

The complaint

Mr D complains about the advice given by Vision Independent Financial Planning Ltd ('Vision') to transfer the benefits from his defined-benefit ('DB') occupational pension scheme, the British Steel Pension Scheme ('BSPS') to a personal pension. He says the advice was unsuitable for him and believes this has caused a financial loss.

Mr D is being represented by a third party but for ease of reading this decision I'll largely refer to representations as being made by Mr D.

What happened

In March 2016, Mr D's employer announced that it would be examining options to restructure its business, including decoupling the BSPS (the employers' DB scheme) from the company. The consultation with members referred to possible outcomes regarding their preserved benefits, which included transferring the scheme to the Pension Protection Fund ('PPF'), or a new defined-benefit scheme ('BSPS2').

In May 2017, the PPF made the announcement that the terms of a Regulated Apportionment Arrangement (RAA) had been agreed. That announcement included that, if risk-related qualifying conditions relating to funding and size could be satisfied, a new pension scheme sponsored by Mr D's employer would be set up – the BSPS2. The RAA was signed and confirmed in August 2017 and the agreed steps were carried out shortly after.

On 22 September 2017, the BSPS provided Mr D with an updated summary of the transfer value of his scheme benefits, following the RAA taking effect. These benefits had a cash equivalent transfer value ('CETV') of £202,423.77.

In October 2017, members of the BSPS were sent a "time to choose" letter which gave them the options to either stay in the BSPS and move with it to the PPF, move to the BSPS2 or transfer their BSPS benefits elsewhere.

I understand Mr D first spoke to Vision, about advice regarding his BSPS pension, in November 2017.

Vision carried out a fact-find to gather information about Mr D's circumstances and objectives. It noted that he was 37, in good health, married with two financially dependent children. He and Mrs D were both employed, and their combined household income exceeded their outgoings. Vision said Mr D's initial thoughts were to retire at age 60 but on further consideration he hoped to do so at age 57 – the earliest he'd be able to based on the rules at the time. So, he wanted to keep his options open for retirement and would like a more flexible pension. It said he expected to need an income of £1,300 per month in retirement. And Mr D had lost faith with his employer's handling of the pension and wanted to transfer the pension so that it was under his control.

Vision also carried out an assessment of Mr D's attitude to risk, which it deemed to be 'balanced'.

On 16 December 2017, Vision advised Mr D to transfer his pension benefits into a personal pension with a named provider and invest in one of the providers managed funds. It said it thought a transfer was suitable for Mr D as it provided him with the flexibility he was interested in and gave him control over how his pension was managed, which he wanted given his strong feelings about his employer's previous actions. Vision also felt a transfer gave Mr D the opportunity to improve his pension benefits and it gave him lump sum death benefits, which he'd expressed an interest in. Forms were signed the same day to enable the transfer in line with the recommendation.

Mr D complained to Vision in 2021 about the suitability of the transfer advice. He said he thought a transfer was unsuitable based on his circumstances at the time and should not have been recommended as it was unlikely his new pension would be able to match the guaranteed benefits that had been given up.

Vision didn't uphold Mr D's complaint. It said the advice was based on his circumstances and stated objectives and opinions at the time. And it said it still considered it to have been suitable, as it best met Mr D's priorities.

Mr D referred his complaint to the Financial Ombudsman Service. One of our Investigators looked into the complaint and said it should be upheld. He thought the advice was unsuitable. He didn't think Mr D was likely to improve on the guaranteed benefits he was giving up by transferring. Given how far he was from actually retiring, the Investigator thought Mr D's plans were unlikely to be finalised and so he didn't have a genuine need for flexibility. The Investigator didn't think the alternative death benefits provided meant a transfer was in Mr D's interests. And he didn't think control over his pension was necessarily a genuine objective of Mr D's and felt Vision hadn't done enough to address any concerns he might've had about the BPS2 or the PPF. So, he recommended that Vision compensate Mr D for any losses caused by the unsuitable advice and pay him £250 for the distress he'd incurred.

Agreement could not be reached and so the complaint was referred for an Ombudsman's decision.

In August 2022 the regulator, the Financial Conduct Authority ('FCA'), launched a consultation on changes to its DB transfer redress guidance. The FCA's proposed changes were due to come into effect in April 2023. Mr D's representative confirmed that he'd prefer to have redress calculated under the new rules when they came into effect.

Following this, Vision said, in order to conclude the matter, it would accept the Investigator's findings and would carry out the relevant redress calculation.

The FCA has developed a BPS-specific redress calculator. And Vision wrote to Mr D and said it had now carried out a loss assessment using the FCA's redress calculator and enclosed a copy. It said, having done so, the calculation showed that Mr D had not incurred a financial loss and so he was not owed any redress. Vision confirmed though that it would pay the £250 for distress, recommended by our Investigator. A copy of this correspondence was provided to the Financial Ombudsman Service.

Mr D was asked to confirm whether he has accepted this offer. But no response was provided by the deadline given. So, I've assumed Mr D has not accepted the offer and as a final decision has previously been requested, I'm now providing it in order to resolve the matter.

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.

As I've outlined above, Vision informed us more recently that it accepted the Investigator's view and has made an offer in line with what was recommended, in order to draw the matter to a close. As the suitability of the advice is therefore not in dispute any longer, I will focus in this decision on the redress method.

Our intention when awarding redress is to put a consumer, as far as possible, into the position they would be in but for an error having happened. And the aim of redress here is to put Mr D back in the financial position he would have been in at retirement had he remained in the DB scheme. Vision carried out a calculation using a specific BSPS calculator provided by the FCA which is what I would expect them to do in the circumstances.

The calculator uses economic and demographic assumptions to calculate how much a consumer needs in their pension arrangement to secure equivalent BSPS retirement benefits that they would have been entitled to under either BSPS2 or the PPF (as uplifted to reflect the subsequent buy-out), had they not transferred out.

If the calculation shows there is not enough money in the consumer's pension arrangement to match the BSPS benefits they would have received, the shortfall is the amount owed to the consumer. If the calculation shows there is enough money in the consumer's pension arrangement, then no redress is due.

The BSPS calculator has been developed by actuaries and is programmed by the FCA with benefit structures of the BSPS, BSPS2 and PPF (including the impact of the subsequent buy-out) and relevant economic and demographic assumptions which are updated regularly. This information can't be changed by firms.

The calculator also makes automatic allowances for ongoing advice fees of 0.5% per year and product charges of 0.75% per year which are set percentages by the FCA.

I have checked the inputs that were entered by Vision which are personal to Mr D. These include Mr D's personal details, his individual benefits from the BSPS at the date he left the scheme and the value of his personal pension. The calculation also assumes that if he had not been advised to transfer his benefits from the BSPS, he would have moved to the BSPS2 and that he would have taken his DB benefits at age 65.

Overall, based on what I've seen, the calculation has been carried out appropriately and in line with the rules for calculating redress for non-compliant pension transfer advice, as detailed in the FCA's policy statement PS22/13 and set out in their handbook in DISP App 4: <https://www.handbook.fca.org.uk/handbook/DISP/App/4/?view=chapter>.

The calculation in Mr D's case shows that there is no shortfall to his pension and that he has sufficient funds to be able to replicate his DB benefits in retirement. So, I'm satisfied that Mr D has not suffered a financial loss by transferring his pension.

Vision has still offered to pay £250 as recommended by our Investigator for the distress and inconvenience this matter has caused Mr D.

I think the calculation carried out by Vision is appropriate in the circumstances, and is in line with what I would've recommended and no redress for financial losses is due to Mr D. While the loss assessment has determined that Mr D hasn't been financially disadvantaged by the

unsuitable advice, I accept that finding out the advice may not have been suitable – particularly given the circumstances and uncertainty under which he first asked for this advice – is likely to have caused him some concern. And that this will have caused him worry, whilst the matter remained unresolved. But I think Vision's offer to pay Mr D £250 for the distress and inconvenience caused is fair and reasonable in the circumstances.

My final decision

I consider that Vision Independent Financial Planning Ltd has taken appropriate steps to address Mr D's complaint, appropriately carried out a redress calculation and made a fair and reasonable offer to settle things.

To put things right I require Vision Independent Financial Planning Ltd to pay Mr D £250 for the worry this matter has caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 November 2023.

Ben Stoker
Ombudsman