

The complaint

Mr C is unhappy with the advice and service received from 2 Plan Wealth Management Limited ('2Plan') in relation to an annuity purchase. Mr C has power of attorney ('POA') over his fathers (Mr C snr) affairs and was looking to purchase an annuity to cover Mr C snr's care costs.

Mr C has stated the advice provided by 2 Plan was changed without notice, with the end result being no annuity was recommended. As a result of this Mr C does not believe the fees requested by 2 Plan should be payable.

What happened

The discussions between Mr C and 2 Plan began in April 2023.

As part of these discussions in July 2023 2 Plan explained that:

“ . . . due to the fact that people can make mistakes and once purchased an annuity can't be cashed in, someone like myself has to make a written recommendation to state that an annuity is suitable and check that any benefit amount is indeed for the right amount and if not to get any modified quotes for you.

Consequently it's not just a case of you telling me what you want and before I can make any recommendation I would need to more fully understand your father's personal and financial circumstances. This enables me to check that the quotes are indeed for the right amount and that there isn't any better option”

On 8 August 2023 Mr C electronically completed the 2 Plan's client agreement. This documented the services that 2 Plan would provide and the fees that would be payable to 2 Plan for those services. The fees detailed included a £750 consultation fee, an advice fee of £2,000, and an implementation fee of £1,000.

The document confirmed that the consultation phase would involve:

- Introduction.
- Agree remuneration method.
- Review existing plans.
- Identify goals and objectives.
- Information gathering.

The advice phase of the process included:

- Assess objectives.

- Research.
- Devise investment strategy.
- Select product(s).
- Recommendation.
- Suitability report.

Mr C and his 2 Plan adviser held a meeting on 8 August 2023 where Mr C's needs and objectives were clarified.

2 Plan issued an initial interim report on 2 September 2023. This documented 2 Plan's understanding of Mr C's objectives and provided a summary of the options available to meet those objectives. The options included 'pay as you go', investing to meet the identified income shortfall, and annuity options.

The letter also explained that should Mr C wish to proceed with one of the annuity options he should contact 2 Plan, and that if he did not wish to proceed his file would be closed and an invoice for £750 would be payable.

Mr C contacted 2 Plan on 7 September to state that a decision had been made and that an annuity providing escalating income (8% per year) was the chosen course of action.

Following this, 2 Plan completed their research and provided Mr C with their suitability letter dated 21 September 2023.

The recommended product was an immediate needs annuity designed to provide the identified income shortfall of £34,008 per year with benefits increasing each year by 8%. The suitability letter explained that this recommendation was based on the assumption that care home fees would increase by 8% a year, that Mr C snr's pension and state benefits would increase by 8% a year, and that any remaining savings would attract a 1% gross yield.

The letter explained that the cost of the annuity would be £138,465 and that total fees payable to 2 Plan would be £3,750.

After initially accepting the recommendation Mr C then contacted 2 Plan to state that he was now considering a level annuity which would not provide increasing income over time, but which would have a cheaper purchase price, allowing for an additional £25,000 to be retained in cash. Mr C's email to 2 Plan noted:

"If I go for the 113k level annuity, that will be a saving for 25K, which will last approx. 8 years based on compounded interest, as the 8% increases in annuity only applies to the 34K compounded year on year. Perhaps you can verify my calculations. On this bases we would want to go for the 113,533K level investment."

In response to this 2 Plan questioned what rates of return Mr C's calculations were based on and explained that revised figures would be needed if Mr C was now using different assumptions for pension escalation / savings yields over time.

Mr C explained he had placed money in a deposit account earning 10%, that his calculations had been based on a 5% return over time, and that he was also now considering having funds available should there be a need to pay for his father's funeral. 2 Plan asked for clarity on what account funds had been placed into and questioned whether Mr C still wanted

calculations to be based on pension and benefit levels increasing by 8% per year over time.

Mr C did not want further calculations to be completed and instead simply requested that the level annuity be put in place as soon as possible. 2 Plan explained that this would not be possible and said that as Mr C was now using a different assumed rate for savings yields and was also wanting to keep funds aside for potential funeral costs, a re-assessment would be required.

As part of this 2 Plan queried whether Mr C still wanted to assume pension and benefit income would increase by 8% a year over time and explained the next steps. The 2 Plan adviser said he would:

"Redo my calculations to see just how long this level annuity and the reduced remaining money could last based on any new assumptions you want for his pensions and benefits to grow and personally I think 8% may be too high. I notice you mentioned you have used 5% in your calculations is that for both interest yields, pension and care fee escalation or just interest yield. This is to see if my recommendation would change. I would want to send these to you for fresh consideration before making any final revised recommendation."

Mr C repeated that he simply wanted to put an annuity in place and did not want further calculations and suitability assessments done, however 2 Plan again explained that this was necessary given the regulated industry they worked in.

An addendum suitability letter was issued on 28 September 2023. This addendum was based on revised assumptions for pension / benefit income and the returns which would be made on deposits retained after advice.

Updated calculations factoring in these changed assumptions resulted in a change to the original advice, with the new advice being for Mr C to not purchase an annuity, and instead retain the available savings as cash, paying for Mr C snr's care on a 'pay as you go' basis.

This addendum also confirmed that 2 Plan's fees of £2,750 (for the consultation and advice) were now payable.

Mr C was unhappy that the proposed annuity was no longer being recommended, that 2 Plan would not permit Mr C's chosen annuity to be completed on an insistent client basis, and that there was little likelihood of the annuity provider allowing him to purchase such a product directly.

As such a complaint was registered with 2 Plan.

2 Plan issued their complaint response on 28 December 2023. This stated that they believed their adviser had acted appropriately, that the adviser had given suitable advice, that whilst that advice had changed during the overall process this was due to changes in the assumptions used (increases in pensions in payment, investment returns etc), and that the fees outlined in the signed client agreement were payable.

Unhappy with 2Plan's response, Mr C forwarded his complaint to this service in February 2024.

Our investigator looked into things but did not believe 2 Plan had acted unreasonably, had followed an appropriate advice process, and were entitled to charge Mr C accordingly.

Mr C did not agree stating that he had not asked for 2 Plan to change the assumptions made regarding his father's future pension income and did not understand how something which

had been recommended only a few days earlier could then become unavailable. Mr C also noted that if a 'pay as you go' solution was best, then this should have been recommended within the interim report, removing the additional £2,000 advice fee which was now being requested by 2 Plan.

As our investigator was not minded to change their opinion the case has been passed to me for 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.

In considering the chain of events above, I have reached the same conclusion as our investigator and for broadly the same reasons.

2 Plan were clear with Mr C regarding their process. Initial discussions in July 2023 made it clear to Mr C that he could not simply request a product which would then be put in place, the process was an advised one with 2 Plan needing to ensure that any recommendation was suitable.

In addition to this, the costs of the services provided by 2 Plan were clearly laid out in their client agreement document. The £750 / £2,000 / £1,000 split for the various stages of the process were highlighted and agreed to by Mr C in August 2023.

So, before the process began, Mr C was aware the adviser needed to ensure any advice given was suitable and was aware of the cost of such advice.

The interim advice document issued to Mr C on 2 September 2023 listed all the identified options for the ongoing provision of care funding for Mr C's father. The document explained that should Mr C not wish to progress further then his case would be closed with the fee's payable being limited to the initial consultation fee of £750.

Mr C chose to progress to the next phase of the process, incurring the additional £2,000 fee which had been explained to Mr C the month before.

The advice (documented in the 21 September 2023 suitability letter) initially recommended an annuity product which Mr C was keen to put in place.

Discussions between Mr C and 2 Plan regarding the suitability letter and the products recommended show that Mr C was making his decisions based on changed assumptions around the returns which could be made on any retained cash, and on a need to have funds available to cover funeral costs which had not previously been disclosed.

In response to this 2 Plan explained that a reassessment of the advice would be necessary in order to ensure it remained suitable. This is, in my opinion, not an unreasonable approach.

No adviser would be able to remove the use of assumptions from an advice process such as this – it would be impossible to know for certain how interest rates, care costs, state pension / benefit levels are going to change in future. As such the use of assumptions is entirely reasonable and it is the adviser's responsibility to ensure that the assumptions used are realistic.

Whilst Mr C may not consider his changes to be significant, 2 Plan are a regulated financial

advice business and does have a duty to ensure that any advice it gives is suitable.

I have considered carefully the fact that Mr C did not explicitly state he wanted additional changes to the other assumptions which had been made in the original advice, however, I do not believe the adviser making such changes was unreasonable. Once some of the assumptions and objectives were changed by Mr C the adviser making further changes in order to best ensure the advice was suitable was, in my opinion, appropriate.

Mr C has questioned why, if a 'pay as you go' solution was suitable, why this hadn't been recommended in the interim report. However, this report was however based on assumptions and objectives which were subsequently changed – initially by Mr C.

I appreciate that the chain of events which transpired in this case has resulted in Mr C incurring both the consultation and advice fees however do not believe it is reasonable to hold 2 Plan accountable for this.

Had Mr C not altered the savings return assumption and introduced the requirement for additional cash holdings to cover funeral expenses, I see no reason why the original advice would have been altered, indeed 2 Plan's fee's would have been higher had the original advice been maintained and an annuity put in place.

Overall, I have concluded that 2 Plan have acted fairly and do not believe it would be reasonable of me to instruct them to waive the fees payable by Mr C. As such I am not upholding this complaint.

My final decision

In line with the rationale above I am not upholding this complaint and require no further action from 2 Plan Wealth Management Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 September 2024.

John Rogowski
Ombudsman