

The complaint

Mr C complains that he sought to transfer monies from his existing self-invested personal pension ('SIPP') to a new pension provider and Quai Investment Services Limited ('Quai') caused delays in that process. Mr C complains he's suffered a loss as a result of these delays.

What happened

I've set out below a summary of what I consider to be some of the key points from the evidence we've been provided in this complaint.

Mr C had a SIPP with Quai, the bulk of the monies in the SIPP were invested through a Provider F platform. In 2024, Mr C appointed a new financial adviser (Firm S) who wanted to obtain information about Mr C's SIPP so as to advise him on his pension monies. Quai has explained it received a letter of authority ('LoA') for Mr C from Firm S in June 2024.

Mr C complained to Quai on 1 August 2024 about the delay in it providing information to Firm S.

Ultimately, as the information requested still hadn't been received, in September 2024 Firm S decided to proceed with its advice rather than continuing to wait for the information from Quai. Following this, Firm S advised Mr C to transfer his pension monies to Provider B.

Provider B then requested the transfer of monies from Quai via the Origo Transfer Service. And records from the Origo Transfer Service record a transfer creation date on the system of 22 October 2024 for Mr C's pension monies.

Provider B emailed Quai on 13 November 2024 and asked to be updated urgently on the position of the Origo transfer for Mr C's pension monies. Provider B noted that the "*cases were activated on 22/10 and we are yet to receive any updates...*"

On 26 November 2024, Quai emailed an instruction to Provider F requesting the disinvestment, closure, and return of funds from Mr C's Provider F account. Provider F then emailed Quai on 16 December 2024, confirming that £1,115,209.03 in total had been paid out from the account on 12 December 2024 and that this could take up to five days to reach the relevant bank account with Quai.

Quai emailed Provider F on 23 December 2024 and said it had noticed there were some funds which remained outstanding on Mr C's account, Quai asked when these would be sent over to it.

After it had heard back from Provider F, Quai then emailed Provider B on 27 December 2024 to explain that it had requested a full disinvestment of Mr C's monies from the Provider F account but that not all the funds had been released. Quai said that provider F had explained:

"In Regards to [account number] (£15,950.72) There is a remaining asset on the account – [Investment R]...

This is due to the asset currently going through a Shareclass conversion, Meaning we are unable to transfer/Sell down the asset at this current time. We will continue to monitor the asset and remaining funds [will be] disbursed once this has been resolved."

Quai asked Provider B, in light of the above, whether Quai should proceed to transfer the available monies and then transfer the residual funds when they were received later. As a response wasn't received, Quai then emailed Firm S about this on 31 December 2024.

Firm S replied on 31 December 2024 requesting Quai proceed with the transfer of the main bulk of the monies to Provider B. Further, that Provider F would then do "a sweep of the monies of the residuals to [Quai] in January and I've been confirmed all you will require is an email to then move the remaining funds after the share class conversion..." Firm S also asked Quai why, when Mr C's wife was in the same position, the bulk of her monies had already been transferred but the same hadn't happened with Mr C.

Quai emailed Provider B on 2 January 2025 to confirm that Mr C's transfer had been completed and the funds would be credited with Provider B in three to five working days.

Records from the Origo Transfer Service show funds as having been sent on 7 January 2025. Provider B then emailed Quai on 8 January 2025 and said it had received transfers totalling £1,116,512.59 on 7 January 2025. Provider B also asked for confirmation of whether any additional funds were due to be received, and for a transfer confirmation letter and breakdown for each of Mr C's policies so that funds could be matched. Quai subsequently replied to Provider B's queries about this on 14 January 2025 and confirmed that the transfer was complete.

Provider B emailed Quai on 17 January 2025 explaining that it had received some residual funds from Quai, Provider B explained that it needed confirmation of these and the amount from Quai, otherwise it would have to return the funds to Quai.

Quai replied on 21 January 2025 and said:

"As previously stated, the funds you quoted were residual funds that came in after the transfer had been finalised, so we bundled it with the rest of the payment, which is why the final transfer value looks a little different. But there has been no overpayment of funds.

However, the VAT was mistakenly deducted a second time, so we have also sent a payment of £188.40 to make up for that.

The final transfer value should be: £1,116,700.99."

In response to a further request from Provider B, on 22 January 2025 Quai confirmed the residual funds totalled £1,659.30 and that this included a VAT overpayment of £188.40. Quai also clarified the breakdown of the policies the monies related to and that they were uncrystallised.

Firm S emailed Quai on 5 February 2025 and instructed that further residual monies Quai had received for Mr C of £16,413.25 be transferred to Provider B. Firm S said the monies had been sent to Quai on 4 February 2025, using faster payment methods, and if they weren't forwarded on to Provider B by 10 February 2025 a complaint would be made about

this. Quai replied on 11 February 2025 and confirmed that £16,728.74 had been transferred to Provider B.

Mr C complained to Quai about the delays in the process. Quai replied to Mr C's complaint and noted, amongst other things, that:

- Quai acquired Intelligent Money Limited's ('IM') pension business on 28 May 2024.
- The number of administrative requests coming into IM severely increased from the start of 2024 and this has had an impact on Quai being able to process requests as quickly as it would have done under normal circumstances.
- An information request was received on 10 July 2024 and this hadn't been replied to until 25 November 2024.
- It was upholding the complaint and it was offering to refund a £180 fee that was deducted prior to monies being transferred to Provider B. It would arrange for that sum to be paid across to Provider B.
- In addition to this, due to the length of time taken to complete Mr C's requests, it was also offering £300 as compensation for the inconvenience and upset he may have been caused. It would arrange for this to be paid directly into Mr C's bank account and asked for details from him to enable it to make this payment.

Dissatisfied with Quai's response, Mr C referred his complaint to this Service.

Mr C has noted, amongst other things, that:

- There were unnecessary delays in Quai providing information Firm S needed to provide independent advice. The delay in Quai providing relevant information to Firm S delayed the overall transfer process.
- There were also delays in Quai's execution of instructions to sell funds and the transfer of liquidated funds to Provider B.
- These delays caused him a financial loss.
- An incoming administrator should be adequately and competently staffed and capable of managing the workloads arising from client requests to transfer out funds in a timely manner.
- Firm S sent an information request to Quai on 12 June 2024 and it took until 2 July 2024 for Quai to state it required a new LoA. He signed a new LoA and Firm S sent this to Quai on 5 July 2024.
- No information was provided by Quai about his SIPP until 25 November 2024, this was an unacceptable delay and Quai failed to meet its regulatory obligations.
- As no information had been received about his SIPP from Quai by mid-September 2024, he verbally agreed with Firm S for it to finalise its advice based upon the available information alone.
- Firm S issued a suitability letter on 11 October 2024 and he agreed to proceed with the transfer of his pension monies without Quai having provided requested information to Firm S.
- Considering the delays that had already occurred, and the poor investment performance of his SIPP, progressing based on limited information was accepted by him as a pragmatic solution to enable the transfer.
- Quai's records show that investments held with Provider F were realised on 16 December 2024, but the transfer of monies to Provider B wasn't then effected until 14 January 2025. His monies were then reinvested the following day.

Quai has noted, amongst other things, that:

- It received the Origo request for the transfer of Mr C's monies on 22 October 2024.

- It sent full disinvestment/closure instructions to Provider F on 26 November 2024.
- On 16 December 2024, Provider F emailed it to confirm that monies in Mr C's account had been paid out and Quai received those monies on 16 December 2024.
- It had sent £1,116,512.59 to Provider B on 7 January 2025.
- On 8 January 2025, Provider B emailed it to ask about the payments received and Provider B subsequently marked the transfers as "Funds received" on Origo.
- It had made further payments of £1,470.90 and £188.40 to Provider B on 16 January 2025 and 21 January 2025 respectively.
- On 5 February 2025, it had received the residual funds from Provider F and it then transferred £16,728.74 to Provider B on 11 February 2025.
- It first received Firm S' LoA request on 12 June 2024.
- It believes Mr C's adviser would have submitted the transfer request at an earlier date had Quai provided the information requested in a timelier fashion.
- It was willing to carry out a loss assessment for this case.

One of our investigators reviewed the complaint and concluded it should be upheld. Briefly, they said that but for Quai's delays – both in providing information about Mr C's pension provisions to Firm S and in requesting the disinvestment of Mr C's investments from Provider F – that the transfer of Mr C's monies would have completed on 8 October 2024.

Quai didn't reply to the investigator's assessment.

Mr C replied to the investigator's assessment and noted, amongst other things, that:

- His preference would be for redress to be paid into his pension plan if possible.
- He has not yet taken any tax-free cash from the pension plan this complaint concerns.
- If payments are paid directly then he wonders whether the payment should be grossed up so that any tax cost is borne by Quai.
- He is at the limits between being a basic and higher rate taxpayer, the vast majority of his income is taxable at the basic rate.
- His intention for his pension monies had been that they would be held as an inheritance tax ('IHT') efficient investment available to his beneficiaries, which he would only draw upon in emergencies. Recent legislative changes, effective from 6 April 2027, mean that were he to die after that date then the planned approach in respect of using his pension plan as an IHT exempt transfer for his beneficiaries needs rethought.

As agreement couldn't be reached, the complaint has been passed to me for review.

I wrote to the parties and explained why I agreed with our investigator that Quai had caused some unnecessary delays. I also set out how I thought Quai should redress Mr C for its failings. No response was received from Quai, but Mr C has noted, amongst other things, that:

- His current taxable annual income consists of pension income (from different pension arrangements to the arrangement this complaint concerns) of £37,000 a year.
- He's currently a basic rate taxpayer, albeit with the potential to become a higher rate taxpayer when he elects to draw income from the Firm S pension fund.
- His State Pension won't be payable until 2030.
- His current marginal income tax rate is 20%, so any deduction for income tax should be at the basic rate.
- There have been no withdrawals from, or deposits into, his Firm S pension since October 2024.

- His pension arrangements benefit from Fixed Protection (FP 2014). He has so far taken tax-free cash totalling £77,250 (from a different pension arrangement to the pension plan this complaint concerns) and, as such, has total remaining available tax-free cash of £297,750.
- He has been inconvenienced by this issue and would estimate that – in collating information, drafting letters to Quai, discussions with Firm S and correspondence with this Service – he has spent over 50 hours dealing with issues this complaint concerns.
- Payment of redress into the pension fund would be his strong preference, both to avoid paying unnecessary income tax and because a future government might elect to put pension monies back outside of the scope of IHT.

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.

When considering what's fair and reasonable in the circumstances, I need to take account of relevant law and regulations, regulator's rules, guidance and standards, codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time.

The parties to this complaint have provided detailed submissions to support their position and I'm grateful to them for doing so. I've considered these submissions in their entirety. However, I trust that they won't take the fact that my final decision focuses on what I consider to be the central issues as a discourtesy. To be clear, the purpose of this decision isn't to comment on every individual point or question the parties have made, rather it's to set out my findings and reasons for reaching them.

Where the evidence is incomplete, inconclusive, or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is more likely than not to have happened in light of the available evidence and the wider circumstances.

Delays

As the parties are aware, Quai acquired IM's pension business on 28 May 2024.

Quai has acknowledged that it first received a LoA request for Mr C from Firm S on 12 June 2024. Mr C has explained that Quai took three weeks, until 2 July 2024, to state it required new LoAs (for Mr C and his wife). And that new LoAs were then provided on 5 July 2024. I can see that our investigator referred to this delay in his findings on the complaint and that Quai hasn't disputed the accuracy of these dates. Our investigator thought that Quai should have identified the fact new LoAs would be needed within a week of 12 June 2024 and notified Firm S of this by 19 June 2024. I'm in agreement with this and I also think that, had Quai done this, it's more likely than not that new LoAs would then have been provided within a similar timeframe to the timeframe within which they were actually provided – so by 22 June 2024.

Quai has suggested that the standard service level agreement to respond to LoA requests is 30 days but that there were backlogs when it took over IM, which meant it took a lot longer to reply to Mr C's LoA request. I do recognise that Quai only acquired IM towards the end of May 2024 and I accept there may have been a significant backlog of work for Quai to catch up on following this. I also appreciate Mr C has made some comments about third parties but this complaint is about Quai. Overall, in the specific circumstances of this complaint, and mindful of the extent and type of information that was asked for in the LoA/information

request, I think if Quai had replied within a month to a valid LoA/information request I wouldn't have considered that unreasonable. Accordingly, in the counterfactual position I think Quai should have replied to Firm S' LoA by 22 July 2024 at the very latest.

Mr C has explained that as no information had been received about his policy from Quai by mid-September 2024, he verbally agreed with Firm S for it to finalise its advice based upon the limited available information. Following this, I can see that Firm S set out its written recommendations to Mr C in a report dated 11 October 2024.

It's approximately 20 working days from mid-September 2024 to 11 October 2024. So, allowing a similar number of working days from 22 July 2024 would mean in the counterfactual position the report would have been issued around 19 August 2024.

As I understand it, Quai needed to receive a transfer request from the receiving scheme (here Provider B) before the transfer process could then start. The actual request Provider B made through the Origo system was on 22 October 2024, so seven working days after the 11 October 2024 report. As such, in the counterfactual position I think it's fair and reasonable to say Provider B would have requested the transfer through the Origo system on around 29 August 2024.

The Transfers and Re-registrations Industry Group ('TRIG'), made up of various trade bodies, published a consultation in December 2016 aiming to improve service standards and competition so that consumers were more likely to move between products.

TRIG published final guidance in a June 2018 publication "*Industry-wide framework for improving transfers and re-registrations*". Participation is voluntary, although take up of the framework is encouraged by all the industry bodies involved. I consider that the TRIG framework represents good industry practice and, as such, that it's a relevant consideration for me to take into account.

The TRIG guidance says that for a cash transfer the end-to-end time including bank clearing should be ten business days (15 if one of the parties is an occupational pension scheme), unless multiple counterparties are involved where the step-by-step standard can be used – whereby a firm has two full business days, plus the initial day of receipt, to complete each step. Stop the clock events can also take place, which allow extra time for parts of the transfer process to be completed.

With this in mind, I think in the counterfactual position that Quai should have instructed Provider F on 2 September 2024 that monies should be realised from the Provider F account and sent to it. Quai actually made that request to Provider F on 26 November 2024, and Provider F then transferred the bulk of the monies in the account to Quai on 16 December 2024 (which is 14 working days after 26 November 2024). So, in the counterfactual position I think it's fair and reasonable to assume that if Quai had requested the monies on 2 September 2024 the monies would then have been received by Quai on 20 September 2024.

It's not clear whether monies from Investment R would have been realisable, without additional delay, if Quai had given the instruction to disinvest on 2 September 2024. Or else whether a shareclass conversion (and accompanying trading restrictions) was already in place by that date, so I've allowed for either possibility in the redress I've set out later in this decision.

As the monies Quai received were less than the sum expected, I don't think Quai acted inappropriately in seeking clarification from Provider F about why this was before proceeding. If it had received the initial monies on 20 September 2024, I think Quai should

then have queried this anomaly with Provider F by 24 September 2024. I can see that Provider F responded to Quai's query about this within one working day. And Quai then contacted Provider B to ask whether it should proceed with a partial transfer or whether it should wait and effect a full transfer at a later date – I think this was a reasonable point for Quai to seek clarification from the receiving scheme about before proceeding. So, in the counterfactual position I think Quai should have asked Provider B about this on 27 September 2024.

Having not received a response from Provider B, I don't think Quai then acted inappropriately in trying to seek clarification from Firm S about how to proceed. And I can see confirmation to proceed with the partial transfer was received from Firm S two working days after Quai first asked Provider B about this (so in the counterfactual position this would have been on 1 October 2024). I think the monies should then have been transferred out of the Quai account to Provider B by 3 October 2024.

After Quai actually sent Provider B the monies on 7 January 2025, I can see that Provider B reverted to Quai the following day to confirm receipt of the monies and to ask some questions. In the counterfactual position I think if Provider B had reverted back to Quai on 4 October 2024 that Quai should then have replied to it within two subsequent working days (so by 8 October 2024) and I think if it had done so the transfer would then have been completed for the bulk of the monies by 8 October 2024.

I appreciate Mr C might highlight that in the counterfactual position *if* Investment R could have been realised at the same time as the other holdings, that some of the correspondence I've referred to above might not then have been necessary. I accept this, but it's my finding that Quai did, in fact, have to deal with those issues. And when ascertaining what period of *unnecessary* delay Quai caused for the purposes of determining when the transfer should have completed, I don't think it's unfair or unreasonable to make allowances for periods in the actual transfer process when actions Quai took weren't unreasonable or unnecessary.

So, overall, I'm in agreement with what the investigator previously said in their assessment about the fact that Quai caused unnecessary delays. And that, but for those delays, the transfer of, at least, the bulk of the monies in this complaint should have completed by 8 October 2024.

Regarding the sums of £1,470.90 and £188.40 that were sent to Provider B on 16 January 2025 and 21 January 2025. These appear to relate to monies that were sent to Quai from Provider F investments on 6 January 2025. I don't think it's unusual for modest sums, after a provider has checked to ensure all liabilities have been met and any overpayments have been allowed for, to follow on from a main transfer. Those two sums were then sent by Quai to Provider B seven and ten working days respectively after the bulk of the monies were transferred on 7 January 2025. Overall, I don't think Quai caused unreasonable delays in sending the £1,470.90 and £188.40 sums. And I can see it also responded to queries it received from Provider B about these monies (on 17 January 2025 and 21 January 2025 respectively) promptly (on 21 January 2025 and 22 January 2025 – so both responses were sent within two working days).

It's not clear whether the investments the £1,470.90 and £188.40 sums relate to would have been realisable, without additional delay, if Quai had given the instruction to disinvest on 2 September 2024. Or else whether they would still have been paid across by Provider F seven and ten working days after the bulk of the monies, so I've allowed for either possibility in the redress I've set out later in this decision.

I also think the residual amounts Quai received from Provider F in respect of Investment R should have been transferred to Provider B within ten working days of being received, which they were on 11 February 2025.

The residual monies

Regarding the residual monies that were invested in Investment R. As I understand it, the further delay in these monies being transferred was due to that investment, which was held in the Provider F account, going through a shareclass conversion. And this meant that monies couldn't be realised from that asset at the same time as monies were realised from other investments held.

Quai should write to both the provider/administrator of Investment R and also to Provider F promptly, on receipt of this final decision, to ask the date on which trading in Investment R was paused while the shareclass conversion was in process. Quai should also ask for clarification on what, if any, trading in the asset would have been possible between 20 September 2024 and the date that investment was actually realised in February 2025.

If trading was paused by 20 September 2024 and didn't start again until February 2025, then no loss has been suffered in respect of this investment as a result of any delays Quai caused (because in this scenario even if those delays hadn't occurred, I'm not satisfied the investment would then have been realised at a substantively earlier date than the date on which it actually was realised).

Alternatively, if monies in Investment R could have been realised and paid to Quai on 20 September 2024 (if Quai had instructed Provider F to disinvest on the earlier date of 2 September 2024). Then unnecessary delays Quai caused will have delayed monies from this investment being realised and transferred to Provider B. And, in this instance, I'm satisfied any monies that could have been realised from Investment R on 20 September 2024 should also form part of the overall loss calculation – I've explained how this should happen below.

Putting things right

I think it's fair and reasonable for Quai to calculate fair compensation by comparing the current position to the position Mr C would be in but for the unnecessary delays Quai caused in the transfer process. To do this, Quai must calculate and pay fair compensation as follows:

1. Quai must ascertain what the value of the monies it would have received from Provider F would have been, had:
 - a) Provider F disinvested and paid to Quai monies from all realisable investments in Mr C's Provider F account on 20 September 2024.
 - b) Provider F disinvested and paid to Quai monies from any residual investments that couldn't be realised and paid to Quai on 20 September 2024, and at the earliest occasion such investments could have been realised after 20 September 2024 (so this might include, for example Investment R and the investment(s) the £1,470.90 and £188.40 related to).

To do this, in addition to asking the questions I've set out in "*The residual monies*" section above, Quai will also need to ask Provider F what sums would have been realised from the Provider F account on 20 September 2024 – and assuming Quai had given Provider F an instruction on 2 September 2024 to fully disinvest and close the Provider F account. If Provider F isn't able to provide Quai with a response to this

question in a timely fashion then – in the alternative – Quai can have regard to the performance of the underlying investments Mr C held in the Provider F account, and manually calculate the sum that would have been paid to it on 20 September 2024. If this alternative also isn't possible, for example if Quai is unable to access information about the performance of individual investments it would need to perform the manual calculation accurately – as a final option – Quai should instead proceed by using the sums that were actually realised and paid to Quai by Provider F.

2. Quai must ask Provider B to confirm what the value of Mr C's Provider B plan is as at the date of this final decision.
3. Quai must ask Provider B to calculate what the notional value of Mr C's Provider B plan would have been – as at the date of this final decision – if, instead of the sums Quai actually transferred to Provider B, Quai had instead transferred monies into Mr C's Provider B plan as follows:
 - Any sums calculated in Step 1 a) (and Quai will have to inform Provider B of what these sums would have been in monetary terms) and these sums, along with any other liquid sums in Mr C's SIPP that weren't needed to meet any outstanding liabilities, would have been credited to Mr C's Provider B plan on 8 October 2024.
 - Any sums calculated in Step 1 b) and these sums would have been credited to Mr C's Provider B plan on the earlier of ten business days after they would have been paid to Quai or 11 February 2025 (and Quai will have to inform Provider B both what these sums would have been in monetary terms and the exact date they would have been credited to the Provider B plan).

Quai must ask Provider B to assume that the payments noted above in this Step would have been invested in the same holdings (just at an earlier date), and in the same proportions, as the investments that were actually made with the monies Quai transferred to Provider B for Mr C.

Quai must also ask Provider B to make an allowance in this notional calculation, for any additional sums Mr C has actually contributed to (including transfers in), or withdrawn from, his Provider B plan since outset (this is to balance the calculation as it wouldn't be fair or reasonable for the value in Step 2 to be impacted by any such contributions or withdrawals if the same wasn't also then true for this notional calculation in Step 3).

Any notional contributions or notional withdrawals to be allowed for in the calculation should be deemed to have occurred on the date on which monies were actually credited to, or withdrawn from, Mr C's Provider B plan.

If Provider B charges a fee for performing this notional calculation then Quai, rather than Mr C, will need to meet the costs of this.

4. *Deduct the sum arrived at in Step 2 from the sum arrived at in Step 3.*

The total sum calculated in Step 3 minus the sum arrived at in Step 2, is the loss to Mr C's pension. If the total sum in Step 2 is greater than the sum in Step 3 no loss has been suffered.

5. *Pay an amount into a pension arrangement for Mr C, so that the transfer value of that pension arrangement is increased by an amount equal to the loss calculated in Step*

4. This payment should take account of any available tax relief and the effect of charges. The payment should also take account of interest as set out below.

The amount paid should allow for the effect of charges and any available tax relief. Compensation shouldn't be paid into a pension plan if it would conflict with any existing protections or allowances.

If Quai is unable to pay the compensation into a pension arrangement for Mr C, or if doing so would give rise to protection or allowance issues, it should instead pay that amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income in retirement. Therefore, the compensation should be reduced to *notionally* allow for any income tax that would otherwise have been paid.

The notional allowance should be calculated using Mr C's expected marginal rate of tax in retirement. In addition to confirming that he's currently in receipt of pension income of around £37,000 a year Mr C has also kindly provided some details about the overall value of his pension provisions.

Ascertaining Mr C's *overall* tax position in retirement is, of course, not an exact science. I acknowledge that, depending on how Mr C elects to take his income in retirement, the level of income taken may vary from year to year. However, for the purposes of calculating fair compensation in this case, an assumption has to be made and given that this will be a one-off calculation this assumption has to cover Mr C's *overall* tax position in retirement and not just his marginal tax rate this year. And I'm satisfied in reaching a fair assessment of Mr C's likely *overall* tax position in retirement, it's appropriate to have regard to not only the pension arrangements from which he is already receiving an income but also his broader personal pension provisions. In addition to this Mr C has also indicated he will receive some State Pension from 2030.

So, when considering Mr C's *overall* tax position in his retirement, and mindful of the information that we've been provided by Mr C, I still think that the assumption Mr C will likely be a higher rate taxpayer in retirement in relation to income from the pension arrangements this complaint concerns is a reasonable one.

As I think it's reasonable to assume that Mr C is likely to be a higher rate taxpayer in retirement, the applicable reduction if compensation is paid to him directly would equal 40%. However, if Mr C would have been able to take a tax-free lump sum (and I note Mr C has said this complaint concerns uncrystallised monies from which he hasn't yet taken tax-free cash), the reduction should only be applied to that portion of the compensation that couldn't have been taken as a tax-free lump sum. For example, if Mr C would have been able to take a tax-free lump sum of 25%, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 30%.

It's important to note that this reduction is to *notionally* allow for any income tax that would have otherwise been payable had the monies provided a taxable income to Mr C later in retirement. This approach – known as the "*Gourley principle*" after the 1956 House of Lords case (*British Transport Commission v Gourley*) – helps to inform the approach I've taken in terms of the *notional* tax deduction.

I've also had regard to the comments Mr C has made about having previously intended to use the pension monies this complaint concerns in an inheritance tax efficient manner to make provision for his beneficiaries. But, as Mr C has noted in his submissions, changes in the rules which come into effect in April 2027 mean, as

things stand, these pension monies will now form part of his estate from April 2027 onwards. So, what Mr C has said about this doesn't change my view in respect of the appropriate deduction for *notional* income tax if compensation is paid direct.

Interest

Any compensation resulting from the calculations I've set out above must be paid to Mr C within 28 days of the date Quai receives notification of Mr C's acceptance of my final decision. Interest must also be added to the compensation amount at the rate of 8% per year simple from the date of this final decision to the date of settlement if the compensation isn't paid within 28 days.

Income tax may be payable on any interest paid as a part of the compensation in this complaint. *If* Quai deducts income tax from the interest it should tell Mr C how much has been taken off. *If* Quai deducts income tax from the interest it should also give Mr C a tax deduction certificate in respect of interest if Mr C asks for one, so he can reclaim the tax on interest from HM Revenue & Customs if appropriate.

Distress and inconvenience

Pay Mr C £300 for the distress and inconvenience Quai's delays have caused him.

In addition to any financial loss that Mr C might have suffered as a result of the delays Quai is responsible for, I think that those delays also caused Mr C some distress and inconvenience. And I think that it's fair for Quai to compensate him for this as well. Quai has offered £300 compensation for this. It doesn't appear to be the case that Mr C was caused any financial hardship by the delays but I am satisfied the delays did cause him some inconvenience. Overall, I remain satisfied a distress and inconvenience payment of £300 is appropriate in this complaint.

Quai must also provide the details of its redress calculation to Mr C in a clear, simple format.

My final decision

For the reasons given above, it's my final decision that Mr C's complaint should be upheld and that Quai Investment Services Limited must calculate and pay fair redress as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 April 2026.

Alex Mann
Ombudsman