

The complaint

Mr A has complained, with the help of a professional third party, about the advice he received from an appointed representative of Quilter Financial Services Limited ('Quilter') to switch his pension to a different provider. He thinks this advice was unsuitable. He also says that Quilter has failed to provide the ongoing advice service that he has been paying for.

What happened

Mr A was first in touch with Quilter in early 2017. He has said that he approached the adviser, after seeing an advertisement, to discuss his retirement planning as he was roughly 6 to 7 years from when he thought he might retire. Mr A says he didn't approach the adviser with a view to transferring, but just to understand what his existing pensions would provide him in retirement.

Quilter completed a fact find on 10 March 2017 recording information about Mr A's circumstances and objectives. Mr A was 59, married with no dependents. He was employed full time, had a remaining mortgage of approximately £28,000, which he was making overpayments towards, and his monthly income was recorded as exceeding his expenditure. It recorded that he had two stakeholder pensions, valued at approximately £135,000 and £35,000 respectively. Mr A also answered questions about his attitude to risk from which it was established he was a 'Conservative Investor' – generally preferring to know their capital is safe rather than seeking high returns. One of the questions answered as part of this confirmed that Mr A had little investment experience.

Quilter's notes say that Mr A wanted to discuss retirement planning, he thought he might retire at age 65 and aimed to take an income of £1,000 per month. So, Mr A wanted to review his policy. Quilter says he wanted to take advice on maximising his returns. It said the funds being reviewed were earmarked for retirement income so, consequently, Mr A had capacity to absorb loss without impacting his current standard of living – as he wasn't yet retired. Quilter said Mr A had no specific plans for retirement, such as downsizing or moving abroad. It says it discussed the benefits of pension freedoms, flexi-access drawdown and nomination of beneficiaries with Mr A. Quilter said it also discussed risk and, while he preferred not to take much risk, Mr A understood some risk was required to benefit from growth, so agreed with Quilter that a 'balanced' attitude to risk was more appropriate. It said that Mr A would like to reduce the 'wrapper' and 'fund' charges he was paying and it was agreed he'd benefit from *"an annual jargon free telephone pension review"*.

Quilter wrote to Mr A's two existing pension providers asking for information about his policies. Both responded, providing updated transfer values and information about the policies, including the applicable annual management charges ('AMC'). The larger of Mr A's pensions, with a value of £137,306.80, was provided by a business that I'll call Firm L and had an AMC of 0.65% per annum.

On 28 April 2017, Quilter provided its advice to Mr A in writing. Quilter recommended that Mr A switch his pension with Firm L, to a new provider I'll refer to as Firm A. It said it wouldn't be recommending a transfer of Mr A's other pension as *"valuable benefits associated with the plan would be lost on transfer"*. Quilter said it also strongly

recommended that the plan be reviewed on a regular basis, and that Mr A take up its ongoing advice service.

Quilter said Mr A's existing pensions, as well as his state pension entitlement, were estimated to be sufficient to meet his expected retirement income need of £12,000 per annum. Indeed, Quilter estimated he'd be able to take just over £15,700 per year. But it said Mr A would *"prefer greater flexibility and diversification to enable you to move in future years should your attitude to risk or circumstances change. You are willing to accept higher charges that may be incurred in order to achieve this"*. So, Quilter said it had concluded that a *"multi-asset passive approach to investment"* was most likely suited to his needs and that the existing pension didn't meet his needs and objectives. As a result, Quilter recommended a transfer as this would give Mr A access to advice and annual reviews, which it thought was important, would provide diversification and flexibility and the pension would benefit from growth, although this wasn't guaranteed.

Quilter also said that the *"charges in my recommended plan are slightly lower"*. But it didn't say within the suitability report what Firm A's provider charges were. Referring to the charges being lower Quilter said *"in effect this would mean that the new fund performance could actually be lower by 0.3%..."* and his pension still achieve the same performance. Suggesting this was the difference. An illustration from Firm A from the time indicates the AMC was 0.23% but it also suggests there were potentially additional charges based on the specific funds invested in. And Mr A was also agreeing to pay ongoing advice charges of 0.5% per year on top of the AMC in addition to initial advice fees of 1.5%.

I understand Mr A agreed to proceed with the transfer. He completed the relevant application forms, including signing a Quilter fee agreement in May 2017. And the policy start date for the pension with Firm A was 4 July 2017.

It appears an annual review didn't take place in 2018. Quilter has provided copies of fact finds it says were completed during each annual review from 2019 to 2023. The extent that the fact finds were discussed and updated is unclear as some of the information which I would've expected to change year on year hasn't. Most notably the mortgage balance was said to still be £28,000 in 2019, 2020, 2021 and 2022, despite it also being recorded Mr A was making payments of £700 per month. And for 2022 and 2023, I've also seen a copy of a letter sent to Mr A as a precursor to the annual review, where he was asked a handful of questions and asked to tick if these events had occurred, but not to reconfirm the rest of his circumstances.

I've also seen the review letters issued annually, in May each year, from 2019 to 2023. For 2019 to 2022 Quilter said in each of these letters that the current investment strategy met Mr A's objectives, so it saw no reason to change its previous recommendation. The 2023 annual review said, despite noting Mr A's circumstances were still unchanged, that Quilter *"concluded that your current portfolio is no longer suitable for you and we are in the process of reviewing this."*

Mr A confirmed to Quilter by email on 3 May 2023 that he was happy to proceed with the platform and fund switch that had been discussed. I can see that Quilter's notes from that time recorded that Mr A wasn't sure when he would retire – and this could be at age 66 or 67. On 5 June 2023, Quilter sent Mr A a recommendation letter, advising him to transfer his personal pension with Firm A to one offered by Quilter Life & Pensions Ltd. In short it says this was because Mr A would have access to Quilter's managed portfolio service and the pension would be reviewed and rebalanced regularly. And it appears that in July 2023 an application was made to transfer in line with this recommendation.

Mr A complained to Quilter, via his representative, in 2024. The representative said Mr A

didn't have a great deal of financial experience and was not looking to take excessive risk. They said his existing pension was already diversified, professionally managed and benefitted from a lower charging structure. Mr A didn't understand the implications of transferring, or the risks involved. And so they thought the advice was unsuitable. The representative also said that annual reviews did not always take place and asked that all fees where this happened be refunded.

Quilter responded to Mr A's complaint on 12 June 2024. It said there was no evidence that Mr A was financially inexperienced, noting he had two pensions at the time of the advice which meant he was used to seeing fluctuations in the markets. It said the funds recommended were in line with his 'balanced' attitude to risk and were 0.3% cheaper. It said annual reviews had been conducted from May 2019 onwards. But it acknowledged that one had not been carried out in 2018, so it said it would refund the fees charged for this, as well as a notional return on the fees had they been invested.

Mr A asked our service to consider the complaint. Quilter said it thought the complaint about the initial advice may have been raised outside of the time limits in our rules and could be "time barred".

One of our Investigator's looked into the complaint. They said that they thought we could consider the complaint about the initial advice under our rules. And they recommend that the complaint be upheld as they didn't think a transfer was necessary or that the advice was suitable for Mr A.

Quilter did not accept the Investigator's opinion – either in respect of whether we could consider the complaint or that it should be upheld.

I issued a decision in July 2025 explaining that I was satisfied that we could consider Mr A's complaint in full.

This decision will now look at the merits of Mr A's complaint.

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. 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.

Mr A says he approached the adviser to discuss retirement planning but didn't do so with an intention or plan to transfer his pension. He says he was interested in understanding his benefits based on his time to retirement. And nothing I've seen from the time of the advice leads me to doubt this. The fact-find Quilter completed said he was looking to review his pension policies, and he was interested in maximising his pension benefits to achieve an income of £1,000 per month. But there is nothing that suggests Mr A had any thoughts on how to achieve that before speaking to Quilter.

As part of assessing his attitude to risk, Mr A was asked to respond to the statement "*I've little experience of investing in stocks and shares*". To which he said he agreed. In response to Mr A's initial complaint Quilter said there was no evidence Mr A was financially inexperienced and referred to him holding several pension policies. But the answer I've

referred to, given during the fact finding, specifically indicated he was in fact financially inexperienced. Having or paying into a pension doesn't on its own mean that a customer is financially experienced. And I haven't seen anything to indicate that Mr A was involved in selecting funds for his pensions prior to meeting with Quilter or that he had any more than a basic investment knowledge.

Quilter said, again when responding to Mr A's complaint, in support of it having thoroughly assessed Mr A's situation, that the attitude to risk questionnaire was industry recognised. The report provided several categories into which investors could be classified. One of which, 'Conservative Investor', said as part of the summary of what this typically would look like that *"Conservative investors typically have fairly limited knowledge of financial matters. They are unlikely to have much experience of investment."* And the attitude to risk report Quilter produced stated that the answers Mr A had given suggested he was a conservative investor.

Taking this into account I believe Mr A was financially inexperienced, as his representative has argued – which is likely partly why he was looking to review his retirement provisions.

Quilter says after discussing his circumstances Mr A agreed he was more a balanced investor. It noted in the fact find that he *"prefers not to take too much risk with their investments, but will do so to an extent."* And it said he understood that to benefit from growth some risk was necessary. But I'm not sure that understanding the relationship between risk and growth once this was explained to him necessarily means that Mr A's attitude to risk was truly balanced.

I'd also note, Quilter talked in its recommendation about capacity for loss and that this was about being able to absorb falls in value and this not having a material impact on standard of living. And it said, because the funds were earmarked for Mr A's retirement, he had capacity to absorb any capital loss, without this affecting his standard of living. But I don't agree with its rationale for this at all. Mr A was not relying on the pension funds at the time of the advice. So, a fluctuation in value in his pension investments would not have impacted his income at that time. But this pension was intended to contribute to his income and standard of living at retirement. It was that which I think ought to have been considered when considering capacity for loss as the pension made up the largest part of his private retirement provision. And a fall in value would have impacted the amount available to him at retirement (which was expected to be within a few years) and would have affected the amount of income he could then take, impacting his standard of living. So, I don't agree with Quilter that he had *"sufficient capacity to absorb any capital loss"*.

The summary which Firm L provided to Quilter at the time of the advice showed that Mr A's existing pension was invested across eight different funds. Summaries of these funds show that these were spread across different assets classes. And an investment options document from Firm L showed that there were numerous other investment funds that Mr A was able to invest his existing pension in.

Quilter has also provided, as part of its file, a document which calculated the average past performance of the eight funds Mr A's Firm L pension was invested in over the previous five years. And this summarised that, based on the investment ratio of his pension, the average annualised performance (growth) for the previous five years was 10.12% per annum.

So, at the time Mr A spoke to Quilter, I'm satisfied that he didn't have a great deal of financial or investment experience and didn't have a preconceived intention to change his pension. His attitude when answering general, and as Quilter put it 'industry recognised', questions about risk was conservative. At most his attitude was balanced, although I'm not convinced from the recorded information that it truly was and I think he was more of a cautious and

conservative investor. And the pension being discussed was a large part of his retirement provisions, which he intended to utilise in the next 5-7 years. So, he had limited capacity for loss, and the timescale he would have to recover investment losses was short. His existing pension was diversified across a number of different investment funds. And those investments had provided average growth in excess of 10% over the past five years – more than the industry standard upper growth projection rate of 8%.

With all of that in mind, in my view, in order for the advice provided by Quilter to Mr A to switch his pension to a new provider to have been suitable for him, there'd have had to be a strong chance of him being financially better off by doing so. But I haven't seen any evidence to support that he would have been.

Mr A's Firm L pension had an ongoing AMC of 0.65% per annum. And the illustration from Firm A indicates that the annual charge it applied was 0.23%. So, the fees charged by the product provider each year would have been lower. But Quilter was charging an ongoing advice fee of 0.5% per annum, bringing the total annual fees and charges for the Firm A pension above those Mr A was paying to Firm L. So, although the providers AMC was lower, the total annual cost to Mr A was greater under the recommendation. And that is before also taking account of the 1.5% initial advice charge by Quilter. So, from a cost perspective, the transfer did not result in Mr A being better off.

Quilter said as part of its recommendation that Mr A preferred greater diversification and it had concluded that *"a multi-asset passive approach to investments is most likely to be suited to your needs and objectives because you like the idea of spreading the risk across different asset classes but without the additional charges for an actively managed fund"*. Quilter recommended that Mr A invest his Firm A pension across two investment funds, which contained a variety of different assets. But I can't see that this provided greater diversification for Mr A than he already had through his Firm L pension (which was invested across eight funds holding different assets). And Mr A was not incurring charges for active fund management through his Firm L pension. So, if diversification was a genuine objective for Mr A – which for the avoidance of doubt I don't think it necessarily was given his lack of investment experience – I can't see that he needed to transfer to a new provider, and incur the additional costs I've set out, in order to achieve this.

The recommendation included no direct comparison of the Firm L pension and its investments with the proposed new pension and investments (past performance or projected growth). And I haven't seen anything that makes me think it was more likely than not that Mr A was going to achieve greater growth by transferring, particularly given predicting such growth was difficult and he'd be incurring additional costs by transferring.

In addition, in the recommendation, Quilter summarised that Mr A's existing pension arrangements were likely to be enough to meet (and indeed exceed) the level of monthly income he expected to need in retirement.

So, Quilter concluded that Mr A was already likely to be able to meet his needs based on his existing pension provisions. His pension was already invested in a range of funds and assets. Accepting Quilter's advice meant that he'd incur more costs. And, although he'd receive ongoing advice and reviews, he doesn't appear to have been more likely than not to be better off or achieved greater growth by transferring. As I've explained, I don't think Mr A entered the discussion with the intention of transferring, and I believe reassurance his pensions were on track to meet his objectives (which again Quilter concluded in its advice) would have meant he was happy to remain in his current arrangements.

Quilter has said that the existing Firm L pension didn't provide the option of income drawdown. And it says Mr A was keen for greater flexibility. But there is no indication that he

had any intention of taking pension benefits for several years. And the recommendation acknowledged that he didn't intend to retire until age 65. So, I don't think he needed to transfer at that time to a pension which allowed income drawdown, as there was no stated intention to use this for several years.

Taking all of that into account, I can't see that transferring was in Mr A interests and so I don't think the advice he received from Quilter in 2017 was suitable or necessary. As a result, I uphold Mr A's complaint.

I'd add that without the unsuitable advice to transfer, the further advice in 2023 and the ongoing reviews would not have taken place or been required. So, I don't need to consider these events separately, as I'm recommending that the complaint be upheld as if the advice in 2017 hadn't taken place.

Putting things right

Fair compensation

My aim is that Mr A should be put as closely as possible into the position he would probably now be in if he had been given suitable advice.

I take the view that Mr A would have remained with his previous provider, however I cannot be certain that a value will be obtainable for what the previous policy would have been worth. I am satisfied what I have set out below is fair and reasonable, taking this into account and given Mr A's circumstances and objectives when he invested.

What must Quilter do?

To compensate Mr A fairly, Quilter must:

- Compare the performance of Mr A's investment with the notional value if it had remained with the previous provider. If the actual value is greater than the notional value, no compensation is payable. If the notional value is greater than the actual value, there is a loss and compensation is payable.
- Quilter should also add any interest set out below to the compensation payable.
- Quilter should pay into Mr A's pension plan to increase its value by the total amount of the compensation and any interest. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.
- If Quilter is unable to pay the total amount into Mr A's pension plan, it should pay that amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore, the total amount should be reduced to *notionally* allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount – it isn't a payment of tax to HMRC, so Mr A won't be able to reclaim any of the reduction after compensation is paid.
- The *notional* allowance should be calculated using Mr A's actual or expected marginal rate of tax at his selected retirement age. Mr A is likely to be a basic rate taxpayer at the selected retirement age. So, the reduction would equal the current basic rate of tax. However, if Mr A would have been able to take a tax-free lump sum, the reduction should be applied to 75% of the compensation.

Income tax may be payable on any interest paid. If Quilter deducts income tax from the interest it should tell Mr A how much has been taken off. Quilter should give Mr A a tax deduction certificate in respect of interest if Mr A asks for one, so he can reclaim the tax on interest from HM Revenue & Customs if appropriate.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
Firm A pension	Still exists and liquid	Notional value from previous provider	Date of investment	Date of my final decision	8% simple per year from final decision to settlement (if not settled within 28 days of the business receiving Mr A's acceptance)

Actual value

This means the actual amount payable from the investment at the end date.

Notional Value

This is the value of Mr A's investment had it remained with the previous provider until the end date. Quilter should request that the previous provider calculate this value.

Any withdrawal from the Firm A pension should be deducted from the notional value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there is a large number of regular payments, to keep calculations simpler, I'll accept if Quilter totals all those payments and deducts that figure at the end to determine the notional value instead of deducting periodically.

If the previous provider is unable to calculate a notional value, Quilter will need to determine a fair value for Mr A's investment instead, using this benchmark: For half the investment: FTSE UK Private Investors Income Total Return Index; for the other half: average rate from fixed rate bonds. The adjustments above also apply to the calculation of a fair value using the benchmark, which is then used instead of the notional value in the calculation of compensation.

Why is this remedy suitable?

I've decided on this method of compensation because:

- Mr A wanted Capital growth with a small risk to his capital.
- If the previous provider is unable to calculate a notional value, then I consider the measure below is appropriate.
- The average rate for the fixed rate bonds would be a fair measure for someone who wanted to achieve a reasonable return without risk to his capital.

- The FTSE UK Private Investors Income **Total Return** index (prior to 1 March 2017, the FTSE WMA Stock Market Income total return index) is made up of a range of indices with different asset classes, mainly UK equities and government bonds. It's a fair measure for someone who was prepared to take some risk to get a higher return.
- I consider that Mr A's risk profile was in between, in the sense that he was prepared to take a small level of risk to attain his investment objectives. So, the 50/50 combination would reasonably put Mr A into that position. It does not mean that Mr A would have invested 50% of his money in a fixed rate bond and 50% in some kind of index tracker investment. Rather, I consider this a reasonable compromise that broadly reflects the sort of return Mr A could have obtained from investments suited to his objective and risk attitude.

Quilter should provide details of its calculation to Mr A in a clear, simple format.

My final decision

For the reasons I've explained I uphold this complaint. To settle matters Quilter Financial Services Limited should carry out the steps set out in the 'putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 16 September 2025.

Ben Stoker
Ombudsman