

The complaint

Miss G complains that the advice Sesame Limited (Sesame) gave her in 1993 to transfer her defined benefit (DB) pension with her former employer to a personal pension arrangement wasn't in her best interests.

Miss G was advised by MRH Consultants. As Sesame is now responsible for the advice given and for ease of reading I've just referred below to Sesame.

Miss G is represented in bringing her complaint.

What happened

Miss G's complaint was considered by one of our investigators. She issued her assessment of the complaint on 10 July 2025. She set out the background and circumstances of the complaint. But, as she noted, limited records have survived and most of the background information has been provided by Miss G.

Miss G was a deferred member of her former employer's DB pension scheme. She had almost 14 years' service. In 1993 the pension had a transfer value of £18,394 with an annual pension of at least £1,636 in retirement. Miss G was 38 or 39, married with no financial dependents. She says she was employed full time and a homeowner with a mortgage. She didn't have any other retirement provision, no significant assets or savings, limited investment experience and a balanced attitude to risk. She says Sesame recommended she transfer her DB benefits to a personal pension. She recalls that was to provide reassurance as to the security of her pension as she believed the DB scheme might've been in financial difficulties. She signed the transfer application form on 21 May 1993.

In August 2011 she transferred to a new personal pension provider. The transfer value was £58,548.

In January 2024 Miss G complained via her representative about the advice to transfer out of the DB scheme.

When the complaint was referred to us, the investigator first considered jurisdiction, that is if we could consider the complaint, bearing in mind the advice had been given in 1993. She said she hadn't seen anything which suggested Miss G should've have raised her concerns sooner. Although she was likely aware of her pension fund value in 2011 when she transferred it to a new provider, she had limited investment experience and the transfer value was considerably higher than the amount she'd transferred in. Miss G had said she was only aware there could be a potential problem with the advice she'd been given once she'd spoken with her representative in early 2024. Her complaint was made shortly after and so in time.

Our investigator also thought that the complaint should be upheld. The benefits Miss G had accrued in the DB scheme offered a guaranteed income for life and would form a significant part of her total pension provision. She had a low capacity for loss and the security offered by the DB scheme would've been important to her. The investigator said, because of the

limited information available, it wasn't possible to calculate if the transfer was financially viable. But it was reasonable to assume that, for someone in Miss G's situation, without other retirement provision in place, a guaranteed income would be in her best interest, rather than putting her retirement savings at risk in the market. The investigator said she hadn't seen any specific information which showed why the DB scheme members might've been concerned in 1993.

Sesame said it didn't agree with the investigator's findings and asked for the complaint to be referred to an ombudsman. The investigator asked Sesame if some reasoning could be provided. It appeared, from what Miss G's representative told us, that Sesame had asked it for some further information. However Sesame replied to us saying although it wasn't in receipt of all the information it required to respond to the investigator's view, it was happy for the case to be referred to an ombudsman.

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.

I've first considered jurisdiction. We're required to keep jurisdiction under review throughout our consideration of a complaint, up to and until we issue a final decision. But, and in the absence of any arguments put forward by Sesame as to why the complaint may have been made too late, I agree with the investigator's views – that the complaint has been made outside the primary six year period in Dispute Resolution (DISP) 2.8.2R (2) (a) but within three years of when Miss G became aware (or ought reasonably to have become aware) she had cause for complaint as per DISP 2.8.2R (2) (b).

As to the merits of the complaint, and again in the absence of any comments from Sesame in response to the investigator's view, I've also come to the same conclusions as the investigator and for largely the same reasons.

I'm conscious that there's very limited contemporaneous evidence available. It was a firm's responsibility to retain its pension transfer records to enable it to demonstrate it had complied with the relevant rules. However, Sesame acquired the advising firm and it seems that records relating to the transfer haven't survived. So we've relied on what Miss G says about her circumstances at the time. I'm satisfied I can fairly decide the complaint based on such information as there is.

I'd add that I'm not looking at the complaint based on how DB transfers are dealt with today or applying relevant rules and guidance retrospectively. I also bear in mind that in 1993 investment conditions were very different. The rates of return that might've reasonably been considered as achievable were very different to today.

It was however accepted at the time that transferring from a DB pension scheme to a personal pension involved taking a risk. Miss G was moving her pension away from a largely guaranteed arrangement that would've provided a secure and increasing income throughout her retirement, to a risk based pension – subject to both investment and annuity rate risk.

We don't know what investment return was required to match the benefits that would otherwise have been payable from the DB scheme and whether that would likely have been considered reasonably achievable at the time. There was a reasonable term left to Miss G's retirement. I think her deferred benefits from the DB scheme would've been payable when she reached age 60 and she was 38 or 39 at the time of the transfer. So there was still some time before her retirement, whether that would be at age 60 or later, meaning there was a reasonable period for the transfer value to grow. And, in addition, Miss G had time to make

further pension provision. I note she was employed full time at the time of the transfer. It's possible her employer would've offered a pension arrangement that she could've joined.

But the transfer – based on some 14 years' service – represented a significant proportion of her retirement provision and could've provided an important baseline income in retirement. The transfer meant that Miss G had to take an appreciable degree of risk. She's told us that her attitude to risk was balanced. That's what she now recalls after the event so it's unclear if that's what was recorded at the time. But a balanced or medium approach doesn't seem inconsistent with her circumstances at the time.

However, even if she was prepared to take some risk, the DB pension offered valuable guarantees. Taking into account that it represented some 14 years' service and given her lack of other pension provision or other assets, I think the transfer presented more risk than she should've been advised to take.

Miss G recalls being worried about the security of her DB pension. However it was a large statutory scheme. Members don't contribute and the scheme is unfunded which means benefits are payable from public money and ultimately taxpayers. So effectively benefits are guaranteed by the government. I think Miss G should've been reassured about the security of the DB scheme and told that any perceived concerns didn't justify transferring. I agree with the investigator that redress should be aimed at putting Miss G back in the position she'd now be in, if she hadn't transferred. To that end, I've set out below what Sesame needs to do to put things right, based on the regulator's current rules and guidance for redress for unsuitable defined benefit transfers.

Putting things right

A fair and reasonable outcome would be for Sesame to put Miss G as far as possible, into the position she'd now be in but for the unsuitable advice. I consider she'd have likely remained in DB scheme.

Sesame should therefore undertake a redress calculation in line with the rules for calculating redress for non-compliant pension transfer advice, as detailed in [Policy Statement PS22/13](#) and set out in the regulator's handbook in [DISP App 4](#).

For clarity, Miss G is now retired so this should be the basis for the calculations. This calculation should be carried out using the most recent financial assumptions in line with PS22/13 and DISP App 4. In accordance with the regulator's expectations, the calculation should be undertaken or submitted to an appropriate provider promptly following receipt of notification of Miss G's acceptance.

If the redress calculation demonstrates a loss, as explained in PS22/13 and set out in DISP App 4, Sesame should:

- calculate and offer Miss G redress as a cash lump sum payment,
- explain to Miss G before starting the redress calculation that:

redress will be calculated on the basis that it will be invested prudently (in line with the cautious investment return assumption used in the calculation), and

a straightforward way to invest the redress prudently is to use it to augment the current defined contribution pension

- offer to calculate how much of any redress Miss G receives could be used to augment the pension rather than receiving it all as a cash lump sum,
- if Miss G accepts Sesame's offer to calculate how much of the redress could be augmented, request the necessary information and not charge Miss G for the calculation, even if she ultimately decides not to have any of the redress augmented, and
- take a prudent approach when calculating how much redress could be augmented, given the inherent uncertainty around Miss G's end of year tax position.

Redress paid directly to Miss G as a cash lump sum in respect of a future loss includes compensation in respect of benefits that would otherwise have provided a taxable income. So, in line with DISP App 4.3.31G(3), Sesame may make a notional deduction to allow for income tax that would otherwise have been paid. Miss G's likely income tax rate in retirement is presumed to be 20%. In line with DISP App 4.3.31G(1) this notional reduction may not be applied to any element of lost tax-free cash.

My final decision

I uphold the complaint. Sesame Limited must calculate and pay fair compensation to Miss G as I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 16 October 2025.

Lesley Stead
Ombudsman