

The complaint

Mr L complains that his financial adviser, Insight Financial Associates Limited (“Insight”), failed to inform him about the Money Purchase Annual Allowance (“MPAA”) and the consequences of triggering it by taking taxable withdrawals from his personal pension plan (“PPP”) in 2022. As a result, he says he unintentionally triggered the MPAA, which restricts how much tax relievable contributions he can pay into defined contribution (“DC”) pensions.

He also complains that he continued paying ongoing advice fees to Insight without receiving advice – particularly about the advantages of making pension contributions through his limited company.

What happened

The MPAA

The MPAA was introduced on 6 April 2015 as part of pension freedoms reforms. Its goal is to prevent individuals flexibly accessing their DC pension and reinvesting money back into a pension to gain extra tax relief. This is achieved by restricting the tax relievable contributions that can be paid annually into DC pensions. The MPAA has changed over time, as follows:

- Initial MPAA (2015): £10,000
- Reduced (2017): £4,000
- Increased (2023): £10,000

DC contributions paid above the MPAA limit will be subject to an annual allowance tax charge. In addition, once the MPAA is triggered, the ability to carry forward unused tax relief from previous tax years for DC pension contributions is lost. However, this restriction only applies to DC pensions. If an individual is or starts to build up pension benefits on a defined benefit (DB) basis, they may still be able to pay annual pension contributions up to £50,000 (for 2024/25) in respect of this and carry forward unused allowance from the previous three tax years under the rules of the Alternative Annual Allowance (“AAA”).

Background

In 2017, Mr L, then aged 56, crystallised his existing PPP to take a tax-free lump sum only. He left the taxable element invested in the PPP. The action of withdrawing only the tax-free lump sum didn’t trigger the MPAA. He wasn’t making any pension contributions at that time.

In 2020, he appointed Insight as his financial adviser. During 2022, he instructed Insight to arrange two taxable withdrawals totaling £52,855 from his PPP so that he could invest the money in investment properties to generate rental income. He was aware the withdrawals would be subject to the higher rate of income tax at 40%, which resulted in a total tax deduction of £21,679. The action of withdrawing taxable money from the PPP triggered the MPAA, although it didn’t have any immediate impact on Mr L’s situation since he wasn’t making pension contributions at that time.

In 2024, after appointing a new adviser, Mr L started a new pension plan and began contributing £833.33 per month (£10,000 annually), in line with the MPAA limit. He says it was only then that he became aware of the long-term impact of triggering the MPAA in 2022.

This complaint

Mr L complained to Insight for failing to inform him about the MPAA and the consequences of triggering it when he made taxable withdrawals from his PPP in 2022. He said he received no information at the time and therefore made the withdrawal decision without understanding the implications. He also raised concerns about paying ongoing advice fees without receiving advice – particularly regarding the potential benefits of making pension contributions through his limited company, which could have provided corporation tax relief. Additionally, Mr L said he had recently become aware of a decision to exclude pensions from the inheritance tax (IHT) regime, which he felt further worsened his position.

He believed these oversights would lead to a financial loss of approximately £300,000 by age 75, due to the missed opportunity to make pension contributions above the MPAA limit and to transfer funds from his company into a pension – a tax-efficient and IHT-free environment.

Insight's position

Insight was satisfied it had informed Mr L about the MPAA and produced copies of a two-page confirmation letter it had sent to him in connection with both taxable withdrawals in 2022. Under the section titled 'Taxation' on page 2, it stated:

"The amount you take will be taxed at your highest marginal rate of income tax. As soon as you take a taxable lump sum or income from any pension savings you have, your MPAA is reduced to £10,000.00.

You are required by HMRC to notify any pension provider with who you are making pension contributions to within 91 days of this withdrawal. If you do not do this HMRC could fine you."

Despite this, Insight stated that Mr L's previous adviser was responsible for setting his pension income strategy, and that his accountant helped facilitate the taxable withdrawals. It believed these parties would have advised him separately about the tax implications. Therefore, Insight didn't uphold the part of Mr L's complaint relating to the MPAA.

Regarding the issue of ongoing advice fees and failing to provide advice, Insight offered to refund the fees Mr L paid between June 2022 and June 2024, totalling £684.47, which he accepted. However, he remained dissatisfied with Insight's response to the part of his complaint concerning the MPAA.

Financial Ombudsman Service

Mr L referred the matter to this service. He claimed he never received the two confirmation letters from 2022 that referenced the MPAA and alleged they were fabricated by Insight in response to this complaint. As evidence, he pointed out that both letters referred to the current MPAA of £10,000, rather than the £4,000 limit that was actually in place in 2022, which he believed supported his claim.

Our investigator didn't uphold Mr L's complaint. He noted that Insight had admitted the information it gave Mr L about the MPAA was incorrect when it referred to the figure of £10,000 rather than £4,000. As a result, he said he didn't need to assess the accuracy or

timing of the letters Mr L had disputed. Instead, he decided the key issue was whether Mr L would have acted differently if Insight had given him accurate and meaningful information about the MPAA. After reviewing the evidence, the investigator concluded that Mr L wouldn't have made a different decision. His reasoning included:

- **No recent pension contributions and lack of pension priority:** Mr L hadn't contributed to his PPP for over four years by 2022, suggesting he wasn't focused on maintaining or growing his pension provision. Overall, the evidence suggested Mr L didn't view his pension as a financial priority at the time and there wasn't any indication he intended to make further contributions.
- **Alternative investment goal:** Mr L withdrew money from his PPP to invest in investment properties to generate rental income, rather than leaving it invested to provide retirement income at a later date.
- **Awareness of tax implications:** Mr L knew the 2022 withdrawals would be subject to higher rate income tax at 40% but proceeded anyway.
- **Consideration of full withdrawal:** Emails showed Mr L had considered withdrawing the entire pension balance from his PPP before opting for smaller amounts, again demonstrating that he didn't view his pension as a priority.
- **Availability of other assets:** Mr L had access to significant alternative, liquid funds – £300,000 in bank accounts and £50,000 in premium bonds – but chose to withdraw money from his PPP despite the 40% income tax charge. This indicated a preference for using pension funds over other tax-free resources.
- **Intent to withdraw regardless:** The investigator concluded that Mr L intended to withdraw from his PPP regardless of the tax consequences to achieve his investment property objectives.

Finally, the investigator noted that Mr L can still carry forward unused tax relief from the previous three tax years and recommended he seek financial advice on how to make use of this.

Mr L disagreed with the investigator's findings and submitted additional comments for consideration. The investigator reviewed these comments but remained unconvinced and didn't change his opinion. As no resolution could be reached, the complaint has now been escalated and assigned to me for further review.

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.

I've considered all relevant laws, regulations, regulatory rules, guidance, standards, and codes of practice, as well as what I believe represented good industry practice at the time. Where the evidence is unclear or conflicting, I've made my decision based on the balance of probabilities – that is, by weighing the available evidence and surrounding circumstances to determine what I believe is more likely to have happened.

I'd like to clarify that the purpose of this decision is not to address every individual point raised by the parties. If I haven't commented on a specific issue, it's because I don't believe it has a material impact on the overall outcome of this complaint.

My findings

I've considered all the evidence afresh including the additional comments Mr L made in response to our investigator's assessment of this complaint. Having done so, I've decided not to uphold this complaint, largely for the same reasons stated by our investigator. In summary:

- **Ongoing advice fees:** Mr L accepted Insight's offer to refund advice fees paid between June 2022 and June 2024 in connection with failing to provide ongoing advice. As this matter has already been resolved, I won't comment further on it.
- **MPAA and taxable withdrawals:** Insight provided copies of two confirmation letters it says were sent to Mr L in 2022, referencing the MPAA. He claims he never received these letters and alleges they were fabricated in response to this complaint. This is a serious allegation. However, in deciding this complaint, I don't consider it necessary to determine whether the letters were sent or are genuine, as Insight has already admitted they contained incorrect information about the MPAA. This point isn't in dispute.
- **Impact of incorrect or missing information:** Providing incorrect or no information at all doesn't automatically mean this complaint should be upheld. In my view, the key question is whether I think, on balance, Mr L would have made a different decision had he been given accurate and sufficient information about the MPAA. After reviewing the evidence, I agree with the investigator's conclusion. In summary and based on Mr L's circumstances at the time:
 - He hadn't made any pension contributions since 2017 and there wasn't any indication he planned to resume contributions in the foreseeable future despite have the means to do so.
 - He withdrew funds from his PPP to invest in property, despite knowing this would incur 40% income tax charge on the amounts withdrawn;
 - He had access to other liquid assets – £300,000 in bank accounts and £50,000 in premium bonds – that could have been used instead of withdrawing money from his PPP with a 40% income tax charge but he chose to proceed anyway.
 - Email evidence shows he had considered withdrawing the entire pension balance before deciding to take a lower amount, indicating that he didn't view his pension as a priority.

These factors suggest to me that Mr L wasn't focused on maintaining or contributing to his PPP and would more likely than not have made the same decision even if he was given correct information about the MPAA in 2022.

- **Changing circumstances:** While Mr L now wishes to contribute more than £10,000 annually to a pension based on the advice of his new financial adviser, this change in circumstances doesn't alter what I think he likely would have done in 2022.
- **Carry forward and the AAA:** Mr L challenged the investigator's comment about the ability to carry forward unused tax relief after triggering the MPAA. The investigator's statement is correct in the context of the AAA where it's possible to carry forward unused tax relief when pension benefits are built up on a DB basis. Mr L may wish to seek specialist advice on this.

- **IHT misunderstanding:** Mr L also said he believed pensions had recently been excluded from the IHT regime, worsening his position. This is incorrect. In fact, the opposite is true. Pensions were historically excluded from IHT, but under changes announced in the Autumn Budget 2024, most unused pension funds and death benefits will be included in IHT calculations from 6 April 2027. Therefore, triggering the MPAA in 2022 hasn't worsened Mr L's IHT position in the way he suggests.

Conclusion

For the reasons outlined above, I'm not persuaded that Mr L's complaint should be upheld. As such, I don't consider it fair or reasonable to require Insight to pay any redress or take further action in response to this complaint.

My final decision

Based on the reasons set out above, my final decision is that I do not uphold Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 18 June 2025.

Clint Penfold

Ombudsman