

The complaint

Mr B complains about the service he received when, following a pension switch, Legal and General Assurance Society Limited (L&G) sent a top-up payment to a Self-Invested Personal Pension (SIPP) he held with another provider I'll refer to as "II". He considers that delays caused by L&G resulted in a financial loss for which he'd like to be compensated.

What happened

I issued a provisional decision on 22 December 2023. I've recapped the background below:

Mr B held a Group Personal Pension (GPP) with L&G and a SIPP with II. In January 2023, Mr B decided to transfer the proceeds of his GPP to his SIPP. Unfortunately, due to errors made by L&G, Mr B's pension switch was delayed. L&G accepted that Mr B had suffered a financial loss as a result and agreed to send a top up payment to his SIPP with II in recognition of this.

On 10 March 2023, L&G made an internal request for the top up payment to be sent to II. It wrote to Mr B on the same day confirming that the payment had been sent.

L&G emailed II on 14 March 2023, advising that it had sent a top up payment for Mr B's SIPP. The top up payment reached II's accounts on the same day. However, as the payment details L&G provided weren't enough for II to reconcile the payment with Mr B's SIPP, an internal email was sent to staff on 16 March 2023, attempting to identify who and what the payment related to.

In the absence of any confirmation that the top up payment had been applied to his SIPP, Mr B contacted L&G on 21 March 2023, querying where it was. L&G responded, assuring Mr B that the payment had been made on 10 March 2023 and was assumed cleared into II's account on 14 March 2023. It provided a screenshot of the payment having been made and suggested that Mr B speak with II so it could locate the payment at its end. Mr B later contacted II, asking where the payment was and saying he expected compensation for the delay in it being applied to his SIPP.

II responded, explaining that although it received the top up payment on 14 March 2023, the reference L&G provided hadn't matched any of the accounts it held so it hadn't known where the payment was supposed to be allocated. Because of this, it was unaware that the payment belonged to Mr B until he contacted it directly and confirmed the top up payment amount. It also noted that it had emailed L&G on 15 March 2023, querying the payment but received no reply. Soon after this, on 23 March 2023, II was able to locate the funds and apply them to Mr B's SIPP.

On 24 March 2023, Mr B forwarded II's response to L&G, asking why it hadn't provided the correct reference with the top up payment, or responded to II's query about this. L&G replied saying it never received an email from II about the top up payment it sent. However, it said it had since arranged for a confirmation email regarding the payment to be sent to II. Finally, L&G said the details it used for the top up payment were the same used for the first transfer of Mr B's GPP funds, so it disagreed that it had done anything wrong.

L&G emailed II on the same day with confirmation of the top up payment. II responded, saying it couldn't open L&G's secure emails and would need a 'regular' email to be sent instead. L&G emailed II again, asking which address to send its top up payment confirmation letter to. II replied saying that as well as not receiving a completion statement for the top up payment, it was still waiting for a statement for the original transfer. II provided the postal and email addresses L&G needed to send the confirmation statements to.

Using secure email, L&G later sent confirmation of the top up payment to II's designated mailbox. Following this, it forwarded the email to the II contact it had previously been communicating with. L&G added that it had sent II confirmation emails about the top up payment on several occasions and noted that Mr B was becoming increasingly frustrated as he'd thought that it hadn't completed the payment it said it would. Accordingly, L&G asked II to ensure the top up payment was applied to Mr B's SIPP and that appropriate confirmation was sent.

II responded, saying that as previously explained, it couldn't access L&G's secure emails. It said it hadn't been aware that the top up payment was coming in for Mr B and noted that L&G had provided a reference for the payment which didn't correspond with any of its reference. II explained that it was only after several calls with Mr B that it had been able to locate and apply the top up payment on 23 March 2023.

On 27 March 2023, L&G sent II a screenshot of the top up payment it made, saying it showed that the correct reference had been used.

Mr B raised concerns with L&G and II respectively about the service he'd received and the financial impact of this.

In its response to Mr B, L&G sent a screenshot of the top up payment sent to II, saying it showed that it had used the correct reference. It noted that there was no evidence II had tried to contact it to determine what the payment was for until Mr B had contacted it, and it said that if II had done so, it could've cleared up any confusion.

II responded to Mr B's complaint, saying the top up payment wasn't reconciled with Mr B's SIPP as soon as it could've been because L&G failed to provide the reference required to make the match. It disagreed that it had caused any undue delays allocating the top up payment to Mr B's SIPP.

Unhappy with L&G and II's responses, Mr B referred his complaints to our Service. One of our investigators considered both complaints and, in summary, said:

- L&G hadn't used the correct reference to make the top up payment. And because of this, II wasn't able to immediately identify where the payment was supposed to be applied.*
- Although L&G sent II a payment confirmation on 14 March 2023, which included the information II needed to identify that the payment was meant for Mr B's SIPP, this cross-referencing wouldn't have been necessary if L&G had provided the correct reference in the first place.*
- L&G wasn't wholly responsible for the fact that it took until 23 March 2023 for the top up payment to be applied to Mr B's SIPP. By not contacting L&G to query the payment or flag that it was unable to open the payment confirmation email, II failed to take reasonable steps to avoid any delay to the payment being applied.*
- The top up payment should've been applied to Mr B's SIPP on 14 March 2023, so L&G should establish what, if any, financial loss Mr B suffered as a result of this not*

happening. Where a loss was identified, L&G and II should each pay 50% of this into Mr B's SIPP.

- *Given the time and energy Mr B spent trying to resolve the top up payment issue, as well as the frustration cause, a payment of £100 by L&G and II respectively was fair in the circumstances.*

The parties disagreed with our investigator's findings. In summary:

- *L&G maintained that it had provided the correct reference for the top up payment and wasn't responsible for II's inaction following its receipt of the funds.*
- *II said L&G's use of the incorrect reference was the root cause of the top up payment being applied late. It disagreed that it hadn't taken appropriate action to reconcile the payment with Mr B's SIPP.*
- *Mr B felt the compensation recommended by the investigator was too low given what he'd experienced while trying to deal with the matter.*

As no agreement could be reached, the matter was passed to me for decision. And my provisional findings were as follows:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm intending to uphold Mr B's complaint. I'll explain why. But before I do, I should emphasise that while I've taken note of the arguments made by all the parties involved, I've limited my response to the issues I consider to be central to this complaint. That's to say:

- *What information II required from L&G to reconcile the top up payment with Mr B's SIPP as quickly as possible, and whether this was provided when it should've been.*
- *Whether L&G's acts or omissions resulted in the top up payment being applied to Mr B's SIPP later than it should've been.*
- *Whether, based on any delays it caused, L&G has taken appropriate steps to put matters right and compensate Mr B.*

The parties in this case agree that the reference L&G needed to provide when making the top up payment, to ensure it was applied to Mr B's SIPP without delay, was the same reference II advised it to use for Mr B's original pension switch. L&G says it gave this reference when it sent the top up payment to II, so it doesn't agree it's at fault for any delay in the payment being applied. Based on what I've seen, I'm unable to agree.

The internal email L&G sent to begin the process for making the top up payment shows that it failed to ensure the correct payment reference was used from the outset. Although the relevant reference was provided in the email, it wasn't referred to as the "Payment Reference". Instead, it was incorrectly labelled as the "Account Name". And to add further confusion, the "Account Name" details L&G was also meant to provide weren't included in the email at all.

I've looked at the payment request screenshot which L&G says shows it provided the correct reference when making the top up payment. However, the screenshot shows that L&G made further errors, like those in its internal email. Again, the payment reference wasn't provided in the "Reference" field of the payment request. Instead, a number completely unrelated to II – L&G's internal payment request authorisation ID – was given. And the top up payment reference details were captured in the "Payee" field.

Based on inconsistencies with how L&G referred to the payment reference during the processing stage, it's not surprising that when the payment reached II's account, the

reference required to match it to Mr B's SIPP wasn't provided. In my view, what happened was entirely foreseeable.

Overall, I can't see that L&G took reasonable steps in the lead up to the payment being made to ensure that II was provided with the right reference. And by not doing so, I consider that L&G's omissions caused the delay in the top up payment being applied to Mr B's SIPP, making it responsible for any financial loss sustained as a result.

I recognise that L&G may have payment processes which are templated or automated to speed things up. However, this didn't preclude it from taking deliberate, proactive steps to ensure its payment reached the required destination when it should've. I acknowledge that L&G sent II a secure email, advising that the top up funds had been sent and including the details II would need to reconcile the payment with Mr B's SIPP. However, this email was sent three working days after L&G had already made the top up payment. So, II was never put on notice of the incoming funds for Mr B's SIPP prior to their arrival in its account.

Given that L&G's top up payment was for delays it had caused with Mr B's original transfer and the financial loss he'd suffered as a result, I don't think it's unreasonable to have expected L&G to have taken extra care and advised II of the incoming payment on the same day it was sent. L&G's internal emails noted that the payment was of high importance and urgent. However, I can't see that the steps it took in making the payment reflected this.

But even if L&G had emailed II before sending the top up payment, this wouldn't alter the fact that L&G didn't ensure the correct payment reference was provided to II when the payment reached its account. And it's because of this that L&G's top up payment wasn't linked to Mr B's SIPP and applied as early as it could've been. If L&G had taken action to make sure the correct payment reference was provided in the first place, there wouldn't have been any need for II to review L&G's confirmation email. So, I don't accept L&G's argument that because II didn't act on the confirmation email it sent three days after the payment was issued, II is at fault for the delay in the payment being applied to Mr B's SIPP.

II has confirmed that under normal circumstances where the correct payment reference is provided with the incoming funds, a payment will usually be applied to the relevant account within one working day of it being received. So, if everything happened as it should've, L&G's top up payment would've been received by II on 14 March 2023 and applied to Mr B's SIPP the following day – on 15 March 2023.

Instead, following much back and forth between the parties to identify what had gone wrong and put matters right, the top up payment wasn't applied to Mr B's SIPP until 23 March 2023 – seven working days later than it should've been. As a result, the additional funds weren't invested when they should've been. Understandably, Mr B is concerned about the financial impact of this. And I think it's right that he's compensated for any financial loss he's suffered because of the delays L&G caused. Accordingly, I've set out below what I currently think L&G should do to put matters right.

In addition to financial loss, I've also considered the impact of the service Mr S received while he waited for the top up payment to be applied.

Overall, I have real sympathy for Mr B. It's clear to me that the smooth and timely application of L&G's payment to his SIPP was of great importance to him. And as L&G caused the original error which gave rise to the top up payment, I think Mr B had a reasonable expectation that it would act in his best interests, doing all it could to ensure the payment was processed and applied without further error, delay, or inconvenience. Unfortunately, I can't see that L&G did so on this occasion.

I note that a week after L&G advised that the top up payment had been sent to II, Mr B contacted it, expressing concern about the funds not appearing in his SIPP account. It's clear from Mr B's email to L&G that he was frustrated and couldn't understand where the money was when II and L&G were both saying they didn't have the funds. And while L&G provided assurances that the payment had been sent to II, I think it would've been prudent for it to follow up with II directly to establish where the payment was. Instead, L&G told Mr B to speak with II again to resolve the issue himself. L&G's suggestion wasn't wholly inappropriate, but given the circumstances surrounding the payment, I think it should've done more to help Mr B get to the bottom of the matter, least of all to avoid any further inconvenience being caused. As it stands, Mr B ended up being put in a position where, on several occasions, he was having to chase and follow up with II and L&G himself to progress the matter and find out what was going on with his funds.

L&G should've been aware of concerns Mr B already had following his experience of what it's described as the poor service it provided on his original transfer. And it should've taken care to ensure no further mistakes were made. Disappointingly, L&G didn't do this and, as a result, I think it further undermined Mr B's trust in its service and caused him additional avoidable distress and inconvenience. Given the circumstances, I think L&G should pay Mr B £200, reflecting the impact of its actions and what it could've done better.

Putting things right

My aim in awarding fair compensation is to put Mr B back into the position he would likely have been in, had it not been for delays caused by L&G. That means L&G will need to work out whether Mr B has suffered any financial loss by comparing what his SIPP with II is currently worth (the actual current fund value) with what it would've been worth (the notional fund value) had II received the top up payment with the correct reference on 14 March 2023, using an investment date of 15 March 2023.

If the actual current fund value is higher than the notional value, there's no financial loss. But if the notional fund value is higher, Mr B has suffered a financial loss. In that case L&G will need to pay the difference between the actual and the notional fund value.

The compensation amount should be paid into Mr B's pension plan. The payment should allow for the effect of charges and any available tax relief. The compensation shouldn't be paid into the pension plan if it would conflict with any existing protection or allowance. If a payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr B as a lump sum after making a notional reduction to allow for future income tax that would otherwise have been paid.

If Mr B hasn't yet taken any tax-free cash from his plan, 25% of the loss would be tax-free and 75% would have been taxed according to his likely income tax rate in retirement – presumed to be 20%. So, making a notional reduction of 15% overall from the loss adequately reflects this.

L&G should provide details of the calculation to Mr B in a clear and simple format.

L&G should also pay Mr B £200 for trouble and upset caused.

I invited Mr B and L&G to respond to my provisional decision, but no comments were provided.

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.

Having done so, my decision remains the same as before (and as set out above). That means I'm upholding Mr B's complaint for the reasons I've previously given.

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My final decision

I uphold Mr B's complaint and direct Legal and General Assurance Society Limited to calculate and pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 January 2024.

Chillel Bailey
Ombudsman