

## The complaint

Mr P complains through a professional representative that he was given unsuitable advice by Quilter Financial Services Limited (Quilter) to switch his personal pensions to a Self-Invested Personal Pension. He thinks this has left him worse off.

## What happened

I set out the background and my provisional findings to this complaint in my provisional decision, which is included below and forms part of this decision:

*“Our investigator set out the background to the complaint in her letter of recommendation, for ease of reference I have included an amended copy of this below:*

*Mr P was referred to Quilter to discuss his retirement planning. Mr P met with an advisor in November 2014 who completed a fact find which showed his circumstances at the time were as follows:*

- Mr P was 50, married and had no financial dependents.*
- Mr P was a homeowner with an outstanding mortgage of £100,000.*
- Mr P was employed full time earning around £22,000 per annum. He planned to retire at 65.*
- Mr P held 5 pension plans. Four of which were personal pension plans with Friends Provident. These had a combined transfer value of £44,206.*
- Mr P also held a personal pension with Standard Life with a transfer value of £11,303.*
- Mr P had no significant savings or liabilities at the time of advice.*
- Mr P had a balanced attitude to risk and limited knowledge of investments.*

*Quilter reviewed Mr P’s circumstances and noted that he had the following objective he wished to achieve;*

- Increase his pension savings for retirement.*
- Have £12,000 per annum income for retirement*

*Quilter considered Mr P’s options and issued its suitability report on 26 November 2014.*

*Quilter recommended that Mr P switch his existing personal pensions with Friends Provident and Standard Life to an Old Mutual Wealth pension. It was also recommended that Mr P start making additional contributions of £100 per month to meet a potential shortfall in his retirement needs. Mr P accepted the recommendation and the transfer went ahead. Quilter charged Mr P 5% of his transfer value for its advice.*

*Later in November 2024, Mr P complained to Quilter via a representative about the advice it had provided him. He said that the advice wasn’t in his best interests and instead, argues he should have been advised to remain with his existing pension providers. Mr P believes his pension will be worse off as a result of accepting Quilter’s advice.*

*Our investigator looked into matters and recommended the complaint be upheld. The investigator concluded that the transfer wasn't financially viable, it increased Mr P's costs and the objectives set out that the transfer achieved didn't justify this increase in costs.*

*Quilter responded to say it disagreed. It said it accepted the charges were higher but Mr P was happier with what he felt was more transparent charging with the recommended platform. Mr P could have also cancelled the ongoing advice charge at any point but chose not to.*

*It felt the objectives of consolidation, increased diversity and maximising the investment for retirement were true objectives of Mr P's that were achieved by transferring. Switching funds within his existing plans would not have achieved these objectives.*

### **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.*

*As I've said I agree with the outcome reached by our investigator and for broadly the same reasons. I'll explain why.*

*In 2009 the Financial Services Authority\_(now FCA) published a report outlining areas where it said firms hadn't acted in customer's best interests when recommending pension switches. That checklist identified four main areas where consumers had lost out:*

- They had been switched to a pension that is more expensive than their existing one(s) or a stakeholder pension without good reason.*
- They had lost benefits in the pension switch without good reason.*
- They had switched into a pension that does not match their recorded attitude to risk and personal circumstances*
- They had switched into a pension where there is a need for ongoing investment reviews but this was not explained, offered or put in place.*

*As the investigator set out and Quilter doesn't dispute, the transfer markedly increased the costs that Mr P would incur. The total cost including ongoing advice in the SIPP was 2.9% whereas his existing pensions were 0.78%-0.79% cheaper and 0.59% cheaper. This wasn't a small increase in charges, so there needs to be a good reason.*

*One reason put forward by Quilter at the time and in their defence of this case now, is that the existing providers charges were not transparent and were all packaged up as one. But I don't think it's reasonable to think Mr P would prefer to pay a lot more in charges just so they are transparent. It also strikes me that this objective or reasoning was the adviser's and not Mr P's, whilst he may have agreed with it, he was reliant on the adviser's expertise. I say this because the justification for this objective was something I suspect only the adviser would have understood. It was noted – that the existing providers package up all the costs and therefore it was not clear whether all the costs and charges for the funds were included in the illustration provided, hence the lack of transparency. I very much doubt it was Mr P who noticed that as he appears to have been a fairly inexperienced customer when it comes to pensions. And I would add that it was the adviser's job to ask and find out what charges were used in the illustrations when advising Mr P on whether switching his pension was suitable for him. And not to use that gap in information as a reason to switch.*

*The illustrations also indicated that at mid-growth the existing plans (not a complete set of illustrations but this can be inferred from the values of the illustrations we do have) would outperform the new SIPP and that is with the £100 contribution added to the SIPP but not to the existing plans. So there wasn't a good reason here to make the switch either and the comparison wasn't a fair one. And even with the comparison methodology weighted in favour of the new scheme, it doesn't compare well in*

any event.

*The impact of the charges were such that the SIPP would have to outperform the existing schemes by a good margin just to stand still. Mr P had a balanced attitude to risk and had funds available within his existing providers that met this, so investing in the same way within the SIPP was unlikely to provide substantially better performance.*

*So I think Mr P was very likely to be worse off for transferring to the Old Mutual SIPP. So I've yet to see a good reason for incurring these extra costs.*

*I've also considered Mr P's objectives; I've already discounted that the transparency of costs was a suitable reason to transfer. But other objectives were discussed at the time of advice, such as consolidation, choice of funds and growth prospects. Again, I have my concerns that this was largely led by the adviser and they were also quite generic and not specific to the customer's needs. The adviser noted in terms of objectives 'These were that you want better growth prospects, more options and choice, consolidation for ease of retirement planning and the benefits of a platform proposition'. I'm not sure Mr P would've known what the benefits of a platform proposition were and it doesn't seem to have been set out anywhere.*

*Mr P's growth prospects had already been blunted by the additional costs and the illustrations showed that the likely prospect of growth above his existing arrangements and even with the additional contributions was slim. Mr P was an inexperienced investor with a modest retirement fund and a balanced attitude to risk. He was already invested with two large providers with plenty of funds available for selection. I don't think he required anything bespoke or complex to meet his needs in terms of funds and especially not at a much higher cost. I accept consolidation may have been useful for him and having all his funds together may have made his retirement planning easier. But that doesn't justify the increase in costs that the switch incurred.*

*I don't think the advice to switch his investments to the Old Mutual SIPP was suitable for Mr P and so I will be upholding the complaint. One thing that has not been commented on and needs to be considered, is Mr P also was advised to make additional contributions to the SIPP to meet a potential shortfall in his retirement planning. This wasn't unaffordable for Mr P so obviously this wasn't unsuitable advice but the product selected for the contributions was unsuitable in my view.*

*Now over a decade later and with a number of plans to choose from at the time, it is difficult to put any certainty to what product should have been selected for Mr P's additional contributions, other than a low cost option should have been sought. Depending on whether his existing plans would accept new contributions, and what was available at the time, it could've been that a pension switch to a low cost plan and consolidating would've been the best move for Mr P at the time – or just advising Mr P to set up a new low cost plan for the additional contributions. With that in mind and having to account for the additional contributions within the redress (as the plan selected was unsuitable) it is not possible with any certainty to say where Mr P would've invested. So I think a sensible and fair resolution would be to do a comparison against a suitable index for Mr P as I'll set out below.*

*It appears Mr P didn't receive the ongoing advice he had paid for but in any event given his age and circumstances and that his existing plans matched his attitude to risk, I don't think this was likely to be of benefit to him at this time considering the additional costs involved with the switch. And Mr P could in future when he got closer to retirement reach out for adhoc retirement planning when required.*

*I also note that initially a complaint was made as well about the reviews, or lack of, carried out as part of the ongoing advice service agreed to. As I said this doesn't appear to have formed part of the complaint brought to us – the complaint form only notes suitability of advice. I note Quilter made an offer regarding some of these missed reviews but the fees paid for the reviews will be accounted for in the redress – as the value of the SIPP will be compared with a benchmark. And the value of the SIPP will already have had the fees deducted.*

*If Quilter has already paid compensation regarding the ongoing advice part of the initial complaint, it is within its rights to deduct this figure from any loss calculated as part of the below calculation. However, if the result of the loss calculation is no loss or lower than the figure it has already paid, it would not be fair to offset or require the customer to return what it may now see as an overpayment. It*

*had the opportunity at the time to review the advice as a whole including the reviews carried out but chose not to.*

Mr P's representatives replied to say they agreed with the decision. Quilter acknowledged the decision but didn't provide a response with regards to the merits.

### **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.

I see no reason to depart from the findings set out above in my provisional decision. Quilter gave Mr P unsuitable advice and should put things right as set out below.

### **Putting things right**

#### ***Fair compensation***

*My aim is that Mr P should be put as closely as possible into the position he would probably now be in if he had been given suitable advice.*

*I think Mr P would likely have remained with his previous providers or found another suitable low cost plan, however I cannot be certain that a value will be obtainable for what the previous policies would have been worth, nor can I be certain of where his additional contributions would have been invested. I am satisfied what I have set out below is fair and reasonable, taking this into account and given Mr P's circumstances and objectives when he invested.*

#### **What must Quilter do?**

To compensate Mr P fairly, Quilter must:

- *Compare the performance of Mr P's investment with the notional value. If the actual value is greater than the notional value, no compensation is payable. If the notional value is greater than the actual value, there is a loss and compensation is payable.*
- *Quilter should also add any interest set out below to the compensation payable.*
- *If there is a loss, Quilter should pay into Mr P's pension plan to increase its value by the amount of the compensation and any interest. The amount paid should allow for the effect of charges and any available tax relief. Compensation should not be paid into the pension plan if it would conflict with any existing protection or allowance.*
- *If Quilter is unable to pay the compensation into Mr P's pension plan, it should pay that amount direct to him. But had it been possible to pay into the plan, it would have provided a taxable income. Therefore the compensation should be reduced to notionally allow for any income tax that would otherwise have been paid. This is an adjustment to ensure the compensation is a fair amount - it isn't a payment of tax to HMRC, so Mr P won't be able to reclaim any of the reduction after compensation is paid.*
- *The notional allowance should be calculated using Mr P's actual or expected marginal rate of tax at his selected retirement age.*
- *It's reasonable to assume that Mr P is likely to be a basic rate taxpayer at the selected retirement age, so the reduction would equal 20%. However, if Mr P would have been able to take a tax free lump sum, the reduction should be applied to 75% of the compensation, resulting in an overall reduction of 15%.*

- If either Quilter or Mr P dispute that this is a reasonable assumption, they must let us know as soon as possible so that the assumption can be clarified and Mr P receives appropriate compensation. It won't be possible for us to amend this assumption once any final decision has been issued on the complaint.
- As previously stated, if compensation has already been paid as part of refunding fees for the review service not provided, this can be offset against any loss.

Income tax may be payable on any interest paid. If Quilter deducts income tax from the interest, it should tell Mr P how much has been taken off. Quilter should give Mr P a tax deduction certificate in respect of interest if Mr P asks for one, so he can reclaim the tax on interest from HM Revenue & Customs if appropriate.

Portfolio name	Status	Benchmark	From ("start date")	To ("end date")	Additional interest
Old Mutual SIPP	No longer exists	50% FTSE UK Private Investors Income Total Return Index  50% average rate from fixed rate bonds.	Date of investment	Loss calculation carried out until date of transfer out. Any loss established at that point brought up to date by use of the same benchmark to date of calculation.	8% simple interest if compensation is paid late – see details below.

### **Actual value**

This means the actual amount payable from the investment at the end date.

### **Notional Value**

Quilter will need to determine a fair value for Mr P's investment instead, using the benchmark: For half the investment: FTSE UK Private Investors Income Total Return Index; for the other half: average rate from fixed rate bonds.

Any additional sum paid into the Old Mutual SIPP should be added to the notional value calculation from the point in time when it was actually paid in.

Any withdrawal from the SIPP should be deducted from the notional value calculation at the point it was actually paid so it ceases to accrue any return in the calculation from that point on. If there is a large number of regular payments, to keep calculations simpler, I'll accept if Quilter totals all those payments and deducts that figure at the end to determine the notional value instead of deducting periodically.

Quilter must pay the compensation within 28 calendar days of the date on which we tell it Mr P accepts my final decision or it receives confirmation the case has been settled earlier.

If Quilter fails to pay the compensation by this date, it should pay 8% simple interest per year on the loss, for the period following the deadline to the date of settlement.

### **Why is this remedy suitable?**

*I've chosen this method of compensation because:*

- *Mr P wanted Capital growth with a small risk to his capital.*
- *The average rate for the fixed rate bonds would be a fair measure for someone who wanted to achieve a reasonable return without risk to his capital.*
- *The FTSE UK Private Investors Income **Total Return** index (prior to 1 March 2017, the FTSE WMA Stock Market Income total return index) is made up of a range of indices with different asset classes, mainly UK equities and government bonds. It's a fair measure for someone who was prepared to take some risk to get a higher return.*
- *I consider that Mr P's risk profile was in between, in the sense that he was prepared to take a small level of risk to attain his investment objectives. So, the 50/50 combination would reasonably put Mr P into that position. It does not mean that Mr P would have invested 50% of his money in a fixed rate bond and 50% in some kind of index tracker investment. Rather, I consider this a reasonable compromise that broadly reflects the sort of return Mr P could have obtained from investments suited to his objective and risk attitude."*

### **My final decision**

For the reasons explained above and in my provisional decision, I uphold this complaint and direct Quilter Financial Services Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 2 March 2026.

Simon Hollingshead  
**Ombudsman**