Signed away your right to pensions redress? Think again

The ombudsman is clamping down on unscrupulous financial advisers

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September 30 2018, 12:01am, The Sunday Times

Some savers believe they cannot seek compensation after agreeing to join high-risk schemes ALAMY

Retirement savers who lose money after receiving poor advice could receive compensation even if they signed documents agreeing to the investments.

Customers have been given hope of justice after the Financial Ombudsman Service (FOS) issued a series of rulings against firms that had used paperwork to help them avoid payouts.

Last week, Money revealed a pensions “Wild West” of poor regulation that leaves savers at the mercy of unscrupulous or incompetent financial advisers and with little or no chance of redress.

Some savers believe they cannot seek compensation because they signed documents agreeing to join high-risk schemes, and even confirming they were acting against their adviser’s recommendation.

However, in one recent ruling, the FOS found in favour of a man whose pension income dwindled after he transferred his funds out of a lucrative workplace scheme. His adviser, Portafina, had warned him not to do so, but the FOS ordered it to pay redress and compensation because it did not fully spell out the risks.

Another five rulings, seen by Money, were made against Guinness Mahon Trust Corporation (GMTC), a provider of self-invested personal pensions (Sipps). While Sipp firms often refuse claims for poor advice, arguing it is the responsibility of investors and advisers, the ombudsman ruled GMTC should have carried out more checks before accepting funds from investors who received unregulated advice.

The GMTC cases also reveal the role played by regulated financial advisers, as Sipp firms need them to "check and sign off" on the transfers — even though the actual advice to switch to the Sipp may have been provided by an unregulated firm or individual.

In hundreds of cases relating to GMTC, Avacade, an unregulated adviser, was able to draw client funds into the Sipp after the transfers were rubber-stamped by a regulated firm. The initial rulings, seen by Money, show GMTC offered Sipps to clients cold-called by Avacade, which went into administration last year.

They highlighted unregulated schemes promising eye-catching returns, including an "ethical forestry" fund that bought woodland in Costa Rica and offered returns of up to 15% a year. The fund is now worthless. In one case, the ombudsman said GMTC had not acted "with due diligence . . . or treated its client fairly by accepting the business" and, as a result, its client suffered a financial loss that should be addressed.

GMTC has appealed against the rulings.