

The complaint

Mr S complains about the advice given by Dobson & Hodge Limited to transfer the benefits from his defined-benefit ('DB') occupational pension scheme with British Steel ('BSPS') to a personal pension arrangement. He says the advice was unsuitable for him and believes this has caused a financial loss.

What happened

In March 2016, Mr 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'). Alternatively, members were informed they could transfer their benefits to a private pension arrangement.

Mr S was concerned about what the announcement by his employer meant for the security of his DB scheme, so he sought advice. In August 2017 Mr S met with Dobson & Hodge and it completed a financial planning questionnaire to gather information about his circumstances and objectives. Dobson & Hodge also carried out an assessment of Mr S' attitude to risk, which it initially deemed to be 'cautious' – a rating of 1 on a scale of 1-5. This was later revised upwards to 'cautious to moderate.'

Following a further meeting in September 2017 where Dobson & Hodge presented its draft advice and recommendation, on 16 October 2017 it issued its formal written advice for Mr S to transfer his BSPS benefits into a personal pension arrangement and invest the proceeds in investment funds, which it deemed matched Mr S' attitude to risk. In summary the suitability report said the reasons for the recommendation were that, while the transfer wasn't in Mr S' financial best interests, because of his desire for flexibility in retirement, it was felt his broader best interests were satisfied by transferring.

Around the same time in October 2017, members of the BSPS were sent a "Time to Choose" letter which gave them the options to either stay in BSPS and move with it to the PPF, move to BSPS2 or transfer their BSPS benefits elsewhere. The deadline to make their choice was 11 December 2017 (and was later extended to 22 December 2017).

Mr S' pension transfer duly completed and around £513,000 was received into his new personal pension.

Mr S complained to Dobson & Hodge in 2021 about the suitability of the transfer advice.

Dobson & Hodge didn't uphold Mr S' complaint. In summary it said the transfer advice was suitable in light of his needs and circumstances at the time. It said the transfer gave Mr S the opportunity to retire early, take more money in the early years, and with a view to reduce the income taken once his state pension became payable. It said it clearly informed Mr S of the risks, advantages and disadvantages of transferring, including that over his lifetime the income from a DB scheme would pay more money than a personal pension arrangement and that a personal pension offered no guarantees that the money wouldn't run out.

Dissatisfied with its response Mr S asked this service to consider his complaint. And an investigator upheld it and said Dobson & Hodge should pay Mr S compensation. In summary they said they didn't think the advice was suitable. They said the transfer wasn't financially viable given the growth rates required to match Mr S' DB scheme benefits and because the advice paperwork clearly set out that Mr S valued guarantees and certainty, over growth and opportunity. They said that while the suitability report did set out things in a way Mr S' ought to have understood, this didn't mean the advice was suitable. They said they didn't think there were any good reasons to recommend the transfer because Mr S' retirement needs weren't known – he could've deferred his decision closer to retirement when he'd likely better understand whether flexibility of income was more valuable to him than a guaranteed income for life. They said they thought if things had happened as they should have, Mr S would have remained in his occupational scheme and opted into the BPS2.

Dobson & Hodge disagreed. In summary it said that both the PPF and the BPS2 would've resulted in reduced escalation at retirement and because 25% of Mr S' total benefit was in respect of pre-97 service, if he had chosen the BPS2 and taken a transfer value later on it would've dramatically affected the value that would've been offered by the scheme. It said if it had calculated the critical yields based on the BPS2 instead of the existing scheme, they would've been lower – so the investigator's measure against the discount rate is not a true reflection of the situation Mr S would've been in. It said it used the existing scheme as the higher critical yields drilled home how valuable the DB scheme benefits were. It went on to explain why the recommendation was suitable – primarily because Mr S wanted flexibility – and it said Mr S was clearly told on several occasions about the guarantees he was giving up by transferring. It said given Mr S' complaint is that he's unhappy about the guaranteed benefits he gave up, it doesn't see why the complaint was upheld given Mr S signed to say he understood this at the time.

Following the investigator saying they weren't persuaded to change their opinion, Dobson & Hodge told us that, without admission of liability, it had carried out a loss assessment. And this showed that Mr S had not suffered a loss and so there was no need for it to pay any redress. It subsequently said that it wished to offer Mr S £500 to settle the matter.

Despite the investigator telling Mr S that in their view the loss calculation had been carried out in line with what they'd recommended in their assessment – i.e. in line with the regulator's guidance – and there was nothing to indicate it'd been carried out incorrectly, Mr S did not accept the offer. In summary he said he isn't happy with things – he feels overwhelmed with everything and that it seems he's now in a bad compensation process and he's going to be on the losing end of this as well as the poor advice to transfer out.

Because things couldn't be resolved informally, the complaint was 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.

Ordinarily in a case like this, I'd consider the evidence presented by both parties to the dispute to determine whether the advice complained about – in this case the advice provided by Dobson & Hodge to transfer Mr S' BPS scheme benefits to a personal pension arrangement – was suitable or not in the circumstances, taking into account relevant law and regulations, regulator's rules, guidance and standards and codes of practice, and what I

consider to have been good industry practice at the time. And if I found it was unsuitable, I'd direct Dobson & Hodge to put things right.

But in this particular case, it's not necessary for me to do this. This is because Dobson & Hodge has already carried out a loss calculation, which shows that Mr S has not lost out as a result of the advice he received in October 2017 – there is nothing to redress. The loss assessment or calculation is in line with what the investigator recommended Dobson & Hodge should do to put things right when they upheld the complaint, which in turn is in line with the Financial Conduct Authority's (FCA) Finalised Guidance 17/9: Guidance for firms on how to calculate redress for unsuitable DB pension transfers. This redress methodology is also the choice Mr S made when we previously asked him whether he preferred any redress to be calculated now in line with current guidance or wait for the new guidance /rules to come into effect in April 2023.

If a complaint is upheld, the aim of any redress is to put a consumer, as far as possible, into the position they would be in now but for the business' wrong doing. And I'm satisfied that in Mr S' case, a calculation in line with FG17/9 as I set out above, is an appropriate way to do this. Dobson & Hodge has already carried this out, which if I was to uphold his complaint, is what I would tell it to do to determine whether Mr S had suffered a financial loss as a result of the pension advice he received.

So it follows that, even if I was to uphold Mr S' complaint and find Dobson & Hodge's advice was unsuitable in this case, Mr S would not receive any compensation because it's already been determined that he's not suffered a financial loss.

While as the investigator told Mr S, we're not able to give an actuarial assessment of the calculation, I've not seen anything to indicate that it is not in line with what I would expect Dobson & Hodge to do in this case. And Mr S has not given any reason why he thinks the calculation is wrong – he's just disappointed. So I'm satisfied it would not be fair to direct Dobson & Hodge to carry out the calculation again - there's nothing more Dobson & Hodge needs to do to put things right.

I understand Mr S is disappointed at not receiving compensation and he feels he's on the losing end of the compensation process - but what this all essentially means is that Mr S' pension fund has sufficient value now to enable him to purchase an income that he would otherwise have received from his DB scheme. So I hope he can see that, he's not lost out as a result of the advice he received, which is why there is no compensation payable here.

My final decision

I've decided that, even if I found the advice to transfer Mr S' BPS pension to a personal pension was unsuitable and I upheld the complaint, no compensation is payable in any event. This is because I'm satisfied Dobson & Hodge Limited has already carried out a calculation in line with what I would direct it to do to determine fair redress in this case, and this shows there is no loss – Mr S has not lost out as a result of the advice he received.

Dobson & Hodge Limited has nevertheless offered to pay Mr S £500, which in the circumstances is fair. So Dobson & Hodge Limited should pay Mr S £500. There's nothing more Dobson & Hodge Limited needs to do to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 February 2023.

Paul Featherstone

Ombudsman