

The complaint

Mr M complains about the annual charges being levied by iPensions Group Limited (iPensions) on his self-invested personal pension (SIPP). He says the annual charge is now £640 which will mean the charges will outstrip the remaining value of the plan at maturity. He would like the charges to be refunded or at least reduced as he says iPensions isn't carrying out the required administrative tasks to justify its fee.

What happened

In May 2018 Mr M took out a SIPP, with an initial investment of £30,529, through an adviser. The SIPP was invested across several assets – which unfortunately are no longer trading. The original provider noted the SIPP carried a £400 set up fee and an annual administration charge of £400.

But the provider subsequently went into administration and all its SIPPs were transferred to iPensions in December 2021. When his SIPP was transferred Mr M became aware that it had a current value of £1,872.98, up to that point he'd received valuations of around £25,000. However Mr M noticed that annual SIPP administration charges of around £640 were being applied so he asked for the assets to be dissolved from his SIPP so that he could either withdrawn any remaining cash or have the plan closed.

Unfortunately iPensions said it was unable to close the SIPP while assets remained within it and Mr M would have to wait until the companies he had invested in were wound up and their shares could be removed from the SIPP.

It said it needed to continue to monitor the assets and to do so its policy was to try to retain £3,000 in a SIPP to cover any ongoing costs pending a resolution. It also explained to Mr M that he might want to consider lodging a claim with the Financial Services Compensation Scheme (FSCS) as his original SIPP operator and financial adviser had previously gone into administration.

Mr M brought his complaint to us explaining his position. He said he is required to hold the (worthless) stock within his SIPP until it matures in 2031. Meanwhile annual fees are accruing at (currently) £640, which will mean that his current balance of £1,640 will be eroded soon and he could owe the new provider over £5,000 at maturity. He said the charges were applied based on a SIPP value of £26,000 – which he thought wasn't fair.

One of our investigators looked into matter but didn't think we should uphold the complaint. He first explained that he thought we could consider the complaint as iPensions had suggested that it should be looked at by the Pensions Ombudsman instead. He went on to explain that, while he had sympathy for Mr M's position, he thought iPensions had applied charges in line with its fee schedule, and that those fees could be applied irrespective of the value of the SIPP. He confirmed that he thought iPensions had carried out the administrative tasks it said it would do in relation to its annual SIPP fees.

The investigator also confirmed that iPensions had waived an additional yearly fee of £300 plus vat which it usually charged for holding non-standard assets within a SIPP – which

Mr M's shares were. So he thought iPensions had made some form of concession to Mr M in this case, which it wasn't obliged to do.

Mr M said he wasn't happy with how iPensions had handled his complaint and its lack of a final response letter. He said this was part of the administration it was required to carry out when looking after his SIPP – so he didn't think it had justified the fees it applied in this instance. He thought iPensions lack of engagement with him (and this service) was “disrespectful” considering that he will have to pay it around £4,500 in fees from now until his SIPP plan matures. He asked for his complaint to be referred to an ombudsman, so it's been passed to me to review.

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.

And having done so I agree with the outcome reached by the investigator – which I know is an outcome Mr M will be disappointed with. So I'll explain my reasons below.

In its submission to us iPensions thought that this complaint ought to be considered by another Alternative Dispute Resolution entity. The investigator explained why he thought it was within our jurisdiction to consider the complaint and, as no response was received by iPensions following his assessment, I went on to consider the merits of Mr M's complaint.

Mr M's SIPP was taken out through a provider which subsequently went into administration. All the provider's SIPP's were then transferred to iPensions so that it could “save” the SIPP members benefits and offer them a way forward with their investments. Unfortunately, the investments that Mr M made into his SIPP through his original financial adviser went into administration too – so that when iPensions took over his plan the new investment manager established its value to be less than £2,000. This was as opposed to the approximate £26,000 valuation Mr M said he was given during the time he held it with the original provider and investment manager.

Can Mr M claim for unsuitable investment advice?

Mr M is aware that iPensions didn't give him any investment advice when it took over the administration of his SIPP. He accepts that advice was given by a previous adviser who is no longer trading. Mr M says he isn't complaining about the investments he held as he understands they “simply didn't work” on this occasion. But Mr M has clearly lost a significant sum of money from the investments, so our investigator set out how he could make a claim against the original adviser using the FSCS.

I know the investigator has provided detailed information to Mr M on how he can make his claim – so I'll leave it up to Mr M to advance a complaint if he so wishes. But I need to be clear that iPensions hasn't provided any investment advice, so I'm not considering any claim of unsuitable advice against it on that basis.

The ongoing annual SIPP fees eroding the SIPP fund

Mr M has told us that his complaint is essentially about the fees he's being charged for the administration of his SIPP. He says that within a couple of years they will erode the small amount of cash left in the SIPP and will eventually leave him owing around £5,000 when the assets within the SIPP “mature” and allow him to access/close the plan. He doesn't think this

is fair and wants iPensions to at least reduce the annual fee it applies. Mr M has also suggested that the fees were based on his original SIPP valuation of around £26,000.

When Mr M took out his SIPP originally, he was provided with documentation which set out the charges that would be applied. I've seen evidence of emails between Mr M and his adviser in 2018 which set out the annual fees for two SIPPs he was considering. The one that was recommended had a set-up fee of £400 and an ongoing annual fee of £400 plus VAT. So Mr M was aware of the fee and that it was a fixed fee rather than a percentage based on the value of his SIPP.

On taking over his SIPP iPensions also set out its fees for administering Mr M's plan. I've seen a copy of its fee schedule which noted the "*annual trust (SIPP) fee was £550 per annum.*" It also stated in its terms and conditions that it could revise its fees as long as it gave Mr M notice of any changes. So that in its "*statutory money purchase illustration*" dated 31 December 2022, which set out a projected fund value and pension benefit at retirement and noted the charges for the SIPP, it showed that the current pension fund value was £1,879.56 and the annual trust (SIPP) fee was £660 per annum. So again I think iPensions made Mr M aware of its charges and from what I can see it has levied them in line with what it said it would charge.

Unfortunately because his investments are now of little value and can't be dissolved or withdrawn from the SIPP at this time, Mr M's outstanding SIPP balance is only sufficient to pay two or three more annual charges - and he is right to point out this could leave further charges applied to account for the remaining term which can't be offset by any outstanding balances.

I note the original SIPP terms and conditions state that, "*Where you have insufficient funds to cover any charges that you owe us, and you have not taken steps prior to one month before the due date of these charges to create sufficient liquidity to cover these charges, we reserve the right to sell part or all of any asset to cover these charges. We do not accept any liability for any charges, penalties or otherwise which your plan may receive as a result of these actions.... Once such actions have been taken to create liquidity, you will continue to be liable for any outstanding balance which the sale could not cover.*"

I have some sympathy for the position Mr M now finds himself in through no fault of his own, and I can understand the frustration and concern that he has. I can also understand why Mr M has looked at a range of possible solutions for his predicament, including asking iPensions to reduce the fees so that the outstanding balance might cover the remaining charges. But I can't reasonably say that iPensions has done anything wrong here nor is it fair or reasonable for me to tell it to change its fee structure. It's for iPensions itself to decide if it wishes to negotiate with Mr M over its ongoing fees or whether any changes can be made to the underlying assets in order that he might be able to close the SIPP.

iPensions hasn't done anything wrong in applying its fees in the way it has even if Mr M believes them to be excessive for the size of the fund. But Mr M has also said that he doesn't think iPensions has carried out the administrative duties it's required to - in order to justify its annual fees.

He cites the example of it not providing a final response letter to his complaint as a dereliction of one of those duties – which he says doesn't justify charging its fees. So I've gone on to look at iPensions' administrative duties as set out in relation to its annual fee.

iPensions duties as administrator of the plan.

The SIPP terms and conditions set out iPensions' responsibilities as an administrator.

Clause 5 states that, *“the Provider sets up the Scheme and the Scheme Administrator carries out the day to day administration of the Scheme, including but not limited to regulatory reporting requirements and tax returns.*

While Clause 16.1 goes further in explaining the charges in relation to its duties. It states the *“Annual Trust Fee covers the basic provision of a standard administration service. This includes the following:*

- i. Record keeping, including your personal details, transaction reconciliation and annual statements.*
- ii. Processing Member and their Appointed Adviser requests in relation to the standard administration of your SIPP and investment.*
- iii. Dealing with contribution and transfer requests and, where applicable, issuing a pension savings statement.*
- iv. Provision of banking facilities.”*

I understand this list isn't exhaustive, but it sets out the main areas that iPensions is responsible for. And I haven't been presented with any evidence to support the claim that iPensions hasn't carried out these tasks, so it wouldn't be fair to say it hasn't justified the annual trust fee that it has already applied and will continue to do so.

The lack of a final response letter

I've seen the strength of feeling Mr M has over the matter of a lack of response to his complaint/request for help from iPensions. It was his main reason for asking us to review his complaint following the investigator's assessment. And I can understand how frustrated this would have made him, when all he wanted was to be able to negotiate a lower SIPP fee so that his funds weren't exhausted by the annual charges leaving him with a possible outstanding balance which he could be personally liable for when the SIPP “matures”.

But looking at the duties iPensions had as an administrator that I've set out above, I haven't seen anything to suggest there was a direct responsibility for it to provide a final response letter following any complaint that it might receive. I would expect iPensions to investigate a complaint as part of its normal functions, but any failure to issue a response to his complaint within the prescribed time limits doesn't prevent Mr M from bringing his complaint to this service – which is what he did in this instance.

But, even if I am wrong in my assumptions about that, the handling of a complaint and failure to provide a final response letter isn't a regulated activity. So it's not a matter we can investigate or make any determination upon.

My final decision

For the reasons that I've given I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 December 2023.

Keith Lawrence
Ombudsman