DRN-5615703

The complaint

Mr A complains that Nutmeg Saving and Investment Limited ("Nutmeg") proceeded with a transfer of his pension to another provider, despite having been instructed not to do so. He says this resulted in his fund reducing in value.

What happened

Mr A held a number of pensions, and had decided to consolidate them, which involved transferring his Nutmeg pension to another provider, who I will refer to as Provider B. However, although an application had been submitted to Provider B, Mr A did not wish for this transfer to take place immediately and made the parties aware of this.

On 6 August 2024, Mr A received an email from Nutmeg to say they were processing a transfer request, however Mr A had previously requested that this did not go ahead at that time. He made a number of attempts to contact Nutmeg to reiterate that he did not wish for the transfer to happen. On 13 August 2024, he was informed that although the transfer had been stopped, the funds within the pension had been sold and transferred to Provider B. The funds were subsequently returned to Nutmeg on 14 August 2024, and reinvested into Mr A's pension on 19 August 2024.

On 14 August 2024, Mr A complained to Nutmeg. He said that although the request to cancel the transfer had been made in time for the transaction to be cancelled, it had still gone ahead. On 22 August 2024, Mr A added to his complaint because he had carried out some calculations and believed he had been financially disadvantaged due to the error.

On 7 October 2024, Nutmeg provided their final response and upheld Mr A's complaint. In their response, Nutmeg acknowledged that they had made a procedural error, explained how this had occurred by way of a timeline, and carried out a compensation calculation. When carrying out the calculation, they reviewed the portfolio performance between 8 August 2024 (when the funds were sold) and 19 August 2024 (when the funds were reinvested) and identified that Mr A's pension fund would have increased by £1,454.99 and offered to reimburse him for this. They additionally offered Mr A £100 to apologise for their error, and asked him to accept this. Mr A did not agree that the £1,454.99 offered was representative of the loss he had incurred, and asked for a calculation to explain how the figures had been reached. Nutmeg confirmed they were unable to provide the actual calculations carried out but confirmed that there were a number of factors taken into account when assessing the loss.

Mr A did not agree that Nutmeg's calculations were correct, and forwarded his complaint to this service on 11 October 2024.

On 29 November 2024, our investigator issued her view. Within this she considered the evidence provided by both parties, and agreed that Mr A's complaint should be upheld, as there was no dispute that Nutmeg had made errors that had caused Mr A a financial loss. However having reviewed the calculations provided, she was of the opinion that the redress offered by Nutmeg was representative of the loss suffered by Mr A's pension fund as a result of it having been out of the market. She also agreed that the compensation award of £100 offered by Nutmeg was fair and did not ask them to take any further action.

Mr A did not agree with this outcome, and provided further information to support why he thought that the calculations were incorrect. Because Mr A did not agree, the complaint has been forwarded to me for a decision.

Provisional Findings

I issued my provisional decision on 27 May 2025. It said:

"I have considered all of the evidence and arguments provided to decide what's fair and reasonable in the circumstances of this complaint. Having done so I've reached a different view to that provided by our investigator.

It is not in any dispute that Nutmeg's procedural error caused the transfer of the pension to be carried out despite instructions for this not to happen. I have therefore not investigated this element of Mr A's complaint any further, but have focused on what I understand to be the crux of the complaint, the fact that Mr A believes that the calculation carried out to redress him for the losses incurred does not accurately reflect his financial loss.

When considering any redress for a complaint, the approach taken by the Financial Ombudsman Service is that a complainant should be put back into the position that they would have been were it not for the error of the business about whom they are complaining.

Nutmeg have provided an explanation of the calculation carried out upon which they based their compensation offer to Mr A. This shows that between 7 and 18 August 2024, Mr A's fund grew by £1,454.99. They have confirmed that these are the dates used for the calculations as the values used are at the end of the day before each transaction is more accurate. Nutmeg have correctly identified this as Mr A's financial loss caused by being out of the market during this time. They have confirmed that £50,314.54 was reinvested into Mr A's pension on 19 August 2024.

However, although £1,454.99 is the amount of investment growth that Mr A missed by being out of the market, reinstating Mr A's pension at £50,314.54 as at 18 August 2024 and reimbursing him for the loss of £1,454.99 at a later date does not fully put him back in the position he would have been had the error not occurred.

This is because if the unintended transfer out had not taken place, Mr A's pension would have been worth (using the information provided by Nutmeg) £51,769 on 18 August 2024, rather than the £50,314.54 that was reinvested on 19 August 2024 when the funds were returned, and it is this higher value which would have been invested since that time (and had the potential for investment growth). Due to the value of Mr A's pension being lower than it should have been at 19 August 2024, any growth that has occurred within Mr A's funds since that date has been based on a lower value than it should have been if it had remained invested. I have therefore concluded that the calculation and redress offer made by Nutmeg to Mr A does not fairly or adequately compensate him for the loss and uphold Mr A's complaint."

Responses to my provisional decision

I have received responses from both Mr A and Nutmeg confirming that they accept my provisional decision. Neither party have made any additional comments or provided further evidence for consideration.

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.

As no new information or evidence has been received from either party, I see no reason to change my decision. So I remain of the view I set out in my provisional decision – my findings as set out above should be considered as part of my final decision. It follows that I uphold this complaint.

Putting things right

In order to fairly compensate Mr A, Nutmeg should calculate a notional value of Mr A’s pension at the date of this final decision as though the transfer out on 7 August 2024 had not happened.

They should compare this with the actual value of his pension as at the same date, and if the notional value is higher than the actual value, they should pay an amount to make up the pension to the correct value, taking account of any available tax relief and any charges. My understanding is that Mr A’s pension is still in force so this should be possible. The redress shouldn’t be paid into the plan if it would conflict with existing protection or allowances.

However, if Nutmeg are unable to pay the compensation into Mr A's pension plan, it should pay the compensation amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the compensation should be reduced to *notionally* allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount - it isn’t a payment of tax to HMRC, so Mr A won’t be able to reclaim any of the reduction after compensation is paid. Mr A is already retired, therefore his actual marginal tax rate should be used.

If Mr A has any 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.

Any compensation should be paid within 28 days of Nutmeg being notified of Mr A’s acceptance of any final decision along these lines. If it’s not, 8% simple interest should be added to the compensation amount from the date of the final decision to the date of settlement.

In addition to the above, Nutmeg should pay £200 to Mr A due to the inconvenience caused. This is an increase from £100 previously offered which I believe reflects the time and effort spent by Mr A to rectify this issue, and is consistent with the types of award which this service might typically make in similar circumstances.

My final decision

For the reasons explained above, I uphold Mr A’s complaint against Nutmeg Saving and Investment Limited, and they should pay the amount calculated as set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr A to accept or reject my decision before 10 July 2025.

Joanne Molloy
Ombudsman