

## **complaint**

Mr F complains that The Royal London Mutual Insurance Society Limited ("Royal London") provided him and his financial advisor with incorrect information about the exit charge on his pension plan. As a result he says he moved two smaller pensions held with other providers and is now paying higher annual charges.

## **background**

The background to this complaint was set out in my provisional decision issued in May 2018. An extract from this is attached and forms part of this final decision, so I will not repeat that information here.

In my provisional decision I set out why I was minded to uphold the complaint. I invited both parties to let me have any further comments and evidence. Royal London has said it accepts my findings. Mr F has provided some further comments.

Although I am only summarising here what Mr F has said, I have considered his entire response carefully before writing this decision. Mr F has said that he doesn't think my provisional decision has paid sufficient notice to the way in which he has been treated by Royal London. He also points out that he took his pension plan with Scottish Life rather than Royal London. And he says that the documentation he signed with Scottish Life didn't say that an exit fee would be charged. Instead it said that a fund reduction "*may apply*" and that fund reduction would "*take account of any expenses properly incurred in setting up and administering the plan.*" Mr F ends by saying that he no longer wishes to be a client of Royal London and it is within the gift of the business to facilitate his departure by waiving the exit charge applied to his plan.

## **my findings**

I've once more considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I have not been persuaded that there are reasonable grounds for me to alter the conclusions I reached in my provisional decision.

I accept that Mr F feels very strongly about this matter. And there is no doubt that he has invested considerable time and energy in making his complaint. But I think this is fairly recognised by the additional award that I have made – of £400 – for the trouble and upset this situation has caused to him.

I note that Mr F says the documentation he signed was with Scottish Life. But at the time the documentation applicable to his policy clearly stated that Scottish Life was "*a marketing division of Royal London*". So I don't think it is at all improper that Royal London has dealt with his complaint and manages his policy.

I have looked closely at the documentation from the time regarding Mr F's policy. And within that document I can see the text Mr F has quoted regarding the fund reductions. But that documentation also contains the statement, "*If you surrender units, including switching out of the With Profits Funds, we may apply a market value adjustment to reflect the investment market levels ruling at the date of surrender.*"

A market value adjustment, or early exit charge, is applied to ensure that all policyholders, both those remaining with the fund, and those leaving, receive a fair share of the underlying assets of the fund. So I think it is entirely reasonable for Royal London to reach a business decision on what adjustment is required at any time to ensure fairness. And although the reduction may include the expenses incurred in setting up and administering the plan, it isn't limited to them.

Royal London has previously told us and Mr F that it doesn't consider it reasonable here to waive the exit charge that is payable. And in the circumstances of this complaint I think that is something for Royal London to decide, rather than this Service. So although I appreciate why Mr F may no longer wish to remain a client of Royal London he would need to incur the applicable exit charge if he wishes to move his funds elsewhere.

In conclusion I have decided this complaint should be upheld. I direct Royal London to pay Mr F the compensation I set out in my provisional decision and repeated below with some additional clarification.

### **putting things right**

Mr F's other funds were transferred at the end of March 2017. As I said above, I think it is reasonable that he is given around six months from the date of my final decision to decide whether to move his other funds to reduce his annual costs. So I think Royal London should pay him compensation for the additional charges incurred until the end of 2018 – I expect that to be for a period of 21 months. Thus the compensation I have calculated Royal London needs to pay to Mr F in this regard is £660.

Royal London should also pay Mr F the reasonable costs of any one-off advice he receives in terms of moving the other two pensions to a lower cost provider. Royal London should facilitate this by providing Mr F with a named point of contact to agree the costs he intends to reclaim and to arrange payment to him on receipt of suitable documentary evidence of the costs.

Royal London should pay an additional £400 to Mr F for the trouble and upset he has been caused by its error.

### **my final decision**

My final decision is that I uphold Mr F's complaint and direct The Royal London Mutual Insurance Society Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 6 August 2018.

Paul Reilly  
**ombudsman**

## **EXTRACT FROM PROVISIONAL DECISION**

### **complaint**

Mr F complains that The Royal London Mutual Insurance Society Limited ("Royal London") provided him and his financial advisor with incorrect information about the exit charge on his pension plan. As a result he says he moved two smaller pensions held with other providers and is now paying higher annual charges.

### **background**

Mr F holds a pension plan with Royal London. That plan was fully paid up in November 2010 and has a normal retirement date of January 2038. Mr F says that he contacted Royal London in January 2017 to ask for details of how the exit fee on his plan tapered over time. He says that when he didn't get a satisfactory answer to that question he asked his financial advisor to request some more information.

Royal London sent an email to Mr F's advisor in February 2017. That email stated that there was no exit fee applicable to Mr F's plan. Mr F says that as a result he arranged to transfer his pension, and two smaller pensions held with other providers, to a single new arrangement.

The information that Royal London had provided about there being no exit charge was incorrect. An exit charge of around 10% of the value of Mr F's plan applied. As a result it was no longer attractive for him to transfer his Royal London pension to the new arrangement. But by the time this was discovered the transfer of his other two pensions had been completed.

Mr F says that the annual charges he is now paying on his other pensions are higher than they were before the transfer. Although he says he was aware of these higher charges he expected them to be offset by savings he expected to make due to the new charges being lower than those charged by Royal London.

Royal London accepts that the information it provided to Mr F's advisor was incorrect. But it doesn't consider it appropriate to waive the exit charge as compensation. When Mr F first complained Royal London sent him a cheque for £200 in recognition of the trouble and upset he had been caused. Later it sent him a further cheque for £750. Mr F says that he hasn't cashed either cheque. If Royal London considers that either of these cheques have been cashed they should provide evidence in response to this provisional decision.

Mr F's complaint has been assessed by one of our investigators. They thought that the compensation Royal London had offered Mr F was reasonable in the circumstances. They didn't think it was proportionate to ask Royal London to waive the exit charge.

Mr F didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide.

### **my provisional findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time.

I think it is clear, and Royal London accepts, that the information provided to Mr F and his advisor about there not being an exit charge on his pension plan was incorrect. So within this decision I need to explore what actions Mr F has taken as a result of that incorrect information, whether that has caused him a loss, and what I think it is reasonable to ask Royal London to do to put things right.

At this stage, I think it is worth saying that the role of this Service isn't to regulate, or punish, businesses for mistakes that have been made. That is the role of the Financial Conduct Authority (FCA). Instead this Service will look at individual complaints and seek to put consumers back into the position they would have been had the mistake not have occurred.

Royal London has explained to us how the exit charge on Mr F's plan is calculated, and how this charge tapers as Mr F approaches the normal retirement age on his plan. And it has told us that in light of the FCA's policy statement on exit charges issued in November 2016, Mr F's exit charge will be capped at 1% from when he reaches 55 years of age.

So it seems to me that the exit charge that Royal London says applies to Mr F's plan is in line with the current legislation. I appreciate that Mr F says that exit fees are seen by many commentators within the financial services industry as punitive for the consumer. But it isn't reasonable here for me to influence Royal London when it is making a legitimate commercial judgement of what it should charge a consumer to leave a plan earlier than intended.

When Royal London provided the incorrect information to Mr F it should have told him that he'd need to pay an exit charge if he moved his pension. His pension plan still remains with Royal London and that same exit charge would still be payable. So it doesn't seem to me that Mr F's plan with Royal London has been affected by that incorrect information. I don't think it is reasonable to ask Royal London to waive that exit charge.

I appreciate that Mr F has said these events have undermined his confidence in Royal London. And that may well be the case. But when he took out his plan he agreed to leave his pension with Royal London until 2038. I don't think what has happened here is sufficient for me to say that he should be allowed to break that agreement without paying the exit charge as calculated by Royal London.

But Mr F did take action on his other two pensions as a result of the incorrect information from Royal London. And I entirely accept what he says about these transfers only being viable due to the savings he was expecting to make on the annual charges he is paying to Royal London. I think that if Mr F had been told by Royal London about the exit charges he wouldn't have decided to move his other two pension plans.

Mr F has provided us with details of the value of those other plans, and the annual costs he was paying before the transfer compared with what he is paying now. I can see that, based on the value of his funds when they were transferred he is paying approximately £375 per annum more than he would have been if he hadn't moved those funds. So I currently think Royal London should compensate Mr F for those additional costs.

But I don't think that compensation should be paid indefinitely. I think it is reasonable to expect Mr F to take steps to mitigate those higher costs by moving his funds to another provider within a reasonable period of time. I currently think six months is sufficient for Mr F to decide where to move his funds and make the necessary arrangements.

I have considered the charges that Mr F paid to his advisor. Mr F has told us that he engaged his advisor to help determine how the exit charge on his Royal London plan was calculated. So I don't think those costs were incurred because of the mistake Royal London made when it said there was no exit charge. And I think it is Mr F's decision whether or not to continue to use the services of his advisor in the future. But I currently think it is fair that Royal London pays for any reasonable advice that Mr F takes when deciding whether to move his other funds as a result of this decision.

Mr F has undoubtedly been caused unnecessary trouble and upset by the incorrect information that Royal London gave to him and his advisor. He has needed to spend time providing information for me about the relative costs of his past and current arrangements. And he will need to spend further time deciding whether to move his other pensions following this decision. I currently think a sum of £400 is reasonable to compensate Mr F for this.