

The complaint

Mr G was advised by Wesleyan Assurance Society to take out a personal pension for his grandson (“A”) as part of making several investments to provide for A’s future.

The personal pension was invested according to a low risk profile, which has in part resulted in confusingly low future projections of its performance. This has led Mr G to complain that it was mis-sold to him.

What happened

Mr G met a Wesleyan adviser in November 2022. The resultant financial planning report explained there had been some discussions about attitude to investment risk. It said a low attitude to risk was ultimately chosen based on Mr G’s past experience of losing assets in higher risk non-diversified property investments. However it noted that this didn’t match the medium risk profile that Mr G and his wife had been assessed as.

Mr G wanted to pay a total of £500 per month towards A’s future. Wesleyan recommended a personal pension in A’s name for the first £240 per month, net of tax relief. That was because anyone under 75 (or someone else on their behalf) could pay this amount into a pension and receive basic tax relief; even if – like A - they have no earnings. Wesleyan explained that A wouldn’t be able to access the benefits until at least age 57 under current legislation. Mr G and the adviser agreed that this would meet A’s needs in having a portion of funds he wouldn’t be able to access until “middle age”. The Pensions Low Risk / Reward Fund was chosen for this investment.

Alongside this, Wesleyan recommended that Mr G invest the other £260 per month into a new Flexible Savings Plan which would be in trust for A and pay out on the last of Mr or Mrs A to die. So, this wouldn’t be subject to an access restriction to the same extent as the pension. This policy isn’t subject to the complaint, but I will note here that it was also going to be invested (but likely for a much shorter term) in the Life Low Risk / Reward Fund. Wesleyan defined the Low Risk/Reward risk profile in the following terms:

“The low risk investor is usually looking to try and achieve a higher level of return than is available from cash based investments. They are more likely to spread the risk of investing across different types of investments with the intention of achieving a stable but small return, rather than taking the risk required to achieve significant returns and understand there can be a risk to capital. The low risk investor may have limited investment experience, or simply be generally cautious and might describe themselves as being careful with their money. The potential for greater returns at the expense of a more volatile investment experience does not appeal, they are satisfied with the opportunity of a better return than cash deposits offer, but have no aspirations to achieve more than this.”

The policies commenced in early 2023, with the savings plan (but not pension) contributions being indexed in line with inflation. The cost of the advice was 3% of each payment made for the first ten years, alongside the fund management charges.

Mr G complained in April 2025, saying he was happy with the projections provided at the outset (which I gather he’d obtained himself from a tool on Wesleyan’s website) – but not

with the projected value of the pension in the 2024 statement. It suggested that at his grandson's retirement date the fund value would be less than half what was paid in, even if contributions went up to A's age 60. He considered this meant it wasn't a 'viable' investment.

Wesleyan responded that the projections were estimates, fund values go down as well as up and referred to the extraordinary recent investment conditions due to the economic climate.

Mr G was unhappy with this, so he brought his complaint to our service. In August 2025 he appears to have stopped the pension contributions and increased the savings plan contributions back up to the original total level of £500 per month.

Given the nature of Mr G's complaint, our Investigator considered it was their role to look at the overall suitability of the advice he received. In summary, they said:

- The pension was taken out for A, not Mr G. Whilst the adviser couldn't reasonably assess the attitude to risk of an infant, typically the further someone is from retirement the more risk they can afford to take.
- A low risk approach wasn't suitable for A given the unusually early age the contract began and, as a result, how long the funds would be invested for.
- In return for taking more risk, A could expect higher growth which would be more likely to beat inflation over the long term.
- We'd expect financial advisers to fully document the advantages and disadvantages of other options available in the advice to their client. There wasn't enough evidence to suggest this key advantage was explained properly to Mr G.
- The projection prompting Mr G's complaint was in real terms – or 'today's money' equivalent. The low risk investment was expected to grow (in 2025) by 2.2%pa after charges in future. But the legislation and rules Wesleyan is subject to required it to assume inflation was 2.5%pa, meaning a real-terms decrease in the fund value. This underlines the unsuitability of this investment for very long-term use.
- Wesleyan offered a Balanced Risk With Profits Fund that was better designed for investors (such as A) seeking medium to long term growth. Wesleyan should also have explained how this was different to the property investment he'd lost money on.
- On being given properly explained advice, Mr G would most likely have been happy to invest for A in this with-profits fund, instead of the low risk approach taken. The Investigator proposed a method of making financial redress for this.
- The 2024 statement also left Mr G with concerns about the future performance of the pension which Wesleyan didn't adequately address, causing him inconvenience in chasing Wesleyan for further explanations. This warranted a payment of £100 for the added distress and inconvenience caused.

Mr G accepted the Investigator's view but Wesleyan didn't. It said it would welcome an Ombudsman's decision on this complaint. Whilst it appreciates it may have been in the customer's best interest to take out a plan with a higher risk approach, it relies on the fact that Mr G explicitly stated he didn't want to bear the associated risk. It also says the illustrations given to Mr G at outset showed a similar level of real-terms investment loss to the 2023 and 2024 annual statements.

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 agree with the Investigator's conclusions and for much the same reasons. Mr G has shown to this service some printouts from a projection tool on Wesleyan's website, which *don't* provide figures in real terms, adjusted for future inflation. This seems to have done in order

to model the fund value that would result on A's 18th birthday (when regular contributions stop), and to then grow that value forward until A's retirement age.

From the appearance of these printouts they might have been generated on the adviser's rather than Mr G's computer. Either way I think it more likely than not the adviser was aware Mr G was relying on them. In normal circumstances pension contributions start later in life and continue until retirement, which seems to have been the way Wesleyan's individualised policy projections worked. So I can appreciate why Mr G found these tailored projections more useful.

Unfortunately these are produced on a different basis to those that the regulations and rules require to be issued when the policy starts, and in annual statements. As there's also a demand for projections that *don't* reduce the figures for inflation – particularly when the investment's maturity date isn't many years ahead – it wasn't wrong for the adviser to provide and/or discuss these with Mr G. I accept its complaints department, at least, wouldn't have anticipated that Mr G would make comparisons between these and his 2024 statement in the way he did.

Wesleyan has also evidenced the regulatory 'Keyfacts' illustration its adviser would have given Mr G when recommending the policy. This does show figures in real terms. What Mr G's complaint has exposed (in 2024, rather than at the point of sale) is the key reason why the projections show figures at retirement of less than what he's paid in: inflation. And this is an important factor affecting the suitability of advice. It's the reason why the regulations and rules require policy-specific pension projections to take inflation into account.

I agree with the Investigator that this, more than anything else, ought to have had a strong influence on what the adviser considered the suitable course of action for Mr G to take. As Wesleyan has indicated, COBS 2.1.1R in the FCA's rules expect it to act in the best interests of its client, here someone making contributions for the long-term benefit of their grandson. I also agree that the relevant attitude to risk in this case was not Mr G's: it was his money, but he wasn't benefiting from the proceeds of the pension. It would be A who would be receiving annual statements after the age of 18 and watch the resulting fund struggle to beat inflation.

In the absence of being able to assess the attitude to risk of an infant, Wesleyan should have explained to Mr G that a medium risk approach is generally considered to provide the right balance for many individuals. It gives them exposure to stock market risk but also invests to a lesser degree in bonds and cash to give protection against losses in the short term. Over the longer term – and particularly the unusual length of time in A's case – this approach was highly likely to produce a better result than the Low Risk / Reward strategy Mr G was actually recommended.

In my view a generic warning within the suitability report that *"Unless the performance of your investment meets or exceeds the rate of inflation, the real value of your investment will reduce"* didn't discharge Wesleyan's obligations under chapter 9 of COBS to provide suitable advice. And there are conflicting statements in that report that already suggested, despite Mr G's concerns about taking risk, that A reasonably had a greater tolerance for risk than him. The report says:

"We also discussed your capacity and willingness to suffer a financial loss. We established that if the investments recommended returned less than the ideal target or even a loss that this would not impact either you or would be likely to impact [A], we discussed that this is likely to be only part of the financial planning for his future with you likely to make further gifts for his benefit in future and his parents being independently financially able to provide for him."

Wesleyan had a more strongly-performing with-profits fund at that time. I agree with the

Investigator that if the adviser had more clearly explained the greater potential for returns – and its significant differences from the property investment Mr G had previously held – he would have been happy to invest in it. It even incorporated a smoothing mechanism, which I think Mr G would have been attracted to given his understandable reluctance to be directly exposed to the performance of the market. For all these reasons I think this was the best fit recognising that it was Mr G being willing to make the contributions but ultimately A would be bearing the risk in the benefits produced.

I don't otherwise have any concerns about Wesleyan's recommendation of a pension as part of providing for A, as long as the with-profits fund had been recommended. I'm satisfied that the adviser did set out the restrictions on A being able to access the benefits, which were offset by the attraction of tax relief. Not everyone would be willing to make that trade-off in the event A needed earlier access to the money in future, but it wasn't wrong of Wesleyan to recommend it and I'm satisfied that Mr G made an informed decision to accept it. The charges also looked to be low enough to come within the cap on stakeholder products.

Putting things right

In assessing what would be fair compensation, my aim is to put the pension Mr G set up as close as possible to the position it would likely now be in if he had been given suitable advice. I think instead of investing in the Low Risk / Return approach, Mr G would have invested in the Wesleyan Balanced Risk With Profits ("with profits") Fund.

To compensate Mr G fairly Wesleyan must compare the transfer value of the pension, assuming Mr G's premiums had been invested in the with-profits fund, and its actual transfer value. It should provide the details of the calculation to Mr G in a clear, simple format.

I note that Wesleyan suggests that contributions to the with-profits fund "*would be expected to show growth in the medium to long term, typically five years minimum.*" I acknowledge that the transfer value of a with-profits fund can be affected by when annual bonuses are added and the application of terminal bonus, and in some conditions, a market value reduction. My intention of using a transfer value is to gain an indication of the long-term value of the with-profits investment. In my view the most appropriate transfer value to use for redress is the amount that would be realised in the event that A hypothetically died – in other words, including any terminal bonus that Wesleyan would already be prepared to pay, but with the value not being reduced below its ongoing level by any market value reduction.

If the actual transfer value exceeds the with-profits transfer value on the above basis, then Wesleyan doesn't have to take the steps below to redress a financial loss.

However if the with-profits transfer value on the above basis exceeds the actual transfer value, this shows that the pension would have been a better long-term position with contributions invested on a with-profits basis. Wesleyan must then take appropriate steps to ensure the value of the policy, and its performance in future, is the same as if contributions had been added to the with-profits fund instead of the Low Risk / Return fund.

This can be achieved by Wesleyan re-coding the policy with each past contribution treated as a with-profits contribution. Or if this is not possible, by making a top up to the pension as at the date of this Final Decision, equivalent to the financial loss established above. (Mr G should also be given the option of switching the existing fund into the with-profits fund if this is not achieved automatically).

If Wesleyan considers that any value it is adding to the policy would fall to be treated as a contribution on behalf of A, I note it appears that no contributions will have been paid into the pension in the current tax year. There is therefore £3,600 (gross) of scope to add to the

policy. Should it need to do so I would therefore expect Wesleyan to make use of this facility, allowing for any tax relief available. If any compensation that needs to be added by way of a contribution exceeds £3,600 (gross), Wesleyan should look to add this in the next tax year or, with Mr G's agreement, pay it into the savings plan that has been set up in trust for A.

I don't consider it should be necessary to pay compensation directly to Mr G, and this wouldn't reflect that the pension contributions were intended for A's rather than his own benefit.

Our Investigator proposed an award of £100 for the distress and inconvenience Wesleyan caused Mr G. He referred to the poor responses Mr G obtained to his questions about the difference between the website projections and his 2024 annual statement. In my view that was part of Wesleyan's complaint handling and not something I would make an award for, as the remedy for that was to approach the Financial Ombudsman Service free of charge.

In any case Wesleyan's explanations were based on the difference between the 2022 key facts illustration and the 2024 annual statements, which were more comparable – and it would have been valid to comment that poor market performance had started to impact the 2024 projection.

However, I do agree that some of Mr G's upset when reading the 2024 illustration was actually caused by the pension being invested in a fund with low growth prospects. It led him to conclude, correctly in my view, that he'd been unsuitably advised. I'm satisfied that the proposed payment of £100 appropriately recognises the distress and inconvenience caused here and I award that to Mr G (whether or not there is any financial loss and other redress paid above).

My final decision

I uphold Mr G's complaint and require redress to be paid as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 29 May 2026.

Gideon Moore
Ombudsman