Channel Islands Financial Ombudsman

Ombudsman Decision
CIFO Reference Number: 25-000100
Complainant: Mr B
Respondent: Sovereign Trust (Guernsey) Limited ("Sovereign")

The Complainant, who I shall refer to as Mr B, complains that Sovereign, as trustee, mismanaged his pension fund.

Background

In November 2011, Mr B transferred his £75,000 UK pension to the S-Pension scheme (the 'Scheme'). He did so on the advice of an independent financial advisor. Mr B confirmed to the original trustee that the Risk Category to be applied to his plan was 'Medium' and that he had appointed an Investment Advisor and Investment Manager. Sovereign was appointed Trustee of the Scheme on 9 March 2018.

The funds Mr B invested in were suspended from 2016/2017, in some cases before Sovereign became Trustee, and by April 2024 the value of his pension fund had fallen to £20,529, that being the cash balance in the general transaction account after all suspended funds had been paid out.

Mr B complained that Sovereign mismanaged his pension plan by:

- failing to respond to correspondence and information requests over the period 2022 to date – specifically in relation to transfer out options and suspended funds; and
- delaying transferring his pension which incurred costs (in particular Trustee fees) and caused a reduction in his overall fund value.

Mr B believed a fair and reasonable settlement would be for Sovereign to pay compensation to cover (i) costs incurred since his plan had not transferred out and (ii) the reduction in its value.

The CIFO adjudicator did not uphold the complaint, primarily because Mr B's plan could not be transferred out in any event. That was because the pension plan contained suspended funds, and those unit holdings could not be traded and reverted to cash to enable a transfer to another provider. Additionally, the market value of holdings in suspended funds was amended in valuation reports to reflect the suspension of unit trading and therefore shown as zero, resulting in a significant reduction in the reported overall plan value. The CIFO Adjudicator concluded that she did not believe that Sovereign had acted inappropriately and it could not therefore properly be held responsible in the circumstances.

Subsequent Submissions

Mr B did not agree with the CIFO adjudicator's conclusions and asked that an Ombudsman review his complaint. No further information was submitted for consideration. Sovereign also had nothing further to add.

Findings

I have considered all the available evidence and arguments to decide what is, in my opinion, fair and reasonable in the individual circumstances of this complaint.

Where an IFA has been appointed by the plan holder, under the Trust Deed underlying the Scheme, the trustee has no liability for investment advice except in the case of fraud, wilful misconduct or gross negligence arising from the negligence or fraud of the appointed IFA. In 2018 Sovereign reiterated to Mr B that it was not licensed to give any investment advice and that all investment related queries needed to be directed to his appointed IFA.

However, the trustee does have an overriding legal obligation to act with due diligence and to preserve and, as far as is reasonable, enhance the value of trust property. A part of this duty was to oversee investments held by the plan to ensure they met legal and regulatory obligations and were in line with the preferred investment risk category, as requested by the plan holder.

The important point here is that the trustee's duty was 'as far as is reasonable' to enhance the value of the trust property, in this case the investment funds in which units were held. The investments made by Mr B through his plan were selected before Sovereign began acting as Trustee. They would have been made on the basis of advice from his IFA at the time, and in line with Mr B's preferred Risk Category, confirmed as 'Medium.'

Sovereign had no authority over the selection of the investment funds and did not provide any advice about their selection or changes to the investment strategy. Those were matters for Mr B and his IFA. That said, I am not aware that any changes were made to this investment strategy and the plan remained invested in the same funds from the outset within the same Risk Category.

Based on the valuation report from April 2024, the last market price dates for funds held by Mr B's plan vary from 31 May 2019 to 8 July 2022 – reflecting when these funds were last traded due to suspension. I do not need to consider here why these funds were suspended from trading. It is enough to note that the impact was that transfers of Mr B's unit holdings could not be facilitated because they could not be sold due to there being no market value. This was not within Sovereign's capability to control or change.

Sovereign confirmed to Mr B's new IFA in November 2021 that partial transfers of holdings in non-suspended funds was permitted; based on the price dates, there were still some non-suspended funds at this time. However, from this point there was no other request from the IFA to Sovereign for further information.

There was then a year before Mr B contacted Sovereign again to discuss transfer options and suspended funds, resulting in a call between Mr B and Sovereign in December 2022. I note that Mr B's IFA was not involved. Again, after this point there was limited contact between Mr B and Sovereign over 2023 and no further information requests from his IFA.

As the CIFO Adjudicator commented, I also acknowledge that Sovereign did not respond to requests for updates from Mr B in a timely manner, but I also am satisfied Mr B did not follow up on concerns or queries. Additionally, there appears to have been very limited involvement by the IFA from 2021 onwards. And it does not follow that, because there was a delay, Mr B should receive compensation in recognition of it. I can only properly make an award in his favour if I believe that the delay has caused material distress or material inconvenience and that it would be fair and reasonable to do so.

In summary I cannot see that Sovereign has caused Mr B any loss in this case. Sovereign's actions or lack of action was not the reason for the reduction in the value of Mr B's plan. Rather, the value of the Mr B's fund was affected by correct reporting reflecting the suspension of all of the investment funds, which could not then be transferred. On this basis I would not hold Sovereign responsible for any delay transferring Mr B's pension plan or the reduction in its overall fund value.

Mr B has also referred to incurring costs (in particular Trustee fees) due to his fund not being transferred out in good time. At the outset, when joining the scheme, Mr B accepted that an annual fee was payable to the Trustee. Mr B's obligation to pay this fee remained, irrespective of the performance of the investment funds, for which the Trustee was not in any event responsible. Had Mr B been able to transfer his plan to a different scheme, fees would also have been payable therefore I do not consider this a cost that should be refunded to him in the circumstances.

Final Decision

My final decision is I do not uphold the complaint and do not require Sovereign to take any further action.

Mike Ingram
Ombudsman

Date: 3 March 2026