

## **The complaint**

Mr H complains that Hargreaves Lansdown Asset Management Limited (HLAM) didn't correctly submit his transfer request for a pension he held with another provider. He says this delay – which he thinks HLAM is responsible for, has caused him to suffer a financial loss of over £7,000 for which he would like to be compensated.

## **What happened**

In March 2020 Mr H wanted to transfer a pension that he held elsewhere to HLAM, so that he could amalgamate his plans with one provider. HLAM received an online transfer request from Mr H on 2 March, which it submitted to the existing provider on 3 March. This was rejected by the provider on 5 March 2020 as it said the policy number was incorrect and the composition of the funds held wasn't confirmed properly. Mr H then provided a paper transfer application which was forwarded to the existing provider again but rejected for one of the same reasons.

After the provider again asked HLAM for the correct information a third request was then received and the transfer process began – which meant there was delay to the time taken for the provider to sell Mr H's funds to cash. Both parties have agreed the delay was approximately one day.

The cash from the transfer was received by HLAM on 23 March 2020, although Mr H didn't invest the proceeds until sometime later.

But Mr H's wife had transferred her pension at the same time, and he became aware that her funds had been sold to cash by the original provider a day earlier. So he complained to HLAM that the delay had caused him a financial loss, as he calculated that if the funds had been sold a day earlier then he would have been around £7,000 better off.

HLAM accepted that it incorrectly filled out the forms on the electronic transfer system. But it said that, overall, the transfer had completed within the time frame it would have expected and it didn't feel it was responsible for any perceived investment loss. But it accepted the matter had caused some distress and inconvenience and offered Mr H £100.

HLAM said that the perceived delay of one day was principally because Mrs H's transfer, which began at the same time, completed one day earlier.

Mr H wasn't happy with that outcome so he brought his complaint to us where one of investigators looked into the matter and concluded the complaint should be upheld. She said that, while she accepted HLAM's view that Mr H could have mitigated his position at any time, she believed it was responsible for the minor delay that had occurred and should put Mr H in the position he'd be in now had the transfer completed a day earlier. She also thought HLAM should pay the £100 it offered Mr H for the inconvenience he'd been caused.

HLAM said that it aimed to complete a transfer in 30 days and in this case, it had completed within 21 days. So it didn't think it had caused an overall delay and wasn't responsible for

any financial loss. It said it didn't know when the other provider sold Mr H's funds and noted that Mr H didn't invest into any new funds for almost a week after the transfer.

The investigator said she'd concluded that HLAM had caused a delay and asked it to calculate whether Mr H had suffered any financial loss as result. She asked HLAM if it accepted her redress formula.

HLAM didn't agree. It said it hadn't seen any evidence to show that it had unnecessarily delayed the transfer. So as no resolution could be found the complaint was passed to me for a review.

### *My provisional decision*

In my provisional decision I said that the complaint should be upheld. I made the following points in support of my findings:

- Following the insertion of an incorrect policy number on the original transfer request HLAM was made aware of the reasons for the rejection of the transfer by the existing provider on 5 March 2020. So a second request was made, which was also rejected for the same reason. I thought HLAM had been made aware of that reason and should have ensured it wasn't repeated for the second time.
- A third application was submitted two days later which was accepted by the existing provider. The transfer completed 10 days or so later.
- But I didn't think it was fair for HLAM to use the fact that the transfer itself completed within its usual service standards as a reason to make an error which caused a delay – especially a time critical one such as this where time “*out of the market*” could cause a financial loss.
- I accepted that HLAM had completed the transfer inside its usual service standards and Mr H himself had delayed in investing the funds after the transfer. But any loss caused by that was for Mr H to accept and I wanted to ensure HLAM had completed each part of the process without causing unnecessary delay.
- I concluded that the delay between the second and third applications was caused by HLAM – because it was aware of the reasons for the rejection of the second application. So I thought it should calculate the position Mr H would have been in had the existing provider been able to start processing the transfer on 10 March 2020. I also thought HLAM's offer of £100 compensation for the distress and inconvenience caused was fair and reasonable.

### *Responses to my provisional decision*

Mr H said he now didn't believe there was any dispute about HLAM's error and expected to receive at least the initial financial loss he calculated had occurred as compensation. Although he also felt that compensation should include the growth on his pension since the event – which he estimated was round 9%. But he wanted to reiterate that his decision not to invest his funds straight away after the transfer had no bearing on the loss he said was caused directly by the delay.

HLAM thought that its 30 working day service standard was in place to allow it sufficient time to process transfers and give scope to correct any errors – which it said aren't uncommon in such transactions. But it accepted the reasons behind my provisional decision and said it would carry out a calculation in line with my recommendation.

### **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.

And as both sides broadly agreed with my provisional decision, I see no reason to depart from my findings. So I'll confirm my reasons for reaching that outcome.

When Mr H completed a transfer request to HLAM for his existing pensions the policy number and composition of funds was incorrectly recorded. This wasn't HLAM's responsibility, but it was advised by the existing provider of the reasons for the transfer being rejected. These were that the "*client policy number doesn't match our records and client has mixed holdings (crystallised and uncrystallised). Please re request with correct policy number and also as mixed holdings.*"

So HLAM was aware of what it needed to include in a subsequent application to put things right. It needed to provide the correct policy number and confirm that there were crystallised and uncrystallised assets within the plan. The policy number that was resubmitted was corrected but the split between uncrystallised and crystallised funds wasn't -so the application was rejected again.

I think this was HLAM's responsibility and I think it made an error that could have been avoided by submitting the application as instructed by the existing provider. A third application submitted a day later was accepted as correct – so HLAM did have the necessary information to provide the correct details previously. And HLAM has subsequently accepted that it had probably made an error which led to the delay.

HLAM has said that, despite the possible error it made, it completed the transfer inside the 30 day service standards that it applies to such transactions. It said the 30 days gives it scope to correct any problems that almost inevitably occur in these type of transfers and it believed this meant it shouldn't be held responsible for any individual delay during Mr H's transfer process. But I don't think this approach should allow HLAM not to ensure each part of the process is completed as quickly and smoothly as possible so that there aren't any errors which might cause delay and financial losses. I accept there are many things that can go wrong with transfers but at the same time I think it's the responsibility of each party to minimise these errors especially when they can be time critical – which was the case here.

In Mr H's case this delay meant that he was "out of the market" for one day longer than was necessary and he said this led to a significant fall in the value of his plan. I think it was an avoidable delay, and as doesn't appear to be in dispute I think it was HLAM's responsibility. So I think it should carry out a calculation, as I've set out below, to see if Mr H has incurred a financial loss.

## **Putting things right**

### *Fair compensation*

My aim is that Mr H should be put as closely as possible into the position he would probably now be in if HLAM had provided the correct information in the application that was received by the ceding provider on 10 March 2020.

### **What must HLAM do?**

To compensate Mr H fairly, HLAM must:

- Compare the performance of Mr H's investment with that of a notional value had the existing provider been able to start work on the transfer when it was activated on

10 March 2020, assuming the requirements had been met to process the transfer. And if the rest of the process had followed the same course as the actual process that began on 12 March 2020.

If the actual value is greater than the fair value, no compensation is payable.

If the fair value is greater than the actual value there is a loss and compensation is payable.

- HLAM should pay into Mr H's pension plan to increase its value by the total amount of the compensation and any interest. 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 HLAM is unable to pay the total amount into Mr H'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 H won't be able to reclaim any of the reduction after compensation is paid.
- The *notional* allowance should be calculated using Mr H's actual or expected marginal rate of tax at his selected retirement age.
- It's reasonable to assume that Mr H is likely to be a basic rate taxpayer at the selected retirement age, so the reduction would equal 20%. However, if Mr H would have been able to take a tax free lump sum, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 15%.
- HLAM should pay the £100 it offered Mr H for the distress and inconvenience caused if it hasn't already done so.

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

### **My final decision**

For the reasons that I've given I uphold Mr H's complaint against Hargreaves Lansdown Asset Management Limited

My decision is that Hargreaves Lansdown Asset Management Limited should pay the amount calculated as set out above.

It should provide details of its calculation to Mr H in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 2 June 2022.

Keith Lawrence  
**Ombudsman**