

The complaint

Mr H complains that he was given unsuitable advice by BeaconIFA Limited ('Beacon') to transfer the benefits from his defined benefit ('DB') scheme with British Steel ('BSPS') to a personal pension. He says the advice was unsuitable for him and believes this has caused a financial loss.

What happened

In March 2016, Mr H'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.

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 H's employer would be set up – the BSPS2.

In September 2017, the DB scheme administrators sent Mr H information about his entitlement under his current DB scheme including a cash equivalent transfer value ('CETV') illustration. The CETV stated that Mr H had 21 years and 5 months of pensionable service in the DB scheme and that the total transfer value of his benefits was £339,381.10.

Also in October 2017, members of the BSPS were sent a "Time to Choose" letter which gave them three options; to either stay in BSPS and move with it to the PPF, move to the 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 H was in the process of transferring his DB scheme with another firm of financial advisers when it had its permissions withdrawn by the regulator. Mr H was subsequently referred to Beacon by some colleagues and it took over the transfer process. An initial meeting was arranged between Beacon and Mr H on 2 January 2018 during which a fact-find was completed to gather information about Mr H's circumstances and objectives.

It was noted on the fact-find that Mr H was aged 45 as was his wife. They had two adult children who were financially independent. It also noted that Mr H earned £2,243 per month and his wife earned £1,892. Their home was documented as being valued at £300,000 with a repayment mortgage of £117,000. In addition Mr and Mrs H owned a buy-to-let property valued at £120,000 which was mortgage free and Mr H had £15,000 in cash savings. Mr H also had a caravan loan for £8,000. It was further noted Mr H and his employer were contributing 18% of his salary per month to his employer's new defined-contribution ('DC') pension scheme and this scheme, together with another DC scheme Mr H had, had a combined total value of £27,375. It was further noted that Mrs H was a member of her employer's DB scheme in which, by the time she retired, she would have accrued 29 years of service.

On 3 January 2018, Beacon sent Mr H a transfer value analysis report ('TVAS'). On 16 January 2018, Beacon sent Mr H its suitability report in which it recommended he transfer his BPS DB pension benefits to a personal pension plan. Beacon said Mr H would benefit both from being able to access his benefits flexibly from age 55 and from a larger amount of tax-free cash than that offered by the BPS. It also said that the transfer was financially viable.

The suitability report also documented that Mr H's attitude to risk ('ATR') was 'highest medium' or 7 on a scale of 1 to 10. And it noted Mr H's objectives for transferring his DB benefits were: - wanting to retire at age 60; wanting choice and flexibility on how he drew his pension benefits; having the ability to take tax-free cash at age 55 to clear his mortgage; to take advantage of the high CETV on offer; to move away from the BPS and to have flexible death benefits.

Mr H accepted Beacon's recommendation and the transfer took place in January 2018.

In September 2022, Mr H complained to Beacon about the advice he received, believing it may have been unsuitable for him and that he had suffered a financial loss as a result. Mr H said he should have been advised to join the BPS2. Beacon looked into Mr H's complaint, issuing him with its final response letter on 3 November 2022. It said that he hadn't been made financially worse off by transferring, that he could not have met his objectives by remaining in the BPS and that he had the necessary appetite for risk to make the transfer. Having undertaken a redress calculation in accordance with the Financial Conduct Authority's ('FCA') guidance in FG17/9, Beacon said that Mr H had not sustained a financial loss so he would be due no redress in any event.

In April 2023, unhappy with the outcome of his complaint to Beacon, Mr H complained to the Financial Ombudsman Service.

In May 2023 Beacon wrote to Mr H to say that it had undertaken a redress calculation using the FCA's recently established BPS-specific redress calculator to work out if Mr H had suffered a financial loss as a result of its advice. Beacon said it had completed the calculation and this showed Mr H hadn't suffered a loss. Beacon offered Mr H £500 as a gesture of goodwill which would be withdrawn if he pursued his complaint with the Financial Ombudsman Service.

Our Investigator looked into Mr H's complaint for him and in June 2023 he recommended that it was upheld as he didn't think it was in Mr H's best interests to transfer his guaranteed benefits to a personal pension plan nor did he think a compelling need for him to do so had been identified.

Our Investigator said he didn't think there was any reasonable prospect of Mr H improving on his guaranteed scheme benefits based on investing in line with his ATR. So he didn't think that the transfer was a financially viable one. He also thought the alternative death benefits available through the personal pension weren't worth Mr H giving up the guarantees associated with his DB scheme for. And our Investigator thought that Mr H's other objectives of early retirement and flexibility could have been met through utilising the benefits available through either the BPS2 or utilising his two DC schemes.

Our Investigator thought that Beacon should have advised Mr H to opt into the BPS2 so he recommended that Beacon should calculate whether Mr H had suffered a loss as a result of its advice to transfer. The Investigator also recommended that Beacon should pay Mr H £500 to address the distress and inconvenience caused by the receipt of its unsuitable advice.

Beacon replied to say that it accepted our Investigator's findings that its advice had been unsuitable even though it didn't agree with his findings in their entirety. It said it remained happy to settle the complaint. It said the calculation it had recently undertaken remained valid until 18 August 2023 so there was no need for it to recalculate it as it showed Mr H had suffered no loss. Beacon also said that its offer to pay Mr H was withdrawn as it had been made as a gesture of goodwill and the deadline for accepting it had now passed. Finally Beacon said it would extend the deadline in relation to its offer to pay Mr H £500 but only if he accepted its recent redress calculation thereby preventing it incurring any further administrative burden or costs in relation to his complaint.

Mr H advised our Investigator that he wanted his complaint referred for an Ombudsman's decision.

In September 2023, our Investigator asked Beacon whether it would carry out the calculation again as the previous one had now expired. Beacon said that it would do so.

Beacon ran the BSPS-specific redress calculator again which again showed that Mr H had suffered no loss. It also offered to pay Mr H £500 if the complaint did not proceed to an Ombudsman's final decision.

Our Investigator told Mr H that he had checked the calculation and that it had, in his view, been carried out correctly save for a tiny error that would not impact the overall result. Our Investigator said that there was no shortfall in Mr H's pension and that he was on track to be able to replicate his DB benefits in retirement. Our Investigator said that Beacon had agreed to extend its original offer to pay Mr H £500 for any distress and inconvenience he'd been caused providing the complaint was now closed.

Mr H advised our Investigator that he didn't accept Beacon's offer and wanted his complaint referred for an Ombudsman's decision.

Whilst the complaint was awaiting allocation for an Ombudsman's decision, Beacon ran the BSPS-specific redress calculator again because the previous calculation was about to expire. The new redress calculation again showed that Mr H had suffered no loss. Beacon also said that it had previously stated that its offer to pay Mr H £500 as a gesture of goodwill would be withdrawn if he opted to proceed to an Ombudsman's decision. Beacon said it was however willing to pay an amount between £200-£300 which it felt to be more in line with what this service normally awarded in similar complaints.

Our Investigator told Mr H that the redress calculation had been re-run, that he had checked it and that it had, in his view, been carried out correctly. Our Investigator said that there was no shortfall in Mr H's pension and that he was on track to be able to replicate his DB benefits in retirement. Our Investigator said that because Beacon had withdrawn its offer to pay Mr H £500 as a gesture of goodwill, he had revisited the matter of compensation and was of the view that the amount of £300 was more appropriate in the circumstances.

The complaint has been passed to me to make 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.

As I have set out above, Beacon informed us in July 2023 that it was willing to accept our Investigator's findings in an attempt to bring the matter to a close even though it didn't agree

with what our Investigator had said in its entirety. As the suitability of the advice is no longer in dispute, I'll focus my decision on the redress methodology.

In accepting our Investigator's findings, Beacon has acknowledged that it must compensate Mr H for any distress and inconvenience its unsuitable advice caused him. Beacon told our Investigator that it considered a compensation amount of £200- £300 to be more appropriate in the circumstances and our Investigator has communicated to both parties to this complaint that he considers the amount of £300 to be fair and reasonable in the circumstances.

I've noted the comments made by Mr H about the stress caused to him as a result of the whole issue with his pension, particularly at the end of 2017 when he felt pressurised into making a decision about what to do. Mr H says it has had a significant impact on his life which remains ongoing particularly the market fluctuations his personal pension is exposed to. Mr H said he didn't have these worries when his pension was in the DB scheme. I've also noted what Mr H has said about the health condition he suffers from and how the stress related to his pension has exacerbated the condition.

Whilst I'm sorry to hear about Mr H's health condition, I've seen no evidence that it is directly attributable to any stress associated with the advice he received from Beacon. I would need to see some evidence that specifically linked his medical diagnosis to any stress Beacon had caused him if I were to consider increasing the amount of compensation he should be awarded for the trouble and upset he's been caused. I've thought carefully about the amount of compensation I am awarding Mr H here and I'm satisfied that it is in line both with the Financial Ombudsman Service's approach to such awards in general and with awards we have made in similar complaints. So I'm not awarding any more than the £300 recommended by the Investigator.

Putting things right

I'll focus in this decision on how to put things right for Mr H as no agreement could be reached.

The aim is to put Mr H back in the financial position he would have been in at retirement had he remained in the DB scheme. Beacon carried out a calculation using a specific BPS 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 BPS retirement benefits that they would have been entitled to under either BPS2 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 BPS 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 BPS calculator has been developed by actuaries and is programmed by the FCA with benefit structures of the BPS, BPS2 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 Beacon which are personal to Mr H. These include Mr H's personal details, his individual benefits from the BPS 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 BPS, he would have moved to the BPS2 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 H'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 H has not suffered a financial loss by transferring his pension.

Beacon has agreed to pay £300 as recommended by our Investigator for the distress and inconvenience this matter has caused him.

Overall, I think the calculation carried out by Beacon is appropriate in the circumstances and no redress for financial losses is due to Mr H. I think paying Mr H £300 for the distress and worry he experienced as a result of realising he was unsuitably advised to move his DB scheme and that he could have suffered a financial loss as a consequence, is fair and reasonable in the circumstances. I've also thought about compensation awards that I've made in complaints with similar circumstances and I'm satisfied that this award is in line with those and with the Financial Ombudsman Service's approach to compensation in general.

My final decision

My final decision is that I uphold this complaint and require BeaconIFA Limited to pay Mr H a sum of £300 for the worry he says this matter has caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 23 February 2024.

Claire Woollerson
Ombudsman