

The complaint

Mrs G's complaint about Quilter Financial Services Limited is about the advice she received to transfer a Defined Benefit (DB) occupational pension to a new personal pension arrangement. She says the advice was unsuitable and she's lost out financially as a result.

What happened

The following is a summary only of the background and key events leading up to the complaint to provide some context. Where it is appropriate to do so, I will refer to specific evidence or expand on what follows in support of my findings, in the section below.

Mrs G met with Quilter in 2018 for retirement planning advice. Mrs G was 62 and it was her intention to retire within the next 12 months. Her recorded objectives were:

- She intended to sell two of her properties, repay her outstanding mortgages, and use the net proceeds of around £240,000, to fund her retirement income need of £1,200 a month.
- From age 66, she intended to use a combination of her state pension and savings to meet her needs.
- Mrs G had no need for her Defined Benefit (DB) pension to provide an income and wanted to use her savings first to reduce her IHT liability – her total assets excluding pensions were around £618,000.
- Mrs G wanted flexibility to take ad-hoc lump sums, but wanted to keep her pension monies invested for future growth.
- She ultimately wanted her family to benefit from her assets when she died.

Quilter recommended Mrs G transfer her DB pension, valued at around £84,000, to a new personal pension arrangement and invest in a 'Balanced' risk portfolio, which it deemed matched Mrs G's earlier assessed attitude to risk. It said the reasons for the transfer were:

- Mrs G had a low income requirement but significant assets, so she wanted to reduce her savings, and so her IHT liability, before taking an income from her pension assets.
- Better death benefits – her family would not benefit from her DB scheme but would following the transfer.
- She wanted the ability to take ad hoc lump sums throughout retirement.
- She felt the transfer value conditions were good, so wanted to take it now, and leave the funds invested for the foreseeable future.
- She intended to retire as soon as possible and wanted to transfer the funds before she was forced to take an income.

Mrs G accepted the recommendation and the transfer duly completed.

In 2024, Mrs G complained to Quilter, using the services of a professional complaint representative. She said the transfer advice was unsuitable and she'd lost out as a result – she should have been advised to retain her DB scheme. She said her circumstances at the time weren't certain – she hadn't yet sold her properties – and her expenditure needs were

far from certain. She said there was no evidence her income needs were checked at the time.

Quilter didn't uphold the complaint. It said the advice was suitable because it met her objectives. It said Mrs G was passed her scheme's normal retirement age, she wanted flexibility and the ability to benefit from investment growth. It said Mrs G had already completed her house move, and following the sale of her properties she would have been mortgage free and have a larger pot of savings to use towards her retirement alongside her other defined contribution and state pension. It said her attitude to risk was assessed appropriately and the investment recommendation was also suitable.

Mrs G disagreed and brought her complaint to us.

After investigating, our Investigator concluded the complaint should be upheld because they deemed the advice was unsuitable. In summary they said Mrs G's objectives could have been met whilst retaining her DB scheme. And they said if she'd been given suitable advice to retain her DB scheme, she would have likely followed that advice.

Quilter disagreed. It maintained the advice was suitable because it met Mrs G's needs and objectives – it gave her flexibility, control and better death benefits. It said, given Mrs G's current and previous employment, she had significant pensions and investment knowledge which she could apply to her own needs and circumstances. And challenging the Investigator's conclusion that Mrs G would have kept her DB scheme had she been suitably advised, it said shortly after the transfer she cancelled the ongoing advice service and she later transferred another of her pensions on a self-serve basis. It also provided an email she sent to the adviser prior to completion of the transfer in which she made it clear she understood the risks and implications of the transfer and what she was giving up.

Because the Investigator wasn't persuaded to change their opinion, the complaint was passed to me to decide.

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, regulatory rules, guidance and standards, codes of practice, and (where appropriate) what I consider to have been good industry practice at the relevant time. And where the evidence is incomplete or inconclusive I've reached my decision based on the balance of probabilities – in other words, on what I think is more likely than not to have happened, given the available evidence and wider circumstances.

Having considered all of this and the evidence in this case, I agree with the conclusions reached by the Investigator for the reasons below.

In considering this matter, I'm mindful that 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, Quilter should have only considered a transfer if it could clearly demonstrate, on contemporary evidence, that the transfer was in Mrs G's best interests. And having looked at all the evidence available, I'm not satisfied it was in her best interests.

Financial viability / analysis

While Mrs G had passed her scheme's normal retirement date, under the rules, Quilter was still required to carry out a transfer value analysis report (TVAS). I can't see it did that. But it did carry out some form of comparison between the benefits being offered by the DB scheme and what the transfer value could obtain on the open market instead – so reflecting some of what was expected and what the TVAS would show. And this showed that it would cost Mrs G slightly more to purchase an annuity to replicate the same level of escalating income after taking a tax-free cash lump sum.

But ultimately the transfer wasn't recommended to Mrs G on the basis her pension benefits would be of substantially greater value by transferring and she'd be better off in this sense. The transfer was recommended for other reasons, which I have considered below.

Flexibility and income needs

One of the key reasons for the recommended transfer was that Mrs G didn't need a regular income from her DB scheme. The suitability report said it would have been "illogical to take a guaranteed income that is inflexible..." Mrs G instead intended to use her savings following her property sales to support her income need and to reduce her tax liability. She also wanted flexibility to take ad hoc sums for holidays and other purchases.

Firstly, I think it's important to highlight that Mrs G's intended plan had yet to be finalised. She had not yet sold her properties, paid off her mortgages or got the net £240,000 in savings she hoped to achieve. Until such time as the properties were sold (it's not clear from the advice paperwork whether the properties were already on the market at the time and that the values quoted were the actual sale prices or whether they were anticipated values) and the mortgages cleared, Mrs G would not know for certain what residual amount she would have available to support her retirement income. As it stood, she only had around £2,000 in the bank. So, at this point in time, I don't think it was clear that Mrs G did not, or would not, need a regular income from her DB pension.

But on the assumption that Mrs G's ultimate financial position in around twelve months' time was as stated, I think she already had flexibility in retirement. And nothing which shows she needed a greater degree of flexibility above that which she already had. I don't think she needed to transfer her DB pension to meet this objective. Mrs G would have had her savings and her other defined contribution workplace pension (valued at around £135,000) she could have accessed flexibly to meet her needs – both in terms of supporting her income requirement as well as for her ad hoc lump sum needs. Quilter did not quantify, or attempt to quantify her lump sum needs, so I can't see that she needed to transfer her DB scheme for the purpose of having flexibility, or greater flexibility in retirement.

Turning to Mrs G's income need – this is the area where I think Quilter has failed to demonstrate it did enough to justify the transfer. Quilter documented that Mrs G's monthly income need was £1,200 a month. But I can't see that this was properly established or interrogated to show this was a realistic monthly amount. I can't see there was any kind of analysis carried out. Typically, I would expect to see in its basic form, a budget planner breaking down essential and discretionary spend, but this was absent here. I can see the adviser noted in the suitability report that the income amount was 'relatively low' given the assets available to Mrs G, suggesting to me that they weren't entirely convinced this was a viable amount to support Mrs G's lifestyle. Yet still no analysis was carried out.

So, given the lack of scrutiny around what I consider to be an important aspect of the advice, I don't think Quilter was in a position to say or demonstrate that Mrs G did not have a need for a regular income from her DB pension.

While Mrs G's DB pension income assessed to be around £2,500 a year was not a large amount, it was nevertheless a guaranteed, risk-free and escalating income for life. And this together with her small pension already in payment, and her state pension due at age 66, would have created a solid income foundation upon which she could use her savings and her DC pension, if needed, to supplement her needs. By taking her DB pension at 63, Mrs G would still have needed to supplement her income – reduced once her state pension became payable. And so, this would still have allowed her to reduce her potential IHT tax liability by using her savings, if this was important to her.

But by taking her DB pension income, which is what it was designed to provide, there was a greater opportunity for Mrs G's savings to last throughout her retirement, or for her to make provision to pass on a larger amount to her intended beneficiaries of her estate, again, if that's what she wanted. I can see Quilter said in the suitability report that Mrs G could take around £22,000 a year from her savings and the payments would broadly match up with her life expectancy. But again, Mrs G's income needs hadn't been properly assessed. And neither had her ad hoc lump sum requirements. These were referred to as being for capital purchases and holidays. But these weren't quantified – how much and how often wasn't considered. So, Mrs G's savings, intended to be used over her potential 20+ year retirement, might not have lasted as long as intended. Again, I don't think sufficient analysis was carried out here to demonstrate the transfer was in Mrs G's best interests.

I can see the suitability report referred to Mrs G wanting to transfer her funds before she was forced into taking an income when she retired – it was imperative that she transfer her fund before she fully retires. It's unclear here why Mrs G would be forced into taking an income from her DB scheme. There's nothing to show that her scheme insisted she take her benefits at this time, or in 12 months' time. In my experience most schemes allow deferment beyond normal retirement age for many years, only typically requiring that benefits be taken by age 75. There's no evidence from the advice paperwork that Mrs G's DB scheme was any different. So, it seems Mrs G could have retained her DB scheme and deferred taking her benefits – if for example her properties took longer to sell or she truly didn't need the income at the relevant time. And her benefits would continue to increase in line with the scheme's late retirement factors. So, I don't think it was imperative that Mrs G transfer prior to her retiring and give up her guaranteed benefits at this time.

Overall, I don't think it was a suitable recommendation for Mrs G to give up her guaranteed benefits at this time in the absence of a thorough analysis of her income and spending requirements to clearly demonstrate she did not have a need for a regular guaranteed and increasing lifetime income. And Mrs G didn't need to transfer her pension to achieve flexibility in retirement because her existing assets already provided her with the flexibility she likely needed.

Death benefits

Different death benefits was another key reason for the recommendation. Mrs G didn't have a spouse, and her children were grown up. So, in the circumstances I accept the death benefits through the DB scheme were not of value to her.

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 Mrs G. But whilst I appreciate death benefits are important to consumers, and Mrs G 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 her about what was best for her retirement provisions. A pension is primarily designed to provide income in retirement – not as a legacy planning tool.

Mrs G's intended beneficiaries already stood to gain from her other substantial assets, including her property. So, in the circumstances Quilter should not have encouraged Mrs G to prioritise the potential for higher death benefits through a personal pension over her security in retirement.

Overall, I don't think different death benefits available through a transfer to a personal pension justified the loss of a guaranteed, risk-free and escalating income for life.

Reduce IHT liability

Mrs G had a potential IHT liability, which she intended to address by using her savings to fund her income requirement before using her pension funds. And over time this would do that. But I'm not persuaded that taking the DB pension income would have fundamentally changed things and it certainly wouldn't have added to the issue. I think Mrs G would still have likely had to supplement her income and overall needs, for which her savings could have been used. So, this would still reduce her liability over time, but at the same time she'd be in receipt of a guaranteed, risk-free and escalating income. But crucially here, Quilter did not explore or discuss the alternatives available to Mrs G to address her potential tax liability. Those alternatives including gifting money or using investments written in Trust to remove funds from her estate. Or, as I said above, there was no apparent reason why Mrs G couldn't have continued to defer taking her DB scheme benefits, if she was particularly concerned about addressing her IHT liability as a priority. Which was a risk-free option.

So, I don't think Mrs G was in a fully informed position. Transferring her DB scheme to an arrangement where she could keep the monies invested and not take an income was not the only solution here.

Summary

I don't doubt that the flexibility, control and the potential for higher death benefits on offer through a personal pension would have sounded like attractive features to Mrs G. But Quilter wasn't there to just transact what Mrs G might have thought she wanted. The adviser's role was to really understand what Mrs G needed and recommend what was in her best interests. I'm not persuaded that took place here. It's noticeable that the reasons for the recommendation appear solely based on what Mrs G said she wanted rather than the adviser's opinion as to why the recommendation met Mrs G's needs.

Ultimately, I don't think the advice given to Mrs G was suitable. She was giving up a guaranteed, risk-free and increasing lifetime income. And doing so at a time when her plans had not yet been realised. In my view, there were no particular reasons which would justify a transfer and outweigh this. Mrs G should not have been advised to transfer out of the scheme for flexibility which she already had, or because Mrs G felt the transfer value conditions were good. And the potential for higher death benefits wasn't worth giving up the guarantees associated with her DB scheme.

So, I think Quilter should've advised Mrs G to remain in her DB scheme.

But I have to consider whether Mrs G would have gone ahead anyway, against Quilter's advice. Quilter argues that this is the case, as I outlined earlier on.

I've given careful thought to this. And I acknowledge this is finely balanced. But, on balance, I'm not persuaded that Mrs G would, more likely than not, have insisted on transferring out of the DB scheme, against Quilter's advice. On the one hand, I accept that Mrs G's previous and current employment and roles likely meant she had more knowledge and experience of pensions than a typical consumer. But Quilter's description of someone who had significant

investment and pensions experience, which she could apply to her own needs and circumstances, and that she clearly understood the risks and implications of the transfer, isn't entirely supported by the available evidence. For example, in the attitude to risk assessment questionnaire, she answered: "I agree" to the statement: "I have little experience of investing in stocks and shares." Now perhaps Mrs G interpreted this as direct experience, of which I accept Mrs G only appeared to be invested via her workplace and a small personal pension. But if, as Quilter suggests, Mrs G had significant investment experience, I think it's reasonable to assume she would have answered this differently reflecting her alleged significant knowledge.

As for the email from Mrs G in response to the adviser's request for her to demonstrate she understood the risks involved and the implications of the transfer, there are two key things to note here. Firstly, it is interesting that Quilter's compliance department deemed it necessary for Mrs G to write such an email following the advice. This perhaps suggests to me there were some question marks around it. But secondly and most importantly, despite being asked to write in her own words that she understood the risks involved and explain what she was giving up, she simply copied, word for word, the prompts the adviser had sent her. If Mrs G truly had significant pensions and investment knowledge, which she could apply to her situation and clearly understood the implications of the transfer, I think she would have been able to explain things in her own words. The fact she did not, in my view, brings into doubt both the true extent of her knowledge and her ability to apply what knowledge she did have to her own specific needs and circumstances.

With this in mind, I think it's likely Mrs G had a good working knowledge of pensions and the different types, and perhaps better than most typical consumers. But I'm not persuaded it was such that, if Quilter had provided her with clear advice against transferring out of her DB scheme, explaining why it wasn't in her best interests, she would have ignored it and put it to one side. On balance, I think she would have accepted and followed that advice.

Quilter has also pointed to the fact that Mrs G cancelled the ongoing advice service suggesting she knew how best to manage her pension, and that she subsequently transferred her other pension to the recommended plan on a self-serve basis. But Mrs G was within her right to cancel the ongoing service. It was an extra cost, so Mrs G might have thought this wasn't necessary. She'd received advice and was invested in a managed portfolio, so she might have thought there wasn't value in the ongoing service. And as for the subsequent transfer, not only was this a DC-to-DC arrangement, but it was also only because of Quilter's advice that she had a readily available destination to transfer her other pension to. It was also a workplace pension, so she'd likely have to transfer it somewhere else once she stopped working.

So, I'm not persuaded these things speak directly to Mrs G's significant investment and pensions experience and demonstrate she would have insisted on the transfer of DB pension anyway.

Overall, I'm not persuaded that Mrs G's concerns about her death benefits or that the transfer value conditions were so great that she would've insisted on the transfer knowing that a professional adviser, whose expertise she had sought out and was paying for, didn't think it was suitable for her or in her best interests.

I think if Quilter had properly advised Mrs G – thoroughly exploring her income needs, exploring the options for reducing her IHT liability and not placing more weight on death benefits over her security in retirement – and clearly explained that she could meet all of her objectives without risking her guaranteed pension, I think that would have carried significant weight. So, I don't think Mrs G would more likely than not have insisted on transferring out of

the DB scheme.

In light of the above, I think Quilter should compensate Mrs G 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 Quilter to put Mrs G, as far as possible, into the position she would now be in but for the unsuitable advice. I consider Mrs G would have most likely remained in the occupational pension scheme if suitable advice had been given.

So, Quilter should carry out 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, and in a minor change to the assumption made by our Investigator, compensation should be based on Mrs G retiring and taking benefits at age 63 (not 62) in line with what was recorded at the time of the advice.

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

Redress paid directly to Mrs G 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. Mrs G's 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

For the reasons above, I uphold this complaint, and I instruct Quilter Financial Services Limited to put things right in line with the approach above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 2 February 2026.

Paul Featherstone

Ombudsman