Financial Ombudsman Service

## The complaint

Ms C complains about the advice given by Pi Financial Limited (‘Pi’) to transfer the benefits from her defined-benefit (‘DB’) occupational pension scheme to a personal pension. She says the advice was unsuitable for her and believes this has caused a financial loss.

Ms C received advice from another firm called Ingenious Pension Solutions Limited which is an appointed representative of Pi Financial Limited. Pi is responsible for responding to consumer complaints that arise out of advice given by its appointed representatives, so I shall refer to the respondent business throughout this provisional decision as Pi.

## What happened

Ms C was contacted by Pi in early 2018. It offered to review her pension arrangements. Ms C accepted the offer and a meeting followed on 17 January 2018. Pi completed a fact-find to gather information about Ms C’s circumstances and objectives. It noted the following:

- Ms C was aged 46, single and had two dependent children aged five and eight.
- She was unemployed and in receipt of Universal Credit of £14,400 per year/£1,200 per month. Ms C was looking for employment.
- Her total monthly outgoings were noted as being £1,200; no breakdown was provided.
- She had no savings, investments, assets or mortgage.
- Ms C wanted to retire at age 65 but no retirement income needs were recorded.
- Ms C had one occupational pension scheme which was a DB scheme with a former employer which had a cash equivalent transfer value (‘CETV’) of £66,362.85

During the same meeting, Pi also completed an ‘Attitude to Pension Transfer’ questionnaire with Ms C. The form contained six questions each with four possible ‘tick box’ answers. From the choice of pre-populated answers provided Ms C said:

- She wanted to break ties with her previous employer and wanted the pension fund under her control.
- The benefits were a significant portion of her wealth and she didn’t want to take any un-necessary risks.
- Her dependents would benefit from extra sums, if available.
- She wanted flexibility and control over how to take her benefits.
- She wanted the maximum lump sum at retirement.
- She couldn’t afford to retire early but wanted the option to in case her circumstances changed.

On 26 January 2018, Pi also carried out an assessment of Ms C’s attitude to risk (‘ATR’), which it deemed to be ‘low-medium’ or five on a scale of one to ten.

On the same day, Pi provided Ms C with a pension transfer analysis report. It stated that Ms C’s DB scheme was forecast to provide her with an annual pension at the scheme’s normal retirement date (‘NRD’) of age 65 of £4,798 or a tax-free lump sum of £22,849 and a reduced pension of £3,427. The report stated that the annual investment return (also known as the 'critical yield') Ms C's transferred pension would need to attain in order that she would be able to match her DB scheme benefits at her NRD was 5.74% if she took tax-free cash ('TFC') and a reduced pension, or 6.82% if she just took a pension.

Also on 26 January 2018, Pi provided Ms C with its suitability report. The report noted that Ms C's reasons for wanting to transfer her DB scheme were:

- Because she needed to take the TFC as a lump sum at age 55 and that she wanted the option and flexibility to dip into her pension as and when she liked.
- Because it was important for her as a single parent to be able to pass her pension pot onto her children.
- To achieve her main objective which was to transfer her DB scheme away and into a personal pension as soon as possible because of her stated needs and objectives.

The report compared the tax-free lump sums offered by the two schemes noting that the DB scheme offered Ms C a lump sum of approximately £22,800 whereas a personal pension plan would give her approximately £36,700 assuming an annual growth rate of 5.02% (before charges were deducted) could be achieved. Pi said that the personal pension plan offered Ms C approximately 61% more TFC than her existing DB scheme.

And the report compared the death benefits provided by the two pensions stating that Ms C's DB scheme would pay a lump sum of £0 and a dependents' pension of £2,011 whereas a personal pension would offer a lump sum of £63,044 (assuming death occurred on the day after transfer). Further it referred to Ms C's DB scheme having a funding deficit of only 88%.

Pi recommended that Ms C did not transfer her DB scheme benefits to a personal pension because the critical yield of 6.82% per year needed to match the benefits she was giving up was unrealistic taking into account her ATR and the term to retirement. The report went on to say that as Ms C did not want to proceed down the route of buying an annuity, preferring income drawdown instead, an investment return of just 5.02% (not adjusted for inflation) was all that was required in order to be able to draw an income similar to that offered by her DB scheme until the age of 110. Pi said however, that the income provided by the DB scheme was guaranteed whereas the drawdown route wasn't so it did not recommend the transfer.

Ms C signed the suitability report on 30 January 2018 to say she had read and understood its contents as well as the recommendation being made.

On 5 February 2018, Pi produced a second suitability report in which it accepted Ms C's instructions to transfer her DB scheme on an insistent client basis. The report stated that the main reason it had advised against the transfer was because the critical yield required to match Ms C's existing DB scheme benefits was unrealistically high and unachievable. However, the second report then went on to include a recommendation that Ms C transfer her DB pension benefits into a personal pension and invest the proceeds with a provider I shall call R. Much of the report contained the same information that was in the first report however, Pi now stated that Ms C had told it that because of her specific needs and objectives, she still wanted to transfer her DB scheme as soon as possible. It said Ms C had said this so that she could lock in her DB scheme's current value, take hold of the fund, investments and income all with the knowledge that she had full freedom and flexibility about how she accessed her benefits.

On 9 February 2018, Ms C signed the fact-find, the attitude to pension transfer questionnaire, a knowledge and experience assessment form, Pi's risk profile report and its 'insistent client' declaration. The declaration stated that Ms C had *"decided to reject the advice provided. I confirm that I have provided written confirmation …stating the reasons* *why I reject their advice and course of action I would like to take. I acknowledge that if [Pi] carries out my instruction, against their advice, I will be treated as an 'Insistent Client' and this* ***potentially limits the areas any person or regulatory body can consider when assessing potential claims****."*

The written confirmation Ms C provided to Pi said:

> *"I have been through the contents of the report, and I understand that you have recommended, to stay with my [employer's] scheme however, I would still like to transfer to a personal pension as I would like both my chrildren [sic] to received [sic] my pot if I died and I prefer the control and flexibility under a personal pension".*

In March 2018, Ms C completed the transfer documentation and the transfer went ahead in May 2018 with a total of £66,362.85 being transferred. Pi charged Ms C £3,318.14 for the transfer advice. R made an annual management charge of 0.45% of the fund value.

Ms C complained in March 2023 to Pi about the suitability of the transfer advice it had given her. Ms C said she had received negligent advice and had suffered a financial loss as a consequence.

Pi looked into Ms C's complaint but did not think it had done anything wrong. In its final response letter dated 23 May 2023 Pi said Ms C had been in a fully informed position and that it had correctly assessed her financial and personal circumstances before advising her not to transfer. Pi also said Ms C had previously confirmed that she was happy with the advice she had received.

Unhappy with Pi's response to her complaint, Ms C referred her complaint to the Financial Ombudsman Service. One of our Investigators looked into the complaint and recommended that it was upheld. He thought that there were failings in Pi's advice process in the way it presented its recommendations to Ms C such that she would not have appreciated the risks she was exposing herself to by proceeding to transfer. Our Investigator said that had the specific risks been clearly presented and highlighted to her then he thought it was likely she would have accepted a recommendation not to transfer. Our Investigator recommended that Pi compensate Ms C in line with the regulator's rules for calculating redress for non-compliant pension transfer advice.

Pi disagreed with our Investigator's findings. It said it had provided Ms C with clear advice not to transfer her DB scheme. It also said it had provided clear, fair and not misleading information about the risks of transferring. Further, Pi said Ms C had investment experience because she owned some shares.

Our Investigator thought about what Pi had said but was not persuaded to change his mind. He said that whilst advice not to transfer had been given, the reasons provided by Pi to Ms C for not doing so failed to convey the specific risks she would expose herself to by ignoring the advice and proceeding. And he said there was no detail recorded about the shares Pi said she held save that they were shares in her former employer's company. Our Investigator said that there was an absence of any information that Ms C traded in shares, or how experienced she was in holding shares, thus there was no basis for Pi's assumption that Ms C had the necessary experience to manage her pension investments or understand the risk she was taking.

Our Investigator also said he had reviewed the submissions Ms C had made in relation to her complaint noting that she had told the Financial Ombudsman Service that she had concerns about whether she had made the right decision for her future and whether the transfer meant that she had lost out financially. Our Investigator said that as Ms C's concerns were a direct result of Pi's unsuitable advice he thought it should pay her compensation of £300 (in addition to the redress already proposed) for the trouble and upset she had been caused.

The complaint was passed to me for a decision.

**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.

When considering what is fair and reasonable, I am required to take into account relevant law and regulations, regulator's rules, guidance and standards and codes of practice, and what I consider to have been good industry practice at the time. Having done so, I've decided to uphold the complaint for largely the same reasons given by our Investigator.

The regulator, the Financial Conduct Authority ('FCA'), states in COBS 19.1.6G that the starting assumption for a transfer from a DB scheme is that it is unsuitable. So, Pi should have only considered a transfer if it could clearly demonstrate that the transfer was in Ms C's best interests.

Since 2018, COBS 9.5A includes additional guidance on insistent clients. It defines who is an insistent client and it sets out three key steps for advisers to take.

1) Where a firm proceeds to execute a transaction for an insistent client which is not in accordance with the personal recommendation given by the firm, the firm should communicate to the insistent client, in a way which is clear, fair and not misleading, and having regard to the information needs of the insistent client so that the client is able to understand, the information set out in (2).

2) The information which the firm should communicate to the insistent client is:
    a) that the firm has not recommended the transaction and that it will not be in accordance with the firm's personal recommendation;
    b) the reasons why the transaction will not be in accordance with the firm's personal recommendation;
    c) the risks of the transaction proposed by the insistent client; and
    d) the reasons why the firm did not recommend that transaction to the client.

Acknowledgement from the insistent client - COBS 9.5A.4

(1) The firm should obtain from the insistent client an acknowledgement that:

(i) the transaction is not in accordance with the firm's personal recommendation; and
(ii) the transaction is being carried out at the request of the client.

(2) Where possible, the acknowledgment should be in the client's own words.

A key aspect in this case is Pi's categorisation of Ms C as an insistent client. An insistent client is one that wishes to take a different course of action from that being recommended and wants the business to facilitate the transaction against its advice.

Pi says that it provided suitable advice to Ms C not to transfer but she was insistent. Further it has said that Ms C was in possession of relevant information, in a position to make a fully informed decision and that it followed the correct insistent client process. Ms C says Pi's advice was negligent and she's suffered a loss as a result.

Having carefully considered all of the evidence presented, I think there were weaknesses and failings in Pi's advice process, which meant it didn't act in Ms C's best interests. I don't think that Pi communicated with Ms C in a way that was clear, fair and not misleading or that it had regard to her information needs. And I think Ms C likely understood, or believed overall, that Pi was recommending she should go ahead with the transfer.

I say this because, in its first suitability report, the basis for Pi's recommendation to Ms C that she didn't transfer her DB scheme was because the critical yield of 6.82% was unachievable given her ATR and the term to retirement. Pi further said that despite only needing to achieve a critical yield of 5.02% in order to be able to draw the same income until the age of 110 as that available to her under the DB scheme, it still was not recommending a transfer because the income provided by the DB scheme was guaranteed. So it said that as the drawdown route could not guarantee the same income as that offered by her DB scheme, it wasn't recommending that Ms C transfer. But the investment return/critical yield figure of 5.02% used by Pi was misleading. I say this because it didn't in fact reflect the annual investment return Ms C's pension would need to achieve to be able to match the income she would get from her DB scheme because it didn't include any adjustment for inflation nor did it take charges into account.

The critical yield of 5.02% used by Pi also skewed how long Ms C's pension pot would have actually lasted her had she drawn down the same income as she was entitled to under the DB scheme. Given that inflation and charges were not factored into this figure by Pi, not only would the true critical yield/investment return Ms C's pension pot have needed to have achieved been higher, but it is also reasonably likely that Ms C's fund would have run out well before she reached 110. So in telling Ms C that her transferred pension would need to attain the lower annual investment return of 5.02% and that it would last her until she was 110, Pi mislead Ms C. And Pi's passing reference in its two suitability reports to the 5.02% annual return not accounting for inflation or charges would have meant little to Ms C. She would have had no means of working out what actual investment return would have been required and thus could not know whether transferring was a risk she was willing to take on.

If Pi wanted to provide Ms C with the annual growth rate her fund would need to attain in order to provide her with a drawdown income until she was aged 110, and which matched her index-linked DB pension income, then it should have calculated one accordingly; but it didn't.

So whilst Pi said that a comparable drawdown income could be taken until age 110 it said the reason it wasn't recommending that Ms C transfer was because, unlike the DB scheme, her income could not be guaranteed. Whilst this was, of course correct, Pi's presentation of this information in the first report essentially detracted from the risk it had highlighted elsewhere in the report which was that the critical yield of 6.82% was unachievable. But having stated that to be the case, Pi then went on to say that it noted Ms C didn't want to proceed down the annuity route and thus gave Ms C the different and (significantly) lower growth rate of 5.02% providing she took her benefits via income drawdown instead of an annuity.

However, not only do I think the failure to factor inflation and charges into the 5.02% growth rate mislead Ms C, I also think that Pi's presentation of this information suggested to Ms C that the unachievable critical yield of 6.82% only represented a risk if she wanted to purchase an annuity. And, as she said she didn't want to purchase an annuity, Pi's presentation of information in relation to the growth rates the transferred DB scheme would need to achieve for drawdown needed to be clear, fair or not misleading. And for the reasons I've already given here, I don't think it was.

There is no record of what contact there was between Ms C and Pi between the first suitability report dated 26 January 2018 and the second dated 5 February 2018. But the second report, whilst largely unchanged from the first, stated Pi had (already) accepted Ms C's instructions to transfer her DB scheme on an insistent client basis. This is despite Ms C's signing of Pi's insistent client declaration, and her provision of her written reasons for wanting to proceed against Pi's recommendation, *post-dating* the second suitability report.

The second suitability report states that after Ms C received Pi's recommendation not to transfer she had written to PI to confirm that because of her *specific* needs and objectives she still wanted to transfer her DB scheme as soon as possible. Her needs seem to have been: to take hold of her fund, investments and income with the knowledge that she had full freedom and flexibility about how she accessed her pension benefits and to 'lock in' her DB scheme's current value. These needs are, however, generic and not specific.

Ms C was someone with no investment experience at all. She had no assets and held no investments (save for a few shares in her former employer's company about which there are no details recorded). Given this was the case, I don't think Ms C was someone who had the necessary experience to be able manage the investment of her pension. And given that she had nineteen years to go before retirement, there was no pressing need for her to take the irreversible decision to transfer her DB scheme so that she could have flexibility and freedom around how she accessed her benefits. If she still felt that this was important to her closer to her actual retirement, then she could have considered a transfer then.

The second report said that Pi was now proceeding on an insistent client basis (as instructed by Ms C). Pi then went on to say that it was recommending a transfer to a personal pension with R.

But I note that both reports also stated the following:

- the TFC Ms C could expect from her personal pension (assuming a growth rate of 5.02%) was 61% higher than what she could expect at NRD from her DB scheme.
- if she died the day after the transfer, the DB scheme would pay out £0 by way of a lump sum (but would pay a dependent's pension of £2,011 and a child's pension of £3,431 per year per child) but a personal pension would pay out a lump sum in excess of £63,000 (based on the same growth rate of 5.02%).
- whilst the DB scheme permitted early retirement from age 55 there would be a reduction of 21.9% applied to Ms C's income whereas there were no penalties to accessing a personal pension from age 55.

I've thought about whether, in making these statements, that Pi genuinely acted within the spirit of the regulations and communicated with Ms C in a way that was fair, clear, not misleading and took into account her information needs; and I'm not persuaded that it did. I've addressed above why I think Pi's use of a 5.02% investment return that wasn't adjusted for inflation or charges was misleading. And the same comments I made above apply to Pi's use of it in relation to forecasting the TFC Ms C could expect from her personal pension.

I think Pi's comments about the TFC Ms C could expect to receive at retirement being 61% higher than what she would receive under the DB scheme were also misleading. To an inexperienced investor – with no assets (save a few company shares from her former employer), investments or savings to her name and one that was unemployed and in receipt of state benefits – the receipt of 61% more TFC would be very attractive and incentivising. But I don't think Pi presented this information to Ms C in clear and balanced way such that she was able to make an informed decision about whether the transfer was in her best interests.

I can see that the transfer analysis report Pi provided to Ms C was based on her transferring her DB scheme benefits to another personal pension provider rather than R. That report said that Ms C was forecast to receive TFC from her DB scheme at age 65 of £22,800 whereas the personal pension plan (with a different provider from that ultimately recommended by Pi) would give her TFC of £36,700 assuming a growth rate of 5.02% *before* any charges were deducted (and presumably not adjusted for inflation).

So not only was the TFC comparison based on a different provider to the one Pi ultimately recommended but it failed to take into account the effect the charges (both to transfer the DB scheme along with ongoing annual management charges) and inflation would have on the TFC that the personal pension was likely to yield. Had charges and inflation been factored into the calculation then the TFC from the personal pension plan would have been lower than £36,700. One of the reasons given by Ms C during the advice process for why she wanted to transfer was to maximise her TFC. But in the event, she was unable to base her decision to transfer for this reason from a fully informed perspective. She didn't know, because Pi hadn't told her, whether the TFC she could expect from a personal pension was that much more than that offered by her DB scheme such that she considered the transfer to be worth the risk.

Ms C was aged 46 at the time for the advice and she told Pi she was looking for work and that whilst she would like to retire at age 55 she didn't know if she would be able to afford to do so. But in order to decide whether the additional TFC available under a personal pension plan was worth giving up the guarantees associated with her DB scheme for then Pi should, if it was acting in Ms C's best interests, have provided her with clear and not misleading information so that she could make a fully informed decision.

And if it was having due regard to Ms C's information needs, Pi should have looked at her retirement income needs and how she was intending to meet them. That should have included looking at Ms C's state pension entitlement but I can't see that Pi assessed that either. TFC is only part of the retirement picture, so it is also necessary to understand the income needed to meet essential needs.

I can also see that no comparison or analysis was done by Pi in relation to the income Ms C could expect from a personal pension plan if she embarked on drawdown. So Ms C could not know, because Pi didn't tell her, whether the income she was forecast to receive from her DB scheme at her NRD (£3,427 if she took TFC, £4,798 if she didn't) was a guaranteed benefit she was willing to forego.

So I don't think that Pi was acting in Ms C's best interests in the way it presented information to Ms C in relation to the TFC she could expect. Nor did it have due regard to Ms C's information needs when it failed to provide her with any analysis about the income she could obtain from her transferred pension if she took her full TFC entitlement. Pi didn't provide Ms C with information about what that would look like such that she was able to make an informed decision about whether the transfer was in her best interests.

I think the same can be said about Pi's statements in the suitability reports about death benefits and early retirement.

Death benefits are an emotive subject and of course when asked, most people would like their loved ones to be taken care of when they die. The lump sum death benefits on offer through a personal pension was likely an attractive feature to Ms C. But whilst I appreciate death benefits are important to consumers, and Ms C might have thought it was a good idea to transfer her DB scheme to a personal pension because of this, the priority here was to advise Ms C about what was best for her retirement provisions. A pension is primarily designed to provide income in retirement. And I don't think Pi explored to what extent Ms C was prepared to accept a lower retirement income in exchange for higher death benefits.

I also think the existing death benefits attached to the DB scheme were underplayed. Ms C had two young children and so the dependent's pension provided by the DB scheme would have been useful to her dependents if Ms C predeceased them. I don't think Pi made the value of this benefit clear enough to Ms C. This was guaranteed and it escalated – it was not dependent on investment performance, whereas the sum remaining on death in a personal pension was. Pi's focus was on the lump sum benefit Ms C's children would inherit from a personal pension but by not explaining that it could be depleted if she lived a long life it failed to have regard to her information needs. In any event, Pi should not have encouraged Ms C to prioritise the potential for higher death benefits through a personal pension over her security in retirement.

Similarly, Pi's statement about the early retirement factor applied to Ms C's DB scheme should have been balanced out with a full forecast of how her personal pension was expected to perform to age 55; but Pi didn't provide Ms C with any information about drawing her benefits from her personal pension at age 55. Instead she only saw information about a 21% reduction to her DB scheme benefits if she drew them at age 55. By not having due regard to Ms C's information needs in this respect, it meant she was unable to make a fully informed decision.

Further, I don't think that the written reasons Ms C gave to Pi demonstrate she understood what she was doing by going against Pi's recommendation. I think it was important for Pi to ensure Ms C understood what she was getting into. A good way to have done this would've been to see, in her own words, that she understood the recommendation being made and why she wanted to proceed against it. But Ms C's statement contained no detail about what she understood about the recommendation that Pi had made. And Ms C's reasons for wanting to proceed were generic and were based on her having received unclear and misleading information. I don't think Ms C's written statement adequately demonstrates that she knew and understood the risks involved in the transfer and the benefits she'd be losing by doing so. So, I'm not persuaded that the written statement sufficiently shows it was fair for Pi to treat Ms C as an insistent client or that she was able to make an informed choice here.

So I think that Pi's advice process contained weaknesses and failings which meant it didn't act in Ms C's best interests. For the reasons I've set out here, I'm not satisfied that Pi provided Ms C with sufficient, clear information so that she could make an informed decision based on a firm understanding of the risks involved and the full knowledge of what she was giving up. Pi should have explained to Ms C the benefits of her DB scheme, the value of them in retirement and all the risks associated with transferring.

I think it should have been clear to Pi that Ms C had little knowledge or experience of financial matters based on the information available at the time of the advice. As I have said, there is nothing recorded on the assets section of the fact-find to suggest Ms C was an experienced investor – in fact there's nothing to indicate she had any prior investment experience (and there is no information about how she came into possession of the shares in her former employer's company). So I think this alone should have put Pi on notice that it had to be careful if it was to take matters through the insistent client route.

Overall I'm not persuaded that Ms C was able to make an informed choice here. I also think that given Ms C's explanation about why she wanted to proceed – lump sum death benefits and flexibility and control over her pension, both of which were generic reasons – ought to have prompted Pi to ask further questions. I've seen no evidence Pi interrogated Ms C's objectives. Had it done so I think it would have further strengthened its original view that transferring her DB scheme was not suitable for Ms C, as least not at that point in time. I think that at the very least, Pi should have recommended, in the alternative, that Ms C defer thinking about transferring until closer to retirement.

Overall and on balance, given these failings, I don't think it would be reasonable for me to conclude the process Pi followed meant that Ms C can truly be regarded as an insistent client. Pi's communications overall were not clear or fair, it failed to have regard to Ms C's information needs, failed to set out the risks of the transaction and I think it failed to act with due care and skill.

If Pi had acted fairly and reasonably, fully interrogating Ms C's objectives, I don't think Ms C would've insisted on going ahead with the transfer. As I've outlined above, I think Ms C was an inexperienced investor who didn't possess the requisite knowledge to fully understand the consequences of going against the advice she was given. I think Ms C relied solely on the advice and process Pi employed – so if things had happened as they should have, I don't think Ms C would have insisted on going ahead with the transfer.

In light of the above, I think Pi should compensate Ms C for the unsuitable advice, in line with the regulator's rules for calculating redress for non-compliant pension transfer advice.

Furthermore, where a financial business causes avoidable distress and inconvenience to a consumer the Financial Ombudsman Service can require it to pay compensation. I've thought about what this means in the circumstances of Ms C's complaint and I think that the shortcomings in Pi's advice processes were such that Ms C wasn't placed in a fully informed position before making an irreversible decision about her retirement; I think this has caused her un-necessary trouble and upset. Ms C has told our Service about her concerns about whether she made the right decision to transfer her pension and about whether the transfer has meant she has lost money she can never recover. But for Pi's advice, Ms C would not have had these worries. So, like our Investigator, I think that compensation of £300 is fairly and reasonably due to Ms C from Pi for the distress and inconvenience it caused her and I'm satisfied that such an award is in line with awards the Financial Ombudsman Service has made in complaints with similar circumstances.

**Putting things right**

A fair and reasonable outcome would be for the business to put Ms C, as far as possible, into the position she would now be in but for the unsuitable advice. I consider Ms C would have most likely remained in her occupational pension scheme if suitable advice had been given.

Pi must therefore undertake a redress calculation in line with the rules for calculating redress for non-compliant pension transfer advice, as detailed in policy statement PS22/13 and set out in the regulator's handbook in DISP App 4:
https://www.handbook.fca.org.uk/handbook/DISP/App/4/?view=chapter.

For clarity, Ms C has not yet retired, and she has no plans to do so at present. So, compensation should be based on the scheme's normal retirement age of 65, as per the usual assumptions in the FCA's guidance.

This calculation should be carried out using the most recent financial assumptions in line with PS22/13 and DISP App 4. In accordance with the regulator's expectations, this should be undertaken or submitted to an appropriate provider promptly following receipt of notification of Ms C's acceptance of the decision.

If the redress calculation demonstrates a loss, as explained in policy statement PS22/13 and set out in DISP App 4, Pi should:

- calculate and offer Ms C redress as a cash lump sum payment,
- explain to Ms C before starting the redress calculation that:
    - her redress will be calculated on the basis that it will be invested prudently (in line with the cautious investment return assumption used in the calculation), and
    - a straightforward way to invest her redress prudently is to use it to augment her DC pension
- offer to calculate how much of any redress Ms C receives could be augmented rather than receiving it all as a cash lump sum,
- if Ms C accepts Pi's offer to calculate how much of her redress could be augmented, request the necessary information and not charge Ms C for the calculation, even if she ultimately decides not to have any of her redress augmented, and
- take a prudent approach when calculating how much redress could be augmented, given the inherent uncertainty around Ms C's end of year tax position.

Redress paid directly to Ms C as a cash lump sum in respect of a future loss includes compensation in respect of benefits that would otherwise have provided a taxable income. So, in line with DISP App 4.3.31G(3), Pi may make a notional deduction to allow for income tax that would otherwise have been paid. Ms C's likely income tax rate in retirement is presumed to be 20%. In line with DISP App 4.3.31G(1) this notional reduction may not be applied to any element of lost tax-free cash.

Where I uphold a complaint, I can award fair compensation of up to £190,000, plus any interest and/or costs that I consider are appropriate. Where I consider that fair compensation requires payment of an amount that might exceed £190,000, I may recommend that the business pays the balance.

**My final decision**

<u>Determination and money award</u>: I uphold this complaint and require Pi Financial Limited to pay Ms C the compensation amount as set out in the steps above, up to a maximum of £190,000. I also require Pi Financial Limited to pay Ms C compensation of £300 for the distress and inconvenience its unsuitable advice has caused her.

If Ms C accepts this decision, the money award becomes binding on Pi Financial Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 18 October 2024.

Claire Woollerson
**Ombudsman**