

## **The complaint**

Mrs W complains that Quilter Financial Planning Solutions Limited failed to advise her to start taking an income from her pension to take advantage of her personal income tax allowance. She says she could have received more income tax-free until she started receiving her State pension.

Mrs W has also complained that the adviser failed to inform her about and explain the reason for the significant fall in her investment in 2022; that he advised her to put a Power of Attorney in place when she already had one; and failed to action an £11,000 withdrawal after April 2024.

## **What happened**

I sent my provisional decision on this complaint to Mrs W and Quilter Financial Planning Solutions Limited (Quilter) on 19 November 2025. The background and circumstances to the complaint and the reasons for my provisional decision to uphold it were set out in that decision. I've reproduced the relevant part of it below, and it forms part of this final decision. I asked both parties to let me have any further evidence or arguments that they wanted me to consider before I made my final decision.

### ***Provisional Decision***

*Mrs W sold her business in December 2019. She had an adviser who had serviced her pension for a number of years. In December 2021 she agreed with the adviser to make a withdrawal of £10,000 to take advantage of her personal income tax allowance – she had minimal other income. Mrs W made similar withdrawals in subsequent years. However she subsequently complained to Quilter that she ought to have been advised to start taking income from the pension earlier, in the 2020/21 tax year, as her circumstances were the same and she could again have taken advantage of her personal allowance to receive tax-free income.*

*Quilter didn't uphold Mrs W's complaint. It said Mrs W had spoken with her adviser on 9 November 2020 to discuss utilising her pension allowance before the end of the 5 April 2021 tax year. It said the adviser recommended that she invest £2,880 into her pension and then start regular contributions from April 2021.*

*Quilter said when the adviser met with Mrs W in 2020 her primary motivation was to invest some of her inheritance money in a tax efficient manner. It said the adviser recommended that she top up her pension and there was no mention of Mrs W wanting to take money out of her pension at that point. It said the adviser's recommendations were based on Mrs W's needs and objectives at the time, and there was no requirement for him to recommend that Mrs W start taking income.*

*Quilter said when Mrs W had subsequently met with the adviser in December 2021 her position had changed. It said Mrs W had wanted to take advantage of tax efficient withdrawals from her pension until she started receiving the State pension. It said it was agreed to take £10,000 annually. And further withdrawals were made in subsequent years*

(for £11,000).

*Mrs W responded to say that she hadn't received an inheritance at the time that she had been advised in November 2020, and had only ever received a small inheritance in 1990. But she said she was happy to start paying into a pension again as she had some savings. Mrs W said she had asked the adviser in 2021 if it would be a good idea to make use of the tax-free allowance by taking income that year, and he had agreed it was. She said the adviser hadn't made the recommendation, she had asked him about it.*

*Mrs W referred the complaint to Our Service and it was considered by one of our investigators. Our investigator didn't recommend that the complaint should be upheld. In summary, he said he didn't think the adviser had contracted to provide advice about tax in the context of the services that were outlined in the firm's terms and conditions. And he went on to say he thought it appeared that Mrs W's objectives had changed between 2020 and 2021, with that change driving Mrs W's interest in withdrawing cash. He thought the evidence suggested the focus was on investment rather than withdrawals in 2020, and the business' advice at the time was to achieve that objective. He said it was only in 2021 that Mrs W first mentioned making a withdrawal. So he didn't think it would be reasonable to hold the firm responsible after the change in direction had taken place.*

*In relation to the other issues, the investigator noted that when Mrs W had pointed out the sharp fall in the value of her fund the adviser had apologised the same day. The investigator explained the value of the fund was impacted by the fall in the value of bond prices following the mini budget of September 2022, but the adviser's failure to discuss it hadn't caused the losses themselves. The investigator said the adviser's recommendation to take out a Power of Attorney even though Mrs W already had one in place since 2018 hadn't caused her any losses. And the investigator also said as Mrs W had removed the adviser's authority to act for her, the adviser had acted correctly in directing her to contact the pension provider itself to make a withdrawal.*

*Mrs W didn't agree with the investigator's findings and her complaint was passed to me to consider.*

### **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.*

*Firstly, I think Mrs W's complaint is one that we can look at, in as far as although it is about tax related matters it is about advice that she was given, or not given, about her pension. Pension and tax matters are inextricably interlinked – the tax position surrounding pensions being a key consideration when advice about pensions is given.*

*Mrs W started taking withdrawals following the annual review dated 15 December 2021. The introduction of that review included:*

*As part of my ongoing review service I am committed to monitoring the financial plan we agreed for you and to provide a comprehensive review of your personal requirements to determine whether these continue to remain suitable for your needs and objectives.*

*The annual review went onto say under 'Your circumstances',*

*We reviewed your current objectives in respect of these investments, and you confirmed there are no changes.*

*You told me that now you have retired your income is only £250 per annum from a small annuity. Your husband ...takes advantage of the marriage allowance as you have minimal income. You have sufficient money in the bank to pay for the holiday but you expressed that you wanted to utilise your annual allowance and take advantage of tax efficient withdrawals on your pension for the next few years until your state pension begins. At this point almost all withdrawals will be taxable and you wanted to get the money out of the pension as tax efficiently as possible. We spoke about inheritance tax but you will spend your money in retirement and do not feel you will exceed the IHT allowance.*

*My understanding is that Mrs W was paying 1% of the value of the pension for this ongoing service. Mrs W has said she had an annual review around December 2019, and this would be consistent with the timings of the meetings she had with the adviser in 2020 and 2021, and that she was paying for an ongoing service. We asked Quilter for a copy of the 2019 annual review, however it said one wasn't available.*

*In its final response letter Quilter said the November 2020 suitability letter said it was recommended that Mrs W top up her pension for tax efficiency and given her potential inheritance tax liability. It said taking funds out of the pension would result in them falling into her Estate and being subject to inheritance tax (IHT). And Quilter also said Mrs W's circumstances had changed by 2021 when she started making withdrawals.*

*The copy of the 11 November 2020 suitability letter that has been provided to us doesn't appear to say the lump sum was paid into the pension for IHT reasons. And, on the face of it, I can't see that Mrs W's circumstances had materially changed in December 2021, either from December 2019 at around the time Mrs W sold her business, or from November 2020.*

*The adviser would have reviewed Mrs W's circumstances and objectives in the 2019 review. Given Mrs W had sold her business at around that time and was approaching retirement, there would likely have been a discussion about her objectives and income requirements going forward. As I've said above, Quilter has said there is no documentation available from that time, and so there is no written record of what was discussed/advised.*

*In November 2020 Mrs W was advised to invest a lump sum of £2,880 into her pension. The letter dated 11 November 2020 refers to a discussion on 9 November 2020 about Mrs W utilising her pension allowance before the end of the April 2021 tax year. Under 'Scope of advice' the letter said:*

*"You have specifically asked me to advise you on your retirement and I have focussed my advice in this report on those needs." My understanding is there is no other record of what was discussed or what Mrs W's circumstances and objectives were at that time – albeit, as I've said above, Mrs W was paying for an annual review where the adviser would "provide a comprehensive review of your personal requirements to determine whether these continue to remain suitable for your needs and objectives."*

*It seems to me that the adviser ought to have discussed Mrs W's circumstances and objectives, including her income requirements during retirement, as part of the annual reviews; so around December 2019 and at the time the lump sum was paid into the pension in November 2020. It would likely have been foreseen that she was only going to be in receipt of a minimal amount of income by the 2020/21 tax year, even in the December 2019 annual review and following the sale of her business. And it would clearly have been known by the November 2020 meeting.*

*In my view taking an income from the pension would likely have formed part of such a discussion. And the fact that a certain level of income could be taken tax free in Mrs W's circumstances. The December 2021 review recorded that Mrs W wanted to "take advantage*

*of tax efficient withdrawals on your pension for the next few years until your state pension begins.” I accept that there are circumstances where withdrawing money from the pension isn’t aligned to a client’s objectives - for example if there are concerns about inheritance tax. However the December 2021 review recorded “We spoke about inheritance tax but you will spend your money in retirement and do not feel you will exceed the IHT allowance.” So it doesn’t appear that was an issue here. And I haven’t seen any other evidence to suggest starting withdrawals was inconsistent with Mrs W’s wider objectives.*

*Whilst Quilter has said Mrs W’s circumstances had changed by December 2021, on the face of it, I can’t see that they had. And I’m not certain on what information Quilter based that finding if no documentation is available from 2019, and the only documentation from November 2020 is the letter dated 11 November 2020, which just focuses on the lump sum contribution.*

*In my opinion if Mrs W’s objectives and circumstances had been fully discussed in December 2019 and November 2020 it’s likely Mrs W would have made the same decision to withdraw some money from the pension within her personal allowance limit for the 2020/2021 tax year. Given she withdrew £10,000 in the 2021/22 tax year, I think it’s likely she would have also withdrawn £10,000 in the 2020/21 tax year. Whilst I accept she hasn’t ‘lost’ that money as it is still in her pension, when Mrs W withdraws it it will now be subject to basic rate tax (as I’ve said, Mrs W has made withdrawals in subsequent years).*

*So taking all the above into account, I think this part of Mrs W’s complaint should succeed. However, if I correctly understand the position, Mrs W didn’t withdraw the maximum that she could up to her full personal allowance each year. So I think it’s appropriate that any unused personal allowance for the years from 2020/21 to date is taken into account in calculating fair compensation.*

*I’ve carefully considered the other aspects of Mrs W’s complaint, but having done so I have come to the same conclusions as the investigator and for the same reasons.*

### **Putting things right**

*My aim in deciding on fair compensation is to put Mrs W back into the position that she would otherwise have been in but for the firm’s failings. On that basis I think she would likely have withdrawn the £10,000 in the tax year 2020/21. However, Mrs W also has a responsibility to mitigate her position. My understanding is that Mrs W’s subsequent withdrawals from her pension weren’t to the maximum personal allowance limit – taking her other income into account if it was only a minimal amount. If there was any unused personal allowance over the subsequent tax years, Mrs W could have used it and not ultimately have had to pay basic rate tax on those sums. So if my understanding is correct and Mrs W didn’t take withdrawals up to her personal allowance limit (taking other income into account), I don’t think the firm’s failings caused Mrs W to have to pay basic rate tax on any sums that she could otherwise have taken within her personal allowance.*

*Accordingly, I intend to order that Quilter Financial Planning Solutions Limited assume that Mrs W would have withdrawn a lump sum of £10,000 in the 2020/21 tax year. It should deduct from that amount any unused personal allowance that Mrs W had for the tax years 2020/21 to 2025/26. If Mrs W hasn’t made a withdrawal for the 2025/26 tax year to date, Quilter should assume her position is the same as for the 2024/25 tax year and use the same unused personal allowance for that year.*

*Quilter should deduct the total unused personal allowances as described above from the £10,000. And then calculate 20% of that value to account for basic rate tax that will now be payable on it. This sum should then be paid direct to Mrs W.*

*I'm satisfied the matter has likely caused a degree of distress and inconvenience to Mrs W. However, ultimately, the money is still in her pension, and the 'losses' arise from the fact that she will likely have to pay income tax on a part of it sometime in the future. I therefore intend to order that Quilter Financial Planning Solutions Limited pays Mrs W £150 as I think the degree of distress and inconvenience reasonably caused is limited.*

### **My provisional decision**

*My provisional decision is to uphold Mrs W's complaint in part.*

*I intend to order that Quilter Financial Planning Solutions Limited calculates and pays compensation to Mrs W as I've set out above under 'Putting things right'.*

### **Responses to Provisional Decision**

Mrs W said in the year that she suggested to the adviser that it would be a good idea to start making drawdowns it was never agreed to take £10,000 annually – there was no discussion about it, the adviser just said it was a good idea. Mrs W said as she was approaching the end of the tax year she withdrew £10,000 as she knew she had already given some of her personal allowance to her husband and she had a small pension. Mrs W said after this she had time to work out if there was any other income due to her, but as there wasn't she withdrew £11,000 each year after that. So she thought if the adviser had done a proper review she would have withdrawn £11,000 from the start.

Quilter didn't accept the provisional decision. It provided a response from the adviser. He said he thought there had been a key misunderstanding. He said talk of an inheritance in 1990 was irrelevant. He said the point he was making about inheritance tax in 2020 was that Mrs W's husband's savings took them into the IHT threshold. It was income that Mrs W didn't need, and taking £10,000 out of the pension would have made it subject to 40% inheritance tax.

### **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've seen no reason to depart from my provisional decision to uphold Mrs W's complaint.

As I said in my provisional decision, I accept that there are circumstances where withdrawing money from the pension isn't appropriate - for example if there are concerns about inheritance tax. However that isn't reflected in the documentation that's available from the relevant times here.

The 11 November 2020 letter said the source of the £2,880 lump sum contribution recommended was from an inheritance. This is what Mrs W had said was incorrect. Quilter said apart from that letter there was no other documentation available from either around the time of that letter or from the 2019 annual review. So there is no mention of inheritance tax issues/concerns. And as I said, the December 2021 review recorded "*We spoke about inheritance tax but you will spend your money in retirement and do not feel you will exceed the IHT allowance.*" So it doesn't appear that was an issue at that time. There's no evidence to suggest that Mrs W's circumstances had changed. And I haven't seen any other evidence to suggest starting withdrawals was inconsistent with Mrs W's wider objectives. So for the reasons I set out in my provisional decision and above, I think Mrs W's complaint should

succeed.

Mrs W said she would have withdrawn £11,000 at the time she withdrew the £10,000 had the adviser carried out a proper review from the start. However the adviser recorded that Mrs W was intending on making withdrawals in the annual review dated 15 December 2021. It seems to me that she had sufficient time before the tax year end to investigate and decide what amount she wanted to take from the pension, and made an informed decision about it. Mrs W withdrew £10,000 in 2021/22, and I think it's reasonable to use that as the basis for assuming what she would likely have withdrawn the year before and in determining fair compensation.

### **My final decision**

My final decision is that I uphold Mrs W's complaint.

I order Quilter Financial Planning Solutions Limited to calculate and pay fair compensation to Mrs W as I set out above under 'Putting things right.'

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 5 January 2026.

David Ashley  
**Ombudsman**