DRN-3135974

The complaint

Mr B has complained about advice he received from Mercia Financial Planning Limited ("Mercia") to transfer his defined benefits (DB) out of the British Steel Pension Scheme (BSPS). He believes he has suffered a significant loss as a result of the advice.

Mr B is being assisted with his complaint by a professional representative.

What happened

In March 2016, Mr B's employer announced that it would be examining options to restructure its business including decoupling the BSPS from the company. The consultation with members referred to possible outcomes regarding their preserved pension benefits, which included transferring the scheme to the Pension Protection Fund ('PPF'), – the PPF is a statutory fund designed to provide compensation to members of defined benefit pension schemes when their employer becomes insolvent. The BSPS was closed to further benefit accrual from 31 March 2017.

In May 2017, the PPF made the announcement that the terms of a Regulated Apportionment Arrangement (RAA) had been agreed. That announcement said that, if risk-related qualifying conditions relating to funding and size could be satisfied, a new pension scheme sponsored by Mr B's employer would be set up – the BSPS2.

This was, however, intended to receive deferred benefits only. The main defined benefit OPS had been replaced by a new defined contribution scheme. The existing scheme was due to be closed in the near future, with the options being set out in a subsequent letter in October 2017 for deferred members to either transfer their benefits to the successor scheme, the BSPS2, the PPF or into a private arrangement, such as a personal pension plan. A deadline was set for members to notify the scheme administrators as to their choice by 11 December 2017. This was subsequently extended to 22 December 2017.

Mr B was concerned about his BSPS benefits and didn't know what to do so he contacted a firm, who I'll refer to as D. Mr B had previously received advice from D in respect of his pension arrangements and as a result, he'd consolidated some occupational pension schemes he'd held into as Self-Invested Personal Pension (SIPP).

Mr B met with D in June 2017 to talk about his options and he provided D with information regarding his personal and financial circumstances. D didn't have the relevant permissions to advise on defined benefit scheme transfers, such as the BSPS, so Mr B was referred to Mercia for advice in this regard. Mr B didn't meet with Mercia, all the paperwork was competed with D and then forwarded to Mercia.

In October 2017, Mercia issued a suitability report to Mr B. This set out the charges for advice and explained that it was only providing advice on the pension transfer as D didn't have permission to do this. But after the transfer any ongoing advice would be provide by D.

The suitability report noted the following about Mr B:

- He was aged 50, married with two children, neither of whom were financially dependent on him.

- He was employed, earning £40,000 per year. He had a preferred retirement age of 65 but he wouldn't be eligible for the state pension until he was 66.

- He wanted a household income in retirement of £28,000, funded initially by his pension provision, but his reliance of his pensions would reduce once the state pension became payable.

- Mr B had a SIPP valued at £153,299 and another workplace pension worth £2,133, which he was still contributing to. And deferred benefits in the BSPS valued at £59,000.

The report stated that Mr B wanted to transfer his BSPS pension into a personal pension arrangement for the following reasons:

> *"**Death benefits** - You are relatively young and you are in good health; however, you would like to ensure that [Mr B's wife] and your family benefit from any unused pension funds in the event of your death, rather than a rigid taxable income, that would be negligible and would have little impact on [Mrs B's] finances. You do not wish for the scheme to re-absorb any of your pension funds at any point in the future.*
>
> ***Flexibility in retirement** – You would like to have the flexibility on when and how you take your pension funds. You would like to use all your pension funds in tandem with your State Pensions and both of your other alternative provisions. You do not envisage any access to your pension funds until you retire.*
>
> *Having full flexibility on how and when you draw an income from your pension funds has the following benefits:*

- *Having the flexibility to alter your income can help reduce income tax.*

- *Having the flexibility to reduce withdrawals can also help to preserve your funds for your family on death.*

- *Having the flexibility to take ad-hoc lump sums can be appealing as these can be used to meet unexpected needs, however these withdrawals may be subject to income tax.*

> ***Scheme Future** - There is a lot of uncertainty surrounding the British Steel Pension Scheme at this moment in time and there is a possibility that your benefits could fall into the Pension Protection Fund. This would provide you with a compensation that cannot be altered or transferred out once the scheme has been taken over by the PPF.*
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> *You do not want a rigid income in retirement and the PPF does not meet your needs in terms of flexibility, higher tax-free cash, and death benefits...*
>
> ***Preservation of Fund** - The CETV offered by the scheme has increased within the past year and you would like to take advantage of the size of your pension fund as you feel that this will be ideal for providing a legacy for your family as well as providing the security of being financially secure in retirement.*
>
> *You wish to transfer your funds now so that you can eliminate any risk that the Trustees will reduce the CETV in the future and you would prefer control over your funds and grow*

them as according to your attitude towards risk. I have explained to you that the CETV could in fact increase in the future, however this has not deterred your from wanting to transfer"

In terms of Mr B's risk profile, this was recorded as 4 on a scale of 1–10. This was classed as 'lowest medium'.

The suitability report explained that Mercia had carried out a full review of the scheme and considered the following options:

- Leave the existing scheme untouched
- Transfer the scheme into your existing employer's arrangement
- Set up a new pension plan and transfer your existing arrangement into it
- Transfer to a section 32 buyout bond

The transfer value analysis (TVAS) indicated the amount of growth required by the transferred funds to match those being relinquished in the scheme – the critical yield. It concluded that the personal pension would need to grow by 11% per year to match the benefits under the scheme at a retirement age of 65, or 9.42% per year if tax-free cash was taken.

A projection was also made of the required yield to match the PPF benefits. This showed that, for age 65, the fund would need to grow by 8.42% per year to match the full pension provided by the PPF.

The report went on to explain that the critical yields were high and that they wouldn't be met between now and the age of 65. It also said it was pertinent to point out that Mercia was not looking at moving the BSPS benefits to get an improved income; it was to meet Mr B's objectives.

The report went on to set out Mercia's recommendation that Mr B transfer his BSPS benefits to his existing SIPP. Mr B accepted the recommendation and his benefits were transferred.

In October 2019, Mr B's representative complained to Mercia. Mercia reviewed the complaint but it didn't think the advice was unsuitable. In summary it said that Mr B had approached D with the intention of transferring his BSPS benefits to meet his personal circumstances and objectives. The advice Mr B received reflected the risks and benefits of transferring. The risks were set out explicitly, and on numerous occasions in the suitability report and other documents provided to Mr B.

Mr B didn't accept Mercia's finding so he referred the matter to this service for review.

<u>Our investigation</u>

One of our investigators reviewed matters and concluded that the advice to Mr B to transfer was unsuitable. In summary, the investigator thought that:

- Mr B was likely to receive benefits of a substantially lower overall value than the BSPS at retirement. And although Mr B had other pensions, the majority of these additional benefits were in a SIPP and were already being exposed to investment risk. So the investigator wasn't persuaded that giving up a guaranteed income and exposing his BSPS benefits to the same risk, was appropriate.

- Mr B's main aim was to preserve his funds as much as possible for his retirement years. Given that Mr B's SIPP fund would have potentially been available as a lump sum in the event of his death before retirement, the investigator didn't think there was a pressing need to sacrifice the inherent guarantees built into the BSPS simply for the sake of increasing the death benefit pay-out by another £59,000. And since Mercia accepted that the investment returns were unlikely to even match the benefits given up on transfer, Mr B's retirement income was likely to reduce in value every year for the forthcoming 14 years to age 65.

- Mercia suggested that Mr B was more concerned about maintaining the value of the fund on death than maximising his income in retirement. But the investigator was not persuaded that exchanging a virtually guaranteed income in retirement for the possibility of passing a fund of uncertain value to his dependants constitutes suitable advice. The BSPS was intended primarily as a means of providing income in retirement, with additional benefits built in for dependants. There's no evidence that Mr B was at higher than average risk of death prior to age 65 that might have rendered it beneficial to swap income for lump sum death benefits. If his primary need was to increase death benefit provision, Mercia ought to have explored the possibility of arranging specific life assurance cover at an acceptable cost.

- The BSPS was in financial difficulty but if the scheme passed into PPF, Mr B would still be entitled to receive 90% of his benefits. The course of action proposed by Mercia offered no guarantees as to future income or even that the pension would retain its value as at the date of transfer. The investment selected left the fund exposed to market forces and thus to unlimited loss.

- Mr B was 14 years away from his expected retirement age so he didn't need to make any decisions in 2017 on how he might structure his eventual retirement income planning. Once in the PPF, Mr B would have been unable to draw his benefits in a more flexible way, however, there was already a significant value in his SIPP that could have been used to provide alternative income in retirement.

- Just because the suitability letter and other documents warned Mr B about the investment risks he was taking by transferring, doesn't mean the advice is compliant. The responsibility placed on Mercia by the relevant legislation at the time of advice was to recommend a suitable course of action, not simply to set out Mr B's options, warn about the risks and allow him to make his own decision.

Mercia didn't accept the investigator's opinion. It said the transfer met Mr B's objectives at that time. And it's satisfied that, if Mr B is honest about this, there would never have been any prospect of him expressing a desire or preference to join BSPS2 even if Mercia could have recommended this, given his distinct antipathy to Tata Steel and his pronounced concerns about its financial stability in general or as a pension scheme employer at the material time. Further, any election to join BSPS2 would have carried with it a risk of Mr B's accrued benefits falling into the PPF in the event the qualifying criteria for BSPS2 was not met (over which Mr B would have had no control). Mr B was very keen to avoid this and was perceived (rightly or wrongly) to be the worst outcome by a significant number of Scheme members at the material time. This serves to illustrate the wholly hindsight-driven approach to Mr B's complaint.

The complaint has been passed to me to reach 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.

The regulator, the Financial Conduct Authority ('FCA'), states in its Conduct of Business Sourcebook ('COBS') that the starting assumption for a transfer from a DB scheme is that it is unsuitable. Mercia should have only considered a transfer if it could clearly demonstrate that the transfer was in Mr B's best interest (COBS 19.1.6). And having looked at all the evidence available, I'm not satisfied the transfer was in his best interest. I'll explain why.

Financial viability of the transfer

Mercia seems to accept that Mr B was likely to be worse off as a result of transferring, but for completeness, I have still considered this aspect in full.

As the investigator explained, the advice was given during the period when the Financial Ombudsman Service was publishing 'discount rates' on our website for use in loss assessments where a complaint about a past pension transfer was being upheld. Whilst businesses weren't required to refer to these rates when giving advice on pension transfers, I appreciate Mercia may not agree but I consider these rates to provide a useful indication of what growth rates would have been considered reasonably achievable when the advice was given in this case.

There is no suggestion within the sales paperwork that Mr B had any intention of retiring before his normal retirement age of 65. The TVAS shows that at 65 the investment return (critical yield) required to match the DB pension at age 65 was 11% per year, or 9.42% per year if tax free cash was taken. And the critical yield to match the benefits available if BSPS moved to the PPF was 8.42% at age 65.

The relevant discount rate published by the Financial Ombudsman Service at the time the advice was given was 3.5% per year for 14 years to retirement. For further comparison, the regulator's upper projection rate at the time was 8%, the middle projection rate 5%, and the lower projection rate 2% per year.

Even taking the lowest critical yield here (8.42%), which was a comparison to full pension provided by the PPF at age 65, it's likely Mr B wouldn't have been able to match, let alone exceed his DB benefits in the personal pension if he was invested in line with a lowest medium risk strategy as suggested. By transferring his pension it was likely Mr B would be financially worse off in retirement, so based on the above alone, a transfer wasn't in Mr B's best interest.

But the feasibility of achieving a critical yield alone wouldn't in any case indicate suitability of a transfer, as set out in COBS 19.1.7B. And Mercia has also itself commented that the basis of the recommendation was the benefit to Mr B in terms of other objectives being met - including flexibility, along with the different format of death benefits with a personal pension.

Before I assess those in greater detail, I think it's firstly fair to say that Mercia did provide warnings that the critical yields were unlikely to be met. But Mercia ought to be aware that warnings alone wouldn't render unsuitable advice suitable. Mercia needed to be satisfied, before providing its recommendation, that relinquishing the guarantees and taking the investment risk was a suitable course of action for Mr B.

So I've considered whether there were other considerations which meant a transfer was suitable, despite providing overall lower benefits.

I also think it's important to explain that this wasn't a situation where Mr B was simply giving Mercia an instruction. He went to Mercia for advice and it had to take reasonable steps to ensure that any advice it gave him was suitable. And in providing that advice, it needed to make sure that it didn't just facilitate what Mr B thought he might like to do.

Death benefits

The suitability report noted that Mr B would like to ensure that his wife and children benefited from any unused pension in the event of his death, rather than receiving a negligible and rigid income that would have little impact of on Mrs B's finances.

I have concerns about this as a reason for transferring Mr B's benefits. Firstly, Mr B didn't have any particular health issues which would mean that death benefits were of concern at that point. Nor was there any indication that he would not benefit from a pension income derived from the scheme membership upon retirement for a reasonable amount of time.

Accrued pension provision is intended to provide for an individual's retirement rather than a desire to leave a lump sum to beneficiaries. While I acknowledge that the financial wellbeing of Mr B's wife would have been a priority for Mr B, the recommendation needed to be given in the context of Mr B 's best interests in terms of his retirement needs. Mr B already had a significant proportion of his retirement benefits in a SIPP, which Mr B's nominated beneficiaries would benefit from in the event of his death. But there was no information about why an additional lump sum was so important that it justified a transfer of Mr B's guaranteed benefits.

It's understandable that Mr B would like to leave a lump sum to his beneficiaries, but I've not seen anything that suggested it was essential, and certainly not of sufficient importance, given the other death benefits which would be available, to justify Mr B compromising the security of his own retirement.

A lump sum may have been appealing, and there may be some circumstances where a lump sum is more advantageous when compared to an income stream through a spouse's or dependants' pension. But I don't think Mercia demonstrated that the benefit of doing so in Mr B's case outweighed the benefit of Mr B's retaining his BSPS benefits. The objective to leave a lump sum needed to be properly weighed up against the guaranteed benefits Mr B was giving up. Mercia should have advised Mr B that his own financial security in retirement took priority, particularly as the majority of his retirement provision wasn't guaranteed and was exposed to investment risk.

Flexibility in retirement

The suitability report suggests that Mr B wanted to have flexibility on when and how he took his pension funds so he could reduce his income tax, preserve his fund for death benefits and take ad hoc lump sums as and when needed. But it's unclear as to why Mr B would have needed such flexibility, especially given the investment risk associated with it, his attitude to risk, and a lack of other guaranteed income in retirement other than his state pension.

It was for Mercia to establish the need for this flexibility, especially when valuable benefit guarantees were being given up. I've already explained above why I don't think the need to leave a lump sum death benefit was so great that it warranted giving up the scheme benefits. Mr B wasn't looking to retire early and there doesn't appear to have been a need for him to access his tax-free cash before he retired. So, unless there was a realistic prospect of the transferred funds exceeding the scheme benefits at age 65, and Mr B was prepared to take the risk required to achieve that, the only advantage here would be Mr B's apparent desire to take flexible income to reduce his income tax liability.

Mr B and his wife had a desired annual income in retirement of £28,000 and it was envisaged that after his state pension – which was payable at age 66 – and Mrs B's final salary pension, there would be a shortfall of around £13,000 per year. So the BSPS benefits would have gone some way to bridging this shortfall. I've not seen anything to suggest that this income need would reduce significantly during Mr B's retirement. So it appears the shortfall would likely always need to be topped up and so would be taxed as an annual income. And I can't see that, even combining all pension income sources, Mr B is likely to have fallen into a higher rate tax bracket in retirement, which might under some circumstances have contributed towards a rationale for taking income flexibly or deferring income. And even if the income need did reduce slightly, Mr B already had his existing SIPP where the majority of his pension provision was held. And so he already had the option to access the majority of his funds flexibly, if that was actually required.

As I've mentioned above, a considerable proportion of Mr B's pension provision was already exposed to investment risk. And so I don't think it was necessary or in Mr B's best interest for him to expose his BSPS benefits to the same risk.

The transfer needed to be demonstrated to be clearly in Mr B's best interests. But it was unlikely that the SIPP income would be higher than that produced by the scheme. And there's really no sound or detailed basis for the "flexibility" argument, given the guarantees which Mr B would be relinquishing.

Mr B was still over 14 years away from retirement at 65 at the point of advice. So I'm of the view that he didn't need to make any decisions about transferring out his DB scheme at that point. His plans, including retirement, may in any case have changed significantly in the intervening years between then and Mr B reaching age 65.

<u>Scheme future</u>

Mr B approached D (and subsequently Mercia) because he was concerned about his BSPS pension. He was worried about what was happening with his employer and the rumours around the PPF and BSPS2 and wanted advice on the matter. I appreciate that there will be instances where a client seeks financial advice with concerns about the financial health of an employer or pension scheme, but as the professional party, the IFA is tasked with rationally addressing those concerns and providing an appropriately balanced view of the available options.

The suitability reports says that Mr B was concerned because if the scheme transferred into the PPF, he would be provided with compensation that couldn't be altered or transferred out once the scheme had been taken over. And according to the suitability letter Mr B didn't want a rigid income in retirement. But the whole point of the BSPS consultation, which had resulted in the agreement being announced in August 2017, had been to avoid the necessity of the BSPS pension funds entering the PPF, and by the point of the advice the BSPS2 seemed more likely than not to be a viable alternative. But I note that, contrary to these indications, the suitability report said that Mr B did not "*wish to be subject to the compensation that the PPF will provide as this will come with unattractive death benefits and inflexibilities. There is also a cap of 90% of your income applicable and therefore this is an unattractive option for you. A transfer of your pension funds before this potentially falls into the PPF Compensation Scheme is critical to you*".

However, when the advice was given, Mr B had a choice between moving his fund to the PPF or joining BSPS2. Either of these wouldn't have been a bad outcome for Mr B as he would still have been better off than transferring out. And so my view here is that Mr B simply didn't need to make any decisions about transferring his defined benefits at that point. And even if his fund moved to the PPF, this would still have provided him with valuable benefit guarantees which were likely to be in excess of what he would receive by transferring.

I accept that Mr B may have said he didn't want a rigid income and so he was leaning towards the decision to transfer. However, it was Mercia's obligation to give Mr B an objective picture and recommend what was in his best interest.

Preservation of Fund

Mercia said that the CETV had increased in the past year and so Mr B wanted to take advantage of this as it would not only mean that he could leave a legacy for his family but would also ensure that he was financially secure in retirement. And I accept that it was unknow what would happen in the future. Mercia correctly stated that the CETV could reduce or increase. But I've already explained above why I don't feel the death benefits mean that the transfer was in Mr B's best interest. And in terms of providing security in his retirement, I think the transfer did exactly the opposite. It meant that Mr B lost any form of guaranteed income in his retirement and that all his pension provision was now exposed to investment risk.

It may well have been the case that the CETV reduced in the future but this was only really relevant if Mr B concluded that he wanted to transfer out at a later date. On the basis of what was known and recorded about him at the time of the advice, it's difficult to reasonably envisage what might have prompted him to do so. But if there were later flexibility requirements which for whatever reason meant that a transfer out of the scheme was in Mr B's best interests, these could have been addressed nearer to, or at, the point of Mr B's retirement. Any concerns over potential falls in future CETVs wouldn't in my view mean that Mr B should reasonably transfer 14 years from his intended retirement age, especially when I've concluded that the reasons for transferring weren't in Mr B's best interest.

Summary

For the reasons given, I'm not satisfied the recommendation to transfer was suitable for Mr B, nor was it in his best interests. Mercia was aware that, taking account of Mr B's attitude to risk with regard to his pension funds and matching that with the likely corresponding investment returns, it was unlikely that the benefits available from the BSPS, or a successor scheme, could be bettered through the transfer. As the other reasons for transferring were insufficiently compelling, when considered against the valuable benefits being relinquished, it would - or should - then have drawn, and conveyed, the conclusion that transferring wasn't in Mr B's best interests.

Mr B had concerns relating to the BSPS at the time of the advice - and I fully acknowledge this. But Mercia was required to give a balanced assessment of the options available and to provide suitable advice. I've thought about whether Mercia provided Mr B with a balanced appraisal of the options available to him, coupled with a robust and candid discussion about his own concerns relating to the BSPS. Looking at Mr B's objectives - death benefits and flexibility - I don't think the perceived advantage of these outweighed the guaranteed benefits in the scheme. If properly discussed, Mr B's concerns about the existing scheme could have been successfully allayed, such that he appreciated the important guaranteed benefits, even under the PPF, which he would be relinquishing for the sake of death benefits and income flexibility which he didn't need.

The critical yield is usually a telling indicator of the value of the benefits being relinquished. And there's agreement here that the critical yield was unlikely to be achievable to even simply match the scheme benefits. The justification for nevertheless transferring, despite the likelihood that the scheme benefits couldn't be matched (and almost certainly not with the type of investment risk appropriate for Mr B) was that it was nevertheless suitable in view of Mr B's stated objectives and the concerns about the BSPS. Whilst I accept that the critical yield isn't the only factor to consider when weighing the suitability of a transfer, I'm unconvinced by what Mercia considers to have been the overriding justifications for proceeding with the transfer, for the reasons given above.

My view is that Mr B wasn't placed in a properly informed, or suitably advised, position to be able to take that kind of personal responsibility. Mr M's decision to proceed may well have been borne of wider concerns relating to the financial viability of the BSPS. But taking account of his circumstances, including his attitude to risk, his objectives and the guarantees which the BSPS offered and would have persisted with either the BSPS2 or the PPF, my view is that Mercia should have advised against the transfer. And I think that, had this happened, Mr B would have followed that advice and not transferred his benefits to the personal pension.

If Mr B had stayed in BSPS, he would have shortly after had the choice to move to the PPF or transfer to BSPS2. I have carefully considered what Mr B would likely have done and on balance I think he would have opted to move to the BSPS2. I say this because Mr B wanted to retire at the scheme retirement age of 65. As a result, the benefits available to Mr B under the BSPS2 would likely be higher than through the PPF. Also, Mr B was married, and his wife's pension would be set at 50% of his pension at the date of death, and this would be calculated as if no lump sum was taken at retirement (if Mr B chose to do so). The annual indexation of his pension when in payment was also more advantageous under the BSPS2.

Putting things right

My aim is to put Mr B, as closely as possible, into the position he'd be but for Mercia's unsuitable advice. Reinstatement of Mr B's deferred benefits isn't possible. Therefore, Mercia, should undertake a redress calculation in line with the pension review guidance as updated by the Financial Conduct Authority in its Finalised Guidance 17/9: Guidance for firms on how to calculate redress for unsuitable DB pension transfers.

As I've said above, I think it's the benefits offered by the BSPS2 which should be used for comparison purposes. As such, the calculation on the basis of choosing to enter the BSPS2 should be carried out using the most recent financial assumptions at the date of the actual calculation.

Mercia may wish to contact the Department for Work and Pensions (DWP) to obtain Mr B's contribution history to the State Earnings Related Pension Scheme (SERPS or S2P).These details should then be used to include a 'SERPS adjustment' in the calculation, which will take into account the impact of leaving the occupational scheme on Mr B's SERPS/S2P entitlement.

If the redress calculation demonstrates a loss, the compensation in respect of any future loss should if possible be paid into Mr B's pension plan. The payment should allow for the effect of charges and any available tax relief. The compensation shouldn't be paid into the pension plan if it would conflict with any existing protection or allowance.

If a payment into the pension isn't possible or has protection or allowance implications, it should be paid directly to Mr B as a lump sum after making a notional deduction to allow for future income tax that would otherwise have been paid.

Typically, 25% of the loss could have been taken as tax free cash and 75% would have been taxed according to Mr B's likely income tax rate in retirement – presumed to be 20%. So making a notional deduction of 15% overall from the future loss adequately reflects this.

The compensation amount must where possible be paid to Mr B within 90 days of the date Mercia receives notification of his acceptance of my final decision.

Further interest must be added to the compensation amount at the rate of 8% per year simple from the date of my final decision to the date of settlement for any time, in excess of that 90 day period, that it takes Mercia to pay Mr B.

It's possible that data gathering for a SERPS adjustment may mean that the actual time taken to settle goes beyond the 90 day period allowed for settlement above – and so any period of time where the only outstanding item required to undertake the calculation is data from DWP may be added to the 90 day period in which interest won't apply.

Where I uphold a complaint, I can award fair compensation of up to £160,000, plus any interest and/or costs that I consider are appropriate. Where I consider that fair compensation requires payment of an amount that might exceed £160,000, I may recommend that the business pays the balance.

Determination and money award: I require Mercia to pay Mr B the compensation amount as set out in the steps above, up to a maximum of £160,000. Where the compensation amount does not exceed £160,000, I additionally require Mercia to pay Mr B any interest on that amount in full, as set out above.

Where the compensation amount already exceeds £160,000, I only Mercia to pay Mr B any interest as set out above on the sum of £160,000.

Recommendation: If the compensation amount exceeds £160,000, I also recommend that Mercia pays Mr B the balance. I additionally recommend any interest calculated as set out above on this balance to be paid to Mr B.

If Mr B accepts my decision, the money award is binding on Mercia. My recommendation is not binding on Mercia. Further, it's unlikely that Mr B can accept my decision and go to court to ask for the balance. Mr B may want to consider getting independent legal advice before deciding whether to accept this decision.

My final decision

My decision is that I uphold the complaint. Mercia Financial Planning Limited should undertake the above calculation and pay any resulting redress as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 April 2022.

Lorna Goulding
Ombudsman