

## Ombudsman's Determination

Applicant	Dr N
Scheme	Fidelity/WMI Ltd Group Personal Pension Plan ( <b>the Plan</b> )
Respondent	Fidelity International ( <b>Fidelity</b> )

## Outcome

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

## Complaint summary

3. Dr N has complained that Fidelity has not provided adequate assurance that a change to the Plan would not entail any additional cost to him.

## Background information, including submissions from the parties

4. Fidelity wrote to Dr N in December 2016 to tell him about upcoming changes to the Plan. The letter read:-

"Fidelity regularly reviews its funds to ensure they meet the needs of our customers and keep pace with changes in the investment industry. For this reason, we are proposing to merge the Fidelity Gross Accumulating Cash Fund, the underlying fund for the Fidelity Cash Pensions Fund (the Fund), which is structured as a unit trust, into the Fidelity Cash Fund, a sub-fund of our Fidelity Investment Funds Open-Ended Investment Company (OEIC) structure. The Fidelity Cash Pensions Fund is an investment option available to you and one that you are invested in. This change is subject to shareholder approval on 11 January 2017.

### How we plan to implement this change

We have created a sub-fund within the Fidelity Investment Funds OEIC and are proposing to merge the assets of the Fidelity Gross Accumulating Cash Fund into this sub-fund on 10 February 2017. The sub-fund is known as the Fidelity Cash Fund. Should the merger proceed, we will move the holdings in the underlying fund into a gross accumulating share class of this fund.

All direct costs and expenses relating to the proposals described in this letter will be paid by Fidelity, not by Unitholders. These will include the costs of producing and posting this document, the other costs of convening and holding the meeting of Unitholders (and any adjourned meeting), and the costs of preparing and implementing the merger. Fidelity will also discharge any stamp duty, stamp duty reserve tax or similar foreign tax or duty payable as a result of the transfer of assets under the merger.

**IMPORTANT:** If the merger is approved, the conversion will take place between **1 February 2017 to 13 February 2017** to allow us to continue to process any buys and sells into the Fidelity Cash Pensions Fund. All assets in the underlying fund will be switched to the new sub-fund which will be completed by 13 February 2017.

These changes would have no impact on your returns or the way the Fidelity Cash Pensions Fund is managed, and they are not expected to affect the fund's risk profile ...

We will write to you again if the merger proposal is **not** successful.

For information regarding your pension account, please contact the Pensions Service Centre on **0800 3 68 68 68** (+44 (0) 1737 838 585 outside the UK) between 8am and 6pm on UK business days. Please have your password to hand when calling. Alternatively, you can email the Pensions Service Centre at **pensions.service@fil.com**. You can also view your pension account by logging into PlanViewer at **[www.fidelitypensions.co.uk](http://www.fidelitypensions.co.uk)**.

5. Dr N emailed Fidelity on 4 February 2017 to ask for an assurance that the amount of money taken from his account each month would not be any higher than the current Total Expense Ratio (**TER**) of 0.25% as a result of the proposed change.
6. Fidelity responded on 8 February 2017, confirming that there would be no change to the charges or TER of the fund and that it would pay the charges arising from the implementation of the transfer. Fidelity added that the letter notifying him of the proposed change was sent to him in December 2016, thereby giving him the opportunity to make an informed decision as to whether to remain invested within the fund. Fidelity assured Dr N that the proposed transfer would not affect his previous returns, and that it would not change the fund's risk profile. Fidelity pointed out that, should Dr N be unhappy with the proposed change, he had the option of switching to other funds, and that he could do this online or by telephone.

7. Fidelity also highlighted the automated “lifestyle” option and explained that this worked by initially focussing on higher risk investment funds and gradually shifted towards lower risk funds as he approached pensionable age.
8. Dissatisfied, Dr N referred the complaint to us. He submits that Fidelity has not provided adequate evidence that the transfer entailed no additional cost to him.

### **Adjudicator’s Opinion**

9. Dr N’s complaint was considered by one of our Adjudicators who concluded that no further action was required by Fidelity. The Adjudicator’s findings are summarised briefly below:-
  - Pension providers can modify the services they offer (subject to the relevant laws and regulations). Likewise, their customers are free to change provider.
  - Fidelity gave Dr N sufficient notice of the proposed transfer.
  - After Dr N complained, Fidelity confirmed that the transfer would not entail any changes to the administration charges or TER of the fund, and that there would be no impact on his previous returns. Fidelity also told Dr N about the “lifestyle” option, and made him aware that he could switch to other fund portfolios, online or by telephone, if he was unhappy with the proposed change.
  - Overall, the Adjudicator considered that there was no evidence of maladministration by Fidelity.
10. Dr N did not accept the Adjudicator’s Opinion and the complaint was passed to me to consider. Dr 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 Dr N for completeness. Essentially, Dr N does not accept that the transfer entailed no additional cost to him and considers Fidelity is being dishonest and misleading in this regard. He maintains that Fidelity have not answered the question put to them by the investigator.

### **Ombudsman’s decision**

11. I have seen nothing to suggest that the charges incurred by N have changed as a result of Fidelity’s decision. Moreover, Fidelity wrote to Mr N approximately two months before the proposed transfer was going to take place to notify him of the planned change. In my judgment, this was sufficient notice. It is not correct that Fidelity did not answer the question put to them. On the contrary they had already given a full explanation to Dr N.

12. After Dr N queried whether the TER of 0.25% would increase as a result of the proposed transfer of the funds into the Fidelity Cash Fund, Fidelity replied:-

“Following our meeting with the shareholders, it has been approved for the planned changes in the letter to be made, and we will be implementing this in due course. Please note, there will be no change to the charges or Total Expense Ratio (TER) in the Fund.

In reference to the letter, I can also confirm that the charges incurred in implementing the change will also be paid by Fidelity so that there is no financial implication for impacted members ...

Confirmed in our letter, it was advised that these changes would have no impact on your previous returns or the way the Fidelity Cash Pensions Fund is managed; also it is not expected to affect the fund’s risk profile. However, your monies remain invested, so does have the potential to fluctuate up and down in line with market movement.

If you are not happy with the changes to this fund, you have the option to be able to place a switch and move away from the Fidelity Cash Pensions Fund. All of the funds that are available to you are outlined on our online portal PlanViewer, you have the option to either place a switch online yourself or you can call our Pensions Service Centre, who will be happy to assist you with these changes. You can also submit a switch request in writing.

If you do not want to manage your own investment choices, Fidelity operate an automated investment strategy called a “lifestyle” option or “Working Life Strategy”. This strategy is built for long term growth that initially invests in more volatile funds, slowly moving these investments incrementally into less volatile investment choices, to protect your investment as you approach your selected retirement age. These are unitised investment funds, the prices for which fluctuate on a daily basis in line with market movement ...

In summary, this merge has been approved and will be taking place shortly. If you would like to place a switch, please contact our Pensions Service Centre on the below number ...

For information regarding your pension account, please contact the Pensions Service Centre on +44 1737 838 585 between 8am and 6pm on UK business days. If possible, please have your password to hand when calling.

Alternatively, you can email the Pensions Service Centre at [pensions.service@fil.com](mailto:pensions.service@fil.com). You can also view your pension account by logging into PlanViewer at [www.fidelitypensions.co.uk](http://www.fidelitypensions.co.uk)”.

13. This letter reinforced that Dr N would not incur any additional charges as a result of the transfer to the Fidelity Cash Fund, and that there would be no change to the TER of the Fidelity Cash Pensions Fund. In addition, the letter explicitly says that there would be no financial implication to Dr N. So Dr N received two letters from Fidelity assuring him that the transfer would not entail any additional cost to him. I consider this to be sufficient reassurance that he would not be made any worse off financially as a consequence of the transfer. Fidelity's conduct cannot reasonably be described as dishonest and misleading.
14. Moreover, in both letters, Fidelity explained Dr N's options, should he not wish to accept the planned transfer, and provided email and telephone contact details so he could contact it for further information. Overall, I find no maladministration by Fidelity.
15. Therefore, I do not uphold Dr N's complaint.

**Karen Johnston**

Deputy Pensions Ombudsman  
20 July 2017