

## The complaint

Mr C's complaint is about advice given by Hargreaves Lansdown Advisory Services Limited (HL) to transfer his defined benefit (DB) occupational pension scheme to a self invested personal pension (SIPP). Mr C says the advice to transfer was unsuitable, not in his best interests and has caused him financial loss.

## What happened

I issued a provisional decision on 10 October 2025. I set out the background, including what the parties had said and what I'd provisionally decided. I've repeated that here.

*'Mr C's circumstances at the relevant time were as follows:*

*He was aged 61 and he'd retired in 2017 (at age 59). He had some health issues, as did his wife. He was in receipt of another DB pension of £7,858 pa. He and his wife received carer's allowances of £3,650 pa each for their two adult daughters who lived with them and who were in receipt of combined benefits of £20,000 pa, which was sufficient to meet their needs. Leaving aside the daughters' income, the household income was £15,158 pa and the essential expenditure was £800 pm, so £9,600 pa. Mr C and his wife had a holiday home worth £70,000. Mr C would get his state pension in 2024, forecast at £10,903 pa. His wife would get her state pension of £8,575 in 2028.*

*HL issued a suitability report on 27 March 2019. HL recommended that Mr C transfer his deferred benefits in the DB scheme (with a cash equivalent transfer value (CETV) of £56,225.62) into a SIPP with HL and draw the maximum 25% pension commencement lump sum (PCLS) of £14,056.40 with the remaining balance held in cash in a HL SIPP Income Drawdown account. The report set out the reasons for the recommendation. In summary:*

- *The transfer would allow Mr C to meet his primary objective of having complete flexibility and help fund a planned extension to his home, expected to cost between £20,000 and £25,000. Thereafter it would allow him to fully enjoy the next five to ten years of his life with his wife and family.*
- *Mr C was in poor health and believed he'd receive relatively poor benefits if he retired from the DB scheme, compared with the capital value available to him on transferring.*
- *He had capacity to give up the guaranteed pension and potential spouse's pension from the ceding DB scheme, which included potentially valuable inflation proofing.*
- *His existing DB pension in payment, coupled with his and his wife's carer's allowances, was more than sufficient to meet his essential costs. He and his wife would both receive full state pensions at the appropriate times and, as a last resort, could sell their holiday home.*
- *Following the transfer the funds would be held in cash with 25% tax free cash paid out immediately for the extension. The cash remaining would be drawn down as and*

when necessary.

- HL's analysis showed the transfer value (£56,226) could buy broadly equivalent benefits if Mr C purchased an enhanced annuity at a cost of about £51,000.

Mr C accepted the advice and the transfer went ahead. I understand he took his PCLS (tax free cash) of £14,056.53 from his transferred funds on 3 May 2019 followed by a gross income payment of £10,000 later in 2019/2020.

Through his representative Mr C complained to HL on 19 March 2024. Mr C said HL's advice had been negligent and unsuitable for him.

HL issued its final response on 13 May 2024. HL didn't uphold the complaint. HL maintained the advice to transfer had been suitable.

The complaint was referred to us. One of our investigators considered it. He sent his assessment of the complaint to both parties on 13 June 2025. He thought the complaint should be upheld. He pointed to the guaranteed nature of the benefits offered by the ceding DB scheme and to the regulator's approach, set out in COBS (Conduct of Business Sourcebook) 19.1.6G. The investigator didn't think the transfer was financially viable or justified for other reasons.

HL didn't accept the investigator's view and maintained the advice given to Mr C had been suitable.

As agreement couldn't be reached the complaint has been referred to me to decide.

### **What I've provisionally 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.

The key question, in line with COBS 19.1.6G, is whether the transfer was in Mr C's best interests. As the investigator pointed out, the regulator's position is that a firm should start by assuming that a transfer will not be suitable.

I think HL did approach the matter from that perspective – the suitability report records that HL's starting assumption was that a DB benefit transfer will not be suitable. HL went on to refer to the need (as per COBS 19.1.6G (3)) to be able to clearly demonstrate, based on contemporary evidence, that the proposed transfer would be in Mr C's best interests. Other documents which HL provided to Mr C – for example, HL's leaflet about final salary pensions – also referenced that approach.

HL says Mr C approached HL for advice – so he wasn't 'cold called' by HL. His primary reason for seeking advice was his own and his wife's health and because he wished to be able to access his money flexibly for ad hoc expenses. In further discussions Mr C said he required a capital sum to extend the family home.

The investigator's view, that the transfer wasn't suitable, was based on it not being financially viable. The critical yield needed to match the DB scheme benefits at age 65 was 15.4% or 12.1% if tax free cash (PCLS) and a reduced pension was taken. HL doesn't dispute that those returns weren't achievable – the suitability report records it had been agreed that the critical yields/investment returns were unrealistic. And, if Mr C's objective was to draw a secure income from age 65, the high critical yields wouldn't support a recommendation to transfer.

As the suitability report pointed out, the critical yields were based on standard actuarial factors and didn't take into account Mr C's health. Whereas the annuity costings did. If an enhanced annuity rate was available, an annuity to secure broadly equivalent benefits as those given up in the ceding DB scheme would cost about £51,000, which was less than the CETV on offer of £56,226.

HL doesn't dispute that Mr C had a low attitude to risk. But HL says he had some investment experience or understanding and some capacity for loss. I don't disagree. The investigator's view seemed to be that Mr C had a very high capacity for loss. I don't agree with that but I think he did have some capacity for loss, taking into account his DB pension in payment, the carer's allowances he and his wife received, the state pensions they'd be getting, and the holiday home they owned, mortgage free. Mr C also had another small drawdown pension valued at £19,000.

*In any event, Mr C's aim wasn't to maximise his guaranteed income from the ceding DB scheme's normal retirement age of 65 (or earlier). He'd already retired and his existing DB pension in payment, coupled with the carers' allowances he and his wife received, more than covered their essential household expenditure. In my view, Mr C could afford to forgo the immediate early retirement pension the ceding DB scheme would've paid (and even taking into account the possibility that the DB scheme trustees might've been prepared to reduce or not apply an actuarial reduction). And, when their state pensions came into payment, Mr C's and his wife's guaranteed income would increase, even if the carer's allowances ceased.*

*Further, I think HL did explain, in its suitability report, the benefits the ceding DB scheme offered which Mr C would be giving up if he transferred and how that would impact on his retirement. I don't think it's the case that Mr C didn't understand that, by transferring, he'd be giving up guaranteed benefits. The suitability letter also contained a number of risk warnings.*

*The suitability report also shows that the option of remaining in the DB scheme was explored. And that enquiries had been made of the DB scheme trustees who'd confirmed early retirement on the grounds of ill health could be considered and that the trustees might choose not to make or to reduce the early retirement reduction factor that would otherwise apply. An early retirement quotation was obtained which showed an immediate pension of £1,872.30 pa or a reduced pension of £1,374.48 pa plus £9,162 tax free cash. If the trustees decided not to impose an early retirement reduction the pension would be £2,434 pa. But, as I've said, maximising income wasn't Mr C's priority and the suitability report confirms that the possibility of an immediate unreduced pension had been discussed but discounted by Mr C as he placed greater value on the transfer value and the income wouldn't allow him to fully meet his financial objectives.*

*I don't see that the death benefits featured particularly in Mr C's decision to transfer, although I bear in mind what he'd said about wanting his family to inherit any unused funds and his view that his life expectancy might be reduced. However, he expected to use all of the transferred funds before his state pension age. His wife's position, if she survived him, was considered. The suitability report summarised why the loss of the 50% spouse's pension from the ceding DB scheme wouldn't impact on her ability to cover her own expenditure.*

*One of Mr C's main objectives in transferring was to raise funds to build an extension. He intended to withdraw £20,000 to £25,000 to fund that and then draw income flexibly until his state pension came into payment at age 66. Although tax free cash would've been available from the ceding DB scheme, it wouldn't have been sufficient to meet the costs of the extension. And I don't see how Mr C could've funded the balance easily. I can understand why he wanted to press ahead at the time. In my view, extending his home, where he and*

*his wife lived with their two adult daughters and who were likely to remain living at home given their needs, was something Mr C saw as important and which would improve his and his family's day to day quality of life. I think that was a credible and legitimate objective and one which Mr C could only meet by transferring.*

*Taking all of the above into account, my view is that the advice to transfer was reasonable.'*

Neither Mr C nor HL responded to my provisional 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.

In the absence of any further comments, arguments or evidence from either party, my views remain as set out in my provisional decision. I've set that out in full above and it forms part of my decision. For the reasons I've given I'm not upholding the complaint.

### **My final decision**

I don't uphold the complaint and I'm not making any award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 18 December 2025.

Lesley Stead  
**Ombudsman**