

## The complaint

Miss H complains PP Wealth Limited advised her to invest too much of her cash at too much risk and didn't take her needs and personal circumstances into account properly when giving her advice for an investment bond, an investment account, an ISA and a pension transfer.

## Background

I wrote to the parties setting out my provisional decision in the following terms:

### What happened

PP Wealth held initial discussions with Miss H in September 2018 at which time she was in the process of starting to divorce. PP Wealth noted she had around £300,000 in cash from inheritances received two and three years earlier. It also noted: "*[Miss H] has children so bloodline planning is relevant.*" I gather bloodline planning refers to the use of trusts to help pass assets to descendants (while minimising inheritance tax)... PP Wealth met with Miss H in November 2018 at which time she was in her mid-fifties and looking for a place to rent to live in.

Three years later in 2021 Miss H had a pension fund of around £474,000 from a pension sharing order and had received advice from another adviser to pay this into a pension plan and draw an immediate income from it. That adviser recorded Miss H's aim as: "*You would like to see the money from the Pension Share growing and working for you; you do not want it to dwindle in a cash account.*" Miss H was advised by the other adviser to invest the pension in funds where the overall asset breakdown was roughly as follows – and she was told the value could fall as well as rise:

55.5% equity  
19.5% bonds  
25% cash

Miss H was dissatisfied with this other adviser and met PP Wealth and became a client in September 2021. Meetings or video calls took place in October 2021. Miss H was asked to answer questions as part of a process to assess her attitude to investment risk.

Miss H was asked eight questions about her investment experience. According to these, she had cash or National Savings products, but didn't have experience of other investments and had never had a pension where she could choose the investment fund. She wasn't confident about investing – which was the lowest of three confidence options to pick. She said she didn't have any investments or pensions (but she did have two work pensions from which she was receiving income). She said when a fall had taken place in the value of her investments or pensions, she had waited to discuss this at her next review with her adviser. This may refer to her work pensions before she started to draw them, but this isn't clear.

Miss H was also asked ten questions about her general attitude to risk. In her answers:

- She agreed she would accept potential losses in order to pursue long term investment growth. She was willing to risk some of her capital or income to get a good return on an investment. She didn't agree to preferring a bank account to an investment in shares.
- She didn't agree or disagree that she took lower financial risks than the average person or that she didn't feel uncomfortable with financial uncertainty. She didn't agree high returns require high risk.
- She agreed when making financial decisions she was generally more concerned about possible losses than possible gains. She disagreed that she would be happy investing a large proportion of her capital in a high-risk investment. She agreed she would rather know she was getting a guaranteed return than be uncertain about her investments.

Miss H was also asked questions designed by PP Wealth to assess her capacity for risk. In her answers:

- She said her investment was for a range of goals...
- She said she could afford a small loss on her investments without reducing her future standard of living. Her other choices were a medium loss, a large loss or no loss.
- She said the earliest she would need money from her investments was within the next year and also after between one and five years. Her other choices were to answer after six to ten years or after more than ten years. She said she planned to take money out as a lump sum and also as regular withdrawals leaving the rest invested.
- She said it was possible she may need to access her investments early in a financial emergency. Her other choices were to say this was very likely or to say it was unlikely meaning she had enough money elsewhere for financial emergencies...

PP Wealth produced a risk attitude report on 21 October 2021. This set out the answers Miss H had given to the questionnaire and gave details of the risk profile that had resulted. On the report Miss H's answer about preferring a guaranteed return to uncertainty, was flagged as an 'inconsistent response' that *"might reflect a misunderstanding of the questions or the possible responses"*. The report said there had been further discussion between PP Wealth and Miss H as a result but didn't specify what had been said.

The report told Miss H her risk profile result was profile 5 of 10 – *'Low medium'*. The leaflet to explain the risk assessment process that had been attached to the questionnaire Miss H completed had listed ten possible risk profiles - and *'Low medium'* wasn't one of them. On that leaflet profiles one to four were mostly coloured green (indicating safety or lack of risk) and six to ten were mostly coloured red (indicating risk). Profile five was a mix of green and red and was called *"Medium Risk"*. Its description said:

*"Your attitude to accepting risk is 'medium'. While you are likely to be concerned with not getting as much back from your investments as you put in, you also probably want to make higher returns on your investments. Your preferred investments are likely to include a balanced mix of lower- and medium-risk investments such as cash, bonds and property, and higher risk investments such as shares."*

In context, profile four - 'Lowest Medium Risk' - was for investors who "may want", rather than "probably want", to make higher returns, and preferred to invest in "mainly lower- or medium-risk investments such as cash, bonds or property, with typically fewer higher-risk investments such as shares." Profile six - 'High Medium Risk' - was for investors who "want" to make higher returns, preferring investments "likely to include mainly higher-risk investments such as shares and typically some lower- and medium-risk investments such as cash, bonds and property".

Returning to the risk report, its description of Miss H's selected 'Low medium' risk level said this "...shows that your willingness and ability to accept investment risk is about average. A portfolio that matches this risk profile is likely to experience both rises and falls in value. So while there is good potential for returns from your investment to match or go above the rate of inflation (in other words, the rate at which the prices of goods and services rise), you also need to accept that your investment could fall in value, particularly in the short term."

It also said: "A portfolio for this risk profile is most likely to contain low-, medium- and high risk investments, including money market investments, government bonds, Sterling corporate bonds and global bonds as well as Property. It will also be expected to contain some high-risk investments such as shares, but held mainly in UK and other developed markets, and also a small amount in other higher-risk investments such as shares in emerging markets... you should always check you are comfortable with what's included."

It also had a table to show how £10,000 invested in such a portfolio might perform in 'very weak', 'average' and 'strong' market conditions and compared also to not investing. It said the figures took into account inflation, so the 'not invested' figures showed "how inflation would reduce the spending power of the initial investment amount if it remained uninvested." It said the figures were "forecast estimates" and the actual return could be higher than the highest or lower than the lowest shown.

For a 'weak market' the table showed a reduction from £10,000 to £8,650 after year one (£9760 if not invested), £7490 after year five (£8840 if not invested), £6900 after ten years (£7810 if not invested) and £6370 after 20 years (£6100 if not invested). A very modest return in real terms was shown for an 'average' market (i.e. growing above £10,000) and significant growth was shown under a 'very strong market'.

The report set out a 'target portfolio' – being an asset allocation it thought appropriate for Miss H's risk profile. It said the estimated potential annual growth rate was 2.49% "inflation adjusted", which I assume meant this was the return on top of inflation. The report explained:

*"This target asset allocation is designed to provide the potential for higher returns than cash deposits. It is also highly diversified to protect against falls in any individual area of the investment market. The level of income generated by this portfolio may fall and rise. The portfolio includes some overseas investments, which may see additional fluctuations in value because of changes in currency exchange rates."*

The report continued:

*"It is assumed that this asset allocation will be constructed using pooled investment funds. Although the capital value of investment funds may fluctuate, and you are not guaranteed to receive back the original amount invested, the risk of loss is much less than for an investment made directly in the stock market – for example individual company shares."*

The target allocation, broadly, was 23% UK equity, 41% overseas equity, 5% property, 21% bonds (mostly UK and investment grade) and 10% cash.

A 29 October 2021 meeting followed to discuss Miss H's risk questionnaire answers. The risk report itself wasn't shared with Miss H until 3 November 2021. Recommendations reports followed on 5 November (shared with Miss H on 12 or 19 November). These said Miss H had £493,500 in cash or National Savings. I assume the increase since 2018 was mainly due to the divorce settlement.

PP Wealth noted Miss H had an income shortfall of £3700 per month, was working part-time, intended to set up a new business and was living in rental accommodation. It said she was living off the cash balances and *"slowly exhausting the balances"*.

With regard to Miss H's investment experience, the report said: *"I understand that you have previous experience of cash-based savings accounts. You confirmed that you have a basic amount of knowledge of investments and financial products but are somewhat uncomfortable with the idea of investing. As such, we will seek to educate you further before making any recommendations in the future. It was clear during our discussions that you understood the strategy I am recommending and the associated risks."*

With regard to Miss H's capacity for loss, the report said this had been discussed and that: *"...You should ensure that you can still meet your essential living costs and other important financial goals if this investment falls in value or doesn't perform well. You are satisfied that the agreed attitude to risk is consistent with your capacity for loss."*

PP Wealth recommended Miss H transfer her pension to a different provider, mainly due to costs, and invest it in a fund of funds run by that provider. She was to draw £19000 a year from the pension. PP Wealth said the recommended fund: *"invests with an emphasis on equities including a small proportion in listed property securities"*, with the rest in fixed interest. The fund invested, broadly, 60% in equities or similar and 40% in mainly bonds:

- Property shares = 4.5%
- Overseas shares = 43%
- UK Shares = 10.6%
- Other = 5.7%
- Global fixed interest = 25.8%
- Money market & UK fixed interest = 10.5%

From what I understand, the global fixed interest was mainly developed markets and the non-UK shares will have had a share of emerging market equity. So this would appear to be a very well diversified portfolio, balanced toward shares. The diversification meaning there was a breadth of market exposure within the share element but including exposure to more risky markets.

PP Wealth says the value of the pension when it was invested with the new provider in line with its advice, was £453,293.

Turning to her non-pension cash, PP Wealth also recommended Miss H keep £23,000 of her cash as a rainy-day fund and invest the rest - with £250,000 into an investment account, £200,000 into an investment bond and £20,000 into an ISA. All of these were to be invested in the same mix of funds. Those funds rated themselves in the middle of their own risk scales or at the top of the bottom half (so 4/7 or 5/10) and invested around 60% in equities and 40% in mainly bonds.

So 60% was invested in two funds investing 60% in equity and 40% in bonds (broadly, with a little property); 20% was invested in a fund with 55% in equities and around 35% in cash or developed market bonds and the rest in emerging market or high yield credit or alternatives (such as property or commodities); 20% was in a fund expected to invest 60% in equities but which could increase this to 72.5% or decrease it to 47.5%, with the rest mainly in overseas government or corporate bonds.

On 12 November 2021 Miss H agreed to PP Wealth's recommendation to transfer her recently received pension fund to a new provider. PP Wealth discussed with her putting this into a trust arrangement costing around £2000 for the benefit of her children on her death.

Miss H's pension fund was invested on 16 November 2021 with the original provider that her previous adviser had recommended and in funds recommended by that old adviser. Miss H on 24 November 2021 asked for these funds to be sold back to cash, as she hadn't wanted those investments to proceed - having decided to go with PP Wealth's alternative instead.

PP Wealth says Miss H contacted it in May 2022 about renewing her rental agreement and then in August 2022, eight months into the investments, concerned at the investments' fall in value. She then raised the idea of buying a home in September 2022.

Miss H complained her plans to buy a home and keep cash for this, weren't taken into account or recorded by PP Wealth. She also said her personal circumstances, having been bereaved in the preceding years, being recently divorced and having a condition that means she needs more time to go through and consider information she is given, meant she didn't take in the implications of PP Wealth's advice and it wasn't right for her at the time.

Our investigator thought Miss H's complaint should be upheld. He thought the recommended fund mix was "*balanced*" meaning "*medium risk*" or 5/10 and was unsuitable for Miss H for a number of reasons. Firstly Miss H was assessed by PP Wealth as "*low to medium*" risk (and also as 5/10) rather than "*medium*" risk. Also he didn't think the answers given by Miss H on the risk questionnaires supported the idea she wanted the degree of risk the selected funds had. Also he noted Miss H was inexperienced in risk taking investments and showed a lack of understanding of them. Our investigator thought PP Wealth had advised Miss H to take too much risk and to invest too much. He recommended comparing the whole of Miss H's investments – both pension and non-pension – with an investment benchmark for a return that might be achieved by a portfolio suitable for someone wanting a small amount of risk.

PP Wealth didn't agree. In brief summary, in PP Wealth's view:

- Miss H's previous adviser had recommended risk investments. Her own notes on that report show that she had: "knowledge of asset allocation, diversification and the relationship between investment risk and return".
- Miss H needed a substantial amount of money to fund her lifestyle and her income needs were eroding her capital. She wanted to invest for long term growth. Her concern was that if she did nothing, she risked running out of money. Its adviser explained she could invest for 4% income but she needed to be comfortable with an element of risk.
- Miss H was getting little or no income from her part-time work at the time, but the idea was that she would build up her business and draw an income from this work in future. But by September 2022 Miss H's business hadn't progressed and she had no clients.

- In September 2022 PP Wealth told Miss H it was necessary to maintain the investment approach to meet her income requirements and it was important for Miss H to show some grit and perseverance and to not panic. She agreed to carry on after this.
- PP Wealth told Miss H that in the medium to long term her new business would need to show three years' income statements in order for her to get a mortgage to buy a home. At the time Miss H was investing around £750 a month into her business. Had she told PP Wealth she planned to buy property in the short term, it would've put aside money for this but also assessed that her remaining capital couldn't meet her income needs. Her focus was on setting up her business, not buying a home, as evidenced by her renewal of her tenancy agreement in May 2022
- PP Wealth was sufficiently supportive, contacted Miss H weekly and had no indication from her that it had rushed or pressured her or failed to cater for her vulnerabilities.
- PP Wealth reviewed Miss H's risk questionnaire responses on 29 October 2021 and shared the results with her by email that day. It had extensive discussions with Miss H on the level of risk she was comfortable with, the risk reward relationship, diversification and the fact investment values could rise as well as fall. She was sent the recommendations report, which set out details of the risk profile, before the meeting at which she agreed to its recommendations. The risk profile report contained projections to quantify the risk and also set out the target asset allocation. PP Wealth didn't rely only on the risk profile report but had discussions with Miss H about the risk she was comfortable with.
- Miss H's attitude to investment risk was thoroughly assessed and agreed based on extensive discussions and the use of industry established risk tools and psychometric questionnaires. The measures it took to ensure its recommendations were suitable not only complied with FCA Rules on suitability but went above and beyond industry best practice.
- The recommendations were suitable for Miss H's needs. Miss H panicked when her investments fell by 5%. She changed her long-term priorities to a house purchase requiring 46% of her money within eight months of the investment start. She failed to take into account how this might affect her income strategy. PP Wealth had done its best to support her and hadn't put her under any pressure.
- As at February 2023, after allowing for the income Miss H took and after deducting all fees and charges, the fall in value of what remains – and so the difference attributable to investment performance - had been 2.15%. This fluctuation is to be expected for a '5 - low medium risk investor' given events that have affected financial markets. Yearly drawings from the recommended investments were £900 from the ISA, £11250 from the investment account, £7500 from the bond and £19000 from her pension – in line with Miss H's need for and objective of producing income from her investments. Miss H had set out her income and expenditure in a comprehensive fact find document.
- Miss H changed her long-term priorities in relation to home purchase. There was nothing stopping her buying a home. Miss H didn't like being told she was overpaying for the home she wanted to buy, but the price has since reduced to £26,000 less than her offer. Also she had only recently renewed her tenancy agreement in May 2022.
- Miss H completed her fact find at the start stating her objectives, in her own words were to *“Generate income from investments and Pension switch from [first pension provider] taking income”*. But PP Wealth didn't rely on this alone and had weekly meetings to slowly build up a financial plan and properly understand and confirm Miss H's objectives, as summarised in its planning reports. PP Wealth did its best to facilitate Miss H's

requests and support her in developing her financial plan.

- Miss H understood she needed to adopt and maintain the agreed levels of investment risk in order for her plan to have any prospect of meeting her income requirements. She needed to use all her capital to meet her income shortfall of £44,400 a year or £3700 a month. Her emergency fund of £23,500 represented six months of the income shortfall and should've been ample in the circumstances. Miss H wouldn't have been able to invest less or at less risk and still maintain her desired income – because this would've led to further capital erosion.
- Miss H reviewed all the reports and signed them to say she understood and agreed with them and authorised PP Wealth to proceed with them.

Miss H says she has records to show she told PP Wealth that *“In my Income Bonds account, this is my house money, this is the money I got from the divorce settlement. That to me is untouchable money, I see that as house money.”* By house money she means money set aside to buy a home. PP Wealth recorded Miss H as having £314,692 in income bonds. There was also £11902 recorded as being in premium bonds.

#### What I've provisionally decided – and why

...In summary, I think some money ought to have been kept aside in cash or like instruments for future house purchase. I think Miss H could afford to take some limited risk with what remained, and I disagree with PP Wealth's analysis of Miss H's circumstances on that point, but on balance I don't think she should have been advised to take as much risk as PP Wealth advised her to take. I've explained my reasoning in more detail below.

The fact Miss H would, in her late fifties, wish to buy a home in the short term rather than continue to live in rented accommodation for the medium to long term, was foreseeable. It was wrong to advise Miss H to invest money that she needed for house purchase - because that money was money she couldn't afford to lose, so her capacity for loss in respect of that sum was zero and the risk she could afford to take with it was also zero.

In my view that point alone is enough to say that the sum needed for house purchase shouldn't have been invested and should be compared – in a comparison like the one proposed by our investigator - to the average return for fixed rate bonds, on the basis that it shouldn't have been invested in risk bearing assets. The money needed for home purchase wasn't available for investment for other purposes.

Taking investment risk usually requires a preparedness to invest for more than the short term – which is often taken to mean at least five years. I've seen nothing to suggest Miss H wanted to or was willing to live in rented accommodation for at least five years before buying a place to live – and I hardly think this was advisable from a financial point of view either.

Also funds for house purchase need to be readily available at the moment they will be used for the purchase. Investing house purchase money carried a risk this moment might coincide with a market downturn and Miss H might be forced to sell investments when they were showing losses, because she wouldn't have the time to ride out the downturn.

The idea Miss H should've instead borrowed money to buy a home, doesn't seem sensible or advisable. Such an idea was also optimistic or speculative at best and at worst fanciful given it depended on Miss H waiting until a business she had just started and had never run at a profit, was successful enough to support a mortgage and had

then run for three more years to have the accounts to prove this to a bank. Even if all of that did happen and Miss H managed to turn a business costing her hundreds of pounds a month into one that was making her many more hundreds of pounds a month, she would by then have been in her early sixties at best. Also when she borrowed to buy a home (assuming a bank would lend in those circumstances) she would in effect be borrowing so as to continue to invest. Borrowing to invest is risky in any situation and not generally advisable for a person like Miss H near retirement.

I think Miss H wanted to buy a home once she found one suitable. But I'd add that renting to free money for investment as a financial strategy needs net investment returns to outweigh rental costs. So returns would only be positive if and to the extent the net investment return was higher than the gross rental yield – and the investment risk would need to be high enough to stand a chance of obtaining those sorts of returns. The rent Miss H paid was also bound to always be a positive figure, but investment returns can be positive or negative.

I note that PP Wealth acknowledges: *“Had Ms H communicated her desire to purchase a property in the short term, PP Wealth would have recommended she retain a portion of her monies in cash”*. It was for PP Wealth to explore Miss H's plans and her housing situation and confirm how this was to be dealt with, but there's no record of such a discussion in the reports I've seen. Had it explored this area with Miss H, I don't doubt that her objective of home purchase would've come to light.

Miss H claims she did have a desire to buy a home and had notionally earmarked funds for this and told PP Wealth. In her circumstances I find this is plausible and persuasive. I'd need strong evidence to be persuaded Miss H wouldn't have wanted to live in her own home, and evidence of a detailed examination of all the implications and significant risks and drawbacks of investing home purchase money instead. I've seen nothing of this kind in evidence so far.

In my view it not only was unsurprising that Miss H would want to buy a home as soon as she found something suitable. It was also sensible and advisable. The alternative required not only a willingness to live in rented accommodation for a prolonged and indeterminate period, but also a willingness to pursue a speculative course that would require taking significant investment risk and a willingness to make material sacrifices to her standard of living if those risks didn't pay off. Such a course will rarely be advisable, even for a seasoned investor, and Miss H was certainly not a seasoned investor. Even a seasoned medium risk investor would be taking a brave course of action if they decided to invest money for the short to medium term if that money would be needed to buy a house. I note Miss H had a tenancy agreement, but such agreements are typically for a year and can usually be ended within that time if need be. It is not a reason to tie up money for the medium to long term.

Once home purchase money is deducted from the total, it is doubtful Miss H could afford to take very much risk with the cash that would be left. I've considered briefly how much ought to have been put aside. My starting point is the £314,692 Miss H held in income bonds which she said she had earmarked for home purchase. This idea may or may not have also included premium bonds of £11902. But I think consideration needed to be given to whether this was a realistic or adequate figure to buy the sort of home Miss H would be looking for.

I note that the sum Miss H asked to use for house purchase was £376000. So I think this a reasonable guide to the amount a home she might want might cost, and so to what ought to have been put aside for that purpose. The exact amount needed wouldn't have been known at the time of the advice, so it would've been sensible to set aside a little

more than was expected to be spent. A sum for incidental costs associated with house purchase and moving would also be needed.

I'd add that I doubt accommodation costing £376,000 - reduced to £350,000 later according to PP Wealth - was a drastic change in the standard of accommodation Miss H wanted or its costs, such that this sort of figure couldn't have been expected to be needed. In saying this I note Miss H's rent was around £1150 per month. A gross rental yield of 3.67%, which for her area at the time wouldn't seem excessive, if applied to Miss H's rent would imply a price for her rental accommodation of £376,000. I say this only to illustrate, in very broad-brush terms, that Miss H's need for something like £376,000 for home purchase was an eventuality PP Wealth could've anticipated and planned for at the outset and not an unforeseeable one.

Deducting £376,000 from Miss H's cash of £493,594 leaves £117,594. A contingency for costs or a higher price could account for £17,594 (less than a 5% contingency) and leaves this closer to £100,000. Taking off the rainy-day fund of £23,000 leaves £77,000 of cash for potential investment. But I note Miss H was, according to PP Wealth, spending £3220 per month from her cash to supplement her income. This is £38,640 per year. On this basis the £77,000 represents roughly two years' income. It isn't sensible to invest money in medium to long term investments if that money is needed in the short term to pay for living costs. I think at the very least, the first year's income needs ought to have been kept liquid – which really leaves very little left to invest. I'd add that short-term living costs were better met from cash savings than from pension savings, given that the latter tends to have superior tax treatment.

Arguably there wasn't much scope to invest cash for medium to long term investment at all, but if Miss H's housing fund was secure and her immediate cash needs provided for, advice to invest some of the remaining cash for the longer term wouldn't have been inappropriate on balance. As such I'm minded to say advice to invest £20,000 in the ISA wasn't unsuitable. Also, on balance and in light of what I say further below, it seems to me that if Miss H had secured her housing needs, her immediate and short-term cash needs and also invested her pension funds in a suitable way, the risk of the recommended ISA funds could be seen as a small risk for her given the small amount invested. So my present view is an ISA investment like the one PP Wealth recommended to Miss H could've been suitably recommended to her in her circumstances had PP Wealth given her suitable advice in other respects – so I don't propose to recommend redress for the ISA.

The pension transfer appears to have been done on the grounds of cost and I've identified no flaw or fault in that advice or calculation. The issue that remains is therefore the fund selection and degree of risk Miss H was advised to take with her pension funds. Our investigator thought that excessive. I tend to agree. I'll explain my reasoning.

PP Wealth has said buying a property would've left Miss H with £438,530 and without enough income to live on. I don't know what that figure is based on. But the idea that Miss H had insufficient resources overall to buy a place to live while also covering her current and future living costs, in my view would be grounds to reduce rather than increase the level of investment risk being recommended – given that any losses in that situation would directly affect Miss H's future security and standard of living. So in my view PP Wealth's analysis doesn't support the course of action it recommended Miss H take. But I find Miss H had a bit more scope to take risk than PP Wealth's analysis appears to have allowed. I'll explain why.

The fact find in October 2021 said Miss H earned £760 a month from work she had just started. But it noted work-related costs of around £1100 per month – so work was costing

her £400 a month on that basis (costs included petrol £320, accommodation £400, work clothing £50, work food £200 and professional fees of £145). PP Wealth has elsewhere said she was at some point putting as much as £750 a month into the business.

Miss H's total expenditure was £4550 per month. Her rent was £1150 so, taking this off, her spending was £3400. Also recorded was debt repayment of a credit card of £850 per month. Miss H says she repaid her card balance every month. The fact find refers to furniture and costs associated with moving, so on the face of it the credit card expense was a one off or short-term payment not a repayment that would be ongoing at this level for the longer term. I note PP Wealth didn't record a credit card balance or suggest Miss H prioritize paying off credit card debt, which it surely would've done if there'd been a significant debt Miss H had been repaying. Deducting this outgoing, Miss H's outgoings would be £2550. Of this about £1100 was work costs (of which only £760 was offset by work income, making a net cost of £400). So ignoring work costs her income need in future would be £1450 in then current terms. Her existing work pension was £436 a month – so in the longer term after buying a home and if she wasn't losing money on her business, she would on the face of it need to find something in excess of £1000 a month to cover her living costs.

Miss H had two adult children and PP Wealth recorded that she needed “bloodlines” advice, which I understand meant referral to PP Wealth's sister company specialising in setting up family trusts. But I haven't seen any statement from Miss H to suggest a key consideration for her at the time was passing on her wealth after her death. She was in her fifties, adjusting to a new life situation and working but without sufficient work income to cover her outgoings. On the face of it her capital and pension funds weren't surplus capital she could look to give away – it was capital she needed to use to support herself. In saying this I note that if Miss H bought a house it would be wealth she could pass on later. I also note that such a purchase and legacy would benefit from the additional inheritance [tax] nil band for main residences.

I note that in not wishing to have her capital depleted, Miss H's concern was to ensure she didn't run out of money. From what I've seen this was a concern about not having enough to live off during her lifetime rather than a concern that there would be insufficient left to pass on to dependents upon death. Indeed according to PP Wealth Miss H's capital was needed to cover a number of different needs that couldn't all be met, so she needed to prioritise. That isn't a situation in which taking more risk in the hope of preserving more for others was advisable or ought to have been a priority. In the absence of an objective of leaving capital to others and a willingness to risk and potentially sacrifice her own standard of living to pursue this objective, a degree of capital erosion over time (or in future the permanent conversion of capital to income through annuity purchase) wasn't inconsistent with Miss H's objective of not running out of money and of protecting and preserving her standard of living.

If Miss H drew £15,000 a year for 30 years, this would cost £450,000 – which was more or less the pension value - and I note that in the short term her income shortfall might mean the capital reduced more quickly, for example before she bought a house. On that basis it might appear Miss H had insufficient funds to meet her needs. But she would also be entitled to a state pension, and once she started to draw that – in about ten years - it would cover a reasonable part of her income need (for example if this need were in the region of the £1000 or so a month I've outlined above) and so potentially leave a much smaller shortfall and slower rate of capital depletion. I note that PP Wealth doesn't appear to have discussed or taken the state pension into account in its calculations, and it is this aspect which it seems to me gave Miss H some leeway and scope to invest.

Before retirement this shortfall could also be reduced by earnings from income, although

for Miss H at the time her work actually increased her income deficit. Assuming this was a short term phenomenon (as stopping work would stop those costs), it seems possible Miss H's pension could meet her income needs but there was of course uncertainty associated with this when dealing with factors like inflation and costs beyond 30 years or the very long term.

So Miss H's pension funds might cover her future needs, but the capital would be depleted significantly by those needs over time. Factors like inflation, variations in her spending and her other earnings would affect the rate of depletion. But Miss H had at least some scope to withstand losses before her essential costs and necessary standard of living would begin to be affected or put at risk. As such there was scope for her to take some investment risk. It was reasonable to seek modest growth to mitigate the impact inflation might otherwise have on Miss H's capital in later years. But bearing in mind the main risk to her lifestyle was losing the pension money she had rather than not growing it fast enough, such risk ought to have been modest in the absence of a large risk appetite – which Miss H plainly didn't have.

This would seem to me to point to the conclusion that the pension should've been invested at a lower level of risk than it was. In my view Miss H's circumstances also point to this conclusion. For example in the short term the risk her business posed to her finances if it continued to drain her resources, was a reason to advise Miss H to be cautious when taking investment risk. Also of relevance was the origin of the funds. These hadn't been built up from Miss H's excess income but obtained from one-off events – inheritances and a divorce settlement - that wouldn't be repeated. So she wouldn't obtain such sums in that way again and she wasn't in a position to build up such sums again either.

In saying this, I take into account Miss H's age and stage of life. This was relevant to her ability to take risk as it had a bearing on how long she might reasonably be expected to be in work and have work income to replace any potential losses – although at the time Miss H's work didn't generate any excess income to replace investment losses. All this suggests more rather than less caution was advisable when investing this money. Also of relevance was the investment time horizon Miss H might have before needing funds from her pension. Miss H was planning to start or continue to draw income from her pension straightaway. This means less risk could be taken than if her need for income was to start at some future point.

I'd add also that it isn't in dispute that Miss H was an inexperienced investor. PP Wealth's pension report noted that in its view Miss H "*understood the strategy I am recommending and the associated risks*" but acknowledged that her only experience was of bank accounts and while she had a basic knowledge of other financial products she was "*somewhat uncomfortable with the idea of investing*". It said: "*As such, we will seek to educate you further before making any recommendations in the future*". Miss H said her former husband had made the financial decisions and she was inexperienced in financial matters. This is another factor that points towards caution being the sensible starting point when considering what degree of investment risk Miss H ought to have been advised to take.

Miss H's own assessment of her risk appetite and her sense of what she could afford to risk, also appears in line with all this too because her own assessment was she could afford a 'small loss' which in my view implies a small risk. But even if she had otherwise been a 'medium' or in PP Wealth's terms 'average' risk taker, the circumstances I've discussed above would in my view suggest that a more cautious approach was advisable.

I note that PP Wealth's advice to take more risk was based on the returns it judged Miss H would need in order to obtain the income she wanted, without depleting capital. PP Wealth has said this objective wouldn't have been possible if she hadn't been willing to invest all the money she invested (so she couldn't buy a home as well) or if she hadn't been willing to take the degree of risk she took. So on the basis that investing all that she invested wasn't suitable – because she needed to buy a home - this suggests this objective wasn't actually feasible and so this reason for taking this level of risk wasn't valid. I've also explained my view that some depletion of capital over time wasn't inconsistent with Miss H's objective of protecting her lifestyle and avoiding running out of money.

With all this in mind, my view is an approach with 60% equity involved too much investment risk for Miss H's pension. I'm not persuaded she could afford the losses that approach risked, and I'm not persuaded she was prepared at the time to risk such losses either.

I note the risk report had a table showing losses based on a £10,000 investment if adjusted for inflation at some rate or other but this table, which suggested that not investing could also lose money (which it would in real terms) and showed the weakest return was eventually better than not investing, doesn't change my view here.

Turning to the other aspects of PP Wealth's assessment of Miss H's investment risk attitude, I've already discussed above Miss H's investment inexperience and its implications. Miss H had also said that when the value of her investments had fallen, she had waited to discuss this with her adviser at her next review. This answer suggests a consumer who won't panic when investments fall. But it's not clear to me that PP Wealth could place much weight on this as Miss H, according to her other answers, hadn't had investments from which she could've withdrawn if the value fell.

According to her risk attitude answers, Miss H was willing to risk some of her capital or income in order to get a good return on an investment. She agreed she would accept potential losses in order to pursue long term investment growth. She disagreed with the idea that she would rather put her money in the bank than put it in shares. So some risk to capital wasn't wrong, based on these answers.

Miss H disagreed high returns require high risk. High returns do require high risk, but I think Miss H meant something like she didn't want high risk or wanted good returns without high risk. Miss H said she was generally more concerned about possible losses than possible gains when making financial decisions. She agreed she would rather know she was getting a guaranteed return than be uncertain about her investments. She disagreed that she would be happy investing a large proportion of her capital in a high-risk investment. In my view these answers aren't inconsistent with the idea Miss H was willing to take a small risk or with the idea that lower rather than higher risk investments were to be preferred. Indeed, insofar as her answers pointed to how she might choose between different levels of risk (rather than risk versus safety), they point to her preferring lower rather than higher risk investments – being more concerned with losses than gains; and preferring guarantees over uncertainty.

Miss H didn't agree or disagree that she took lower financial risks than the average person. So either she didn't have a view on how her financial risk taking compared to that of others or she thought herself average. PP Wealth's view was that the portfolio it recommended with 60% equity was 'average risk'. I don't know whether it was average or not, but I've explained that Miss H's circumstances suggest that for her more caution than average was appropriate – compared, say, to someone with higher income, lower outgoings, more years of work ahead of them, more investment experience or more

experience of financial affairs.

PP Wealth knew Miss H had received recommendations for her pension that involved investment risk, but she hadn't wanted to proceed with those or continue with that adviser. So I'm not persuaded PP Wealth could give that much weight in terms of justifying a similar recommendation. Also PP Wealth's view that her notes on the previous advice report show she knew about asset allocation, diversification and the relationship between risk and return is at odds [with] PP Wealth's own view which at the time of the advice was that Miss H would need more investment or financial education in future.

The notes PP Wealth refers to are next to the recommended fund breakdown as advised by the previous adviser. This included two 100% global equity funds with "*global equity*" underlined and nearby are written the words "*Around The World*", "*Good Long Term Growth*", and "*10 Years*". This may refer to those funds being longer term holdings due to being more risky funds. Then next to a fund that had 40-85% invested in shares, is a note "*[is] less Risk*" – which I presume refers to this being less risky than the global funds. I think the same note is made next to the other 40-85% equity fund. Then there is also a note that starts with a "4" and might say 45%, although it isn't clear, but if it does say 45% this might refer to the split between shares on one hand and, on the other, cash or bonds. I agree all this suggests Miss H was told about these things when she was given that advice by the other adviser, as one would expect, and I expect she made the notes as the adviser was telling her these things, although I don't know that. I think Miss H would've understood in general terms that some funds are more risky than others, and she might've known this depended on their content and the shares they held. But receiving this explanation, on perhaps the first time she had invested in such funds, didn't amount to acquiring experience of how this might all work in practice - and Miss H never carried through with this investment to get that experience.

I note that in the risk profile explanations given to Miss H, shares were said to be in the high risk category. The description of Miss H's risk attitude in the risk report, refers to the use of some higher risk investments, which would mainly be in the UK with a small amount elsewhere. But both the target asset allocation and the actual asset allocation didn't match this because most rather than some of the investment was in shares (and less importantly but incidentally those shares were mainly overseas rather than UK based). So the risk profile description didn't suggest that more than half of the money would be put into relatively high risk assets, namely shares.

The target asset allocation shown in the report did show this high exposure to shares, but it didn't refer to these there as high risk. Also I note that PP Wealth later said that by using collective investment funds "*the risk of loss is much less than for an investment made directly in the stock market – for example individual company shares*". A collective fund investing in many companies is less risky than putting the same amount into a much smaller number of companies directly. But shares in a collective fund are still shares and, as described in PP Wealth's risk profiles, were high risk assets to be used in accordance with how those profiles said such assets were to be used.

The statement in the risk profile description that "*you also need to accept that your investment could fall in value, particularly in the short term*" is a pretty clear risk warning in my view. But it could apply equally to an investment with a lower amount of shares and a lower risk profile.

In my view the investment of funds on a 60% equity basis, or on a 'medium' or 'low medium' basis as described by PP Wealth, wouldn't be an unreasonable or a remarkable approach to longer term investment for those willing to take more than a small risk and

who are able to afford the losses that such an approach can produce. But in light of all I've said above, I'm not persuaded that Miss H was such an investor, in either her attitude towards risk or in her capacity for loss. So I find the investment advice for the pension was inappropriate and involved too much risk. I agree with our investigator that the benchmark for a return that might've been obtained taking a small risk, is an appropriate way to assess whether this excess risk caused Miss H loss.

Also Miss H says the losses she saw, and on such a large amount of her invested money, caused her worry and distress. In my view PP Wealth should compensate her for that too.

I note what Miss H has said about being vulnerable, having been bereaved and divorced in the preceding years, and I note also what she has said about her needs as regards having the time she needed to consider and go through the paperwork. But what I've seen doesn't persuade me that PP Wealth didn't act appropriately in allowing her time if she needed it to look at its reports and to consider the advice it was giving. I think PP Wealth's point that Miss H didn't raise any concerns about any of this at the time of the advice, has weight. Also I'm not persuaded Miss H wasn't capable of navigating through the information she was given or the advisory relationship in general. I say this bearing in mind the notes she made on the advice report of her previous adviser, and also bearing in mind she decided to reject that advice and that adviser. I don't see that PP Wealth wasn't sufficiently supportive of Miss H – and I've certainly seen nothing to make me think PP Wealth pressured her to invest. So I reject Miss H's complaint in those respects.

But I think PP Wealth did get things wrong, as I've explained, and so I intend to uphold Miss H's complaint to the extent and for the reasons I've outlined above.

In summary, in my view the investment of Miss H's cash in the bond and general investment accounts was wrong because it shouldn't have been subject to risk, so the appropriate comparator is a fixed rate bonds comparator with no investment risk. Miss H says she sold the investment bond and the collective investment account, due to concern and fear over stock market falls, and received £392,510.53 on 16 March 2023. Those investments were originally £450,000 as I understand it. The comparison should therefore run to the date of sale or 16 March 2023. For the pension, the comparison should be with a lower risk benchmark and be carried out up to now as I understand that arrangement is still in force. For the ISA I find that no action is needed.

*Provisional decision text ends.*

Miss H replied saying thank you for the provisional decision, but not raising any new points. PP Wealth replied rejecting the provisional decision, saying, in brief summary:

- The provisional decision doesn't accurately reflect the facts or PP Wealth's actions. Has everything it had sent been considered, including its points made on 26 April 2023?
- Miss H says she has records showing she told PP Wealth *"In my Income Bonds account this is my house money, this is the money I got from the divorce settlement. That to me is untouchable money, I see that as house money"*. PP Wealth requests a copy of those.
- PP Wealth rejects the idea it should've known Miss H wanted to buy a house in the short term. Had she done so she would've likely run out of money. Her main focus was generating income because she was eroding her money.
- The objectives presented to Miss H in PP Wealth's financial planning reports were the

result of more than ten meetings with her. It appears she bears no responsibility or accountability. Before proceeding she signed the reports to confirm they correctly captured her objectives and she agreed with the recommendations. How has the ombudsman dealt with this in his assessment?

- PP Wealth took comprehensive measures to ensure its recommendations were suitable, using an industry standard questionnaire. Miss H answered this and reviewed her answers with PP Wealth. PP Wealth compiled a report dealing in detail with the questionnaire and Miss H's risk attitude. Miss H signed the report declaration confirming she had reviewed the report and recommendations, understood and agreed with them and authorised PP Wealth to proceed with them.
- PP Wealth used a comprehensive fact find document. PP Wealth notes that Miss H failed to mention anywhere on there that she wanted to purchase a house.
- Certain aspects of the complaint may not have been fully understood. A reassessment of the facts and evidence will lead to a more equitable resolution.

As this matter couldn't be resolved informally, it has been passed back to me to decide.

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

So I confirm I have considered all the materials the parties submitted to us, including the report PP Wealth has resent (dated 27 April 2023 rather than 26 April 2023). Having done so - and having carefully reviewed all the further points raised by PP Wealth - I've arrived at the same conclusion as in my provisional decision above, and for materially the same reasons. I'll explain briefly why PP Wealth's further points haven't changed my view.

PP Wealth says Miss H wanted to use her capital to generate income and didn't wish to buy a house - or didn't tell PP Wealth she did – and would've run out of money if she had. It points to various documents Miss H signed and to information it collected from her at its meetings. But what is absent from those documents – and why they aren't adequate to support PP Wealth's position in my view – is evidence of consideration of Miss H's housing needs and objectives and how these were going to be met in the future.

The fact Miss H's spending was depleting her capital and she wanted income from capital to cover her expenditure, doesn't mean she didn't also plan to buy a home in future. I explained in my provisional decision I found Miss H's claim that she did have a desire to buy a home plausible and persuasive given her circumstances. I remain of that view.

I said the same of Miss H's claim that she had notionally earmarked funds for that purpose. Whether or not that is so, and whether or not she told PP Wealth about this in the way she claims, isn't essential to my conclusions. Indeed my provisional decision said more should've been put aside for house purchase than the sum Miss H said she had earmarked. I've not received or requested from Miss H the records she says she has of telling PP Wealth about this, so I've nothing of that nature to share with PP Wealth. Her claim has the status of the very similar claim, made in her complaint, that she planned to buy a house. But I find that claim plausible because in my view it was entirely foreseeable that Miss H in her circumstances would want to buy a home and might wish to do so in the short term.

To make medium to long term investments, a medium to long term investment term is needed. So PP Wealth needed to satisfy itself that Miss H wouldn't need the invested funds

for that time. It was up to PP Wealth to find this out. PP Wealth says its fact find didn't record that Miss H wanted to buy a house. But the fact find doesn't record that Miss H *didn't* want to buy a house. Likewise, the reports that were issued, which Miss H signed, don't say anything about her future plans as regards her living arrangements. Miss H was recently divorced and living in rented accommodation. The fact find said she had been living there for five months, which doesn't point to a longstanding or persistent arrangement that it could be assumed was likely to continue for the medium to long term. Indeed we know Miss H's lease was to expire within a year, as she contacted PP Wealth in May 2022 for help extending it.

PP Wealth has said "*[Miss H] changed her long-term priorities in relation to a house purchase so that she required nearly half her invested capital within the first 6-8m months of her financial plan*". But the evidence I've seen doesn't persuade me that PP Wealth properly explored what Miss H's plans and needs were as far as house purchase was concerned. I think the fact she contacted PP Wealth in August 2022 about buying a house - just six months or so after the investment had started - isn't evidence she had changed her priorities but evidence that this wasn't something PP Wealth considered properly to start with. I've not seen anything recorded prior to PP Wealth's recommendations that says Miss H was content with the idea of living in rented accommodation for years to come.

So the records and signed reports PP Wealth has referred to do not contain information to make me think it considered Miss H's circumstances and future housing needs properly or gave her appropriate advice on her non-pension money.

PP Wealth's final response letter said it discussed with Miss H that in the medium to long term her business would need to be able to show at least three years' worth of profit for a bank to consider providing a mortgage to buy a property in future. My provisional decision said a plan to borrow money to buy a home, doesn't seem sensible or advisable and was optimistic or speculative at best and at worst fanciful. PP Wealth hasn't put forward anything to persuade me that I ought to change my mind. I've seen nothing to suggest consideration was given to what the term of such a mortgage might be and whether that was feasible at Miss H's age - which at minimum, given the business was not yet profitable, wouldn't be for at least four more years at best. So insofar as such an idea was discussed by PP Wealth with Miss H, it doesn't persuade me PP Wealth's advice was suitable - and insofar as this idea was PP Wealth's suggestion, I'm not persuaded it was a suitable one. PP Wealth hasn't said anything in its reply to my provisional decision that in my view either supports or seeks to defend such advice.

PP Wealth also hasn't said anything in its response that persuades me I ought to revise my findings relating to Miss H's pension funds.

So I uphold Miss H's complaint on the basis I've outlined and for the reasons I've given.

## **Putting things right**

### **Fair compensation**

In assessing what would be fair compensation, I consider that my aim should be to put Miss H as close to the position she would probably now be in if she had not been given unsuitable advice.

I take the view that Miss H would have invested differently. It is not possible to say *precisely* what she would have done. But I am satisfied that what I have set out below is fair and reasonable given her circumstances and objectives when she invested.

### **What must PP Wealth do for the investment bond and investment account?**

To compensate Miss H fairly, PP Wealth must:

- Compare the performance of each of Miss H's investments with that of the benchmark shown below.
- A separate calculation should be carried out for each investment. The resultant figures should then be added up. If the calculation still shows a loss, that would be the amount payable to Miss H.
- PP Wealth should also add any interest set out below to the compensation payable.
- Income tax may be payable on any interest awarded.

Investment name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
Investment Bond	No longer exists	Average rate from fixed rate bonds	Date of investment	Date ceased to be held	8% simple per year on any loss from the end date to the date of settlement
Investment Account	No longer exists	Average rate from fixed rate bonds	Date of investment	Date ceased to be held	8% simple per year on any loss from the end date to the date of settlement

**For each investment:**

***Actual value***

This means the actual amount paid or payable from the investment at the end date.

***Fair value***

This is what the investment would have been worth at the end date had it produced a return using the benchmark.

To arrive at the *fair value* when using the fixed rate bonds as the benchmark, PP Wealth should use the monthly average rate for one-year fixed-rate bonds as published by the Bank of England. The rate for each month is that shown as at the end of the previous month. Those rates should be applied to the investment on an annually compounded basis.

Any withdrawal, income or other distributions paid out of the investments should be deducted from the fair value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there is a large number of regular payments, to keep calculations simpler, I'll accept if PP Wealth totals all those payments and deducts that figure at the end to determine the fair value instead of deducting periodically. If any distributions or income were automatically paid out into a portfolio and left uninvested, they must be deducted at the end to determine the fair value, and not periodically.

My understanding is no extra sums were paid into either investment but for completeness any additional sum that was paid into either investment should be added to its *fair value* calculation from the point in time when it was actually paid in.

### **Why is this remedy suitable?**

I have decided on this method of compensation because:

- Miss H shouldn't have been advised to risk this capital but would've wanted a decent return on that capital.
- The average rate for the fixed rate bonds would be a fair measure of return given Miss H's circumstances and objectives. It does not mean that Miss H would have invested in a fixed rate bond. It is the sort of investment return a consumer could have obtained without taking investment risk with their capital.
- The additional interest is for being deprived of the use of any compensation money since the end date.
- As stated in my provisional decision, for the ISA no action is needed.

### **What must PP Wealth do for the pension?**

To compensate Miss H fairly, PP Wealth must:

- Compare the performance of Miss H's investment with that of the benchmark shown below. If the actual value is greater than the fair value, no compensation is payable.  
  
If the fair value is greater than the actual value there is a loss and compensation is payable.
- PP Wealth should also add any interest set out below to the compensation payable.
- If there is a loss, PP Wealth should pay into Miss H's pension plan to increase its value by the amount of the compensation and any interest. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.
- Income tax may be payable on any interest paid.
- If PP Wealth is unable to pay the total amount into Miss H's pension plan, it should pay that amount direct to her. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the total amount should be reduced to *notionally* allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount – it isn't a payment of tax to HMRC, so Miss H won't be able to reclaim any of the reduction after compensation is paid.
- The notional allowance should be calculated using the marginal rate of tax Miss H would likely pay on the compensation if drawn as income. It should be assumed she will take drawings of £19000 a year and has no other income until state retirement

age (as I understand she stopped her work). So the redress should be treated as annual instalments of £19000 and for each one that might be drawn between now and Miss H's state retirement age, no reduction should be made to an amount equal to Miss H's income tax personal allowance but a 20% deduction should be made to the remainder to account for basic rate tax rate. But for instalments that would need to be drawn after state retirement age (which will only apply if redress comes to many multiples of £19,000), the whole amount of those instalments should be reduced to allow for basic rate tax as Miss H's state pension would use up the personal allowance from that point.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
pension	Still exists and liquid	For half the investment: FTSE UK Private Investors Income Total Return Index; for the other half: average rate from fixed rate bonds	Date of investment	Date of my final decision	8% simple per year from final decision to settlement (if not settled within 28 days of the business receiving the complainant's acceptance)

### **Actual value**

This means the actual amount payable from the investment at the end date.

### **Fair value**

This is what the investment would have been worth at the end date had it produced a return using the benchmark.

Any withdrawal from the pension should be deducted from the fair value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there are a large number of regular payments, to keep calculations simpler, I'll accept if PP Wealth totals all those payments and deducts that figure at the end to determine the fair value instead of deducting periodically.

I gather there weren't any extra payments into the pension but, for completeness, if there were these should be added to the *fair value* calculation from the point they were paid in.

### **Why is this remedy suitable?**

I've decided on this method of compensation because:

- Miss H wanted income with some growth with a small risk to her pension capital, and such an approach would've been a suitable approach given her circumstances.
- The average rate for the fixed rate bonds would be a fair measure for someone who wanted to achieve a reasonable return without risk to her capital.
- The FTSE UK Private Investors Income Total Return index is made up of a range of indices with different asset classes, mainly UK equities and government bonds. It's

a fair measure for someone prepared to take some risk to get a higher return.

- I consider Miss H's risk profile was in between, in the sense that she was prepared to take a small level of risk with her pension to attain her investment objectives. So, the 50/50 combination would reasonably put Miss H into that position. It does not mean Miss H would have invested 50% of her money in a fixed rate bond and 50% in some kind of index tracker investment. Rather, I consider this a reasonable compromise that broadly reflects the sort of return Miss H could have obtained from investments suited to her objective and risk attitude.

### **Offsetting between the pension and the non-pension redress**

If the pension calculation shows a gain for Miss H, then the value of this gain may be deducted from the redress that would otherwise be due to Miss H from the non-pension calculation. The interest due on the non-pension part of the calculation should first be added to bring it up to the date of the pension calculation. The value of the pension gain should then be reduced using the same formula as I've explained should be used in the event there was a pension loss that was paid to Miss H outside of the pension. The reduced gain may then be deducted from the non-pension redress and PP Wealth should then pay Miss H the balance of the non-pension redress, if any.

I've said income tax may be payable on any interest paid or awarded. If PP Wealth deducts income tax from the interest it should tell Miss H how much has been taken off. PP Wealth should give Miss H a tax deduction certificate in respect of interest if Miss H asks for one, so she can reclaim the tax on interest from HM Revenue & Customs if appropriate.

### **Distress and inconvenience**

PP Wealth Limited should also in any event pay Miss H £350 for distress she suffered due to having money unnecessarily invested and money invested at too high a degree of risk. It should pay this even if the offsetting outlined above means other compensation isn't due.

### **My final decision**

Where I uphold a complaint, I can make a money award requiring a financial business to pay compensation of up to £375,000, plus any interest and/or costs that I consider appropriate. If I consider that fair compensation exceeds £375,000, I may recommend the business pays the balance.

**Determination and award:** I uphold the complaint. I consider that fair compensation should be calculated as set out above. My decision is that PP Wealth Limited should pay Miss H the amount produced by that calculation – up to a maximum of £375,000 plus any interest on the amount set out above.

PP Wealth Limited should provide details of its calculation to Miss H in a clear, simple format.

**Recommendation:** I think it unlikely the amount produced by the calculation of fair compensation will exceed £375,000. But if it does exceed £375,000, I recommend PP Wealth Limited pays Miss H the balance plus any interest on the amount as set out above. This recommendation is not part of my determination or award. It does not bind PP Wealth Limited. It is unlikely Miss H can accept my decision and go to court to ask for the balance, so if that is something she might plan to do she may want to consider getting independent legal advice before deciding whether to accept this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 17 July 2024.

Richard Sheridan  
**Ombudsman**