

The complaint

Mr M complains that abrdn Financial Planning and Advice Limited ('abrdn') provided him with an inadequate service in terms of ongoing advice about his pension. He also thinks that the advice he did receive was potentially unsuitable for him.

What happened

Mr M held a self-invested personal pension ('SIPP') with a business I'll call 'Firm S'. On 1 March 2019, Mr M signed a 'Client Acceptance' form for abrdn. This form said that a personalised suitability report, which was to follow, would confirm abrdn's recommendations and the scope of its service. It did though briefly summarise that the value of the SIPP was approximately £303,000 at that time, there was no initial charge for abrdn's service but an ongoing charge of 0.79% per annum was agreed, with abrdn to provide its 'focus' level of service. The declaration Mr M signed confirmed he'd read abrdn's terms of business and guide to its service and charges.

The terms of business explained the services abrdn offered. It said these were providing a new financial plan (which could include pensions, savings, investment and non-investment insurance advice, retirement planning and tax, trust or estate planning), ongoing management of a financial plan or standalone financial, tax, trust and estate planning advice. The service and charges document contained a section called 'Keeping your plan on track' which set out the different levels of ongoing service abrdn offered. There was a description of the 'Focus' level of service which included an annual planning review meeting.

On 25 March 2019, abrdn sent Mr M a suitability report setting out its recommendation. It said this followed a discussion about Mr M's goals and objectives. It was noted that Mr M was in good health and he was shortly going to be debt free – with what I understand was a business he was involved with being sold which would clear his mortgage in full. He had cash holdings of approximately £25,000 and he wanted to retain the majority of those. It was mentioned that Mr M's wife was receiving care but that was "paid for and taken care of".

Mr M was looking to draw his pension benefits and hoped to take a net retirement income of £18,000 per year – although it was noted he may take on some part time work to also provide some income. He was due to receive state pension at age 66 but at the point of the advice his only income was approximately £2,000 per year from an annuity. So, he was looking to start drawing what he needed from his SIPP. Mr M was 62 at the time.

abrdn said it had discussed options with him and agreed that flexible access drawdown from Mr M's SIPP was the best solution – as it meant he retained flexibility should he take on some work and for when he began receiving state pension, while also ensuring his funds remained invested to achieve growth. abrdn recommended he take an income of £16,000 per year – with the monthly income payments part tax-free cash ('TFC') and part taxable income. When discussing the recommended income that Mr M was to draw, abrdn said *"You are aware that this represents a withdrawal rate of just over 5% of your fund each year which could be difficult to sustain long-term. You are, however, comfortable with this as you feel it is important to achieve your short term income requirements and you are due to receive your state pension in three years which should reduce the strain on the SIPP."*

abrdn said it had established that Mr M's attitude to risk ('ATR') was moderate and believed his current investments were not consistent with his ATR. So, it also recommended a fund switch. It set out the charges associated with the new recommendation – noting that the investment charges for the new portfolio were 0.22% lower per year, but the ongoing advice charge of 0.79% would be higher than what Mr M was paying previously. abrdn enclosed a declaration for Mr M to complete if he accepted the recommendation.

abrdn next wrote to Mr M on 19 February 2020, following a review of his circumstances that had taken place in a discussion on 3 February 2020. It noted that Mr M was debt free and the income he was taking from his pension, combined with his annuity, remained sufficient to meet his needs. He hadn't been successful in finding part time work to reduce the impact on his pension but was still looking for this. abrdn repeated that the current withdrawals were over 5% of the fund each year (with the value of the SIPP at that time just under £305,000) but noted Mr M had said he was still comfortable with this as he wanted to meet his short term needs and would benefit from the state pension in a couple of years. Mr M had committed to an expenditure of £5,000 and wanted to cover this from his pension. And abrdn recommended he draw this amount from his remaining TFC entitlement. It didn't recommend any changes to how the pension was invested as Mr M's ATR remained moderate and abrdn confirmed that the cost of the review was covered by the ongoing advice fee (with an estimate of what this would be for the next year provided).

On 22 April 2021, abrdn sent Mr M a letter summarising a review discussion that had taken place on 4 February 2021. It said that the income Mr M was drawing covered his outgoings and it was clear during the discussions that his circumstances were unchanged since they'd last been discussed. So, abrdn didn't recommend any changes as Mr M's needs were being met. The SIPP value was noted as being approximately £291,500 and an estimate for the ongoing fee for that year was provided.

The next letter summarising a review was sent by abrdn to Mr M on 31 March 2022. This said, after their discussion on 11 February 2022, it had been confirmed Mr M's circumstances and attitude to risk were unchanged. abrdn noted Mr M was due to receive his state pension in the coming months but that he didn't want to make changes to the amount being drawn from the SIPP at that time as the additional funds would allow him more discretionary expenditure. The value of the SIPP was noted as £274,200 and the expected ongoing fee, subject to market fluctuation, was again noted.

On 10 October 2022, abrdn wrote to Mr M again. It said Mr M had contacted it for advice on 5 October 2022 about increasing the withdrawals from his SIPP – to cover increased care costs for his wife. It said Mr M had stated that his circumstances were otherwise unchanged.

Based on Mr M's request abrdn said it would recommend that he increase the amount of TFC he was drawing each month from the SIPP by £563 to meet his need for additional income (leaving the amount of taxable income being taken unchanged). abrdn said *"The total annualised withdrawals will equate to 9.27% of your fund per annum. This will potentially lead to capital depletion, however you are willing to do what it takes to ensure [Mrs M] is well cared for."* And it also stated, in a section titled 'Key considerations and risks of our recommendation' that the strategy would deplete the TFC entitlement sooner and the level of income may not be sustainable. The letter confirmed there was no advice charge for this recommendation.

I've also seen a copy of an illustration from Firm S dated 6 October 2022, regarding this potential change in income. This noted that, if the proposed income was drawn and the plan grew at the 'mid-rate' (which was quoted elsewhere in the illustration as growth of 2.9% per year) then Mr M's money in the SIPP would run out by age 79.

abrdn has provided a copy of a fact find that was completed during the next review meeting on 28 February 2023. This indicated that Mr M's circumstances were largely unchanged, with his income meeting his expenditure and his ATR unchanged. It noted that there had been an increase in care costs for Mrs M the previous year. But it said that Mr M, who was noted as having been careful and frugal with his expenditure, had absorbed his share of the increased cost within his income. The fact-find said income he was taking from the SIPP had remained at the same level it had been since 2019 – and hadn't been increased as a result of the discussions in October 2022. And noted that the state pension Mr M had begun to receive had given him more freedom.

A letter, summarising the review meeting was sent to Mr M on 14 March 2023, noting that no changes were recommended. The SIPP value was quoted as being approximately £248,600 and the estimated advice fee for the following year was again given.

Mr M had been dealing with the same financial adviser from March 2019 – March 2023. I understand he began dealing with a different adviser at abrdn in 2024.

I've seen an email between the new adviser and Mr M on 28 March 2024, referring to a recent meeting, which the adviser referred to as productive, and mentioned the completion of forms regarding beneficiaries.

I've also seen a letter sent by the new abrdn adviser on 21 May 2024, referencing a conversation the previous week. It said Mr M had indicated he was concerned he was paying too much and missing out on potential performance following their discussion on 28 March 2024. The letter said that Mr M's circumstances were unchanged. abrdn said it had undertaken a cost and performance comparison between his existing investment and an alternative available with Firm S which was still appropriate to his ATR. And it explained that this new fund had lower annual fund charges (1% compared to 1.37%) and had performed better over the previous five years (although it noted past performance is not a reliable indicator of future returns). abrdn recommended that Mr M switch funds to this alternative. His SIPP was valued at £240,700 at the time.

I've seen another email exchange between Mr M and the new adviser on 10 and 11 June 2024. The first email, sent by the abrdn adviser, said they'd looked at the income tax calculations Mr M had provided and explained the difference in the amount paid the previous year with the forecast for the coming year (which was due to an increase in the state pension he was receiving meaning more of his other pension income was subject to tax).

Mr M replied stating that he was hoping to reduce the amount of tax paid and asked about how best to do so – by reducing the income he took from the SIPP or increasing the proportion of TFC. The adviser replied and said reducing income would be a good idea and said there would come a point where rather than it being the case Mr M *would* run out of money it would become a case of, he *may* run out of money. The adviser asked if Mr M would be able to absorb a reduction in net income from the SIPP of £211 per month.

Mr M emailed the adviser at abrdn on 12 June 2024 saying he was now deeply concerned following their recent discussions. In summary, he said his concerns were about the management and reporting of his investment, the lack of advice from abrdn previously about alternatives, the charges he'd incurred and the ongoing support he'd received. He said when he and the new adviser had first spoken, they'd indicated that an alternative investment may be better for him and he wanted to know why abrdn hadn't suggested this previously. And they'd also said that the SIPP could be unsustainable, which Mr M said hadn't been previously highlighted sufficiently – noting that abrdn had instead said for several years that the investments remained suitable for him.

While the concerns were being looked into, the adviser at abrdn sent Mr M another recommendation on 26 June 2024, following the discussion about lowering the income being taken from the SIPP. It said it would be prudent for Mr M to reduce the amount he was drawing, and so it recommended that the taxable income be reduced by approximately £250 per month as its analysis indicated this level of income was likely to be sustainable for Mr M's lifetime. However, abrdn said *"you have rejected my advice and have decided to proceed with a higher level of withdrawals from your plan than I have recommended. I have made you aware that taking this level of income increases the likelihood of exhausting your assets within your lifetime. If this happens, you may not have sufficient income to meet your needs and/or maintain the lifestyle that you are planning for in later life. You accept this risk and so I have agreed to facilitate your instruction on an insistent client basis."*

abrdn responded to Mr M's complaint in August 2024. It said that it thought the agreed service had been provided – with annual review meetings having been conducted. And it said regular fund fact sheets and information about charges had been shared. abrdn also didn't think it had done anything wrong by not recommending an investment switch sooner as the review meetings had indicated the existing investments had remained suitable for Mr M's objectives at the time. abrdn said though it had identified that the amount of the SIPP held in cash had been higher than it ought to have been. And it said this should have been addressed sooner. It said it had carried out a loss calculation and found that, because this wasn't addressed when it should have been, Mr M had incurred a loss of £975.18. So, to put things right it would pay him £1,000, to his SIPP.

Mr M said that he didn't feel the response had addressed the issues he'd raised – specifically that the information he'd been given about his pension and charges was incomplete, the advice he'd received was potentially not suitable and the ongoing service he'd received didn't justify the significant cost.

The complaint was referred to our Service and considered by one of our Investigators. They didn't think that abrdn's advice in 2019 was unsuitable for Mr M. And nor did they think that a different recommendation being made in 2024 meant that the ongoing reviews – which had found that the existing product still met Mr M's needs – were not conducted properly. The Investigator was also satisfied that reviews had been conducted annually as agreed, the cost of the ongoing service had been set out and that abrdn had stated several times that the level of withdrawals may not have been sustainable. So, they didn't think the complaint should be upheld.

Mr M didn't accept the Investigators opinion and asked for the complaint to be reviewed by an Ombudsman. He acknowledged that he'd had discussions with abrdn each year but didn't think it had actually provided him with advice and that it hadn't provided sufficient clear information about his pension and its performance.

As agreement could not be reached, the complaint has been 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, regulator's rules, guidance and standards and codes of practice - many of these are found in the regulator's, the Financial Conduct Authority ('FCA'), handbook under the Principles for Businesses ('PRIN') and the Conduct of Business Sourcebook ('COBS'). I've also thought about 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.

I'd like to reassure both parties that I've carefully considered all of the arguments made and the evidence provided. If I don't comment on or refer to everything that has been said this isn't meant as a discourtesy or because I haven't thought about it. Rather it is because my decision addresses what I think are the key points in deciding the complaint, bearing in mind our role as an informal dispute resolution service and my remit of deciding what a fair and reasonable outcome is.

First, I've considered the suitability of the recommendation abrdn made in March 2019.

The recommendation letter included a summary of Mr M's circumstances and objectives. Based on the depth of the information included, I think abrdn gathered the relevant information to properly advise Mr M. And I can't see that Mr M indicated that any of the information about his circumstances was incorrect at the time or subsequently for that matter, when on several occasions it appears to have been agreed his circumstances were unchanged.

The information confirmed that Mr M was not working but anticipated needing an income of £18,000 per year. His annuity was paying £2,000 per year. But he had no other income. Given Mr M's age at the time, I think recommending that he access his pension benefits to provide the income he needed was reasonable. And I think the suggestion that he do so through flexible draw down was appropriate to his circumstances – as this gave him flexibility to adjust the level of income at a later date (such as when he began receiving state pension). It also enabled the remainder of the pension to stay invested and benefit from growth.

I'm satisfied that the investment fund recommended in 2019 was suitable. I appreciate that in 2024 the new adviser recommended a switch to a different fund, which had performed better over the years since the original advice. But there is an element of hindsight to that. And regardless, that doesn't mean that the initial recommendation was unsuitable. The investment that abrdn recommended in 2019 was in line with Mr M's ATR. And the fund charge at that time was lower than Mr M's existing investments, at 0.97% per annum. The suitability report made this cost clear.

Mr M had no identified need at the time for a lump sum from his pension. So, I think the recommendation that the income from the SIPP be made up partly from TFC and partly taxable income was suitable, as it would limit the amount of tax he needed to pay.

I'm also satisfied that abrdn set out the key risks in its recommendation – in particular that the income being withdrawn could be difficult to sustain over the long term. And the costs and charges were explained in clear percentages (and it was made clear that there were investment charges *and* ongoing service charges which were separate), along with an explanation of what the charges were likely to be for the following year, if the advice was accepted.

Taking all of that into account, I'm satisfied that the advice abrdn provided in March 2019 was suitable for Mr M based on his circumstances. And I think abrdn provided the relevant information, in a clear format, in order for Mr M to make an informed decision about whether to proceed.

I've then thought about the ongoing service provided by abrdn. In relation to ongoing fees, the following provides useful context for my assessment.

In 2014, the FCA produced guidance in the form of a factsheet titled *“For Investment advisers - Setting out what we require from advisers on how they charge their clients”*. The factsheet said:

“Ongoing charges should only be levied where a consumer is paying for ongoing service, such as a performance review of their investments, or where the product is a regular payment one. If you are providing an ongoing service, you should clearly confirm the details of the ongoing service, any associated charges and how the client can cancel it. This can be written or orally disclosed. You must ensure you have robust systems and controls in place to make sure your clients receive the ongoing service you have committed to.”

The factsheet, published in late 2014, didn't mark a change to the rules firms like abrdn were already expected to follow. Rather it re-enforced or reminded firms of the standards already in place when providing on-going advice services.

There are also specific rules and guidance within COBS about ongoing advice charges. COBS 6.1A.22 says:

“A firm must not use an adviser charge which is structured to be payable by the retail client over a period of time unless (1) or (2) applies:

- (1) the adviser charge is in respect of an ongoing service for the provision of personal recommendations or related services and:*
 - (a) the firm has disclosed that service along with the adviser charge; and*
 - (b) the retail client is provided with a right to cancel the ongoing service, which must be reasonable in all the circumstances, without penalty and without requiring the retail client to give any reason; or*
- (2) the adviser charge relates to a retail investment product or a pension transfer, pension conversion or pension opt-out or arrangement with an operator of an electronic system in relation to lending for which an instruction from the retail client for regular payments is in place and the firm has disclosed that no ongoing personal recommendations or service will be provided.”*

The client acceptance, which Mr M signed, confirmed that the expected ongoing service level was 'focus', the estimated cost of this was 0.79% per year and an estimated figure based on the transfer value was given in numerical form. And the declaration included confirmation that Mr M had seen the 'Our Services and Charges' document.

The services and charges document included a section about ongoing services and a page specific to the 'focus' service. This repeated that the cost of the service was 0.79% per annum for customers with assets under £500,000 in value – which Mr M's SIPP was. And it stated, *“Product and provider charges will be payable in addition...”*. The service summary explained that the main feature was an annual progress check – an annual review meeting at which the financial planner would discuss the portfolio and review a customer's plan to consider if any changes were needed to meet goals or objectives.

As I explained above, I've seen copies of letters sent to Mr M after review discussions each year following the client agreement being signed. And Mr M has acknowledged that abrdn did speak to him each year to conduct annual reviews. So, with that in mind, I'm satisfied abrdn has done as it said it would and carried out annual reviews as agreed.

Mr M says that he doesn't think the reviews or the information provided to him was as

detailed as they should have been. He says that abrdn didn't make the costs of the SIPP and ongoing service clear to him. He also says abrdn didn't do enough, until 2024, to explain the risk of his SIPP potentially being entirely diminished by withdrawals. And he says that abrdn failed to provide him with any actual further advice as part of the ongoing service, rather it just said that what it had originally recommended remained suitable. So, he doesn't think the service has been provided as it ought to have been.

As I've said, both the signed agreement and the service and charges information clearly set out the cost of the ongoing service Mr M agreed to (0.79%). The client agreement also gave an estimate of what this would be in the first year, based on the value of the SIPP. Each of the review letters that abrdn sent to Mr M repeated the ongoing service charge and gave a monetary estimate based on the value of the SIPP at the time of the reviews. So, I don't agree that abrdn didn't make the cost of the ongoing service clear.

The recommendation from March 2019 set out the investment charges that Firm S would apply. It explained that these were 0.97% in Mr M's case. It also explained that these charges would usually be 1.37%, but Mr M benefitted from a reduction because of the size of his SIPP. And again, the service and charges summary said that there would be provider charges in addition to abrdn's ongoing fees. So again, I'm satisfied that abrdn made Mr M aware at the outset that there would be additional fees from Firm S.

I acknowledge that the level of fees payable to Firm S were not repeated in the review letters abrdn sent. But I don't think that means abrdn has made an error. The letters from abrdn in February 2020 and October 2022 made reference to the fund charges, with both documents saying *"We previously provided you with illustrative costs and charges information on your portfolio. The recommendations in this report do not materially alter this but should you want a copy we can send you this upon request."* And the illustration produced alongside the October 2022 advice stated the fund charges (for the funds invested and those held in cash) and gave a summary of what the average of those charges was (at that time 1.3%).

Taking all of this into account, I think abrdn provided sufficient, clear information to Mr M about the charges his SIPP was incurring.

In terms of the risk that the income being taken would exhaust the fund, on balance I again think abrdn provided appropriate information about this to Mr M.

In the recommendation letter from 2019, it specifically referred to the proposed income representing withdrawals of just over 5% of the fund per year and that Mr M was aware of this and that this would be difficult to sustain. But it said Mr M had said he was comfortable with this as he wanted to achieve his short-term income aims and he'd begin receiving state pension at a later date. I've seen nothing to suggest Mr M disputed that this had been discussed when he met with abrdn.

The 2020 review included the same information, adding that the state pension was to be received in approximately 2 years and how much this was expected to be. And again, I think this was likely discussed as part of the review.

The March 2022 letter mentioned that Mr M's state pension was due to start the following month, but said he planned to use this to allow more discretionary spending. I think this again indicates that the level of withdrawals was likely discussed during that review.

And the recommendation made by abrdn in October 2022 went slightly further when talking about the withdrawals. The proposal in that recommendation was to increase the amount Mr M was drawing from his SIPP to cover increased care costs for Mrs M, even though he was already receiving state pension by that time. abrdn said, if withdrawals were increased

to the discussed level they could lead to capital depletion – a clear warning of the risks Mr M has said he wasn't made aware of. And it said that the strategy may not have been sustainable. But it was noted that Mr M was "*willing to do what it takes*" to ensure Mrs M was cared for. And indeed, he has explained as part of his complaint that Mrs M's ongoing care was one of his main priorities when it came to budgeting for retirement and taking advice on his pension. So, taking all of this into account, I think it is likely that the impact of the withdrawals being made from the SIPP on its longevity was again discussed as part of that recommendation.

All of the reviews also provided an up-to-date value of the SIPP, which illustrated the impact that withdrawals were having.

So, overall, I think the risks of depleting the pension through withdrawals were likely discussed several times – although I appreciate Mr M may no longer recall this. And they were certainly referred to in the written recommendations. So, I don't agree that abrdn hasn't done enough to highlight these risks to Mr M, prior to 2024. And I'd also note, when abrdn recommended in 2024 that the withdrawals be reduced, it recorded in the letter that Mr M had declined this suggestion – which further supports, in my view, what it had said in earlier letters about Mr M being aware of and comfortable with the withdrawals being made.

In terms of the content and depth of the reviews, it is worth noting that the information abrdn set out about the service it would provide explained that it would review Mr M's existing plan. And I'm satisfied that its role was to look at whether the SIPP and how it was invested was still suitable for Mr M, based on his circumstances at the time of the review. It wasn't obligated to give him entirely new financial advice on the occasion of each review.

Each of the reviews noted that Mr M's circumstances went largely unchanged in the interim, with the exception of him beginning to receive his state pension. This appears to be supported by the fact finds that I've seen copies of. And I've seen no other information to the contrary. abrdn also recorded that Mr M's ATR remained consistent across the time it acted for him, and I've again seen nothing to dispute this.

As I've already explained, I think the original recommendation given to Mr M in March 2019 was suitable for him. And so, as his circumstances remained largely consistent, it follows that I don't think it was unreasonable for abrdn to conclude that the flexible drawdown arrangement and SIPP remained suitable for him.

I acknowledge that abrdn recommended a switch of investment in 2024, to a fund that it considered would be better for Mr M at that time. But that doesn't mean that the earlier reviews, which concluded his existing arrangements were suitable for his objectives, were incorrect.

And abrdn did provide advice to Mr M, when his needs and objectives changed. And the relevant recommendations confirm there was no extra charge for this advice, and it was covered by the ongoing service fees.

In 2020, he had committed to a lump sum expenditure of £5,000. The SIPP and his annuity remained his only form of income. And he indicated he wanted to retain the savings he had. So, abrdn recommended that he withdraw the required amount from the SIPP as tax free cash. And I think that recommendation was suitable.

Then in October 2022, when Mr M informed it that the cost of care for Mrs M had increased and he was therefore looking to potentially increase the income he was drawing from the SIPP, it recommended that this be done by increasing the amount of TFC that was being drawn each month – so as not to create an extra tax burden. As I've already explained, I'm

satisfied it also set out the risk involved in this course of action in regard to the funds longevity – but Mr M indicated he was more concerned with Mrs M's care. The available information indicates that ultimately the income was not increased following this advice. But this again indicates abrdn did provide advice to Mr M, at no extra cost, as part of the ongoing service.

I understand that Mr M's retirement plans were and are important to him. And I appreciate he feels strongly about this matter. But taking everything into account, I think abrdn has provided suitable advice and the ongoing service that it agreed to. So, while I know this will come as a disappointment to Mr M, I can't reasonably or fairly require it to refund the fees charged for the ongoing service or require it to take any other action here.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 9 December 2025.

Ben Stoker
Ombudsman