DRN-4414690

The complaint

Mr H complains that Halifax Life Limited (Halifax) have deducted more in charges from his Personal Pension Plan (PPP) than was agreed causing him losses. He wants compensation for the losses caused.

What happened

Mr H took out the PPP in 2002, and held various unit linked pension funds. He says the annual management charge (AMC) was 0.5%, which was confirmed on the annual statements sent to him. He says he was shocked to receive a letter in August 2022 saying total charges of £1,41.72 had been deducted from the plan. This was around double what the 0.5% AMC should have been.

Mr H called Halifax to query this. It sent him an estimate of charges for the past year which as well as a *"base"* AMC of 0.5% included additional transaction costs. He called to query this. More calls followed and a complaint was recorded in November 2022. Halifax said the actual total AMC was 0.55%, including an additional 0.05% for expenses. Mr H requested a valuation as he thought he'd been over charged. It wrote in February 2023, saying it hadn't made any error as the full AMC was 0.55% as previously advised.

Mr H challenged this, he said the AMC was the only charge and should have been around £500 but had now doubled. Halifax re-opened the complaint. It sent the estimate of charges previously provided and a fund guide brochure from Scottish Widows, who now managed the investments. In May 2023 it sent a further final response. It didn't uphold the complaint. It said the AMC wasn't the only charge on the plan. It said it had changed the information on the annual statement, to show the additional charges which had always applied in the past.

Halifax said the additional costs included transaction costs for buying and selling the underlying investments and expenses. It said this was a common feature of pension plans and it was "*satisfied that the overall charges you have paid have always been made clear in your annual statements."* It said the documentation provided when Mr H first took out the policy would have confirmed there were extra costs and there had been no change.

Unsatisfied, Mr H referred his complaint to our service and decided to transfer his plan to a new provider. He said despite his complaint Halifax hadn't provided any justification for the increased charges and was unable to provide the original Terms and Conditions (T&Cs) of his PPP. He said it should refund the additional charges.

Our investigator looked into the complaint, but he didn't uphold it.

Our investigator said it was usual practice for expenses and transaction costs in running unit linked investment funds to be in addition to the AMC charged for actually managing the fund. He said the fund guide from Scottish Widows confirmed that the additional costs largely related to buying and selling the underlying investments the funds held. And he said Halifax had now provided a copy of the original T&Cs from 2001, which referred to various administration and transaction charges.

The T&Cs said in valuing the funds:

> ***"(f) Adjustments; deduction; management charges***
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> *… "allowance (*would be made) *for outgoings of any nature … for any prospective or other liability for taxation … and for taxes duties and any other charges upon acquisition or realisation of any investment of the Fund and for any expenses of managing maintaining and valuing property and for the management charges on the Fund which may be determined by the Actuary from time to time having regard to the Company's costs"*

Mr H disagreed. He said the T&Cs provided by Halifax were from after his plan had started. And if these were correct it should be able to provide details of the deductions and adjustments made historically. And if it couldn't it was because he doubted that any adjustments or deductions had been made before 2021. He said without this evidence the claim that this was only a *"presentation change"* was an *"excuse to cover an additional charge … which was an unacceptable change to the terms"* of his plan.

Our investigator asked Halifax if the correct T&Cs had been provided. And if it had historical information about transaction costs and other deductions from Mr H's plan. It said the T&Cs were from 2001 and were correct as the plan started in August 2002. It said it had explained the effect of additional costs was reflected in the fund price quoted, as it always had been. It said it couldn't provide historical information about deductions in monetary terms because prior to rule changes around *"transparency"* introduced in 2021 there had been no requirement to record this information.

Mr H said it seemed Halifax was applying charges *"without any objective and justifiable basis"* and had no records to support the deductions. He said had he been told about these costs sooner he would have transferred out to a less expensive provider.

As Mr H doesn't agree it has come to me to decide.

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 am not upholding the complaint.

I understand Mr H's concern, but I don't think Halifax has made any error or acted outside the T&Cs applying to his plan. There's no evidence the charges on his plan had been increased. There were always variable charges related to the administrative expenses of running the underlying investment funds, in addition to Halifax's own charge taken through the AMC. This is very much industry practice and all unit linked funds and collective investments operate on the same basis. The T&Cs for the PPP do set out that transaction costs and other expenses like tax would be reflected in the fund's valuation. The more recent Scottish Widows fund guide provides a clearer explanation of this of how this operates.

Whilst Halifax can't provide historical information for the charges and deductions for Mr H's individual plan it will know what these were at a fund level. The valuation and pricing of unit linked investment funds is complex and highly regulated. They are generally valued every business day and a unit price calculated. This price reflects the ongoing expenses of the investment fund. For example, buying and selling assets incurs transaction costs. Buying, shares for example will incur dealing fees and Stamp Duty of 0.5% of the purchase cost. A fund holding commercial property may have expenses relating to that property like repairs, legal fees and so on.

There was no historical requirement for these expenses to be broken down and disclosed at an individual investor level, of whom there may be many thousands. But the daily price quoted for the fund reflects the total fund value net of expenses including the AMC divided by the number of units issued in the fund.

Halifax has said most of the expenses in addition to its own AMC relate to transaction costs. These will vary with investment market conditions, the objective of the fund and many other factors. The more active the fund manager is in trading investments the higher the transaction costs will tend to be. But if the manager performs well those additional costs may have resulted in the fund providing superior returns.

In recent years the financial regulator has sought to make the overall costs and charges on investments more transparent to consumers. Investments like unit trusts and open-ended investment companies (OEICs) have been providing details of their total expense ratios (TERs) - the annual management charge plus expenses for some time. And following the Financial Conduct Authority's Retirement Outcome Review, pension providers have issued new information showing transaction costs and expenses at an individual policy level like Mr H received. But these aren't new costs.

Mr H considers the costs on his plan were high and says if he'd known he would have switched pension provider sooner. But as he didn't switch previously that suggests he wasn't unhappy with the returns achieved in the past. So, I don't think he has suffered any detriment through not being provided with a breakdown of costs. And it is important to note Halifax wasn't required to provide it.

So, I don't think Halifax has made any error or treated Mr H unfairly. That means I can't uphold his complaint.

My final decision

My final decision is that I do not uphold this complaint

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Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 April 2024.

Nigel Bracken
Ombudsman