

The complaint

Mr M complains that Foster Denovo (FD) Limited's advice process caused him to lose out on a higher cash equivalent transfer value (CETV) from his Defined Benefit (DB) pension.

What happened

Mr M received a CETV from his DB pension worth £3,228,293 on 10 January 2022. This was valid until 10 April 2022.

Mr M was introduced by a colleague to FD on 7 April 2022. He had an initial discussion with FD the next day about a possible transfer of his pension. FD emailed him on 11 April 2022 which included the following information:

- The initial pension advice fee would be £10,000 which would be charged from the pension once transferred, however if the transfer did not go ahead the fee would have to be paid directly by Mr M.
- It's possible they would advise to defer a transfer until nearer retirement or age 60
- Explanations how the transfer value might change in future. They set out four major factors:
 - *It should escalate by inflation each year having a positive effect on the transfer value.*
 - *UK Gilt Yields (usually 15yr) will move. This rate influences the capitalisation of the annual income to a £ transfer value. The lower the yield the higher the transfer values. Could be positive or negative.*
 - *A discount rate; they deduct a % from that capitalised £ transfer value to account for the fact that you are a number of years short of age 65. Each year that impact falls, therefore having a positive effect on your transfer value.*
 - *The eagerness to close the scheme is a factor. Who knows, but it's difficult to see this effect falling away and having a negative effect on the transfer value.*

That 2nd point is a major influence, otherwise we would be expecting the transfer value to just rise. Of course, it's the scheme's own expectations of UK Gilt Yields that drives the transfer value, not necessarily the precise rate on the day.

- FD offered to do some personalised cash flow modelling before Mr M committed to the advice fee to show him how income could be derived from various sources in the most sophisticated way and visualise different scenarios including keeping the DB pension.
- Information on lifetime allowance and how Mr M would be affected if he transferred his pension
- A partial transfer could be considered if the DB scheme allowed it. Mr M potentially

could take a secure income and transfer the rest to invest as a legacy and keeping flexibility for withdrawals.

- Mr M had mentioned the option to defer a transfer. FD said it was a likely outcome of their advice. They explained that whether to wait until 60 or 61 would depend on whether the scheme allowed an uplift for retiring a year later. (Age 60 was the point at which Mr M could take DB benefits unreduced). FD offered to ask the DB scheme about this if Mr M completed a letter of authority.
- To transfer his DB pension financial advice was legally required. The advice could be not to transfer or to defer. Mr M wasn't obliged to follow the advice given, however if he wanted to proceed against advice, the trustees of the DB scheme might not allow him to transfer or it might be difficult to find a personal pension provider to accept the transfer value on this basis.

FD offered to have further discussions and offered to meet in person. On 20 April 2022 they emailed Mr M to ask if he wanted to catch up. It's unclear when and how Mr M responded.

In early June 2022, FD sent Mr M a client agreement and a fee agreement for £500 to carry out some cashflows. Later that month Mr M asked FD to confirm whether they could keep any future advice confidential as he knew someone working at FD who he didn't want to know about his personal financial situation. FD said this wasn't a problem. Mr M signed the fee agreement for the cash flows in early July 2022.

In August 2022, cashflows were carried out for Mr M which showed his financial position if he took benefits from the DB scheme compared to transferring the benefits to a self-invested personal pension. As a next step FD suggested to talk about a transfer again nearer to Mr M's actual retirement.

On 27 October 2022 Mr M contacted FD. He referred to having exchanged views with them previously around FD's initial thoughts about his pension and that they had talked about a more serious review within 12 months of targeted retirement. Mr M noted that recent market movements had been extreme and he wanted to get a new transfer value.

FD told him he would need to ask for this directly from the scheme. They acknowledged that a new value might look concerning given one of the major factors were gilt yields. They said potentially it might look better next year with interest rates possibly coming down again.

Mr M also asked what the rationale was to defer a transfer. FD explained that the benefits of deferring were the increase of inflationary returns and the removal of the discount rate (*NB: as set out in their email of 11 April*). FD acknowledged that the recent dramatic moves in gilt yields might outweigh these two factors. They also pointed out they had discussed that one of the possible advice outcomes was deferral and so a decision was made not to formally advise (and pay advice fees) at the time.

Mr M received a new CETV in January 2023. This had decreased significantly to £2,123,443. Mr M asked the DB scheme what had led to this significant decrease. They explained the various factors which influenced the transfer value and explained that all transfer values had come down in the past 12 months with one of the factors mentioned being the increased fixed interest gilt yields. They also mentioned that their actuaries had said transfer value would generally be lower nearer normal retirement age.

Mr M asked FD to comment on this and questioned why he didn't lock his CETV in earlier. FD disagreed with that last statement from the trustees. They explained in detail why they didn't consider it was generally the case that values decreased nearer to normal retirement

age and that the major influence on transfer value in their view were the increased gilt yields (which the scheme had also referred to).

Mr M said he waited in the hope for valuations to recover, but after receiving a valuation in March 2024 of £1,999,520 he made a complaint in May 2024. He considers FD had a duty of care towards him and they knew his objective to crystallise the DB scheme value with the aim to ultimately pass his wealth to his heirs. In his view FD's priority should have been to preserve his transfer value. He considers FD's actions have led him to miss out on a much higher transfer value.

FD rejected his complaint. One of our investigators considered the complaint and also didn't uphold it. Mr M disagreed and so the complaint has been passed to me for a final 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.

Having considered everything carefully, I agree that FD has done nothing wrong here.

I understand that Mr M considers transferring is the right course of action for him and that FD should have done everything to secure a higher transfer value. However, the starting assumption when advising on a DB pension is that it is unsuitable for most people (Conduct of Business Rules (COBS) 19.1.6 G). Securing a perceived high CETV should not be a driver for advice and the objective to secure death benefits generally is also regarded as a secondary objective to providing retirement benefits for the pension holder.

FD provided Mr M with general information about a DB transfer and information on what might influence transfer values in future. Their offer to carry out cashflows for a fee of £500 before Mr M was committing to advice fees of £10,000 with a risk that the advice would be not to proceed (at least for the time being) was reasonable. It was done to give him a better view on what different options might look like and to put him in a better informed position on whether to proceed with formal advice.

FD explained that any formal advice they would give might result in a recommendation to remain in the DB scheme at least until nearer retirement age. FD is correct when they say the regulator does expect firms to consider whether a transfer (if suitable at all) needs to happen at the time of the advice, particularly if someone is still quite some time away from retirement. Mr M was 59 when he first approached FD. He said that at the time it wasn't certain when exactly he would retire, but the cashflows in August 2022 were done on the basis that he would take tax free cash at age 61 and income from the pension at 62. So I think it's fair to say the plan to access benefits was possibly still a couple of years away at that point. I'm not sure I agree with FD that this was so long away that any potential advice in 2022 would have been automatically regarded as unsuitable or in breach of FCA guidance for this reason alone.

Having said that, FD as professional advisers after entering into a full advice process could have reasonably decided that deferring (or not transferring at all for that matter) was the suitable outcome for Mr M. I think it was fair and reasonable for FD to point out to Mr M that this was a possible recommendation before they took advice charges from him.

It's also worth noting that during Mr M's interactions with FD between April and August 2022 he did not have a valid CETV (it expired a few days after he first contacted FD) and the email in April 2022 indicates Mr M had already asked about the option to defer. His enquiries were initial enquiries and the fact he only contacted FD when the CETV was about to expire

and there seems to have been a bit of a gap in communications between April and June 2022 indicates that Mr M didn't see any urgency to proceed and was happy to follow FD's reasonable suggestion to revisit a transfer nearer his retirement age.

The majority of factors to influence the CETV would likely lead to an increased value if a transfer was deferred. FD did point out that gilt yields were a factor that could reduce transfer values, so Mr M knew this was a possibility. However, the significant and rapid increase in gilt yields could not have been reasonably foreseen by FD in my view. And I agree that the significant impact on the transfer values here was caused by the major increase in gilt yields due to extreme market conditions impacted by events including the war in Ukraine and the Liz Truss budget in September 2022.

I understand it's unfortunate and disappointing that later CETVs were significantly lower than the one he received in January 2022. Mr M recently informed us that he has taken his tax-free cash and hasn't pursued a full DB exit option as the latest CETV was even lower than in 2024. I appreciate the drop in CETV value since January 2022 is significant (around £1.3m). However, I don't consider FD's actions in 2022 were unreasonable or that they didn't treat Mr M with the necessary duty of care when they gave him information and offered cash flows first to provide better information rather than rushing into advice when the significant and sudden drop in CETVs due to extreme market movements couldn't have been reasonably foreseen.

So I don't consider them responsible for any losses caused to Mr M by the drop in CETV values.

My final decision

I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 January 2026.

Nina Walter
Ombudsman