

Ombudsman's Determination

Applicant	Mr R
Scheme	Legal & General Stakeholder Pension Scheme (the Scheme)
Respondents	Legal & General (L&G)

Outcome

1. I do not uphold Mr R's complaint and no further action is required by L&G.

Complaint summary

2. Mr R is unhappy that, following a bulk fund switch initiated by L&G in July 2018, he received a lower price when he sold his holdings in December 2018.

Background information, including submissions from the parties

3. Mr R is a member of the Scheme, which is a personal pension arrangement provided by L&G.
4. On 10 August 2007, Mr R was sent a welcome pack for the Scheme.
5. On 24 July 2018, L&G wrote to Mr R to inform him of upcoming changes. In this letter, L&G confirmed that there would be a bulk switch of funds, and a website address was provided where Mr R could see which funds would be affected.

6. In particular, the letter stated:

"The majority of our funds are managed by a company within the Legal and General Group called Legal and General Assurance (Pensions Management) Limited (PMC). The other funds that are not currently managed by PMC will soon be moved to PMC.

This will mean all of the funds within our range are managed by PMC, which will enable us to administer your pension in the most efficient way...".

7. The letter also stated:

"Your money will be invested in an almost identical way and there will be no impact to the charges you pay."

8. Following this letter, Mr R did not raise any questions or concerns regarding the bulk switch.
9. On 26 October 2018, the bulk switch took place. As part of this, Mr R's holdings under the L&G US Equity Fund (**the Original Fund**) were sold, and holdings under L&G PMC US Equity Index Funds G17 (**the PMC Fund**) were bought for him.
10. On 28 December 2018, at 10:44 am, Mr R placed an order to switch a number of his holdings under the PMC Fund to the L&G PMC Cash Fund G17 (**the Cash Fund**).
11. On the same day, following his instruction, L&G sold some of Mr R's holdings under the PMC Fund for 339.50p per unit.
12. Following the switch, Mr R compared the unit price from the PMC Fund to the unit price for the Original Fund for 28 December 2018. He saw that the unit price had been higher for the Original Fund, at 348p per unit.
13. Mr R raised a complaint, highlighting that he would have been over £2,000 better off had his switch on 28 December 2018 to the Cash Fund been from the Original Fund, and not the PMC Fund. He added that he had been assured, when L&G wrote to him in July 2018, that his money would be invested in the same way following the bulk switch.
14. In responding to the complaint, L&G confirmed that the Original Fund and the PMC Fund had the same objectives and underlying assets.
15. Initially, L&G explained the discrepancy in the two price points by stating it was the result of exchange and tax rates. However, L&G later clarified that the discrepancy was because the valuation methodology for unit price points under the two funds differs slightly.
16. L&G explained that both funds use US market data for calculating their fund prices, as the underlying assets are US securities. However, the PMC Fund has a cut-off date for receiving switch instructions (**the Valuation point**) of 12 pm UK time, and at this time the US markets have not opened. The PMC Fund therefore sets its unit prices based on US data from the previous working day.
17. On the other hand, the Original Fund has a Valuation point of 3 pm UK time. This allows it to use US market data from the same day.
18. With this in mind, Mr R would have sold his units from the PMC Fund at a price point of 348p if he had placed his sell order one working day later, which would have been 31 December 2018.
19. L&G stated that one of the main benefits of the bulk switch had been to align the Valuation points for all its PMC Funds, in order to improve administration.
20. L&G confirmed that information about the Valuation point for its funds is set out in its online resource "A guide to how we manage our unit-linked funds" (**the Guide**). However, it acknowledged that the Guide incorrectly indicates the Valuation

point for the PMC Fund is 3 pm, and it offered Mr R £350 for any confusion this had caused him.

21. Mr R rejected L&G's offer and stated that, if he had had correct information about the Valuation point, he could have waited another working day to sell his holdings under the PMC Fund. If he had done this, he would have achieved the unit price point of 348p. So, he has suffered a significant financial loss and £350 does not redress this.
22. In particular, Mr R stated that the US market rose significantly on the afternoon of 27 December 2018, and he wanted to capture this market recovery. He attempted to do this by placing his sell order on 28 December 2018, which he understood would result in his holdings being valued at 3 pm UK time that afternoon.
23. L&G responded to say its position had not changed.

Adjudicator's Opinion

24. Mr R's complaint was considered by one of our Adjudicators who concluded that no further action was required by L&G. The Adjudicator's findings are summarised below:-
 - L&G did not update the Guide, following the bulk switch, to confirm that the PMC Fund had a Valuation point of 12 pm. In particular, the Guide continued to state that all funds invested in North American markets had a Valuation point of 3 pm, in order to capture relevant market data from the same working day. So, the Guide provided incorrect information and this amounts to maladministration.
 - However, there is insufficient evidence that Mr R used the Guide in order to time his sell order. So, whilst there has been maladministration, it has not led to a loss. In particular, Mr R has not said he relied on the Guide when placing his order.
 - Mr R has said he was trying to lock in gains achieved in the US markets on the 27 December 2018, which was the previous working day. Both the Original fund and the PMC Fund capture market performance from the previous working day. The Original Fund captures more, as well as market data from the start of the current working day. However, whether this is advantageous would depend on short term market fluctuations. In this instance, it would have been more advantageous to sell from the Original Fund on 28 December 2018, but Mr R's holdings were no longer in that fund.
 - Mr R has not provided any evidence that he was trying to time his sell order so precisely that he would have acted differently, had he known the difference in Valuation points. For example, Mr R has not outlined a price point he had been waiting for before selling his holdings.
 - Mr R was not a regular trader and both the Original and PMC Funds were long-term funds. As such, his normal investment activity was not the same as an

investor regularly monitoring the markets and trying to time the movement of funds precisely.

- Mr R was informed about the bulk switch several months earlier and did not take any action. He was told his holdings would be invested in an “almost identical way”, indicating there would be some differences. Mr R did not take the opportunity to query what those changes were.

25. Mr R did not accept the Adjudicator’s Opinion and the complaint was passed to me to consider. In contesting the Opinion, Mr R has argued that:

- He did not refer to the Guide before placing his sell order, as he was not advised to do so, and he assumed the Valuation point for the PMC Fund was the same as for the Original Fund.
- It would be unreasonable to expect that the Valuation point for the PMC Fund might be set at a time before the US markets opened, as the fund price would be based solely on market data from the previous day. This would enable investors to place sell orders which would ultimately be based on prices from the previous day, in full knowledge of the previous day’s performance.
- He would have expected L&G to have informed him that the Valuation point was different for the PMC Fund, in its letter dated 24 July 2018.
- He has provided an extract of a call recording between himself and L&G from 28 December 2018. In this call, he asked the representative about fund prices for a UK fund and the PMC Fund for 27 December 2018. He then asked whether those prices were based on 12 pm and 3 pm respectively, which indicated he believed the PMC Fund had a Valuation point of 3 pm.
- In November 2019, L&G wrote to Mr R regarding a further bulk switch, due to take place in December 2019. It said his remaining holdings in the PMC Fund would be transferred to the L&G PMC North America Equity Index Fund G17 (**the New PMC Fund**). However, his transaction history no longer refers to the PMC Fund and L&G has since said that the bulk switch in December 2019 was a renaming. He believes this is evidence that the PMC Fund was closed as the Valuation point was inappropriate.
- He remains unsure as to how fund prices are calculated for the PMC Fund, and believes a reasonable outcome on his complaint cannot be reached without this knowledge.

26. Mr R’s further comments do not change the outcome. I agree with the Adjudicator’s Opinion and so I will only respond to the additional points raised by Mr R.

Ombudsman's decision

27. Mr R's overarching complaint is that his holdings in the PMC Fund were sold for a lower price point on 28 December 2018, than if they had been sold on the same date from the Original Fund. Mr R did not have holdings in the Original Fund on 28 December 2018, but he argues that he was led to believe the two funds would work in the same way and he based the timing of his sell order on this.
28. To uphold his complaint, I would need to see clear evidence that L&G misled Mr R, and that he would have placed his sell order at a different time, but for this maladministration.
29. Mr R was given prior notice of the bulk switch, in which his funds were transferred from the Original Fund to the PMC Fund. He made no objections and raised no questions at that time. In addition, Mr R's transaction history shows little activity, and he is primarily invested in long-term funds. His investment behaviour before 28 December 2018 aligns with a long-term strategy and not one where the precise timing of orders is significant.
30. In addition, I do not find there is evidence that Mr R expected the PMC Fund to have a specific Valuation point. I am not persuaded that he was trying to time his order as precisely as he states.
31. During the call on 28 December 2018, Mr R was told the fund price for a UK fund and the PMC Fund for 27 December 2018. Following this, Mr R repeats the fund price quoted for the PMC Fund and asks the representative to confirm that is from the 27 December 2018. The representative confirmed it was. He then says:

"Ok...so...so...and is the time of that price...I mean obviously that's yesterday...that's yesterday at either midday or 3 pm isn't it?"
32. Giving the context and his phrasing, I do not agree that Mr R was referring to the Valuation points of two funds, respectively. I believe he was only discussing the PMC Fund, and he asked whether it was based on a Valuation point of midday or 3 pm. In particular, his use of the word "or" implies he was talking about one fund, and that he did not know what the Valuation point was.
33. The representative confirms that she does not know what the timings are, and Mr R does not ask to speak with someone who does. This further indicates that Mr R was content with placing his sell order, despite not knowing exactly what the Valuation point would be for it.
34. So, I do not find that Mr R intended to time his sell order so precisely, that he would have acted differently had he been provided with further information about the Valuation point for the PMC Fund.
35. Even if Mr R had expected the PMC Fund to have had a Valuation Point of 3 pm, I do not consider L&G led him to believe this. L&G did fail to update the Guide, but Mr R has made it clear he did not refer to the Guide following the bulk switch.

36. Instead, Mr R has confirmed that he assumed the information he had read previously was still relevant. I do not find this was reasonable if Mr R was looking to rely on it to extent he suggests. L&G had informed him that there had been changes to both his investments and the administration of his investments. So, I would have expected Mr R to have obtained further details, if he wanted to manage his investments in the way he has suggested.
37. Mr R says he did not expect a fund invested in US securities to have a Valuation point of midday UK time, but that assumption would be incorrect. Mr R has now suggested that the valuation methodology for the PMC Fund is flawed. However, whether or not that is the case, it is a separate matter.
38. I can see that Mr R has been given conflicting information regarding the transition of his holdings to the New PMC Fund. However, this is not evidence that the PMC Fund was being administered incorrectly, far less that it is evidence that the set Valuation point was wrong.
39. Finally, I do not find that L&G ought to have specifically mentioned the Valuation point of the PMC Fund in its letter dated 24 July 2018. The bulk switch concerned a number of different funds, and it would not have been practical or helpful for L&G to highlight all changes in one letter. Instead, if Mr R wanted to find out how the changes might affect him, I would have expected him to have used the links provided in the letter. Alternatively, when the representative told him on 28 December 2018 that she did not know the timing of the Valuation point for the PMC Fund, I would have expected him to have made further enquiries.
40. I do not uphold Mr R's complaint. If he wishes to accept L&G's offer, he should contact it directly.

Anthony Arter

Pensions Ombudsman
20 July 2021