



Case study: Pension

PENSION PROVIDER REFUSES PENSION TRANSFER REQUEST

Themes: Pension plan transfer; trustee responsibility

This complaint related to the failure of a pension plan provider to transfer the pension plan to another provider at the request of the financial advisor on behalf of the plan beneficiary.

In June 2019 Mr K's independent financial advisor contacted Mr K's pension plan provider to obtain the relevant transfer-out paperwork as the advisor said Mr K was considering a transfer to another pension plan provider based in the UK. The pension plan provider contacted Mr K directly to ensure that the request from his advisor was genuine and authorised. Mr K confirmed that it was and the pension plan provider sent out the relevant paperwork to initiate the plan transfer.

In October 2019 Mr K's pension plan provider received all the necessary documentation to effect the transfer-out of the plan. However, in November 2019 the pension plan provider, as trustees of the pension plan, advised that the proposed transfer was not in Mr K's best interest and that it could not complete the transfer as requested. Mr K made a complaint and Mr K's pension plan provider which issued a final response letter confirming that they believed the advice given from Mr K's advisor was conflicted, that the new pension plan provider lacked transparency around its fees and charges, and that the new plan had a significant lock-in period.

Mr K responded to his pension plan provider stating that he believed the new plan's terms were reasonable, that the investment proposition was robust, and that he was willing to sign a disclaimer absolving his pension plan provider of any liability in connection with the transfer. Mr K again requested the transfer, but his pension plan provider again refused. Mr K brought his complaint to CIFO.

CIFO investigated and found that the local law states a trustee acting as pension plan provider has a fiduciary duty to consider the best interests of the beneficiary pension plan holder and a failure to do so could leave the pension plan provider liable from both a legal and regulatory perspective. CIFO acknowledged the pension plan provider's concerns about the transfer request. The pension plan provider offered to reconsider the transfer if additional reassurances to their concerns could be given and also offered to consider transfers to other UK-based pension plan providers.

Mr K provided additional information from the proposed new pension plan provider which confirmed the lock-in period would be removed and clarified the fees and charges. CIFO also noted that the position taken by the current pension plan provider could also be seen as conflicted as they collected annual trustee fees from the plan and a transfer-out would cause them to lose business. After receiving the assurances which addressed the current pension plan provider's concerns, CIFO upheld the complaint and the plan transfer proceeded as requested by Mr K.