DRN-4400123

## The complaint

Mr J complains that HSBC UK Bank PLC (HSBC) provided him with unsuitable advice about a potential pension transfer.

## What happened

Mr J had a personal pension with a provider I'll refer to as provider S. He also had a financial adviser linked to that pension to whom he paid 0.5% of the value of his fund each year in fees.

I understand that on 23 November 2022 Mr J asked a member of staff at an HSBC branch if anyone could provide advice on his pension. HSBC then contacted him on 26 November 2022. And an initial discussion meeting with an adviser was then arranged for 1 December 2022. Mr J agreed to HSBC providing him with advice. He also met with the same adviser on 2 December 2022 to start the process for Specialist Retirement Advice.

During the December 2022 meetings, the adviser carried out a fact find with Mr J and established why he was looking for advice. She explained that the fee for the advice if Mr J went ahead with the recommendations would be 2.75% of the amount transferred, or around £8,000. She also told him that if he didn't proceed with the recommendations for any reason, a 'Report Only' fee of £960 would be payable.

During the meeting on 2 December 2022, Mr J said he wanted to move away from his current adviser. And that he wanted to draw income from his pension as flexibly as possible. He also said that he felt more comfortable with lower risk investments than the ones he currently held.

HSBC then produced a Specialist Retirement Advice Report for Mr J, dated 3 March 2023, based on the information he'd provided.

Amongst other things, the report stated that Mr J's pension and retirement objectives were:

- To review his pension with provider S as he wasn't happy with the service he'd received from the adviser attached to the plan, for which he paid a 0.50% annual charge.

- To take income from his pension fund at some point in 2023, and to do that on a non-advised basis. Mr J's preference was to be able to access his pension as flexibly as possible. His current arrangement was capped drawdown.

- To align his pension fund investment to his desired level of risk. And to use automatic and regular rebalancing to ensure this remained the case.

The report recommended that Mr J transferred his pension from provider S to a pension which provided investment diversification through the HSBC World Selection Cautious Portfolio. It said this was managed in line with Mr J's risk profile. It also recommended that he changed from capped drawdown to flexi-access drawdown.

The report also noted that Mr J could remove his adviser from his existing arrangement, and therefore not pay the annual 0.5% advice fee. But the projections included in the report were based on that advice fee continuing. The report also noted that Mr J's existing pension was overweight in equities and underweight in bonds, and was therefore taking a higher level of risk than the very low risk approach he wanted to take.

The report stated that the recommendation met Mr J's retirement objectives in a cost-effective way.

HSBC went through each section of this report with Mr J on 9 March 2023, when it provided him with further documentation, including a key features document, fund fact sheet, an illustration and HSBC's terms of business. During this meeting, and upon Mr J's request, it calculated the "breakeven" period for when the cost of the advice would be covered by the savings from the transfer as 7.5 years. But it clearly stated that the value of the advice wasn't just based on cost.

The adviser said that the previous discussions held with Mr J hadn't only focused on cost. She stated that there were other aspects that needed to be considered other than cost. And that Mr J hadn't been happy with his adviser; had said he preferred in-house with HSBC; that he wanted more flexibility; and that she'd looked at his risk profile. She felt the wider picture needed to be considered. And noted that at the previous meetings, all of these factors had been discussed, and therefore they all formed the basis of the report she'd just presented, rather than simply cost. Mr J said that the transfer didn't make sense to him based on the breakeven period of 7.5 years.

Mr J called HSBC on 10 March 2023 to confirm that he didn't want to proceed with its recommendation.

An HSBC memo dated 22 March 2023 stated that after Mr J had said that the advice fee was too high during the 10 March 2023 call, the adviser had arranged a 20% fee reduction. But that Mr J felt that this offer was offensive and unprofessional. He also said he was disappointed with the advice. He felt the report should've included a breakeven point calculated as the length of time it would take for the cost savings to cover the advice fee. He complained to HSBC about these points.

HSBC issued its final response to the complaint on 6 April 2023. It didn't think it'd done anything wrong.

Mr J replied to HSBC on 10 April 2023. He didn't think that his concerns had been adequately addressed. He repeated his point that the advice had failed to include a breakeven analysis. And that it had only been provided to him verbally after he requested it. He felt that it was obvious that it wasn't appropriate to provide advice to a person who was almost 81 that he wouldn't financially benefit from until he was 88.

HSBC replied to Mr J on 11 April 2023. It didn't agree that the breakeven should only be based on cost. It said that the adviser had explained that there were many factors which affected ongoing costs. And that there had been a number of positive reasons for making the transfer. It said the HSBC pension would've provided the low-risk vehicle and access Mr J had wanted.

In his reply to HSBC, Mr J said that he had now removed his financial adviser from his pension with provider S. He felt that HSBC had still failed to provide a reasonable account about why the advice hadn't included a breakeven analysis. He said this was the core of his complaint. And that it led to him considering that the advice was incomplete, flawed, negligent and appalling.

Unhappy with HSBC's response, Mr J brought his complaint to this service on 16 April 2023. He said that while he'd been aware of the fee before he'd agreed to the advice, he felt he'd paid £960 for advice that was of no use to him. And that HSBC hadn't related its advice to his age. He still felt that the lack of a breakeven analysis in the advice report was a major failure. He said that if the breakeven analysis had been completed before the report had been compiled, the report's proposal would've been different.

Our investigator issued his first view on the complaint on 1 September 2023. He didn't uphold the complaint. He didn't think HSBC had provided Mr J with unsuitable advice. He felt that it had provided him with sufficient information in its report. He acknowledged that Mr J felt that a breakdown analysis should've been included in the report, but didn't think this should've been the only factor on which Mr J based his decision on whether or not to follow HSBC's recommendations. He felt that HSBC had produced a detailed and fact-driven analysis. And that it had then made a recommendation which it believed would be beneficial for Mr J. Therefore he didn't agree that failing to include a breakeven calculation in the report equated to a failing on HSBC's part.

Mr J didn't agree with our investigator. He felt that the most important factor in whether he should transfer his pension was the costs and how long it would take to cover them. And that this point had been substantially omitted from the report.

Mr J said the crux of his complaint was:

- Breakeven analysis was very important when considering a financial proposition. But HSBC had completely failed to provide such analysis as part of its advice. He'd had to request a breakeven analysis at his post-advice discussion meeting, which had then been calculated as 7.5 years.

- Mr J felt that HSBC hadn't adequately, if at all, considered his age in its advice.

Our investigator asked HSBC to explain how it had calculated the 7.5 years breakeven period. It said that as the one-off advice fee had been £7,686.40, and as the cost savings of the recommendation had been estimated at £1,024 each year, it had simply divided the fee by the annual saving.

Our investigator updated his view on 18 September 2023. He felt that the evidence showed that Mr J's lack of satisfaction with his existing adviser had prompted him to seek advice from HSBC. And that the presentation of costs in the report and the discussion around these was sufficient and in line with regulatory expectations. He also said that although the report hadn't included a breakeven analysis, it had been discussed during the meeting on 9 March 2023.

Our investigator said HSBC's chosen method of demonstrating costs was reasonable and sufficient. But felt that while a more detailed breakdown with multiple scenarios could've been produced, with corresponding breakeven points, it wouldn't have made any difference to Mr J's decision. He also felt that it was clear that HSBC had considered his age in its advice from the start. And that his age shouldn't have excluded him from seeking/receiving advice.

HSBC told our adviser that it had produced the 3 March 2023 report on the basis of the information available to it at the time. And that Mr J had first made it aware that he'd removed his adviser, and therefore ceased to pay 0.5% in annual ongoing adviser charges, partway through the report presentation meeting. It also said that it wouldn't present or base breakeven calculations on data that wasn't in the report.

HSBC also said that without the advice report, Mr J would most likely have been unaware of the adviser charges he was already paying. And that he had been aware of the ‘Report only’ cost, and when it would apply, from the outset.

Mr J didn’t agree with our investigator’s second view. While he agreed that the breakeven analysis was discussed during the meeting on 9 March 2023, he said that this meeting took place after the report had been produced. So it hadn’t formed part of HSBC’s pre-Report deliberations. He also repeated the fact that he’d had to ask for the breakeven period.

Our investigator issued his third view on the complaint on 13 October 2023. He still felt HSBC had provided suitable advice. And that it had provided a breakeven analysis at Mr J’s request during the presentation meeting. He felt that it was likely that Mr J had benefitted from the detailed analysis, discussions and meetings with HSBC as he felt he’d removed his existing adviser once he knew the charges he was paying.

Our investigator said that Mr J had told him that the complaint would be resolved if HSBC refunded the £960 advice fee. But he didn’t believe that HSBC should be asked to do this as he felt it had provided reasonable advice.

Mr J didn’t agree with our investigator. He still felt that it was a failure on HSBC’s part not to have carried out a breakeven analysis as part of its investigation before it produced its report.

As agreement couldn’t be reached, the complaint has come to me for a review.

**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 done so, I’m not going to uphold it. I know this will be disappointing for Mr J. I’ll explain the reasons for my decision.

I first considered whether HSBC should’ve carried out a breakeven analysis based purely on costs before it produced its report

*Should a breakeven analysis have been produced early on in the advice process?*

Mr J feels that if a breakeven analysis had been completed before the report had been compiled, the report’s proposal would’ve been different.

I’ve listened to call recordings from the meetings that took place on 2 December 2022 and 9 March 2023. And while breakeven analysis wasn’t documented in the advice report, I can see that it was discussed during the 9 March 2023 meeting.

During the 2 December 2022 meeting, Mr J discussed a number of reasons for wanting to consider transferring his pension. From what I can see, all but one of these reasons were considered by the adviser in her 3 March 2022 report.

However, Mr J also told the adviser during the meeting:

“*As far as this is concerned, I’ve got up to the age of 85. So a break-even point of 5 years. If there’s no pension after 5 years or 6 years or what have you, then so be it*.”

This is the only time I’ve found that Mr J mentioned a breakeven point during this meeting.

And he didn't directly relate this point to the costs of the transfer – instead, he appeared to relate it to his potential life expectancy.

I've seen no evidence that Mr J stated that this was the most important thing for him. Or that he wanted this to be considered before all of his other objectives. In any event, such a short period of time wasn't really consistent with his other objectives. I say this because, given Mr J's stated income needs, and therefore his potential future pension withdrawals, it was likely that there would still have been money in his pension after a period of 5 years had passed. Therefore, while I understand why Mr J said this, as it was reasonable for him to contemplate his own life expectancy, I don't consider that the adviser could've placed significant emphasis on this point.

I also note that during the 2 December 2022 meeting, HSBC confirmed the fees that would be charged whether or not Mr J followed the recommendations. Mr J confirmed that he would be charged the minimum fee if he turned down the recommendations, irrespective of his reason. He then said: "*I think that's very fair. I'm very satisfied with the way it's been conducted. I've built up more of a rapport with you than I have with my [provider S] adviser*".

Mr J has acknowledged that he was fully aware of the £960 'Report only' fee that would apply if he decided not to proceed with HSBC's recommendations. I can also see that he was provided with HSBC's guide to financial advice. This stated that the fees for the advice he'd asked it to provide would incur a minimum charge of £960. Therefore I'm of the view that Mr J was fully informed, before he agreed to proceed with the advice, that £960 was the minimum amount he would have to pay HSBC.

Therefore, while I acknowledge that Mr J is adamant that it was a failure on HSBC's part not to have carried out a breakeven analysis as part of its investigation before it produced its report, I can't reasonably say that HSBC should've carried out this analysis when he said it should. Nor can I fairly say that this has made any difference to Mr J's financial position.

I say this because as soon as Mr J had authorised HSBC to carry out the advice, it was clear that the minimum charge he'd incur for the work to be undertaken was £960.

So even if I agreed that HSBC should've considered the breakeven analysis Mr J wanted first – which I don't, as I've noted above I don't consider HSBC had any reason to place any emphasis on this point – Mr J's position would be the same.

If HSBC had done just enough work at the start of the advice process to be in a position to calculate that, looking at costs alone, there'd be a breakeven point of 7.5 years, Mr J may well have rejected the advice earlier. HSBC would then have had to do less work on his behalf. But Mr J would still have had to pay HSBC the minimum charge of £960.

I acknowledge that Mr J considers that if HSBC had carried out the breakeven analysis he said he wanted before producing the advice report he would've received a more suitable recommendation. But I can't fairly agree.

I say this because, as I've just noted, I don't consider that Mr J made it clear to HSBC before it presented its advice report how important the breakeven analysis on cost alone was to him. And even if he had, I'm not persuaded that it could've produced suitable advice that had the breakeven point Mr J wanted.

From what I've seen, the advice HSBC provided took into account Mr J's intentions. It also analysed his existing arrangement with provider S and compared potential returns based on recommended investments which met Mr J's risk profile. It didn't simply base its report on costs.

I'm satisfied that HSBC had no reason to base its advice simply on costs. I think that if it had, the recommendation produced would've failed to meet Mr J's other stated objectives.

Having listened to the recording of the 9 March 2023 meeting, I agree with Mr J that the adviser only provided him with the breakeven analysis he said he wanted after he asked for it. However, I don't think that it did anything wrong here.

I say this because, in my experience, such a breakeven analysis is rarely, if ever, included in advice reports. And I'm not persuaded that Mr J made it clear to his adviser how important this was to him before she presented the advice report. I also say this because, as I've covered above, I don't think that the fact that this analysis was only provided verbally on 9 March 2023 made any difference to the advice itself or the cost of that advice to Mr J.

I next considered whether Mr J's age was taken into account in the advice.

*Did HSBC take Mr J's age into account?*

Mr J felt that HSBC hadn't adequately considered his age in its advice.

HSBC said its advice takes everything discussed into consideration, including age. It said that it considered whether advice was appropriate for Mr J, taking into account his age. And that having done so, it felt it was.

I acknowledge that Mr J feels strongly that the adviser shouldn't have presented him with advice that he wouldn't financially benefit from until he was 88. But I don't agree with this statement. Nor do I agree that HSBC didn't adequately consider his age in its advice.

I say this because I'm satisfied that the financial benefit from a recommendation can't reasonably be measured simply by looking at whether costs will be reduced, or by when that is expected to happen. Many other factors are important to consumers and these also have to be taken into account when advice is being provided. I think the adviser made this clear to Mr J.

Having listened to the December 2022 and March 2023 meeting recordings, there were clearly several important reasons for Mr J to be considering a transfer which weren't directly connected to costs.

If I were to agree with Mr J that HSBC should've only provided him with advice that "paid for itself" within a certain period of time, and that it was "common sense" not to provide an 80 year-old with advice that might take 7.5 years before the cost savings covered the advice fee, I would effectively be saying that it was never reasonable for advisers to consider any other objectives of a consumer simply because they were old. I don't think this would be fair or reasonable.

Overall, I've not found any evidence that HSBC did anything wrong. So I can't fairly uphold the complaint.

**My final decision**

For the reasons explained above, I don't uphold Mr J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 2 May 2024.

Jo Occleshaw
**Ombudsman**