Case study: Pension

PENSION PLAN DISTRIBUTION INCURS FEES THAT COMPLAINANTS BELIEVED WERE NOT REASONABLE

Themes: International pension plan; governing trust deed; rights of trust beneficiaries; role and responsibility of trustee; disclosure of fees and charges.

This complaint concerns a pension plan termination that incurred distribution costs which the complainants, in their capacity as beneficiaries, believed were avoidable.

In May 2011, a pension plan was opened by a family member of Mr V and Mr W. The pension plan was opened in the form of a trust and the pension plan provider disclosed a clear statement regarding the establishment and administration costs that were applicable. The pension plan also named the complainants, Mr V and Mr W, as equal beneficiaries.

In 2020, Mr V and Mr W's family member died, and the pension plan provider contacted them both regarding the distribution of the pension plan funds, which included the payment of fees for advisers and tax charges. The pension plan provider advised that administration costs to arrange the distribution of the pension plan funds amounted to approximately £9,000, which would be taken from the pension plan directly.

Mr V and Mr W complained to the pension plan provider as they stated that they had not been advised and did not agree to any of the fees. The pension plan provider offered to reduce the fees by approximately £2,000, which the complainants rejected, and the pension plan provider refused to make any further reductions to the costs. Consequently, the complainants referred their complaint to CIFO stating that, as the pension provider had not communicated the charges, they had been misled by omission. The complainants also disclosed that, had they been aware of the charges, they would have made more cost-effective arrangements.

CIFO investigated and noted that, as the pension plan was set up as a trust, the pension plan provider had no contractual agreement with the complainants. In such cases, the rights of the beneficiaries are limited to what is set out in the trust deed and the pension plan rules. In this case, the trust deed did not provide the right for the beneficiaries to influence the actions of the pension plan provider in relation to what work or what advice would be required to administer the pension plan. CIFO said that the pension plan provider had acted in accordance with the trust deed and collected from the proceeds of the plan the associated charges described within that document. Therefore, CIFO did not uphold the complaint believing that the time spent by the pension provider arranging the distribution of the pension plan funds was not unreasonable and the costs incurred were in line of the pension plan rules.