

Ombudsman's Determination

Applicant	Mr M
Scheme	AJ Bell Investcentre Self-invested Personal Pension (the SIPP)
Respondent	AJ Bell Investcentre (owned by AJ Bell Limited)

Outcome

1. Mr M's complaint against AJ Bell Investcentre is partly upheld, but there is a part of the complaint I do not agree with. To put matters right (for the part that is upheld) AJ Bell Limited should compensate him for any loss of interest, and pay him an award of £500 in respect of the significant non-financial injustice he has suffered.
2. My reasons for reaching this decision are explained in more detail below.

Complaint summary

3. Mr M's complaint against AJ Bell Investcentre is that it failed to notify changes to the interest rates that applied to his deposit account and unreasonably delayed processing his instruction to close the account. He has been financially disadvantaged as a result.

Background information, including submissions from the parties

4. Mr M is a beneficiary of the SIPP operated by AJ Bell Investcentre, formerly SIPPdeal Trustees Limited. AJ Bell Investcentre is part of AJ Bell Management Limited, a wholly owned subsidiary of AJ Bell Limited. AJ Bell Limited also administers the 'AJ Bell SSAS'.
5. In July 2015, Mr M applied for an instant access account (the **Deposit Account**) with Royal Bank of Scotland plc (**RBS**), to make an initial deposit of approximately £118,000. The sole trustee named on Mr M's application is SIPPdeal Trustees Ltd. The name of the 'business' shown in Mr M's application is 'AJ Bell Investcentre SIPP re Mr M'; the address of the business: Trafford House, Chester Road, Manchester M32 0RS (the **Manchester Address**).
6. Under the original terms and conditions Mr M agreed to, the initial interest rate payable on the Deposit Account was 0.8%. That is, the Bank of England Base rate in force at the time plus 0.3%.

7. On 18 August 2015, Mr M took out a 'fixed deposit rollover' account (the **Rollover Account**) with Julian Hodge Bank (**Hodge Bank**), with a maturity date of 18 August 2016. The terms of the account are that funds can only be deposited when the interest rate on the account has not changed. On 18 August 2015, the annual rate was 1.75%. This increased to 1.9% on 26 August 2015, and then 1.8% on 28 September 2015. A rate of 1.75% applied from 12 November 2015.
8. On 26 August 2015, following a call with a member of the SSAS team at AJ Bell Limited, the Head of RBS' UK SIPP unit confirmed in writing a change to the interest rate applicable to "arrangements on all pension scheme accounts" (the **August Letter**). RBS said the current rate would change to 0.1% below Base rate 65 days from the date of the notification, through to 29 February 2016. RBS also confirmed a rate of 0% effective from 1 March 2016.
9. The August Letter quoted the sort code for the accounts affected by the changes. It was addressed to 'AJ Bell Limited', at the Manchester Address, and was received on 28 August 2015.
10. In February 2016, more than five months after AJ Bell Limited received the notification, and following correspondence with one of its SSAS clients, it asked RBS for further details, but did not receive a reply.
11. AJ Bell Limited's internal service levels vary depending on workloads. However, its standard timescale for dealing with new items of post is five working days.
12. Section 4.1 of the Financial Conduct Authority's (the **FCA**) 'Banking: Conduct of Business sourcebook handbook' (**BCOBS**) states that 'where a bank intends to make a material change to any rate of interest that would be to the detriment of a customer, it should provide reasonable advance notice on paper or in another durable channel'.
13. The FCA's guidance note 'changes to your bank account' states:

"For accounts that you cannot make payments from, your bank has to give you reasonable notice. If your bank gives you this notice more than two weeks before the change we expect them to send you a reminder."
14. AJ Bell Limited says it did not receive a reminder of the changes notified in the August Letter.
15. On 4 August 2016, the Bank of England cut Base rate to 0.25%.

16. Mr M's adviser (the **Adviser**) says she reviewed the market around the time of the cut in Base rate. As the cost of moving outweighed the additional interest Mr M could earn by changing accounts, she recommended that he remain with RBS, on the understanding that the rate applicable to the Deposit Account had reduced to 0.55%. When her firm contacted RBS, RBS confirmed on 16 August 2016 that the interest rate on the Deposit Account was 0%.
17. When Mr M was made aware of the position by the Adviser, he instructed AJ Bell Investcentre to close the Deposit Account, transfer £75,000 to Metro Bank, equating to approximately 63% of the balance. The remainder was transferred to Cater Allen bank (**Cater Allen**). The instruction was received by AJ Bell Investcentre on 23 September 2016.
18. On 20 October 2016, the Adviser complained to AJ Bell Investcentre that it had failed to notify the change to the Deposit Account interest rate and had delayed closing the account. AJ Bell Investcentre acknowledged the complaint on 31 October 2016, and said that it would reply once it had completed its investigations. The complaint procedures enclosed with the letter advised that a final response, or a 'holding response', would be issued within four weeks, if the complaint could not be dealt with within three working days.
19. In its formal response of 11 November 2016, AJ Bell Investcentre explained that the August Letter did not provide sufficient information to enable it to identify that it related to Mr M's Deposit Account. It said that it had acted on his instructions to close the account within a reasonable timescale. AJ Bell Investcentre did not uphold the complaint.
20. With regard to the instruction to close the Deposit Account, RBS received an initial request on 30 September 2016. However, RBS says it was not signed by the appropriate signatories. RBS has confirmed that it received correctly signed instructions on 4 October 2016.
21. The Adviser says AJ Bell Investcentre advised that it would take three to five working days to action the request to close the Deposit Account. When she contacted RBS five days later, she was told that the instruction had not yet been processed. She later found out the request had been rejected because one of the AJ Bell Investcentre signatories was not accepted by RBS.
22. The funds of £119,038 were received in Mr M's SIPP on 6 October 2016, nine working days after the Adviser instructed AJ Bell Investcentre to close the Deposit Account.
23. On 12 January 2017, after complaining to RBS about the August Letter without success, the Adviser wrote to AJ Bell Investcentre and asked for the complaint made on 20 October 2016 to be re-opened.

24. On 13 January 2017, AJ Bell Investcentre sent a letter of acknowledgement. On 23 March 2017, after receiving a chaser from the Adviser on 14 March 2017, AJ Bell Investcentre replied saying that the case was currently being investigated and that it expected to respond within two weeks. The Adviser says she contacted AJ Bell Investcentre on 18 April 2017 for an update but AJ Bell Investcentre did not reply.
25. On 27 April 2017, some fifteen weeks after the Adviser asked to reopen the original complaint, AJ Bell Investcentre issued its formal response and apologised for the delay in replying. It explained that AJ Bell Limited did contact RBS for further information when it received the August Letter, but it did not receive a reply. AJ Bell Investcentre said that the funds were received in Mr M's SIPP within a reasonable timescale of the instruction received on 23 September 2016.
26. The Adviser has provided a 'best buy table for SIPP deposit accounts', dated 14 July 2015, as evidence of the enquiries she made around that time. It shows a rate of 1.60% in respect of a one year fixed deposit account with Hodge Bank. The Adviser says, had Mr M been made aware of the change in interest rate on the Deposit Account in August 2015, he would likely have invested his entire funds with Hodge Bank.
27. Hodge Bank has confirmed to this office that it is possible for its customers to have more than one fixed deposit.
28. With regard to Mr M's account with Metro Bank, the initial rate of interest he secured was 0.90%.
29. AJ Bell Investcentre accepts that it did not notify Mr M of the change to the Deposit Account terms. However, it does not agree that it is to blame for what has gone wrong. It therefore does not consider it appropriate for any business within the AJ Bell group of companies to pay compensation to Mr M. AJ Bell Investcentre says the August Letter was addressed to the AJ Bell SSAS team, and not the business address named in Mr M's application. It therefore did not comply with the requirements contained in the BCOBS, to provide reasonable notice. Apart from being addressed to the wrong area of business, it was a general notice and did not provide details of the customers impacted by the changes.
30. AJ Bell Investcentre has pointed out that, following the closure of the Deposit Account, Mr M invested his monies with Cater Allen and Metro Bank. No evidence has been made available to AJ Bell Investcentre which supports that he would have acted any differently in 2015. Allowing for its service levels of five days, the earliest date AJ Bell Investcentre could have notified Mr M and his Adviser of the changes was on 4 September 2015, not taking into account any time needed to identify that they applied to him. Consequently, it would not have been possible for Mr M to invest additional funds in his account with Hodge Bank.

31. AJ Bell Investcentre says irrespective of whether it notified Mr M and his Adviser when it received the August Letter, the matter does not justify an award of £500, as this would be disproportionate to the level of non-financial injustice Mr M would likely have suffered. Furthermore, it is a Company policy not to pay compensation to intermediaries.
32. In addition to reimbursement of the cost of his Adviser's time, Mr M considers redress for the alleged loss of interest, and an award of £500 for the distress and inconvenience caused to him, would be reasonable compensation.
33. Mr M's complaint was considered by one of our Adjudicators who concluded that further action was required by AJ Bell Limited. The Adjudicator's findings are summarised briefly below:-
 - AJ Bell Limited was given advance notice that the interest rate applicable to 'all scheme accounts,' with the sort code advised in the August Letter, would change. While the notification was not addressed specifically to the 'business name' shown in Mr M's application, it was sent to the 'business' address that was provided.
 - RBS made it sufficiently clear that the change relates to all scheme accounts with the sort code quoted in the August Letter. There was nothing preventing AJ Bell Limited for contacting RBS again to request further information.
 - It was AJ Bell Limited's responsibility, and that of AJ Bell Investcentre, to identify existing accounts that would be impacted by those changes and notify affected customers within its usual timescale of five working days of receiving new correspondence. That is, by 7 September 2015. The fact that RBS failed to send a further reminder does not negate this responsibility.
 - AJ Bell Limited started the process by contacting RBS. This was an acknowledgement that it had an obligation to act on the notification. It just did not make contact at the earliest opportunity and follow it through. This was clearly an omission on the part of AJ Bell Limited. Consequently, it is to blame for any financial loss that Mr M has suffered as a result of its mistake.
 - Given Mr M's subsequent actions, it is more likely that he would have transferred a similar percentage to a fixed deposit account, with Hodge Bank (the fixed deposit account which he was favouring at the time), and the balance to Metro Bank or similar. There was nothing preventing him having two deposit accounts with Hodge.
 - Allowing for the nine working days taken to action Mr M's request to close the Deposit Account, it is likely that, if AJ Bell Investcentre had been informed of the changes by AJ Bell Limited, and then alerted Mr M by 7 September 2015, he would have transferred 38% of his funds to Hodge Bank by 18 September 2015, and secured the interest rate of 1.9%, which applied between 25 August 2015 and 29 September 2015.

- The time taken for AJ Bell Investcentre to action Mr M's request to close the Deposit Account was reasonable in the circumstances.
 - With regard to Mr M's claim for compensation for his Adviser, he could have contacted the Pension Advisory Service for help with his complaint. Consequently, it should have been possible to bring the complaint to AJ Bell Investcentre, and then to this office, without utilising his Adviser, as the complaint is straightforward.
 - This matter has caused Mr M significant distress and inconvenience, an award of £500 is in line with what the Pensions Ombudsman would direct in similar cases.
34. AJ Bell Investcentre did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. AJ Bell Investcentre has provided its comments but these do not change the outcome. I agree with the Adjudicator's Opinion and I will therefore only respond to the key points made by AJ Bell Investcentre for completeness.

Ombudsman's decision

35. AJ Bell Investcentre says it has already explained why it was unable to notify Mr M concerning his Deposit Account. RBS did not act in accordance with its obligations under BCOBS. AJ Bell Investcentre does not think it can be held responsible for the failings of another company. Consequently, it does not agree with the Adjudicator's finding and would like the case to be considered by an Ombudsman.
36. I agree with the Adjudicator that AJ Bell Limited had sufficient notice that there had been a change of terms affecting some of its customers and if it was unclear which ones it should have clarified that with RBS. I make no finding about the separate issue of whether RBS did or did not comply with its obligations as that point does not fall within my jurisdiction. I am satisfied that AJ Bell Limited should compensate Mr M for any financial loss he has suffered as a result of its administrative error.
37. Additionally, Mr M should be compensated to the extent that he has suffered significant distress and inconvenience as a consequence of the omission. I consider that an award of £500 is appropriate in the circumstances.
38. I therefore uphold Mr M's complaint in part and also make an award of £500.

Directions

39. Within 21 days of the date of this Determination, AJ Bell Limited shall:
- I. compensate Mr M for any loss of interest. The calculation should be on the basis that 38% of the Deposit Account balance, as at 18 September 2015, was held with Hodge Bank, earning annual interest of 1.9%, with the balance held with Metro Bank accruing interest at the rate applicable to that account;
 - II. notify Mr M in writing of the amount of compensation paid; and

III. pay £500 to him for significant distress and inconvenience.

Karen Johnston

Deputy Pensions Ombudsman
21 March 2018