

**PENSION SCHEMES ACT 1993, PART X
DETERMINATION BY THE DEPUTY PENSIONS OMBUDSMAN**

Applicant	Mr Stephen Davis
Scheme	AON Alexander & Alexander UK Pension Scheme (the Scheme)
Respondent(s)	AON Hewitt (Aon)

Subject

Mr Davis' complaint is that Aon took too long to process a fund switch (from 21 July until 5 September 2011) and that this resulted in an £8,000 reduction in the size of his pension fund.

The Deputy Pensions Ombudsman's deputy and short reasons

The complaint is partially upheld against Aon. Aon caused unreasonable delays, which resulted in a fall in Mr Davis' fund size within the scheme, but the financial loss is less than Mr Davis calculated.

DETAILED DETERMINATION

Material Facts

1. Mr Davis is a former Aon employee who held benefits within both the Aon Final Salary Pension Scheme and the Scheme, which was an Executive Pension Plan held with Zurich.
2. This complaint primarily concerns a fund switch of Mr Davis' holdings within the Scheme from the Managed Fund to the Fixed Interest Fund. However, since, shortly after the event, Mr Davis chose to take his benefits, the outcome of the complaint also has implications for Mr Davis' retirement.
3. Aon's Glasgow office received the switch instructions on 21st July 2011, following which Mr Davis and his Financial Advisor chased Aon for an update on 1 and 5 August 2011 respectively.
4. Before the switch could go ahead an authorisation signature was required from two of Aon's Directors, based in London. The reasoning for this is unclear (despite asking, the Pensions Ombudsman Service has been unable establish the exact context in which it was necessary to obtain two senior signatures to action simple switch of funds in the Scheme).
5. On 5 August 2011 Aon's Glasgow office forwarded the appropriate forms to the London based Pensions Manager who was responsible for obtaining the Director signatures.
6. Aon's Glasgow office chased for the return of the completed forms, by email, on 12 August 2011. The Pensions Manager replied on 22 August 2011 stating that he had sent the forms two weeks previously but would send another copy if necessary. The completed forms were received at the Glasgow office on 25 August 2011.
7. On the same day, Mr Davis' Financial Advisor called Aon and asked for the switch to be put on hold, while he confirmed if his client still wished to go ahead with the switch. This was because the value of the Fixed Interest Fund had fallen substantially since July.

8. The daily fund values for Fixed Interest Fund:

25 July 2011 = £89,137.70	4 August 2011 = £85,389.41
26 July 2011 = £88,976.01	5 August 2011 = £84,149.50
27 July 2011 = £88,901.96	8 August 2011 = £81,609.23
28 July 2011 = £88,668.22	9 August 2011 = £79,906.39
29 July 2011 = £87,672.66	10 August 2011 = 78,191.94
1 August 2011 = £87,499.47	11 August 2011 = £80,807.94
2 August 2011 = £88,035.68	24 August 2011 = £79,084.00
3 August 2011 = £86,587.87	

9. On 30 August 2011 the Financial Advisor called back to instruct that his client did still wish to go ahead with the switch.
10. On 1 September 2011 Aon faxed the appropriate forms to Zurich and the fund switch was completed on 5 September 2011. The value of Mr Davis' fund was £80,442.53
11. On 24 September 2011 Aon received a fax confirming Mr Davis' intention to retire on 16 September 2011.
12. Mr Davis' funds were disinvested and on 9 September 2011 Aon received a cheque from Zurich Life for the amount of £79,710.41.
13. This sum was combined with proceeds of Mr Davis' Additional Voluntary Contributions and a Standard Life Executive Pension Plan to provide the Pension Commencement Lump Sum for the Final Salary Scheme. Mr Davis' lump sum and backdated pension were settled to his bank account, by CHAPS, on 11 November 2011.
14. Mr Davis subsequently complained to Aon that the fund switch had taken too long to complete. He claimed potential loss of approximately £8,000.
15. Aon disagreed with Mr Davis' claimed loss but accepted that the switch could have been expected to have completed around 11 August 2011. As a goodwill gesture, Aon said they were prepared to provide £500 compensation to Mr Davis. The amount offered was based on of the £364.77 difference in the fund value between 10 August 2011 and 5 September 2011, rounded up to £500.
16. In further correspondence with The Pensions Ombudsman Service Aon said that 10 working days was reasonable timescale for the transfer of forms between Glasgow and London, and two working days was a reasonable period for Zurich

to complete the switch. Thus a total of 12 working days would mean that, at the earliest, the switch would complete in the middle of week commencing Monday 8 August 2011.

17. In response to a request from The Pensions Ombudsman Service, Aon said that if the value of Mr Davis' fund on 4 August 2011 (£85,389.41) was settled, the estimated value at retirement would be £84,587.50. This is a difference of £4,877.09.

Summary of Mr Davis' position

18. 21 July 2011 to 5 September 2011 is an inordinate amount of time to deal with a routine issue.
19. He does not consider Aon's revised timescale of 15 working days (from 22 July to 11 August 2011) to be reasonable either.
20. He feels that the excuse that one office is in London and another in Glasgow is ridiculous; the form could have been emailed.
21. Zurich will accept faxed instructions, and if received prior to 10:30am the price is fixed as of close of business the following day. After 10:30 am the price is at close of business two days later, so the process takes 1 to 2 days not 2 to 3 days, as Aon assert.
22. Considering the fall in value of his fund, and that Aon were first instructed to process the switch on 21 July 2011, Mr Davis does not consider the amount of compensation on offer is sufficient.

Summary of Aon's position

23. There is no service level agreement in place for this type of transaction because it was a bespoke product. They have not acted unreasonably.
24. The relevant forms were received from Zurich Life on 21 July 2011 and sent to the London Pensions Manager on 5 August 2011 who would need to obtain the signature of two authorised signatories. The signatories were also based in London but, as directors of the company, are not always readily available.
25. Mr Davis is working on the basis that everyone involved in this process should have immediately actioned all elements of the switch request. This ignores the fact that there are always timescales involved due to workloads and other priorities.

26. Working on the basis of 12 working days for the switch to complete, the earliest the switch could have completed in the middle of week commencing Monday 8 August.
27. Fund values in the week commencing 8 August 2011 ranged between £81,609.23 and £78,191.94. Mr Davis' fund was worth £80,442.53 on 5 September 2011 (the date of the eventual switch). This is a decrease of £364.77 compared to the value on 11 August 2011 of £80,807.30, when Aon believe the switch could have been completed.
28. In the interests of fairness they are willing to discount the fund values on 9 and 10 August 2011, when the fund values fell below £80,000.
29. They consider that, should it be determined that they were financially responsible for the fall in fund value, the extent should be no more than £364.77; or at the most, the difference between the fund value on 8 August 2011 and the value of the eventual switch proceeds. According to their calculations this gives a difference of £1,166.70.
30. Aon factor in their turnaround time for actioning with correspondence, which would have been two working days from receipt of the switch instructions on 21 July 2011.

Conclusions

31. Once Aon received the initial instructions, no action was taken for a period of 11 working days, until Mr Davis' financial advisor chased the matter.
32. A further ten working days were lost because the signed transfer forms were misplaced in transit between Aon's London and Glasgow offices. However, Aon have accepted responsibility for this delay.
33. The Pension Manager took from 12 August to 22 August to reply to a request for information regarding the whereabouts of the signed forms.
34. While there may be no service level agreement in place, Mr Davis is entitled to a reasonable level of customer service.
35. As follows, I have evaluated the timescales involved in order to establish if Aon's revised date of 8 - 11 August 2011 is a fair one.
36. I accept Aon's turnaround time of two working days from receipt of the switch instructions on 21 July 2011.

37. The second set of transfer forms were sent from London on 22 August 2011 and received in the Glasgow office on 25 August 2011, meaning that transit took three working days. So it's safe to assume that it would have taken three working days on the reverse journey from Glasgow to London (a total of six working days).
38. Aon then held onto the forms for a few days while Mr Davis decided whether he would still like to go ahead with the switch. However, I infer that if Aon had not delayed the transfer in the first place, this would not have been an issue, because the fund values were higher at the beginning August. Accordingly, this period is disregarded from my consideration.
39. Aon were advised to proceed with the transfer on 30 August 2011; they sent the appropriate forms to Zurich two days later and the switch completed on 5 September 2011, a period of four working days.
40. It is therefore reasonable to say that if Aon had not originally delayed matters, the fund switch would have been completed on 8 August 2011 (12 working days from 21 July 2011).
41. Aon should pay Mr Davis the difference in the amount of pension commencement lump sum he would have received, had the transfer taken place on 8 August 2011 and he taken his benefit on 16 September 2011, as planned.

Directions

42. Aon have supplied a figure of £1,166.70 for the difference in fund value at settlement, had the fund switch taken place on 8 August 2011. Within 28 days Aon shall pay Mr Davis £1,370, representing the difference in fund value plus a little over £200 for the distress and inconvenience caused by this matter

Jane Irvine
Deputy Pensions Ombudsman

9 March 2015