

The complaint

Mr M has complained that Bede Financial Group Limited (Bede Financial) has completed a calculation as part of the Financial Conduct Authority's (FCA) British Steel Pensions Scheme (BSPS) consumer redress scheme and reached the conclusion he isn't owed any compensation, despite Bede Financial having previously found that the advice provided to Mr M regarding his BSPS pensions transfer was unsuitable.

What happened

Mr M met with Bede Financial in 2018 and was advised to transfer his defined benefit (DB) pension with British Steel into a personal pension.

In February 2023, following concerns that a significant number of former members of the BSPS may have been wrongly advised, the FCA launched a consumer redress scheme. This required firms to review the advice they had given to consumers to transfer out of the BSPS and, if the advice was found to be unsuitable, to undertake a calculation to determine whether this had resulted in any financial loss. If financial losses were identified, the scheme required firms to make redress payments to consumers to compensate them.

On 26 April 2023 Bede Financial contacted Mr M to inform him that the advice he had been given in 2018 had been reviewed under the BSPS consumer redress scheme and been found to have been unsuitable. On 2 June 2023 Bede Financial wrote again to Mr M to explain that a calculation had been completed using the FCA BSPS Calculator, and that these calculations indicated that Mr M hadn't suffered any financial loss as a result of the unsuitable advice. As such, Bede Financial informed Mr M that no compensation was payable to him under the scheme.

Mr M was disappointed with this outcome and argued that, as Bede Financial had confirmed the advice was unsuitable, he should be reimbursed for the fee he paid for the advice, all charges he had paid during the course of the plan, any past losses in fund value, and any future losses. In relation to the calculation itself, Mr M argued that it was unfair to base this on his retiring at age 65, as he may wish to continue working beyond that age. In addition, Mr M said he should be awarded a payment for the stress and anxiety he has experienced in relation to this matter.

Our investigator looking into Mr M's complaint and confirmed Bede Financial had used the FCA BSPS Calculator to undertake the calculations, as directed under the scheme rules. Our investigator also concluded Bede Financial had correctly completed the calculator with various inputs, including Mr M's personal details, his individual benefits from the BSPS at the date he left the scheme, and the correct value of his personal pension. Specifically, our investigator explained that Bede Financial was correct in using 65 as the age of retirement, and that fees and ongoing charges were already factored into the calculation. As such, our investigator was satisfied the calculations had been completed in line with the relevant scheme rules and guidance.

Mr M didn't agree with the investigator's findings. He argued that if the redress calculation had been completed in accordance with the redress scheme rules, then this indicated a

fundamental flaw in the scheme itself. Furthermore, Mr M said that it allowed Bede Financial to “get away with it”, and he felt strongly that they ought to be “punished” for the unsuitable advice.

Our investigator explained the redress methodology had been set by the FCA, and that the Financial Ombudsman Service’s role is limited to checking whether or not Bede Financial have followed the redress rules correctly. Our investigator also explained that the calculator methodology was linked to purchasing an annuity to provide a fixed income and that, in Mr M’s case, if he purchased the benefits he had lost, he would still have around £150,000 left over in comparison to not having transferred in the first place.

Mr M still disagreed, and reiterated that he had experienced worry, stress and uncertainty in relation to this matter, and that he should be compensated for this. He also continued to raise concerns that Bede Financial wasn’t being appropriately sanctioned for giving him unsuitable advice.

As our investigator was unable to resolve things, the complaint has been passed 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.

The rules that Bede Financial had to follow when calculating and paying redress are set out in the FCA Consumer Redress (CONRED) handbook under CONRED 4.4 “*Consumer redress scheme: calculating and paying redress*”. The particular rule that’s applicable here is CONRED 4.4.2R, the relevant section of which reads as follows:

“The first step is for a firm to calculate the amount of redress owed to a consumer:

- (1) in accordance with the relevant rules and guidance set out in DISP App 4 and DISP App 4 Annex 1, as modified by CONRED 4;*
- (2) by completing the BSPS calculator in accordance with the instructions set out in CONRED 4 Annex 21R;*
- (3) where requested by a consumer, by calculating the redress sum that would be payable by full or partial augmentation outside of the BSPS calculator in accordance with (1);*

and send the consumer a redress determination in the form of the letter set out in CONRED 4 Annex 13R.”

I need to decide whether Bede Financial have applied these rules correctly, as directed by the FCA.

The aim of the calculation is to determine what – if any – compensation is required to put Mr M as much as possible back into the financial position he would have been in at retirement, *but for* the unsuitable advice from Bede Financial. To do this it is necessary to make some assumptions, using the best information available, about what would’ve most likely happened if Mr M had not been advised by Bede Financial to transfer his BPS benefits.

In Mr M’s case, one assumption is that he would’ve ended up in the replacement scheme, BPS2. This is the assumption that is most favourable to Mr M and would’ve provided the highest benefits. Another assumption is that Mr M would have taken his pension benefits at age 65. As, had he gone into BPS2, Mr M would’ve reached normal retirement age at 65, I

am satisfied Bede Financial used the correct retirement age when completing the calculations. Given what I know of Mr M's circumstances and intentions, I agree these are fair assumptions in this case.

The FCA BPS Calculator uses these assumptions, in combination with personal data about Mr M's circumstances and wider economic and demographic information, to generate the total sum Mr M would currently need in his personal pension arrangement to secure equivalent retirement benefits to those he would've been entitled to under BPS2. The generated outcome also includes an automatic allowance for ongoing advice fees of 0.5% per year and product charges of 0.75% per year (these percentages are set by the FCA and cannot be amended).

The calculation in Mr M's case shows that there is no shortfall to his pension and that he has sufficient funds to be able to replicate or exceed the benefits he would have received at age 65 had he remained in the scheme. This is because Mr M's current personal pension value, on current assumptions, will be sufficient to buy an annuity at 65 (including a spouse's pension) that provides the same benefits as the BPS2.

As the calculation shows there is no shortfall, no redress payment is due to Mr M. Put in simple terms, even though the advice was unsuitable at the time, the transfer has actually not led to any losses for Mr M based on current calculations. So, there's nothing to compensate him for. In fact, as our investigator noted, Mr M currently has an excess of £150,000. So if Mr M were to purchase a fixed income to replicate the income from BPS2, there would be funds left over.

I have checked the inputs Bede Financial entered into the FCA Calculator. These include Mr M's personal details, such as length of service and marital status, as well as his individual benefits from the BPS at the date he left the scheme, and the current value of his personal pension. As I've said above, I also think the assumptions with regards to him ending up in the BPS2 and retiring at 65 are fair. So overall, I find that the calculation has been carried out appropriately and in line with the rules.

Mr M may be aware of other former BPS members who have received financial compensation as a result of unsuitable advice to transfer out of the scheme, and so this outcome may be disappointing to him. However, as I've explained, each calculation is based on individual details and circumstances.

To provide Mr M with further assurance, I note that the FCA BPS calculator has been developed by qualified actuaries and is programmed with the relevant scheme information and benefit structures. The relevant economic and demographic data is updated on a quarterly basis. None of this information can be amended by the firms using the calculator.

Mr M has said that he has experienced stress, worry and uncertainty during the course of this matter and should be compensated for this. However, my role is limited to determining whether or not the consumer redress scheme rules have been correctly applied in this case. Mr M also raised concerns about being entitled a return the fees he had paid for the advice and the charges which applied to his pension. As I've already explained these advice fees and an allowance for ongoing charges have already been factored into the calculation.

In addition, Mr M has been very clear that, whether or not he is entitled to redress under the scheme rules, he feels Bede Financial should be sanctioned for giving unsuitable advice. However, this does not fall within my remit to consider, as the Financial Ombudsman Service does not have the power to fine or punish businesses.

My final decision

In summary, I am satisfied Bede Financial Limited have correctly followed the redress methodology set out in the FCA's BSPS consumer redress scheme and that Mr M hasn't suffered a financial loss as a result of the unsuitable advice to transfer.

If Mr M accepts my decision, Bede Financial will be required to follow the steps set out in CONRED 4.4.11 R (2). These steps require Bede Financial to bring the calculations up-to-date by undertaking recalculations within two weeks of Mr M's acceptance (please see the below extract for full details).

"CONRED 4.4.11 R

(1) A firm must complete the steps at (2) where a consumer makes a complaint to the Financial Ombudsman Service in respect of a redress determination made under CONRED 4.4.2R and either of the following apply:

(a) the firm and the consumer agree pursuant to DISP 3.5.1R that the redress determination was correct; or

(b) the firm receives notification from the Financial Ombudsman Service in accordance with DISP 3.6.6R(5) upholding the redress determination.

(2) Within 2 weeks of the date where either the firm and the consumer reach agreement under (1)(a) or the firm receives notification under (1)(b), the firm must:

(a) recalculate the amount of redress owed to the consumer pursuant to CONRED 4.2.2R in accordance with CONRED 4 Annex 21 13.15R(2); and

(b) make a further redress determination pursuant to CONRED 4.2.2R in the form of the letter set out in CONRED 4 Annex 13R with an adaptation to the letter to explain the circumstances in which the further redress determination is being made."

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 9 April 2024.



Ellie Clare
Ombudsman