

The complaint

Mr D complains that he was given unsuitable advice by Skipton Building Society ('Skipton') in 2021 to switch his existing personal pension plan, his Individual Savings Account ('ISA') and his General Investment account to a new provider and invest in its recommended portfolio. He additionally complains that Skipton failed to action its recommendations to annuitise his pension and move his investments to cash following its review with him in 2024.

What happened

In February 2021 Mr D met with a financial adviser from Skipton. At that stage he was aged 57 and had already retired.

Skipton reviewed Mr D's financial circumstances and identified the following:

- Mr D had the following funds:
 - Skipton Building Society account, holding £31,500.
 - Skipton cash ISA, holding £20,300.
 - Barclays' current account, with around £10,000.
 - Barclays' savings account, with around £270,000.
 - Zurich pension, with an estimated fund around £220,000.
- He had no mortgage or other debts and was recorded as needing around £8,000 a year to fund his lifestyle, which he was meeting from his savings.

As part of the initial advice Skipton reviewed the money held in his Barclays savings account (which was from the residue of the sale of his previous house). In March 2021 Skipton recommended that Mr D move £20,000 to a Fidelity FundsNetwork Stocks and Shares ('S&S') ISA, and also to transfer £180,000 to the Fidelity FundsNetwork General Investment Account ('GIA'). This was recommended in order to afford the potential for investment growth, with the intention to move funds from the GIA to ISA in future tax years. It recommended that the money be invested in the 'ASI MyFolio Index III Inst S Fixed Acc' fund. And Mr D agreed to receive Skipton's 'Ongoing Information' service for an ongoing annual fee of 0.55% of the fund values. The platform charge was 0.17% and the fund charge was 0.22%.

Skipton met with Mr D again in late April 2021 once it was in receipt of details of the Zurich pension. In mid-May 2021 Skipton provided a further suitability report. It recommended that Mr D move his Zurich pension, which had a fund value around £256,800, to the Fidelity FundsNetwork pension platform. With the GIA and S&S ISA on the Fidelity FundsNetwork platform, Mr D would have around £460,000 in funds under investment. And would be retaining around £108,000 in cash deposits to cover his cost of living. Which would not be depleted prior to reaching his state pension age. So it recommended that all of the funds be moved to its ISA MyFolio model investment portfolio, and offered Mr D its Ongoing Advice service for an annual fee of 0.94% a year.

Mr D accepted Skipton's recommendation and his pension was switched to the Fidelity FundsNetwork platform. And all of his investments were transferred to the recommended investment strategy. Additionally, £20,000 was moved from the GIA to the S&S ISA, to make use of that year's allowance.

In April 2022 Skipton met with Mr D and provided him with a financial review.

In August 2023 Skipton contacted Mr D to offer him his annual review. Which Skipton records as being declined by Mr D. Skipton contacted Mr D again in November 2023 to carry out the review, and then again in early January 2024. In late January 2024 Mr D responded to the offer of a review and an appointment was made with an adviser for 19 February 2024.

In that review meeting, it reassessed Mr D's attitude to risk as being risk level 1. It documented that Mr D no longer wanted his investments exposed to investment risk. And he wanted to consider an annuity for his pension at that time. Mr D had around £450,000 across his investments and around £100,000 still in cash deposits. Mr D was asked to complete a Retirement Budget Planner and to provide a copy of his State Pension Forecast in order to provide a recommendation.

Mr D did not provide the requested information in response to that, or subsequent requests by Skipton. Skipton did not provide Mr D with any formal recommendation regarding either the de-risking of his investments, or for an annuity.

Mr D then complained to Skipton in August 2024. He was unhappy with the performance of his investments over the previous three years. He explained that he had received advice that he should be invested in line with Risk Level 1 and that he should purchase an annuity. He explained he had been asking Skipton to process that recommendation but its advisers had put obstructions in place to prevent him taking his pension. He explained that he had no intention of meeting with Skipton's advisers any further and had lost faith in them.

Skipton responded to explain that it had not been able to provide Mr D with a personal recommendation because he had not provided it with the information it needed to do so. It again set out what information it needed. And it explained that it provided an advisory service rather than an execution only one. It considered that the initial advice had been suitable.

Mr D referred his complaint to our service. Our investigator looked into what happened but was not able to informally resolve the complaint between Mr D and Skipton so this complaint was referred for an Ombudsman's decision. I then issued a provisional decision to let both parties know what I intended to decide.

What I said in my provisional decision

'I will start by considering the question of whether Skipton's initial advice was suitable for Mr D's circumstances.

Prior to giving any personal recommendations Skipton needed to carry out a Fact Find in order to understand Mr D's circumstances and objectives. It's provided a clearly documented Fact Find for each of its advice points. So I am satisfied that Skipton acted appropriately in that regard. Having obtained the information from Mr D it was entitled to make its recommendation that was tailored to that.

When Mr D was first in contact with Skipton he held a lot of his assets in cash, having around £270,000 in a bank savings account. He was assessed as having a medium attitude to risk (which was graded as 4 on a scale of 1 to 7). It was therefore suitable for Skipton to

consider that holding that much in cash deposits was not in line with Mr D's attitude to risk. Its recommendation to put £20,000 into the S&S ISA and £180,000 into a GIA was therefore a suitable approach. It selected an investment portfolio that was in line with the attitude to risk that it agreed with Mr D. This still left Mr D with relatively large cash holdings across other accounts from which he could continue to draw his income.

The single fund investment option that Skipton recommended was a relatively straightforward solution. It would not need to be rebalanced so was unlikely to need ongoing annual reviews. The ongoing service that Skipton recommended was its simplest option and didn't offer ongoing financial reviews. I think that was suitable. It set out the cost for its ongoing service and what Mr D could expect for that. Overall, I can find no reason to conclude that the initial advice for Mr D was unsuitable.

I will now go on to consider its subsequent recommendation, once it had obtained the information from Mr D's pension provider.

Our investigator already set out what the regulator in 2009 (the Financial Services Authority) said in a report about pension switching, which is still relevant today. That identified four main areas of concern where consumers were losing out:

- They had been switched to a pension that is more expensive than their existing one(s) or a stakeholder pension (because of exit penalties and/or initial costs and ongoing costs) without good reason.*
- They had lost benefits in the pension switch without good reason. This could include the loss of ongoing contributions from an employer, a guaranteed annuity rate or the right to take benefits at an earlier than normal retirement age.*
- 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.*

Mr D's overall circumstances remained broadly the same, albeit his overall financial position included a much greater exposure to investments. His attitude to investment risk was deemed to be the same as it was initially assessed as.

Taking the first of the above points, the recommended pension had lower platform and fund fees (0.65% a year compared to 0.93%). Which would be a saving on a fund of £255,000 of just over £700 a year. But there was an exit penalty around £1,500 for transferring from the ceding scheme. Which was a significant penalty which would cancel any savings in fees for the first two years. Over the longer term, the saving in fees (and the potential growth in the fund) may justify the initial penalty.

Skipton additionally explained that it considered that the ceding scheme funds were 'underperforming' which it described as failing to beat its benchmark. But it didn't provide any evidence of that in its suitability report. Our investigator explained that he can find no independent evidence that the funds held in the ceding scheme were under performing. And, from the evidence now available I am inclined to agree. I can find no evidence that the funds' performance was behind the benchmark they are compared against. But that was not the only consideration.

Skipton additionally explained that the investment in the ceding scheme was in line with a Risk Level 5. Which would mean that it was no longer in line with Mr D's attitude to risk. It

has not provided its analysis that was behind that statement. However, the fund Fact Sheets indicate that it positions itself as seeking medium to long term capital growth with mixed investments, typically holding 40-85% in equities. I'm inclined to agree that this would be considered to be a higher medium type of investment.

Given that it assessed him as 4 on its 7 point scale, which was exactly in the middle, I do not find its appraisal of the existing fund as being too high risk as unreasonable. I have therefore looked at the investment balance for Skipton's recommendation.

- ASI MyFolio Index 3 Acc - 30%
- Janus Henderson Strategic Bond Acc – 8.5%
- L&G Multi Index 5 C Acc - 7.5%
- Artemis Strategic Bond Quarterly Acc – 7%
- Fidelity Global Dividend W – 7%
- Franklin UK Equity Income W – 6.5%
- L&G All Stocks Gilt Index Trust – 6%
- Vanguard FTSE Global All Cap Index Investor Acc – 5%
- Baillie Gifford Managed B Acc – 4%
- M&G Episode Income I Acc – 4%
- Ninety One Cautious Managed I Acc GBP – 4%
- L&G Short Dated Sterling Corporate Bond Index C Acc – 3.5%
- Artemis Global Income I Acc – 3%
- Fidelity Global Special Situations W Acc – 2%
- iShares Global Property Securities Equity Index (UK) D Acc – 2%

I would agree that this was put together in line with a balanced attitude to risk. And would seem to include a broader range of managed funds that would, over time, have lower exposure to equities and potentially volatility. I therefore think that Skipton's argument, that this recommendation provided a more suitable investment strategy for Mr D's risk appetite than the ceding scheme, was reasonable. And this point addresses the third main concern above.

I would additionally add that Skipton ensured that the ceding scheme did not include any guarantees that were lost in transferring. So it satisfied the second concern set out above as well.

Looking now at the fourth concern set out earlier.

It's clear that the solution that Skipton recommended for Mr D was more complex than his initial position. And more so than its starting advice when investing £200,000 from his cash savings. However, Mr D's overall position meant that he had around £580,000 in savings and investments. With over £450,000 of that invested, I don't think that it was unreasonable to set out a solution for Mr D that afforded him the opportunity for growth, providing that he had the attitude for risk and the capacity for loss that the recommendation included. And I think that he did.

Skipton assessed Mr D's attitude to risk by using a questionnaire which is common practice. It is a useful starting point in getting to know its customer's attitude to investment risk. But Skipton also documents that the assessment was discussed with Mr D. And that, following those discussions and explanations Mr D agreed with the assessment. It was set out clearly in both of his suitability reports. Skipton ascertained Mr D's likely expenditure and ensured that his cash position was such that any investment losses would be unlikely to affect his ability to meet his expenditure for well into the future.

The added complexity of its recommendation when investing around £450,000 meant that there was more of a need for ongoing investment reviews. But Skipton explained this and offered to put that service in place. Which I think was appropriate. Mr D could, of course have declined the ongoing service, and therefore not paid for the ongoing reviews if he did not agree. But I think it was clearly enough explained, and a suitable recommendation for someone in the financial position of Mr D with his circumstances.

Whilst I do think that the exit penalty makes the overall suitability finely balanced, on the whole, I do not think it's fair or reasonable to suggest that Skipton's recommendation was not, on the whole, suitable. Nor that it was not in Mr D's best interests.

Turning now to the thing that appears to have mostly prompted Mr D's complaint. Which is his issue with the review that Skipton tried to do. I have read Mr D's arguments and can certainly see his frustration. But, for much the same reasons as our investigator, I don't think that Skipton did anything wrong.

Skipton is a financial adviser, so has to comply with the rules and regulations in providing its advice. Prior to making any recommendation, whether that is initial advice or following a change in circumstances, it is expected to understand its clients' circumstances. It meant that there was certain information that it required to be able to make a suitable recommendation. Without that information then it was reasonable of it not to do so.

Skipton explained to Mr D what it required. Which was a greater understanding of his expenditure and of his projected state pension. It was clear about what was required and I have no reason to doubt that, if Mr D cooperated with that request, it would have then gone on to provide a recommendation for him. Taking benefits from a pension is an important decision and I would not expect Skipton to advise Mr D on suitability without a full understanding of his income needs.

I understand that Mr D suggests that Skipton has prevented him from accessing his pension. But I don't agree that it has. If he did not wish to provide the requested information, or to receive a fully considered financial recommendation, then he was at liberty to go to his pension provider, or an annuity provider directly. But I see no evidence that he has done this.

I have given consideration to Mr D's request to sell his investments and put them into cash. But Skipton have explained that it was not prepared to simply transact instructions without having considered the suitability. Which I don't think is an unreasonable position for a financial adviser to take. There would, for example, be a number of ways to go about that, and Skipton could not know what was most suitable without completing its advice process.

I will now give my thoughts on Skipton's ongoing financial review service. I can see that it set out with an intention to contact Mr D annually to deliver the service that Mr D was paying for. It made contact with him in April 2022 and updated his circumstances and followed that with a written report in October. It made further contact in August 2023 in order to carry out the annual review process again. Mr D declined that offer at that time. I would still expect Skipton to make further contact to try to carry out the review at a more convenient time. Which I think it did, calling Mr D in November 2023 and January 2024 before Mr D responded in late January 2024. Which led to the meeting on 19 February 2024.

In this meeting Mr D's circumstances appear to have changed and it was at this stage that the stalemate appeared to be reached over Mr D providing Skipton with the requested information. Whilst this breakdown in communication between Skipton and Mr D was regrettable, it had the additional consequence of preventing Skipton from being able to deliver its service for Mr D. As this impasse continued there was, I think, a point at which

Skipton ought to have been considering whether it was still able to provide Mr D with the service he was paying for. And, if not, whether it was still in his interests to continue to take fees from his investments.

I see that Skipton did consider this and, in its email to Mr D of 14 January 2025 it acknowledged that it had been prevented from being able to deliver its review service and offered a refund of fees paid over the previous four months. Which I think was a fair and reasonable stance at that point. However, it has now been a further year in which fees have been taken and it has been unable to deliver the service that Mr D has been paying for.

In fairness to Skipton, I can see that it wrote to Mr D in September 2025 to again try to offer its review. But Mr D again declined.'

I then went on to explain that I didn't think it was fair for Skipton to continue taking advice fees beyond the point that it was clear that Mr D was no longer engaging with it. And I was of the opinion that should have been clear from the point that Mr D made his complaint on 20 August 2024. So I set out how I thought it should put things right for that error.

Responses to my provisional decision

Mr D responded to explain that he disagreed with my provisional decision. I summarise his points of contention as follows:

- He did not accept my view regarding his failure to provide Skipton with its requested budget planner.
- He considered that I'd failed to mention that Skipton's adviser had previously told him that he couldn't use his pension and that it should be used for death benefits.
- He considers that I failed to take into account that he was given advice in February 2024 which he accepted.
- He wanted an explanation why his funds had underperformed compared to those of his father's, who he said was similarly invested.

Skipton responded to accept my findings. Although commented on my suggested means to put things right, which I will address below.

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 am sorry that Mr D is unhappy with the outcome I set out in my provisional decision. I have considered his response and submissions. But I would reassure him that the information he provided had already been taken into consideration prior to giving my provisional decision. Having considered everything in this case a final time, my final decision remains the same as my provisional decision. My reasoning for that remains, essentially, unchanged from what I included of that provisional decision above. Which I refer both parties to again. But I will offer the additional explanation to address certain of Mr D's concerns.

As I explained in my provisional decision, and our investigator also set out in his view, it isn't fair or reasonable to categorise Mr D's meeting with Skipton in February 2024 as giving advice. I make this determination because there was no formal recommendation provided from it. Which I would expect to see if there had been. That doesn't mean that options were

not discussed as a result of Mr D's reducing attitude to risk and desire to take income from his pension. I suspect that they were. But the follow up correspondence causes me to believe that Skipton awaited further information prior to providing its suitable recommendation.

If that recommendation was going to consider suitable annuity options as a way to take income, then Skipton needed to understand Mr D's income needs. Which meant the completion of its retirement planning budget sheet and evidence of his state pension. What Mr D refers to as providing them, that did not satisfy Skipton's requirement. And, in fairness, I don't consider that the budget sheet that Mr D refers to is completed. It does not clearly answer questions and refers instead to an email.

What this meant was that Mr D's requests for Skipton to annuitise his pension and move his funds to cash weren't simply requests for it to action any recommendation it had made. So it isn't unreasonable that it couldn't comply with these non-specific requests.

Mr D comments that I have not referenced his being told that he could not access his pension for an income. That is because, in order for me to address what I think is at the heart of this complaint, I have focussed on the reasons that were key to my decision. I have not commented on every argument that he raised. In relation to this issue for example, I have found no evidence that would tend to support this in the records of the meetings. The primary purpose of a pension is to provide income in retirement. His statements would have set this out. So I find it unlikely that he was led to understand that could not be the case.

In relation to Mr D's concern that his fund underperformed in relation to his father's funds, I do not consider that is relevant to my finding. Whether Skipton's initial or ongoing advice is suitable or not isn't dependant on whether it can outperform another fund. I am only concerned with the service it provided Mr D in this complaint. And the issues that affect that are the ones that I explained in my provisional decision.

What this means is, for the same reasons that I already explained in my provisional decision and repeated above for clarity, I am only partially upholding Mr D's complaint.

Putting things right

Whilst I'm not upholding Mr D's complaint about the suitability of the initial and follow up advice in 2021, or with the way in which its attempted annual review in 2023 was conducted, I don't think that it was fair or reasonable to continue to take fees for a service past the point that it was clear that it was no longer able to provide it.

I think that, along the lines of the offer that Skipton already made, it should refund the fees that were taken from Mr D from the point that it ought to have become clear that it would no longer be able to provide its service to him. I think it's reasonable to take the date that Skipton received Mr D's complaint letter (20 August 2024) as that point. I say that because I believe he made it clear in that letter that he had no intention of meeting any of Skipton's advisers anymore.

I understand Skipton's argument that a partial return of fees would be fair. Which I have considered. I can see that, prior to the advice of May 2021, Mr D was provided Skipton's cheaper service offering. But I think that the issues and relationship had broken down irrevocably following 20 August 2024. So I am not persuaded that Mr D was any longer getting sufficient benefit to warrant the application of any charges. So my final decision is that the full fees should be refunded from 20 August 2024 onwards.

Skipton should therefore refund the fees plus the investment returns those fees would have benefitted from if they'd instead remained invested in the products they were deducted from.

Fees (and lost investment returns) that are due back to the S&S ISA and the GIA can either be paid back into those accounts (if Mr D has sufficient ISA allowance), or to Mr D as cash compensation.

Fees (and lost investment returns) that are due back to the pension should be paid back into the pension account if possible. That payment should allow for the effect of charges and any available tax relief. It shouldn't be paid into the pension if it would conflict with any existing protection or allowance. If the payment to the pension can't be made or has protection or allowance implications, it should be paid directly to Mr D as a lump sum after making a notional reduction to allow for future income tax that would otherwise be paid.

If Mr D has remaining tax-free cash entitlement, 25% of the loss would be tax-free and 75% would have been taxed according to his likely income tax rate in retirement – which I presume to be 20% (this is based on the fact that the maximum state pension entitlement will likely use the full personal allowance and any annuity that the existing fund will provide will be taxed at this marginal rate). So making a notional reduction of 15% overall from the compensation due for the pension deductions adequately reflects this.

My final decision

For the above reasons I am upholding Mr D's complaint and direct Skipton Building Society to compensate Mr D as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 23 March 2026.

Gary Lane
Ombudsman