

## The complaint

Mr M complains about the actions of Hargreaves Lansdown Asset Management Limited (HL), which he feels have led to a financial loss. He said that in 2021, HL told him that as he approached the age of 75, a Benefit Crystallization Event (BCE) had to take place. And that it did this despite knowing that other options were available to Mr M - such as a BCE with unused benefits. He said that if HL had made him aware of this option, he would've selected it and not suffered a financial loss.

## What happened

Mr M held a Self-Invested Personal Pension (SIPP) with HL on an execution only basis. HL said that this means it doesn't provide any investment advice. It simply executes the instructions provided to it.

Mr M wrote to HL on 21 May 2019. He had a fixed protection certificate issued by HMRC for £1,800,000. He'd calculated that he had 10.82% of his Lifetime Allowance (LTA) left, which amounted to £194,760. He said the current amount in his SIPP with HL was more than £220K.

Mr M said he didn't intend to draw on his SIPP, as his existing pensions provided more than enough to live on. Instead, he wanted to organise matters so that his SIPP could be left as an inheritance for his daughters. He said he understood this could be arranged in a way that the SIPP fell outside the estate for inheritance tax (IHT) purposes.

Mr M asked HL some questions, including: *"What do I need to do, and when do I need to do it by, to crystallize the overfunding in the SIPP"*.

Mr M said that HL then asked him for details of his other pension arrangements, which he provided in his 20 February 2020 letter. He had again calculated the percentage of his LTA used up by his other arrangements, noting that he felt he had a balance of 16.50%, or £297,000, left.

Mr M said he was considering transferring three other pension funds into his HL SIPP. He asked it what he'd have to do. He said that once those funds had been transferred, he'd hold around £380K in his HL SIPP, which was around £83K greater than his remaining LTA.

Mr M said he understood he had two options:

- have the excess amount paid to him as a lump sum, less a 55% tax charge, or
- keep the excess in his SIPP, less a 25% tax charge on the excess.

He asked HL to confirm those were the available options. And said that once he'd completed the transfers and sorted out the excess, he didn't intend to draw on his SIPP.

Mr M said he'd like to arrange matters so that his SIPP accumulated until his death and was then an inheritance for his daughters. He asked HL to confirm that his SIPP could remain

undrawn with it, and that the inheritance worked as outlined.

I understand that HL replied to Mr M on 4 March 2020. And that in its reply, it included a Key Features document for his SIPP. Mr M said that while this outlined the options HL offered at retirement/taking benefits, it didn't say that there might be other options offered by other providers.

I understand that HL wrote to Mr M on 28 July 2021. And that the email stated that he wouldn't have to take any income if he decided to move his funds into drawdown.

Mr M called HL on 21 August 2021. He was clear on the call that he had no plans to drawdown from his pension in the immediate future and that he wasn't going to take his Tax-Free Cash (TFC) at this point. He said: *"I'm literally just looking to crystallize the fact that the pension scheme is overfunded."*

After Mr M had outlined the two options he felt were available to him – take the excess and pay a tax charge or leave the excess in the fund - HL explained the options if he wanted to crystallize his pension. It said he could move to drawdown, take everything as a lump sum, or purchase an annuity. Although Mr M stated that he'd have to crystallize his pension at age 75, HL told him that he didn't have to do so. It said: *"The only thing that happens at age 75 is the pension would be measured against the lifetime allowance, even though it's not crystallized."* Mr M then replied: *"I was using the term as crystallizing as measuring it against the lifetime allowance."*

HL then took Mr M through its risk questions. He confirmed that he had received advice and guidance from Pension Wise and that he was confident that this decision was correct for his circumstances.

One of the risk questions HL asked was: *"And are you happy that you have shopped around to compare your retirement options and the services available from different providers?"* Mr M said that he had.

I understand that Mr M then contacted HL again in September 2021. HL replied on 16 September 2021. It said it'd spoken to its technical team about his query. It said:

*"A Lifetime Allowance test will only occur at the point there is a Benefit Crystallization event, so that will either be when you take benefits from the HL SIPP and/or at age 75"*

*With this in mind it's not possible to pay for a potential Lifetime Allowance tax charge without taking a benefit from the HL SIPP or before the age of 75*

*If you were to move your HL SIPP into drawdown that doesn't mean you have to take an income right away, it's down to the client when or if they take income*

*However, once income has been requested, this payment would be subject to tax*

*When you do move into the Drawdown the funds that you have taken out of your HL SIPP will be crystallized and measured against the Lifetime Allowance*

*The lifetime allowance is a limit on the total value you can hold in pensions You can use the following link to download our factsheet*

*This will explain where the lifetime allowance might apply, how its measured and how you might be able to protect yourself against a tax charge*

*Please remember tax rules may change in the future, and the benefits depend on your circumstances.*

*I hope this has been of assistance. If you have any other questions, please get back to me"*

Mr M replied to HL on 17 September 2021, enclosing a completed drawdown application form. Where he was asked how much TFC he wanted to take, he wrote "NO CASH". He said in his covering letter to HL:

*"To be absolutely clear I do not want to start drawdown of any funds. I want to transfer the total balance of my SIPP as my pension is overfunded. I wish to crystallize the excess, pay the tax charge of 25% on the excess and have the balance reinvested."*

On 24 September 2021, HL wrote to Mr M by secure message to confirm it'd received his drawdown application form. It acknowledged that he didn't want to take any TFC and asked him to contact it to discuss this. It explained that Mr M wouldn't be able to change his mind about TFC later on. It said: *"I note from your drawdown application that you have selected to take no tax-free cash. As this figure is less than 25% of the funds you wish to move into drawdown, we need to check this with you as a precaution for your benefit. Remember you cannot change your mind later on."* HL also said the declaration box hadn't been completed.

Mr M called HL on 30 September 2021. He confirmed he didn't want to take TFC and was happy to proceed. When asked: *"So have you read your personalised cash warning and accept the potential risks it highlights?"*, he answered that he had. He also completed the declaration.

HL then moved Mr M's funds into a Flexible Drawdown on 5 October 2021, with no TFC being paid in line with his instructions.

Mr M called HL on 1 November 2024. As there'd been a change to IHT rules, he now wanted to take a 25% TFC from his funds. HL incorrectly told him that he'd taken his 25% TFC allowance on 6 April 2021. It also incorrectly told him that to move into drawdown, he'd have had to take TFC. Mr M said he hadn't taken anything from his pension. As such, he didn't think it was in drawdown. HL offered to send him a statement.

Mr M called HL again on 4 November 2024 about his intended TFC withdrawal. At first, HL said that he'd already taken his TFC in 2021. But after checking with its drawdown team, it later said that while Mr M had completely crystallized his SIPP in 2021, he hadn't taken any TFC at that time. HL said that as the funds were in drawdown, it couldn't pay any TFC.

Mr M said he remembered that HL had told him that as he was approaching age 75, he had to crystallize his SIPP. He asked if it'd given him any other option. HL said that after the age of 55, Mr M could withdraw his pension at any time.

Mr M said he now wanted to reverse the 2021 decision. But HL said this wasn't possible outside of the 30-day cooling off period. Mr M then raised a formal complaint. He said he hadn't known that the tax legislation was going to undergo such a draconian change. Mr M said that he now wanted to take his TFC due to the change in legislation, which he said had hit his family badly.

In the process of its information gathering for the complaint, HL asked Mr M who he thought was responsible for the situation. He said he thought it was: *"mainly politicians changing the rules."* He said the IHT rule change had caused him to look at taking this step.

HL issued its final response to the complaint on 16 December 2024. It confirmed that Mr M

couldn't take TFC, even though he hadn't previously taken any in 2021. HL said this was a decision made by HMRC. It said it'd recognised the implications of not taking TFC at the time as it'd made Mr M aware that he wouldn't be able to take his TFC later on. HL also said that it couldn't reverse the move to drawdown as HMRC didn't allow reversals after 30 days.

However, HL offered Mr M £50 compensation as it had given him incorrect information during the call on 1 November 2024 when it told him that he had already taken TFC.

Mr M complained again to HL on 11 April 2025. As it didn't respond, he sent a further letter on 11 May 2025. He said HL had told him that a BCE had to take place at age 75, and that his SIPP had to be transferred to a drawdown SIPP. Mr M said that HL should've advised him that other options were available or at least told him he should take professional advice to find out about other options. He said he now understood that he could've taken the option of a BCE with unused benefits. And if HL had told him about this option, he would've been able to take his TFC in 2024.

HL issued a further complaint response on 23 May 2025. It still felt the £50 it'd offered Mr M for the poor service during the November 2024 calls was reasonable. It said Mr M would've had to take his TFC at the time he moved to drawdown. And that it'd told him that he wouldn't be able to take TFC later on.

Unhappy, Mr M brought his complaint to this service. He felt HL should've realised that a drawdown SIPP wasn't the right option for him given he'd explained he had no intention of taking drawdown benefits. He said HL had led him to believe that switching to drawdown was his only option, despite knowing he had no intention of taking any drawdowns.

To put things right, Mr M wanted HL to allow him to take a 25% TFC lump sum from his drawdown SIPP so he could gift it to his daughters, rather than leave it in his SIPP to eventually incur IHT. If it couldn't do that, he wanted compensation for the IHT that would be paid.

Our investigator didn't think HL needed to take further steps to put things right. She felt the £50 compensation HL had offered Mr M for the incorrect information it'd given him during the November 2024 calls was reasonable. She sympathised with Mr M, acknowledging his reasons for wanting to take his TFC now. But said she couldn't reasonably ask HL to put things right as she hadn't found any evidence that it'd made an error in respect of his TFC. She said HL had made it clear to Mr M in 2021 that he didn't need to crystallize his pension at age 75. She also felt it'd been clear that he wouldn't be able to take TFC later.

Our investigator said she hadn't found any evidence that Mr M had asked HL if other options were available under which he didn't need to crystallize his pension, even after HL had told him he wouldn't be able to withdraw TFC later on. She also felt that during the 21 August 2021 call, HL confirmed that there was no need to crystallize the pension at age 75. She felt Mr M had seemed to understand this. Our investigator also felt that HL hadn't needed to offer Mr M all potential options. And nor did it need to explain what other providers offered.

Mr M didn't agree with our investigator. He made the following points:

- He felt HL had failed to state that while it only offered certain options, other options were available. He felt both his 21 May 2019 and 20 February 2020 letters to HL had clearly stated that he didn't intend to draw on his HL SIPP. He felt HL should've made it clear that it only offered a limited range of options, and other options might be available. He felt it didn't have an option available for him not to crystallize the SIPP, and that it had only offered the transfer to a drawdown SIPP.

- Mr M felt that the information HL gave him about whether he'd have to crystallize his benefits by age 75 during the 21 August 2021 call and its 16 September 2021 message contradicted each other. While he'd been told during the call that there was no need to crystallize the SIPP, he felt the 16 September 2021 message said a different thing. He felt HL hadn't made it clear that the SIPP didn't need to be crystallized.
- Mr M felt that HL had steered him towards moving to a drawdown SIPP. He felt this was its preferred option from the range of options it offered. He felt it was clear that a "Benefit Crystallization Event with unused benefits" would be the product that best met his stated requirement, given he'd been clear he didn't want to drawdown his benefits. Mr M felt that HL should've made him aware that other options might be available.
- Mr M asked for a full record of communication between him and HL to be shared with him.

After our investigator's request, HL agreed that she could share the four call recordings it'd provided with Mr M. I understand that HL also granted Mr M access to relevant secure messages.

After listening to the call recordings, Mr M made the following additional points:

- HL had already convinced him that a crystallization had to take place before the 21 August 2021 call. He felt that the things he'd said in the call showed that he was misusing, and therefore probably misunderstanding, the term "crystallization."
- He didn't consider that HL had made it clear in 2021 that he didn't need to crystallize his benefits.

As agreement couldn't be reached, the complaint has come to me for a review.

### **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 agree with our investigator's findings. I know this will be disappointing. I'll explain the reasons for my decision.

I understand that HL's secure messaging system only keeps messages for three years. I've therefore not been provided with copies of all correspondence between Mr M and HL in 2020 and 2021. However, having carefully reviewed all the information both parties have provided, including the call recordings shared, I'm satisfied that I have enough information to be able to make a fair decision in this case.

Mr M has made several points about the options HL offered him. So I first considered whether it made any errors in the information it provided. I also considered if HL took actions to steer Mr M towards moving to a drawdown SIPP in 2021. And whether it had a duty to inform Mr M about other, potentially better options, that other providers might've been able to offer him.

*Did HL do what it should when Mr M asked it what he needed to do to "crystallize the overfunding in the SIPP".*

As I noted in the background section, Mr M held his HL SIPP on an execution only basis. As such, HL wasn't his adviser. Its role was to execute the instructions Mr M provided to it.

I acknowledge that Mr M's 21 May 2019 and 20 February 2020 letters to HL did clearly state that he didn't intend to draw on his HL SIPP. But I can see that his 20 February 2020 letter set out to HL the options he felt he had at that time. I can also see that when HL sent its 4 March 2020 reply, it included a Key Features document for the SIPP. This naturally only covered the options available within the HL SIPP, rather than those available with other providers.

While I acknowledge that Mr M felt that HL should've explained that other options might be available to him with other providers, I can't fairly say that it should. It wasn't his adviser. Its role was to provide Mr M with information about his SIPP so that he could decide what he wanted to do. If the option Mr M wanted to take wasn't available in his SIPP, he could take his business elsewhere. But HL didn't have a duty to tell Mr M what other options other providers might offer.

Mr M said that HL had already convinced him before the 21 August 2021 call that a crystallization had to take place. But I've not been provided with any evidence that it did. So I've gone on to consider what Mr M was told during the call.

During the call, Mr M stated that he'd have to crystallize his pension at age 75. But I'm satisfied that HL clearly explained that he didn't have to. I acknowledge that Mr M feels that HL then provided written contradictory information to him on 16 September 2021. I'll consider this point later.

Mr M was clear during the August 2021 call that all he wanted to do was to "*crystallize the fact that the pension scheme is overfunded.*" He again outlined the two options he felt were available to him – these were the ones he himself had listed in his 20 February 2020 letter to HL. HL then explained his options to crystallize his pension.

I acknowledge Mr M's point that he was misusing the term "crystallization" during this call. And while I understand why he feels HL should've noticed his misunderstanding, I'm satisfied that the remaining part of the process Mr M was required to go through before he could move his SIPP to drawdown provided him with sufficient information to have realised his own error and changed his mind. In any event, I'm not persuaded that HL's call handler realised during the call that Mr M wasn't clear about what she was telling him.

At the end of the August 2021 call, HL took Mr M through its risk questions. It asked Mr M if he had shopped around to compare his: "*retirement options and the services available from different providers*" Mr M confirmed that he had. Therefore, while I understand that Mr M expected HL to tell him if other providers could offer him different, potentially better options than it could, I'm satisfied that HL's risk questions aimed to ensure that Mr M knew he needed to take this step himself. And I can also see that HL only allowed Mr M to proceed with his drawdown application when he told it that he had compared the retirement options available from different providers.

Mr M felt that HL's 16 September 2021 message contradicted the information it'd given him during the 21 August 2021 call about whether he'd have to crystallize his benefits by age 75. He felt HL hadn't made it clear that the SIPP didn't need to be crystallized. And he'd therefore felt he had to move his funds to a drawdown SIPP.

Having listened to the 21 August 2021 call and reviewed the 16 September 2021 message, I'm not persuaded that there's anything incorrect or contradictory on this point. I'm also not persuaded that there was anything in this message which forced Mr M to arrange a BCE. I'm

also pleased to note that HL provided Mr M with a link if he wanted to access further information. And that it also told him that he should go back to it with further questions if he had any. If Mr M hadn't been happy with what he'd decided to do, I'm satisfied that HL would've made further information available to him.

I went on to consider if HL made it clear to Mr M that if he proceeded with his drawdown application, he'd lose the opportunity to take TFC later on.

### *TFC*

The evidence shows that on 17 September 2021, Mr M wrote to HL with a signed drawdown application form in which he clearly stated he didn't want to take any TFC. In his covering letter, he stated: *"I wish to crystallize the excess, pay the tax charge of 25% on the excess and have the balance reinvested."* I'm satisfied this was a clear instruction to HL to move his funds into drawdown but to take no TFC.

As this was a relatively unusual request with potential financial repercussions, HL wrote to Mr M on 24 September 2021 and asked him to call it to discuss the fact that he didn't want to take any TFC. The message stated that he wouldn't be able to change his mind about TFC later on. And when Mr M called HL a few days later as requested, HL again checked with him that he didn't want to take TFC and was happy to proceed. Mr M confirmed he was. He also said he had read the personalised cash warning and accepted the risks it highlighted.

Amongst other things, the Key Features document HL sent to Mr M on 4 March 2020 explained that while a SIPP holder could take up to 25% of the amount moved into drawdown as TFC, they wouldn't be able to change their mind later on. It said: *"further tax-free cash can't be taken from money already in drawdown."* I consider that this is clear and not misleading.

I'm therefore satisfied that HL was clear that Mr M wouldn't be able to take TFC later. And I consider that he proceeded with his application understanding this to be the case.

I acknowledge that Mr M now wants HL to reverse his 2021 decision. This isn't possible outside of the 30-day cooling off period, which ended in late 2021. But I can also see that Mr M was driven to raise his complaint against HL due to changes in tax legislation which it hadn't made. In fact, the evidence shows that Mr M himself blamed *"politicians changing the rules,"* rather than HL. I'm not persuaded that Mr M would've made this complaint if this change hadn't been made. And in any event, I've not found any evidence that HL failed to follow the correct procedure before it agreed to process Mr M's request to move his SIPP into drawdown.

I finally considered if the £50 compensation HL offered Mr M for the incorrect information it'd given him during the November 2024 calls was reasonable.

### *Distress and inconvenience*

The evidence shows that HL told Mr M on the 1 November 2024 phone call that he'd already taken his TFC. This caused confusion and Mr M was no doubt concerned by this. HL also initially told Mr M during the 4 November 2024 call that he'd taken TFC in 2021. But it corrected this later in the call.

I'm pleased to see that HL took steps to correct this quickly. As such, I'm satisfied that the £50 compensation HL has offered Mr M for this error is reasonable.

I agree with our investigator that HL doesn't need to take any further steps to put things right.

However, it's not clear from the evidence whether HL has already paid Mr M the £50 it has offered him. Therefore, in order to ensure that he receives this compensation, I am upholding the complaint.

### **Putting things right**

If Hargreaves Lansdown Asset Management Limited has yet to pay Mr M the £50 compensation it offered to pay him in its December 2024 final response letter, it must pay it to him now. If it has already paid the £50, it need take no further action.

### **My final decision**

For the reasons given above, I uphold this complaint. I require Hargreaves Lansdown Asset Management Limited to take the action listed in "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 December 2025.

Jo Occleshaw  
**Ombudsman**