

Ombudsman's Determination

Applicant	Mr N
Scheme	Standard Life SIPP (the SIPP)
Respondent	Standard Life

Outcome

1. I do not uphold Mr N'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. Mr N's complaint is about the way Standard Life takes charges for the management of his SIPP from his bank account.

Background information, including submissions from the parties

4. The SIPP is administered by Standard Life. Mr N chose to invest in a range of funds called "Sigma" and the management charges were incorporated into the daily price of the assets.
5. Standard Life wrote to Mr N on 18 November 2013 to tell him that it was replacing the Sigma option with a new range entitled "FundZone". Mr N would remain invested in the same underlying assets and the value of the investments would be unaffected. Going forward, the annual management fee would be replaced with a monthly management charge of £40, which Standard Life would take directly from the SIPP cash account each month. Should Mr N opt to reinvest his money in other assets, he had to tell Standard Life to do so by 14 March 2014. If no such instruction was received, Standard Life would place restrictions on the Sigma funds on 6 April 2014 and move them to FundZone between 1 September and 31 October 2014. Standard Life provided a telephone number for Mr N to call if he had any questions concerning the upcoming transfer.
6. Standard Life issued a further letter to Mr N on 24 June 2014 reminding him of the forthcoming transfer from Sigma to FundZone and providing a telephone number to call if he had any questions.

7. Standard Life wrote to Mr N on 13 November 2014 to tell him that his SIPP cash account would have a negative balance of -£24.56 within two weeks unless he credited it with additional funds. This was because there were insufficient funds in the account to cover the monthly management charge, which Standard Life would take from the account on 27 November 2014. As such, Mr H had to pay in a minimum of £24.56 by 27 November 2014. Alternatively, he could pay £554.89 into the account to cover 12 months' worth of charges, which would prevent the problem arising again within the next 12 months. If a minimum of £24.56 was not paid into the account by 27 November 2014, Standard Life would sell SIPP assets to cover 12 months' worth of estimated management charges.
8. Standard Life sent Mr N further letters on 15 January, 9 July and 11 September 2015 telling him that the SIPP cash account would have a negative balance within two weeks unless he credited it with enough funds to cover the monthly management charge.
9. Mr N was disappointed that Standard Life's new method of charging the annual management fee meant that he had to ensure his SIPP cash account contained sufficient funds to account for the monthly management fee. He complained that the nature of his job made it necessary for him to be away from home and as a result, he could not use the internet to monitor his account regularly. Furthermore, the option of crediting the account with funds to cover 12 months' worth of management charges was not appealing, as the account did not pay any interest.
10. Standard Life responded on 9 May 2015, noting that it had sent several letters to Mr N notifying him that the SIPP cash account would go overdrawn unless he credited it with sufficient funds to encompass the monthly management charge. Standard Life further noted that these letters explained how he could avoid the sale of SIPP funds to cover the charges. It also pointed out that Mr N could set up a regular monthly payment into the SIPP cash account to cover the monthly management charge, or he could pay a sum equal to six or twelve months' worth of management charges into the account. Alternatively, he could alter his investment choice to the range of insured SLIP funds, as for this option, the management charges were included in the daily price.

Adjudicator's Opinion

11. Mr N'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 SIPP terms and conditions say that Standard Life will collect the monthly management charge from the SIPP cash account and that it is the responsibility of the member to ensure there are adequate funds to meet these payments.

- Standard Life took sufficient steps to tell Mr N how the monthly management charges would be collected after the funds invested in Sigma were migrated to FundZone.
 - Standard Life sent Mr N several letters which mentioned different options for making sure he had enough funds in the SIPP cash account to pay the management charges when they were due each month.
 - Overall, the Adjudicator was satisfied that Standard Life took sufficient steps to highlight the importance of having adequate funds in the SIPP cash account to cover the management charges and concluded there had been no maladministration.
12. Mr N did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr N 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 points made by Mr N for completeness. In summary, these are:
- Standard Life did not give him a choice about moving from Sigma to FundZone.
 - Standard Life's suggestion that he pays a sum of money into the SIPP cash account sufficient to cover six to twelve months' worth of management charges is unsatisfactory, since the account does not earn any interest.
 - His internet service is unreliable and as such, it is unreasonable for Standard Life to expect him to monitor his account regularly to ensure it contains enough funds to cover the management charges.
 - At age 72, other SIPP providers will not accept him and so he has no choice but to remain with Standard Life.
 - Standard Life did not notify him that the SIPP cash account was going to go overdrawn in sufficient time to enable him to pay in the necessary funds. Once he received Standard Life's notification letters, he paid the required amount into the account promptly. However, Standard Life delayed unreasonably in processing the payment, and as a result SIPP funds were sold to cover the management charges. In addition, Standard Life sold assets to cover several months' worth of management charges rather than just enough to cover one months' worth of charges, which it was not entitled to do.

Ombudsman's decision

13. Mr N has complained that Standard Life did not give him any choice about moving from Sigma to FundZone. I note that in its letter to him dated 18 November 2013, Standard Life pointed out that he could reinvest the Sigma funds in other investment options available under the SIPP by 6 April 2014, when restrictions would be placed on the Sigma funds to facilitate the transfer to FundZone. Standard Life also provided

a telephone number for him to call if he wanted to discuss further. Accordingly, I am satisfied that Standard Life provided Mr N with sufficient opportunities to make alternative investment choices in the event that he did not want to move the Sigma assets to the FundZone range.

14. I recognise the SIPP cash account does not earn interest and so Mr N would not derive any financial benefit from paying in money encompassing 12 months' worth of management charges. However, I note that, in the letters sent to Mr N on 13 November 2014, 15 January 2015, 9 July 2015 and 11 September 2015, Standard Life pointed out that he could sell investments to cover the management charge or make a smaller top-up payment into the account. As such, Standard Life highlighted alternatives to paying in money equal to 12 months' worth of management charges to Mr N on several occasions, but he did not take any action in response.
15. Moreover, in the letter dated 9 May 2015 responding to Mr N's complaint, Standard Life provided him with several other options for ensuring there were sufficient funds in the account to cover the monthly management charges. These were to set up a regular monthly payment into the account to cover the charge or choose an alternative range of funds whereby the management charges are not deducted from the SIPP cash account, such as the SLIP funds. Had Mr N taken one of these routes to making sure the management charge was paid on time each month, he could have avoided placing a sum equal to 12 months' worth of management charges in the SIPP cash account. That he did not take any action in this respect is not Standard Life's fault.
16. I have reached a similar conclusion with respect to Mr N's complaint that his internet access is unreliable and it is therefore unreasonable for Standard Life to expect him to monitor his SIPP cash account regularly. Standard Life made several suggestions as to how he could avoid a situation where he did not have enough funds in the account to cover the monthly management charges but he did not take any measures in response.
17. It is unfortunate that other SIPP providers will not accept Mr N due to his age, but that is not a situation caused by Standard Life. Moreover, Standard Life would allow him to switch funds and obtain a different charging structure that way.
18. I note Mr N's complaint that Standard Life has not given him sufficient notice that the SIPP cash account was going to go overdrawn because it did not contain adequate funds to cover the monthly management charge. The papers include the following letters from Standard Life to Mr N telling him he needed to pay additional funds into the account or it would go overdrawn:
 - A letter dated 13 November 2014 notifying him he needed to pay in a sum sufficient to cover the monthly management charge by 27 November 2014 or SIPP assets would be sold;

- A letter dated 15 January 2015 telling him he had to make an additional payment into the account by 29 January 2015 or SIPP assets would be sold to cover the monthly management charge;
 - A letter dated 9 July 2015 saying he had to make a payment into the account by 23 July 2015 or SIPP assets would be sold to cover the monthly management charge;
 - A letter dated 11 September 2015 advising him that he needed to pay funds into the account by 25 September 2015 or SIPP assets would be sold to cover the monthly management charge.
19. Therefore, on all of these occasions, Standard Life gave Mr N two weeks' notice that SIPP assets would be sold unless he paid a sum sufficient to account for the monthly management charge into the SIPP cash account.
20. I accept that, on occasions the post was slow and Standard Life took a while to process the individual payments Mr N made into the SIPP cash account to cover the monthly management charges. For example, after he received Standard Life's letter dated 11 September 2015, he paid £91.91 into the account on 22 September 2015, but Standard Life did not credit the money until 8 October 2015. However, I am unable to overlook the fact that, prior to this, Standard Life provided Mr N with information as to how he could ensure he had sufficient funds in the account to cover the monthly management charge on several occasions. It was plainly a problem which would recur but Mr N chose to put no system of payment in place. Had he taken appropriate steps in accordance with these suggestions, for example by setting up a monthly payment to cover the management charges, or switching to the SLIP funds, it is unlikely this issue would have arisen. I do not consider an award of compensation would be appropriate in these circumstances.
21. Finally, Mr N has complained that Standard Life sold assets to cover 12 months' worth of management charges instead of just enough to cover one months' worth of charges. He says it is not entitled to do this. However, the SIPP terms and conditions state:-
- “6.8. Where there's insufficient cash in your holding in the trustee cash account to pay a charge, or an income payment, we reserve the right to sell assets of greater value so that we don't have to repeat these sales too frequently”.
22. I also note that Standard Life's letters to Mr N dated 13 November 2014, 15 January 2015, 9 July 2015 and 11 September 2015 provide an online link to the SIPP terms and conditions. Accordingly, I am satisfied that the terms and conditions make it sufficiently clear that Standard Life can sell assets of a higher value than the charge in order to avoid making the sales too often, and that Mr N was encouraged to read them. Bearing in mind that in Mr N's case it had been necessary to make these sales

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on several occasions, I find that Standard Life was reasonably entitled to sell SIPP assets sufficient to cover several months of management charges.

23. Therefore, I do not uphold Mr N's complaint.

Karen Johnston

Deputy Pensions Ombudsman
14 March 2017