DRN-4252993

The complaint

Mrs L complains that Standard Life Assurance Limited ("Standard Life") has failed to make her sufficiently aware of the charges that it was deducting from her pension savings. And she says the firm has acted unfairly by deducting transaction charges and advisor fees.

What happened

Mrs L holds pension savings with Standard Life. She receives annual statements on those savings from the firm that detail both the value of her pension savings and any charges or deductions that have been levied over the past year.

In June 2022 Mrs L was sent her annual statement. Mrs L thought that the charges shown on that statement were higher than in the past so she got in touch with Standard Life to ask for some more information. Standard Life told Mrs L that the deductions comprised fund management charges plus transaction charges. And it provided Mrs L with further information about the transaction charges that were applicable to each of the funds in which her pension savings were invested. Standard Life told Mrs L that although the statement showed an advisor charge being paid, this was actually a charge being levied due to the nature of the product she held and the investments she had made. She was told however that Standard Life stopped collecting that charge in August 2021.

Mrs L was unhappy with the information she'd been given. In particular she noted that the charges information was inconsistent between her online statement and the annual statement she'd been sent. She said that transaction charges had not previously been levied, and in fact Standard Life had said that she wouldn't pay any charges for buying or selling her investments. And she said that she had never used Standard Life, or any other advisor, to provide ongoing support for her pension investments.

Standard Life provided Mrs L with further information about the charges, and showed that the charges she had paid had actually reduced from those the year before. But Standard Life accepted that it hadn't explained the charges well enough, or in a timely manner. So it paid Mrs L £150 for the trouble and upset she'd been caused. Mrs L remained unhappy with Standard Life's explanation so brought her complaint to us.

One of our investigators has looked at Mrs L's complaint. He didn't think that the charges Standard Life had deducted had been inappropriate or out of line with its terms and conditions. And although he agreed that Standard Life's communication about the charges could have been improved, he thought the compensation Mrs L had already been paid was sufficient. So he didn't think the complaint should be upheld.

Mrs L 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. This is the last stage of our process.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mrs L and by Standard Life. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Businesses are expected by the regulator to ensure that they provide detailed information to consumers about any charges that they are paying on their pension investments. As time has gone on, the charges detail that has been disclosed has become greater. But that can sometimes lead to situations where conflicting, or confusing, information is provided as different reporting methods show information at different stages of development. And, as I will now go on to explain, that is what I think underpins Mrs L's complaint.

The information that Standard Life has provided shows that the charges Mrs L paid on her pension savings actually fell when comparing 2020-21 to 2021-22. Most of that fall was due to the withdrawal, in August 2021 of the charges for being invested in the Standard Life Active Retirement Funds (shown on the statement misleadingly as advisor charges), but the overall fund administration charges also fell a little. But the breakdown of the fund administration charges shown in 2022 gave greater detail than in the past of what those charges comprised.

In particular Mrs L has highlighted a charge Standard Life described as being a transaction charge. That wasn't shown separately on her statements and so I can understand why its inclusion in Standard Life's later explanations might have caused Mrs L some concerns. And the way in which that charge was set out for Mrs L caused further confusion. So I think it would be helpful here for me to provide my understanding of that charge, and why it doesn't contradict Standard Life's statement that Mrs L wouldn't be charged for buying or selling her pension investments.

The funds in which Mrs L's pension savings are invested are what are known as actively managed funds. In simple terms that means the investment managers responsible for those investment funds will pick individual investments (within agreed parameters) that they think will outperform other investments in the market. So, when each of those investments are combined, it is hoped that the overall fund will produce an enhanced return for investors that hold it.

But in order to achieve that spread of investments, and to choose investments expected to outperform the market at any time, it is necessary for fund managers to regularly review, and alter, the underlying investments. Doing so naturally incurs dealing costs that act as something of a drag on the overall performance. So it seems right to me that, where possible, those costs should be detailed as part of the expenses of running the investment fund. These costs have always been a part of the expenses of the fund, it is just that they are now able to be shown separately.

Standard Life has told Mrs L that the terms of her pension plan mean that she doesn't pay any fees for buying or selling investments. Standard Life offers consumers using its pension plan a large range of different investment funds into which their pension savings can be invested. And switches between those investment funds do not incur any dealing charges. But those charges are very different from the dealing costs incurred by the individual investment managers when running their funds. I don't see any contradiction between what Standard Life has told Mrs L about her transaction costs, and those incurred by the investment fund managers.

Standard Life's Active Retirement products, that Mrs L was using, were designed for consumers who weren't receiving support from a financial advisor. Those products attracted a service charge that Standard Life collected monthly from a consumer's pension investments. It is those charges that were shown as "advisor charges" on Mrs L's pension statement. Although I entirely accept that the labelling of that charge was misleading, I am satisfied that Standard Life had the right to collect it under the terms and conditions of Mrs L's pension plan.

There is no doubt that Standard Life's communications to Mrs L about the charges have fallen short of what it, and Mrs L, might reasonably expect. It seems that Standard Life acknowledges those deficiencies and is taking steps to address them. For example I have seen an internal Q&A document that it has prepared for its advisors so they can better answer consumer's questions such as those posed by Mrs L. I accept that on later calls Mrs L says that Standard Life's advisors still appeared to be unaware of that briefing document. But whilst that is disappointing, and no doubt something that Standard Life will be keen to correct, I don't think it means the information Standard Life has provided to us and Mrs L is untrue or inaccurate.

Mrs L has been caused some upset by the misleading communications, and no doubt been put to some inconvenience in needing to query matters with Standard Life. I think that the compensation that Standard Life paid to Mrs L at the outset of her complaint is reasonable in the circumstances here. And I am satisfied that the fees and charges Standard Life has set out on Mrs L's statements are a fair reflection of the terms and conditions of her pension plan and the investments she holds. So, whilst I appreciate my decision will be disappointing for Mrs L, I don't think Standard Life needs to do anything further in relation to the complaint.

My final decision

For the reasons given above, I don't uphold the complaint or make any further award against Standard Life Assurance Limited. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 6 September 2023.
Paul Reilly
Ombudsman