

The complaint

Mr K complains that Scottish Equitable Plc trading as Aegon (Aegon) won't allow him to access his retirement benefits in the way he wants from his pension plan without taking financial advice. He says the cost of that advice would erode too much of his fund and it's also unfair because if his plan was valued below £30,000, he wouldn't need to obtain independent financial advice. He would like Aegon to allow him to take a lump sum from his pension, to address his difficult financial position, without having to pay for advice.

What happened

Mr K holds a section 32 buyout personal pension with Aegon. This plan was set up following the transfer of previous benefits and included an obligation to provide Mr K with a Guaranteed Minimum Pension (GMP) at his normal retirement date.

Just before his selected retirement date of January 2025 Aegon issued Mr K with a retirement options pack. This noted the value of his plan as £31,702.79 and set out Mr K's retirement options. Generically there were three alternatives, but Aegon was unable to offer the options which allowed taking a full or partial lump sum from the plan. This meant Mr K could either take an annuity from Aegon's appointed annuity partner or consider a transfer of the entire fund to another provider under the 'open market' option.

A revised retirement options letter was issued in May 2025 which noted a policy value of £32,100.33.

Mr K wanted to access his entire fund as a lump sum because his financial circumstances dictated that he required the maximum capital amount available. But as the plan was valued at more than £30,000 – and included safeguarded benefits (the GMP) – Aegon needed to confirm that Mr K had received financial advice before it could transfer the plan benefits.

Mr K said he couldn't meet the cost of any financial advice, so he complained. But Aegon said that, given the complexity of the product, it could only offer the transfer option through a qualified adviser or its "assist team." But Mr K wasn't happy with this resolution, so he brought his complaint to us where one of our investigators looked into the matter. They didn't think the complaint should be upheld making the following points;

- Pension legislation dictates that consumers must take financial advice if they wish to transfer a plan which includes safeguarded benefits and is valued at over £30,000. Mr K's plan is valued at around £31,000 and contains a GMP – so Aegon hadn't acted unfairly by telling him to obtain financial advice before transferring his benefits and accessing them as a lump sum.
- The transfer value of Mr K's plan may not be sufficient to cover the cost of providing a GMP, so a receiving provider would need to be willing to accept that situation. It therefore may be possible that Mr K is unable to transfer his pension regardless.

Mr K didn't agree. He said:

- It was his understanding that a policyholder suffering severe financial difficulties would be grounds for a pension provider to allow access to the pension fund.
- He had explained to Aegon the severity of his situation – which went as far as potentially losing his home – but it continued to take the view that because his pension fund is currently valued at (just) over £30,000 he must pay for financial advice. The cost of that advice would significantly erode the value of his pension fund.
- He has worked in financial services for much of his life and fully understands the consequences of “cashing in” a pension which includes a GMP. He said he was capable of deciding which course of action would best serve his current financial circumstances.
- He accepted it was right for Aegon to *suggest* he should take financial advice on this matter but didn't accept it should be a legal requirement when taking into account his extenuating circumstances.

The investigator wasn't persuaded to change his view, so the complaint was referred to an ombudsman and passed to me to 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.

And having done so I've reached the same conclusion as the investigator. I'm sorry to learn of Mr K's current financial situation and I have some sympathy for the position he is now in as he doesn't believe he can use his pension fund in the way he needs to without incurring additional, prohibitive advice costs. But I don't think Aegon has done anything wrong here - so I'll set out my reasons below.

When Aegon contacted Mr K about his pre-retirement options in January 2025 it set out his available alternatives. Because the cost of providing Mr K with his GMP was far greater than the value of his reserved fund at that time, not only was Aegon obliged to put all of those funds towards the GMP – thereby not being able to provide any additional benefits such as tax free cash – but it also meant Aegon couldn't allow other options such as full or partial withdrawal from the funds for similar reasons.

The letter set this out explaining that *“unfortunately we don't offer this option under your existing contract. The option may still be available to you however you would need to transfer to a different Aegon product or transfer to another provider, subject to any relevant HM Revenue & Customs (HMRC) restrictions, to access it. If you have safeguarded pension benefits valued above £30,000 financial advice must be sought. Please be aware that transferring will result in you losing any guaranteed benefits you currently have. If the value of any Guaranteed Minimum Pension is greater than the fund available this will not be an option.”*

I think this was clear in setting out Aegon's position – particularly in respect of the financial advice that was required under current pension legislation and the fact that these options couldn't be offered if the cost of providing the GMP was greater than the plan's total value.

The fund value at that time was £31,702.70 but the cost of providing the GMP would be

£46,396.98, so Aegon was restricted – under the terms and conditions of the plan – in how it could pay Mr K’s pension benefits. It should also be remembered that the GMP replaced the State Earnings Related Pension Scheme (SERPS) benefits Mr K would have received had his occupational pension scheme been “contracted in” to SERPS, and these benefits would have only been payable as an annuity on Mr K’s retirement date.

And it was this idea that such “safeguarded” benefits and their value to a pension holder were protected that led to the Department for Work and Pensions issuing a factsheet in 2016 which set out advice requirements for providers when considering safeguarded benefits. The factsheet followed a safeguard introduced by the Government in 2015 intended to ensure individuals were fully aware of the valuable guarantees that might be lost on transferring or accessing the new flexibilities that had previously been introduced to allow pension holders alternatives in the way they accessed their retirement funds.

The factsheet explained that when:

- *converting safeguarded benefits into flexible benefits and,*
- *using a transfer payment in respect of safeguarded benefits to acquire flexible benefits under another scheme,*

it was a requirement for pension scheme members who held these safeguarded benefits worth more than £30,000 to take appropriate independent financial advice.

Looking more deeply at the guidance it’s clear that Mr K held such safeguarded benefits both through the GMP part of his plan and also the guaranteed annuity rate that was applied to his non-reserved funds. So, in the circumstances, and following the guidance that was issued I think it was right for Aegon to set out in its letter from January 2025 that “*if you have safeguarded pension benefits valued above £30,000 financial advice must be sought,*” so I can’t say that it acted unreasonably or unfairly in that respect.

Mr K accepts that Aegon should have *recommended* that he sought financial advice, but that because he was in severe financial difficulty then Aegon had grounds to permit access to his funds in whatever way would best help his circumstances. He has also, in detail, explained the full extent of his financial position and the ramifications of not being able to use the capital he could have got from his pension to pay off debts and other bills and financial shortfalls. He also explained that the costs of receiving the required financial advice would have been so prohibitive as to erode “*around one third*” of his pension fund.

But although I fully appreciate Mr K’s position, and I have some sympathy for the difficult financial position he was in, I think Aegon was obliged to follow the rules that were set out and state that it required a declaration of the advice he’d received before it could consider other options such as transfer to another provider. Aegon had already confirmed that it simply couldn’t allow Mr K to make a lump sum withdrawal from his plan, and to allow him to transfer the funds elsewhere – without advice – so that he could potentially access them from a different provider wouldn’t, in my view, have shown a duty of care to him considering the loss of safeguarded benefits that would have then occurred.

But there was also another factor to be considered in paying Mr K’s pension as a lump sum which was the potential tax implication. Tax rules specify the conditions that need to be met for payments to be authorised and any payment that does not meet these conditions is an unauthorised payment.

HMRC says that one common example of where payments are classed as unauthorised is taking “trivial lump sums” in excess of £30,000. So as Mr K’s fund was valued at over £30,000 it’s possible that the action of drawing the fund as a one-off lump sum could be seen as an unauthorised payment. This could have seen Mr K incur an unauthorised payment charge and surcharge which could mean a potential tax charge of up to 55%. Exposure to such a charge would have been devastating to Mr K’s plans and wouldn’t have allowed him to reduce his financial burden in the way he might have hoped. But it could also be argued that this meant Aegon wouldn’t have been treating Mr K fairly in allowing him to potentially incur such a charge. In addition the scheme administrator – namely Aegon – could also have suffered a scheme sanction charge levied at around 15%. I don’t think it would have been reasonable to expect Aegon to potentially expose itself to such a charge simply to accommodate Mr K’s request for a lump sum. And I’ve already confirmed such an action was outside of Aegon’s control without evidence that he’d taken independent financial advice.

Mr K says he would have been happy to sign any disclaimers or take on the responsibility of the decision himself, because he accepted that accessing his benefits as a lump sum was the best course of action in his situation. But I haven’t seen any evidence to suggest that Aegon could sanction that course of action, nor that it could offer such an option under the Government’s safeguarding introduction of 2015.

And in respect of the cost that Mr K would have to incur to receive independent financial advice, this wasn’t a fee that was imposed or requested by Aegon but was the cost of advice as set out by an independent adviser. That wasn’t Aegon’s responsibility and it would have been for each adviser to decide what to charge Mr K considering his circumstances and financial position.

I haven’t seen any evidence to support the idea that Aegon prevented Mr K from accessing his benefits. It set out how he could take an annuity, including the GMP, from his plan and also said he could pursue the idea of an open market option if he could secure a better annuity from another provider – although it was unlikely this would have been the case due to the GMP. I have considered if Aegon offered Mr K the full range of alternatives that could have been considered, especially as it said – about the transfer option – that it could *“only offer this option through a qualified financial adviser or via our Aegon Assist team. If you wish to book an appointment with Aegon Assist, you are welcome to call our Contact Centre Helpdesk.”*

I asked Aegon why this option of using its assist team couldn’t be considered and it explained that where safeguarded benefits are involved that team is unable to give advice – so it shouldn’t have included that as an alternative. But as I haven’t seen any evidence that Mr K tried, and failed, to get advice from the team I don’t think this inclusion caused any additional distress to Mr K.

It’s most unfortunate that Mr K’s retirement and the chance to access his benefits coincided with such serious financial difficulties. I don’t think it was unreasonable for him to try to use his retirement fund to solve some of those problems. But I don’t think it was Aegon’s fault that Mr K couldn’t access his benefits in the way he would have preferred.

Under the terms of the plan – which were set out from the start – Aegon couldn’t offer the options Mr K wanted and pension legislation dictated that only by receiving independent financial advice and declaring the advice to Aegon could it have even considered a transfer to other providers so that Mr K could have explored further options with them. In my experience, and with a fund value considerably less than the amount required to support the

GMP, I think it's unlikely Mr K would have been able to transfer his benefits in any case.

In this case it simply wasn't permitted – within the relevant legislation – for Aegon to allow Mr K to take his benefits in the way he wished without seeking financial advice. The cost of that advice wasn't laid out or set by Aegon either so I can't say it was responsible for making that option prohibitive for Mr K. There's simply no evidence here to support the idea that Aegon didn't act correctly or indeed fairly, considering the requirements that it had to adhere to. So I can't reasonably say it did anything wrong or that it has prevented Mr K from accessing his benefits, albeit not in the way that he would like.

My final decision

For the reasons that I've given I don't uphold Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 28 January 2026.

Keith Lawrence
Ombudsman