DRN-5637446

The complaint

Mr D has complained about his pension transfer from Vanguard to Interactive Investor Services Limited ('IISL').

Mr D requested an in-specie transfer request with IISL incorrectly instructing the sale of his investments with the cash value then being transferred.

Whilst IISL have accepted the error, Mr D is unhappy with how IISL have rectified the issue.

What happened

On 28 January 2025 Mr D submitted an in-specie transfer request with IISL which would have allowed his existing investments to move from Vanguard to his new pension with IISL without them being encashed.

IISL incorrectly logged the transfer request as a cash transfer. This led to Mr D's pension investments with Vanguard being sold.

Having received cash rather than the underlying investments, IISL contacted Mr D on 21 February 2025 and asked whether he would like to retain the cash amount which had been received into the pension, or have the original assets restored.

Mr D requested the original investments be restored.

IISL contacted Vanguard to query what funds Mr D had previously held with them. This information was then forwarded to Mr D on 24 February 2025. IISL provided Mr D with a list of the underlying investment funds (and the number of units held in each) and asked Mr D to confirm that the information was correct before they proceeded with the investment repurchases.

Mr D responded the same day to confirm that the makeup of his portfolio, as quoted by IISL, was correct.

On 10 March 2025 IISL repurchased all the investments which had previously been held by Mr D at Vanguard.

On 21 March 2025 Mr D contacted IISL to query the value of his SIPP after the original investments had been repurchased. IISL explained that the correct number of units had been re-purchased, but that the overall value of the SIPP may have fallen due to investment price movements over the interim period.

Mr D registered a complaint about the incorrect processing of his transfer request and the fact that after his pension investments had been repurchased it fell in overall value.

IISL issued its complaint response on 4 April 2025. This gave a detailed timeline of events and offered Mr D a total of £190 in respect of the incorrect recording of the transfer request, unnecessary contact, and delays caused.

With regard to the issue Mr D has registered around the cash left over after his original investments had been repurchased, IISL explained that they had given Mr D the option to either retain the monies transferred as cash or have his original investments repurchased and as Mr D has asked for his original investments to be repurchased he was not entitled to any cash which may have been left over. IISL stated that Mr D's pension now held exactly the same number of units in the same funds he had held before the transfer, and as such his pension was in the correct financial position.

Unhappy with the complaint response Mr D referred his complaint to this service in April 2025.

Whilst the complaint was being investigated by this service IISL offered to increase their compensation offer by a further £500 to cover the errors their investigation had identified.

Mr D remained unhappy with this increased offer and as such our investigation of Mr D's complaint continued.

Our investigator did not uphold the complaint and said that he believed that the IISL offer was reasonable.

Whilst reductions in investment values during the time Mr D was out of the market meant he would have been better off financially had he chosen to retain the cash transfer value, our investigator concluded that Mr D chose to have his original investments repurchased.

Mr D did not agree and stated that as he was not made aware of the market movements which had occurred (nor the gain which IISL stood to make) he was not given an informed choice by IISL when they offered him the two options.

Mr D also remained of the opinion that the error made by IISL was a significant one and that this did not align with IISL's responsibilities to him; he referred to rules which require IISL to avoid foreseeable harm, act in good faith, and deliver good outcomes. And he said the offer seemed disproportionate to the error, especially considering the gain which ISIL appeared to have made.

As our investigator was not minded to change their opinion the case has been passed to me for a final decision.

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.

In doing so, I've taken into account relevant law and regulations, Regulator's rules, guidance and standards, codes of practice, and what I consider to have been good industry practice at the time. This includes the Principles for Businesses ('PRIN') and the Conduct of Business Sourcebook ('COBS').

The fact that IISL made an error in transferring Mr D's pension has already been established and accepted by all parties in this case. As such I do not need to focus on the error itself.

What I must decide is whether IISL's actions and offer to Mr D in correcting their error is fair and reasonable.

In any case where a business has made an error, the redress instructions I give are intended to place that customer back into the position they would most likely have been in, were it not for that businesses error.

In this case it is clear that Mr D wanted to transfer his pension from Vanguard to IISL on an in-specie basis, ensuring that his existing funds were maintained with his pension monies not spending any time “out of the market”.

As above, it is accepted that the sale of Mr D’s Vanguard investments was an error on IISL’s part. In response to their error IISL offered Mr D two options.

The first option was to retain the cash which had been transferred and re-invest this as he saw fit. This is clearly not what Mr D initially wanted, but, having made the error, it was not unreasonable for IISL to provide Mr D with the option to retain the cash and allow him to make new investment choices based on this unintended position.

The second option was for IISL to re-purchase the original investments held by Mr D, restoring the original number of units in each of the investment funds held by Mr D (before they were sold in error).

In line with what I have said above regarding any redress instructions I give when a business has made an error, the second option is what I would instruct a business to do in similar circumstances. This option essentially unwound IISL’s error and returned Mr D’s pension to the position he had initially intended.

Whilst I can appreciate Mr D’s frustration in subsequently discovering he would have been financially better off had he chosen to retain the cash value initially received following IISL’s error, I don’t believe this means IISL did anything wrong.

The timeline of events shown above indicates that IISL’s offer to Mr D (of keeping the cash or the repurchase of the investments) was made before IISL were aware of the investments Mr D had held with Vanguard – this was only confirmed on 24 February 2024 – and as such they would not have known how the value of Mr D’s investments had moved over time. When Mr D chose to have the original investments repurchased neither he, nor IISL, would have been aware of the potential costs of the decision made.

What IISL’s offer did was ensure that Mr D’s pension was not negatively impacted by their error and ensure Mr D was returned to the position he had originally wanted.

Ultimately it was shown that the market movements during the time out of the market meant Mr D would have been better off if he had chosen to keep the cash transfer value. However, at the point in time a decision was made, neither Mr D nor IISL were in a position to know that. In offering to repurchase the investments IISL provided Mr D with a risk-free option to return his pension to the position it would have been were it not for their error.

I have considered whether IISL should have gone further and calculated the current value of the encashed investments, established whether Mr D stood to gain or lose from each option, and then allow Mr D to choose the most profitable outcome.

However, I do not believe that this is something that IISL can reasonably be expected to offer.

IISL accepted their error and provided Mr D with two options on how to proceed. One option allowed Mr D to take a risk based on how the markets had moved whilst his pension monies were out of the market, and one allowed Mr D to remove that risk with the re-purchase of his investments exactly as they had been held before. Importantly, IISL was unaware of the potential cost of each option. And ultimately, IISL returned Mr D's pension to the position he not only initially wanted but also wanted when given a choice. Whilst I appreciate that we now know Mr D choosing to retain the cash would have been more profitable, that does not mean that IISL's actions were unfair or unreasonable.

As well as restoring Mr D's pension investments IISL offered a total of £690 to Mr D to cover their errors in the incorrect recording of the transfer request, unnecessary contact, and delays caused.

In line with what our investigator has said I believe this offer is fair and reasonable. IISL accepted their error in a timely manner and ensured the pension was restored to where Mr D had originally wanted in a reasonable time frame. As such I see no reason to alter this offer.

Overall, it is clear that IISL did make an error and as such this complaint has been upheld.

However, in line with the rationale above, the only action required of IISL is to ensure the £690 offered to Mr D is paid upon confirmation he accepts this outcome.

Putting things right

IISL should take steps to pay Mr D the £690 offered to cover the errors made and the distress and inconvenience caused.

My final decision

I am upholding this complaint against Interactive Investor Services Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 13 December 2025.

John Rogowski
Ombudsman