Ombudsman's Determination

Applicant	Mr S
Scheme	Standard Life DC Master Trust **(the Master Trust)**
Respondents	Standard Life
	Standard Life Master Trust Co. Ltd (**the Trustee**)

Outcome

1. I do not uphold Mr S' complaint and no further action is required by Standard Life or the Trustee

Complaint summary

2. Mr S has complained that:-

- He was invested in two of the same funds in his two personal investment accounts (**PIAs**) held in the Master Trust, but different charges were applied to the funds.

- He was also provided with misleading information by Standard Life when he enquired about the discrepancy, and he was dissatisfied with the service that he received in relation to this matter.

Background information, including submissions from the parties

3. The sequence of events is not in dispute, so I have only set out the salient points. I acknowledge there were other exchanges of information between all the parties.

4. Mr S was employed by Deloitte (**the Employer**) and was a member of the Deloitte UK Pension Scheme (**the Deloitte Scheme**) which was a defined contribution arrangement.

5. On 1 February 2013, the Deloitte Scheme closed to new contributions and Mr S became a deferred member. On the same day he became a member of the Deloitte Pension Plan for his future service (**the Active Scheme**) and a PIA was set up (**the Active PIA**). The Active Scheme was part of the Deloitte section of the Master Trust.

6. The following funds were held in the Active PIA:-

- Deloitte Active Global Equity Pension Fund (**the Global Equity Fund**)
- Deloitte Active UK Equity Pension Fund (**the UK Equity Fund**)

7. In September 2013, the Trustee of the Deloitte Scheme sent a letter to Mr S which said in summary:-

    - He was receiving the announcement from the Trustee because he was a deferred member of the Deloitte Scheme whose deferred benefits would transfer on 1 November 2013 to a new section the Deloitte Pension Plan (**the Deferred Scheme**).
    - The Deferred Scheme was also part of the Deloitte section of the Master Trust.
    - The announcement told Mr S about the transfer, the changes that would be made to his investments and the actions that he may wish to take before the transfer took place.
    - In the section "Will there be any charges?" it said that members who were already part of the Active Scheme, may pay different Annual Management charges (**AMCs**) for the same funds in the Active Scheme and the Deferred Scheme.

8. The Deferred Scheme was also part of the Deloitte section of the Master Trust.

9. Mr S' new PIA in the Deloitte Pension Plan for his deferred pension benefits (**the Deferred PIA**) also contained investments in the Global Equity Fund and the UK Equity Fund.

12. In December 2013, Mr S received confirmation that the transfer had taken place. The booklet that was provided contained the section "Your options" which set out that:-

    - Members of the Active Scheme before 1 November 2013 could change their Deferred Scheme fund choices to:-
        - any of the Deferred Scheme fund options

          or
        - to the Active Scheme fund options.
    - Different charges applied to the Active Scheme funds.
    - Pre 1 November 2013 savings in the Active Scheme could not be moved into funds in the Deferred Scheme.

13. On 15 February 2021, Mr S telephoned Standard Life and said he was invested in the same two funds in both of his PIAs, but he did not think that the charges were the same.

14. On 19 February 2021, Standard Life sent Mr S an email which set out the charges that were payable:

	Total Expense Ratio[1]	AMC	Scheme Discount
The Deferred Scheme			
Global Equity Fund	1.425%	1%	0.85%
UK Equity Fund	1.325%	1%	0.75%
The Active Scheme			
Global Equity Fund	1.425%	1%	0.81%
UK Equity Fund	1.325%	1%	0.81%

Standard Life said the funds had the same charges across both of his PIAs but as the PIAs were in different schemes, there were different discounts. This explained the difference in overall fund charge.

15. On 19 February 2021, Mr S sent an email to Standard Life and said that the information provided made no sense. The Master Trust ‘app’ showed that the UK Equity Fund had a net charge of 0.515% in one PIA and 0.575% in the other. Both had the same AMC and additional charges but there were different discounts. This clearly showed he was being charged different amounts for the same fund.

16. On 22 February 2021, Standard Life sent an email to Mr S which said it could confirm that he was correct in saying that the charges for the Global Equity Fund and the UK Equity Fund between both of his PIAs differed. However, this was not due to the overall charge of the fund being different but rather due to a difference in the discount that was being applied to the fund. The different discounts had been agreed by the Employer.

17. On the same day, Mr S sent an email to Standard Life and said it was frustrating that he had to ask for clarification as its earlier response failed to fully address the issue. He asked whether he could sell the fund that had a higher charge and buy it again in the other account at a lower charge? If so, he would like to make a complaint as he had been overcharged.

18. On 26 February 2021, Standard Life sent an email to Mr S. It reiterated that there were differential fund discounts which had been agreed between Deloitte and Standard Life when the schemes were set up. Standard Life also incorrectly said that although the funds in the schemes had similar names, they were completely different

[1] Annual costs of running the fund as a percentage of the assets managed by the fund

investments. The Active PIA contained the UK Equity Fund, and the Deferred PIA contained the Global Equity Fund.

19. On the same day Mr S sent an email to Standard Life and said in summary:-

- Both of his PIAs had the same two funds in them but they had a different net charge, which was the issue.

- He believed there was a positive obligation to advise the customer on this discrepancy when those investments could easily be held in a different PIA with a lower cost. He had now rectified the issue and sold the fund in the PIA that had the higher charges, but this did not rectify the loss he had incurred.

- The initial response he received when querying this matter was misleading. Referring to the charges being the same deliberately missed the point that the net charge, post discount, was different, and this was the only important metric to the investor/customer as that was what was actually levied.

- He anticipated that given there were thousands of members, and the that the two funds in question were the largest by size, then this was an issue for a lot of people who were being potentially overcharged.

- He felt strongly that he had been misled and it was only when he spent a substantial amount of time looking at the funds that he identified the discrepancy and then he had to query the initial response to ensure he was correct.

- It was a small percentage difference, but this equated to several hundred pounds over the life of the pension given the sum invested before any lost investment growth. If he could not be put back in the position, he would have been in had the error not occurred, he would like his complaint to be escalated.

20. On 30 March 2021, Standard Life emailed Mr S a response under stage one of the Master Trust's Internal Dispute Resolution Procedure (**IDRP**). It said in summary:-

- It was sorry that Mr S had thought the initial response was misleading. It agreed that he could have been given a more detailed explanation. However, it could not agree to put him in the position he would have been in if the charges on his investments had been levied on the lowest available rate.

- It could see that Mr S had queried why the charges were not the same for two of the funds he was invested in his PIAs. This was due to the different scheme terms. Even though both schemes had some funds in common, different discounts applied for the two schemes, as per the terms agreed with Deloitte. So, although the AMCs for the various funds were the same in both schemes, different discounts applied to each, resulting in a different net charge.

- There was a website available with member guides relating to the Deferred Scheme and the Active Scheme and it attached copies of these. The member guides gave a full explanation of the schemes including the funds available.

They also provided details of the charges for each of the funds available within the schemes after the discounts have been applied. (The relevant extracts are in Appendix one and two of this Determination).

21. The same day, Mr S sent an email to Standard Life. He said in summary:-

- There was no recognition in its response to any obligation to advise members that they were being overcharged. He felt the information that had been provided had deliberately been designed to hide the position regarding the AMCs.

- He did not think he had been treated fairly and he thought that, at a minimum, the Trustee should be notifying all members who may have this issue.

- He would like his complaint to be put to the Trustee and also to ask why it agreed to the disconnect in the first place. It made no sense for the same investment to bear different charges when there was no difference in compliance costs.

22. On 5 April 2021, Standard Life sent an email to Mr S and said in summary:-

- It noted his comments about any obligation it had to contact members. However, it did not agree that he was being overcharged. Members were being charged correctly for the funds they were invested in. It was not Standard Life's role to contact members about their fund choices. The onus was on the member, perhaps in conjunction with their financial adviser, to monitor funds that were suitable to their requirements.

- Its role was to administer the plan. It could provide information on funds and charges either on the telephone or this could be obtained online so that he could make informed decisions. However, it could not guide anyone as to what those decisions may be.

- It was sorry that the information provided initially was incorrect, but this was due to human error which it had highlighted to the people involved.

- Mr S could transfer his benefits in the Deferred Scheme to the Active Scheme. However, it was not possible to transfer from the Active Scheme to the Deferred Scheme. It could not advise him if it was best for him to transfer.

- It had arranged for his complaint to be passed onto the Trustee.

23. In June 2021, the Trustee responded to Mr S under stage two of the IDRP. It said in summary:-

- The fund ranges, fund fees and any discounts applicable were agreed in negotiation between Deloitte, the Trustee of the previous scheme (**the ceding Trustee**) and Standard Life. As these negotiations were related to commercial matters the Trustee had no part to play in them.

- Members were informed of the fund options as well as the ability to switch from the Deferred PIA to the Active PIA in the member's booklet that Deloitte sent to Mr S and other relevant employees in 2013.

- As the commercial terms were outside its jurisdiction, and Mr S was given information on his rights and options, it did not uphold his complaint.

24. On 25 June 2021, Mr S sent an email to the Trustee and asked if the Trustee did not have jurisdiction, then who did. The Trustee's duty was to protect members' interests. So, even if it did not agree the fee terms with Standard Life it needed to be far clearer as to the impact of the fee disconnect. He also noted that there was no commitment to warn other members who were in the same position.

25. On 5 July 2021, the Trustee sent Mr S an email and said the fees applicable to funds within the Trust were negotiated between the Employer and Standard Life. The Trustee was not involved in these discussions or agreements. The information provided with regard to the funds available, including the ability to transfer, fell under the responsibility of the Trustee.

26. On 26 July 2021, Mr S sent an email to the Trustee and said that his main concern was the incorrect initial response where he was told that the charges on the funds were the same across the accounts. This neglected to mention that the different discount rates led to a different actual charge. This response would have fobbed off any customer who was not financially aware. Similarly, he was concerned that the refusal of either Standard Life or the Trustee to commit to raising this as an issue to other members was a clear failure of the Trustee's duty to protect members interests.

27. Following the complaint being referred to The Pensions Ombudsman, both the Trustee and Mr S made further submissions that have been summarised below.

The Trustee's position

28. The commercial terms for Deloitte's participation in the Master Trust were agreed between Deloitte, the ceding Trustee, their respective advisers, and Standard Life. The Trustee was not a party to these commercial terms or the negotiations relating to them.

29. Mr S has said that the Trustee should not have permitted different charges. The Master Trust was a Standard Life commercial offering. It was up to Standard Life to determine the charges they applied and what concessions it offered to attract an employer to join it.

30. The Trustee did have a responsibility to assess whether the combination of the charges and the benefits provided gave value to members and to challenge Standard Life where it considered they did not.

31. It was a feature of a value assessment in a scheme like this that it could only be carried out at a macro level, meaning looking at it in its entirety and at the wide range of features and benefits available. It could not be carried out at an individual level as

what was perceived as value was, (a) subjective, and (b) depended on a member's circumstances, objectives and preferences from time to time. The Trustee would not be a party to the factors in (b). The Trustee was satisfied at a macro level that the charges represented value and so did not challenge Standard Life in respect of them.

32. The charges that applied to Mr S' funds were disclosed in the following places:

- The member guides, which were provided by the Employer.
- On the member's microsite.
- The member announcement issued at the time of the past service transfer.

33. All members were regularly reminded to review their investment funds and take appropriate investment advice. It accepted it could be argued, as Mr S had, that more should have been done by the Trustee to bring the transfer option to his attention. However, as set out above, transferring was not potentially in the best interests of all members. For this reason, its balanced conclusion was that it acted appropriately, without getting too close to advice or risking harm to some members, to make all members aware of the transfer option.

Mr S' comments

34. There seemed to be a shifting of blame by the Trustee who had said that the commercial terms were agreed by the ceding Trustee, this led to two questions which were:-

- Why had the Ombudsman not sought an explanation from the ceding trustee?
- Why did the recipient Trustee agree to differential pricing on the same funds?

35. He would like the Ombudsman to request copies of the minutes as to the macro analysis performed and where the fee differential was reviewed and agreed to be in the best interests of the members. His view was that this never occurred and that the fee issue was never examined.

36. The Trustee had failed in its duty to advise him sufficiently regarding the fees and charges. When he first queried the fee differential, he was advised he was mistaken. He had to query it again before being advised he was correct. That was a clear failure in service and could have been a costly mistake for him if he had left things alone after the initial response.

37. There had been no commitment to advise other members, perhaps in a clear table showing the difference in charges between the funds held in the two accounts, so people could move funds as he did. He thought that this showed that the Trustee knew it had made a mistake and that the repercussions on a macro level could be very costly. It was not just the loss incurred by himself but multiplied across the membership.

Adjudicator's Opinion

38. Mr S' complaint was considered by one of our Adjudicators who concluded that no further action was required by Standard Life or the Trustee. The Adjudicator's findings are summarised below in paragraphs 39 to 46.

39. Mr S had raised a number of issues that expanded on the original complaint. He had questioned whether the Trustee had acted in the members best interests by allowing a differential charging structure to be agreed across the same funds in the different Deloitte sections of the Master Trust. He had also asked that the Ombudsman consider the detail of the macro analysis of the charges across all the funds and also that the Ombudsman contact the ceding scheme for input. In the Adjudicator's opinion, the process and reasoning behind why the differential charging came about was outside the scope of this complaint. It was also beyond the Ombudsman's remit to interfere in commercial discussions or make assessments of whether the ceding Trustee should have accepted the commercial terms on offer.

40. In addition, Mr S had asked why the Trustee did not commit to providing other members with targeted information regarding a comparison of the charges for funds in the Active Scheme and the Deferred Scheme. The Adjudicator explained that the Ombudsman's role was to look at the circumstances of Mr S' individual complaint as accepted for investigation and to assess whether there had been maladministration. The Ombudsman's role was not to make directions to the Trustee regarding other members not party to the complaint.

41. The Adjudicator reviewed the responses provided to Mr S when he queried the differential charges, and agreed he was initially given unclear information. However, this initial response did say that there were different discounts and that this explained the difference in overall fund charge. Mr S made his first enquiry regarding this issue on 15 February 2021, and he was provided with a full complaint response with more detailed information on 30 March 2021. In the Adjudicator's opinion, Standard Life's initial responses could have been clearer, but Mr S was told at the outset that the reason for the differential charges was that different discounts had been agreed by Deloitte.

42. Mr S said that he was not explicitly told that there would be differential charging in his two PIAs for the same funds. The Adjudicator reviewed the PIA information provided to Mr S. In September 2013 Mr S was provided with the details concerning the transfer of his deferred funds under the closed Deloitte Scheme to the new Deferred Scheme. The purpose of this information was to set out the differences between the Deloitte Scheme and the Deferred Scheme and the availability of funds.

43. The section on charges did set out that there may be different AMCs for the same funds in the Deferred Scheme and the Active Scheme. As the Active Scheme had separate member guidance, the Adjudicator expected that this information would prompt a member to check the AMCs for their funds if this applied to them. The

information regarding the charges for each fund in the Active Scheme was available in the member guide.

44. Mr S was also sent a follow up member guide in December 2013 when the transfer had taken place, and this referred to changing fund choices. There was an option for members of the Deferred Scheme to choose fund options from the Deferred or Active Scheme. In the Adjudicator's opinion, Mr S was provided with information about the ability to choose fund options in the Active Scheme. The member guide also said that there were different AMCs in the Active Scheme funds.

45. The Adjudicator did not expect the Trustee to provide Mr S with bespoke information about the funds he had invested in and a side by side comparison, as he would have liked. However, the Adjudicator considered that the Trustee had ensured that the relevant information was available for Mr S to be able to make his own decisions regarding how to manage his investments.

46. Mr S was aware of which investment funds he held in each PIA. In the Adjudicator's opinion he was given sufficient information, at the time of the transfer, to notify him that the same funds may have different charges in the Deferred and Active Schemes. The member guides contained information about the charges along with an explanation of why members may have two PIAs and that there were different charging structures in the Deferred and Active Schemes. Mr S also said the Standard Life 'app' showed the difference, so he was able to carry out a comparison himself.

47. Mr S did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr S provided his further comments:

- The Adjudicator confirmed that the wrong advice was given, and it was clear that without his questioning this incorrect advice would not have been picked up or addressed by Standard Life.

- There was then, at least, a loss incurred from the date of the incorrect advice to the date he corrected the position. This loss should be compensated for together with a payment recognising the poor service. An error had consequences that needed to be corrected.

48. I note the additional points raised by Mr S, but they do not change the outcome, I agree with the Adjudicator's Opinion.

Ombudsman's decision

49. Mr S has complained that there were different charges for the same funds in his two PIAs and that he was not informed of this.

50. The Adjudicator reviewed the responses provided to Mr S when he queried the differential charges and agreed that the information provided was unclear. Mr S was however told at the time of his initial query that there were different discount rates and that this explained the difference in overall fund charge. The response to Mr S'

complaint provided more detailed information regarding the charging structure. Mr S has said that he should receive an award for poor customer service, and he should also receive redress to reflect the fact that he did not change his fund options and move to funds with a lower AMC at an earlier date.

51. I have considered the information provided to Mr S. I am satisfied that Standard Life provided information, in September and December 2013, that set out that there could be different AMCs for the same funds in the Deferred Scheme and the Active Scheme. Mr S was aware of the investment funds he held in each PIA, and he had sufficient information to be able to compare the funds in the Deferred Scheme and the Active Scheme. He was also able to use the information in the Standard Life 'app' to compare the funds.

52. In the circumstances I do not agree that the provision of unclear information caused any loss to Mr S. Mr S was in possession of sufficient information to be able to make informed decisions on how to invest his pension benefits based on the charges being made in each fund.

53. I agree that clear information should be provided by Standard Life however, an apology was given by Standard Life and I find that this was sufficient in the circumstances.

54. I do not uphold Mr S' complaint.

Anthony Arter CBE

Deputy Pensions Ombudsman

25 September 2024

Appendix one – Member Guide to the Deloitte Pension Plan (Deferred Scheme)

…

“Why do some members have two Pension Investment Accounts?

Many people who transferred to the Deloitte Pension Plan from the old scheme on 1 November 2013 were already members of the DPP, if this applied to you, you will have two separate Pension Investment Accounts; one for transferred assets only and the other for ongoing regular contributions. These two Pension Investment Accounts were kept separate because:

- there were different investment funds available for the transferred assets and the regular contributions being paid into the DPP; and

- there were also different charges associated with the transferred assets and the regular contributions. To allow the funds to be charged differently the transferred assets were ring-fenced into a separate account.”

…

“Funds

Which funds are available to invest in? (transferred assets only)

At the time of the transfer, your investments from the old scheme were transferred into broadly comparable investment funds in the DPP.

	Fund Management charge (**FMC**) per annum	Additional Expenses per annum	Plan rebate per annum	Effective Total Annual Fund Charge per annum
Deloitte Active UK Equity Pension Fund	1.00%	0.32%	0.75%	0.57%
Deloitte Active Global Equity Pension Fund	1.00%	0.42%	0.85%	0.57%

…

“Effective total annual fund charge – transferred assets only

The effective total annual fund charge is the FMC plus additional expenses, minus any scheme rebate which applies. If you are an active member of the DPP, you may currently pay different charges for the same funds in your transferred-in and your regular contribution Pension Investment Accounts.”

Appendix two – the Deloitte Pension Plan (the Active Scheme)

…

“Self Select Funds”

…

“Please note:

- You may need to build your investment portfolio from a number of funds
- It is up to you to regularly monitor the performance of your funds and decide whether to make changes.
- You may need to adjust your portfolio regularly to keep it in line with your investment profile.”

…

“Fund name	Annual charge
Deloitte Active Global Equity Pension Fund	0.62%
Deloitte Active UK Equity Pension Fund	0.52%”

…

“About the funds

Deloitte Active Global Equity Pension Fund

Fund Management Charge:1.00%

Additional Expenses 0.43%

Rebate: 0.81%

Effective Annual Charge 0.62%”

…

“Deloitte Active UK Equity Pension Fund

Fund Management Charge:1.00%

Additional Expenses 0.33%

Rebate: 0.81%

Effective Annual Charge 0.52%”