

The complaint

Mrs B says the interest rate Vanguard Asset Management Ltd (Vanguard) pays on the cash held within her Self-invested Personal Pension (SIPP) is too low.

What happened

Mrs B has a SIPP with Vanguard. On 4 August 2023 she sent her pension provider the following enquiry:

"Hi can you confirm what the interest rate is on cash in my pension? The base rate has gone up considerably but you don't seem to have increased the rate on cash in the fund. Cash is a reasonable component of a balanced pension portfolio, especially where the owner is approaching pensionable age. I am concerned that Vanguard is not providing a fair rate anymore."

Vanguard responded the next working day and said:

"We pay 2.6% interest on any cash held in your account. This is a managed rate, which we regularly review and update when needed to make sure that the interest you receive is fair and offers good value."

"Any cash in your account will earn interest daily and will normally be paid into your account on the first working day of the month."

"Vanguard's mission is to create long term wealth for our investors, and give them the best chance for investment success. Our service is designed as an investment platform, rather than as a home for cash savings. We also offer a range of investment funds that may be suitable for investors with short term investment horizons, or immediate funding needs."

"We offer a managed cash interest rate which we review regularly and update when needed. This rate brings the service in line with standard industry practice, whilst still providing a highly competitive rate on cash balances."

"The cash interest we keep enables the service to focus on its core purpose as an investment platform and we believe this benefits our clients in turn. Our mission remains to give the most value to investors, and we continue to reinvest into our business and funds to continue this."

Mrs B wasn't satisfied with Vanguard's response to her enquiry and raised a complaint. She thought the interest rate was too low in the current circumstances. She noted the need to keep some of her provision in cash to maintain her balanced portfolio.

Vanguard responded to Mrs B's complaint the following day. It basically reiterated what it had already told her.

Mrs B brought her complaint to this Service. An investigator considered her case but didn't uphold it. In summary, he thought Vanguard had been clear in the documentation associated with her SIPP about its approach to providing interest on cash balances. It hadn't treated her differently to other customers in the same situation. It hadn't made an error. And so he didn't think Vanguard had done anything wrong.

Mrs B disagreed with the Investigator's conclusions. As both parties couldn't agree to his view, her complaint has been passed to me to review afresh and to provide a decision.

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.

Where there's conflicting information about what happened and gaps in what we know, my role is to weigh the evidence we do have and to decide, on the balance of probabilities, what's most likely to have happened.

I've not provided a detailed response to all the points raised in this case. That's deliberate; ours is an informal service for resolving disputes between financial businesses and their customers. While I've taken into account all submissions, I've concentrated my findings on what I think is relevant and at the heart of this complaint.

I'm not upholding Mrs B's complaint. I'll explain why.

I've considered the extensive regulation around transactions like those performed by Vanguard for Mrs B. The FCA Handbook contains twelve Principles for businesses, which it says are fundamental obligations firms must adhere to (PRIN 2.1.1 in the FCA Handbook).

The Principles are relevant and form part of the regulatory framework that existed at the relevant time. They must always be complied with by regulated firms like Vanguard. As such, I need to have regard to them in deciding Mrs B's complaint.

There's no dispute between the parties about the facts of this case. The difference between Mrs B and Vanguard concerns the interest rate she is receiving for cash held in her SIPP.

Vanguard has provided this Service with a copy of its key features document for the SIPP Mrs B has, effective from April 2023. On page 9, it says that a customer can hold cash in their personal pension while they decide where to invest it. It explains it will be out of the investment market so won't benefit from any stock market growth whilst uninvested. It also says a customer can earn a rate of interest on the cash held as described in the Vanguard Client terms.

In the same document, on page 11, there is a section entitled 'interest on cash'. It explains the following:

'Interest will be earned on cash balances at a managed rate, meaning that it will be fixed and updated from time to time. The rate will be determined by reference to the interest we receive from the bank(s) we deposit your money with and the cost to us of managing cash within your account.'

Below this, it provides a link to a section on Vanguard's website. The page clearly outlines the interest rate customers will receive on cash held within the SIPP. There's also similar information available in Vanguard's client terms document.

Consumers are expected to take responsibility for the decisions they make about products and services. To do enable this, businesses must give them the information they need, at the right time, and presented in a way they can understand. That way they can make informed decisions. Based on the available evidence, I think Vanguard has done this.

Vanguard has explained the managed cash interest rate it provides is reviewed regularly. It says its service is in line with standard industry practice and provides a competitive rate on cash balances. It says the cash interest it keeps enables it to focus on its core purpose as an investment platform, which in turn benefits its clients.

I think Vanguard has established the sort of product on offer to Mrs B. Her SIPP is designed as an investment platform, rather than as a home for cash savings. It noted it offered a range of 'near cash' investment funds that might be suitable for investors with short term investment horizons, or immediate funding needs.

As Mrs B approaches retirement her objectives and needs have evolved. And this might indicate she needs to take action in terms of where and how her portfolio is invested. Of course, these are matters I can't advise her on, and where she'd need to take independent financial advice.

Finally, Vanguard needs to support customers throughout its relationship with them. I can see it responded to Mrs B's initial enquiry and her subsequent complaint within a few days. It provided clear and informative responses. So, I think it met its duty here.

Based on the evidence available, I've concluded that Vanguard hasn't done anything wrong.

My final decision

For the reasons I've already set out, I'm not upholding Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 14 November 2023.

Kevin Williamson

Ombudsman