Case study: Pensions

COMPLAINANT WAS INADEQUATELY ADVISED OF PENSION TRUST CHARGES

Themes: retirement trust; fees and charges; tax implications.

This complaint relates to a pension trustee who did not adequately disclose charges associated with a complainant's pension trust.

In June 2010 Mr S was advised by his financial adviser, to move his pension benefits of approximately £20,000 from a UK pension into a local retirement trust. Mr S authorised the transfer and his trust deed set out the rules which permitted the trustee to make changes, review investments and charge for their service. The trustee was to notify Mr S of all the charges for their services.

In 2012 the trustee of Mr S's retirement trust was merged under a different company name, but the trust structure remained essentially the same. In 2018 Mr S's trustee notified Mr S that they had appointed an investment adviser to Mr S's trust upon his request, but Mr S advised the trustee that the documentation requesting the appointment of a new investment adviser had been forged. Mr S's trustee immediately removed the investment adviser from the trust.

In 2021 the trustee of Mr S's trust was again restructuring their company. These changes led to an increase in the fees and charges applied to Mr S's trust. In July 2023 Mr S made a complaint to his trustee as he had concerns regarding the impact of the trustee's restructuring and he believed his trustee had not considered these matters. In particular, he queried whether the trustee had addressed Mr S's risk appetite and the tax implications of the restructuring. Mr S also complained that his trustee had not notified him of any investment changes they had made to date and that they were negligent in accepting a fraudulent instruction to appoint an investment adviser. Mr S also referred his trustee to a notification he had received in 2021 stating that his trust's fees and charges would reduce because of their restructuring, not increase. Mr S's trustee offered to compensate Mr S £1,500, but Mr S rejected their offer and referred his complaint to CIFO.

CIFO investigated and noted that Mr S's retirement trust had maintained its tax status when the trustee restructured and, according to the trust deed, the trustee had not been obliged to notify him regarding any investment decisions they had made on his behalf. In relation to the investment adviser that was incorrectly appointed because of a forged instruction, CIFO found that when the trustee was made aware of this, the adviser had been appropriately removed from the trust structure and Mr S had not incurred any additional charges as a result. CIFO also noted that the trustee was permitted to administer the investments and had notified Mr S of all the relevant fees and charges for this service. However, CIFO did conclude that Mr S's trustee could have been clearer in communicating the fees and charges to Mr S. CIFO therefore upheld the complaint in part and recommended the same compensation, £1,500, that Mr S's trustee had originally offered.