

## **The complaint**

Mr A has complained about the advice he received from Quilter Financial Services Limited ('Quilter') to transfer a defined-benefit ('DB') occupational pension to a personal pension. Mr A has also complained that he didn't receive the annual reviews that he was paying for.

## **What happened**

Mr A received pension transfer advice from a business, which was a representative of Quilter, in January 2020. Mr A had been referred to Quilter after being referred by a business I'll call 'Firm P'.

Mr A had received a cash equivalent transfer value ('CETV') of his DB scheme benefits of £47,575. Quilter advised Mr A to transfer out of his DB scheme, take his full tax-free cash ('TFC') entitlement and invest the remaining monies in a personal pension in line with his 'balanced' attitude to risk. The recommendation letter explained that an ongoing advice service, which would be paid for by way of an ongoing advice charge ('OAC') of 1%, would be provided annually by Firm P.

In October 2024 Mr A appointed a representative (a 'CMC') to make a complaint on his behalf about the advice he received from Quilter. The CMC said the advice to transfer out of the DB scheme was unsuitable for Mr A given his lack of investment experience and low capacity for loss. The CMC also said Mr A hadn't received the ongoing advice or annual reviews he'd paid for.

Quilter didn't uphold the complaint. It said the advice was suitable for Mr A because he wished to give up work immediately and taking his TFC allowed him to do this and meet his monthly expenditure until his state pension became payable. And once Mr A's state pension became payable he wouldn't need to draw on his pension funds, so they could remain invested for the future. Quilter said it wasn't responsible for providing Mr A with ongoing advice, as this was responsibility of Firm P.

Our Investigator considered the complaint and found the advice Quilter provided to be unsuitable. He recommended that Quilter compensate Mr A for the unsuitable advice in line with the Regulator's guidance. The Investigator was satisfied that Firm P was also a representative of Quilter at the time, and as such, Quilter was also responsible for providing Mr A with ongoing advice, which he hadn't received. However, he didn't think it would be fair for Quilter to compensate Mr A for this, given that his recommendation put Mr A back into the position he would've been in if his pension hadn't been transferred.

Mr A accepted this but Quilter didn't agree the advice was unsuitable. It said Mr A's immediate objective of retiring early could only be met by transferring out of the DB scheme.

The complaint has therefore been passed to me to make 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.

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 Quilter'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, states in COBS 19.1.6G that the starting assumption for a transfer from a DB scheme is that it is unsuitable. So, Quilter should have only considered a transfer if it could clearly demonstrate that the transfer was in Mr A's best interests.

Having considered all of this and the evidence in this case, I've decided to uphold the complaint for largely the same reasons given by the Investigator. My reasons are:

- The transfer value comparator ('TVC') report, which Quilter was required to carry out by the Regulator, said that it would cost Mr A £143,158.79 to obtain a comparable level of benefits from an annuity provider. This meant that it would cost Mr A over £95,000 more than the CETV offered to him to replace the benefits he was entitled to at age 65, which was only two months after the advice was given, from the DB scheme.
- Given Mr A's recorded 'balanced' attitude to risk, and the Regulator's middle projection rate of 5%, I think Mr A was almost certainly going to receive pension benefits, from age 65, of a significantly lower value than those he'd have been entitled to from the DB scheme. So, I think Mr A was ultimately likely to be worse off as a result of the transfer.
- Quilter says that Mr A wanted to give up working immediately, particularly in view of some health problems, and he would have a shortfall in his income of £450 per month until his state pension became payable in around 14 months' time. But the £450 per month included £100 per month to build up some savings, and I think Mr A could've foregone this need until he started to receive his state pension. As such, I think the shortfall was only £350 per month over that period.

- Mr A could've taken his full DB scheme benefits at age 65 in March 2020, and he'd have been entitled to take TFC of £6,679 and an income of £1,001 per year. This would've covered the shortfall. Alternatively, Mr A could've taken some funds from the other small pension he had which had a value of around £3,700. So, I'm not persuaded that Mr A could only retire early by transferring out of the DB scheme.
- Quilter says Mr A didn't need to take an income from the pension, just TFC, as his state pension would cover his outgoings. As such, transferring the DB scheme to a personal pension met this objective. But I don't think that the income payable from the DB scheme was large enough to make a significant difference overall. And in the initial years it wouldn't likely be taxable given Mr A's personal allowance. Furthermore, the additional income increased Mr A's ability to save; alternatively, he could've redirected any additional funds into his smaller pension, which he could leave invested.
- Quilter says Mr A preferred to be able to pass any remaining pension funds on his death to his wife as a lump sum rather than an annual income. While the CETV figure would no doubt have appeared attractive as a potential lump sum, the sum remaining on death following a transfer was always likely to be different. As well as being dependent on investment performance, it would've also been reduced by any income Mr A drew in his lifetime. However, the spouse's pension attached to his DB scheme was guaranteed and escalated in payment, so I think it could've been valuable to his wife in the event of his early death.

Overall, I can't see persuasive reasons why it was clearly in Mr A's best interest to give up his DB benefits and transfer them to a personal pension, when this would result in lower overall retirement benefits. I think he had alternative ways of achieving his objective of retiring early, without having to transfer out of the DB scheme. I also haven't seen anything to persuade me that Mr A would've insisted on transferring, against advice to remain in the DB scheme. So, I'm upholding the complaint as I think the advice Mr A received from Quilter was unsuitable for him.

As I'm recommending that Quilter should compensate Mr A by putting him back into the position he would've been in if he hadn't transferred out of the DB scheme, I'm not addressing what should have happened after Mr A's pension was transferred.

### **Putting things right**

A fair and reasonable outcome would be for Quilter 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 occupational pension scheme if suitable advice had been given.

Quilter 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 retired at age 65. So, compensation should be based on him taking benefits at this age.

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, Quilter 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 defined contribution 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 Quilter'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), Quilter 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 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.

### **My final decision**

I'm upholding Mr A's complaint and I require Quilter Financial Services Limited to pay him compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 12 November 2025.

Hannah Wise  
**Ombudsman**