

## Ombudsman's Determination

<b>Applicant</b>	Mr Daniel Long
<b>Scheme</b>	Fidelity SIPP ( <b>the SIPP</b> )
<b>Respondents</b>	Fidelity Investments ( <b>Fidelity</b> ) Towers Watson

### Complaint Summary

Mr Long complains that he has suffered a financial loss as a consequence of delays on the part of Fidelity and Towers Watson in effecting a transfer of the pension rights available to him from the BPSS Pension Scheme into the SIPP.

### Summary of the Ombudsman's determination and reasons

The complaint should be upheld against both Towers Watson and Fidelity because there were needless delays in the transfer process attributable to both parties which resulted in the number of units purchased in the four investment funds selected by Mr Long for the SIPP to be lower than those available if the transfer was finalised on a timely basis.

## Detailed Determination

### Material Facts

1. The SIPP is administered by Standard Life on behalf of Fidelity. It was established in November 2012 by Mr Long in order to receive the transfer value available to him from the BPSS Pension Scheme.
2. On 30 November 2012, Standard Life sent a letter to Towers Watson, the administrators of the BPSS Pension Scheme, to inform them of Mr Long's request.
3. Standard Life asked Towers Watson to pay the current transfer value available to Mr Long by BACS into their bank account held with HSBC and provided relevant account details in order for them to do so. Standard Life stipulated in their letter that:
  - their bank account reference number "D1163553000FNW" must be quoted on the transfer payment; and
  - they would not be held responsible for any delay due to this reference number not being quoted.
4. Towers Watson paid the transfer value available to Mr Long of £48,790 to Standard Life on 20 December 2012 by CHAPS (instead of by BACS). The funds were transferred into Standard Life's bank account on the following day. Towers Watson used the credit narrative "1747188/BNP/0011383" along with the payee/account name of "SIPP Collections AC D1163553000FNW" (which included the bank account reference number) to reference this CHAPS payment.
5. Towers Watson also sent a letter to Standard Life on 20 December by first class post to inform them that the transfer value would be paid direct into their bank account "within the next few days". Full details of Standard Life's bank account, i.e. the bank name, the account reference number, the account number and sort code were provided in this letter. The payment method, CHAPS, was not.
6. Standard Life received this letter on 27 December and telephoned Towers Watson on 8 January 2013 to chase payment of the transfer value. Towers Watson replied that payment had already been made and provided Standard Life with relevant details so that they could trace it.
7. Standard Life informed Towers Watson on 21 January that they had returned the transfer payment to them. On checking their records, Towers Watson found out that it had been paid back on 8 January without any reference or accompanying correspondence so they had been unaware of its return.

8. Towers Watson paid Mr Long's transfer value again by CHAPS to Standard Life on 21 January.
9. On the following day, Mr Long instructed Fidelity to invest £12,000 in each of the China Consumer Fund, China Focus Fund, Emerging Asia Fund and the Emerging Europe, Middle East & Africa Fund. Fidelity processed this request on 23 January 2013 at the next available dealing point.
10. The actual number of units purchased in each fund for Mr Long is shown in the table below.

<b>Fund Name</b>	<b>Amount (£)</b>	<b>Price as at 23/01/13 (£)</b>	<b>Units Purchased</b>
Emerging Asia Fund	12,000	1.124	10,676.16
China Focus Fund	12,000	3.541	3,388.87
China Consumer Fund	12,000	11.740	1,022.15
Emerging Europe, Middle East and Africa Fund	12,000	17.610	681.13

11. If the units had been purchased on 10 January 2013. the hypothetical number of units in each fund is showed below:

<b>Fund Name</b>	<b>Amount (£)</b>	<b>Price as at 23/01/13 (£)</b>	<b>Units Purchased</b>
Emerging Asia Fund	12,000	1.086	11,049.72
China Focus Fund	12,000	3.399	3,530.45
China Consumer Fund	12,000	11.350	1,057.27
Emerging Europe, Middle East and Africa Fund	12,000	17.530	684.51

12. The number of additional units purchased in each fund would therefore have been as follows.

<b>Fund Name</b>	<b>Unitary Difference</b>	<b>Price as at 29/10/14 (£)</b>	<b>Value as at 29/10/14 (£)</b>
Emerging Asia Fund	373.56	1.206	450.52
China Focus Fund	141.58	3.664	518.75
China Consumer Fund	35.12	13.830	485.69
Emerging Europe, Middle East and Africa Fund	3.11	17.730	55.15
		<b>Total</b>	<b>1,510.11</b>

### **Summary of Towers Watson's position**

13. They receive numerous requests for transfer payments to be made in a bespoke fashion such as the inclusion of a specific reference number on the payment details. Whilst every effort is made to accommodate such requests, it is not possible to include the receiving scheme's specific reference number on their automated payment system because the fields are automatically populated.
14. Whilst it is not possible to include these details with the electronic CHAPS payment, they ensure that the confirmation letter showed the transfer value amount and full details of the bank account into which the transfer payment is being made including the account reference number. In Mr Long's case, this information was sent to Standard Life in their letter of 20 December.
15. It is reasonable to assume that the payment would have been made before 27 December (regardless of whether by CHAPS or BACS). As such, on receipt of their letter, it is also realistic to expect Standard Life to have either checked their bank account in order to confirm receipt of the payment or to have contacted them to find out when payment was being made (as they did on 8 January).
16. The payments to Standard Life were made in accordance with their standard procedures. They provided sufficient details to Standard Life on two occasions (that is, in their letter of 20 December and subsequent telephone conversation on 8 January) to allocate the payment to Mr Long's SIPP.
17. As agreed with the Trustees of the BPSS Pension Scheme, they make all transfer payments by CHAPS and not BACS in order to improve the payment process and confirm in writing to the receiving scheme when it has been made.

18. They completed six transfers from the BPSS Pension Scheme to Fidelity/Standard Life using the CHAPS payment method during 2012 (with Mr Long's being the last). The bank account reference number "D1163553000FNW" was included in the payee/account name rather than the credit narrative in all cases. As far as they are aware, Standard Life only experienced problems processing Mr Long's transfer.
19. Standard Life/Fidelity did not raise any concerns with them about the five previous transfer payments being made by CHAPS (rather than by BACS). They could not therefore have known that by failing to strictly follow the instructions provided by Fidelity, they would be "putting the process at risk of failing" in Mr Long's case.
20. They did all they reasonably could to enable Standard Life/Fidelity allocate Mr Long's transfer payment on a timely basis. As such, they do not consider it fair that the delay in the transfer process prior to 8 January 2015 should be attributable to them. (Fidelity/Standard Life both strongly disagree with this view however).

### **Summary of Fidelity's position**

21. Fidelity says that:
  - Standard Life would not have recognised the credit narrative "1747188/BNP/0011383" which was Towers Watsons' own reference number for the BPSS Pension Scheme;
  - both the credit narrative and the payee/account name were limited to 18 characters on Standard Life's computer system for BACS/CHAPS payments;
  - the number "3" in the credit narrative and details of their bank account reference number in the payee/account name would therefore not have been visible to Standard Life on their computer system;
  - the payment could not therefore be attributed to Mr Long's SIPP;
  - Towers Watson referenced the CHAPS payment made on 21 January in the same way; but
  - Standard Life was able to locate this payment by searching for it manually because Towers Watson had telephoned on 21 January to inform them that payment had been made.
22. If Towers Watson had correctly used the credit narrative requested with their CHAPS payment, i.e. "D1163553000FNW", this would have been visible to Standard Life on their computer system and payment could then have been identified and allocated to Mr Long.

23. Without explicit notification from Towers Watson that CHAPS would be used to make the payment, it was reasonable for Standard Life to expect Mr Long's transfer value to be paid by BACS.
24. As BACS payments can take three to five working days to clear the receiving bank account, it was also realistic for Standard Life to assume that Mr Long's transfer value had not yet been paid into their bank account when they received Towers Watson's letter on 27 December.
25. Standard Life did not check that payment had been made on receiving of this letter because they expected it to have been referenced properly by Towers Watson and credited to Mr Long's SIPP.
26. Standard Life receives many payments into their bank account daily and unless they are correctly referenced, do not know who the payment was from.
27. If Towers Watson expected Standard Life to locate the payment from their letter of 20 December, the information provided has to be complete. This letter did not, however, mention that payment would be made by CHAPS on 21 December and only said that it would be paid within the next few days. If Standard Life had been told to expect a payment by CHAPS, despite the fact that an incorrect reference had been used by Towers Watson, they would have manually searched for the payment and allocated it to Mr Long's SIPP.
28. Standard Life has a five working day service level agreement for chasing payments/information from third parties. Mr Long's case was highlighted for chasing on 2 January 2013 and made a call to Towers Watson on 8 January which is within this timescale.
29. Standard Life only keeps any money received for 10 days before returning it. If a payment is not referenced correctly, they would, however, first attempt to assign this payment to the correct client's account. As Standard Life was unable to allocate the payment received from Towers Watson on 21 December despite performing extensive searches, they returned it by BACS on 8 January.
30. The fact that money was received prior to when Standard Life was expecting it and that it was incorrectly referenced ultimately led to the payment being returned to Towers Watson. In their opinion, the delay prior to 8 January was therefore caused solely by Towers Watson.
31. They accept however that on 8 January they had the opportunity to retrieve the transfer value because when Standard Life chased for it on 21 January, Towers Watson made the payment on the same day. As such they are prepared to covering the cost of backdating the investments made on 23 January to 10 January 2013 only. Any further cost incurred prior to this date should be met by Towers Watson.

32. They have calculated that if the units had been purchased on 24 December 2012, the hypothetical number of units in each fund selected by Mr Long is as follows:

<b>Fund Name</b>	<b>Amount (£)</b>	<b>Price as at 23/01/13 (£)</b>	<b>Units Purchased</b>
Emerging Asia Fund	12,000	1.058	11,342.16
China Focus Fund	12,000	3.243	3,700.28
China Consumer Fund	12,000	10.740	1,117.32
Emerging Europe, Middle East and Africa Fund	12,000	17.170	608.89

33. The number of additional units purchased in each fund would therefore have been as follows.

<b>Fund Name</b>	<b>Unitary Difference</b>	<b>Price as at 29/10/14 (£)</b>	<b>Value as at 29/10/14 (£)</b>
Emerging Asia Fund	666.00	1.206	803.19
China Focus Fund	311.41	3.664	1,141.00
China Consumer Fund	95.17	13.830	1,316.18
Emerging Europe, Middle East and Africa Fund	17.46	17.730	309.63
		<b>Total</b>	<b>3,569.99</b>

34. In recognition of the distress and inconvenience which Mr Long has suffered dealing with this matter, they have also offered him a goodwill compensation payment of £200.
35. It is standard practice for Standard Life request transfer payments by BACS. This is consistent with the rest of the financial industry. If Towers Watson decided to use CHAPS as a payment method and incur additional costs, then this is their choice.
36. Standard Life can accept incoming payments sent by either method and there are usually no problems if the payment is properly referenced and the supporting documentation is accurate.
37. Standard Life manually traced the five CHAPS transfer payments made in 2012 prior to the one for Mr Long before allocating them to the correct accounts. There is no guarantee that using this manual method would be successful (as Mr Long's case shows).

38. Just because Standard Life managed to apply incorrectly referenced payments in the past does not mean that the transfer process was not put at risk of failing by Towers Watson choosing not to issue the payment as requested.
39. Mr Long's case proves how easily things can go wrong when clear payment instructions are not followed and therefore why Standard Life ask for monies to be referenced in such a way to avert situations like this.
40. As Standard Life was fortunately able to successfully manually allocate the monies from the previous five transfer payments made by Towers Watson in 2012, they did not consider it necessary to raise the incorrect payment reference as an issue with Towers Watson. Standard Life receive hundreds of payments into their bank account on a daily basis from a wide variety of sources and it would not be appropriate for them to respond to incorrectly referenced payments unless there was an issue in allocating the money.
41. Towers Watson might not have known that the credit narrative/payment details are limited to 18 characters but if they had used the correct reference, as requested by them, then this would have been irrelevant.

## **Conclusions**

42. Fidelity has accepted that they were partly responsible for the delay to Mr Long's transfer of pension rights from the BPSS Pension Scheme into the SIPP. They concede that they had an opportunity to chase Towers Watson for the transfer payment on 8 January and if they had taken it, would probably have received the payment from Towers Watson on the same day. They are therefore willing to "best price" the transfer assuming payment was received on 8 January and £12,000 invested in each of the four funds chosen by Mr Long at the next available dealing point of 10 January.
43. Fidelity has determined that this would result in an increase to the amount of units in each of the four funds selected by Mr Long as shown in table in paragraph 12 above. In my opinion, their proposal to Mr Long is an equitable and reasonable response for the delays attributed to them after 8 January.
44. It therefore remains for me to decide whether Towers Watson, the other named respondent in this case, and Fidelity were responsible for delays in the transfer process prior to 8 January, and if so, whether their contributions to the delays also constitute maladministration from which injustice resulted.



45. In their letter dated 30 November 2012 to Towers Watson, Standard Life specifically asked them to pay the transfer value available to Mr Long by BACS and not CHAPS. They also explicitly stated that their bank account reference number “D1163553000FNW” must be quoted on the transfer payment and if Towers Watson failed to do this, there could be a delay to the payment.
46. Towers Watson says that they were unable to provide details of Standard Life’s bank account reference number as part of the credit narrative because this field had been already automatically filled in with their policy number for the BPSS Pension Scheme. They consequently provided this reference number as part of the payee/account name, “SIPP Collections AC D1163553000W”.
47. Unfortunately both the credit narrative and payee account name supplied by Towers Watson were more than 18 characters long and therefore truncated when displayed on Standard Life’s computer system. In particular, no part of the bank account reference number appeared in the payee/account name. Standard Life was consequently unable to identify and allocate the payment to Mr Long without the additional information provided in Towers Watson’s letter of 20 December.
48. As Towers Watson opted to make the transfer payment by CHAPS rather than BACS as requested they should have explicitly specified that they had processed the payment that way. Also, it was less than helpful to send a letter the same day that the payment was made which suggested that payment was yet to come. It was inevitably going to arrive after the payment. In addition it was posted just before Christmas, which made it all the more likely that Standard Life would be unable to identify the payment when it arrived. I also consider that Towers Watson should reasonably have known that they were potentially putting the process at risk of failing. The letter was not sufficient to avert that risk.
49. That Standard Life managed to successfully allocate the monies received from Towers Watson in respect of the five previous transfers made in the same way during 2012 does not change this conclusion.
50. I consider that Fidelity was entitled to assume that Towers Watson would have adhered to their instructions for Mr Long’s transfer and if they wished to deviate from the that process, to have given Fidelity adequate advance notice of what they were proposing to do.
51. I therefore find that the failure of Towers Watson to ensure that Standard Life could allocate the transfer payment on 21 December was the main reason for the transfer delay prior to 8 January. But for this failure, I consider it likely (assuming that the rest of the transfer process took the same time) that Fidelity would have been able to process Mr Long’s investment instructions on 24 December 2012.
52. I therefore uphold Mr Long’s complaint against both Fidelity and Towers Watson.

## **Directions**

53. Within 28 days of the date of this Determination, Fidelity shall pay the cost of backdating the SIPP investments in the Emerging Asia Fund, China Focus Fund, China Consumer Fund and Emerging Europe, Middle East and Africa Fund made on 23 January 2013 to 10 January 2013 and Towers Watson shall pay the additional cost of backdating these investments to 24 December 2012.
54. Fidelity and Towers Watson shall also each pay £100 to Mr Long as compensation for the distress and inconvenience.

**Tony King**

Pensions Ombudsman  
24 March 2015