DRN-5758323

The complaint

Mr G has complained about the advice he was given by WFPL Financial Planning Limited (WFPL) to consolidate his personal pension policies to set up a flexi-access drawdown policy.

He believes that this advice was incomplete and unsuitable for his circumstances, resulting in a financial loss.

Mr G is being assisted in bringing his complaint by a family member. For purposes of simplicity, I will refer to all correspondence as if it were with Mr G himself.

What happened

I issued my first provisional decision in November 2024, my second provisional decision in March 2025 and my third in July 2025, the key parts of which I have replicated below and form part of my final decision.

After an initial introduction, Mr G met with WFPL on 8 December 2022 to discuss his financial situation. Mr G was unable to work owing to ill health and his sole income at that time was Universal Credit (UC) of c£330 per calendar month (pcm) plus c£180 pcm in respect of his ground rent for a total of £510 pcm. In the discussion with WFPL, Mr G gave his current income as c£334 pcm.

The fact find document is sparsely populated but it confirms Mr G was around seven years from receiving his state pension. He did not anticipate being able to return to paid employment in the foreseeable future.

Mr G told WPFL that his only asset was equity in his main residence valued at around £80,000 as well as three personal pensions worth around £45,000 – £50,000 in total. He also said he was currently topping up his UC from his savings, but this was not sustainable in the long term. He said his income requirements were c£600-700 pcm including his UC. WPFL produced a suitability report on 19 January 2023 which showed that Mr G worked part time as an unpaid volunteer at a charity shop.

WFPL identified that Mr G needed an income of £366 a month to top up his UC in order to meet his income requirements. It identified that none of Mr G's existing personal pensions would allow flexible access drawdown, which it considered the best approach to accessing the funds to top up his income.

A transfer was recommended to consolidate these three pensions to allow Mr G to access his pension funds.

WFPL's risk assessment identified that Mr G should be considered a cautious investor with a low capacity for loss. WFPL said the projected fund values assume benefits will be taken at age 75 as per Mr G's stated objective.

A comparison of charges shows the adviser was unable to obtain the associated charges for the largest of the existing pensions as it was invested on a with-profits basis, but an aggregate charge for the other two pensions was listed as 0.60% and the total recommended approach charges, including ongoing adviser charges were 1.72%.
Mr G and WPFL discussed the option of him taking up to 25% tax-free cash also known as pension commencement lump sum (PCLS). Mr G didn't want to do this, instead opting to retain the benefits to enhance his income in retirement.

On 20 September 2023, Mr G complained about the advice he had been given. He said that when he had informed the DWP about the income he was drawing from his pension funds, it had reduced his UC payment to c£165 per month, which was the amount he had received in pension benefits. Mr G said that WFPL had not advised him that his UC payments may be affected by drawing income from his pensions. Mr G said he would like to be put in the position he would have been in had he not been advised to transfer and draw income from his pension plans.

WFPL responded to Mr G's complaint on 9 November 2023. It acknowledged that its advice had not highlighted the risks to Mr G's UC payments but did not uphold his complaint as it felt he had not suffered a material loss. It concluded:

Your Universal Credit did not provide you with an income sufficient to cover your standard of living and the advice was aimed at meeting this stated objective. Having no other assets, the only option available that will provide you with the income you require is to access your pension benefits.

Although your Universal Credit was reduced, by taking an income from the pension you were in the position of receiving a higher monthly income than was available to you from Universal Credit alone.

The income Drawdown plan will allow you to increase the withdrawals to an amount that will fully meet your stated income objective, although this will again lead to a reduction in your Universal Credit.

The recommendation to transfer to [Provider] Income Drawdown plan remains good advice and appropriate to your needs.

Mr G contacted WFPL on 13 November 2023, unhappy with this conclusion. He made a number of points which included:

You have admitted that your representative has made a mistake and still come to this [non uphold] conclusion even after giving you plenty of time to consider this.

[Mr G] only asked for his monies to be increased not to lose his benefit and yet your representative just went ahead without understanding the situation and then had to suggest that he draw down even more than was originally discussed.

That you feel [Mr G] has not been negatively affected. Even though he has been affected both financially and mentally.

WFPL replied on the same day. It said:

As I have stated clearly in my letter, Mr [G] had two choices; retain his Universal Credit and have an income shortfall, or to start to draw benefits from his pension sufficient to cover his income needs and accept a reduction in his benefits as they are means tested which [Mr G]would have known.

It also offered Mr G £300 in full and final settlement of the complaint.

Unhappy with this response, Mr G brought his complaint to our Service. He said that he would like to be reinstated in the position he would have been in were it not for the advice, as well as compensated for the distress and inconvenience he had been caused.

WFPL contacted our service on 28 March 2024 to increase its offer of compensation from £300 to £500 to try to resolve the complaint.

Our investigator considered all the evidence provided by both parties. He formed the view that WFPL had treated Mr G unfairly and that it had caused him a financial loss. They felt that the advice would have been suitable for Mr G had it included the potential effect upon the income he was receiving from UC. Consequently, they recommended that WFPL compensate Mr G for the loss of UC he had suffered as a result of the advice. They also agreed that compensation of £500 in respect of the distress and inconvenience he had suffered was appropriate in the circumstances of this complaint.

WFPL did not agree with this view, so the complaint has been passed to me to make a final decision.

In its response to the view, WFPL said that it believed that Mr G was aware that UC was a means tested benefit, as evidenced by his declaration of his pension income to DWP. WFPL also suggested that Mr G investigate whether he may be entitled to Personal Independence Payment (PIP), a non-means tested benefit.

Prior to making my decision, I asked Mr G for some further information. He replied to state that:

- If he had known that his UC would be reduced by the amount of his pension income, then he would definitely not have proceeded to transfer and consolidate his pensions. He would have continued to live in a meagre way, with assistance from his family.
- After investigation, he has established that he would not be eligible for a non means tested benefit such as PIP.
- Mr G only declared his pension income at a regular, scheduled meeting with DWP to discuss his situation.
- Mr G has not worked for a ‘very long’ time owing to his ill health. It is not anticipated that he would be able to return to work in the foreseeable future, most likely not until he reaches state retirement age.

Both Mr G and WFPL responded to my second provisional decision.

Mr G asked for further clarification about the redress I had proposed, including if it meant Mr G would lose access to the compensation if he were to return to paid employment. WFPL raised a number of issues with my first and second provisional decisions. Among these I consider the most relevant to be summarised as:

- It agreed that it should have reminded Mr G that UC is a means tested benefit and that claiming his benefit would impact this. However, it maintained that there was no other realistic way that Mr G could have met his articulated financial objectives than by accessing his pension benefits.
- It did not believe that it was ethical for it to advise Mr G to continue to claim benefits when he had assets he could use to provide additional income.

- It did not agree with my proposed redress and offered Mr G a £5,000 lump sum payment to settle the complaint.
- It felt that my proposed redress required an inappropriate ongoing relationship between Mr G and WFPL.

Mr G rejected the £5,000 lump sum offered by WFPL and so I considered the information provided by both parties.

In my third provisional decision I changed my proposed redress to a lump sum of £5,000 as previously offered by WFPL.

Mr G responded to my third provisional decision. He asked for more clarification around my reasons for my revised level of redress and explained why he thought it was insufficient. I replied to him by email, responding to his points, some of which I have included in this decision.

I once more carefully considered the all the submissions made by both parties throughout this process. Following this, I communicated again by email with both Mr G and WFPL to outline my considerations. Having done so, I will now issue my 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 done so, I have reached the same conclusion as our investigator and uphold this complaint.

I will explain now how I have reached my decision.

Before I do, I think it’s important to reflect upon the role of this service. Our role is to impartially review the circumstances of a complaint and make a decision on whether a business has made errors or treated a customer unfairly. Where it has, we expect a business to compensate a customer for any financial loss and distress and inconvenience they have suffered a result. The compensation we award is aimed to put the consumer as closely as possible back into the position they would have been, were it not for the mistakes the business made.

To do this, I need to consider whether WFPL has made any errors in the way it has treated Mr G.

Looking firstly at the advice he received, there were two elements to this. The first was for Mr G to transfer and consolidate three existing personal pensions into a single plan which had greater flexibility and would allow him to draw income from his pension benefits as needed.

Our investigator looked at this aspect and concluded that this element of the advice seemed to be suitable for Mr G. I’ve considered this element of the advice that was provided to Mr G and agree that at first this advice seems suitable for Mr G, as it would enable him to access his pension benefits in a flexible manner that his existing pension policies would not. I am not convinced however, that the charges at 1.72% per annum – including 0.5% p.a. ongoing advice charge - compared favourably with his existing pension policies. I have noted that WFPL subsequently waived their charges to Mr G and have cancelled the ongoing advice charges.

I also consider that WFPL correctly identified that Mr G's attitude to risk was cautious, with a low capacity for loss.

I have a greater concern than this about the advice to consolidate and transfer his existing personal pensions, which relates to the absence of any consideration of the effect of the recommendation on Mr G's UC income. This is because MoneyHelper, the government backed free financial information service explains that to be excluded from being considered as 'savings' for the purposes of means tested benefits such as UC, a pension pot must not have been accessed. It says:

Your pension pot if you haven't started withdrawing from it yet can be disregarded in terms of savings for eligibility for means tested benefits.

It also says that pension funds that have been accessed are considered as savings when entitlement for means tested benefits is assessed.

As the value of Mr G's consolidated pension benefits is in excess of the £16,000 threshold, it appears that Mr G may now not be entitled to any UC payments. I find it reasonable to consider that this was a salient and crucial fact that was missing from the advice, which denied Mr G the ability to make an informed decision about his options.

Turning now to consider the element of advice Mr G received to take income from his pension benefits once they had been consolidated, this also omitted to mention the potential implications for the level of UC income that Mr G received. This effectively meant that for every pound of income Mr G drew from his pension, he lost the equivalent amount from his UC payment.

As this information was not considered in the advice WFPL gave to Mr G, I find that he was unable to rely upon it to make an informed decision about his finances and consequently that it was not suitable for him.

Turning now to look at the impact this unsuitable advice may have caused Mr G, I have considered the evidence very carefully.

In its response to Mr G's complaint, WFPL has stated that it did not consider that Mr G had suffered a financial loss as a result of the advice it had provided him. It said:

Your Universal Credit did not provide you with an income sufficient to cover your standard of living and the advice was aimed at meeting this stated objective. Having no other assets, the only option available that will provide you with the income you require is to access your pension benefits.

I agree that this statement is correct, as it appears that Mr G's options for increasing his income without using his pension benefits were very limited. However, I consider that this does not tell the whole story. Whilst the advice may have been the only realistic option for Mr G to achieve his stated income objective, if he had been provided with the full information – including the effect upon his entitlement to UC – he may well have concluded that his income objective was effectively unobtainable or not worth losing his pension benefits for. Mr G has provided evidence to say that he would not have proceeded with transfer and drawdown arrangement if he had known the full facts and, on balance I think it's reasonable to conclude that he would have tried not to do this. Mr G has provided evidence to state that he has indeed reduced the level of income he is withdrawing from his pension to cover only the reduction in his UC payments and has reduced his level of expenditure now his savings have been depleted. This adds more weight to his argument that he would not have proceeded with the recommendation to access his pension had he known the effects this would have on the level of his UC benefits.

WFPL went on to say that:

Although your Universal Credit was reduced, by taking an income from the pension you were in the position of receiving a higher monthly income than was available to you from Universal Credit alone.

This was consistent with a letter WFPL wrote to Mr G on 12 September 2023 in which it said:

So broadly he is in the same financial position he was in prior to my involvement as his income is broadly the same but where it is coming from is different. Which as you rightly say has not made him any better off nor has it made him any worse off.

Although I consider that statement to be factually correct insofar as Mr G's income had not decreased, it is undoubtedly true that this is because he is funding this himself through drawing upon the pension benefits he had accrued during his working life. I've also considered that the income model produced by the provider, estimates that his benefits would be exhausted by the time he reaches the age of 68. This means that in retirement, Mr G would have no other income than his state pension entitlement and any means tested benefits for which he may qualify.

I've also considered that WFPL has latterly suggested that Mr G should check whether he is entitled to PIP. He has investigated this but found he is ineligible. I would, however, have expected WFPL to suggest this prior to suggesting that his only recourse was to encash his pension benefits. I consider this to be further evidence that the advice given to Mr G was unsuitable for him.

Consequently, I conclude that the advice he received, by omitting the effect upon his UC entitlement means that Mr G wasn't placed in a fully informed position. I find Mr G's testimony that he would have preserved his pension entitlement and continued to live as he clearly had been up to that point to be persuasive.

I also, however, must consider that Mr G had been subsidising his living expenses by drawing upon a small amount of savings that he held. He sought advice from WFPL because his savings were being depleted, and he wanted to see what options he had for increasing his income. As his savings were not yet depleted, if he had not accessed his pension benefits when WFPL advised him to, he would have been able to defer taking his benefits and then begun taking them later in life, thereby providing a greater chance of them lasting for the rest of his life.

As such, I consider that Mr G has been financially disadvantaged and that WFPL is responsible for the losses he has suffered.

I now must consider how WFPL should compensate Mr G. As I previously noted, the aim of our service is to award compensation that would put the consumer back in the position they would have been had the mistakes not occurred. The circumstances of this complaint make this quite complicated, as the decision to transfer and consolidate Mr G's pensions is irrevocable. As WFPL noted in its final response to Mr G:

….as a means tested benefit, it is likely that the pension will be taken into account when you are assessed for Universal Credit and that you will therefore receive a reduced amount of benefit.

I believe from my own research that this statement is correct, so Mr G may well lose more – or all - of his UC entitlement.

I have also considered the considerable distress and inconvenience that this situation has caused Mr G. I have reviewed the evidence he has provided as to how this situation has affected his health. I've also noted that he has had no direct involvement in this complaint process, relying entirely upon a family member to assist him. I note that WFPL identified Mr G as a 'vulnerable' customer, which I agree he is.

I have also carefully considered the submissions made by both Mr G and WFPL to my provisional decisions, as well as the subsequent email correspondence. In answer to Mr G's original query, the redress I outlined in my original provisional decision did indeed assume that Mr G will not return to paid employment prior to reaching state pension age. I have also considered that Mr G's crystallisation of his pension savings cannot be reversed and so any redress would be unable to put him back into the exact position he would have been in had WFPL's errors not occurred.

I would like to say that I can fully appreciate the difficulty and upset that this situation has caused Mr G. I have upheld his complaint as I have found that the advice that WFPL gave to him was clearly deficient in not identifying the loss of his entitlement to Universal Credit when recommending that he drawdown on his personal pension plan.

However, I have looked again at WFPL's view that there was no realistic way that Mr G could have met his articulated financial objectives other than by accessing his pension benefits. Having reviewed the documentation once more, I still consider that the advice that WFPL gave Mr G was deficient in not making clear to him the potential loss of his means tested benefits.

In terms of the ethical considerations that WFPL have raised, I cannot see that this is an appropriate approach for an IFA to adopt. I consider that it is fair and reasonable that Mr G should have expected WFPL to provide him with advice which would comply with all relevant legal and financial regulations.

Having said that, I have also considered most carefully the fact that Mr G had not made clear in his discussions with WFPL that some financial support could be provided by his sister and brother-in-law. When Mr G met with WFPL, he said that he wanted to increase his income as the UC he received was insufficient by itself. He told WFPL that he had been 'topping up' his income with a small amount of savings, which were running out. WFPL had no reason to expect that Mr G could either manage without the savings or had any other source of income, which is why it gave him the advice to draw down from his pension benefits. Given what Mr G had told WFPL, this would have seemed to be the most suitable option for him. A financial adviser relies upon the information it is given by a client in terms of their income, assets and objectives to produce their recommendations – without this it cannot produce suitable advice. In this case, had Mr G suggested that taking no action and living on a further reduced income was an option for him, I think it's reasonable to assume that WFPL would have included this in its advice – a 'do nothing' option. This is not to say that its advice was suitable – as I have already determined it was not – but that I must consider that if Mr G had provided this further information to WFPL at the time, the redress I have decided on would most likely be different. In the suitability report, which WFPL produced in January 2023 the summary included the following:

…… you do require income and whilst you have been in receipt of universal credit of approx. £[X] a month you have been drawing the rest of the funds you need from an inheritance however this is now running out. Your total income need is £700 a month maximum of which

your biggest single bill is ground rent which is £[Y]. Now you may be able to get a discount on this but we shall assume worst case that you don't for the purposes of this exercise. Therefore you are short of income by £[Z] a month. This is what you are looking to draw from your personal pension until the state pension kicks in.

Given that Mr G signed a copy of this report on 7 February 2023, I have to conclude that he was content that this was an accurate summary of his financial objectives and was looking to make up an income shortfall by taking some of his pension benefits.

While I am sure that his family would have tried to help him as much as possible, I have also had to consider that any regular income he received would have to be declared to DWP and would have been considered when reviewing his entitlement to UC. As I hope Mr G will appreciate, my decision has to be impartial and based upon the available evidence, which in this case means I have to consider that the Universal Credit eligibility criteria as laid down by DWP must be correctly applied – and that means that any additional income must be considered appropriately. This means that every pound of additional income he received from his family, his entitlement to UC would be reduced accordingly.

I understand that Mr G is currently drawing a smaller level of income from his pension than anticipated and has attempted to reduce his outgoings rather than replace the additional 'top ups' from his savings. While I appreciate that this must be causing him hardship, I must consider that this was not an option that he discussed with WFPL, instead stating that he required an overall income of c£600-£700 pcm.

Given this, I can't see that Mr G would have been able to achieve the income he told WFPL he required without either receiving a substantial amount of help from his family, returning to some level of paid employment or accessing his pension benefits – or a combination of these, which would of course reduce his entitlement to Universal Credit. I have also had to consider that my original redress formula would have meant that WFPL provide Mr G with an amount equal to the amount of Universal Credit payment he had lost, but only as long as he did not access any of his pension benefits – at which point his compensation would cease. Given the difficulty he would undoubtedly have had in meeting his financial needs from this compensatory income alone, I find it reasonable to find on the balance of probabilities that he would have been at risk of needing to access his pension at some point and consequently losing the compensation from WFPL entirely.

It is obviously impossible to know precisely when this would have happened, but I find it fair and reasonable to assume that he would have accessed his pension benefits at a later date than when he actually did, but before state pension age.

On balance, I find that this loss can be considered to be the loss of his UC benefits for the period between when he actually took his pension benefits and the time that he would have taken them as he could no longer sustain living on a reduced income.

This is obviously difficult to estimate, but in conclusion, my decision on what would constitute fair compensation is that WFPL pay a significant one-off lump sum to Mr G. Mr G can access his pension benefits to provide income until his state pension age, at which point he will be eligible to receive his state pension. It allows a 'clean break' settlement and does not require any further interactions between Mr G and WFPL and is unaffected if he were able to return to any form of paid employment in the future. This also allows him to choose the level of income he takes from his pension and allows flexibility if any unexpected expenses arise at any time.

I can fully understand why Mr G may be disappointed with this decision, but I hope that I have managed to explain the rationale I have used in arriving at it.

Putting things right

Given this, to properly compensate Mr G for the errors WFPL made in its advice to him, it should:

- Pay Mr G the sum of £5,000 to compensate him for the financial loss he has suffered, together with the distress and inconvenience its mistakes have caused him.

My final decision

For the reasons given above, I uphold this complaint.

Willow Financial Planning Limited should pay Mr G the sum of £5,000 calculated above to resolve this complaint.

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

Bill Catchpole
Ombudsman