

complaint

Mr D complains that ReAssure Limited (ReAssure) didn't action his request to encash a policy held within his self-invested personal pension (SIPP) by the date it said it would. The proceeds from the sale of the policy were required to complete on the purchase of a property and because of the delay in receiving the proceeds, Mr D had to arrange separate funding to cover the shortfall. He seeks reimbursement of the costs involved.

background

Mr D held a SIPP which he wanted to use to buy a commercial property which was available at an auction on 22 March 2018. So he asked the SIPP administrator to explain the process involved. It was confirmed that he would need to meet a 10% deposit himself at the auction. So Mr D arranged a loan for the deposit money which he paid into his SIPP. The money was returned to him by the SIPP trustees and Mr D therefore believed he hadn't needed to borrow it in the first place. He raised a complaint against the SIPP trustees for the interest he incurred. This was considered as a separate complaint against the SIPP trustees and isn't under consideration here.

But Mr D also needed the funds required to complete the purchase to be in place by a certain date. To acquire part of the total funds meant that a policy held within the SIPP – and administered by ReAssure – needed to be encashed and the proceeds held in cash within the SIPP prior to the completion date.

The situation with Mr D's SIPP was that ReAssure had become the provider following changes to the original provider over the years. But the administration of the SIPP was carried out by a third party, so in this case Mr D had to ask the administrator to encash the policy who then had to ask ReAssure to deal with the encashment. The funds would then have been returned to the administrator to be applied to the cash account within the SIPP.

Mr D was successful in obtaining the property at auction and the completion date was set for 2 May 2018. His plan was to 'cash in' the policy within his SIPP, add £20,000 worth of pension contributions, and take out a separate loan to cover the shortfall of the £245,000 that the property would cost.

He asked the third party to instruct ReAssure to sell the policy which it did on 4 April 2018. ReAssure has confirmed that its normal service standards meant the funds should have been applied to Mr D's plan by 18 April 2018. But they weren't so Mr D chased up his request. On 19 April, the third party said the funds would be paid into his bank account by close of business on 20 April 2018. But that didn't happen either, so on 23 April 2018 Mr D made contact again.

He explained that if all the funds weren't in his bank account by 3 May 2018, he would lose his deposit and charges of around £28,500.

Funds of £66,918.69 from the ReAssure policy were paid into the SIPP on 27 April 2018 and a debit of £147,549.81 was made from the SIPP on 2 May 2018 which allowed the purchase of the property to take place. However, following a recalculation of the policy proceeds ReAssure identified that not all the money had been paid and it provided the shortfall of funds into Mr D's SIPP account on 4 May 2018.

During this time Mr D had arranged alternative finance through a further advance on his residential property, as he was concerned whether ReAssure could complete the sale as he had requested. As a result, Mr D complained. He said ReAssure should pay for the additional costs incurred as a result of arranging the further advance. These included an early redemption penalty of around £1,700 plus interest as well as an unnecessary telegraphic transfer charge. Reassure upheld Mr D's complaint and offered him £250 for the distress and inconvenience this matter had caused him. But it said it hadn't authorised him to arrange alternative finance and wouldn't pay the additional costs he'd suffered. It said it had paid him the policy proceeds before the completion of the property was due.

But Mr D wasn't satisfied with that outcome and wanted ReAssure to refund his costs. He said he'd been correct to set up the separate finance and wouldn't have had to do it if ReAssure had encashed his policy by the date it said it would. So he brought his complaint to us.

One of our adjudicator's investigated the complaint and said it should be upheld. He believed that ReAssure hadn't acted fairly in this case and should pay Mr D £500 instead of the £250 it had offered. He felt the offer needed to be increased because ReAssure had provided Mr D with incorrect information about when the funds would be provided and as Mr D didn't receive the money when he was told he would receive it this had caused him significant trouble and upset.

But the adjudicator didn't think ReAssure should compensate Mr D for any expenses he incurred in organising his own finances. He explained that ReAssure did provide the funds by the deadline and therefore the fact Mr D had arranged other means of finance wasn't its responsibility and it wasn't responsible for any extra costs Mr D had incurred.

Mr D didn't agree. He said that ReAssure's actions in delaying the payment had resulted in him not wanting to risk losing around £28,500 and therefore he felt they should compensate him further. He thought he had no alternative in the circumstances and had taken the precautions anyone would have done in the circumstances. Mr D asked for the complaint to be reconsidered so it's been passed to me for a review.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. And, having done so I agree with the adjudicator and for broadly the same reasons. I can see how strongly Mr D feels about this matter and I have some sympathy for his position as he was in a difficult situation with a completion deadline to meet. But I think the award of £500 compensation for the distress and inconvenience caused is fair – so I'll explain my reasons.

Mr D essentially has three areas that he thinks he should be compensated for.

1. Interest on the £24,500 deposit loan.
2. Charges of £1,700 plus interest on his further advance.
3. The Telegraphic Transfer charge on his additional payment of £6,000.

The matter of the £24,500 loan has been dealt with through another complaint against a different business, so I'm only considering whether Mr D should be refunded the charges relating to his further advance and telegraphic transfer.

Mr D's request to encash the ReAssure policy he held within his SIPP was first made to the SIPP administrator on 26 March 2018. An instruction was sent to ReAssure on 4 April 2018. And I've seen an email from Mr D to the administrator dated 10 April 2018 which said, *"please update me on the sale of the ReAssure policy as I need the money for completion on 2 May so ideally needs to be in my current account in my SIPP by Friday 27 April."* The response was *"we can confirm our instructions have been received by ReAssure and are currently being processed, they have quoted us a timescale of 5-10 working days."*

So taken at face value the proceeds should have been paid by 24 April 2018 at the latest – although I think it's fair to assume that as ReAssure was sent the instruction on 4 April, the 5-10 days should have meant payment being made sometime before 24 April 2018. And I've also seen that when Mr D chased up his request on 19 April, he was told he would receive the funds he required by 20 April but ReAssure didn't send the money until 27 April 2018. The final amount also had a shortfall of £9,323.72, which was paid on 3 May 2018 – after the property purchase completed.

So it's clear ReAssure didn't make payment within the timescales it quoted the administrator and then failed to provide the outstanding amount before completion. Although I note the deadline Mr D gave to receive the money into the SIPP as being 27 April 2018, which was the date that the proceeds were finally received in his plan. But considering Mr D was under pressure to complete on the property purchase by a specific date I don't doubt that this situation would have caused him significant concern and inconvenience. So I think ReAssure should compensate Mr D for the trouble and upset that was caused by not paying the proceeds of his plan into the SIPP by the due date.

But Mr D says that because he didn't think he was going to receive the proceeds from ReAssure in time to complete the purchase, he was left with no choice but to arrange alternative finance – and now wants the costs associated with that finance to be reimbursed. So I've gone on to consider whether Mr D had to take the action he did, namely to extend his mortgage borrowing.

I've seen evidence to show that Mr D asked his bank to arrange a further advance of £85,000 on 18 April. The funds were available to Mr D from 20 April 2018. As I've already said I don't think it was unreasonable for Mr D to be concerned at that point and to give himself some reassurance to ensure he'd be able to purchase the property by the completion date he was given. But that doesn't mean that I think ReAssure should have to refund the costs he incurred in doing so, as I've no evidence to show that ReAssure suggested to Mr D that he should look into alternative finance options or that it wouldn't be able to pay the proceeds before the deadline.

Mr D was told (incorrectly) on the 19 April 2018, that his money would be paid into the account the following day. And Mr D himself said – in an email dated 23 April 2018 – that *"I refer to your email of 19th April when you told me the money was to be in my bank account on the 20th. The present problem has only come to light as a result of me ringing to check."* So Mr D had expected the money to be paid to him on 20 April and only discovered this hadn't happened on 23 April 2018. But he'd already arranged the further advance which would suggest to me that he put that alternative in place as a backup.

At the time of his further advance application, although the proceeds hadn't been paid by ReAssure within the timescales that were originally set out, Mr D hadn't been given any

indication that there would be a problem in receiving those funds before the deadline. Indeed, the following day he was told he would receive them imminently. I appreciate that the delays and uncertainty would have caused Mr D a significant amount of distress and inconvenience and concerned him greatly – which I think should be reflected in the amount of compensation awarded. But Mr D took the actions he did without instruction from ReAssure or the SIPP administrator, so I don't think ReAssure should have to refund the costs Mr D incurred.

I asked ReAssure what provision it would have made had it not been able to encash the policy before the deadline. It said it could have *"actioned a customer priority payment and essentially 'pre-fund' the payment, repaying it when the monies then came in"*. It's not possible for me to confirm whether that would have been the case, although I think it's reasonable for a company like ReAssure to have such alternatives in the event of something going wrong. But Mr D didn't ask ReAssure if it could have helped him in that situation. If he had he would either have been satisfied that ReAssure would be able to resolve any issues with the payment or he could have asked for its position on whether he should consider alternative finance – and whether it would refund any costs.

I've seen from Mr D's SIPP statement that £147,549.81 was deducted from the SIPP cash account on 2 May 2018 to pay for the property. This left Mr D with a balance of £18,204. Shortly afterwards the outstanding amount from the sale of the plan was applied to the SIPP along with a deduction for reimbursement of the deposit Mr D paid himself. So although Mr D was caused inconvenience by the late payment of some of the funds – which I think should be taken into account when considering the overall inconvenience Mr D suffered – I can't say it caused any issues with the purchase of the property. There were enough funds within the SIPP to complete on the transaction as required, although I note that the shortfall was needed for the administrator to be able to return Mr D's deposit of £24,500.

I've also considered Mr D's request for the refund of the telegraphic transfer charge he incurred when he sent £6,000 to the SIPP to cover any shortfall. But I haven't seen any evidence to show that Mr D was asked to send this money and it could never have been paid into the SIPP (as a contribution) without being submitted as an application with all the relevant paperwork. The money was eventually returned to Mr D as it couldn't be accepted into the SIPP. So I can't say ReAssure was responsible for Mr D having to send those funds and I don't think it would be fair for me to hold it responsible for the charge that was incurred.

Ultimately here ReAssure didn't pay the proceeds of Mr D's policy into his SIPP until sometime after the date it said it should be able to pay him – and this was confirmed a number of times during the process. And when the proceeds were eventually paid there was an error and a shortfall of nearly £10,000. As Mr D was buying a property – on which he had already put a deposit down and had a specific completion deadline, I don't doubt the significant amount of distress and inconvenience this would have caused him.

So, I agree with the adjudicator here that compensation of £500 for this amount of trouble and upset is fair and reasonable in the circumstances – and within the range of what I'd expect to see for such errors. But ReAssure did provide the funds before completion and didn't advise Mr D to seek alternative financial arrangements, so I don't think it would be fair for me to tell it to repay any of the interest and charges that Mr D incurred by arranging his further advance.

my final decision

For the reasons that I've given I uphold Mr D's complaint against ReAssure Limited. ReAssure Limited should pay Mr D £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 21 August 2020.

Keith Lawrence
ombudsman