

Ombudsman's Determination

Applicant	Miss E
Scheme	Fidelity FundsNetwork Pension (the Scheme)
Respondent	Fidelity International (Fidelity)

Outcome

1. I do not uphold Miss E's complaint and no further action is required by Fidelity.

Complaint summary

2. Miss E complains about Fidelity's poor administration. She claims the following:-
 - Fidelity was not transparent about the applicable fees.
 - The fees appeared to be inconsistent.
 - Fidelity had caused delays with a payment into the Scheme.
 - Fidelity had incorrectly added a beneficiary to her pension.
3. As a result, Miss E decided to transfer her pension from Fidelity to another provider and wanted Fidelity to cover any loss of investment opportunities.

Background information, including submissions from the parties

4. On 28 December 2017, Miss E transferred into the Scheme after obtaining advice from an independent financial adviser (**IFA**). Based on the IFA's research and the Fidelity FundsNetwork Key facts Illustration (**the Illustration**), the Scheme would have the least amount of fees, in comparison to other schemes that were considered at the time, with a 0.25% product charge and a 0.22% fund charge. At the top of the Illustration read "This document must be read in conjunction with the FundsNetwork Pension Key Features Document (**the Key Features Document**), Terms and Conditions and the relevant Key Investor Documents and/or Fund Specific Information."
5. The Key Features Document stated the following:

"What charges will I pay?"

This section lists the charges you will pay to FundsNetwork for administering your pension account, for the investments that you choose to invest your contributions in and transactional charges for those investments. These are charges that you will typically pay to either FundsNetwork or the investment manager. [...]

Investor fee: If you hold a FundsNetwork Pension, an Investor Fee of £45 per year is payable. This is deducted half yearly (£22.50 every six months).”

6. The FundsNetwork Terms and Conditions supported this as it confirmed that “any Investor Fee payable by you will be clearly set out in the Key Features Document, as amended from time to time. The Investor Fee will be charged at the rate published by us from time to time and will be subject to change.”
7. After transferring to the Scheme, Fidelity applied charges to Miss E’s pension account. These were an investor fee of £22.50 on 4 January 2018, and a service fee for February, March and April 2018, the total of which amounted to £24.49. It appears that the investor fee and the first two service fees were deducted from Miss E’s account on 9 March 2018. The third service fee was deducted on 10 April 2018.
8. On 13 February 2018, Miss E submitted an application for additional single payments into her pension from a third party, which Fidelity received on 15 February 2018. After reviewing the documentation, Fidelity required further information to verify the identity of the contributor. Fidelity received this on 21 February 2018 and according to its processing times, it should have actioned the deals within two working days. However, it was not processed until 5 March 2018.
9. On 26 February 2018, the IFA called Fidelity to register a complaint, as Miss E had been notified that a person unknown to her had been added as a beneficiary to her pension account. The IFA also outlined that the complaint ought to address the following:-
 - The delays in verifying the contributor due to Fidelity not sending a letter.
 - The fact that the contributor had passed the initial checks when Miss E’s pension had been set up, but further information was needed for the February contribution.
 - The lack of transparency behind the annual £45 investor fee, as it did not feature on the Illustration.
 - The inconsistency of the fees being applied.
10. During the telephone call, Fidelity explained that although the investor fee was not on the Illustration, it was listed in the Key Features Document. Fidelity also noted that part of the application process was the applicant agreeing to having seen the Key Features Document.
11. On 28 February 2018, Fidelity issued a letter to acknowledge Miss E’s complaint. Included in this was Fidelity’s complaint procedure, which stated that if Miss E was

unhappy with Fidelity's response, she may be entitled to refer her complaint to one of the following: Financial Ombudsman Service, The Pensions Advisory Service or The Pensions Ombudsman.

12. On 21 April 2018, Fidelity responded to the complaint. However, it only addressed the incorrectly added beneficiary to Miss E's pension account and the service fees, which it stated was the only fee it charged, and apologised that it had not been "incorporated with the illustration you received." It explained that the beneficiary had been added due to an administrative error and a letter was automatically sent to Miss E as a result. However, when Fidelity became aware of the error it removed the beneficiary the following day. Fidelity apologised for the inconvenience caused and noted that Miss E had transferred to another Scheme on 11 April 2018, as a result of what happened. Fidelity offered Miss E £50 as this was appropriate in light of the circumstances it had addressed.
13. On 4 May 2018, the IFA contacted Fidelity as it had "not covered the complaint that was made." Furthermore, the offer was considered "derisory" and the IFA highlighted that the charges quoted in the complaint letter differed from those quoted previously. In addition to this, the IFA asked why there was inconsistency in the charges being applied to Miss E's pension account, in comparison to her sister's account.
14. On 18 June 2018, Fidelity contacted the IFA to confirm the fees that had been applied to Miss E's pension account. Fidelity explained that there was a difference in the fee amounts across the two pension accounts as the contributions to both accounts had been different and had been transferred at different times. Fidelity apologised for failing to address the complaint points in the first instance and offered an award of £150.
15. In response, the IFA wrote to Fidelity on 19 June 2018, asking for further information. The IFA wanted a breakdown of the applicable fees and said that a loss assessment for the time out of the market, as a result of moving from Fidelity to another provider, ought to be conducted.
16. On 1 August 2018, Fidelity issued its reply. It agreed that it had caused a delay in placing trades and that it was in the process of placing corrective trades, which it would send to the new provider. However, Fidelity did not agree to providing compensation for market movements during the transfer to the new provider, as Miss E could have re-registered her assets.
17. Additionally, Fidelity stated that it did not believe it was responsible for ensuring that each comparison system provider was reporting all the relevant information about Fidelity's charging structure. Nevertheless, Fidelity apologised for the time taken to respond to the complaint and for previously failing to respond to the concerns the IFA had raised. At this point, it appears that Fidelity changed its offer to £100, in recognition of the poor level of service.
18. Dissatisfied with Fidelity's response, the IFA brought the complaint to the Pensions Ombudsman. In the application form, Miss E reiterated that as a result of the

accumulated individual errors, she wanted the pension “moved away from Fidelity as quickly as possible” and for Fidelity to cover the additional costs incurred by transferring from Fidelity to another pension provider. Miss E also noted that Fidelity had not provided referral options to an Ombudsman in its initial response.

19. Whilst we have been investigating the complaint, Fidelity confirmed that its current, total offer to Miss E was £50 for the beneficiary being incorrectly added and £150 in recognition of the other issues. With regard to the beneficiary, Fidelity highlighted that as Miss E’s account was held in a trust, the trustees would make the decision. Fidelity thought that the trustees would have questioned the relationship and would have realised that it was incorrect. In addition to this, Fidelity noted that information about the investor fee was made available to the IFA and Miss E. Part of Miss E’s application to transfer into the Scheme was to accept a declaration whereby she agreed that she had read them and acknowledged that she was bound by them.

20. Fidelity also provided the following additional information:-

- A copy of the telephone call recording between Fidelity and the IFA on 26 February 2018.
- Confirmation that the delays were caused by Fidelity after it received the forms and money laundering verification documents. It should have processed these within two working days, but it did not in this instance. As Fidelity had all the relevant documents on 21 February 2018, the deals should have been instructed on 23 February 2018. Due to dealing cut-off times, this would have gone through on the next working day, 26 February rather than 5 March 2018.
- Results of the loss assessment it carried out were mentioned in its letter dated 1 August 2018. This indicated that due to the delay, Miss E was able to purchase an additional 0.24 units.
- Fund Price History from 15 February 2018 to 5 March 2018¹.
- Clarification on why the investor fee is not included in the tool used by advisors for the purposes of creating an illustration. Namely, the investor fee is not deducted from each product, and so is not relevant to all customers.
- An explanation for why additional information was needed for the additional contribution made in February 2018. As the first application was a transfer from another scheme, additional checks were not necessary for Miss E’s parent. This was because her parent was only listed for the purpose of legal guardianship for Miss E as she was not yet 18 years old at the time of the application. However, as Miss E’s parent was the contributor for the February application, at that point, Fidelity required further information to satisfy its security checks.

21. The IFA also confirmed what it thought Fidelity should offer:-

¹ A copy of this can be found in the Appendix.

- A loss assessment, “to make sure the client hasn’t lost out by ineffective procedures and as a result of having to transfer to [another provider]. Fidelity may make the point that this could have been re-registered but due to the number of issues experienced already, the re-registration process would have taken too long (average 6-8 weeks). The clients wanted out of Fidelity.”
- An award for the distress and inconvenience caused by Fidelity.
- Reimbursement of the costs incurred from transferring to another provider.

Adjudicator’s Opinion

22. Miss E’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 below:-

- Although not all of the fees were listed on the platform the IFA used or on the Illustration, the investor fee was applied correctly. The Illustration said that other documents should have been read alongside it, such as the Key Features Document. Part of the application process to join the Scheme was to sign a declaration that said the applicant agreed to pay all the charges relating to the Scheme as set out by the Key Features Document. So, Miss E ought to have been aware.
- The fees were deducted in accordance with the Key Features Document, so the Adjudicator did not agree that there had been inconsistencies. Although Fidelity incorrectly quoted a different service fee on 21 April 2018, it confirmed this was an error and the correct information was in the Key Features Document.
- By asking for further information in relation to the additional single payment, Fidelity was ensuring that it met its obligations in relation to money laundering regulations.
- Although there was a delay in Fidelity processing the information for the additional single payment, this did not disadvantage Miss E as she was able to buy more units as a result.
- Fidelity made an error when it added a third party to Miss E’s pension account. However, it did not affect her pension and, had Miss E passed away, the nominated beneficiary would not have received an automatic payment.
- Fidelity provided information on its complaint procedure on 28 February 2018. Although the response Fidelity issued would not constitute a final response letter, the Adjudicator could not see how this had impacted Miss E’s ability to bring her complaint to us.
- Fidelity made some errors but there was no financial impact that could be directly attributed to its actions. While Miss E transferred to another pension provider as a

result of her experience with Fidelity, the Adjudicator viewed this as Miss E's decision. So, the Adjudicator thought Fidelity's £200 offer was reasonable.

23. Miss E did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Miss E provided further comments which do not change the outcome. I agree with the Adjudicator's Opinion and I will therefore only respond to the key points made by Miss E for completeness. In summary, she said:-

- The investor fee was not shown on the platform her IFA used or in the Illustration, so these were misleading. The fee would impact on the returns she would be getting and therefore projected growth rates.
- Miss E mentioned the Markets in Financial Instruments II Directive (**MiFID II**) on transparency, and best practice. She said that Fidelity should not be allowed to mention charges in separate documents, as this was inconsistent with the regulator's approach on the disclosure of ongoing charges.
- Fidelity's reference to the possibility that the member might have an ISA, and so would not need the investor fee to be disclosed, was unacceptable.
- Although the errors did not disadvantage her, Miss E did not believe the impact of having a number of problems arise in a short space of time had been taken into account. This had caused considerable concern about Fidelity's ability to administer the Scheme.
- The inconsistencies in Fidelity's responses demonstrated that not even its staff understood the charging structures of its contracts. The time it took for them to confirm the actual costs demonstrated the lack of transparency of Fidelity's ongoing costs.

Ombudsman's decision

24. Miss E has focused on the transparency of Fidelity's fees as per MiFID II and how Fidelity's process of disclosing these appeared to be inconsistent with the regulator's approach. I appreciate that it would have been helpful to have had all applicable charges listed on the Illustration, and that perhaps the investor fee should have been shown. Nevertheless, I do not consider that Fidelity has made an error.

25. The Illustration never claimed to be definitive, evidenced by the fact it requested the reader to read a number of other documents, including the Key Features Document. So, I do not agree that the information Fidelity provided was misleading. I would expect a member to read all applicable documentation before choosing to transfer their benefits into a different pension scheme. By signing the declaration on the application forms, Miss E agreed to pay the investor fee, which was applied in accordance with the terms and conditions.

26. From the short period of time that Miss E held her pension with Fidelity, there were errors which would have impacted her faith in the service she received. I do not doubt

that Miss E had expected more when she transferred her benefits in the Scheme. I consider that Fidelity made two errors: there was a delay in processing the additional contribution; and it incorrectly added a third party as Miss E's nominated beneficiary.

27. While the delay would have been frustrating, Fidelity did not make an error when it asked for additional information so that it could comply with the money laundering regulations. So, the delay was a total of five working days, which is not excessive or unreasonable. With regard to the nominated beneficiary, this was rectified within a reasonable amount of time and would not have affected Miss E's benefits. So, I do not find Fidelity responsible for any loss Miss E may have suffered as a result of transferring her benefits out of the Scheme.
28. As Miss E was unhappy with these errors, she raised a complaint and gave Fidelity the opportunity to address her concerns. Fidelity acknowledged the errors and offered what it considered to be a suitable award. I have noted Miss E's comments about how her complaint was handled, but as Miss E had transferred out of the Scheme before she received Fidelity's response, I have not included this as one of the reasons for her transfer. I do not consider the errors so grave that Miss E had no other alternative but to transfer. As a result, Fidelity is not obliged to cover any financial loss Miss E may have incurred from her transfer out of the Scheme.
29. With regard to the non-financial injustice Miss E has suffered as a result of Fidelity's errors, a higher award is not warranted. As explained in paragraph 27 above, Fidelity put matters right within a reasonable amount of time. While its complaint handling could have been improved in this instance, I do not consider that Fidelity's acts and omissions have caused significant distress and inconvenience.
30. I do not uphold Miss E's complaint.

Anthony Arter

Pensions Ombudsman
30 September 2019

Appendix

Fund Price History			
Date Range:		15/02/2018 - 05/03/2018	<input type="button" value="Search"/>
Price Date	Bid Price	Offer Price	NAV Price
05/03/2018	0	0	187.4852
02/03/2018	0	0	187.3106
01/03/2018	0	0	188.2267
28/02/2018	0	0	189.2979
27/02/2018	0	0	189.8311
26/02/2018	0	0	190.4372
23/02/2018	0	0	188.8396
22/02/2018	0	0	187.7105
21/02/2018	0	0	187.6756
20/02/2018	0	0	187.5683
16/02/2018	0	0	188.0356
15/02/2018	0	0	187.1249