

The complaint

Mr A complains about the advice given by GSI Wealth Management Ltd ('GSI') to transfer the benefits from his defined-benefit ('DB') occupational pension scheme to a self-invested personal pension ('SIPP'). He says the advice was unsuitable for him and will cause him a financial loss at retirement.

What happened

Mr A and his wife Mrs A approached GSI in late 2017 for advice.

GSI gathered information about Mr A and Mrs A's circumstances and objectives jointly, by way of a 'Lifetime Profile Client Pre-Meeting Questionnaire', a 'Risk Profile Questionnaire for Retirement' and a 'Cash Flow Forecast Questionnaire'. As part of this, Mr A and Mrs A said they wanted to focus on "ISA [Individual Savings Account], VCT [Venture Capital Trust], *House*". And Mr A recorded that his top three priorities were:

1. maximising lump sum death benefits
2. investment choice and fund flexibility
3. pensions administration; having quality pension administration and service.

In addition, GSI carried out an assessment of Mr A's attitude to risk, which it deemed to be 'balanced' (i.e. medium). And it assessed his capacity for loss, which it deemed to be 'medium'.

Mr A and Mrs A were age 50 and 49 respectively, in good health, employed, married, and had three financially independent children. They owned their own home as well as a holiday home, worth about £420,000 each and with outstanding mortgages of around £140,000 and £185,000. They also had a car loan with £18,937 outstanding. In addition, it was noted that Mr A had a DB pension with a CETV of £286,035, two defined contribution ('DC') pensions which brought the total value of his pensions to about £1,140,000, and £20,000 in an ISA. And Mrs A had a DB pension with a cash equivalent transfer value ('CETV') of £106,824, two DC pensions worth about £8,000 in total, and a total of around £43,000 in ISA's.

On 15 February 2018, GSI issued a joint suitability report for Mr A and Mrs A covering only their DB pensions, as it said GSI's recommendations for their other pensions would be covered in a separate report.

The suitability report recorded that Mr A and Mrs A had stated they didn't need the income from their DB schemes, and that their goals were to:

- pass the full value of their pensions to their family on death
- have a greater degree of personal control over their investment choices
- have flexibility to draw the benefits earlier than the normal retirement date
- achieve the potential for greater investment growth
- consolidate their policies for ease of management.

GSI recommended they transfer their DB scheme benefits into individual SIPP, as its cashflow analysis determined they didn't need those guaranteed pensions and so they could be inherited in their entirety by their family. It said the reasons for this recommendation were that they'd both confirmed their "*overriding need*" was to have control and freedom over their pensions and to achieve greater death benefits for their family than their DB pensions provided. That they accepted the investment returns of 6.31% (for Mr A) and 10.46% (for Mrs A) required to match their existing DB scheme pension benefits were unachievable, and that transferring meant Mr A would increase the amount of his pension which was liable to have a Lifetime Allowance tax charge. But that they were happy to give up any guaranteed pension income to achieve these goals, and they would also benefit from larger tax-free lump sums.

Mr A and Mrs A accepted the advice and the transfers went ahead. It appears other monies were also transferred into their new SIPP at around the same time. For Mr A, about £397,271 was transferred in from one of his DC pensions.

In February 2022, Mr A and Mrs A removed GSI as the adviser on their SIPP. They say their adviser left GSI so they moved with him, but he was uncomplimentary towards GSI and so they became generally concerned about GSI's previous advice. And that they went to a completely new advisory firm, which reviewed their finances and told them the DB transfers might not have been in their best interests.

In June 2024, Mrs A and Mr A made individual complaints to GSI that its recommendation to transfer their respective DB scheme benefits to SIPP was unsuitable, as they both said they now understood this was likely to leave them worse off and that GSI hadn't properly explored how their family could be protected if they passed away. They also thought GSI hadn't correctly followed or documented the advice process, and that the Regulator's guidance meant that in 2019 GSI should itself have reviewed the suitability of the DB transfer advice it had given them.

GSI didn't uphold Mr A's complaint. In summary, it said the advice process was properly followed and documented. That its DB transfer advice was suitable for him, as he wasn't reliant on the DB scheme benefits in retirement and the transfer allowed him to meet his objectives. It had ultimately been his decision whether to transfer or not, and GSI made clear what return was needed in order to match the DB benefits he'd be giving up. And Mr A had confirmed his understanding of its recommendations and risk warnings.

Unhappy with GSI's response, Mr A referred his complaint to the Financial Ombudsman Service. One of our Investigators upheld it, saying the advice GSI had given him was unsuitable. As transferring his DB scheme benefits would likely leave him worse off in retirement, and his concerns about death benefits, flexibility and control didn't justify the transfer. So, the Investigator said Mr A should be compensated based on him having remained in the DB scheme.

GSI disagreed. In summary, it said Mr A was a high-earner with substantial pension and other assets so he wasn't financially dependent on the guaranteed income from his DB scheme. The advice to transfer enabled him to meet his broader stated objectives. He'd provided GSI with information about his pensions from the start, so he'd clearly intended for them to be included in its advice process, which was holistic. And GSI made clear the return needed to match his DB benefits meant he'd likely be financially worse off by transferring. But its recommendation wasn't based on this in any case, it was instead based on the totality of his circumstances and objectives, and Mr A could maintain his lifestyle beyond age 100 without guaranteed income from his DB scheme. In line with COBS 19.1.6G, the DB transfer allowed him to meet his stated objectives of maximising death benefits, as life cover would've required underwriting and additional cost, and wouldn't have allowed for investment

growth. And a SIPP gave him the flexibility to retire early, and the control of having professional advised management.

The Investigator wasn't persuaded to change her opinion, so Mr A's complaint was passed to me to make a decision.

I contacted both parties to say I'd firstly considered whether Mr A's complaint fell within our Service's jurisdiction, in particular within the time limits that apply. And while the advice complained of took place more than six years before Mr A complained, I'd seen no reason to conclude that his complaint had been brought out of time. I also said that based on what I'd seen of Mr A's financial circumstances, I thought his likely income tax rate in retirement would be 40%.

Mr A agreed and had no further comments or evidence to provide.

In its response, GSI said it didn't wish to challenge jurisdiction or that Mr A's income tax rate in retirement would likely be 40%. But it added that the decision in Mr A's complaint should be based solely on his own circumstances and the contemporaneous evidence, and not simply repeat the reasons given in the separate decision that had upheld Mrs A's complaint; blending their joint and individual positions could wrongly affect the conclusions reached in Mr A's case. In particular, GSI said:

- Both Mr A and Mrs A expressed objectives around flexibility, control, and death benefits. Our Service should consider the full set of recorded objectives, the fact-find narrative, risk profile, and capacity for loss assessment in their entirety, to ensure each stated objective is accurately weighed in context and not overstated or given precedence without clear evidential basis.
- GSI's advice was given in the context of both Mr A and Mrs A's circumstances, including substantial retirement assets held in Mr A's name. It was important this distinction was recognised. And our Service should distinguish between Mr A's own position and joint resources, especially where capacity for loss, retirement income needs, and death benefit objectives were concerned.
- For Mr A, realistic retirement expenditure may be materially different from the projected retirement needs based on the continuation of current full household expenditure, including mortgage repayments, loan payments, and savings contributions that I'd said were unlikely to persist into retirement. This would affect the assessment of his reliance on DB income.
- I'd described the early retirement reductions as a "*penalty*" before later noting they were actuarial adjustments. Early retirement factors should be framed accurately from the start to avoid mischaracterising scheme benefits.
- Regarding death benefits, any conclusions should reflect what was and wasn't discussed in the contemporaneous documentation to avoid simply importing findings from Mrs A's complaint without an evidential basis.

I'm now in a position to make my decision.

What I've decided – and why

As a preliminary point, I note that neither Mr A nor GSI think this complaint falls outside our jurisdiction. But for completeness, I have firstly reconsidered the matter of jurisdiction, in

particular the time limits that apply. And having done so, I've still seen no reason to conclude that this complaint has been brought out of time under the relevant time limit rules. So this complaint falls within our Service's jurisdiction, and I have therefore gone on to consider its merits.

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

I should start by making clear that the complaint Mr A raised with GSI and then brought to our Service is about the suitability of its DB transfer advice; I've not seen that he's complained about any of GSI's other advice. So the DB transfer advice is the matter I'm addressing in this decision.

I note GSI says the decision reached for Mr A should be based solely on his own circumstances and the contemporaneous evidence, as blending his and his wife's joint and individual positions could wrongly affect the conclusions reached in Mr A's case. I've considered all the submissions GSI has made on this point. And I'd like to reassure both parties that in this decision, I'm only considering GSI's advice in relation to Mr A in his particular circumstances; our Service has dealt with Mrs A's complaint about its advice separately. However, some of the relevant considerations are the same. And it remains the case that GSI advised Mr A and Mrs A jointly. So in considering Mr A's complaint, I do at times need to make reference to GSI's actions in relation to Mrs A - but I make no findings about these in this decision.

GSI also says I should consider the full set of recorded objectives, the fact-find narrative, risk profile, and capacity for loss assessment in their entirety, to ensure each stated objective is accurately weighed in context and not overstated or given precedence without clear evidential basis. So I'd like to be clear that I have carefully considered all of the comments and evidence both parties have provided to our Service to support their respective positions. But while I mean no discourtesy, this decision will not address every piece of evidence or point made; instead it will only address what I think is relevant in reaching a fair and reasonable outcome to Mr A's complaint.

I've taken 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. This includes the Principles for Businesses ('PRIN') and the Conduct of Business Sourcebook ('COBS'). And where the evidence is incomplete, inconclusive or contradictory, I reach my conclusions on the balance of probabilities – that is, what I think is more likely than not to have happened based on the available evidence and the wider surrounding circumstances.

The applicable rules, regulations and requirements

The below is not a comprehensive list of the rules and regulations which applied at the time of the advice, but provides useful context for my assessment of GSI's actions here.

PRIN 6: A firm must pay due regard to the interests of its customers and treat them fairly.

PRIN 7: A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

COBS 2.1.1R: A firm must act honestly, fairly and professionally in accordance with the best interests of its client (the client's best interests rule).

The provisions in COBS 9 which deal with the obligations when giving a personal recommendation and assessing suitability. And the provisions in COBS 19 which specifically relate to a DB pension transfer.

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, GSI should have only considered a transfer if it could clearly demonstrate, on contemporary evidence, that the transfer was in Mr A's best interests.

So, I've considered all of the applicable regulations and guidance here. And having looked at all the evidence available, I'm not satisfied GSI took reasonable steps to ensure the advice to transfer his DB pension benefits was suitable for Mr A or that it was in his best interests. I'll explain why.

Financial viability

GSI carried out a transfer value analysis report ('TVAS'), showing how much Mr A's pension fund would need to grow by each year in order to provide the same benefits as his DB scheme (the 'critical yield'). GSI says it included the relevant sections of the TVAS within its suitability report.

The advice was given after the Regulator gave instructions in Final Guidance FG17/9 as to how businesses could calculate future 'discount rates' in loss assessments where a complaint about a past pension transfer was being upheld. Prior to October 2017 similar rates were published by the Financial Ombudsman Service on our website. Whilst businesses weren't required to refer to these rates when giving advice on pension transfers, they provide a useful indication of what growth rates would have been considered reasonably achievable for a typical investor.

In GSI's fact find, it was recorded that Mr A's planned retirement date was age 60 and Mrs A's was age 58. However, its suitability report said they had *"no need to draw your pensions early but would like the option of flexibility in case your circumstances change in the future"*, and it noted that Mr A's normal retirement age ('NRA') under the DB scheme was age 60. GSI's cash flow forecast was based on them retiring at these ages amongst other assumptions, including that their current joint annual expenditure of £75,696 would continue into retirement and that they wouldn't take tax free cash ('TFC').

The relevant discount rate closest to when the advice was given which I can refer to was published by the Financial Ombudsman Service for the period before 1 October 2017, and was 3.9% per year for 11 years to retirement. I've kept in mind that the Regulator's projection rates had also remained unchanged since 2014: the Regulator's upper projection rate at the time was 8%, the middle projection rate 5%, and the lower projection rate 2%.

GSI's suitability report said the critical yield for Mr A's DB pension benefits was 6.31%. The report explained, *"Taking into account your attitude to risk and term to your normal retirement date, we do not consider this return realistically achievable. In other words, if you were to transfer your plan elsewhere then there is a realistic prospect that you would be financially worse off by transferring"*.

I've taken all this into account, along with Mr A's medium attitude to risk and also the term to retirement. Given how I would expect his investments to have grown, I think Mr A was likely to receive benefits of a materially lower overall value than the occupational scheme at retirement, as a result of investing in line with that attitude to risk.

Also, GSI's suitability report said that Mr A's two DC pensions meant he already had a Lifetime Allowance tax liability, and his circumstances meant he could not apply to protect this. And that if he transferred his DB scheme benefits to a DC pension (like a SIPP), this would increase the amount of his pension that was liable to Lifetime Allowance tax. But that a transfer could still be justified and to his benefit given he wanted to increase death benefits for his family.

So GSI's suitability report clearly acknowledged that Mr A would be financially worse off by transferring. Though I note this was diluted by the report going on to say it wasn't guaranteed he'd be worse off, and that the critical yield was "*somewhat irrelevant*" in his case as it was based on buying an annuity and his objective of greater death benefits required drawdown instead. It said considering what age his total assets would be exhausted at was a more realistic approach, and that its cash flow forecasts showed that whether or not Mr A or Mrs A transferred either or both of their DB pensions, their joint assets would still last them past age 100.

Given Mr A was likely to receive lower overall retirement benefits by transferring to a SIPP, for this reason alone I don't think a transfer out of the DB scheme was in his best interests. Of course, financial viability isn't the only consideration when giving transfer advice, as GSI has argued in this case, and I think it's clear from GSI's advice that the recommendation to transfer his DB scheme benefits was based on other objectives. So, I've taken into account that there might be other considerations which mean the transfer was suitable and in Mr A's best interests, despite providing overall lower retirement benefits. I've considered these below.

Flexibility

I note GSI's suitability report said, "*You have no need to draw your pensions early but would like the option of flexibility in case your circumstances change in the future*". But I've not seen anything to make me think that retiring early was in fact a priority for Mr A. Instead, it seems more like an option he wished to keep open.

I think that if asked, most people would express a desire to have the option to retire early. But Mr A was 50 at the time of the advice, so he still had many years to think about his retirement plans. Therefore, I don't think he needed to make a decision to transfer out of his DB scheme at that time, given he'd still have the option of transferring out nearer to his desired retirement age if he needed to. Overall, I don't think Mr A should've been encouraged to make an irreversible decision that would leave him worse off in retirement.

And in any case, GSI's suitability report highlights that Mr A's DB scheme permitted early retirement from age 55 at the discretion and permission of the scheme trustees. However, the suitability report also said the trustees "*will apply a penalty of a reduction for each year*", and it set out a table of these reductions. GSI now highlights that early retirement factors should be framed accurately from the start to avoid mischaracterising scheme benefits, and this is exactly the point I make here. It is GSI's suitability report that refers to a "*penalty*". But this was not a penalty; it was in fact actuarial adjustments. Those adjustments reflect that, by taking a pension earlier, it's likely that the pot to pay for that pension will have to last longer. As such the scheme's actuaries calculate a reduction in the yearly pension to allow for the fact that the pensioner will claim the pension – most likely – for a longer period. That is not a "*penalty*", as GSI termed it, for taking the pension early, it's simply a compromise for having the benefits of that pension paid over a longer period. And I think GSI describing early retirement factors as a "*penalty*" wasn't providing Mr A with information that was clear, fair and not misleading.

GSI says this decision should distinguish between Mr A's own position and joint resources. But it's important to note that at the time of the advice, GSI jointly assessed Mr A and Mrs A's retirement income needs. It said they needed £75,696 per year in retirement, and I've not seen that this was based on any realistic analysis of individual retirement income needs. Instead, it was simply a continuation of their current joint annual expenditure. GSI now says Mr A's realistic retirement expenditure may be materially different to this. But at the time, GSI's fact find recorded that their current essential expenses totalled £2,516 a month, so about £30,000 a year. And that their non-essential expenses for 'entertainment, holidays, etc' totalled £832 a month, so about £10,000 a year, and I think it's fair to say that this was discretionary spending which could be spent or not. The current annual expenditure of £75,696 also included monthly repayments for mortgages (£1,700) and a car loan (£330), and contributions to savings, investments and pensions (£930). These repayments and contributions totalled about £35,000 a year, and I'm not necessarily persuaded they would all have continued far, if at all, into Mr A's retirement.

I know GSI says Mr A's realistic retirement expenditure may be materially different from what GSI recorded at the time, and this would affect the assessment of his reliance on DB income. If Mr A took benefits from the DB scheme at age 60, he would have been entitled to an annual income of £7,638 and I accept this would not have met his realistic retirement needs. But I still think he could have met his realistic retirement income needs by remaining in the DB scheme until the state pension became payable. I say this because Mr A would also have substantial additional income from his two other pensions. GSI's fact find says they were worth about £854,000 in total at the time of the advice, though I note the one valued at £418,829 was paid up and it's not clear to me what contributions were being made to the other one. Nonetheless, I think it's reasonable to conclude Mr A's two DC pensions would be worth a substantial amount by the time he was aged 60. Mr A could take an amount of TFC from these two pensions and could've drawn down further sums if he needed extra income. He could also have drawn on his ISA savings.

It seems one of the main reasons why GSI recommended Mr A transfer was for the flexibility it offered him. It concluded, based on the cash flow analysis carried out, that Mr A didn't need the pension available to him under the DB scheme. I've considered this carefully but I don't agree that this necessarily supports a transfer. I don't think it was suitable or in Mr A's best interests to advise him to transfer his DB pension, exposing him to the risks of the financial markets, just to have extra flexibility that he didn't need. That's particularly the case given Mr A already had other retirement provisions that provided him with flexibility at retirement and which would already be exposed to investment risk.

Death benefits

GSI highlights that any conclusions on death benefits should reflect what was and wasn't discussed in the contemporaneous documentation for Mr A. For clarity, I have considered the contemporaneous documentation in reaching my conclusions here.

I acknowledge that GSI's suitability report records Mr A's overriding need was to have control and freedom over his pensions and to achieve greater death benefits for his family, that he accepted a transfer may leave him financially worse off but he was happy to give up a guaranteed pension income to achieve these goals. And that he signed a declaration to this effect.

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 ability to pass on the pension as a lump sum death benefit was likely an attractive feature to Mr A. But whilst I appreciate death benefits are important to consumers, and Mr A might have thought it was a good idea to transfer his DB scheme to a SIPP because of this, the priority here was to advise Mr A about

what was best for his retirement provisions. A pension is primarily designed to provide income in retirement – not a lump sum to family after death.

Furthermore, I think it's important to remember that by this point GSI had advised Mr A he didn't need this pension to sustain him in retirement, so it could instead form part of the death benefits he passed on to his family. So, I don't think it's significant that Mr A agreed with GSI's view on this point; ultimately, I think he was led by the advice he'd been given.

I also think the existing death benefits attached to the DB scheme were underplayed. GSI's suitability report recorded that the death benefits provided by Mr A's DB scheme were a spouse's pension of 60% of his pension, plus a lump sum of five times the deferred pension at date of death. It said these were substantially less than the benefit of passing the full value of the £286,035 CETV to his family on death. And that transferring meant the amount of death benefits his family would receive, even after the Lifetime Allowance tax charge, was still more than if he were to leave his benefits in the DB scheme.

Mr A was married and so the lump sum and spouse's pension provided by the DB scheme would've been useful to his wife if Mr A predeceased her. I don't think GSI made the value of this benefit clear enough to Mr A. Even putting the lump sum to one side, the spouse's pension was guaranteed and it escalated; it was also not dependent on investment performance, whereas the sum remaining on death in the SIPP was. In any event, GSI should not have encouraged Mr A to prioritise the potential for higher death benefits through a personal pension over his own security in retirement.

If Mr A genuinely wanted to leave a further legacy for his wife and/or children, which didn't depend on investment returns or how much of his pension fund remained on his death, I think GSI should've instead explored life insurance. GSI's suitability report made no mention of this being explored, though GSI now argues life cover would've required underwriting and additional cost, and wouldn't have helped Mr A meet his other objectives. Even if this had been what GSI told Mr A at the time of its advice, I don't think it would have been a balanced way of presenting this option to him.

GSI's starting point ought to have been to ask Mr A how much he would ideally like to leave to his wife and/or children, and this could've been explored on a whole of life or term assurance basis. GSI's fact find recorded that Mr A was in good health and had significant disposable income each month, so I think insurance on this basis was likely to be available to him and would have enabled him to leave a legacy without risking his retirement income.

Overall, I don't think different death benefits available through a transfer to a SIPP justified the likely decrease of retirement benefits for Mr A. And I don't think that insurance was properly explored as an alternative.

Control or concerns over financial stability of the DB scheme

I think Mr A's desire for control over his pension benefits, and to consolidate them for ease, was overstated. Mr A was not an experienced investor, and I cannot see that he had an interest in or the knowledge to be able to manage his pension funds on his own. This is supported by the section of GSI's suitability report titled 'Your Financial Experience and Capability' which recorded that, while he understood the mechanics of a wrap arrangement and would prefer if his plans could be held in this way and understood the potential benefits that could be achieved if it was managed properly, he also *"would much prefer not to manage your own investment holdings"*.

So, I don't think that this was a genuine objective for Mr A – it was simply a consequence of transferring away from his DB scheme.

I've not seen that Mr A expressed any concern about how his employer's DB scheme was being managed, or about the funding of that scheme. And in any case that scheme was not in a position such that Mr A should have genuinely been concerned about the security of his DB pension.

Summary

I don't doubt that the potential for higher death benefits, and the flexibility and the control on offer through a SIPP would have sounded like attractive features to Mr A. But GSI wasn't there to just transact what Mr A might have thought he wanted. The adviser's role was to really understand what Mr A needed and recommend what was in his best interests.

Ultimately, I don't think the advice given to Mr A was suitable. He was giving up a guaranteed, risk-free and increasing income. By transferring, Mr A was very likely to obtain lower overall retirement benefits and in my view, there were no other particular reasons which would justify the transfer and outweigh this. Mr A had no need for extra flexibility or control given his other provisions, and I don't think he needed to place this pension at risk when his other provisions were already subject to risk. And the potential for higher death benefits wasn't worth giving up the guarantees associated with his DB scheme.

So, I think GSI should've advised Mr A to remain in his DB scheme.

Of course, I have to consider whether Mr A would've gone ahead anyway, against GSI's advice. GSI suggests this is the case, saying that it gave clear information to Mr A and he understood what he was giving up by transferring out of the DB scheme, but he still chose to proceed with the transfer.

I've considered this carefully, but I'm not persuaded that Mr A would've insisted on transferring out of the DB scheme, against GSI's advice. I acknowledge that Mr A approached GSI here, as opposed to him being 'cold-called' and offered a pension review. But there's nothing to suggest he had already made up his mind about transferring his DB scheme benefits, and I note he told GSI he wanted to focus on "ISA, VCT and House" – so, not on his pensions in particular.

I accept that GSI disclosed the risks of transferring to Mr A and provided him with a significant amount of information in the recommendation report. I also think Mr A understood he'd be giving up guaranteed income by transferring out of the DB scheme. But Mr A was an inexperienced investor with a medium attitude to risk and this pension accounted for a significant portion of his retirement provision, with the rest already subject to market risks. And ultimately, GSI advised Mr A to transfer out of the DB scheme and I think he relied on that advice. So, if GSI had provided him with clear advice against transferring out of the DB scheme, explaining why it wasn't in his best interests, I think he would've accepted that advice.

I'm also not persuaded that Mr A's concerns about his death benefits and flexibility and control over his pension were so great that he would've insisted on the transfer knowing that a professional adviser, whose expertise he had sought out and was paying for, didn't think it was suitable for him or in his best interests. If GSI had explained that Mr A could meet all of his objectives without risking his guaranteed pension, I think that would've carried significant weight. So, I don't think Mr A would have insisted on transferring out of the DB scheme.

In light of the above, I think GSI should compensate Mr A for the unsuitable advice, in line with the Regulator's rules for calculating redress for non-compliant pension transfer advice.

Putting things right

A fair and reasonable outcome would be for GSI to put Mr A as far as possible, into the position he would now be in but for the unsuitable advice. I consider Mr A would have most likely remained in the DB pension scheme if suitable advice had been given.

GSI 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, Mr A has not yet retired, and he has no plans to do so at present. So, compensation should be based on the scheme's normal retirement age of 60, 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 Mr A'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, GSI should:

- calculate and offer Mr A redress as a cash lump sum payment,
- explain to Mr A before starting the redress calculation that:
 - his 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 his redress prudently is to use it to augment his DC pension
- offer to calculate how much of any redress Mr A receives could be augmented rather than receiving it all as a cash lump sum,
- if Mr A accepts GSI's offer to calculate how much of his redress could be augmented, request the necessary information and not charge Mr A for the calculation, even if he ultimately decides not to have any of his redress augmented, and
- take a prudent approach when calculating how much redress could be augmented, given the inherent uncertainty around Mr A's end of year tax position.

Redress paid directly to Mr A 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), GSI may make a notional deduction to allow for income tax that would otherwise have been paid. Mr A's likely income tax rate in retirement is presumed to be 40%. In line with DISP App 4.3.31G(1) this notional reduction may not be applied to any element of lost tax-free cash.

My final decision

Where I uphold a complaint, I can award fair compensation of up to £195,000, 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 £195,000, I may recommend that the business pays the balance.

Determination and money award: I uphold this complaint and require GSI Wealth Management Ltd to pay Mr A the compensation amount as set out in the steps above, up to a maximum of £195,000.

Recommendation: If the compensation amount exceeds £195,000, I will also recommend that GSI Wealth Management Ltd pays Mr A the balance.

If Mr A accepts my final decision, the money award becomes binding on GSI Wealth Management Ltd.

My recommendation would not be binding. Further, it's unlikely that Mr A can accept my decision and go to court to ask for the balance. Mr A may want to consider getting independent legal advice before deciding whether to accept any final decision.

GSI Wealth Management Ltd should provide details of its calculations to Mr A in a clear, simple format.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 19 September 2025.

Ailsa Wiltshire
Ombudsman