

The complaint

Ms B complains about Skipton Building Society's proposed resolution to an error it made when advising that she transfer from her Virgin cash ISA into a Stocks and Shares ISA with Fidelity.

She believes she's lost £6,000 in tax relief because the sum should instead have been invested in her pension by the end of the 2024-25 tax year. She would also like Skipton to refund her its £600 advice fee.

What happened

Ms B approached Skipton for advice in February 2025. She was aged 58. The adviser completed a fact find recording the following information:

- Share portfolio – £11,000
- Current account – £3,000
- Cash ISA (Virgin) – £58,000
- Savings account – £3,000
- Personal pension (Fidelity) – £139,110

There was a discussion about whether Ms B could use some of her cash holdings to invest into her pension, as she'd done the previous year. The adviser sent Ms B a follow up email explaining that Skipton "*definitely wouldn't recommend*" using the cash ISA to do this, as the tax benefits were minimal. (This appears to have been his understanding of Skipton's advice guidelines at the time.)

The adviser said that in the previous year it was money from Ms B's savings account, rather than her ISA, that she invested in the pension. I note that Ms B disputes this and has provided evidence that she had transferred £29,000 from her cash ISA to her current account in order to make the previous year's pension contribution.

He recommended she move £30,000 from her cash ISA to a new Stocks & Shares ISA with Fidelity, and invest in a managed portfolio at level 5 on Skipton's risk scale (which ranged between 2 and 7 where 2 was the highest risk). This meant that she could tolerate a 30% loss on the investment in the event of a market downturn and was matched to the abrdn - MyFolio Index IV Inst S Fixed Acc fund. For comparison, her pension was invested at level 4 (meaning she could tolerate a 25% loss) and was matched to the abrdn - MyFolio Index III Inst S Fixed Acc fund.

The transfer happened on 27 March 2025, after a meeting and suitability report was sent on 27 February 2025. Skipton charged 2% of the amount invested (£600) for providing the advice, as well as an ongoing service charge linked to the total funds under management with Fidelity.

The advice was later reviewed by Skipton's Quality Assurance team, who took a different view from the adviser that he could have recommended a pension investment for the cash ISA funds. This was on the basis that Ms B had earnings to support a pension contribution which would gain tax relief. It would not have gone against Skipton's internal guidelines for

him to recommend that.

The adviser went back to Ms B on 3 April 2025 to apologise that he had misinterpreted Skipton's guidelines, and asked Ms B whether she was still interested in contributing to the pension. Although she was, it was now too late for Skipton to complete the process by the end of the tax year, as this involved producing a new suitability report.

The subsequent report of 8 May 2025 recommended that Ms B move £24,000 back from her Fidelity ISA to her pension, which would then attract £6,000 tax relief at source. The scope to make this contribution was calculated based on Ms B having earnings of £34,000, less existing contributions being made to her employer's pension (with a safety buffer to prevent an overcontribution). The funds were removed from the Fidelity ISA on 4 June and were invested in the pension on 16 June 2025.

As the pension contribution was delayed to the 2025-26 tax year, Skipton agreed to look at the impact of the delay. It thought Ms B had still received the right amount of tax relief, just in a different tax year. So it only considered the delay in making the investment, for which it offered £262.80 monetary compensation.

Ms B wasn't satisfied and raised a complaint about the loss of tax relief. In response, Skipton didn't think Ms B had shown she would have had further surplus funds to make a substantial investment in the pension during 2025-26, if she had already paid into the pension in 2024-25. It remained of the view that as Ms B could contribute to the pension as and when she was able to in future, she hadn't suffered a permanent loss of tax relief.

In response to the complaint Skipton made an additional offer of £125 for the distress caused by the advice error. It didn't agree to refund the £600 advice fee as it thought Ms B had ended up in the position she would have been in if she'd paid to get the right advice – and in fact she hadn't been charged the advice fee on the extra £6,000 tax relief generated.

Ms B referred her complaint to our service, referring to the discrepancy with what the adviser had said in February 2025 about her previous pension contribution not being funded from her cash ISA. She provided evidence showing the sale of £29,000 from her cash ISA in February 2024 to the current account which then funded the pension contribution. She reiterated that she did have sufficient funds to contribute to a pension in both the 2024-25 and 2025-26 tax years, as her cash ISA statement showed the value increasing from about £40,000, after the February 2024 transfer out, to nearly £60,000 by March 2025.

In other words, Ms B had made further savings into the ISA of almost £20,000 during that year – a pattern I assume she is saying would have continued. She also showed that a further £9,800 of contributions had been made into her ISA in the tax year up to January 2026.

Our Investigator who most recently considered Ms B's complaint took a similar view to Skipton that the £30,000 transfer out of Ms B's cash ISA left her with £34,000 remaining in cash overall. Taking into account that Skipton would always have recommended a minimum £10,000 emergency fund be held on deposit, she didn't think that continuing to invest as much as £24,000 (net) year-on-year into a stock-market linked pension would have been suitable advice. Both on the grounds that it over-depleted Ms B's cash reserves, and also that it over-exposed her to investment risk. Her view was that it would be a suitable time for Ms B to consider making any further appropriate level of contribution during 2026-27 and any subsequent years.

The Investigator also thought Skipton had offered fair compensation for the upset caused by its error, including having to have two advice meetings rather than one and the

consequent delay. As Ms B didn't agree, the complaint was referred 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.

Although I agree with Ms B that the adviser mis-stated the original source of her pension contribution the previous year, I think that's likely to have been a misunderstanding rather than anything deliberate. And other than this, I have some sympathy with the position Ms B's adviser was in, given that both pensions and ISAs are tax-advantaged investments which are just suited to different purposes.

I don't think an adviser would necessarily be wrong in general to suggest that the benefit gained by moving ISA funds to a pension could be minimal, particularly when weighed up against other disadvantages such as a loss of some flexibility (in some cases). It shouldn't be forgotten that the proceeds of an ISA are free of both capital gains and income tax, whereas (as the suitability report explained) 75% of the proceeds of the pension do suffer income tax. Assuming Ms B was a basic rate taxpayer in retirement she would therefore suffer a composite income tax rate of 15% on the pension proceeds.

Because that is lower than the 20% tax relief Ms B gained initially on the pension contribution, there is some lasting benefit (assuming the ISA and pension otherwise perform the same). Unlike with some individuals, in Ms B's particular case there also wasn't a barrier to accessing the money in the pension: she was already above the minimum pension age of 55 at the time of advice. However in the event of a (perhaps unplanned) need to access a larger sum, it might be easier to realise this from an ISA, because doing so from the pension could result in a charge to higher rate tax, which could then negate the benefit of the 20% tax relief given at outset.

As I've said, the two products therefore serve different purposes and advisers will generally recommend that a client retains some funds in both. But the client's objectives are also relevant. From what I understand Ms B had already been funding her pension from the ISA and was keen to continue doing so. And Skipton's own guidelines to its advisers are also relevant, because if those guidelines are reasonable it isn't my role to substitute them for what *I think* would have been suitable advice.

It's understandable that Skipton's guidelines would have supported Ms B making this as a pension investment, because it would have left her with £34,000 in the cash ISA (if only £24,000 had been encashed). That wouldn't have taken her below the level of an emergency fund. In combination with Ms B's other savings, this also gave her a further cushion against a market downturn, given that she was only prepared to accept a 25-30% loss on her investments. That seems to me to have been a reasonable approach. But for the adviser's misunderstanding of those guidelines, it's likely that he would have been happy to facilitate the pension investment in line with Ms B's wishes.

Unlike many complaints I see, Skipton had already taken steps to rectify this issue before a complaint was raised. In fact it was its attempt to rectify it that led to the complaint. It's reasonable for me to take that into account in determining what is a fair award for the distress caused to Ms B. But firstly, I'll consider whether Skipton has now adequately put right any financial loss caused.

Has Ms B permanently missed out on tax relief?

Ms B says that she has still lost out on £6,000 of tax relief because she would otherwise

have invested another £24,000 net into her pension during 2025-26. Clearly, assuming she had the same earnings she did have the ability to invest another £24,000 into the pension from the sum of about £34,000 that would have remained in the cash ISA (if only £24,000 had been withdrawn during 2024-25).

However her loss from not doing this would never have been £6,000: it would have been the difference between the £6,000 tax relief gained and the overall tax rate of 15% she would likely pay during retirement on the £30,000 pot produced (£4,500). It's understandable if Ms B thinks this is an attractive enough benefit to continue funding her pension in preference to the ISA, where she's able to do so.

From what I can see, the servicing agreement Ms B had with Skipton was to receive information on her policies, and didn't commit Skipton to initiating advice at any particular time. But if her existing contribution hadn't already used up her 2025-26 pension allowance, I accept it's most likely that Ms B would have approached Skipton for advice on a further contribution that year. Equally, it's relevant for me to take into account what Skipton's advice would likely have been, as Ms B has demonstrated a tendency to follow the advice she's given.

I don't think it's likely Skipton would have recommended a further contribution of as much as £24,000 (net) in 2025-26. It would come close to breaching those guidelines above, which I've already said are reasonable. It would have risked her being left with little more than an emergency fund – and she would also have been over-exposed to shares, which were the main constituent of her pension and ISA.

However, I've taken into account that Ms B had been able to save a further £9,800 into her cash ISA by January 2026, so it does seem that she was saving a significant amount from her salary. Even if that would have enabled Skipton to recommend a sizeable contribution for 2025-26 under its guidelines, I don't think that would then have been repeated in subsequent years now that Ms B had run down most of her cash savings and would essentially be saving into her pension directly from income.

A sustained £24,000 per year contribution would have meant that nearly all of Ms B's net salary was going into the pension. Whilst permitted, this isn't something that an individual typically does to the detriment of having sufficient cash and more easily accessible assets elsewhere. It could also lead to Ms B's remaining cash being further depleted by living costs, increasing her overall exposure to shares even further.

Based on Ms B's attitude to risk she was only willing to accept up to a 30% loss, even when based on the fund she used for her ISA. The risk level for the pension was slightly lower than this. So I think it's questionable whether she would actually continue funding the pension so that she was almost entirely reliant on stock market based investments for her retirement, and lacking access to emergency funds that could be accessed without potential tax charges.

Where the evidence is in dispute, I make my decision on the balance of probabilities. Taking all of the above into account, I consider that Ms B will most likely have caught up with the position she would always have been in with tax relief on her pension contributions by around April 2027 at the latest. Because of this, I'm not persuaded that Skipton has caused her to permanently lose some tax relief. Instead of getting advice to make a pension contribution at the end of a tax year, Ms B may now be doing this at the beginning of the subsequent tax year in order to recover her position. But given how stock markets fluctuate I'm not persuaded it can be shown this will be a material cause of further loss.

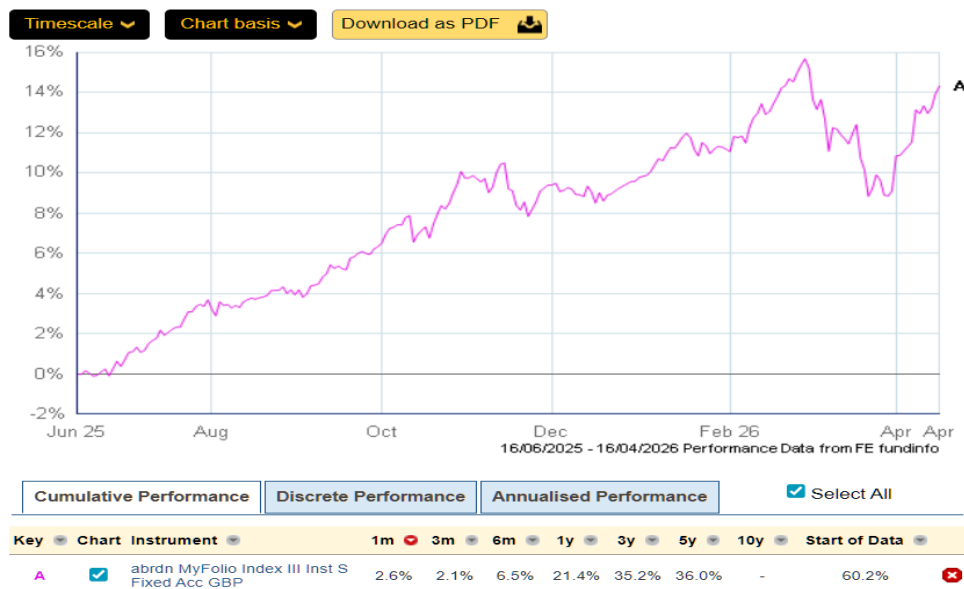
Is the compensation for the contribution to the ISA instead of the pension sufficient?

Skipton's loss calculation has two elements:

- Growth on the tax relief Ms B could have earned from 27 March 2025 (when the Fidelity ISA commenced) to 16 June 2025 (when the pension commenced) = £114
- Growth on £24,000 moved from the ISA back to the pension, whilst it was out of the market from 4 June 2025 to 16 June 2025 = £148.80
- TOTAL = £262.80.

The above two calculations, which look to be based on the performance of the abrdn - MyFolio Index III Inst S Fixed Acc fund (which was used in the pension) to be reasonable. I've also checked whether the ISA (which as I understand invested in the higher risk abrdn - MyFolio Index IV Inst S Fixed Acc fund) underperformed the pension from 27 March 2025 to 4 June 2025. If it did this would have been a cause of further loss. In fact, the ISA slightly outperformed the pension over this period, which is in Ms B's favour.

I have considered whether it would be appropriate to update this calculation for changes in the markets since 16 June 2025 when it was quantified. I've obtained a similar graph to those used by Skipton in its analysis to show that the abrdn - MyFolio Index III Inst S Fixed Acc fund went up by another 15% to date:



However, I've also taken into account that Skipton will be making a cash payment which represents losses to her pension, before the income tax she would pay on withdrawals in future. The tax is likely to be at the overall rate of 15% as I explained above. So the cash payment puts Ms B in a broadly cost neutral position, and I therefore consider Skipton's offer remains reasonable.

Ms B says she shouldn't have to pay the £600 advice fee, whereas Skipton explains that she's actually benefited, as it would have been £120 more if it had been based on a £30,000 gross contribution to the pension. I agree with our Investigator that Ms B would always have had to pay the advice fee in order to have the benefit of advice – which in this case, once corrected, involved establishing the headroom she had to make a pension contribution for 2025-26, and what funds were appropriate for her attitude to risk for the pension.

However, I also don't think Skipton is right to say that Ms B has saved on the advice fee, because she retained £6,000 in the Fidelity ISA which, in due course, I suspect she may wish to move to the pension. If she seeks further advice from Skipton to do that, she would be charged 2% of £6,000 again as part of any overall advice fee. That counteracts the fee

she saved on the £6,000 tax relief and so is again cost neutral. Fortunately there were no initial charges at Fidelity, meaning Ms B doesn't have to pay Fidelity twice to make the ISA and then pension investment. As Ms B hasn't overpaid Skipton on advice fees I'm not persuaded that any should be refunded.

Is the compensation for distress and inconvenience appropriate?

As our Investigator explained, a distress and inconvenience award of £125 falls into a bracket of between £100 and £300, which is considered fair where there have been repeated small errors, or a larger single mistake, requiring a reasonable effort to sort out. Our guidance is that these typically result in an impact that lasts a few days, or even weeks, and cause either some distress, inconvenience, disappointment or loss of expectation.

Whilst I appreciate Ms B's position in bringing this complaint is that the loss of one year's tax relief has caused her years of disruption, I'm not persuaded that this is the case. She's been able to make pension contributions just after 6 April this year (as opposed to what would likely otherwise have been just before 6 April), and I've explained above why this will likely enable her to regain the position she would always have been in.

Had it not been for Skipton's proactive attempt to remedy matters before the complaint was raised, I would likely have been considering an award toward the upper end of this range. But as I've said above, I think credit should be given for Skipton restoring the contribution to Ms B's pension at no further direct cost to her. Ms B continued with the complaint in pursuit of a loss of £6,000 which she would never have suffered, for the reasons I've explained above. The smaller differential between the tax relief obtained and tax incurred in future will in all likelihood be alleviated through pension contributions Ms B can still make. For these reasons, I don't consider the existing £125 offer is unfair in all the circumstances here.

My final decision

Skipton has already made a fair and reasonable offer to resolve Ms B's complaint and I do not recommend it does anything further.

To the extent that it hasn't already done so, I require it to pay Ms B the sum of £262.80 for her financial loss, plus £125 for the distress and inconvenience caused.

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

Gideon Moore
Ombudsman