

The complaint

Mr R complains that AFH Independent Financial Services Limited ('AFH') gave him unsuitable advice to switch his self-invested personal pensions ('SIPPs') and invest his pension monies in investments that were too high risk.

What happened

Mr R had two existing SIPPs and an existing independent financial adviser ('IFA'). It appears that his SIPP investments were being managed by a discretionary fund manager ('DFM'), but Mr R was unhappy with the performance of his SIPP investments and wanted them to be managed more proactively. So he looked for a new IFA and found AFH.

AFH gathered and recorded information about Mr R's circumstances and objectives. This included that:

- He was age 59, married with no dependent children and in good health. He and his wife jointly owned their home which was worth £650,000 with a mortgage balance of £194,000 due in four years; Mr R intended to use his investments to repay this.
- He and his wife were retired, with Mr R already having released the tax free cash from his pensions. Their joint outgoings (essential and discretionary) totalled £22,350 a year, but this was more than covered by their annual income of £27,000 from their buy to let property portfolio, which had a total value of £745,000.
- Mr R had two SIPPs whose value at that time totalled about £322,000. His wife had two personal pensions whose value totalled £40,000.
- Mr R held stocks and shares worth about £165,000, his wife held £40,000 in savings, and they jointly held £2,500 in the bank.
- Mr R's priority was investment planning and he *"wished to review the management service provided by your existing adviser. You have been unhappy with their lack of performance but also their inability to be able to manage your pensions in the proactive way you[re] looking for. You wish to consider removing your existing discretionary man[a]ger and employing [a DFM I'll call 'DFM A']"*.
- Mr R was unhappy with his current IFA, because his pension portfolio hadn't recovered from the Covid pandemic as he'd hoped. He'd met with AFH and DFM A to discuss his needs, and he wanted to move to DFM A. AFH recorded that, *"Client wants an ATR [attitude to risk] 5 portfolio. See[s] the recession as an opportunity and has no intention of accessing these pensions for 5 years or more."*

AFH assessed Mr R's ATR which involved Mr R completing questionnaires. It was recorded that he'd had actively managed pensions for some years and also made some direct investments himself. This led AFH to assess Mr R's ATR as 4 out of 5, with 5 being the highest. But after discussing this with Mr R, AFH recorded *"Client has current portfolio managed around a med/high strategy – has been comfortable with this. For this investment (his pension) we have compared the differences between an ATR 4 and an ATR 5 and sees [sic] minimal difference. You are looking to make sure your pension has the maximum exposure to growth assets and focus on equities. You also want your private wealth client ex [sic] to be able to fully maximise your investment options. For your pension investments you want these to be man[a]ged on an ATR 5 rather than an ATR 4 and understand this will lead*

to greater degrees of volatility and does not automatically lead to better growth." Therefore, Mr R's ATR was finally set at 5 and he signed to confirm this record of the discussion and his agreement with this final ATR.

AFH's suitability report of December 2020 recommended Mr R encash and switch his two existing SIPP's into a single SIPP with another provider, and invest his SIPP monies in line with his ATR 5. AFH also recommended that Mr R be referred to DFM A with a view to it managing his pension investments on a discretionary basis and in a way that was bespoke to Mr R. The suitability report explained that DFM A was a separate firm to AFH but in the same group of companies.

AFH's suitability report said this was suitable for Mr R because while the recommended new arrangement would cost him more, this was justified because his existing SIPP provider only offered a narrow range of investment types which didn't allow for the bespoke DFM and investment strategy he wanted to receive from DFM A who would actively manage the portfolio on Mr R's behalf. AFH's report set out cost comparisons, including the new arrangement's cost in both percentage and absolute terms for the first year and second year, and referred Mr R to an illustration showing its cumulative impact on his pension's growth. And it recorded that Mr R was *"prepared to pay a premium for a bespoke service and understand that such a service will see an increase in overall costs when compared to your existing arrangement."*

Mr R accepted AFH's recommendations and in early 2021, monies totalling about £340,000 were switched from his two existing SIPP's to the new SIPP, and most of this amount was then sent to DFM A for investment.

Mr R and AFH had ongoing correspondence about the value of his pension. AFH said his investment portfolio would be much more volatile than he was used to and its daily swings could be significant but that *"once it's all invested and we get some traction it will be fine"*. But over time, Mr R became unhappy with the performance of his pension investments and referred to having to *"rely on forex trading (gambling) to try and make additional income"*. He also chased AFH regarding the regular pension income he requested in 2022.

Mr R had correspondence with DFM A in 2022 about whether or not he should *"bail out"*. But DFM A thought he should remain invested given his planned investment term.

In early 2024, Mr R removed AFH as his IFA and cashed in his SIPP investments with about £254,000 returned to his SIPP cash account. He then sent £50,000 of this to an investment platform for individuals to make and manage their own investments and put most of his remaining SIPP monies in a savings portfolio within his SIPP. But in September 2024, Mr R cashed in his SIPP investments and switched his SIPP's balance of £253,783 to a new pension provider.

A professional representative Mr R had engaged complained to AFH in November 2024 that the switch advice it gave him in 2020 had been unsuitable and caused him a financial loss, as it hadn't properly assessed his circumstances or ATR and had exposed his pension to unnecessary risk and charges.

As AFH hadn't provided its final response yet, Mr R's representative referred his complaint to the Financial Ombudsman Service in January 2025. In March 2025, AFH issued its final response to the complaint. It thought the advice had been suitable given Mr R's circumstances and objectives at that time, and it had fully informed him of the advantages and disadvantages of the switch, and the features and benefits of the recommended arrangement.

Mr R's representative told us that Mr R thought AFH had been unprofessional from the start, right from its advice to switch. That his pension had been 'gambled' away on investments that were too high risk and not the right choice for him. And that Mr R's research showed some of these investments made were 'dogs', and he was AFH's only client categorised as ATR 5. This had led him to question his experience with AFH, and he was unhappy its final response to his complaint didn't accept any responsibility.

One of our Investigators considered Mr R's complaint but didn't uphold it. He thought the final assessment of Mr R's ATR as 5 wasn't unreasonable given his circumstances, capacity for loss and objectives at that time. That while his pension's value had unfortunately fallen, that didn't necessarily mean AFH had done anything wrong, and values could rise and fall depending on the markets and global events. And that AFH had clearly explained the cost of the switch to Mr R, and Mr R had been willing to pay the extra.

Mr R said his representative hadn't accurately portrayed his complaint and was no longer representing him. Mr R provided further comments, in summary that:

- When he was switching, AFH had provided an example of the growth another client had achieved and told Mr R he could achieve growth of 108% in five years.
- AFH hadn't told him it would be sold to an American firm. Had it done so, he might not have chosen it as his IFA.
- AFH made errors in arranging the regular pension income he requested in 2022, so that he received three months' worth at once and paid more tax than necessary which he then needed to reclaim at the end of the tax year.
- Having read AFH's final response letter, he wanted to challenge the strategy of how his pension monies had been invested. He was now engaging a firm to manage his pension and it told him AFH lacked expertise and experience in trading at a higher risk level. So AFH and DFM A might not have had the appropriate qualifications and experience. DFM A had made poor investment decisions while markets across the world saw significant gains, and he'd had no option but to switch his pension again.

But our Investigator didn't change his position. He said that some of Mr R's comments were about the performance of his SIPP investments, but what our Service was able to consider was the advice AFH had provided him with. And it was up to DFM A what investment strategies it used.

As agreement couldn't be reached, this complaint has come to me for a 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 considering Mr R's complaint, I've also taken into account relevant law and regulations, regulator's rules, guidance and standards and codes of practice, and what I consider to have been good industry practice at the time. This includes the Principles for Businesses ('PRIN') and the Conduct of Business Sourcebook ('COBS').

Mr R has told about his concerns over how DFM A invested and managed his SIPP monies. He's also told us AFH made errors when arranging the pension income he requested in 2022. But those complaint points were not raised in the complaint that was made to AFH in November 2024, brought to our Service in January 2025, and addressed in AFH's final response letter of March 2025. So AFH hasn't yet had the opportunity, which it's entitled to, to investigate and address those complaint points. Therefore this decision won't address or make any findings about them. Mr R would need to raise those complaint points to AFH in

the first instance, and if he's unhappy with its response, he may then be able to refer those particular complaint points to our Service for an impartial investigation. But I must point out that while Mr R seems to view AFH and DFM A somewhat interchangeably, they are in fact separate firms and so he may need to direct any complaint about DFM A's investment of his SIPP monies to DFM A rather than AFH.

So for clarity, the complaint I've considered here is the one originally made to AFH, brought to our Service and then addressed in AFH's final response. That is, the suitability of AFH's recommendation that Mr R switch to a new SIPP and be referred to DFM A.

In thinking about this, I've reviewed the information AFH gathered about Mr R's circumstances, objectives and ATR.

Before AFH provided its advice, Mr R completed questionnaires so that AFH could assess his ATR. This resulted in him being assessed as ATR 4. I don't think this was an unreasonable conclusion based on Mr R's answers, which included that:

- He had 'moderate' knowledge of investments, markets and risk.
- He had some investment experience; in particular, he'd 'frequently' invested in single asset funds and direct assets, and 'sometimes' invested in managed mixed asset funds.
- He was 'somewhat confident' in making decisions related to investment markets and risk.
- His cash reserves provided him with 'good protection' against short term market fluctuations or unexpected future events, and he'd already seen a significant fall this year which had no material impact on his standard of living.
- He ticked to confirm he'd seen the 'Understanding Risk Document'.
- He'd taken 'very large' risks in his past financial decisions.
- A close friend would describe his attitude to taking financial risks as 'daring'.
- He was 'fairly adventurous' when making important financial decisions.
- He would 'usually' go for the best possible returns even if there was risk involved.

In addition, I think Mr R had sufficient capacity for loss to take this level of risk with his pension. Because he and his wife had already retired some time previously and were comfortably living off their buy to let property investments which provided them with almost £5,000 more each year than the essential and discretionary retirement income they needed. Further, Mr R and his wife were each expecting an annual state pension of £8,580 at age 66. Apart from their home's outstanding mortgage balance which Mr R already had a plan to repay when it came due in four years, it doesn't appear that Mr R and his wife had any liabilities. And to help with any shortfall, they together had savings totalling about £42,500, a buy to let portfolio they could look to sell a portion of, plus his wife's pensions worth £40,000.

But even if I thought AFH should have kept Mr R's ATR at 4, I don't think that would change his current position here. Because I think Mr R would have insisted on being placed in the ATR 5 category, and the evidence is that this is what in fact happened. As it's recorded that Mr R told AFH from the start that he wanted an ATR 5 portfolio because he saw the recession as an opportunity, didn't intend to access his pension for at least five years, and had seen some pension losses already but these hadn't affected his standard of living. And when the questionnaires Mr R completed led AFH to assess him as ATR 4, Mr R and AFH discussed this and it was recorded that Mr R was already comfortable with his current medium/high ATR strategy, felt there was little difference between ATR 4 and ATR 5, and wanted to be invested in line with ATR 5 in hopes of maximum pension growth.

So I think Mr R's tolerance for risk had risen, and he had capacity to absorb losses. And I think Mr R had confidence in his own investment skills and experience, because at that time he had £165,000 of stocks and shares he was seemingly managing himself outside his pension. And I note that by 2022 Mr R was trading in forex, a high risk investment which he himself at that time characterised as 'gambling'. Ultimately, Mr R signed his agreement to the final ATR of 5. And as he had a SIPP, Mr R could himself have found ways to invest in line with ATR 5 even if this was something AFH had refused to agree with.

It's clear that Mr R had sought out AFH as he was unhappy with his existing IFA and how his SIPP investments were currently being managed. I know that Mr R says that if AFH had told him it would be sold to an American firm, he might not have chosen it as his IFA. But I'm not persuaded this was something AFH could or should have told Mr R at that time of the advice in question, or that it's something that would have led him to avoid AFH as his IFA.

AFH recorded that his priority was investment planning, as he wanted his pension investments to be proactively managed in order to improve and maximise their returns, and that he didn't intend to access his pension monies for at least five years. In light of this, AFH's suitability report said switching his two existing SIPPs to one new SIPP and being referred to DFM A was suitable for him as it would allow his funds to be proactively managed in a greater range of investments, as Mr R wanted. And that while this would cost more, Mr R was prepared to pay this in exchange for a bespoke service.

I think Mr R would've likely understood he had the option of leaving his two existing SIPPs where they were, because AFH's suitability report does refer to this option and its advantages. However, the report explained AFH had discounted this because his current SIPP provider only offered a limited range of investments which would limit the full investment flexibility he wanted with DFM A.

I recognise that Mr R was being recommended to switch his existing SIPPs to a more expensive arrangement. However, for the increased cost Mr R would be able to access a wider range of investments and receive the services of DFM A, and the evidence is that this particularly appealed to Mr R given his dissatisfaction with what he saw to be the passive way his SIPP investments were currently being managed. So, I think Mr R wanted to access DFM A's services and he ultimately agreed to have them manage his SIPP investments.

I also think that AFH made Mr R aware of the increased costs. Its suitability report set out the costs of his current arrangement alongside the costs involved if he accepted its advice, including the upfront costs and the ongoing costs. AFH specifically stated that one of the disadvantages of proceeding with its recommendations was that the ongoing charge would be significantly higher. Mr B was also provided with an illustration which set out the charges in both monetary and percentage terms.

I don't think AFH's advice was unsuitable. The recommendations allowed Mr R the greater investment choice he was seeking in order to maximise his pension's growth, and provided him with the opportunity to engage DFM A who particularly appealed to him. I appreciate the recommended new arrangement would cost Mr R more overall. But I think this was made clear to Mr R in the suitability report and the illustration provided, so I'm satisfied Mr R proceeded knowing the costs.

And while I accept AFH gave Mr R projections about the potential level of return over time that would have been appealing to Mr R, I'm satisfied AFH disclosed to him the risks of switching and using DFM A. Because its suitability report provided him with a significant amount of information, including that the investments would be more volatile and there was no guarantee the new arrangement would outperform his existing arrangement. I see Mr R accepts that investment returns aren't guaranteed but says his were nowhere near AFH's

projections. But it's important to note that returns in hindsight perhaps being lower than expected, or some investments not turning out as well as others might have, doesn't in itself mean that AFH's recommendation to switch Mr R's SIPP's and refer him to DFM A was unsuitable for him.

Ultimately, I'm not persuaded the advice Mr R received from AFH was unsuitable and so I'm not upholding this complaint.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 14 January 2026.

Ailsa Wiltshire
Ombudsman