

Ombudsman's Determination

Applicant	Mr S
Scheme	Chevron UK Pension Plan (the Plan)
Respondent	Aon Hewitt (Aon)

Outcome

1. I do not uphold Mr S' complaint and no further action is required by Aon.
2. My reasons for reaching this decision are explained in more detail below.

Complaint summary

3. Mr S' complaint against Aon is about its delays in providing the necessary paperwork to enable James Hay, the receiving scheme, to complete the transfer of his benefits into a Self-Invested Personal Pension (**SIPP**).
4. Although the funds had been transferred to James Hay, without the additional information, it could not reinvest Mr S' funds, so they remained disinvested in a cash holding account for over a month, which Mr S says has caused a financial loss.

Background information, including submissions from the parties

5. In January 2003, Mr S joined the Plan, and was an active, contributing member for a number of years until he left employment with Chevron.
6. In 2015, now a deferred member of the Plan, Mr S decided to transfer his benefits into a SIPP, administered by James Hay.
7. On 15 December 2015, following Mr S' request, Aon issued a Cash Equivalent Transfer Value (CETV) to his IFA. Aon provided information with the CETV, confirming that the Plan was part of a scheme registered with HMRC for the purposes of Part 4 of the Finance Act 2004. This material also contained information regarding pre and post-1997 contracting out, which identified the Plan as a Defined Benefits (**DB**) Scheme.

8. When issuing the CETV, Aon included the document, "Chevron UK Pensions Plan 'The Plan' – Further information sheet for transferring benefits out of the Plan". The "General Plan Information", contained confirmation of the registration of the Plan, and indications of its status as a DB arrangement.
9. On 14 January 2016, James Hay sent Aon the paperwork to request a transfer of Mr S' benefits. This request was received by Aon on 19 January 2016. Mr S and his IFA were advised by James Hay that the transfer could take up to 4 weeks to complete. Mr S was additionally required to obtain a suitability report from his IFA, to confirm the transfer was considered appropriate, given that the total value was in excess of £30,000. On 18 January 2016, Aon received a suitability report from Mr S' IFA.
10. Mr S sent Aon a copy of his IFA's recommendation, however, this was not in the format required by Aon. It therefore requested that Mr S resubmit the information in the appropriate layout.
11. On 16 February 2016, Aon transferred Mr S' benefits to James Hay, who then signed The Receiving Scheme Warranty, confirming all requirements to accept the transfer had been, or would be met. James Hay received the transfer paperwork from Aon the next day, however, it required some additional information to complete the transfer and reinvest the funds. James Hay telephoned on 18 February 2016 to request this information.
12. On 25 February 2016, James Hay advised Aon, in writing, that it required the following information to complete the transfer (Aon was not advised at this time that the transferred funds could not be reinvested until the information was provided):
 - Confirmation that the Plan is a registered scheme with HMRC;
 - Confirmation if the Plan is an occupational money purchase or occupational final salary;
 - Confirmation of whether there were any safeguarded benefits held under the transferring policy;
 - Details of any court orders against the policy i.e. divorce or bankruptcy;
 - Details of any restrictions on the Pension Commencement Lump Sum available (PCLS), as a result of a pension credit from a policy already in payment;
 - Confirmation of the protected PCLS or early retirement age (if the transfer is part of a block transfer); and
 - Additional details if the policy being transferred is already in drawdown [additional details were listed].
13. On 11 March 2016, Aon faxed the additional information to James Hay. However, on 17 March 2016, Mr S' IFA emailed Aon to advise that James Hay was still awaiting the information required to complete the transfer. Mr S' IFA advised Aon at this stage that, without the documents, James Hay could not reinvest the monies transferred across. Aon had not been informed prior to this that Mr S' funds had remained disinvested with James Hay since the transfer date.

14. In 17 March 2016, following the email from Mr S' IFA, Aon responded, and confirmed it had faxed over the required information previous week. Aon advised that it would resend the documents that same day, however, it queried why these documents were required for James Hay to reinvest the funds, as it had been provided with this information when the CETV was issued in December 2015.
15. On receipt of this information, that same day, James Hay reinvested Mr S' benefits accordingly, and finalised the transfer.
16. On 22 April 2016, Mr S' IFA wrote to Aon to complain on his behalf, that he had been disadvantaged as a result of having his funds disinvested for several weeks. The IFA concluded the delays were the result of Aon's poor administration, process and procedure, and therefore it should compensate Mr S for any lost investment growth or financial loss suffered.
17. On 13 May 2016, Aon responded to Mr S' IFA. It acknowledged that there had been a delay in providing some of the additional information, but its position was that James Hay should not have signed the Receiving Scheme Warranty and accepted the payment, without making it clear that further information was required before the funds could be reinvested. Aon noted that the statutory timescale for completion of a transfer is 6 months, so the settlement date was still within around 3 months of the deadline. Aon apologised for its delays, but did not accept it was liable for Mr S' investment loss.
18. Shortly after, Mr S complained to the Trustee under the Internal Dispute Resolution Procedure (**IDRP**). He stated that James Hay had confirmed it was standard procedure to accept a transfer of funds, in anticipation of the required paperwork. Further, Aon should have been aware the funds could not be reinvested where there was outstanding information. Mr S considered that Aon had been made aware of the urgency of providing the information, and its failure to provide the documents in a timely manner had resulted in a financial loss.
19. On 28 October 2016, the Trustee responded to Mr S under the IDRP. It argued that it had enclosed the relevant information with Mr S' CETV quote in December 2015. Its position was that this information should have been sufficient to satisfy the requirements of James Hay, as it confirmed that the Plan was a registered scheme for the purposes of Part 4 of the Finance Act 2004, and referred to pre and post 1997 contracting out bases – indicating that it was a DB scheme. The Trustee further noted that it is a 'surprise' that James Hay would accept payment, whilst elements of its due diligence remained outstanding. The Trustee reiterated that there was a 6 month statutory time limit to complete a transfer, and therefore it could not be liable for any investment losses if the transfer was complete before 15 June 2016.
20. On 21 July 2016, Mr S complained to this office. He summarised that he had lost approximately £42,000 worth of investment growth in the time that his funds were disinvested, and considered Aon to be liable for this financial loss.

Adjudicator's Opinion

21. Mr S' complaint was considered by one of our Adjudicators who concluded that no further action was required by Aon. The Adjudicator's findings are summarised briefly below.
- James Hay has said that it is standard industry practice for a receiving scheme to accept funds from a transfer before obtaining all of the information necessary to complete its due diligence. It is not agreed that this is a 'standard practice' and, whilst it does appear that this is the way in which James Hay operates, it is considered an unusual position to accept payment of a transfer prior to receiving the required documents to carry out due diligence checks.
 - As it is the responsibility of the receiving scheme to satisfy themselves that incoming funds are coming from a reputable source and the transfer is legitimate, James Hay ought to have informed Aon, upon signing the Receiving Scheme Warranty, that it required additional information and specified what this was before Aon made the transfer payment.
 - Although further information was subsequently requested, Aon had not been made aware that the information obtained by James Hay at the time of the transfer, was insufficient to allow the funds to be reinvested until 17 March 2016.
 - Legislation requires that a transfer out of a DB pension scheme must be completed within 6 months from the date the transfer request is received. This does not mean that all transfers should take as long as 6 months, but it is accepted that this can be unavoidable on some occasions.
 - It is acknowledged that Aon could have sent the additional documents slightly sooner, the fact remains the transfer was completed and monies were reinvested within less than 3 months, and this is considered reasonable.
22. Mr S did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr S provided his further comments which do not change the outcome. I agree with the Adjudicator's Opinion, summarised above, and I will therefore only respond to the key point made by Mr S in his email of 19 July 2017 for completeness.

Ombudsman's decision

23. Mr S has argued that the Adjudicator's findings were based solely on the fact that legislation allows up to 6 months to complete a transfer, and that no other information was taken into account when the Adjudicator reached her conclusions.
24. It is clear to me that the Adjudicator considered a number of factors when investigating this case, and the legislation regarding transfer timescales was just one of them.

25. I agree with the Adjudicator that, whilst it may be James Hay's position to accept a transfer without first obtaining all of the documentation, this is not standard industry practice. The onus is on the receiving scheme to ensure proper due diligence checks are completed, and to satisfy itself that funds are coming from a legitimate source, before accepting a transfer-in.
26. Further, I agree with the Adjudicator, that it was reasonable for Aon to assume that all of the necessary information to reinvest the funds and complete the transfer had been supplied, when it received the Receiving Scheme Warranty from James Hay. I consider that, if there was any information outstanding, it ought to have been communicated to Aon at this point. I also note that Aon was not informed of the fact that Mr S' funds could not be reinvested in the absence of this information, so was not made aware of the urgency to provide the documents. I consider that Aon acted in good faith when it provided information relating to the Plan with the December 2015 CETV, and it was not unreasonable for Aon to assume that this information was sufficient to complete the transfer.
27. In any event, even taking into account the time to provide the additional information, Mr S' transfer was completed and all monies reinvested within 3 months. I do not consider this to be an unreasonable timeframe and, whilst I do agree Aon could have supplied the information earlier, this does not constitute maladministration.
28. Therefore, I do not uphold Mr S' complaint.

Anthony Arter

Pensions Ombudsman
28 July 2017