PO-17166

The Pensions Ombudsman

Ombudsman's Determination

Applicant	Ms P
Schemes	Aegon Self Invested Personal Pension (the **SIPP**)
Respondent	Aegon Investment Solutions Ltd (**Aegon**)

Outcome

1. I do not uphold Ms P's complaint and no further action is required by Aegon.

2. My reasons for reaching this decision are explained in more detail below.

Complaint summary

3. Ms P says Aegon disguised underperformance of two of her investment funds and mismanaged the subsequent transfer of her assets to the SIPP. She would like to be reimbursed her transfer fee and fully compensated for any shortfall in investment growth she may have suffered as a result.

Background information, including submissions from the parties

4. Ms P joined her employer's (the **Company**) group stakeholder pension scheme (the **Stakeholder**) with Aegon in April 2016, and was automatically entered into the lifestyle investment strategy (the **Default Fund**).

5. In June 2016, Ms P instructed Aegon to switch her entire fund value from the Default Fund and invest the amount in three funds which she selected: 20% in the Scottish Equitable BlackRock Aquila US Equity Index fund; 50% in the Scottish Equitable Ethical fund (the **Ethical Fund**); and 30% in the Scottish Equitable UK Smaller Companies fund (the **Smaller Companies Fund**). Scottish Equitable is owned by Aegon.

6. A few months later, the Company decided to move its pension arrangement to a SIPP, which was held on Aegon's 'retirement choices' platform (the **ARC**). New contributions from October 2016, were paid to pension plans set up on the ARC. Around the same time, Aegon carried out an assessment to establish if affected members would be worse off by transferring funds from the Stakeholder to the SIPP.

On 5 October 2016, Aegon wrote to Ms P (the **October Letter**). This was headed 'Your existing Group Stakeholder Pension Plan (GSHP)'. It said 'it's great that you have taken the first step in joining your employer's new retirement savings scheme and are able to benefit from our great digital retirement planning tool, Retireready.' It invited Ms P to log into her 'Retireready' account, and contact Aegon if she had not received an email with the details needed to activate it. The letter continued: "**Funds already built up in your existing GSHP [Stakeholder]**

We've assessed plan charges, investments and protected benefits and at this time we're not in a position to make you an offer to transfer your [Stakeholder] fund value into your ARC account. The fund value you've already built up will remain in your existing [Stakeholder], and you'll continue to receive a separate benefit statement for your [Stakeholder] and another for your ARC account… You should speak to a financial adviser if you're not sure about any aspect of your financial planning... If you want to consider transferring, or find out more about what your options are, you should speak to a financial adviser…"

7. Aegon provided a link to "useful FAQ" on its website.

8. 'On 23 January 2017, Ms P complained to Aegon by telephone that her Stakeholder funds had not been transferred. On 31 January Aegon responded by email referring her to the October Letter and disagreed that she should have been 'upgraded to Retireready'. It confirmed Ms P's understanding that a transfer would be considered an external transfer with the result that Ms P would be out of the market for a period of time. In her email to Aegon later the same day, Ms P complained that she was perplexed by the presentation of her on-line account because it showed her contributions up to October 2016 as paid up or closed and she could not drill down to check investment performance. She did not understand why those investments had not 'slid across to the ARC platform'. She complained that Aegon had taken the decision not to transfer her funds to the ARC without consulting her, and was concerned it may have moved her investments from the three funds she had self-selected into some other fund; she was unable to check. Ms P asked Aegon to transfer her funds of approximately £10,000 into the same funds, which were available on the ARC without treating it as an external transfer.

9. Aegon refused. It said the Stakeholder 'remains with Aegon,' and attached a statement of benefits. Aegon explained that her Stakeholder 'was not upgraded' as Ms P did not satisfy the criteria set out by the Financial Conduct Authority (the **FCA**). This was because, in relation to the funds in question, the total annual management charges would have been higher in the SIPP. Aegon clarified that the business areas and operating systems supporting the two pension products were different and apologised for any inconvenience that had caused. It again urged Ms P to take financial advice if she wished to consolidate her funds in one or other product.

10. Ms P has explained that when she received the October Letter, she logged onto the ARC. However, there was no information available on her funds in the Stakeholder. When she contacted Aegon, the call handler was not particularly helpful, and did not know why her funds had not transferred across to her ARC account. She was asked to give Aegon more time to provide the details on the website. As it was evident that Aegon was under pressure to get all the employees moved to the ARC, she decided to wait until the New Year before contacting Aegon again. When she accessed her Stakeholder account in mid-January, she was confused because she could not check the performance of her funds, and 'key facts' were missing from at least one of her funds on the ARC. After she asked Aegon what action she needed to take to move her funds onto the ARC, she became aware of 'multiple failings' in Aegon's systems and service, and that the two funds receiving 80% of her contributions, had produced negative returns in 2016, and had performed badly in comparison to similar funds she holds with Standard Life. The underperformance was not easily visible due to a "mishmash" of the two new platforms. The ARC was not accessible; Retireready had no links to factsheets on her funds, and provided limited access to information on her pension and its performance. When Aegon eventually moved her funds to the ARC, her funds were moved in cash, with possible tax implications. Aegon also deducted an admin fee of £122 (the **Admin Fee**) which further disguised the underperformance of the funds.

11. Aegon does not accept that it is responsible for the financial loss Ms P is claiming. Ms P's transfer request was received via the Origo system on 10 March 2017, and the transfer completed on 20 March 2017, within Aegon's service levels. While Ms P's funds could not be included in the bulk in specie transfer to the ARC, she had the option to move her investments and consolidate her funds on activation of her retirement account.

12. Aegon says Ms P ought to have been aware that the Stakeholder factsheets were available on Aegon's website, as she reviewed them at the time she requested the switch in June 2016. Those factsheets are not provided via the ARC because the Stakeholder is on a different platform. Ms P seemed to be confused about which platform her Stakeholder was on: her ongoing regular contributions from October 2016 were on the ARC, but her Stakeholder was not on the same platform.

13. Aegon has offered Ms P £400 because it accepts that it could have better managed her complaint, and also in recognition that Aegon wrongly advised that she had transferred additional benefits to Retireready. Aegon acknowledges that misinformation does not form part of Ms P's complaint to this office. In respect of the complaint before this office, Aegon does not consider that its actions have caused Ms P any lost investment return.

14. Ms P says she feels let down by Aegon's failure to move her funds automatically. The performance of the Ethical Fund and the Smaller Companies Fund was -0.7% and -3% respectively in 2016. She does not understand why Aegon refused to move her

funds to the ARC automatically. As a result of having to initiate the transfer, she incurred the Admin Fee.

15. Ms P has explained that, initially, there was lack of clarity on the available options. She was not aware until some weeks or months later that she needed access to two separate platforms, while other employees were given access to the ARC straightway. An issue she had with the transfer could have been avoided if Aegon had told her to move her notional retirement age to 75. Aegon was unwilling to work with her to resolve issues: she tried to limit her costs by suggesting a low-cost way of switching her pension to the ARC, but Aegon forced her to do a manual switch instead, which resulted in her incurring the Admin Fee. This seems unfair because her colleagues were transferred automatically without charge. Although Aegon paid £400 to her, the award was reduced by the amount of the Admin Fee. Also, she considers a sum of £329, which was paid to her by the Company rather than Aegon, is not sufficient to make good the loss in investment return, given the poor performance of the Ethical and Smaller Companies Funds.

16. Ms P says she cannot get back the hours she wasted dealing with Aegon. Aegon deals with employers but does not appear to give much consideration to the level of service members expect from it. Aegon "was inconsiderate, unclear and unbending". She was asked to contact a financial adviser but this appears discriminatory because it would cost her money. She is interested in discovering whether this Office consider Aegon's conduct to be 'unprofessional and sloppy, for failing to provide appropriate benchmarks for its funds, other assumptions, and suitable technology'. The benchmark Aegon used for the Ethical Fund is wrong, an 'All share index' is not suitable.

17. Ms P considers further redress, to make up the alleged remaining shortfall in investment growth between the default funds and the three funds she selected, would be reasonable compensation.

Adjudicator's Opinion

18. Ms P's complaint was considered by one of our Adjudicators who concluded that no further action was required by Aegon. The Adjudicator's findings are summarised briefly below:-

    - Ms P has commented on fund performance. However, this is not an allegation that something has gone wrong in the administration of the schemes that has caused the poor performance she is claiming. In the absence of any such claim, it is not something we would look at.

    - There is no valid reason to suspect that the fund factsheets Ms P is complaining about were not available on Aegon's website.

- While it would have been helpful if Aegon had highlighted the option to change her retirement age earlier on in the process, it is the role of a regulated adviser to provide advice about delaying retirement.

- The evidence does not support that Aegon did anything wrong apart from mismanage Ms P's complaint.

19. Ms P did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Ms P has provided her further comments but they do not change the outcome. I agree with the Adjudicator's Opinion and I will therefore only respond to the key points made by Ms P for completeness.

Ombudsman's decision

20. Ms P says she believed the evidence clearly showed that she suffered months of distress as a result of Aegon's mismanagement of her pension fund and its eventual transfer from the Stakeholder. She assumed that the Adjudicator would agree that, her "battles with Aegon", to get the same level of service, that Aegon provided automatically and at no cost to her colleagues, was not something any customer should have to endure.

21. Ms P maintains that Aegon firmly denied that her funds in the Stakeholder were "stuck". This was unhelpful, as she was clearly very concerned and frustrated by the responses she received from Aegon. Quite late in the process, Aegon became aware that she had not been given access to the ARC platform.

22. My role is to consider whether Aegon is responsible for the maladministration Ms P is claiming.

23. It is evident from Ms P's exchange with Aegon in January 2017, that she was unclear which platform her Stakeholder was on, and that she had assumed her benefits would be transferred automatically to the ARC.

24. However, I do not think Aegon can reasonably be blamed for failure to consolidate the funds without a transfer instruction because Ms P was notified in October 2016 that the funds she had built up in the Stakeholder would remain in the plan. I do not consider there was any reason for Ms P to expect Aegon to move her investments to her employer's new scheme automatically.

25. The October Letter was sufficiently clear that Ms P's funds would not be transferred to the ARC scheme automatically, as she did not satisfy the criteria. Ms P has confirmed that she received the letter. Consequently, she should have been aware of the position at the time. When Ms P enquired about transferring in January 2017, she was informed that it would be treated as an external transfer, rather than an in-specie transfer. Aegon explained that she did not fulfil the criteria for the bulk in specie transfer. This has not been disputed. Therefore I cannot hold Aegon to blame for treating this as an external transfer.

26. Ms P has raised issues about the poor performance of the Ethical Fund and the Smaller Companies Fund, when compared to their benchmarks and the performance of similar funds provided by other providers. However, I cannot infer from this that anything has actually gone wrong with the administration of the funds, which has caused financial loss. Consequently, I am not persuaded that Aegon should compensate Ms P for the alleged financial loss.

27. Turning now to the fund factsheets. Aegon has pointed out that Ms P accessed the factsheets before instructing Aegon to switch her investment in June 2016. I have no valid reason to suspect that this was not the case. Ms P has not provided any evidence to the contrary.

28. The issues Ms P has raised essentially concern the lack of integration between the different administration platforms on which her two pension products sat. While I understand that Ms P expected better integration and the frustration caused by this not being available, I am satisfied that the October 2016 letter explained her situation accurately. I am not persuaded from the evidence that Aegon was responsible for failings which are sufficiently serious to justify a finding of maladministration.

29. Therefore, I do not uphold Ms P’s complaint.

Karen Johnston

Deputy Pensions Ombudsman
27 February 2018