT issue. Mr S said if the transfer was paid that day, he'd want today's prices. The call handler starts a *process to escalate the case, noting that Mr S wanted that day's prices. But SJP didn't advise that those prices would be available, and Mr S didn't instruct the transfer to be stopped and I'm mindful of his level of knowledge here. So, the valuation date to be used was always to be 29 November 2023, unless Mr S chose to stop the transfer either by confirming this on the phone or through the Origo system. He didn't do this and SJP completed the instruction he had given on 28 November 2023, when he must have been satisfied with the likely transfer value available then.*

Whilst I think the value paid was correct, it has taken SJP too long to confirm the details and answer Mr S's queries. SJP says the valuations available to Mr S online, were overviews rather than being definitive. And whilst the "Your Wealth Account" valuation pack dated 13 December 2023 does set out the gross value of £373,829 and net value of £361,988 before and after the application of the early withdrawal charge, the notes to the report say:

> *"The current encashment value includes any early withdrawal charges we would have taken had you encashed or transferred your plan on 13 Dec 2023. … If you cash in or transfer all or part of any plan the values will be those applicable at the date of encashment or transfer"*

And the notes at the back of the report confirm the valuation is "intended as an overview … and is for information only". And,

> *"You should always contact your St. James's Place Partner or our Administration Centre to check for any changes to the values set out in the Wealth Account prior to relying on them."*

SJP has shown evidence of the plan value of 29 November 2023, and it does appear to have used the correct valuation date and applied the early withdrawal charge provided for in the terms and conditions, which Mr S would have accepted when he took the plan out.

Were there delays

I think the correct valuation date was used but the transfer wasn't paid to the new plan until 13 December 2023. When transferring a pension there is always going to be some period of time that the funds aren't invested. SJP says it's service standard is to process and pay transfers within 10 working days including three days for a BACs payment to clear and it met this standard. But I don't think it did as the payment would have needed to clear on 12 December 2023. And when considering complaints about delays in switching a pension our service thinks it fair to look at each stage of the process rather than just the overall time taken to complete the transfer, to establish whether there were any avoidable delays.

Back in 2006 the Association of British Insurers (ABI) statement of good practice was that requests should be completed within 10 working days. Since then, systems like Origo have been widely adopted which allow electronic data exchange between pension providers, which may mean allowing 10 working days for each step of the process to be completed is inappropriate. And in 2016 an industry group comprising the ABI and nine other trade bodies suggested that two working days should be the standard for each step of the process.

The evidence available does seem to indicate that there were errors and system problems that did delay the transfer from being completed as soon as it might have been, and it is possible that this has caused financial losses for Mr S. From the evidence SJP appears to have worked on the Origo request on 30 November 2023, so two working days after it was received, when it was passed to "QC" - presumably this being quality control. A note on 3 December 2023 says, "should have been closed by processor when new workflow was actioned". This might refer to a process that should have been completed on 30 November

2023 indicating some sort of error had occurred then. SJP then attempted to process the transfer on 5 December 2023, but this failed due to an IT problem and did so again the next day.

Based on this I think it's reasonable that the transfer could have been processed by 4 December 2023, if there hadn't been any errors or delays. With payment made by BACS which would have reached the new plan on 6 December 2023, seven working days after the correct Origo request was made. Instead, the transfer wasn't received until 13 December 2023 which is 11 working days after the Origo request. So, due to the errors in processing the transfer I think SJP did cause a delay, and this might have resulted in investment losses for Mr S.

Taking everything together I think the correct transfer value was paid but a few days delay was caused, if that has resulted in investment losses for Mr S then it's fair that he be compensated for that.

Putting things right

I said my aim in awarding compensation was that Mr S should be put as closely as possible into the position he would probably now be in but for the delays caused by SJP.

I said SJP should calculate the value of Mr S's new plan had the transfer been completed on 6 December rather than 13 December and he'd invested on 7 December 2023 as a result, and compare this to the plans actual value. And if this showed a loss it should pay compensation accordingly. I set out how it should do that.

I also said Mr S had been inconvenienced by the delay in completing the transfer and SJP should pay him £150 in compensation for this.

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

Response to provisional decision

Mr S said he was *"disappointed"* as he felt SJP had kept hold of £13,340 of his money, but he would reluctantly accept my provisional decision as *"fighting"* it wasn't worth the stress.

SJP said it accepted my provisional decision and would contact True Potential for the figures needed to calculate whether a loss had been suffered.
Your text here

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 in part as set out in my provisional decision.

I think SJP did cause a delay in paying the transfer and it's possible that this has resulted in financial losses for Mr S. If so it's fair that he be compensated for that. But I think SJP did use the correct valuation date and consequently it hasn't unfairly retained any of Mr S money. SJP also appears to have correctly applied the exit charges provided for in the policy terms and conditions.

As I said in the provisional decision it is standard industry practice to use the next available valuation point once all the information needed to process a transfer has been provided. That's what SJP did, and Mr S was happy to proceed as soon as possible once he submitted the transfer request. And with this type of transfer there is always going to be some period of time where funds are out of investment markets pending re-investment. But that period was too long because of the errors SJP made. The remedy I'll set out below addresses that and provides for compensation to be paid to put Mr S back into the position he should have been in had there not been a delay in the funds being sent to the new pension plan with True Potential, which fairly resolves that part of his complaint.

In addition to any financial loss caused by the delay in transferring his plan value, Mr S has been inconvenienced by that delay and I think it fair that he also be compensated for that.

Putting things right

My aim in awarding compensation is to put Mr S back into the position he would have been in but for the errors made by SJP.

SJP must ask True Potential to complete a notional value calculation of Mr S's plan had the transfer been completed on 6 December 2023 rather than the 13 December 2023. Mr S has confirmed he invested the transfer as soon as it was available to do so on 14 December 2023. And I think he would have done the same had it been completed earlier, so the 7 December 2023. If True Potential is unable to provide a notional valuation SJP should undertake the calculation itself using the investment prices available. I've set out an alternative method for SJP to use below using an appropriate benchmark if True Potential can't provide a notional valuation or fund prices.

- Any loss Mr S has suffered should be determined by obtaining the notional value of the True Potential pension on the basis that the transfer had been invested on 7 December 2023 and then subtracting the current value of the pension from this notional value. If the answer is negative, there's a gain and no redress is payable.

- Any additional sum paid into the investment should be added to the notional value calculation from the point in time when it was actually paid in.

- Any withdrawal from the True Potential pension plan should be deducted from the notional 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 SJP totals all those payments and deducts that figure at the end to determine the fair value instead of deducting periodically.

If True Potential is unable to provide a notional value or pricing information, then SJP must,

- Apply the return of the FTSE UK Private Investors Income Total Return Index (the benchmark) to the transfer value from 7 December 2023 and compare this to the actual value.

- The compensation amount should if possible be paid into Mr S's pension plan. 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 S as a lump sum after making a notional reduction to allow for future income tax that would otherwise have been paid.

- If Mr S 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. Mr S has confirmed he is a basic rate taxpayer. So, making a notional reduction of 15% overall from the loss adequately reflects this. If Mr S has fully used his tax-free cash entitlement the appropriate reduction would therefore be 20%.

- SJP should add interest to any compensation due at the rate of 8% per year simple from the date of the calculation until it makes settlement.

- Income tax may be payable on any interest paid. If SJP deducts income tax from the interest, it should tell Mr S how much has been taken off. SJP should give Mr S a tax deduction certificate in respect of interest if Mr S asks for one, so he can reclaim the tax on interest from HMRC if appropriate.

- Provide Mr S with a simple calculation of how it has worked out the figures.

- Pay Mr S £150 for the distress and inconvenience caused by the delayed payment of his transfer value.

Why is this benchmark remedy suitable?

I've decided on this method of compensation because:

- Mr S wanted Capital growth and was willing to accept some investment risk.

- The FTSE UK Private Investors Income ***Total Return*** index (prior to 1 March 2017, the FTSE WMA Stock Market Income total return index) is made up of a range of indices with different asset classes, mainly UK equities and government bonds. It would be a fair measure for someone who was prepared to take some risk to get a higher return.

- Although it is called income index, the mix and diversification provided within the index is close enough to allow me to use it as a reasonable measure of comparison given Mr S' circumstances and risk attitude.

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 St James's Place UK Plc in part.

I direct St James's Place UK Plc to undertake the calculations set out above and pay any compensation due.

I further direct St James's Place UK Plc to pay Mr S £150 compensation for the distress and inconvenience he's been caused if it has not already done so.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 22 May 2025.

Nigel Bracken
Ombudsman