

The complaint

Mr Y complains that Lumin Wealth Management Limited (“Lumin”) failed to facilitate the transfer of his pension investments to a new provider in a reasonable period of time.

What happened

I issued a provisional decision on this complaint earlier this month. In that decision I explained why I thought the complaint should be upheld and what Lumin needed to do in order to put things right. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

Mr Y held pension savings with a firm that I will call X. As a result of a complaint Mr Y had made against X it had agreed to refund its charges for a period of five years. But a condition of that settlement was that Mr Y choose an alternative provider for his pension savings.

Lumin had been Mr Y’s financial advisor for a number of years. He therefore asked the firm, in July 2023, to start the identification of a new pension provider. He says he had expected that the transfer to the new provider would be completed in around two months. But Lumin says the due diligence process was complex due to the nature of the investments that Mr Y held in his pension savings.

In September 2023 Lumin agreed that Mr Y should convert some of his pension investments into cash in preparation for the proposed transfer. But it still failed to come up with a transfer proposal that Mr Y found acceptable. So, in late November 2023 Mr Y wrote to Lumin suggesting that it might be time to end their relationship. Lumin accepted that suggestion and terminated the relationship it had with Mr Y, and his wife. Mr Y says that his pension savings were not ultimately invested with a new provider until 27 April 2024.

Mr Y complained to Lumin about what had happened. In particular he said that there was a significant time that part of his pension investments was out of the market. And he said that he had needed to pay an administration fee to his former pension provider X as a result of the delays in moving his pension savings.

Lumin didn’t agree with Mr Y’s complaint. It thought that it had undertaken appropriate work on identifying a new pension provider and any delays had been as a result of circumstances outside its control. And it said that it had acted promptly in ending its relationship with Mr Y once it was apparent things had broken down. It offered Mr Y £850 as a goodwill payment for the stress and inconvenience he’d been caused. Unhappy with that response Mr Y brought his complaint to us.

Mr Y’s complaint was assessed by one of our investigators. He didn’t think Lumin had treated Mr Y fairly and was responsible for some of Mr Y’s pension savings being held in cash for an extended period of time. The investigator thought that the £850 Lumin had offered for Mr Y’s inconvenience was fair. But he thought Lumin

needed to pay some further compensation to Mr Y in respect of the investment losses he'd incurred.

Ultimately both Mr Y and Lumin accepted our investigator's findings. However it has proved difficult to get all the information that was needed to calculate the exact investment loss that Mr Y suffered. The investigator has set out, over a number of responses, how he proposed the calculation should be varied to account for the missing information. And it seems that Lumin has faced some difficulties in following the exact methodology that the investigator has set out.

More recently Mr Y has told us that he has concerns about the way the redress is being calculated and that he doesn't think it fairly reflects his losses. So, as the complaint hasn't been resolved informally, it falls to me, an ombudsman, to issue a formal decision.

As I have mentioned earlier, as a result of Mr Y asking to end his relationship with Lumin, the firm also decided to stop offering its services to Mr Y's wife. I understand why that would have been disappointing for Mr and Mrs Y, but it isn't something I can deal with in this decision. My findings will solely relate to the relationship between Mr Y and Lumin.

Both parties have set out for us, in considerable detail, what happened with regard to the relationship between Lumin and Mr Y. I don't think it necessary to set out everything that happened – there seems to be little disagreement about the basic facts of the complaint. So although I will provide a brief summary of the basic timeline, my focus in this decision will be on what Lumin needs to do to put things right. I appreciate that the rather technical nature of our redress directions has made them hard for Mr Y to follow. So I will hopefully explain in simple terms how I intend the redress to work, before setting out the more technical and formulaic approach later in the decision.

As a result of the settlement of an earlier complaint, Mr Y needed to find a new pension provider. And, as his financial advisor, he reasonably expected Lumin to assist him in making that decision. Mr Y gave his instructions to that effect to Lumin in early July 2023. It seems to me that the progress Lumin made on identifying a new provider wasn't quick enough. I accept that the nature of Mr Y's pension investments made that a more complex search process than might normally be the case. But I think matters should have moved far quicker – or at the very least Lumin should have provided the recommendations that Mr Y later found unacceptable at an earlier point.

Our investigator has found that, had nothing gone wrong, it is likely that Mr Y's relationship with Lumin might have ended much sooner. His assessment was that Mr Y should have been in a position to reinvest his pension savings, with a new provider, around 15 September. It doesn't seem that either Mr Y or Lumin is challenging the reasonableness of that date. So I don't think it necessary to make further findings on what, or why, matters went wrong, and the transfer was delayed.

Ultimately Mr Y's pension savings were not reinvested until after he had ended his relationship with Lumin. So I need to consider what responsibility Lumin should carry for the events that took place after its relationship with Mr Y had been terminated. I think it would be reasonable to conclude that Lumin should be entirely responsible for what happened before the relationship ended. But what needs further consideration is the period afterwards.

Mr Y's pension savings remained uninvested until he had moved them to a new provider in April 2024. But in his submissions to us Mr Y has conceded that part of the delay in them being moved to a new provider was due to him being away on holiday in early 2024. So he has said that he thinks it might be reasonable for me to consider an effective date of March 2024 when considering this part of the compensation. I think that is a fair reflection of how matters could have proceeded had Mr Y been available throughout.

When Mr Y wrote to Lumin in November 2023, suggesting it might be time to end their relationship, I don't believe he intended that suggestion to be accepted. Instead I think it was an, admittedly rather high risk, attempt to get things moving on the transfer of his pension savings. So I'm not persuaded that Mr Y was in a position to move quickly with a transfer to a new provider once he ended his relationship with Lumin. I think at that time he needed to start the research on a new provider – something that Lumin had been doing for the previous five months.

Mr Y's pension savings were only disinvested following advice from Lumin that he should prepare them for transfer to a new provider. But as I have set out above, I think the point at which they were disinvested broadly matches the time at which the transfer should have been completed had nothing gone wrong. So I think it reasonable that Mr Y be paid compensation in relation to any investment losses he experienced as a result of his pension savings being held in cash between September 2023 and March 2024.

As we have found, during our investigation of the complaint, determining what fair compensation should be is not easy. Mr Y was not able to transfer his pension savings in September 2023 so we have no way of knowing what investment decisions he might have made at that time. Although we might be able to see the decisions he ultimately made in May 2024, there is no certainty that he would have made similar decisions seven months earlier.

So, in circumstances such as these we would generally apply a market benchmark to reflect the returns that might generally have been received for a stated level of risk in the investments rather than the exact investments a consumer might have made. I think that is a fair method of calculation here given the uncertainty in what Mr Y might have done, and the difficulties that have been faced in obtaining information from Mr Y's new pension provider.

Generally, Mr Y held around half his pension savings in asset-based investments. The remainder was held in cash deposit accounts, and in particular those offered by NS&I given the protection offered by the government. When Mr Y's pension savings were disinvested that included the cash savings he held with NS&I. But those investments were reinstated around 10 days after the cash proceeds had been received. So I think half of Mr Y's pension savings should only be compensated for investment losses – at the prevailing average interest rate – for that period of 10 days.

But the remainder of the pension savings were not invested for a far longer period. For the purposes of these calculations I think it reasonable to conclude that period should run from 15 September 2023 to 1 March 2024. And based on a fair estimate of Mr Y's pension savings at that time I think the compensation should be applied to a sum of £585,500.

For the non-cash based pension investments it appears that Mr Y was willing to take some limited risk in order to generate some growth. In circumstances such as this I would think the FTSE UK Private Investors Income Total Return index might be a reasonable benchmark to use. It is made up of a range of indices with different asset classes, mainly UK equities and government bonds. It's a fair measure for someone who was prepared to take some risk to get a higher return.

So taken together, the compensation I am proposing here for the cash investments and other investments would ensure that Mr Y didn't lose out as a result of the delays Lumin caused in his pension savings being reinvested. But I don't think that is the end of the matter – that compensation would have formed part of Mr Y's pension savings and continued to benefit from investment returns. So I will also propose that Lumin should increase the compensation it calculates to reflect notional investment returns (again using benchmarks I will set out below) that would have been received from March 2024 to the settlement of his complaint.

As a result of the delays to the transfer Mr Y was required to pay some administration fees to his former pension provider. Those fees would not have been due had the pension savings been transferred to a new provider earlier. Mr Y has told us that the additional fees amounted to £828. I currently think it fair that those fees should be refunded to Mr Y.

There seems little doubt that the delays to Lumin providing Mr Y with an acceptable proposal for the transfer of his pension savings will have caused him some distress and inconvenience. Ultimately those problems led to Mr Y proposing the end of a relationship that had been in place for a number of years. I think a further payment of £300 for Mr Y's distress and inconvenience would be warranted here.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. Both Mr Y and Lumin have sent us some additional thoughts on the complaint. Although here I am only summarising what they have said, I want to reassure both Mr Y and Lumin that I have read, and carefully considered, their entire responses.

Lumin has disagreed with two aspects of the compensation I proposed. It has said that Mr Y's previous pension trustee did not permit partial transfers. So it doesn't think his entire pension savings would have been transferable by 15 September 2023. It says that a more appropriate date for the start of the compensation calculations would be October 2023. Lumin also doesn't think it reasonable to be held responsible for any investment decisions or delays that Mr Y made independently. So it says the compensation calculations should cease at the point its advisory relationship was terminated.

Mr Y pointed out that, despite a clear instruction from the investigator, Lumin had not paid him the £850 compensation it had previously offered for his distress and inconvenience. He said the interest rate he was receiving on his cash based investments from NS&I was not competitive in the market – he said that a spread of other equally protected investments would offer higher interest rates.

Mr Y confirms that he didn't expect his offer to end his relationship with Lumin to be accepted. Instead he expected the firm to apologise for its lack of action and have a plan to sort things out. So he says it was understandable it took some time to reinvest all his pension savings. But he says he is willing to agree to the 1 March 2024 cut off date and hopes it demonstrates his desire to bring his complaint to a close.

Mr Y has also provided some information from his former trustee showing all the administrative charges he paid following the point at which it had been agreed he would move his pension savings to a new provider. In addition to the £828 I set out in my provisional decision, Mr Y says he also paid a charge of £180 in October 2023 as a Benefit Crystallisation fee, and £180 in April 2024 as a Pension Review Fee.

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 I set out in my provisional decision, in deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr Y and by Lumin. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

And I repeat my reflections on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

I have considered carefully the comments that have been made by Lumin. They haven't changed my view on what needs to be done to put things right. But I would like to comment further on the two aspects of the compensation that have been challenged.

Mr Y asked Lumin to start its research for a new trustee for his pension savings in June 2023. So I think there was more than sufficient time for all his pension investments to be moved by mid-September 2023. I haven't seen any reason – such as investments being held in fixed term deposits – that would mean that date couldn't have been achieved had Lumin's research been completed more quickly.

The chosen start date will always have a degree of estimation to it. But I note that Lumin previously agreed to the use of the date when discussing the complaint with our investigator. I haven't seen anything persuasive in Lumin's most recent submissions that would lead me to conclude an alternative date should be used.

As I suggested in my provisional decision, and Mr Y clarified in his response, the proposal he made to end his relationship with Lumin was not based on an expectation that it would be accepted. So Mr Y was not ready to move to a new trustee at that time and needed to start his own research. I note that by the time the relationship ended almost six months had passed since Mr Y had asked Lumin to identify an alternative trustee. I don't think allowing Mr Y a further three months to undertake that activity for himself is unreasonable.

When an investigator issues an assessment either party is under no obligation to accept it. Either party is perfectly entitled to ask that a complaint be decided by an ombudsman, as has happened here. And in that situation there is no expectation that any compensation recommended by an investigator should be paid before an ombudsman has considered the complaint. So I don't think Lumin has acted incorrectly by not paying the compensation the investigator recommended for Mr Y's inconvenience.

The compensation that I am directing Lumin to pay Mr Y for his inconvenience is much less than it previously offered. But that offer from Lumin also comprised compensation for the additional fees Mr Y had paid to his former trustee. I am directing those to be paid separately.

I have also considered the additional fees that Mr Y has said he was charged. One of those fees was for a “Benefit Crystallisation Event” – it appears that became payable when Mr Y took the final part of his pension commencement lump sum. By making his pension savings fully crystallised the ultimate transfer was significantly easier. So I don’t think that fee only became due because of the delays and so I won’t be directing it should be refunded by Lumin. But it seems the Pension Review Fee charged in April 2024 only became payable as a result of the delays. So I will direct that be refunded too.

I have thought about Mr Y’s comments about the interest rate he was receiving on his cash investments. I accept that better rates were available in the market. But I cannot be sure about the instructions he had previously given to Lumin about how his cash should be invested. It does seem that Mr Y found the guarantees offered by NS&I to be very attractive. So in respect of the compensation I am directing here I don’t think it appropriate to deviate from the rate I set out in my provisional decision.

Putting things right

I have concluded that Lumin unreasonably delayed the transfer of Mr Y’s pension savings to a new provider. That means that, following advice from Lumin, half of Mr Y’s pension savings remained uninvested for an extended period of time. So in order to put things right, I think Lumin should calculate and pay Mr Y compensation.

As I have explained above, and in my provisional decision, I think a reasonable start date for the calculation of Mr Y’s losses is 15 September 2023. And I think it reasonable to conclude that Lumin should remain responsible for any investment delays until 1 March 2024. Around half of Mr Y’s pension savings were generally invested in asset-based funds. Based on a reasonable estimate of their value on 15 September 2023, that amounts to £585,500.

So to put things right Lumin should;

- Calculate compensation based on notional investment returns for the period from 15 September 2023 to 1 March 2024 in regard to £585,500 receiving a return equivalent to the benchmark discussed in my provisional decision – the FTSE UK Private Investors Income Total Return index.
- Calculate compensation based on notional returns for the uninvested cash assets for a period of ten days in regard to a value of £585,500 and the prevailing average interest rate at that time. Lumin has previously calculated that to be 4.1%. As I have explained above I think that to be a reasonable estimate to use.
- Each compensation amount should then be increased by the investment returns they would have received between 1 March 2024, and the date of this final decision. The calculation for investment losses should be based on the returns of the same benchmark - the FTSE UK Private Investors Income Total Return index. The calculation for the cash portion should be based on the average rate of return from 1-year fixed rate bonds as published by the Bank of England.

- Lumin should also pay Mr Y £1,008 as a refund of the administration fees charged by his previous pension provider due to the delayed transfer.
- The total compensation (for the initial investment losses plus later investment losses on the compensation amounts plus administration fees) should be paid to Mr Y. The compensation should be paid into Mr Y's new pension plan. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.

If Lumin is unable to pay the total amount into Mr Y's pension plan, it should pay that amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the total amount 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 Y won't be able to reclaim any of the reduction after compensation is paid.

The notional allowance should be calculated using Mr Y's actual or expected marginal rate of tax at his selected retirement age. I think it reasonable to assume that Mr Y is likely to be a basic rate taxpayer at the selected retirement age, so the reduction should equal the current basic rate of tax.

The compensation should be paid to Mr Y within 28 days of Lumin being notified of his acceptance of this final decision. Should the compensation not have been paid by that date Lumin should add simple interest at a rate of 8% per annum to the compensation amount from the date of my final decision to the date of settlement. HM Revenue & Customs will require Lumin to take off tax from this interest. Lumin must give Mr Y a certificate showing how much tax it's taken off if he asks for one.

Lumin should provide Mr Y with a clear and easily understandable summary of its compensation calculations.

- Lumin should additionally pay £300 to Mr Y in respect of the distress and inconvenience he was caused by the delays to his pension transfer.

My final decision

My final decision is that I uphold Mr Y's complaint and direct Lumin Wealth Management Limited to put things right as detailed above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 26 August 2025.

Paul Reilly
Ombudsman