

The complaint

Mr H has complained that Towers Watson Limited trading as Willis Towers Watson (Towers Watson) 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 Towers Watson having previously found that the advice provided to Mr H regarding his BSPS pensions transfer was unsuitable. In particular Mr H had concerns about the discount rate and assumptions used for the calculations and the treatment of charges and growth rates.

What happened

Mr H met with Towers Watson January in 2018 and was advised to transfer his defined benefit (DB) pension with British Steel into an Aviva 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. And, if a financial loss was identified, to make a redress payment to consumers to compensate them.

On 7 July 2023 Towers Watson contacted Mr H to inform him that the advice he had been given in 2018 had been found to be unsuitable as part of their review under the BSPS consumer redress scheme. On 28 September 2023 Towers Watson wrote again to Mr H to explain that a calculation had been completed using the FCA BSPS Calculator, and that these calculations indicated that Mr H hadn't suffered any financial loss as a result of the unsuitable advice. As such, Towers Watson informed Mr H that no compensation was payable to him under the scheme.

Mr H was disappointed with this outcome and sought assurance from this Service that Towers Watson had correctly applied the redress scheme rules relating to the loss calculations.

Our investigator established that Towers Watson had directed an independent third party - TCC - to undertake the redress calculations on their behalf, and that TCC had used the FCA BSPS Calculator to undertake the calculations, as directed under the scheme rules.

Our investigator reviewed a copy of these calculations and concluded that the correct inputs had been entered in calculator, including Mr H's personal details, his individual benefits from the BSPS at the date he left the scheme, and the correct value of his personal pension. As such, our investigator was satisfied the calculations had been completed in line with the relevant scheme rules and guidance.

Mr H didn't agree and expressed concerns about the calculator, including the indexation used, and the investment returns and assumptions. Our investigator explained that the indexation and assumptions were built into the FCA calculator, and that this Service's role is limited to checking the scheme rules have been correctly applied. Our investigator also

clarified that if Mr H wished to pursue his questions regarding the calculator methodology, he would need to take this up with the FCA directly.

Mr H continued to disagree. As our investigator was unable to resolve things, this 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 Towers Watson 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 Towers Watson 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 H as much as possible back into the financial position he would have been in at retirement, *but for* the unsuitable advice from Towers Watson. To do this it is necessary to make some assumptions, using the best information available, about what would've most likely happened if Mr H had not been advised by Towers Watson to transfer his BSPS benefits.

In Mr H's case, one assumption is that he would've ended up in the replacement scheme, BSPS2. Another assumption is that Mr H would have taken his pension benefits at age 65. These are the assumptions that are most favourable to Mr H and would've provided the highest benefits. Given what I know of Mr H's circumstances and intentions, I agree these are fair assumptions in this case.

The FCA BSPS Calculator uses these assumptions, in combination with personal data about Mr H's circumstances and wider economic and demographic information, to generate the total sum Mr H would currently need in his personal pension arrangement to secure equivalent retirement benefits to those he would've been entitled to under BSPS2. 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). As Mr H is paying ongoing advice fees, the calculations have correctly included an adviser charge of £3,000.

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 or exceed the benefits he would have received at age 65 had he remained in the scheme. This is because Mr H's current personal pension value, on current assumptions, will be sufficient to buy an annuity at 65, including a spouse's pension which provides the same benefits as the BPS2.

As the calculation shows there is no shortfall, no redress payment is due to Mr H. Put in simple terms, even though the advice was unsuitable at the time, the transfer has actually not led to any losses for Mr H based on current calculations. So, there's nothing to compensate him for.

I have checked the inputs entered into the FCA Calculator. These include Mr H'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 H 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 H 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.

The concerns Mr H has expressed predominantly relate to the methodology underpinning the FCA calculator, including the data inputs required and the various assumptions used to complete the calculation. As our investigator has already explained, neither Towers Watson nor this Service is empowered to amend this methodology. This Service's role is simply to ensure that the scheme rules have been correctly applied.

My final decision

In summary, Towers Watson Limited (trading as Towers Willis Watson), has correctly followed the redress methodology set out in the FCA's BPS consumer redress scheme and that Mr H hasn't suffered a financial loss as a result of the unsuitable advice to transfer.

If Mr H accepts my decision, Towers Watson Limited will be required to follow the steps set out in CONRED 4.4.11 R (2). These steps require Towers Watson to bring the calculations up-to-date by undertaking recalculations within two weeks of Mr H'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 H to accept or reject my decision before 1 May 2024.

A handwritten signature in blue ink, appearing to read 'E. Clare', with a stylized flourish at the end.

Ellie Clare
Ombudsman