

The complaint

Mr V has complained about information he was given by AJ Bell Management Limited ('AJ Bell') about his tax free cash ('TFC') entitlement. He says AJ Bell failed to explain that there was a cap on the amount he could take at that time. As a result he says he disinvested funds in his SIPP earlier than necessary.

What happened

The background to this complaint is well known to both parties and was clearly set out in the Investigator's opinion letter, dated 14 January 2026. So, I've only provided a brief summary below of the events leading to the complaint.

Mr V's independent financial adviser ('IFA') contacted AJ Bell to enquire about Mr V's TFC entitlement. AJ Bell initially confirmed Mr V could take 25% of his SIPP as TFC, up to a limit of £375,000. Mr V held enhanced protection so his IFA questioned this. After checking with its specialist team, AJ Bell ultimately confirmed Mr V's SIPP, valued at a little under £6.5m, was uncrystallised so he had a remaining TFC allowance of a little over £1.6m.

Mr V complained about how long it had taken AJ Bell to calculate his TFC entitlement. AJ Bell upheld the complaint and offered Mr V £150 compensation.

Mr V's IFA sent AJ Bell the forms required to action the full withdrawal of Mr V's TFC in August 2024. The IFA's covering email, dated 14 August 2024, said it would arrange for the disinvestment of funds. The IFA followed the email up later the same day asking if AJ Bell had all the forms it required. AJ Bell confirmed a disinvestment form was also required. The disinvestment form was sent to AJ Bell on 29 August 2024. Mr V's IFA said he wished to withdraw his full TFC immediately, and confirmed the assets had been disinvested. AJ Bell sent the instruction to the SIPP platform provider on 30 August 2024.

On 11 September 2024, Mr V's IFA informed AJ Bell that the platform provider had sent £1,619,144.66 to the SIPP cash account. The IFA asked when Mr V could expect to receive his TFC. AJ Bell confirmed it had received the funds, and said the withdrawal would take five to ten working days from when it received all outstanding information.

On 13 September 2024, AJ Bell emailed Mr V's IFA, saying that it was currently unable to pay TFC of greater than £374,999.99. This was due to a change in legislation following the abolition of Lifetime Allowance and an error in the Finance Act 2004 that was preventing individuals with Enhanced Protection taking TFC of over £375,000. It explained that the legislation was due to be amended around November 2024. The legislation was updated on 18 November 2024, and Mr V took his TFC payment of £1,619,144.66 on 5 December 2024.

Mr V's IFA complained to AJ Bell again as it thought it should have been made aware earlier that there was a temporary limit on the amount of TFC Mr V could take. AJ Bell didn't uphold the complaint. While it appreciated Mr V's IFA would have preferred to have been informed of the legislative error sooner, it said it only communicated this once it had completed its Enhanced Protection calculations. And this only commenced after it received all the outstanding information for the application. So, it didn't think it had done anything wrong.

Mr V referred his complaint to this Service for an independent review. In summary he complained that AJ Bell gave incorrect information on his TFC entitlement. And he says it should have informed him sooner of the legislative issues preventing him from withdrawing his full TFC and as a result he's experienced an investment loss.

One of our Investigators upheld the complaint as he thought AJ Bell ought to have done more to explain the position to Mr V, and his IFA, before Mr V disinvested his SIPP funds. However, he thought Mr V could have taken steps to mitigate his loss as he knew by 30 September 2024 about the legislation error and that the proposed fix was not due to be implemented until November 2024. So the Investigator thought that Mr V could have reinvested his funds from this point to mitigate any loss he'd suffered. The Investigator acknowledged that AJ Bell had initially offered Mr V £150 for the delay in calculating his TFC entitlement. But he thought this should be increased to £300 in total as he thought AJ Bell should have told Mr V sooner that he would be unable to take his full TFC entitlement until the legislation had been amended.

Mr V accepted the Investigator's opinion. AJ Bell didn't accept it. In summary it said:

- Mr V's IFA was providing advice on a complex and high-value pension arrangement and, in earlier correspondence had referenced enhanced protection legislation when querying AJ Bell's response. It seems the complaint is being upheld on the basis of the issue being too technical for the IFA to reasonably be aware of, despite the IFA being a pension's specific adviser, advising on a significant pension withdrawal, who referenced similar legislation when querying figures AJ Bell had provided.
- The findings appear to conflate two distinct concepts, Mr V's underlying entitlement, calculated in accordance with HMRC rules; and the amount payable at a given point in time, which was temporarily constrained by legislation following the abolition of the lifetime allowance.
- When Mr V's IFA asked for confirmation of entitlement, AJ Bell answered that question correctly. The temporary restriction did not alter the entitlement itself and only became relevant at the point where a benefit crystallisation was being actioned. The information provided was not misleading when considered in its proper technical context.
- AJ Bell's role was limited to administering the scheme and confirming entitlement when asked. The Investigator's findings risk placing an expectation on the provider to step beyond scheme administration and into matters that would ordinarily sit with the adviser. AJ Bell considers this risks blurring the established distinction between providing information and giving advice.

The complaint has been passed to me to reach a final 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.

Having reviewed all the available information, I'm in agreement with the Investigator that the complaint should be upheld. I'll explain why.

It's not in dispute that the delay in Mr V being able to take his full TFC was outside of AJ Bell's control. This was due to the abolition of the LTA, which was announced in the 2023 spring budget and came into effect from 6 April 2024. After this change an amendment to legislation was required to ensure that individuals with enhanced protection, with protected lump sum rights of more than £375,000, could take their full TFC entitlement. This

amendment was implemented in November 2024 and Mr V took his TFC in early December 2024.

AJ Bell acknowledges that its service fell short when it provided incorrect information to Mr V when he initially requested details of his TFC entitlement in May 2024. It has offered £150 for the inconvenience this caused Mr V. I've considered whether I think this is fair later when thinking about the overall impact this matter has had on Mr V. The remainder of my decision focuses on whether AJ Bell ought to have informed Mr V earlier that the amount of TFC he could take was limited to £375,000 until the legalisation amendment was implemented. And had AJ Bell informed him of this earlier, whether Mr V would have disinvested funds as early as he did.

AJ Bell says the Investigator has conflated the underlying TFC entitlement, with the amount payable at a given point in time, which was temporarily constrained by legislation. And it says that after Mr V's entitlement was considered by its specialist team, the correct entitlement figure was quoted and was ultimately paid once the legislation was amended.

While I appreciate what AJ Bell says here, I do think there were opportunities for it to have clarified the position with Mr V before he submitted his request for his full TFC entitlement. For example, after Mr V's IFA queried what it had initially been told about the TFC being limited to £375,000. At this point the IFA explained its understanding that this cap only applied if there was no registered TFC, which in Mr V's case there was. While it seems the IFA was aware of the change in legislation, it doesn't appear to have been aware of the payment restriction at that point. And AJ Bell could easily have clarified matters and this would potentially have prevented Mr V's complaints and the future inconvenience that followed.

Even if I didn't think AJ Bell needed to explain it then, it certainly should have confirmed the exact position once it was aware that Mr V was submitting a request for his full TFC payment. At this point it ought to have notified him (or his IFA) that legislation was limiting the amount he would be able to take, at that time.

Mr V's IFA emailed AJ Bell on 14 August 2024 to confirm that it was preparing the required documents for Mr V to take his full TFC entitlement. It said it would be disinvesting funds and asked AJ Bell to confirm that it had attached the correct forms and that no other forms were required. Mr V's IFA called AJ Bell later the same day to query whether the correct forms had been submitted and AJ Bell advised during this call that a disinvestment form was required.

By this point there could have been no doubt that Mr V was not just requesting information regarding his TFC entitlement, it was evident he intended to withdraw his full TFC entitlement. So I think AJ Bell ought to have confirmed at this point, by the very latest, that it was only able to pay the full entitlement once the legislation had been updated.

AJ Bell considers that it was reasonable to expect a regulated pensions adviser advising on a significant withdrawal to be aware of known legislative issues affecting payability, particularly where those issues had been publicly acknowledged by HMRC and were known within the industry. However, like the Investigator explained, the HMRC updates that referenced the problem with the legislation, were aimed at scheme administrators. So I wouldn't necessarily expect IFAs to be familiar with these newsletters. And in any event, as I've said above, it's evident the IFA wasn't aware and I think AJ Bell, as the pensions administrator - so the firm responsible for paying Mr V his TFC - ought to have explained matters clearly.

Had AJ Bell done so, I think it's unlikely Mr V would have instructed his platform provider to disinvested funds when he did and he would instead have waited until the legislation had been updated, in order to avoid any investment loss. I've set out below what I think AJ Bell needs to do to put things right. However, like our Investigator, I agree that once Mr V was aware that he wouldn't be able to take all his TFC until the legislation had been amended, he could have taken steps to mitigate any financial loss by reinvesting his funds. The position was clearly explained to Mr V on 30 September 2024 in AJ Bell's second final response. So I think it would be fair to limit AJ Bell's responsibility for any loss Mr V may have suffered at this point.

In terms of the distress and inconvenience caused to Mr V, not only was he given incorrect information upfront which no doubt caused confusion. But he was then caused further inconvenience, which could have been avoided, had AJ Bell explained the position clearly when I think it ought to have done. AJ Bell has offered £150 for the initial errors. I agree with the Investigator that this should be increased to £300 in total.

Putting things right

My aim in awarding fair compensation is to put Mr V back into the position he would likely have been in, had it not been for AJ Bell's error. I think this would have meant he wouldn't have disinvested his funds when he did. However, as Mr V could have reinvested until the legislation was corrected, redress is limited up to 30 September 2024.

Any loss Mr V has suffered should be determined by obtaining the notional value of the pension, as at the date of my final decision, on the basis that the £1,619,144.66 had remained invested until 30 September 2024. The current value of the pension, as at the date of my final decision, should be subtracted from this notional value. If the answer is negative, there's a gain and no redress is payable.

The compensation amount should if possible be paid into Mr V's pension plan. The payment should allow for the effect of charges and any available tax relief. The compensation shouldn't be paid into the pension plan if it would conflict with any existing protection or allowance.

If a payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr V as a lump sum after making a notional reduction to allow for future income tax that would otherwise have been paid.

Mr V has no remaining tax-free cash entitlement, so the loss would have been taxed according to his likely income tax rate in retirement – presumed to be 40%. So, making a notional reduction of 40% overall from the loss adequately reflects this.

AJ Bell doesn't need to carry out a loss assessment for the correct amount of TFC Mr V should have received, as this was set at 25% of the value of his uncrystallised funds as of 5 April 2023. It also doesn't need to pay 8% simple interest on the TFC amount, as the delay in Mr V receiving his TFC payment was due to a legislative error, rather than a mistake by AJ Bell.

AJ Bell should pay Mr V £300 in total for the distress and inconvenience this matter caused him.

My final decision

For the reasons explained I uphold this complaint. AJ Bell Management Limited should calculate and pay redress as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 19 May 2026.

Lorna Goulding

Ombudsman