

## Ombudsman's Determination

Applicant	Mrs G
Scheme	Standard Life Stakeholder Plan (the <b>Plan</b> )
Respondent	Standard Life Assurance Limited ( <b>Standard Life</b> )

## Outcome

1. I do not uphold Mrs G's complaint and no further action is required by Standard Life.
2. My reasons for reaching this decision are explained in more detail below.

## Complaint summary

3. Mrs G says Standard Life has failed to provide sufficient information to clarify the performance of a fund her pension was invested in.
4. Mrs G says the value of her Plan only increased by £294 between 9 August 2015 and 27 April 2016 (the **Period**), although she had contributed a further £2,700. Mrs G says she will continue to maintain that her final fund value was not correctly calculated, unless Standard Life can show how it worked out the investment gain.

## Background information, including submissions from the parties

5. Mrs G's Plan was invested in two funds: the Standard Life stock exchange pension fund (the **Stock Exchange Fund**) and the Standard Life stakeholder with profits fund (the **With Profits Fund**).
6. Mr G, Mrs G's representative, says he was able to work out the Stock Exchange Fund's performance because there was a historic chart available on Standard Life's website. Mr G says they asked for more information about the performance of the With Profits Fund, to help them understand how the investment gain had been arrived at, but Standard Life failed to provide the details.
7. Standard Life's 'Understanding with profits' guide (the **Guide**) says that the value of the units in the fund may go down as well as up. The Guide says that Standard Life does not pay regular or final bonuses on with profits investments in the Plan as investment performance is taken into account in the value of Mrs G's units. The Guide says bonus units may be added to refund some of Standard Life's charges.

8. As at 9 August 2015, the total value of Mrs G's Plan was £90,502 (£41,591 invested in the With Profits Fund, and £48,911 in the Stock Exchange Fund).
9. Mrs G contributed £2,700 during the Period. The monies were invested in equal proportions across the two funds.
10. On 27 April 2016, Mrs G transferred to an alternative pension provider. The transfer value paid to the receiving scheme was £93,089 (the **Final Transfer Value**). The split of the transfer value between the With Profits Fund and the Stock Exchange Fund was £44,121 and £48,968 respectively.
11. Mrs G says she estimated her Plan to be worth at least £93,202 - based on her fund value of £90,502, as at 9 August 2015, and the further contributions of £2,700.
12. On 8 May 2016, Mrs G asked Standard Life to provide a breakdown of how the final transfer value had been arrived at (in either a table or graph) showing the fees, charges, penalties and performance of the two funds. Mrs G said she had noted that the performance of the Stock Exchange Fund had increased by 4% during the Period. Mrs G requested details of the performance of the With Profits Fund over the Period (the **Initial Letter**).
13. On 8 June 2016, Standard Life replied that the unit price of the Stock Exchange Fund had, in fact, fallen by almost 3%. Standard Life provided a breakdown of the value of Mrs G's Plan across the two funds as at the start and end of the Period.
14. On 12 June 2016, Mrs G asked Standard Life to provide the details requested in her Initial Letter. And for a document outlining Standard Life's transfer charges and penalties (the **Second Letter**).
15. On 13 July 2016, Standard Life confirmed the annual management charge (the **AMC**) taken into account in the With Profits Fund's daily unit price; the discount on the AMC; and that the fund had no other fees or penalties. Standard Life directed Mrs G to the Standard Life website for the fund factsheet for the Stock Exchange Fund, and to the 'Heritage With Profits Fund Investment' report for details of the performance of her funds during Q1 2016.
16. The fund factsheet for the Stock Exchange Fund for Q1 2016 shows year on year performance to 31 March 2016 of -2.3%.
17. Page 7 of the 'Heritage With Profits Fund Investment Report: UK Pension Business' for Q1 2016, shows year on year performance to 31 March 2016 of 0.8%. Page 7 says the asset mix of the funds is predominately invested in equities.
18. In its letter of 13 July 2016, Standard Life said that the Final Transfer Value had been worked out as the value of the Plan as at 9 August 2015: £90,502, plus contributions paid: £2,700, plus value of units created by the discount in the AMC: £236, plus 'investment gain': £294; less the AMC of £643.

19. On 26 July 2016, Mrs G complained that Standard Life had failed to provide the details in the required format. She asked for an illustration of the investment gain in a graph or table, and for £100 compensation for distress and inconvenience.
20. Standard Life says the figure of £294 is calculated as a 'balancing item' for the purpose of the closing statement for Mrs G's Plan.
21. Standard Life says the 'balancing item' reflects the movement in Mrs G's overall fund during the Period and includes the allocation from the 'inherited estate' at the date her pension was transferred out. Consequently, the fund value as at 9 August 2015, did not include any allowance for the inherited estate. Standard Life says it was the result of the allocation of the inherited estate, that there was an overall 'gain' shown during the Period.
22. The Guide defines the 'inherited estate' as a pool of assets used for working capital which is distributed as a top up in with profits pay outs if the pool is not required.
23. Standard Life says the unit price of the Stock Exchange Fund was 249.8 on 9 August 2015, but it dropped to 242.5 on 27 April 2016 – a percentage drop of around 2.9%.
24. Standard Life says the unit price used to value Mrs G's units in the With Profits Fund on 6 August 2015 was 202.112843. Standard Life says the price used on 26 April 2016 was 203.647014.
25. Standard Life says, but for the 'inherited estate', the value of Mrs G's Plan would have fallen when compared with the value at the start of the Period.
26. During the course of our investigation, Standard Life produced a graph for Mrs G showing the performance of the Stock Exchange Fund over the Period. The chart shows performance of -2.44% (the **Original Chart**).
27. Standard Life subsequently advised that while the Original Chart was for the right fund, it related to a product that had different charges and expenses resulting in different performance. Standard Life's revised graph shows performance of -2.95% for the Period.
28. Further comments from Mr G on behalf of Mrs G are set out below.
  - The processes in managing investment funds used by companies like Standard Life, are not transparent. Consequently, the only thing that an investor can rely on, to check the performance of a fund, is the fund's performance chart. They have been asking Standard Life to provide this for almost three months.
  - Standard Life has been evasive in its responses. If Standard Life cannot provide, or finds it difficult to provide, the calculation of the investment gain in a straight forward way, then it is open to all kinds of abuses.

- They question how Standard Life calculated the quarterly performance, and the investment gains/loss of the Plan, if Standard Life does not have performance charts or tables for the With Profits Fund.
- The Original Chart showed a loss of 2.44% for the Stock Exchange Fund. Based on the unit prices that Standard Life provided to this office the loss was 2.9%. This discrepancy is another reason why they question the accuracy of Standard Life's calculation of the investment gain.
- Standard Life has a duty to show how the loss/gain was arrived at to justify its calculations.

29. Further comments from Standard Life are set out below.

- While the details were not in the specific format Mrs G had requested, the relevant details were provided.
- A split of the charges across the two funds is not held anywhere on Standard Life's systems.
- Standard Life has provided all the information it holds which can help show the performance of the Plan during the Period.
- Standard Life agree to offer Mrs G the amount of £100 she requested in her Second Letter, plus an additional £50 in recognition of the fact that the wrong details were used in the Original Chart.

### **Adjudicator's Opinion**

30. Mrs G's complaint was considered by one of our Adjudicators who concluded that no further action was required by Standard Life. The Adjudicator's findings are summarised briefly below:

- The evidence does not support that the performance of the Stock Exchange Fund increased by 4% during the Period but rather that the value of the fund fell by around 3%.
- Inherent in Mrs G's complaint is the suggestion that Standard Life has not correctly calculated the 'Investment gain'. Mrs G's calculated value of £93,202 does not allow for any downward movement in the unit prices (or for any charges that apply).
- While Standard Life's letter of 8 June 2016, did not fully address the points raised in her Initial Letter. Standard Life's response to her Second Letter sufficiently confirmed the position and signposted her to further information on Standard Life's website.

- Although Standard Life has not provided Mrs G with details of the performance of the With Profits Fund in the format she asked for, it has provided details of the fund's performance over the period in question. It is not unreasonable for Standard Life to take a proportionate view.

31. Mrs G did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr G has provided further comments on behalf of Mrs G but these do not change the outcome. I agree with the Adjudicator's Opinion, summarised above, and I will therefore only respond to the key points made by Mr G for completeness.

### **Ombudsman's decision**

32. Mr G says he has repeatedly asked for the breakdown, and for proper proof, of how the 'investment gain' of £294 was calculated. Without it, he has no way of knowing whether (or not) it is correct. Mr G says an investor has the right to ask for that information and Standard Life has an obligation to provide it. Mr G says he should not be expected to just accept any figure Standard Life provide without questioning it.
33. Mr G says, based on the fund values and unit prices provided by Standard Life, the Plan could not have achieved a gain of £294 over the period in question.
34. I acknowledge that Mrs G asked for information as to how the value of £294 was calculated. In my view, Standard Life has provided this, albeit, not in the format, or the level of detail, Mrs G requires. I cannot impose additional transparency requirements in respect of the underlying fund performance. I can see no evidence of non-compliance with pensions legislation or maladministration.
35. Therefore, I do not uphold Mrs G's complaint.

**Karen Johnston**

Deputy Pensions Ombudsman  
31 May 2017