

The complaint

Mr K has complained about the way that Legal & General (Portfolio Management Services) Ltd handled the transfer of his pension. He considers it caused delays, and this resulted in him suffering a financial loss. He also complains that it provided poor customer service, including in how it handled his complaint.

What happened

Mr K's complaint was considered by one of our investigators. The investigator sent his assessment of it to both parties on 18 July 2024. The background to the complaint was set out in his assessment, so I won't repeat it all here. But in summary, Mr K had contacted Legal & General about transferring some pensions in early January 2024. The transfer from an external pension scheme wasn't received by Legal & General until March 2024, and the funds were invested on 21 March 2024.

Legal & General acknowledged that it was responsible for causing some delays. It said it thought the earliest that it could have arranged the transfer was by 9 March 2024. Mr K thought it should have been transferred by 21 February 2024.

The investigator set out what he thought would have been a reasonable timeframe for Legal & General to have completed the transfer. In doing so he'd looked at what had happened and when. He took into account the Transfers and Re-registrations Industry Group (TRIG) standards published in 2018, which he considered represented good industry practice. And the relevant Regulator's Rules and Principles – the client's best interest rule, and Principals 2 and 6. The investigator explained he had only considered the actions (or inactions) of Legal & General. So he'd taken into account the actual response times of Mr K and the other provider in deciding on how the transfer would have progressed, assuming Legal & General had provided a timely service for its part of the process.

The investigator said taking all this into account, he thought the process had started on 2 January 2024, and he thought the money should have been invested on 14 February 2024. He went on to set out how Legal & General should calculate whether Mr K had suffered a loss, and if so pay compensation to Mr K for it.

In terms of customer service and the way Legal & General had handled Mr K's complaint, the investigator noted there were instances where Legal & General had either not responded to Mr K, or only provided a partial response. He said there had also been instances of incorrect or potentially incorrect statements being made.

Mr K was also unhappy with how Legal & General had handled his complaint. He thought Legal & General had used the Ombudsman referral rights as an intimidation tactic, and had been used to avoid needing it to come to a resolution with him. He thought Legal & General should have a two stage complaint process. And he was also unhappy that Legal & General sent him cheques before he had agreed with the settlement.

The investigator explained that Legal & General were bound by the Financial Conduct Authority's complaint handling rules. He set out why he thought Legal & General had

followed its rules, and why he didn't think Legal & General had used the Ombudsman referral rights as an intimidation tactic. He also didn't think sending the cheques to Mr K had caused any detriment to him, or was generally an unfair or unreasonable approach to take.

Overall however, the investigator thought Legal & General could have engaged more proactively with Mr K and provided explanations which would have helped to avoid some of the annoyance and inconvenience he was satisfied Mr K had experienced. The investigator understood that Legal & General had already sent Mr K two cheques totalling £200, albeit Mr K had indicated that he hadn't received them. The investigator thought that £300 in total was an appropriate amount for Legal & General to pay Mr K for the distress and inconvenience caused by the matter, including anything that had already been cashed by Mr K.

Mr K didn't accept the investigator's findings. He said he thought he deserved a lot higher sum than the £300 compensation the investigator had recommended for distress and inconvenience. Mr K thought £1,500 was appropriate given the short-term impact of the matter.

Legal & General agreed with the investigator's findings regarding the £300 compensation for distress and inconvenience. However it didn't agree the transfer could have been completed and invested by 14 February 2024, and instead thought its original view that the transfer value could have been invested by 8 March 2024 was appropriate in the circumstances.

After further consideration the investigator sent both parties a revised timeline of what he thought should have happened and when:

- 5 January - Mr K initiates transfer
- 9 January - Legal & General provide transfer forms to Mr K
- 10 January - Forms returned to Legal & General
- 12 January - Legal & General provide forms to other provider
- 23 January - Other provider query scheme name
- 25 January - Correct scheme name clarified
- 2 February - Forms sent to Mr K
- 3 February - Forms returned to Legal & General
- 7 February - Forms sent to other provider
- 27 February - Funds received from other provider and invested.

The investigator set out how compensation should be calculated. He said any loss should be determined by obtaining the notional value of the pension from the other provider as of 25 February 2024 on the basis that would be the date the other provider would've sold down the existing investments to allow for the cash to be transferred to Legal & General on 27 February. Then Legal & General should calculate the number of units that would have been bought with that transfer value using the unit price from 27 February 2024.

If the number of units that could've been bought on 27 February 2024 was lower, then there was a gain, and no redress was payable. If the number of units that could have been bought was higher, then those additional units needed to be added to Mr K's plan, along with any additional units (or partial units) that would have subsequently been received on those additional units (subject to it being possible to pay compensation into the plan).

Mr K didn't agree to the investigator's findings. He said, in summary, that he didn't agree to the changed timeline. He referred back to his previous evidence as to why he thought the

funds should have been in his account by 21 February 2024. Mr K said the investigator had failed to explain what clarifications Legal & General had provided that resulted in the timeline extending from 14 February to 27 February 2024. And that this would have a significant impact on his pension over the course of time.

He said he still thought £1,500 compensation for distress and inconvenience was appropriate given it reflected the breach in Legal & General's duties as manager of his funds.

Legal & General didn't agree with the investigator's opinion that the funds should have been invested by 27 February 2024. It thought, based on the timescales referred to in the investigator's updated assessment, the funds should have been invested by 29 February 2024.

As the parties couldn't agree Mr K's complaint was passed to me to consider.

I asked the investigator to contact Mr K on my behalf, and explain that I thought the 29 February 2024 date that Legal & General had put forward as when the transferred funds should have been invested was the appropriate date in the circumstances. Legal & General had largely accepted the revised timeline as set out by the investigator. However where the investigator had said Legal & General had sent the forms to the other provider on 12 January 2024 and so, using the actual timescale, the other provider would have queried the scheme name on 23 January 2024, Legal & General had said this should be 25 January – so pushing all the following dates back by two days. So it said the date the transfer should have been completed and invested by would have been 29 February 2024.

I'd noted that when Legal & General had actually sent the forms to the other provider it had queried the scheme name nine working days following the day it was sent. So in the revised timeline using 25 January 2024 would mirror this period of time. So pushing back everything by two days, I thought the 29 February 2024 was the appropriate date to use.

The investigator explained to Mr K that I thought the latest timeline set out by the investigator had assumed Legal & General had been given appropriate turnaround times where events were in its control. And those outside of its control used the actual timescales, which I thought was appropriate. I noted Mr K had said he hadn't agreed with the investigator's revised timeline and asked Mr K to set why he didn't agree with that timeline – albeit pushed back by two days to 29 February 2024.

Mr K responded to say that his timeline was based on 2 January 2024 start date and the 4 to 6 week window that was provided by Legal & General at the time of confirming the transfer. Mr K also discussed the matter with the investigator by telephone. He said, in summary, that Legal & General hadn't responded appropriately to his initial communication with it on 2 January 2024 – and this had delayed matters. He said he hadn't provided an incorrect scheme name, and Legal & General had got that wrong. And he said if information required by HMRC had already been sent this should have shortened the timeline, and not extended it.

Having reviewed the forms and Mr K's initial exchanges with Legal & General, the investigator e-mailed Mr K again on my behalf. He explained that I accepted that Mr K hadn't provided an incorrect scheme name. The authority form hadn't asked for the scheme name.

However the investigator explained Legal & General had sent a cover letter dated 22 January 2024 to the existing scheme provider which did contain the correct scheme name. The scheme provider had subsequently asked for further information as per its own particular requirements, including the scheme name. The investigator explained that different

pension providers required different details, and this wasn't unusual. And that I didn't think Legal & General had been responsible for the short delay when the existing scheme had asked for further information.

The investigator also explained that I'd considered Mr K's correspondence with Legal & General from early January 2024. However that I thought Legal & General had merely responded to the questions that Mr K had raised. I didn't think it had responded inappropriately or in an untimely manner to the questions he'd asked.

Mr K didn't agree. He said, in summary, that it was clear from his initial correspondence with Legal & General that if it had responded to his first message with the information about how to start the process for the external transfer, the form Legal & General received from him would have arrived sooner. Mr K said it was clear that he'd asked for the external process, but it had replied with the internal process and this had caused delays.

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.

I think it's worth firstly saying that it's possible that Mr K hasn't suffered a financial loss as a result of the delays here or, if he has, any losses aren't as high as Mr K thinks. As the investigator explained when he was recommending how Legal & General should calculate whether Mr K has suffered a loss, it's the transfer value that would have been received at the earlier date that is relevant. So although Mr K would have been able to buy units in the Legal & General fund at the lower price that was prevailing at earlier dates, he *may* also have had a lower transfer value to buy units with – both at the 29 February or the 21 February 2024 date that Mr K thinks is appropriate. And once any additional units that would otherwise have been bought at an earlier transfer date are added to Mr K's pension, there are no further future losses. No compounding or assumptions to calculate future losses are required – it's merely the number of units that the earlier transfer value would have bought at the earlier date that's key.

However irrespective of the extent of Mr K's losses, for the reasons set out by the investigator in his revised assessment and what was subsequently said as above, it's my opinion that if Legal & General had processed the transfer in a timely and efficient manner the transfer value would likely have been invested on 29 February 2024.

Mr K has referred to the timescale of 4-6 weeks that he was told the process could take at the outset. However this is only an estimate; each transfer will depend on its particular circumstances. Different parties were involved, and Legal & General had no control over how quickly those other parties responded to their parts in the process. Legal & General clearly wasn't bound to a set deadline.

I agree with Mr K that Legal & General was wrong to say that he'd provided an incorrect scheme name. Mr K wasn't asked to provide the scheme name on the relevant form. I think Legal & General said this because that's what it was told by the former scheme when they were investigating Mr K's complaint – that the Letter of Authority had the wrong provider's name. I think Legal & General could have checked this itself before relaying this to Mr K.

However Mr K's former provider had contacted Legal & General for the scheme name along with other information after Legal & General had sent information to it. Legal & General had already provided the scheme name in its 22 January 2024 letter. Different pension schemes have their own particular information requirements, and I don't think there was an error on Legal & General's part or that it caused the short delay at this point.

I've carefully considered the exchanges between Mr K and Legal & General when he contacted it from 2 January 2024. Mr K said he would like to transfer the external scheme to Legal & General and asked if it could do that. Legal & General responded about both internal and external transfers. Mr K said he had problems providing the information required for the external transfer. And Legal & General said it would need some further information about the scheme to determine if it could accept a transfer. It recommended that Mr K contact its helpline when he had the answers as he could give instructions over the phone.

As I say, some schemes may have their own particular requirements, or there are circumstances that don't necessarily always fit into a standard process. But that doesn't mean that Legal & General did something wrong. In my opinion Legal & General didn't provide unreasonable responses to Mr K's e-mails and the 'conversation' developed as it went along. Legal & General responded in a timely manner (5 January 2024 was a Friday, so that has to be taken into account in the expected response time). And I don't think it acted unreasonably or caused unnecessary delays at this stage of the process.

Mr K is concerned that when the investigator revised his timeline he extended the date he thought the funds should have been invested by about two weeks, but no explanation for the change was given. I can see that in the investigator's first assessment he set out the steps he thought were required in the processing of the transfer, and said he thought it should have been invested by 14 February 2024. However he didn't set out the specific dates he thought relevant for each step, so it's not possible to exactly compare it to the revised timeline. I know the investigator told Mr K that one of the reasons was he didn't think there was a delay caused by the information required by HMRC on the revised timeline, as it had already been sent. This was during a telephone conversation, a lot of details are involved and the investigator only had a brief chance to look at his original assessment. I'm not sure that was a reason for the difference – as Mr K said, it would follow that this would shorten the timeline if anything.

But I think whatever the reason, what's key is that I've considered the revised timeline as set out in the investigator's second assessment. And in my opinion it reflects how the transfer would have progressed but for the delays caused by Legal & General, albeit amended by two days for the reasons I've already given. So for the reasons given, I think the transfer value would likely have been invested on 29 February 2024.

Mr K has said he doesn't agree with the £300 compensation recommended by the investigator for the distress and inconvenience caused given the short-term impact of the matter on him. And he thought £1,500 was appropriate given it reflected the breach in Legal & General's duties as manager of his funds.

Like the investigator, I think Legal & General should have better handled Mr K's attempts to resolve the matter with it. But I don't have any powers to fine Legal & General for a 'breach' of its duties. What's key is the actual impact of its failings on Mr K. I appreciate it would have caused some worry/distress and inconvenience in trying to get the matter resolved. But it didn't have a direct financial impact on Mr K at the time – he isn't currently taking or able to take the benefits from the pension.

Legal & General acknowledged that it was responsible in part, and it attempted to resolve the matter with Mr K – albeit not to a date agreeable to Mr K or with a loss calculation he thought appropriate. However Legal & General's loss calculation was correctly based on the number of units that Mr K could otherwise have bought – albeit it didn't use a revised transfer value from the former scheme (if it was different at the earlier date - I don't have that information). But overall, as I say, whilst I accept it had an impact in terms of the worry about the matter and inconvenience getting it resolved, it hasn't had a direct immediate financial impact. Taking everything into account, I think the £300 in total recommended by the

investigator is fair in all the circumstances.

Putting things right

My aim in awarding fair compensation is to put Mr K into the position he would likely have been in had it not been for Legal & General's errors. For the reasons given above, I think this would have meant that Mr K would have been invested on 29 February 2024.

Legal & General (Portfolio Management Services) Ltd should obtain the notional value of the pension from the other provider as of 27 February 2024, on the basis that would be a likely date the other provider would have sold the existing investments to allow for the cash to be transferred to Legal & General on 29 February 2024. Legal & General should calculate the number of units that would have been bought with the notional transfer value using the unit prices from 29 February 2024.

If the number of units that could have been bought on 29 February 2024 is lower than was actually bought, then there is a gain and no redress is payable. If the number is higher, the additional units need to be added to Mr K's pension along with any additional units (or partial units) that would have subsequently been received on those additional units

The payment to buy units should allow for the effect of charges and any available tax relief. However compensation shouldn't be paid into the pension plan if it would conflict with any existing protection or allowance.

If a payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr K as a lump sum after making a notional reduction to allow for future income tax that would otherwise have been paid.

If Mr K has remaining tax-free cash entitlement, 25% of the loss would be tax-free and 75% would have been taxed according to his likely income tax rate in retirement – presumed to be 20%. So making a notional reduction of 15% overall from the loss adequately reflects this.

Details of the calculation should be provided to Mr K in a clear, simple format.

Legal & General (Portfolio Management Services) Ltd should also pay Mr K the remainder of the £300 as recommended by the investigator that it hasn't already paid.

My final decision

My final decision is that I uphold Mr K's complaint, in that I think it should have processed the transfer at an earlier date.

I order Legal & General (Portfolio Management Services) Ltd to calculate and pay compensation to Mr K as I have set out under 'Putting things right' above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 19 December 2024.

David Ashley
Ombudsman