DRN-6137801

Financial Ombudsman Service

The complaint

Mr B complains that Quilter Financial Services Limited gave him unsuitable advice to transfer out of his defined benefit (DB) pension scheme to take benefits immediately in form of a tax-free cash lump sum ('TFC') and an enhanced annuity.

What happened

Mr B approached the adviser about his pension in late 2016. He had been a member of his DB scheme between 1980 and 2014 and held deferred pension benefits from this time. He was still working for the same employer. Mr B was approaching age 58 and was looking to retire as soon as possible as he was feeling significant pressure and stress at work and had been in a manual role for many years. He had seen many of his colleagues leave their jobs recently and now also wanted to retire.

The DB scheme could give Mr B immediate benefits (at age 58) of £69,662 in TFC and £10,449 per year income. Around 68% of this income would be increasing at a minimum of 3% (and maximum of 5%) per year. Most of the remainder would be subject to RPI increases (up to a maximum of 2.5%). His guaranteed minimum pension (GMP) accrued before 1988 would remain level.

At age 65, the DB scheme could give Mr B a TFC lump sum of £105,164 and an annual income of £15,762 (with the same increases as set out above). The DB scheme would provide a spouse's pension on Mr B's death of 50%.

By transferring and taking benefits immediately Mr B could receive higher TFC of £117,781 and annual income of £13,477 in the form of an enhanced annuity (due to high alcohol consumption). The income would not be increasing in future. The annuity did include a spouse's pension of 100% and a guarantee period of 25 years, so full income would be paid from the annuity for 25 years even if Mr B died before then.

Mr B was advised to transfer his DB benefits and convert them immediately into a tax-free cash lump sum and an enhanced annuity.

A professional representative complained on Mr B's behalf about the advice in 2025. They said Mr B lost out on a guaranteed and no risk inflation proofed pension in return for a level term annuity with its spending power being eroded over time.

Quilter responded to say the complaint had been raised too late. One of our investigators considered the complaint and found it was brought too late (although for different reasons than the ones Quilter had put forward). Mr B's representatives disagreed and so the complaint was passed to me for a decision.

I issued provisional findings explaining that the complaint had been brought in time. Both parties agreed, so I'm not going to address this further here. However, I did find that the advice to transfer here had been suitable.

Mr B's representatives disagreed and made further comments which I have considered.

However, I remain satisfied that my decision to not uphold this complaint is fair and reasonable.

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.

Mr B wanted to retire as soon as possible and so I think it was reasonable to compare his immediate available DB benefits with an annuity option on the open market. An annuity was still guaranteed, so was in line with his risk averse attitude to risk. The annuity simply had different features and both options had advantages and disadvantages. The annuity gave him around £2,700 more starting income (after tax) and around £48,000 more TFC which he could have used to supplement income or use as he wanted to. It also came with a 100% spouse's pension and a 25 year guarantee which were valuable and a lot higher than his DB death benefits.

I don't consider the annuity with enhanced death benefits and protections, enhanced TFC and a higher starting income was unsuitable for Mr B. I appreciate it was level and so many years into retirement the overall benefits before his death likely would have been slightly lower. But it would have taken many years for the DB benefits to catch up with Mr B's overall immediate benefits. In the meantime Mr B would have benefitted from higher benefits earlier in retirement and significantly more valuable death benefits overall.

The suitability letter recorded that Mr B was earning £24,000 per year and his wife was working part-time earning £6,240 per year. Their joint outgoings were £15,986. It was recorded that Mr B felt a household income of £15,986 would be sufficient which could be met with his annuity and his wife's income (totalling £19,717). The tax-free cash could pay for additional non-essential expenditure like holidays or support further in retirement. They had no mortgage or other debts and no dependants.

Mr B's representatives consider Mr B couldn't afford to retire early and calculated that his alcohol consumption would cost around £7,736 per year alone, so his recorded income requirements were clearly too low. They also pointed to a report in 2017 by the Joseph Rowntree Foundation (JRF) which set out that -in the public's opinion –the minimum income standards were £17,900 for a single person and £20,400 for a couple with two children.
I understand the point the representative is trying to make here and arguably the expenditure could have been challenged a bit more and was on the conservative side. However, I don't agree with the figures they used here. The alcohol expenditure has been calculated based on prices in a pub or restaurant. Supermarket prices for alcohol were (and still are) significantly cheaper, so I consider the calculated figures used here are overestimated.

The figures in the JRF report also refer to a couple with children which pay for rent and childcare before retirement. Mr B and his wife were mortgage free and didn't have childcare costs. Minimum income standards in that report for a retired couple without these costs was £14,300 at the time. I consider that even if Mr B's outgoings were higher than stated once more costs for non-essential spending was factored in, he had considerable tax-free cash which could have supplemented his annuity and wife's income and both would have received a state pension later in retirement to further support the couple's income. Mr B also was open to part-time work which many of his colleagues that had left his employer had done. So overall, I consider early retirement was reasonably affordable for Mr B.

Mr B said the true critical yields when retiring immediately were not disclosed, however I don't consider these particularly relevant in these specific circumstances. The adviser had to make comparisons between the DB scheme and the benefits Mr B could have outside the

scheme which is what happened here. Critical yields are investment returns that need to be achieved to be able to replicate the DB benefits at a certain age and Mr B's benefits were not invested once transferred.

Mr B's representatives say that retirement options at age 60 should have been considered. Mr B's DB scheme documents show that benefits for those who were active members in 2000 (which Mr B was) would be subject to adapted early retirement factors in the scheme. The documents show that for Mr B this means all his DB benefits accrued before 6 May 1994 could be taken unreduced at age 60 rather than at age 65. On review, I agree that these adapted retirement factors would have applied to Mr B and I can't see that this was considered by the adviser. In order to give Mr B a full picture of his reasonable options I agree that available DB benefits at age 60 should have been shown to Mr B. However, I'm not persuaded that this would have likely led to a different outcome.

I don't know what exactly the DB benefits at age 60 would have been. It's clear that it would have been more than the figures quoted at age 58. And it would have been less than the figures quoted at age 65 given that only benefits accrued before 1994 would have been unreduced at age 60 and late retirement factors would have applied on that portion of benefits between 60 and 65. Looking at Mr B's different tranches of service I consider the unreduced part of his benefits at age 60 would have been around 40-45% of his overall benefits. And working back from his benefits at age 65 I consider his annuity income at 60 would have likely been somewhere between £13,000 and £14,000. The tax-free cash sum also would have been higher than at age 58 although I think it's likely that it still would have been considerably lower than what Mr B received at age 58 on the open market (as Mr B received more tax-free cash than even available at age 65 in the DB scheme). So even if I assume his DB income at age 60 was nearer to £14,000 and therefore slightly higher than his annuity at age 58, overall, taking into account the higher TFC he likely still would have had overall higher benefits for several years by transferring.

The break-even point from when Mr B would receive higher overall benefits from his DB scheme (during his lifetime) would have been earlier if he delayed his retirement until age 60. However, overall I still consider that being able to meet his objective to retire immediately and have higher benefits early on in retirement and significantly enhanced death benefits in the form of a full spouse's pension and 25 year guarantee period would still have been his preferred option. And I don't think this option was unsuitable.

Of course a level income will lose spending power over time. And I recognise that inflation, particularly over the last few years, has been higher than it has been for a long time. However, at the time of the advice inflation had been low for many years and the sudden and significant rise in recent years wasn't reasonably foreseeable. Also, it's worth bearing in mind that Mr B's DB benefits also wouldn't have kept up with this level of inflation as increases were capped as set out above.

Mr B's representatives have referred to another case at this service which was decided differently. I'm aware of this case, however whilst there are certain similarities, there are also many material differences. I'm satisfied that in the circumstances of Mr B's individual complaint, the outcome I've reached here is fair and reasonable.

Both options of either staying in the DB scheme (until 60 or 65) or converting benefits into a TFC and an annuity for immediate retirement were suitable options. I agree that the option to retire at 60 should have been explained to Mr B. However, based on the information he was given Mr B made an informed choice to give up future increases later in retirement in return for better death benefits and higher benefits earlier in retirement. And I don't think that an option at 60 as explained above would have likely changed his view.

My final decision

I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr B to accept or reject my decision before 10 March 2026.

Nina Walter
Ombudsman