



Case study: Pensions

CHANGE IN TRUSTEES AND SUSPENSION OF INVESTMENTS IN PENSION TRUST

Themes: Suspension of assets; change of trustee; trustee responsibilities

A pension plan beneficiary complained about a pension trust that invested in funds which lost value and a change of trustee that occurred prior to that investment loss.

Mr S was advised to invest £111,000 of his pension plan assets into a fund. Two years later the trustee of the pension plan changed. The following year the fund that Mr S's pension plan had invested in was suspended. The suspension meant that the fund was split into two separate and still suspended funds. The investment value fell drastically due to the fund suspension and Mr S could no longer access the invested money or receive the level of pension income that had been originally anticipated.

Mr S brought a wide-ranging complaint to the new trustee. He felt that the pension plan assets had been sold without his authority. He also felt that the trustee should have told him that his pension plan investments were in difficulty and that the risk rating of his investments had changed. Mr S also felt the trustee should have notified him of a conflict of interest during the setup and management of his pension plan, additional fees and charges, the new trustee's role, and that the original trustee had made changes to his application form without authorisation or communicating the changes. Mr S also complained that the new trustee had given him incorrect information when he wanted to get the money from his pension plan investment.

The new trustee did not uphold Mr S's complaint, but it agreed that the information it gave Mr S about encashing his pension investment could have left him confused. The trustee waived the outstanding fees and reduced the pension plan termination fee. Mr S did not accept this as sufficient compensation and brought his complaint to CIFO.

CIFO investigated and found that the sale of the pension plan assets pre-dated the absolute date bar in CIFO's statutory mandate. CIFO could therefore not investigate that part of Mr S's complaint. On the complaint about the failure by the trustee to notify Mr S of the pension investment's difficulties or a change in risk rating, CIFO found that the trustee had no stated requirement to proactively provide this information to Mr S and therefore the trustee could not reasonably be held accountable for this part of the complaint. CIFO concluded that the alleged conflicts of interest during the setup and maintenance of Mr S's fund did not relate to the new trustee as they played no part in the establishment of the initial pension plan investments. CIFO noted that the part of Mr S's complaint regarding fees and charges pre-dated CIFO's statutory mandate and CIFO again, could not investigate this part of the complaint. CIFO concluded that role of the trustee should have been advised to Mr S at the time the pension plan structure was initially established by the previous trustee, and not when the new trustee was appointed. Mr S had also complained that his application

form had been altered, however, in the absence of sufficient evidence CIFO could not establish if this form had been altered by the previous trustee or the new trustee.

Finally, in relation to the encashment of the investments, CIFO decided that the trustee had already made fair and reasonable compensation. CIFO did not uphold this complaint.