

## Ombudsman's Determination

Applicant	Mr S
Scheme	Royal London Personal Pension Plan ( <b>the Plan</b> )
Respondent	Royal London Group ( <b>Royal London</b> )

## Outcome

1. I do not uphold Mr S' complaint and no further action is required by Royal London.
2. My reasons for reaching this decision are explained in more detail below.

## Complaint summary

3. Mr S is complaining about a charge of 0.1% that will be applied to a single contribution to the Plan for making a payment without the use of an independent financial advisor (**IFA**).

## Background information, including submissions from the parties

4. Details of the relevant terms and conditions can be found in Appendix I.
5. The Plan started on 8 October 2010 originally with Scottish Life and it says that this type of policy was only sold via IFAs. This part of Scottish Life's business is now owned by Royal London. Royal London has also said that as it does not have a sales department, all business is conducted through third parties.
6. In December 2013, Mr S contacted the then administrators, Scottish Life, to make a single contribution. He was informed that a single contribution could only be made via an IFA. He was unhappy with this and complained. This was eventually paid into the Plan in May 2014, via an IFA who did not charge for the service. He was told at the time:

"To explain our position, Scottish Life is a pension provider who accepts business in good faith via a financial advisor independent to the company.

Scottish Life is not authorised to provide advice. We only accept business where a financial advisor has provided advice to make sure any business is in the best

interest of a client. On this basis Scottish Life would not accept direct business from a client.”

7. On 11 June 2018, Mr S wrote to Royal London asking to make a single contribution to the Plan (of approximately £134,000). He mentioned that he had previously been told that he would need to use an IFA and asked if this was still the case.
8. Royal London replied on 13 June 2018 to confirm that the annual management charge would increase by 0.1% if Mr S chose to deal direct with Royal London.
9. Mr S was unhappy with the response and wrote to Royal London on 20 June 2018. He asked Royal London to justify the charge. He said that there would be no additional administration in relation to the contribution and that he was never told that further single contributions would have to go through an IFA.
10. Royal London replied on 25 June 2018. It did not uphold Mr S’ complaint and stated that in accepting a single contribution direct from a member increased its regulatory risks. It also put Mr S at an advantage over other policy holders who paid an IFA to make single contributions and this was not in line with its policy of treating customers fairly.
11. Mr S was provided with an illustration dated 26 July 2018. On page 6, it showed an “adviser payment charge” of 0.1% and said:

**“Management charge**

The management charge is intended to cover our expenses, including the costs of setting up and servicing your plan and managing your investments. The management charge on each contribution depends on how the contributions are invested and the plan value. The charge is calculated as a percentage of the plan value each year and may vary depending on the value of the plan.

...

As you are making extra contributions to your plan without the involvement of a financial adviser there is an additional cost to Royal London. The cost to Royal London of processing the contribution to your plan and associated services provided is £105.00. This is taken from the charge we take from the plan.

This illustration may refer to an adviser adjustment as part of the Management charge, this is in fact part of the normal Management charge for the plan. There is no adviser involved in the transaction and you have not received any financial advice.”

12. Mr S remained unhappy with the response and complained to this service.

## Adjudicator's Opinion

13. Mr S' complaint was considered by one of our Adjudicators who concluded that no further action was required by Royal London. The Adjudicator's findings are summarised briefly below:-
- Mr S had been made aware previously that there were issues with single contributions being paid into the Plan and therefore it should not have been surprising that this was still Royal London's policy.
  - The Plan's terms and conditions state that Royal London does not have to accept single contributions and its reasons for applying the additional charge were reasonable.
  - Mr S had not made a contribution to the Plan and therefore he had not suffered an actual financial loss. Any losses he may have incurred because he decided to make the contribution elsewhere was his own decision and not the responsibility of Royal London.
14. Mr S did not accept the Adjudicator's Opinion and submitted the following (in summary):
- The argument by Royal London that it has to take on more regulatory risk is not valid.
  - The charge of 0.1% is being applied to deter policyholders from making direct contributions and this is not a sufficient justification for applying the charge and he suspects that there is no additional administration involved.
  - He feels that the "insurance" provided by the 0.1% charge is not a sufficient reason for applying it and that any regulatory compliance lies with Royal London and not the policyholder;
  - He asks that the Pensions Ombudsman "ensure that the pension scheme is fair to all consumers".
  - He has suffered a loss because he decided to use an IFA because of Royal London's decision to apply the charge.
15. Royal London were asked for further comments and provided the following:
- "While I note Mr S' comments, our position still remains that if an adviser was appointed for the additional investment then the regulatory responsibility for this transaction would lie with the adviser, not Royal London.
- As there is no adviser involvement when the customer transacts directly, the regulatory responsibility for the transaction falls on Royal London.

This is a business decision based on the fact that we can refuse to accept the additional investment if an adviser is not involved, but we try and treat all customers fairly and believe our approach is fair in this instance.”

16. As Mr S did not accept the Adjudicator’s Opinion, the complaint was passed to me to consider. The further comments do not change the outcome. I agree with the Adjudicator’s Opinion and I will therefore only respond to the key points made by Mr S for completeness.

### **Ombudsman’s decision**

17. My role is to determine complaints of maladministration which have caused an injustice. My role is not to consider what is fair and reasonable, only whether or not the terms and conditions are being applied correctly. I have no power to rewrite the terms of the policy in consumers’ interests.
18. There is nothing within Mr S’ arguments to show that the terms and conditions of the Plan are not being applied to him correctly. There is no right within the terms and conditions of the Plan that Royal London to make an additional single contribution. Under the terms initially agreed, Royal London may refuse to accept one. Rather than refuse absolutely, Royal London have offered terms on which they will accept.
19. I cannot second guess their business reasons for setting a charge or myself determine the charging rate which Royal London should apply for acceptance of a single contribution.
20. For me to consider whether an applicant has suffered a loss, I must first make a finding of maladministration. In this case, I can see no evidence of maladministration. Strictly speaking therefore there is no need for me to consider the question of loss. However, as the question of loss was raised by Mr S, I will comment on this further.
21. Mr S has known for some time that Royal London would request that the contribution he wished to make would need to go through an IFA. Because he had no unconditional right to make the contribution in the first place, he cannot demonstrate loss flowing from the conditions imposed. Mr S had the option of paying Royal London 0.1% (which would have been between £105 and £134) or involving an IFA (which, I note, in the past he had used at no additional cost). In the event, Mr S did not make a contribution into the Plan, so did not incur the 0.1% charge. Mr S was entitled to choose to use an IFA, rather than incur the charge, but the costs of doing so flow from his choice. Moreover he did not invest the single contribution into the Plan, so any costs involved with the contribution which he did make are not linked to Royal London.

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22. Therefore, I do not uphold Mr S' complaint.

**Karen Johnston**

Deputy Pensions Ombudsman  
30 January 2019

## APPENDIX I

### Core Investments

#### Terms and Conditions

#### 4. Payments

...

4a.6 We may refuse to accept future Single Payments or future increases in Regular Payments, unless these are automatic increases accepted under Condition 4a.4 to your Core Investments.

...

#### 5. Charges

5.a Charges under your Core Investments

5a.1 The charges which we may make are:

...

(ii) The Management Charge. This is made up of:

- (a) The Basic Charge (Unit Linked Funds only) described in Condition 5b.3;
- (b) The Management Charge Discount described in Condition 5b.4;
- (c) The Adviser Adjustment described in Condition 5b.5;
- (d) The Adviser Payment Charge described in Condition 5b.6;
- (e) The Additional Investment Charge described in Condition 5b.7;
- (f) The Increased Transfer-in Payment Charge described in Condition 5b.8.

...

5b.6 The Adviser Payment Charge (if any) is the monthly charge we take from your Core Investments by cancelling units to cover our costs for making additional payments to your financial adviser. This charge is in addition to the Initial Adviser Payment Charge described in Condition 5b.1 which covers our costs for making an up-front payment to your financial adviser.

...

#### 5.c Increasing charges

5c.1 The charges listed in Condition 5a.1 and the charges on our other plans are intended to cover our overall costs and to provide reasonable margins for profit. The overall costs include expenses incurred at the start of a plan, during the term of a plan, when a plan ends and the cost of providing Life Cover. Many of these costs are unknown when a plan starts and as charges are not made at the same time as the costs are incurred, the Company needs to make assumptions in order to

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calculate the changes to be made. These assumptions are reviewed on a regular basis.