DRN-5680302

The complaint

Mr C complains about poor level of service provided by Interactive Investor Services Limited in the process of taking tax-free cash from his self-invested personal pension (SIPP) to buy a property.

What happened

One of our investigators sent Mr C and Interactive Investor Services Limited (Interactive) their assessment of the complaint on 28 May 2025. The investigator set out her understanding of the background and circumstances to it in that assessment, so I won't repeat it all again here. But to summarise, Mr C was in the process of selling his house and buying a new one. There was a hold up in the sale of his house, and due to his concerns about a potential increase to capital gains tax (CGT) on residential property, he decided to buy the new house with tax-free cash from his SIPP.

On 16 October 2024 Mr C contacted Interactive saying he wanted to take the 25% tax-free cash. He spoke through the online claim process with Interactive over the phone and Mr C confirmed he submitted the relevant form. Interactive confirmed Mr C wanted £168,246 in cash.

Mr C contacted Interactive on 22 October 2024 to confirm when the claim would be paid. Interactive couldn't locate that a claim had been requested. So Mr C went through the online claim process again while on the phone, and Mr C noted he didn't have a transitional tax-free cash amount certificate (TTFAC). Interactive confirmed the request had been received and should complete within five to ten working days.

The investigator said Mr C was sent a flexi-access drawdown illustration on 22 October 2024. The correspondence stated the tax-free cash was £169,331. Mr C contacted Interactive again for an update on 24 October 2024. On 25 October 2024 Interactive reviewed the claim, and noted Mr C had used 50.08% of the Lifetime Allowance (LTA), and would therefore only be able to receive £133,897 tax-free cash.

On 28 October 2024 Mr C contacted Interactive for another update. Interactive spoke with its back-office team which said there was an issue because the maximum tax-free cash was £133,897. Interactive informed Mr C of the timescales to make payment, but didn't tell him of the lower tax-free cash amount payable, rather it said there was a minor discrepancy in the value that had since been rectified.

Mr C complained about the matter. On 30 October 2024 Mr C received £133,897. He contacted Interactive on 31 October 2024 whereby a TTFAC form was completed, and Mr C was sent the bank account details to return the £133,897 which the investigator said Mr C returned on 31 October 2024.

On 5 November 2024 Mr C contacted Interactive to see whether the claim for the correct amount had been processed. Following further exchanges between Mr C and Interactive, the

£133,897 was reapplied to the SIPP on 7 November 2024. By this time the buyer of Mr C's house was able to proceed and with a completion date on 11 November 2024. On 14 November 2024 Mr C confirmed to Interactive that he wouldn't be proceeding with the claim because the tax-free cash was no longer needed.

Interactive responded to Mr C's complaint offering him 8% simple interest on the £133,897 for the period between 29 October 2024 and 7 November 2024 - £264. And it offered £270.00 compensation for the trouble and upset caused. It subsequently offered a further £500. Mr C didn't accept the offer.

In her assessment of the complaint our investigator said that Interactive had acknowledged that the service it had provided wasn't always to the standard expected. So she said the issue to determine was whether Interactive had reached a fair resolution to settle the complaint. She said the aim was to put Mr C back in the position he would have been in - or as close as is possible - had a mistake not been made, and fairly compensated where appropriate.

The claims process

The investigator said she had considered what delays had been avoidable, and what Interactive had control over. She said she understood the claim form was first completed over the phone on 16 October 2024 but appeared not to have been received by Interactive. The investigator said she had taken into account that on the call with Interactive Mr C said that the claim form had been submitted. But she also took into account that Interactive subsequently checked with its back-office team, and it couldn't locate any evidence of receipt of the form. The investigator thought it plausible that a technical issue unbeknown to either party and out of either parties' control had meant the claim form did not get through to Interactive.

The claim form was completed for a second time on 22 October 2024 and was confirmed received. On 25 October 2024 Interactive started the claim process and found 50.08% of the Lifetime Allowance (LTA) had been used. Therefore Mr C was only able to receive £133,897 tax-free cash. The tax-free cash reached Mr C's account on 30 October 2024. Given the relevant timescales, the investigator didn't think there had been any unreasonable delays.

However the investigator said when Interactive had identified the lower tax-free cash amount payable it should have let Mr C know, and confirm whether he still wanted to proceed with the claim. She said although the relevant team put in a request for Mr C to be contacted – this didn't happen, and the relevant team was told to proceed with the claim the next working day (28 October 2024). So the investigator thought there had been a failing in the customer service here.

Return of funds

As the £133,897 was considerably less than what Mr C was expecting, (£169,331), Mr C returned the money to Interactive on 31 October 2024 with the intention to submit another claim. Interactive reapplied the funds to the SIPP on 7 November 2024. The investigator said the tax-free cash withdrawn didn't earn interest as it would have in the SIPP cash fund. She said based on what Mr C had told our Service about concerns with a potential increase to CGT, she thought if Interactive had told Mr C that the tax-free cash entitlement was £133,897, Mr C would likely have proceeded with the claim and the money not returned. She said this because in her view Interactive should have reasonably contacted Mr C on 28 October 2024 to confirm whether he wanted to proceed with the £133,897. She said this was before the autumn budget was presented to parliament (30 October 2024) so she thought Mr C would still have had the same concerns about potential changes to CGT.

However the investigator said she appreciated that ultimately Mr C did return the money, and did not proceed with a new claim. So his money wasn't earning interest for a period. She said although she didn't know the actual interest rate payable on Mr C's cash in the SIPP, the 8% simple was above rates that she found were generally available and she thought it was fair.

Compensation

The investigator said the total compensation Interactive had offered Mr C for the distress and inconvenience caused was £770.00. The investigator said she thought the service provided to Mr C had not always been what should be expected. She said there was a clear urgency for the tax-free cash, so she had no doubt that the matter would have caused undue stress to Mr C from receiving a considerably lower amount of tax-free cash than he was expecting.

The investigator noted Mr C'd had a stroke, and so the added stress was worrying. She said Interactive should have contacted Mr C about the lower tax-free cash payable and provided an explanation of why to see if he still wanted to proceed. She thought Interactive had missed opportunities to lessen the impact on Mr C. She noted Mr C also spent a lot of time on the phone with Interactive over the matter. However overall, the investigator thought the £770 was fair and in line with what we would usually award in similar circumstances.

Mr C said although he agreed with the investigator that Interactive hadn't provided an acceptable level of service, he didn't agree its offer was reasonable. And he provided clarification about some of the background set out by the investigator.

Mr C said when he contacted Interactive on 22 October 2024 and was taken through the claims process again, he was able to print off the Flexi-Access drawdown illustration showing the pension commencement lump sum of £169,331. He said it hadn't been sent to him. He said at no time was a TTFAC mentioned by Interactive.

Mr C said when he received the £133,897 on 30 October 2024 and spoke with Interactive about the sum not being what was on the illustration, it was only then that the subject of a TTFAC was raised. He said it was on the same day he signed and returned the document along with the funds - not the 31st.

Mr C said the point he was making was that on 22 October 2024 Interactive didn't, despite him telling them, recognise that he required a TTFAC. He said if they had, all the following mess could have been avoided. Mr C said he'd made over 17 phone calls and spent over 6 hours on the phone. Mr C also questioned the role of another firm in the process where the funds had been sent from.

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 come to the same overall conclusions as the investigator, and for the same reasons.

As the investigator said, it's not in dispute that Interactive didn't provide a timely and efficient service. And the focus is therefore on what provides for fair compensation in the particular circumstances.

Like the investigator, I think the £264 offered for any lost interest was fair. And whilst I've noted Mr C's corrections to the background of what happened, I don't think they materially change things in terms of the degree of distress and inconvenience that was caused by Interactive's failings.

I do recognise that the matter should be considered in the context that Mr C wanted the tax free-cash to help with a house move. That in itself is a very stressful situation. And I understand Mr C had suffered a recent stroke at that time. So I do appreciate that Interactive's failings just added to that stress. Mr C has said if Interactive had addressed the TTFAC on 22 October 2024 then it would have avoided all the subsequent difficulties and stress caused. Ultimately however, it didn't do that, and I need to consider the degree of distress and inconvenience reasonably caused to Mr C by the matter overall.

Mr C has also questioned the role of another firm where the tax-free cash was paid from and returned to. That firm is a well-known provider of pension related services. But I don't think its role is relevant in deciding the fair outcome of Mr C's complaint.

Mr C first contacted Interactive on 16 October 2024. Irrespective of whether it received the claim form or not, ultimately, by 14 November 2024 Mr C confirmed that he didn't want to proceed with the claim. So whilst I accept there was significant distress and inconvenience that could have been avoided if Interactive had provided a timely and efficient service, the matter only lasted for just over a month at most. So even accepting there was a substantial impact on Mr C, it was only for a relatively limited period.

Overall, taking all the above into account, in my opinion Interactive Investor Services Limited's offer is fair in the particular circumstances.

My final decision

Interactive Investor Services Limited offered Mr C £264 for lost interest and £770 for the distress and inconvenience caused by the matter. I think that offer is fair in the particular circumstances. My final decision is that Interactive Investor Services Limited should pay those amounts to Mr C (if or where it hasn't already done so).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 September 2025.

David Ashley
Ombudsman