

Ombudsman's Determination

Applicant	Miss E
Scheme	Fidelity FundsNetwork Pension (the Scheme)
Respondents	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's complaint is about the £45 investor charge that had been applied to her pension account, as well as Fidelity's delay in processing her application. Miss E decided to transfer her benefits from the Scheme to another provider because of Fidelity's actions. As a result, Miss E would like Fidelity to ensure that she has not experienced a financial loss and for it to recognise the distress and inconvenience caused.

Background information, including submissions from the parties

3. On 7 December 2017, Miss E applied to become a member of the Scheme, as a minor. Based on her independent financial adviser's (**IFA**) research, the Scheme would have the least amount of charges. These would be a 0.25% product charge and a 0.22% fund charge, as outlined in the Fidelity FundsNetwork Key facts Illustration (**the Illustration**). At the top of the Illustration, it 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."
4. In the application form, Miss E's parent signed to say that they had completed all relevant sections, and that they agreed "to pay all the charges related to the FundsNetwork Pension as set out in the Key Features Document."
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 the account had been set up, the following charges became applicable: an investor fee of £22.50 in February 2018 and service fees on 1 March and 1 April 2018, the total of which amounted to £16.73. These were deducted from the account on 16 February, 9 March and 6 April 2018, respectively.
8. On 14 February 2018, Miss E's parent applied to make an additional contribution to Miss E's pension account. In the application form, it stated that "[Fidelity] may need to request additional evidence of identity from anyone who is providing funds on [Miss E's] behalf...". By signing the form, her parent confirmed again that they had read, "the Key Features Document, Terms & Conditions and the relevant key information documents."
9. Following this, Fidelity asked the IFA on 20 February 2018, to send a verification form for Miss E's parent, as it was unable to verify her parent's identity. Fidelity received this the next day.
10. On 26 February 2018, the IFA called Fidelity to register a complaint. It thought there was a lack of transparency behind the annual £45 investor fee, as it did not feature on the Illustration. The IFA also questioned the other fees that were being applied as they did not appear consistent with Miss E's sister's account.
11. On 28 February 2018, the additional contribution was processed.
12. On 11 April 2018, Miss E transferred her funds in the Scheme to another Scheme, as a result of her experience with Fidelity.
13. Fidelity initially responded to the complaint relating to the service fee, on 21 April 2018. However, this did not address all of the complaint issues and had incorrectly said that the service fee amounted to 0.35% and apologised that this had not been incorporated in the Illustration. A further response was issued on 18 June 2018, where Fidelity confirmed the fees that had been applied to Miss E's account. It also stated that the fee difference across the two accounts resulted from different contribution levels and different transfer times. Fidelity apologised for failing to previously address the complaint and offered £150.

14. On 19 June 2018, the IFA contacted Fidelity to ask for a breakdown of the applicable fees and a loss assessment for the time out of the market as a result of transferring from Fidelity.
15. On 1 August 2018, Fidelity responded. It agreed that it had caused a delay in placing trades and that it would place corrective trades. However, it did not agree to providing compensation for market movements during the transfer from the Scheme, because Miss E could have re-registered her assets. 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. It apologised for the time taken to respond to the complaint and for previously failing to respond to the IFA's concerns. It appears that Fidelity changed its offer at this point, to £100 in recognition of the poor level of service.
16. Dissatisfied with Fidelity's response, the IFA brought the complaint to us on behalf of Miss E. 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.
17. While we have been investigating the complaint, Fidelity has confirmed that it offered £100 to Miss E. It also provided the following 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. As Fidelity had all the relevant information on 21 February 2018, and its processing times were two working days, 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 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 0.1 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 transfer of funds was from another scheme, additional checks were not necessary for Miss E's parent. This was because they were only listed for the purpose of legal guardianship for Miss E as

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

she was not yet 18 years old. 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.

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

- 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

19. 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:-

- While the platform the IFA used may have given the impression that the Scheme was offering lower fees in comparison to other pension providers, in the Adjudicator's view, Fidelity was transparent about its fees. This was because the additional fees were listed in the Key Features Document which was available to Miss E before she transferred into the Scheme. Further, Miss E's parent had agreed to pay all the charges outlined in the Key Features Document when the parent signed the application form. The Adjudicator thought it was reasonable to expect an applicant to have read the documents referred to in the declaration.
- As the investor and service fees appear to have been applied in accordance with the Key Features Document, there was no error.
- Although Fidelity took longer to process the additional contribution made in February 2018, the delay was not excessive, and Miss E was able to buy more units as a result.
- The verification process for the additional contribution could not be regarded as an error as Fidelity was ensuring it was complying with money laundering regulations. The forms for the additional contribution said that additional information may be needed to verify the contributor's identity. This was not needed when Miss E transferred into the Scheme as the funds were not being provided by Miss E's parent.
- Fidelity's complaint handling may have been frustrating as Miss E was offered different awards, different fee levels were quoted and complaint issues were initially not responded to. Nevertheless, in the Adjudicator's view, Fidelity's £100

offer to Miss E was reasonable as there was only one error, which may have had a financial impact. But, Miss E was not disadvantaged by the delayed deals. As the Adjudicator did not see an error in relation to the investor fee or the service fees, she did not take these into account.

20. 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. These were:-

- 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 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


21. Miss E claims that the Illustration her IFA received was misleading, as it did not mention all the applicable fees. I disagree, as the Illustration clearly asked Miss E to read the Illustration alongside other documents, such as the Key Features Document. I would argue that in doing so, the responsibility is on the reader to make sure they have read and understood the documents mentioned before proceeding with a transfer, for example. Fidelity's acts and omissions in this regard do not amount to an error.
22. Although the fees applied to Miss E's pension account were not deducted on the same day of each month, they have been applied as per the terms and conditions, and so Fidelity has not done something wrong. If Miss E had any concerns, she could have referred to the Key Features Document, which explained how the fee would be calculated and when it would be deducted.

23. I appreciate that Miss E may believe that Fidelity's acts and omissions in relation to the fees were errors, but I have only identified two. These are the minor delay with the additional contribution and the information provided in Fidelity's responses. At the point that Miss E was receiving conflicting information concerning the fees, she had already transferred out of the Scheme and so they were no longer applicable; any distress and/or inconvenience this may have caused would be minimal. On the other hand, being offered different awards must have been frustrating, especially at a time when Miss E had already been disappointed by the service she had received.
24. Fidelity has agreed that there was a delay when it processed Miss E's additional contribution and has ensured that Miss E did not suffer a financial loss as a result of its delay. It found that Miss E was able to purchase additional units as a result of the delay, and in any event the delay only amounted to two working days. I do not agree that the delay was longer than this as the request for additional information was so that Fidelity could meet its obligations under the money laundering regulations. Further, the whole application took 10 working days, so I cannot see how this would have caused significant distress and inconvenience to Miss E.
25. With regard to the differing awards offered to Miss E, when considered together with the incorrect information provided about the service fee, I agree that it would be disappointing. However, I am not persuaded that it would cause anything more than minor distress. As a result, I consider Fidelity's offer of £100 adequate in this instance.
26. 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	
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