

Consumer redress scheme for unsuitable advice to transfer out of the British Steel Pension Scheme

Policy Statement

PS22/14

November 2022

This relates to

Consultation Paper 22/6
which is available on our website at
www.fca.org.uk/publications

Email:

cp22-6@fca.org.uk

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1 Summary

- 1.1** This policy statement (PS) sets out final rules for a redress scheme for former members of the British Steel Pension Scheme (BSPS) who transferred out of it after being given unsuitable advice to do so. The rules require firms to assess any advice they gave to BSPS members to transfer out and to pay redress if the advice was unsuitable and caused the consumer a loss. In this PS we summarise the feedback we received to consultation paper (CP) [CP22/6](#), our response to that feedback, and our final rules for a consumer redress scheme under section 404 (s.404) of the Financial Services and Markets Act 2000 (FSMA). We also summarise the feedback that we received to [CP22/15](#), which set out our proposals for how firms should calculate and pay redress for scheme cases.

Who this affects

- 1.2** These new rules will affect consumers who were members of BSPS and were advised to transfer out of it. Consumers covered by the scheme will have the pension transfer advice they received assessed by the firm who gave the advice. They might be asked to provide some information to help with that assessment. If the consumer suffered a loss because of unsuitable advice, they will be offered redress. If the firm finds that the advice was suitable, consumers will be asked if they want to refer their cases to the Financial Ombudsman Service. The Financial Ombudsman Service will then consider if the firm has applied the scheme rules correctly when assessing suitability. Consumers can also refer their cases to the Financial Ombudsman Service at other stages of the scheme if they have concerns about determinations the firm has made under the scheme.
- 1.3** These new rules will also affect firms who advised consumers to transfer out of BSPS. Firms will be required to assess the advice they gave on all cases within the scope of the scheme. If the advice was unsuitable, firms will be required to pay redress to consumers to put right any loss caused to them. Redress aims to put consumers back into the financial position they would have been in had they remained in the BSPS. We are proposing that where possible, if the consumer has not retired, redress should be invested in the consumer's personal pension, so it grows to an amount that allows the consumer to buy an annuity on retirement that provides a guaranteed income.

The wider context of this policy statement

Our consultation

- 1.4** In [CP22/6](#) we consulted on rules to establish a redress scheme for consumers who were advised to transfer out of the BSPS. We had found that a large number of BSPS members suffered financial loss after being advised to transfer out. BSPS is a well-documented and highly exceptional case. Our evidence, covered in more detail in Chapter 3, suggests 46% of all transfers were unsuitable. This suggests much higher levels of poor advice overall, as compared with what we have seen in higher-risk firms in non-BSPS pension transfer cases (17%). In [CP22/6](#), we explained that despite our

efforts to encourage complaints, only around 10% of BSPS consumers who received advice have complained. If we do not take action now it is likely that a number of consumers would be time-barred from making a complaint if they wanted to do so in the future.

- 1.5** We proposed to implement a consumer redress scheme that requires firms who provided advice to transfer out of the BSPS to review the advice they gave, identify if it was unsuitable and calculate and pay redress to consumers where required. A key objective of the scheme is to ensure that anyone who has lost out financially after receiving unsuitable advice can get any redress they may be owed.
- 1.6** In CP22/15 we consulted on redress calculation rules for the proposed scheme as part of a broader consultation on changes to the general methodology for calculating redress for non-compliant pension transfer advice. Today we have also published final rules relating to the general methodology.
- 1.7** We are also consulting in CP22/22 on extending the temporary asset retention rules to ensure that the rules would continue to apply until firms have resolved all relevant BSPS cases that are subject to the rules of the consumer redress scheme and other relevant cases outside the scheme.

How it links to our objectives

Consumer protection

- 1.8** The redress scheme will advance our objective to secure an appropriate degree of protection for consumers, by ensuring that consumers who received unsuitable advice and suffered harm receive redress.

Competition

- 1.9** We have considered the impact that the proposed redress scheme will have on competition and we are satisfied that it promotes effective competition in the interests of consumers consistent with our competition duty under section 1B(4) of the Financial Services and Markets Act 2000 (FSMA).

What we are changing

- 1.10** We have decided to implement a redress scheme. The redress scheme is intended, as far as practically possible, to put BSPS members – who suffered a loss because of unsuitable advice to transfer their pension – back in the position they would have been if the advice had been suitable and complied with our requirements. Redress aims to put consumers back into the financial position they would have been in had they remained in the BSPS.
- 1.11** The scheme will cover consumers who received advice between 26 May 2016 and 29 March 2018 to transfer out of BSPS. 26 May 2016 is when the Department for Work and Pensions (DWP) launched a consultation on BSPS and 29 March 2018 is when BSPS entered Pension Protection Fund (PPF) assessment and was closed to transfers.

During this time BSPS members went through a set of unique events, which caused harms to many of those who transferred their pension.

What steps will firms be required to take under the scheme?

- 1.12** The scheme requires firms who gave the advice to assess whether it was suitable, tell consumers the outcomes of their assessments and pay redress if the unsuitable advice caused the consumers to suffer a financial loss. Where firms decide that the advice they gave was suitable, they will be required to pass consumer details on to us so we can assist consumers to refer cases to the Financial Ombudsman Service for an independent review.

Who will not be covered by the redress scheme

- 1.13** Information for consumers on the groups of people not covered by the scheme, and the steps they can take, is set out below.
- 1.14** If a consumer is excluded from the scheme for one of the reasons below but think they should be included, they can complain to the Financial Ombudsman Service.

Customers of firms who have already gone out of business or who go out of business during the scheme

If your adviser has gone out of business, you should make a claim with the Financial Services Compensation Scheme (FSCS). If the FSCS finds you had poor advice and that you are owed money, they can compensate you up to £85,000. You can find a list of firms that gave BSPS advice and are no longer trading, and how to make a claim at www.fscs.org.uk/bsps.

If a firm subject to the scheme fails, or cannot meet its liabilities, FSCS will assess the claims of the firm's customers using the methodology set out in the scheme rules.

People who were given advice to transfer out of the BSPS but not between 26 May 2016 and 29 March 2018

Check your paperwork to find out when you were advised to transfer. If you received advice before 26 May 2016, you will not be covered by the scheme. You can find out how to [check your advice](#) and make a complaint yourself on our website.

People who have already accepted compensation

This could be after you made a complaint, because we already asked the firm to review its previous advice or where you have accepted compensation from FSCS. The outcome you received is likely to be the same as if your case had been considered as part of the scheme.

People who have already referred complaints to the Financial Ombudsman Service

This could be after a complaint to the firm or because we asked the firm to review its previous advice. The outcome you received is likely to be the same as if your case had been considered as part of the scheme.

People who transferred out of the BSPS after being given advice not to (ie insistent clients)

Firms will need to check that people were correctly classified as an 'insistent client' and will let people know if they are excluded from the scheme on this basis. If you do not agree that you were 'insistent', you will be able to complain to the Financial Ombudsman Service.

Depending on the circumstances, and what your adviser told you about this process, you might still be eligible for compensation. Get in touch with the Financial Ombudsman Service at BSPS@financial-ombudsman.org.uk

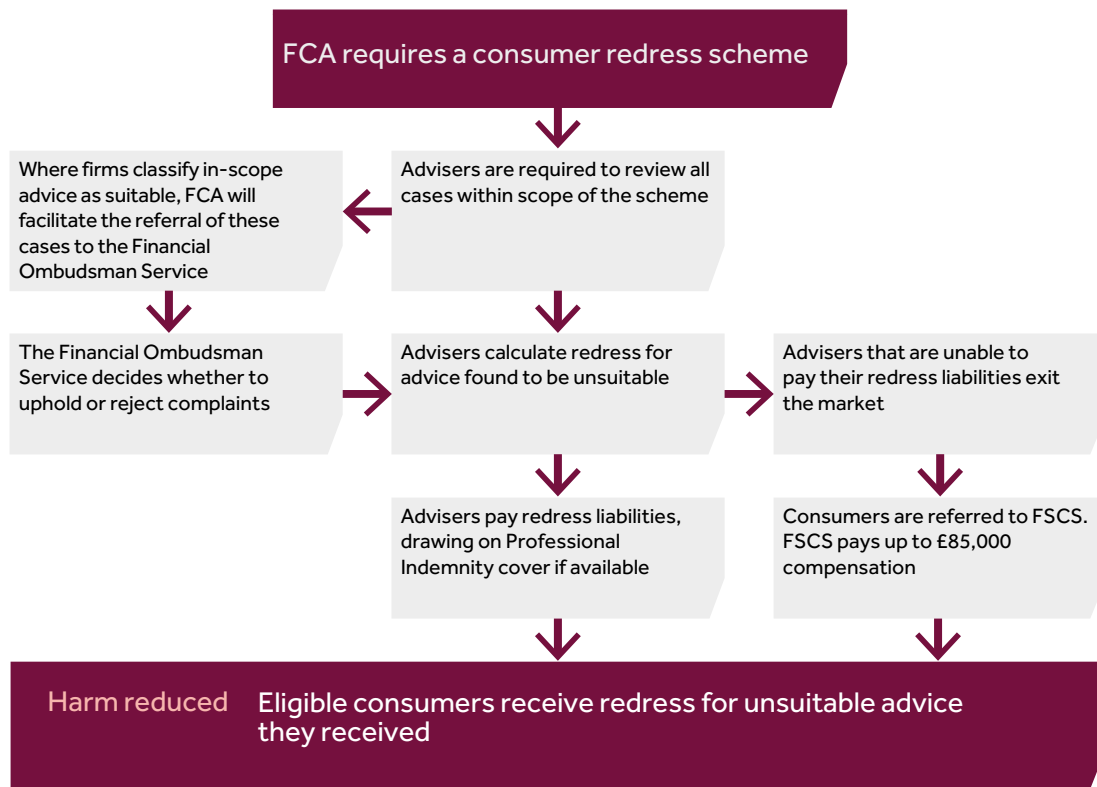
People who were out of time to make a complaint before the scheme was implemented

If you transferred out before 24 November 2016 you may be out of time to complain. This means you wouldn't be covered by the redress scheme unless you only became aware you may have had poor advice after 24 November 2019. If you think you should be covered by the scheme you can complain to the Financial Ombudsman Service.

If Scottish law applies to your advice – this could be the case if you or your adviser are based in Scotland - and you transferred out before 24 November 2017 you may be out of time to complain. This means you wouldn't be covered by the redress scheme unless you only became aware you may have had poor advice after 24 November 2017. If you think you should be covered by the scheme you can complain to the Financial Ombudsman Service.

Outcome we are seeking

1.15 The scheme will advance our objective to secure an appropriate degree of protection for consumers by ensuring that consumers who were given unsuitable advice and suffered harm get redress. Figure 1 shows how it is intended to achieve this:



Measuring success

1.16 The scheme includes reporting requirements for firms so we can monitor firms' progress and compliance with the scheme.

1.17 We estimate that, in addition to the supervisory work we have carried out to ensure BSPS consumers received redress, the proposed scheme will achieve the following outcomes:

- Around 1,100 of in-scope BSPS consumers who received advice in the relevant period receive £49m redress
- In total, firms pay redress of £33.6m and FSCS pays redress of £15.4m
- 90% of firms in the scheme are able to complete the scheme without becoming insolvent
- 90% of cases in the scheme are completed by firms within time periods set out in the rules, which include deadlines for assessing suitability and paying redress.

Summary of feedback and our response

- 1.18** We received 132 responses to CP22/6 from 28 consumers, 84 firms, 7 trade bodies, 2 insurers, and 11 others (including law firms and compliance consultants). We have carefully considered this feedback and the challenges we received to our proposals. For the reasons set out in this document, we remain satisfied that the legal tests to make rules under s.404 of FSMA are met. As part of this we have also updated the Cost Benefit Analysis (CBA). The expected redress that the scheme will deliver has reduced due to changes in economic circumstances, but it is our view that an opt-out s.404 scheme remains preferable to alternative options by which consumers might secure redress. Alternative options generally rely on consumers being proactive and complaining and most affected consumers are fast approaching the deadline for making a complaint. Implementing a scheme will 'stop the clock' on the relevant limitation period (if the consumer does not opt-out) and put the onus on firms to review the suitability of their advice.
- 1.19** We have made the following amendments to the rules we consulted on following feedback from stakeholders:
- a.** As consumers might struggle to get information that firms require to assess suitability or calculate redress, we have introduced a new requirement for firms to get consumers' consent to approach third parties on their behalf if further information is required.
 - b.** We have updated the Consumer Redress Scheme Sourcebook to combine the scheme rules and the redress rules for the scheme which we consulted on separately.
 - c.** Amendments to the rules to ensure that where Professional Indemnity Insurance (PII) cover is available, the insurer rather than the firm can carry out the scheme steps.
 - d.** Minor amendments to the Defined Benefit Advice Assessment Tool (DBAAT) to provide greater clarity for firms.
 - e.** A new guidance provision to make clear that where the consumer has died, the firm should take reasonable steps to contact and liaise with the estate/beneficiaries when carrying out scheme steps.
 - f.** Amendments to the headings and minor amendments to the wording of the letters firms are required to send to consumers following further reviews. We have added a new form to the redress determination letters to make it easier for consumers to complain to the Financial Ombudsman Service if they wish to do so. We have also expanded the guidance to explain that the letters can be adapted as necessary when someone other than the firm is carrying out the scheme steps eg, a competent person or the firm's insurer.
 - g.** Amendments to clarify that the 6-year limitation period starts from the date of transfer rather than the date of the advice.
 - h.** Amendments to the reporting requirements as we have further developed our supervisory and data strategy.
 - i.** Amendments to the rules which set out the comparator scheme which the redress calculation should be based on.
 - j.** A new provision which suspends the scheme timelines if a consumer refers their case to the Financial Ombudsman Service following a redress determination.

- k.** When calculating redress, we expect firms to use the evidence on file to determine which scheme the consumer would likely have joined and use this scheme as the comparator. Where there is no evidence on file, BSPS2 should be the 'default' comparator. This is on the basis that two-thirds of consumers chose to go into BSPS2 during TTC and the Trustee communications at the time emphasised their desire to secure better benefits (in BSPS2) than those which the PPF would provide.
- l.** Instead of requiring firms to calculate the augmentable element for every case, the scheme rules require firms to ask consumers how they would like the redress to be paid. If the consumer would like to review how much redress is payable under both options (lump sum and augmentation) the firm must not charge them for this calculation, even if the consumer ultimately decides not to have their redress augmented
- m.** We have decided that any tax implications for augmented offers should be calculated by firms outside the calculator. This is because firms are best placed to make subjective determinations for annual and lifetime allowance capacity based on the consumer's upcoming changes in circumstances.
- n.** We have extended the timelines for calculating and paying redress if the consumer specifies they would like the money to be paid into their pension.

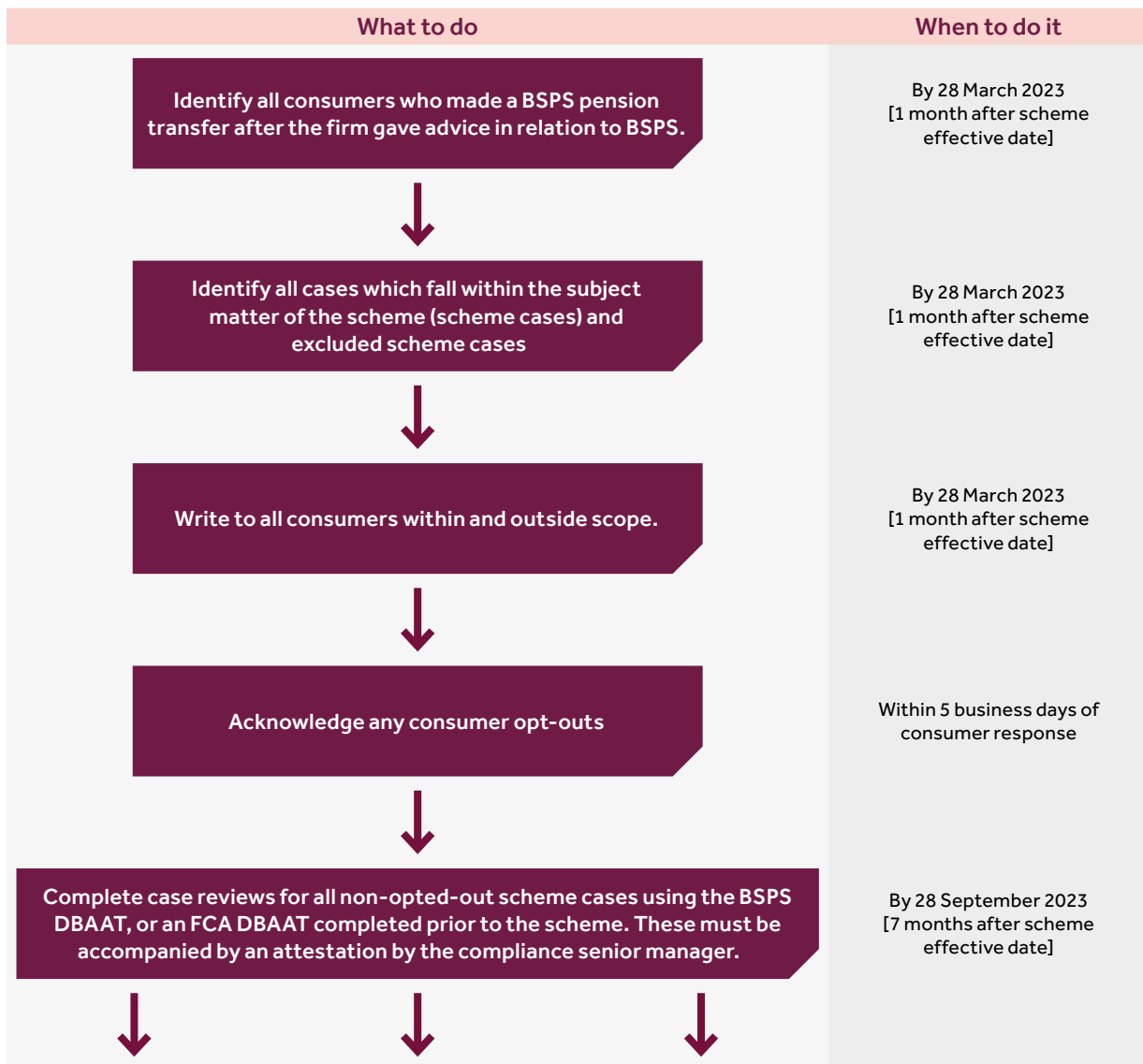
Equality and diversity considerations

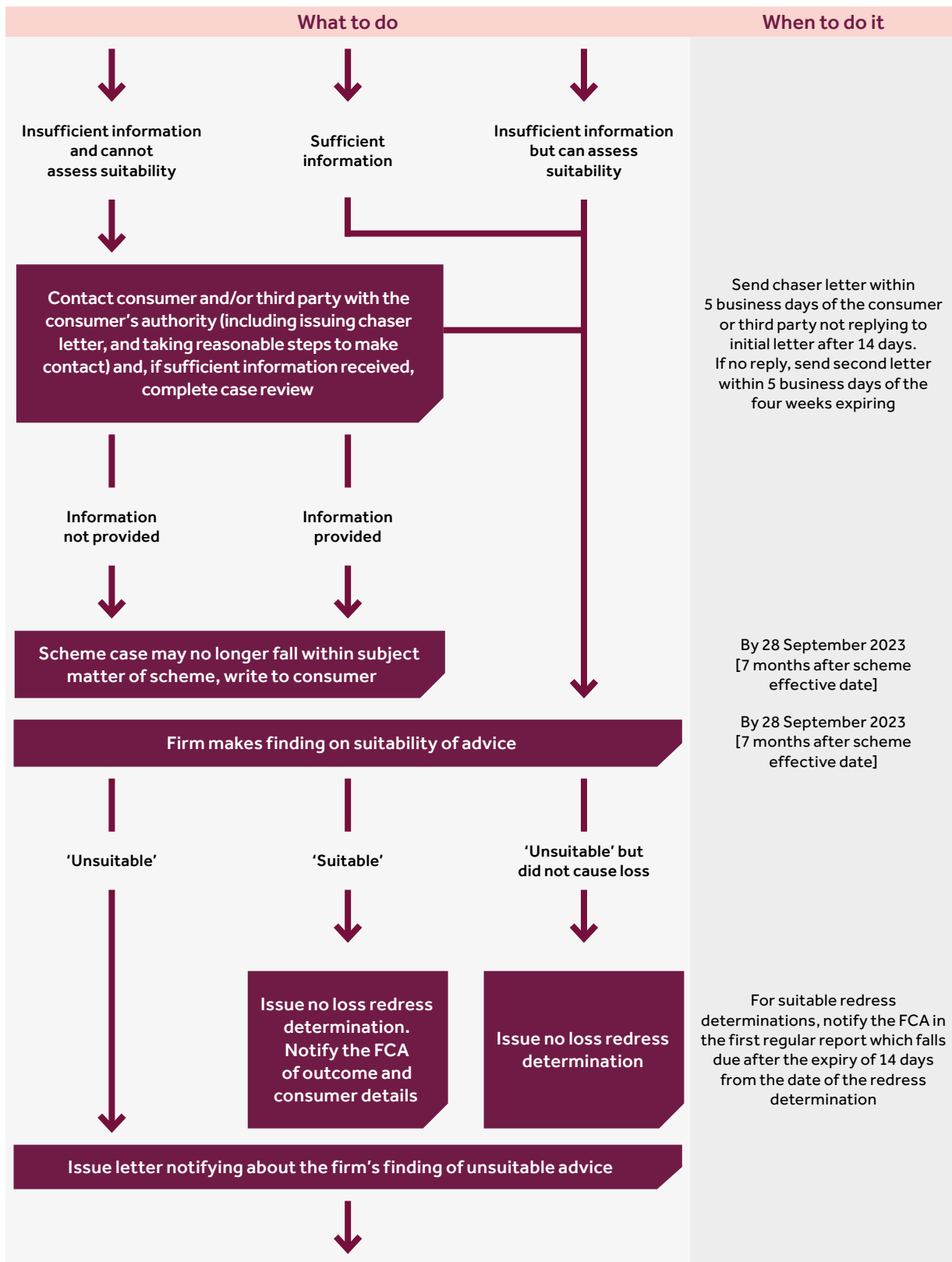
- 1.20** We have considered the equality and diversity issues that may arise from the proposals in this Policy Statement.
- 1.21** In CP22/6, we said that we did not consider that the proposals we consulted on materially impact any of the groups with protected characteristics under the Equality Act 2010. We did not receive any feedback from stakeholders on this assessment. Nor did we receive any feedback on the proposals themselves relating to their impact on groups with protected characteristics.
- 1.22** We do not consider that the changes we have made post-consultation change our assessment.
- 1.23** We expect firms to take steps to identify and prioritise consumers who might be vulnerable because of their circumstances or might need fast access to redress, for example if they are in or nearing retirement.

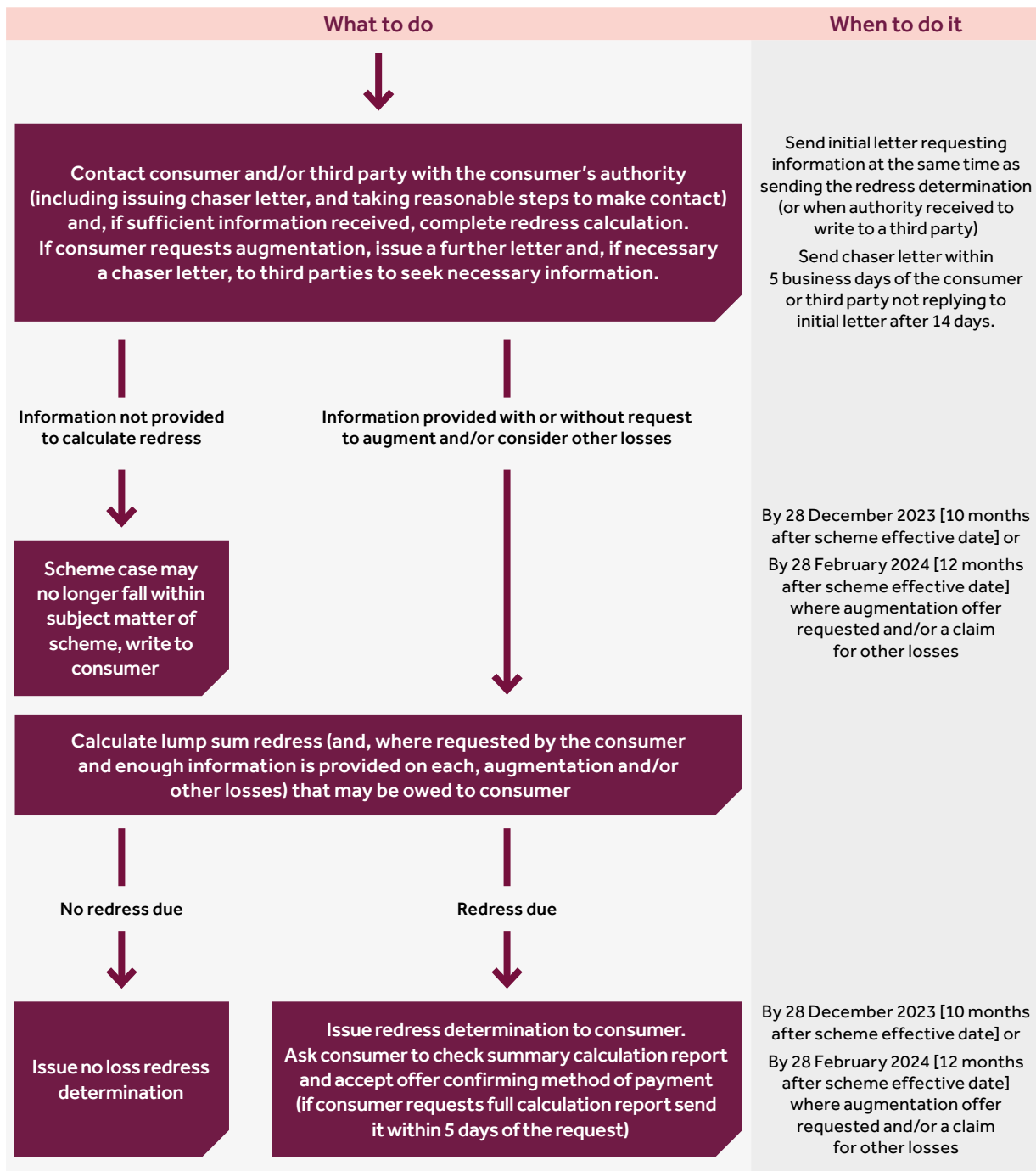
Next steps

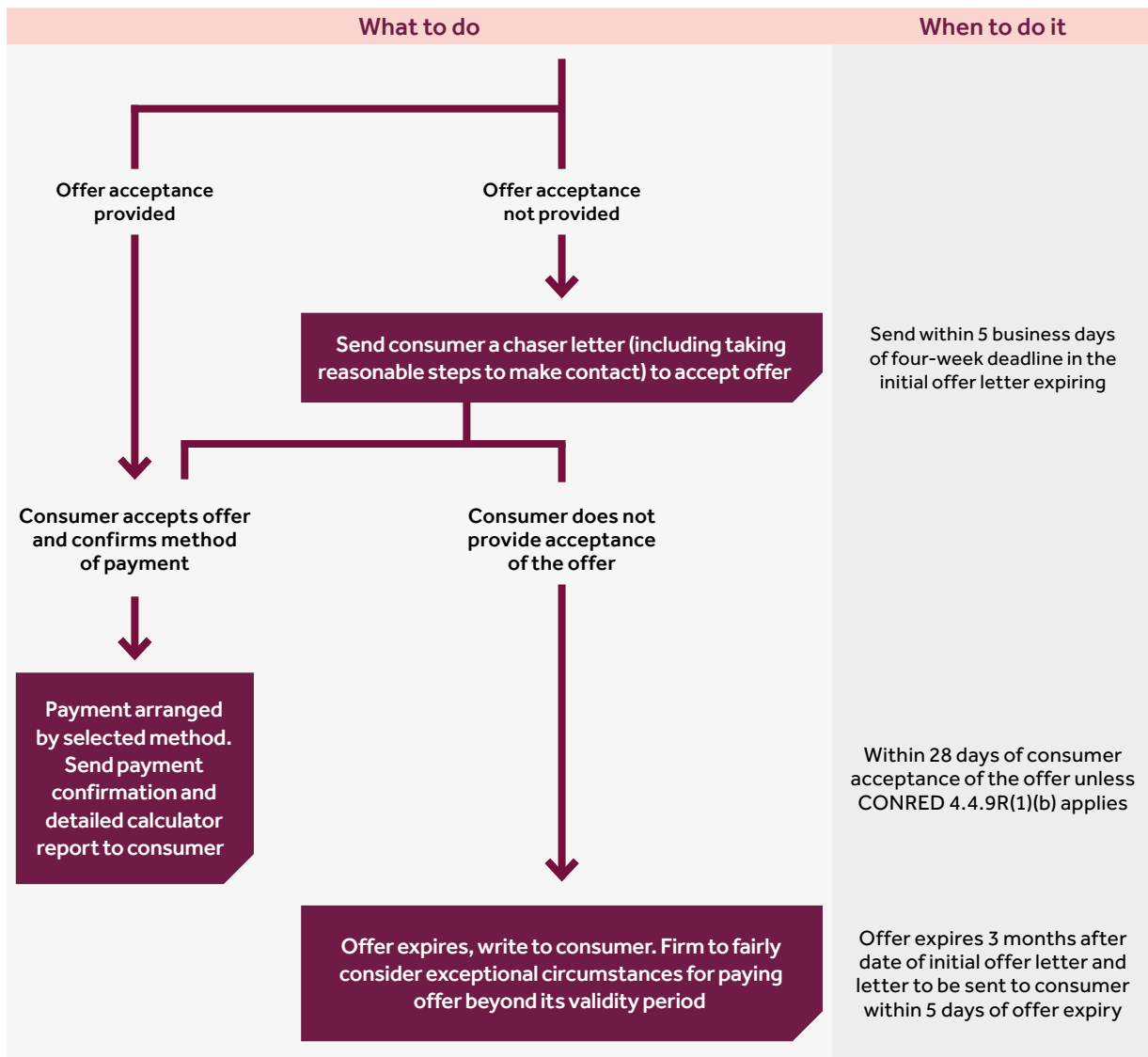
- 1.24** The scheme will start on 28 February 2023, allowing firms to prepare for implementation by that date. Firms will have until 28 March 2023 to identify all consumers within scope of the scheme. Firms must write to all BPS consumers within and outside the scope of the scheme by 28 March 2023. The letter will explain to the consumer that:
 - the firm will review the advice to transfer, unless the consumer decides to opt-out; or
 - the case falls outside the scope of the scheme but consumers may still be able to make a complaint in certain circumstances.

- 1.25 If consumers do not receive a letter from the firm by 28 March 2023, they should contact us on 0800 098 4100. Former BSPS members can find more information on how the scheme will work at www.fca.org.uk/bsps.
- 1.26 Firms must consider the cases of all consumers who have not opted out of the scheme and contact consumers with the outcome of the review by 28 September 2023. If the advice was unsuitable and the consumer accepts the redress offer, firms must pay redress within 28 days.
- 1.27 The following diagram sets out the scheme steps and the timelines for completing the steps:









2 Evidence of consumer harm and the basis for an opt-out redress scheme

2.1 In this chapter, we summarise the feedback we received about whether we have met the legal test for a s.404 redress scheme, and our views in response to this feedback.

Legal Test

2.2 We can only implement a consumer redress scheme if the following legal conditions are met, as set out in s.404 of FSMA:

- it appears to us that there may have been a widespread or regular failure by firms to comply with requirements applicable to carrying on an activity (here, providing advice to transfer out of the BSPS)
- it appears to us that, as a result, consumers have suffered (or may suffer) a loss which a court would remedy
- we consider that such a scheme is desirable for the purpose of securing redress, having regard to other ways in which consumers may obtain redress

2.3 In CP22/6 we explained why we considered that the legal test was met, the evidence that we had gathered for this, and why we thought an opt-out redress scheme under s.404 was a desirable option compared to alternative options.

2.4 We asked the following questions in CP22/6:

Q1: *Do you agree with our assessment that unsuitable advice to BSPS customers was widespread in the period we looked at?*

Q2: *Do you agree with our view that BSPS members who received unsuitable advice are likely to have suffered loss?*

Q3: *Do you agree that the legal test for making a consumer redress scheme under s.404 of FSMA has been met?*

Widespread failure

2.5 Overall, consumers and their representatives, some law firms and compliance consultants agreed that it appeared that there had been a widespread failure by firms to comply with the requirement in the Financial Conduct Authority (FCA)'s Conduct of Business Sourcebook (COBS) 9.2.1R(1) to take reasonable steps to ensure that the advice to BSPS members to transfer was suitable.

2.6 Most firms and their representatives (60% of the total responses received to this question) disagreed with our view that there appeared to have been a widespread failure to provide suitable advice.

2.7 The main challenges from respondents who disagreed with our proposals were:

- disclosure and evidence challenges
- concerns about the sampling methodology
- reliability and validity of the suitability assessment tool used for file reviews
- the evidence base for firms advising on fewer than ten transfers

Disclosure and evidence challenges

2.8 Some respondents took the view that the consultation process was not fair because we did not disclose sufficient information to firms about the DBAAT before or when requested during the consultation period. We also did not disclose the DBAATs completed during our file review exercise, which helped to inform our evidence base for the proposed scheme. Some asked us to publish more data and information about other matters including:

- the process we used to select a third party (Grant Thornton) to carry out the file reviews, the instructions we provided and details of how the third party approached the file reviews.
- the underlying reasons why 46% of cases were found to be unsuitable and the proportion of cases which involved suitable advice
- how many decisions had been challenged by firms, which led to a reversal the decision
- any working papers and guidance notes accompanying the full completed DBAATs
- the data underlying the statistical analysis in the report that was annexed to CP22/6. We asked an external statistician to advise on a sample design for the review of advice taking into account information that we already held from our supervisory investigations and multi-firm review, to produce results to establish with reasonable certainty a) the percentage of transactions that involved unsuitable advice and b) whether unsuitable advice was widespread across firms.

Concerns about the sampling methodology

2.9 Approximately half a dozen firm and firm representative respondents said they believed that the sampling methodology our independent statistician used is flawed, and so it was not reasonable for us to conclude that there appeared to have been 'widespread' failure. The main objections that respondents raised to the sampling exercise and analysis, discussed in more detail below, were that

- the reliability and validity of the DBAAT has not been demonstrated
- the sample is not completely random (because selection to Group 2 was on the basis of stratified sampling)
- the sample for Group 2 is too small
- the weights attached to the sample are a failed exercise in reducing bias

2.10 Some respondents argued it was unreasonable for us to take the view that a 46% unsuitability rate is representative of the wider market, given the overall sample size. This was because the sample sizes and groups were small, relative to total firm and member population, as well as the small sample size per firm.

2.11 Another concern was potential bias and skew in the sampling. Some respondents took the view that the higher unsuitability rates are linked to a small number of firms that had carried out higher volumes of transfers, and that the sample was not completely random.

2.12 In CP22/6 we explained that firms had been divided into 3 groups for the purposes of the file reviews:

- Group 1 – 302 files were selected from the 36 firms in this group. The firms in this group are 'higher-risk' firms which were identified during a multi-firm review of Defined Benefit (DB) transfer advice.
- Group 2 – 63 files were drawn from a stratified random sample of 53 firms (from a total Group 2 'population' of 295 firms included in our further investigations of advice given to BSPS members to establish a market-wide picture of the quality of advice given to them).
- Group 3 – There were a further 55 to 172 firms responsible for around 1000 transfers. At the time the file reviews were carried out we did not have a complete list of Group 3 firms, so Group 3 firms and their transfers were not included in the file review exercise.

2.13 Some respondents made the following comments about the groups in our sample:

- Group 1: there was concern that this was only partly randomly sampled, with the remainder of cases coming from high-risk firms.
- Group 2: some noted its much smaller sample size compared to Group 1, and the fact that over 50% of files did not feature any unsuitable advice. One or two respondents suggested that Group 2 was only included to balance the more skewed Group 1 findings.
- Group 3: some asked why this was excluded from the file reviews when it accounted for 13% of all transfers. A few respondents suggested more data was needed on smaller volume firms who conducted fewer than 10 transfers.
- Respondents gave alternative suggestions for the sampling approach. For example, basing this on banded levels of transfers per adviser, numbers of files per firm as a percentage of their overall exposure and examining more closely the numbers of firms with unsuitable cases against the total numbers of firms who advised former BSPS members.

Reliability and validity of the suitability assessment tool used for the file reviews

2.14 In CP22/6 we proposed that firms should assess suitability of advice using a BSPS-specific version of the FCA's DBAAT.

2.15 Several respondents raised concerns about the DBAAT as part of their response to our finding of a widespread failure. We discuss the feedback received on the DBAAT in more detail in Chapter 4.

Evidence base for firms advising on fewer than 10 transfers

2.16 A common view, especially among firm respondents, was that most of the harm has been caused by higher risk firms that carried out higher volumes of transfers. In CP22/6 we explained that the results of our file reviews showed that 5% of firms (16) caused over 15% of transfers (2300), that up to 33% of cases in the sampling originated from 7 firms under FCA investigation.

Other concerns

- 2.17** Some firms told us they had tried their best to help BSPS members meet their pension income objectives during a difficult period. They said that during the Time to Choose (TTC) period, steel workers and their advisers were given short timescales to make important decisions with very limited information. A few respondents suggested we should have taken these potentially mitigating circumstances more into account when carrying out file reviews.
- 2.18** Some respondents thought that many of the worst firms have already either: ceased trading and so their cases are with FSCS, have removed their DB transfer advice permissions, are otherwise under FCA investigation, or their cases are with the Financial Ombudsman Service. A few respondents suggested if there was widespread failure by hundreds of firms, this must indicate a FCA supervisory failing, for example a lack of communications or guidance to firms.
- 2.19** Some respondents suggested the low number of complaints to-date undermines the argument for widespread failure among firms. A few respondents thought if the true level of unsuitability is 46%, then the number of complaints made to advice firms and the Financial Ombudsman Service would be much higher.

Data from the Financial Ombudsman Service and FSCS

- 2.20** In CP22/6 we explained that when considering whether it appeared that there had been a widespread failure, other sources of evidence we might use or extrapolate from included data from the Financial Ombudsman Service and the FSCS.
- 2.21** Some respondents expressed concerns about the differences between FCA, the Financial Ombudsman Service and FSCS figures in terms of unsuitability and uphold rates referred to in CP22/6. Many respondents queried why the Financial Ombudsman Service's uphold rate was 98% compared to our 46% unsuitability estimate. A few firm respondents said that FSCS does not always have access to the full advice file, so its decisions and therefore its uphold rate of 90.8% may also be unreliable.
- 2.22** There were also several comments about the skillset, training and pension transfer expertise of Ombudsmen and case assessors. Some respondents felt that Ombudsmen and case handlers should hold a Pension Transfer Specialist (PTS) qualification.
- 2.23** A few respondents suggested that Financial Ombudsman Service and FSCS cases and uphold rates are misleading as a barometer for 'widespread' failure in the market. This is because their cases are more likely to feature unsuitable advice or otherwise poor standards of conduct.

Our response

We have carefully considered the feedback we received from stakeholders, including from those that had a fundamental issue with our proposals. For the reasons summarised below we remain satisfied that the legal tests to make rules under s.404 of FSMA are met.

The legal test is that it 'appears to the FCA that there may have been a widespread or regular failure'. It is our view that the widespread or regular test is a matter for regulatory judgement, to be interpreted in the round based on all of the available evidence. To meet this test, it is not necessary for us to collect specific evidence of failure by each of the firms subject to the scheme, nor is it necessary to identify a particular minimum percentage of failure rate before the scheme can be triggered. In this case it is our view that we have extrapolated reasonably from the evidence we have to determine that the failure appears to be widespread or regular, and we are also of the view that the underlying evidence is reliable. BSPS is a highly exceptional case.

Our evidence suggests 46% of all transfers were unsuitable. This suggests much higher levels of poor advice compared with that we have seen even in higher-risk firms in non-BSPS pension transfer cases (17%). Although we recognise that some advisers sought to provide suitable advice to clients, we continue to believe the evidence suggests there appears to have been a widespread failure to provide suitable advice to BSPS members during the period that the scheme cover (advice received between 26 May 2016 to 29 March 2018 to transfer out of BSPS).

Below we address each of the 4 main challenges raised by respondents:

Disclosure and evidence challenges

On providing the underlying rationale behind individual file review outcomes and giving further information on the file review process more generally, while we do not disclose completed DBAATs, we do provide detailed feedback letters to individual firms that explain the key reasons behind the outcome, the evidence we relied upon, and the rules we considered were not met. We invited firms to provide any further material and contemporaneous information they have to support the advice provided so that we can review further and assess whether this has an impact on our assessment. If firms did provide further material and contemporaneous information, we reviewed this. In addition, some firms provided completed DBAATs that they or third-party professionals had completed as an assessment of file reviews we had carried out. When provided with DBAATs, we completed a further assessment of the firm's reviews to assess whether there should be any change to the initial assessment we carried out.

During the consultation period we also published additional information on our approach as [FAQs](#). This included information on DBAAT training, the qualifications of those who completed file reviews and the 'quality assurance' oversight applied. We also published [additional data](#) that explains the rating for each file review in our sample, with further detail about how our statistician weighted each review to enable us to reach a view on the suitability of advice across the market. It also includes a summary of our finding on the investment advice. Alongside this we provided further information about how we conduct our file reviews and the quality assurance we apply. We consider that stakeholders had the information they needed to reach a view and meaningfully respond to the consultation.

Insistent clients were included in the file reviews carried out for firms in Group 2 because at that time we had not reached a view on whether they would be included in any potential scheme. Therefore, when we selected files randomly, we selected and reviewed 2 insistent client files out of 63 as part of the sample. We assessed 1 case as Unclear and the other as Suitable.

Concerns about the sampling methodology

We have carefully considered the points respondents raised and discussed them with our statistician. We continue to believe that the approach taken to the sampling process was robust and remains sufficient for us to take the view that there appears to have been a widespread failure by firms.

Group 2 sample

For the Group 2 sample, we used stratified random sampling with unequal probabilities of selection. This is an established statistical sampling method and is a technique often employed to ensure a sample is representative across and within sub-groups. It is not a 'simple random sample', although it is still random. The evidence from the sample is that failures were spread across a wide range of firms. We disagree that the Group 2 sample is too small, and no clear evidence was presented to support the argument made by respondents.

One respondent suggested the minimum sample size should be 35 files. We conducted 63 Group 2 file reviews, nearly double the suggested minimum. The larger the sample size, the lower the "confidence interval" and the more "certainty" you have. However, we have presented our results including the relevant confidence intervals.

Use of weighting

Our statistician also considers that some respondents may have misunderstood the use of weighting in the sampling. Weighting is an established statistical method of ensuring a sample represents the population it is drawn from. Using stratified random sampling means, in this case, that firms and files had an unequal probability of selection. Therefore, it is standard in such cases to use weightings to "rebalance" the results to ensure they are representative of the broader population.

Following a further detailed review of our supporting evidence and data we identified a minor data gap and anomaly in the cases which formed part of Group 1. For 3 files where advice was identified as suitable, we were unable to locate the analysis underlying the findings. We have also found that due to human error there was a minor issue where 2 cases were recorded incorrectly and classified as unsuitable in the data sent to our statistician, when they should have been classified as suitable. Our statistician re-ran the analysis and rectifying this small anomaly and including the results of the file reviews from the earlier period has had no material impact on her analysis. Her view remains that 46% of the transfers across the relevant period that we consulted on involved unsuitable advice and, following our review, we are confident that there are no other data gaps or anomalies.

Please see Annex 3 for a revised report from our statistician which responds in more detail to some of the views and challenges received on our sampling methodology, evidence base and the conclusions reached from that.

Reliability and validity of the suitability assessment tool used for file reviews (the DBAAT)

The 'BSPS DBAAT' that we consulted upon in CP22/6 is a tailored version of the 'FCA DBAAT' we published in January 2021. The BSPS DBAAT, and associated instructions are amended to focus on the specific features of the BSPS situation rather than to cover DB transfer advice more generally.

We continue to take the view that the DBAAT tool used for the file reviews is robust. We address the feedback received on the DBAAT in Chapter 4, where we also provide further clarifications and guidance to firms and other stakeholders about how they should use this tool.

The evidence base for firms advising on fewer than 10 transfers

We have carefully considered the feedback we received about firms that carried out fewer than 10 transfers. Our interpretation of the test of widespread failure under s.404(1)(a) FSMA is that we are required to establish widespread failure across firms generally. We are satisfied that when the results of the file reviews are extrapolated from the sample to the population of firms as a whole, including firms that advised on fewer than ten transfers, this test is met and so these firms should be included in the scheme. There does not seem to be any good reason to treat customers of these firms differently or to segment different groups of firms when considering if the legal test is met. While all firms will be required to carry out suitability assessments under the scheme, they will of course only need to pay redress if the advice was unsuitable. If customers of these firms received unsuitable advice but were not covered by the scheme, they may not take any action and so could run out of time to make a complaint.

Our external statistician notes in her revised report that, after assessing the sampling following further FCA data received, there is now greater confidence/less material uncertainty in the data that the estimates for firms with fewer than 10 transfers are different to those for firms with more than 10 transfers. We have not altered our final approach because, after taking into account this difference, we consider that the evidence remains sufficient to suggest unsuitable advice may have been widespread in the market. We do not consider that a certain "level" of regulatory failure would be acceptable or would not count as widespread and certainly not a level in the region of 19%.

Of the 352 firms who are in-scope of the scheme, we estimate that 275 arranged fewer than 10 transfers over the relevant period. We asked our statistician how many additional files we would need to review to narrow our estimated range of unsuitable advice for firms that carried out fewer than 10 transfers. We have decided not to proceed with carrying out additional file reviews because reviewing additional files might not significantly narrow the confidence intervals. It would require significant extra resource and cost which is not proportionate and which is not

necessary to justify our view that there may have been a widespread regulatory failure. Collecting additional evidence also has to be balanced against other concerns, for example it could delay the start date of the scheme which could prejudice the interests of consumers and result in some consumers becoming time barred.

Other concerns

Although some firms who provided high volumes of unsuitable advice are either no longer active in the market or subject to supervisory action, we remain concerned that a number of consumers received unsuitable advice to transfer and may have suffered harm as a result.

We do not agree that widespread failure among firms suggests an FCA supervisory failing rather than widespread firm conduct failings. We have already carried out supervisory work with higher risk firms which has resulted in consumers receiving £20m in redress. Given the widespread nature of the conduct failings it is appropriate to take swift action to ensure that consumers who received unsuitable advice receive redress before the relevant time limits for making a complaint expire. The FCA's communications to firms and rules in place during the TTC Period were sufficient and clear enough to enable reasonable, competent advisers to provide suitable advice to their clients.

In CP22/6 we outlined the most likely reasons for the low level of complaints to-date, despite our estimates for the level of unsuitable advice in the market and the array of communications sent to consumers informing them about the option to complain. These included: consumers being unaware that they could complain, not knowing whether they may have received unsuitable advice or if they have suffered financial loss as a result, due to the inherent complexity of pension transfer advice. A number of steelworkers we spoke to in person told us that they were reluctant to challenge their financial adviser directly. On the basis of this evidence, low levels of complaints do not indicate low levels of unsuitability.

Data from the Financial Ombudsman Service and FSCS

Our estimated unsuitability rate of 46% is based on file reviews including a random sample of those firms who advised BSPS members. The results are representative of the broad population of firms. Financial Ombudsman Service uphold rates relate to members who did not agree with the firm's handling of their complaint. The cases referred to the Financial Ombudsman Service are a self-selected group and excludes (a) members who settled claims with firms without going to the Financial Ombudsman Service and (b) members who were satisfied with their response and did not complain further. The results are not necessarily representative of the population as a whole but may indicate an increased level of harm in a sector. This is why we take this rate into account when considering whether the widespread test has been met. In addition, the FOS currently applies the "fair and reasonable" test, which is more flexible and generous as compared to that in the DBAAT which is more detailed and closely tied to the regulatory wording of the Conduct of Business Sourcebook.

In our current guidance in the Consumer Redress Schemes sourcebook (CONRED) we explain that:

'The FCA will only proceed if it has robust evidence to support its view that it appears there may have been a widespread or regular failure. Sources of evidence which the FCA might use and extrapolate from include the results of the FCA's thematic work, enforcement investigations, mystery shopping, complaints to the FCA, firms or to the Financial Ombudsman Service, and information from consumer groups and reports from skilled persons.'

Pension-specific qualifications are not required to adjudicate on Financial Ombudsman Service cases. The Ombudsman will decide a complaint by reference to what is, in the Ombudsman's judgment, fair and reasonable in all the circumstances of the complaint, taking into account the relevant law and regulations, regulatory rules, guidance and standards and codes of practice and established good industry practice. Where specific expertise or further information is needed to resolve a particularly complex Financial Ombudsman Service complaint or FSCS claim, these organisations can seek internal or external advice and assistance.

We have worked very closely with the Financial Ombudsman Service on the design of the scheme and as part of the ongoing Wider Implications Framework. If scheme cases are referred to the Financial Ombudsman Service, they will be required to determine whether the firms has followed the scheme rules, for example when assessing suitability or calculating redress.

Actionable loss

2.24 Most respondents who answered this question agreed that consumers have suffered (or may suffer) a loss because of unsuitable advice to transfer out of the BSPS. The following were given as examples of factors which might increase the likelihood that the consumer has suffered loss due to unsuitable advice to transfer:

- poor investment advice to invest funds in high risk, illiquid, offshore or otherwise unregulated and inappropriate investments not suited to the member's attitude to risk, with high charges and low realisable value.
- advisers not clearly describing how investment charges will reduce the monetary value of the transferred funds over the consumer's expected lifetime.
- loss of guaranteed income with inflation/index-linked increases and spousal benefits vs bearing risk of potentially volatile investments with ongoing charges.
- the client transferred before BSPS trustees applied higher cash equivalent transfer values (CETV) estimates to the scheme.

2.25 Some respondents provided evidence of the types of harm members suffered due to firms failing to comply with our requirements. For example, some cited as case studies instances where vulnerable consumers with little financial knowledge received CETV quotes of around £600,000, experienced coercive and misleading behaviour from their advisers (such as being offered incentives) and ended up losing significant losses or

in some cases all of the value of their pension pot. Other consumer respondents said that they had suffered significant stress, anger and worry about their quality of life in the future because of their transfer and the way that their advisers treated them. Other respondents flagged that some consumers had been left with uncompensated losses as a result of the FSCS compensation limits.

- 2.26** Some respondents suggested that other organisations that contributed to the uncertainty and issues that steelworkers faced should also be liable for the losses that steelworkers have suffered.
- 2.27** One respondent argued that because we did not contact consumers to ask for their views as part of our file reviews, it was not reasonable for us to conclude that a firm's advice was the effective cause of their decision to transfer.
- 2.28** Some industry respondents said that in certain scenarios, some members may have benefited from transferring and may be better off in a flexible DC arrangement, despite losing their guaranteed lifetime DB income stream.
- 2.29** Several respondents mentioned our review of the pension transfer redress methodology and guidance in our finalised guidance publication FG17/9, saying that changes to its assumptions and methodology would affect the likelihood of loss. Some respondents referred to Question 19 in CP22/6, which set out our high-level proposals for how redress would be calculated and paid for in scheme cases. Comments on the redress methodology are covered in Chapter 5.

Our response

Our legal analysis is that where a consumer received advice to transfer their BPS benefits to a DC scheme, and that advice was unsuitable, then the consumer should, in principle, be entitled to recover the full amount of the loss from that transfer from the firm. This is regardless of the actions of other parties, such as introducers, or delays in the trustees providing information to steelworkers about options leading up to the TTC period. It is reasonable, in the circumstances, that the adviser's advice was the effective cause of consumers' decisions to transfer because they were likely to rely on that advice rather than other information.

We do not agree that we should have contacted all consumers when carrying out our file reviews. In most cases there should be sufficient information documented on the file to assess suitability without needing to contact consumers for additional information. As we are required to establish actionable loss on an 'appears to be' basis, contacting every consumer directly during a file review would be costly and disproportionate and would significantly delay implementation of a scheme which could result in some consumers becoming time barred.

Assessing whether a consumer might benefit from transferring is part of the advice process and can be included by firms when completing the DBAAT, alongside all other relevant factors in the advice they gave to each member. Our view remains that for BPS and other instances of pension transfer advice, most consumers suffered a loss by receiving a lower value investment than their DB scheme.

We addressed the feedback received on BSPS redress calculations (Question 19 in CP22/6) when we published CP22/15 on 2 August 2022. This CP proposed changes to the FCA's pension transfer redress assumptions, methodology and guidance, with the consultation period closing on 27 September 2022. We published the final changes to our pension transfer redress guidance in PS22/13. Please see Chapter 5 for further details of how redress should be calculated and paid for scheme cases.

Desirability of a scheme compared to alternative options

- 2.30** Respondents generally agreed that a significant number of BSPS consumers are likely to have suffered financial loss where they received unsuitable pension transfer advice. Recognising the unique, exceptional circumstances surrounding BSPS, there was also sizeable agreement, especially among consumer advocates, some trade bodies and compliance organisations, that the remedy to address this harm requires similarly exceptional regulatory action by us.
- 2.31** Respondents who supported our proposals highlighted that our CBA showed that an opt-out scheme would reach the most consumers and provide the most redress out of all the options that we considered in CP22/6 assessed. They saw this as appropriate, given the high chance of harm and high rates of unsuitable advice in the market, the number of consumers affected by poor advice, and the low number of complaints to firms and the Financial Ombudsman Service to date. Overall, they considered our opt-out s.404 redress scheme would be the best way to ensure that consumers who were given unsuitable advice receive compensation.
- 2.32** Several respondents argued our proposed scheme was not desirable because we had under-estimated the costs incurred, such as compliance and redress costs to firms, costs to the FSCS and other parties, and lower PII coverage than we estimated in our CBA. We address this feedback in full in Chapter 6, where we discuss our CBA.
- 2.33** Firms and their representatives who disagreed with our analysis flagged the following perceived risks, which they saw as making the proposed scheme less desirable than other options to ensure consumers can access redress:
- A scheme would impose significant costs on firms but might not be successful if high levels of consumers opt out. This might be highly likely given a significant proportion of consumers have not complained to-date, despite contact from us and others encouraging complaints, FCA letters to all transferees, high levels of claims management company (CMC) activity and law firms encouraging members to complain.
 - The costs of the scheme might outweigh the benefits if a higher number of firms fail than expected. This would have significant knock-on effects for the FSCS and lead to increased levies imposed on other firms, negative consequences for advisers' livelihoods, and worse outcomes for orphaned clients of firms that fail during the scheme (BSPS and non-BSPS). A few respondents referred to figures mentioned in CP22/6 – 17/45 firms (37%) required to do a Past Business Review (PBR) have since entered insolvency.

- If significant numbers of consumers are nearing the deadlines to make a complaint, they are likely to be excluded before the scheme comes into force, reducing its value as a route to secure redress.

2.34 A few industry respondents suggested that the high uphold rates at the Financial Ombudsman Service meant that a s.404 redress scheme is unnecessary, since almost all consumers might receive redress if they complained outside of the scheme and referred the matter to the Financial Ombudsman Service.

Our response

We have updated the Cost Benefit Analysis (CBA) that accompanied CP22/6 (See Annex 1). While the expected redress that the scheme will deliver has reduced due to changes in economic circumstances, it is our view that an opt-out s.404 scheme remains preferable to alternative options by which consumers might get redress. Alternative options generally rely on consumers taking proactive action to complain and most affected consumers are fast approaching the deadline for making a complaint. Implementing a scheme will 'stop the clock' on the relevant limitation period and put the onus on the firms to review the suitability of advice if the consumer does not opt-out of the scheme.

We note that some consumers may opt out of the scheme or might not respond to requests for information. We have designed the scheme to make it as straightforward for consumers as possible. To address feedback that consumers might struggle to get information firms require to assess suitability or calculate redress, we have introduced a new requirement for firms to get consumers' consent to approach third parties on their behalf if they require further information.

Comments we received about the alternative options

2.35 We explained in CP22/6 why we had concluded that an opt-out s.404 redress scheme was a desirable option compared to the alternative options available. The alternative options we considered in CP22/6 were:

- the 'counterfactual' – continuing with current supervisory and enforcement work but doing nothing extra
- Carrying out more supervisory action on a firm-by-firm basis
- Carrying out further activities and engagement to encourage consumers to consider complaining
- An opt-in consumer redress scheme under s.404

2.36 On these alternative options we asked the following questions:

Q4: *Do you have any comments on the other ways we considered to ensure that consumers who have suffered financial loss as a result of unsuitable advice receive redress?*

Q5: *Do you agree with the estimates and assumptions that we have made about costs, benefits, scale of reach, and consumer response rates for each alternative option we considered?*

Q6: *Are there any other alternative options that we should consider?*

2.37 The comments that we received on the CBA are discussed in more detail in Chapter 6. Most industry respondents did not agree with our CBA estimates and the assumptions that we made about the costs, benefits, scale of reach, and consumer response rates for each alternative option considered. Some industry respondents said that we should consider alternative options to those set out in the consultation paper.

Option 1 – the counterfactual approach

2.38 While many industry respondents thought that individual firm-by-firm action would be better than market-wide action, only a few believed the current approach is working well to ensure consumers can access redress. Some respondents said that our current supervisory and enforcement powers are sufficient for dealing with high-risk firms and remedying the harms they have caused.

Option 2 – enhanced supervisory action firm-by-firm

2.39 Some firm respondents who expressed a preference for individual firm-by-firm action believed this might be the most appropriate option for higher volume, higher risk firms that are most likely to have caused the greatest level of harm to consumers. They also suggested this approach would be fairer on firms that had carried out smaller volumes of transfers, given the lower industry costs overall, and a belief that these firms are more likely to have provided suitable advice (based on the estimated 19% unsuitability rate in CP22/6), so should be less likely to go through supervisory action.

Option 3 – enhanced engagement with consumers to encourage complaints

2.40 Several industry respondents, their legal representatives and other law firm respondents preferred this option and thought the current framework sufficiently ensures that consumers can access redress via complaints to firms, the Financial Ombudsman Service or, if necessary, the courts. A few of these industry respondents also felt that consumers needed to take responsibility for their actions and take steps to become more knowledgeable about the complaints process.

2.41 Industry respondents disagreed that low complaint rates were indicative of BPS members not being aware of their right to complain. They referred to the significant amount of publicity this issue had received, public information on the complaints process and direct engagement by the FCA, other regulatory bodies, law firms, CMCs and the press since BPS restructured in 2018.

Option 4 – opt-in s.404 redress scheme

2.42 A minority of those who gave views on the alternatives (primarily industry respondents and their representatives), supported this option and thought it would be more proportionate than an opt-out s.404 scheme. They said that this would be more

accurate and targeted in identifying unsuitable advice cases than an opt-out s.404 scheme. However, it would still reach a significant number of consumers and provide a high level of redress compared to the other alternative options. They also argued an opt-in s.404 scheme would be more proportionate for firms that carried out lower volumes of transfers.

2.43 Respondents who supported this option took the view that professional indemnity (PI) insurers were much more likely to accept notifications and cover redress under an opt-in s.404 scheme, which could reduce the risk of firm insolvency, the impact on FSCS, and the impact for consumers with claims that exceed FSCS compensation limits. One asked why we would not take the same opt-in approach as with the last s.404 redress scheme we implemented in 2012 concerning Arch Cru.

2.44 A couple of respondents thought the risk that firms would encourage consumers not to opt-in could be reduced by firms sending out prescribed letters similar to the FCA's current PBR approach. A few argued that this approach was widely understood and accepted by both firms and PII insurers. A few suggested that we could write directly to consumers, highlighting the existence of the opt-in scheme, the steps they can take to seek redress, then following up with any firms who show particularly low take-up rates.

Other options

2.45 A few respondents suggested that we should consider one or more of the following alternative options:

- alternative options for different types of firms or a combination of the other options we identified, for example an opt-in s.404 redress scheme alongside greater consumer engagement by us.
- drafting letters for firms to send to their customers inviting them to make a complaint and extending the time limits in FCA rules to give consumers longer to complain.

Our response

We continue to take the view that a s.404 redress scheme is preferable to alternative options which rely on consumers taking proactive action to complain. As respondents have noted, through communications to all who transferred, a dedicated website page and in-person and virtual events held with consumers and their representatives we have tried to improve knowledge about how to make a complaint if someone had concerns about the advice they got. However, our research has shown that many consumers who transferred out of BPS are not considering making a complaint about the advice they were given. Some told us that they felt awkward complaining about a financial decision they took, while others were reluctant to challenge their adviser directly. Others said that they were unsure whether the advice they received was suitable and mistakenly thought that you had to explain why the advice was unsuitable if you make a complaint. If we do not take action, consumers who transferred out might not realise they may have suffered financial loss as a result of unsuitable advice until much later in life when it is likely that they will be time-barred from making a complaint.

Our supervisory and enforcement work to date has delivered over £20m in redress to consumers. We continue to progress approximately 30 ongoing enforcement investigations into firms and individuals relating wholly or partly to BSPS advice, all of which are at an advanced stage. Two matters are being litigated and are in the public domain. Taking supervisory or enforcement action against all firms that provided BSPS transfer advice would not be practical – it would be costly and would not be an effective use of our limited resources. It would also take time and so could result in delays in consumers getting redress.

We do not agree with respondents who suggest that only a narrow range of firms (such as those with higher volumes of transfers) should be targeted by the scheme or by supervisory action. This is because there has been a widespread failure in the market and consumers who took advice from smaller firms should also benefit from having their advice re-considered by firms in the scheme.

We think that an opt-out scheme is preferable to an opt-in scheme given the risk that members owed redress may not opt-in to the review process and eventually become time-barred from making a complaint. We have evidence that some firms have actively tried to dissuade customers from making complaints. This remains a risk even where consumers receive prescribed letters from their firms under a s.404 redress scheme, for example during any separate discussions they may have with their adviser before formally responding to a decision letter.

Our updated CBA estimates indicate that 9% of consumers who receive redress under an opt-out s.404 scheme would miss out under an opt-in scheme. We estimate that administrative costs for firms would be £7.9m under an opt-in approach and £9.3m under an opt-out approach. A number of steelworkers we engaged with during the consultation period welcomed an opt-out approach rather than opt-in approach, as they said they were unsure if the advice they received was suitable and were reluctant to challenge their advisers directly. Under our proposed approach, if consumers are happy with the advice they received, they can opt-out if they want to do so.

Combining multiple alternatives may place an unduly large resource burden on the FCA, while being likely to produce only similar outcomes to a s.404 redress scheme. As outlined in our response above to a s.404 opt-in approach, we will carry out a comprehensive consumer engagement programme to increase awareness of the scheme. Together with the scheme itself, we believe this will lead to the most positive outcomes, compared to any combination of alternative options. Extending the complaint limitation periods in our DISP rules would not address the risk that large proportions of consumers may continue to not complain about their advice, due to influence from their advisers or other factors. Consequently, the delays to harmed consumers receiving redress would continue.

3 Scope of the scheme

3.1 In CP22/6 we explained who the scheme would and would not cover. In this chapter, we set out the feedback we received on:

- the relevant time period the scheme will cover
- insistent clients
- categories of people who will not be included in the scheme

The relevant period

3.2 We proposed that, depending on the results of our analysis of further evidence, the scheme will cover consumers who received advice between 26 May 2016 to 29 March 2018 to transfer out of BSPS. 26 May 2016 is when the DWP launched a consultation on BSPS and 29 March 2018 is when BSPS entered PPF assessment and was closed to transfers. We asked:

Q7: *Do you agree that the scheme should cover advice given between 26 May 2016 and 29 March 2018, provided the further file review evidence shows that the legal test is met?*

Q8: *Do you agree that, if the legal tests for the earlier period are not met, the scheme should cover advice given between 1 March 2017 and 29 March 2018?*

3.3 For Q7, just over a third (35%) of respondents agreed that the scheme should cover the wider period if the legal test is met. A similar proportion disagreed or were neutral on the subject. Therefore, there was no real consensus in the consultation responses. For Q8, more respondents agreed than disagreed that if the legal tests for the earlier period were not met, the scheme should cover advice given between 1 March 2017 and 29 March 2018.

3.4 Many consumers and their representatives suggested that we should extend the limits in FCA rules for BSPS consumers to give them more time to complain.

Our response

We have completed a review of a sample of 20 additional client files for the period 26 May 2016 to 28 February 2017 (inclusive of both dates). Our statistician has analysed the results and advised that the earlier time period is not significantly different from the main period. Including the earlier period does not change the previous conclusion that 46% of the transfers across the whole population involved unsuitable advice. When the earlier time period is considered in isolation, the rate of unsuitable advice is estimated to be higher than 46%.

We have implemented the rules that we consulted on so the scheme will cover consumers who received advice between 26 May 2016 to 29 March 2018 to transfer out of BSPS. It is possible that the time limits for bringing a claim may have expired for some consumers who received advice in 2016. Firms will be required to consider whether a consumer is out of time, and if they are, to send the consumer a letter explaining why they are excluded from the scheme and giving them the option to refer the matter to the Financial Ombudsman Service.

Insistent clients

3.5 Insistent clients are consumers who are advised not to transfer but who transfer anyway with the help of the firm who advised against the transfer. We asked:

Q9: *Do you agree with the steps we propose for insistent clients?*

Q10: *Do you have any evidence of harm caused by DB advice firms to insistent clients who transferred out of BSPS?*

3.6 For Q9, most respondents (60%) agreed with the steps we proposed for insistent clients. For Q10, almost all (85%) said that they did not have evidence of harm caused by DB advice firms to insistent clients who transferred out of BSPS.

3.7 Most industry respondents agreed with our proposal that insistent clients should be excluded from the scheme. Many thought that firms would have followed procedures correctly to ensure consumers were not wrongly classified as insistent. Consumer respondents told us that it was important that people were told if they had been classified as insistent and understand they can complain to the Financial Ombudsman Service if they do not agree with the classification.

3.8 Some consumer respondents suggested that we should review all insistent client cases to check that the customer had been correctly classified. This could help to identify cases where the customers were not told of the relevant risk warnings or important information when rejecting the advice.

3.9 On the other hand, some industry respondents said that consumers should not be encouraged to complain if they are outside the scope of the scheme and should not have the right to complain to the Financial Ombudsman Service about being treated as insistent. Some respondents suggested that the FCA rather than the Financial Ombudsman Service should decide whether the firm has complied with insistent client procedures. This is because that decision is a matter of fact, and not a decision to be based on what the Financial Ombudsman Service thinks is fair and reasonable.

3.10 A few respondents said they had evidence of harm caused to insistent clients by advice firms and raised concerns that some firms may have incorrectly categorised consumers to avoid liability for unsuitable transfers.

- 3.11** Some firms said that they do not do transfers for insistent clients, that insurers refuse to cover such transfers and that a transfer that the firm has advised against is unlikely to be in the client's best interest. Some respondents also said that the Financial Ombudsman Service took a different approach from the FCA to insistent clients and was likely to uphold complaints about unsuitable transfers even if clients were insistent.

Our response

We remain of the view that the evidence is insufficient to justify including insistent clients in the scope of the redress scheme. As we stated in the consultation, the number of insistent client cases is likely to be small and concentrated in firms that are either insolvent or under enforcement investigation by us. If people feel that they have been incorrectly categorised as insistent clients, they can complain to the Financial Ombudsman Service. If cases are referred to the Financial Ombudsman Service, they will consider whether the firm has correctly determined that the case is out of scope under the scheme rules, rather than on the basis of what is fair and reasonable.

We acknowledge concerns raised by several respondents that firms might have classified consumers as insistent when they were not actually insistent. For example, if the consumer did not properly understand the risks of transfer and/or that the advice was not to transfer. We will carefully monitor firm compliance with our rules to ensure that consumers are not incorrectly classified as insistent. We will also require firms to provide us with data on the number of people who are excluded from the scheme and the reason(s) why, to inform our supervisory activities.

Exclusions

- 3.12** As well as insistent clients and BSPS members who received advice outside the relevant period, in CP22/6 we also proposed to exclude people who:
- have already received redress
 - have referred their complaint to the Financial Ombudsman Service
 - have received a final outcome from a suitability assessment on their case through a specified PBR

- 3.13** We asked:

Q11: *Do you agree that the scheme should exclude cases in the circumstance we have described above?*

- 3.14** Most respondents (70%) agreed with our proposals to exclude cases in these circumstances. Several industry respondents highlighted that those offered redress following a complaint would have been told they could refer their complaint to the Financial Ombudsman Service if they had concerns about the firm's offer. Those who have taken their case to the Financial Ombudsman Service have already received an independent review of their transfer from an independent body.

- 3.15** Some consumer respondents told us that, due to issues that have been identified with redress calculations, steelworkers who had already received redress should not be excluded from the scheme.
- 3.16** Some firm respondents suggested that we should also exclude cases where firms had carried out proactive PBRs and appointed an independent third party to review the advice, where referral rights were provided to the consumer.
- 3.17** Some respondents said that we should not exclude people who had referred complaints to the Financial Ombudsman Service in case the outcome reached might be different under the scheme rules. Others said that consumers who had received compensation from FSCS but whose losses exceeded FSCS limits should also be included in the scheme.

Our response

We remain of the view that it would not be proportionate or appropriate to include the following categories of people in the scheme; people who:

- have accepted redress (from the firm or from FSCS)
- have referred their complaint to the Financial Ombudsman Service
- have received a final outcome from a suitability assessment on their case through a specified PBR where the firm has appointed a skilled person to carry out the review.

As acknowledged by some respondents, those who have received redress have had the harm that they suffered put right. They will also have been told they could refer their complaint to the Financial Ombudsman Service if they had concerns about the firm's offer.

We have seen evidence of a small number of firms not accurately calculating redress which may have resulted in consumers receiving less than they should have. Where we identify issues, we will take action, such as instructing skilled persons to ensure calculations are completed correctly. We have also published two updates in September 2021 and October 2022 to remind firms of our expectations including how we expect firms to take into account adviser charges when calculating redress. We will continue to closely monitor firms, taking further action where appropriate.

Consumers who have referred complaints to the Financial Ombudsman Service have already had, or are in the process of having, their cases considered by an independent third party with the power to make binding decisions on firms. Consumers can ask for the matter to be reviewed by an Ombudsman if they disagree with the initial assessment reached. The firm will also have paid a case fee for the Financial Ombudsman Service to consider the case so it would not be proportionate for them to incur additional costs under the scheme rules.

Customers will be excluded from the scheme if they have had their advice reviewed in a past business reviews carried out by a skilled person where the firms has assessed the advice using the FCA DBAAT and notified the consumer that they can complain to the Financial Ombudsman Service if they disagree with the findings. We do not think it would be appropriate to exclude customers from the scheme where firms have appointed other third parties to review cases because there is a risk that some consumers may not have received the right outcomes. However, where a DBAAT has already been completed, the rules enable firms to confirm that the same outcome would have been reached if the firm had assessed the case in accordance with the scheme rules. If firms consider that it would be unduly burdensome for them to comply with the scheme rules, they can consider applying for a waiver.

4 Scheme steps, suitability assessments, and oversight

4.1 In CP22/6 we set out the steps firms would have to follow to carry out the scheme and proposed deadlines for those steps. We described the role of the BSPS DBAAT. We also set out how we intended to oversee the scheme to ensure that consumers received fair outcomes. In this chapter, we summarise the feedback we received on the scheme steps and deadlines, the BSPS DBAAT and oversight of the scheme. We also set out our response to that feedback.

The scheme steps and deadlines

4.2 We proposed that firms would carry out certain steps to identify cases that are within scope of the scheme, assess those cases and communicate the outcomes of their assessments. We proposed deadlines by which firms must complete the steps and the information that firms would need to report to us.

4.3 We asked:

Q14: Do you agree with the proposed steps for firms to take under the scheme?

Q15: Do you agree with the proposed deadlines in the draft rules for firms completing the steps of the scheme?

Scheme steps overall

4.4 For Q14, almost half (47%) of respondents disagreed with the proposed steps for firms to take under the scheme. However, almost half (49%) of respondents agreed with the proposed deadlines in the draft rules for firms to complete the steps of the scheme.

4.5 Some respondents said that if we introduce a redress scheme, the proposed steps would be generally appropriate. However, many firm respondents and their representatives had concerns about the BSPS DBAAT and our proposals to assist consumers to refer cases assessed as suitable to the Financial Ombudsman Service. We address the feedback on these aspects later in this chapter.

4.6 Several respondents qualified their agreement with the steps by reiterating comments previously made on our justification for an opt-out s404 redress scheme (which we addressed in Chapter 2). For example:

- a few believed an opt-out process would mean that consumers are complaining without being aware that they are doing so.
- others believed some consumers might view redress as 'free money' and may not realise the impact that spurious complaints can have on advisers (such as increased insolvency risk, time and burden on firms).

- several recommended that we should not compel firms to take any steps that would invalidate their PII cover without their insurers' consent.

Scheme deadlines

- 4.7** Some consumer respondents felt that firms should complete the scheme steps as quickly as possible. Some industry respondents said that they thought the deadlines for assessing suitability and calculating redress were too short, particularly if firms needed to request further information from third parties for consumers. Others said that it could be difficult for firms to meet the deadlines if they had many other duties to perform and clients to serve during this time. Some respondents thought that firms might make mistakes if they were not given sufficient time to complete the scheme steps. A few respondents suggested that firms should be given more flexibility in certain circumstances, for example if cases are referred to the Financial Ombudsman Service and then passed back to the firm.

Stage 1 – Pre-scheme checks and Stage 2 – Suitability Assessments (case review)

- 4.8** Some respondents thought firms should be given longer to complete suitability assessments. A few respondents asked what would happen if firms received opt outs from consumers during the scheme. One respondent suggested that consumers should be given longer to respond, for example they might miss the deadline because they are on holiday.

Stage 3 – assessment outcomes (calculating and paying redress)

- 4.9** Responses to the proposal that redress must be paid within 28 days said:
- it would be impractical for some firms;
 - some firms would need to wait for their PII providers to pay out, and
 - small firms were more likely to become insolvent if not given more time to pay redress.
- 4.10** One respondent said that we should give firms longer to pay redress. One suggested 60 days would be preferable to 28. Another noted that our rules do not require firms to follow-up with consumers if they do not receive a response to the redress offer.

The scheme implementation period

- 4.11** We proposed that the scheme rules will come into effect 3 months after they are made. This is to give firms time to prepare to ensure they are able to carry out the scheme steps when the rules come into effect. We asked:

Q18: *Do you agree with the proposed implementation period?*

- 4.12** Most respondents were neutral on this topic. Among those who gave a view, a majority were supportive of the proposed timeframe. The consensus view was that they believed it is important above all for the parties involved that the matter is resolved as quickly as possible. However, some cautioned that we should avoid any rushing which might lead to mistakes in the redress scheme or redress methodology's design

and implementation. This could create further uncertainty, cause undue costs or lead to otherwise unsatisfactory outcomes for advice firms, consumers and other stakeholders.

- 4.13** Some industry respondents highlighted the need for the FCA, the Financial Ombudsman and the FSCS to ensure that there is sufficient resource in place to ensure the scheme functions well and does not create delays for consumers or other issues which could impede its aims and objectives.
- 4.14** Respondents of various types thought the 3-month period seemed reasonable and achievable for firms to meet, allowing sufficient time for firms to prepare while also being fair to consumers. A few suggested the timeframe was especially reasonable given the prominence of BSPS in media commentary and Parliamentary discussions, as well as the concern over the years shown by the FCA, other regulatory bodies and stakeholders about the quality of advice provided to members. These responses typically said that given this widespread stakeholder attention, all firms should be aware of and prepared for the need to review past advice to members, be it through a redress scheme or handling individual consumer complaints.
- 4.15** A minority challenged the proposed timeframe. A few commented that because they do not agree with the scheme, by extension they cannot agree with the implementation period. A similar number thought the timeframe was slightly too short, believing an extra 1-3 months might give firms sufficient time to prepare, without explaining why.
- 4.16** In contrast, a larger number felt the implementation period might need extending if certain key issues arise, such as delays in designing, building and user testing a redress calculator, as first proposed in CP22/6. Some said getting the BSPS calculator right was especially important given the updated redress methodology proposed in CP22/15, and any changes that might be required following that CP. A few suggested that amending the DBAAT might also need extra time if significant issues are identified between now and any final scheme implementation date (for instance through feedback received to CP22/6). One asked why ongoing BSPS complaints currently with firms or the Financial Ombudsman are not put on hold pending the outcome of our redress scheme and redress calculation methodology consultations.
- 4.17** One respondent claimed that the apparent 1-year period between when we published CP22/6 (31 March 2022) and when the scheme would come into force means that firms' PII policies would have already come up for renewal. New policies would exclude BSPS liabilities, with consequent risks to firms' solvency.

Our response

Later in this chapter we address the feedback on the BSPS DBAAT that firms must use for suitability assessments, as well as the role of the Financial Ombudsman. We address how we have considered PII-related risks to the scheme in our scheme step design amendments below, as well as in Chapter 6 where we address feedback in relation to our CBA.

Below we address by scheme stage the feedback received on the scheme steps, deadlines and implementation period, including where we have made changes:

Implementation period and stage 1 – pre-scheme checks

We propose to implement the rules we consulted on so that the first step involves firms preparing for the scheme for 3 months. Making the scheme rules has stopped the clock for limitation (time limit) purposes. This means that firms are required to review advice given to consumers even if the time limits for making a complaint or claim run out after the scheme starts.

Firms have 3 months from date of this publication to prepare for the scheme steps, which they must start from 28 February 2023.

The rules for Stage 1 that we consulted on required firms to identify scheme cases, write to consumers in and out of the scheme and acknowledge any opt-outs they receive within 1 month of the scheme effective date. Consumers can opt-out at any stage, including after Stage 1. Firms should acknowledge opt-outs within 5 business days of receipt.

Stage 2 – suitability assessments

We agree that in some circumstances firms might find it difficult to get the information they need to complete suitability assessments. We also agree that in some circumstances consumers might find it difficult to get the information they are asked for. So we are introducing a new requirement for firms to obtain consent from consumers so that they can get information from third parties on the consumer's behalf (if further information is required). Consumers can also opt to provide consent for FSCS to contact third parties on their behalf to request information if the firm becomes insolvent at a later date.

Our rules require the firm to send a chaser letter to their consumer where they receive no response to a first letter asking for further information needed to assess the consumer's case.

While some considered the 14-day window for consumers to refuse permission for their details to be passed to the FCA was too short, consumers will still be able to opt-out of us contacting them to ask if they would like their complaint to be referred to the Financial Ombudsman. Ultimately it will be up to the consumer whether they wish to refer a complaint to the Financial Ombudsman Service.

Stage 3 – assessment outcomes

We note some firms' concerns that they may struggle to meet their liabilities if they all occur at a similar time. In March 2020 we wrote to all firms that provided BSPS transfer advice reminding them that firms must have adequate financial resources.

Our Principles and prudential rules require firms to have financial resources that are appropriate for the risk of harm and complexity of their business to ensure they can meet liabilities as they fall due. These liabilities may result from claims for poor advice. Firms must meet the Principles for Businesses (PRIN). PRIN includes maintaining adequate financial resources (see Principle 4 – Financial prudence in PRIN 2.1.1). Firms may also have specific prudential requirements that apply to them, including being required to have adequate PII.

We reminded firms in this letter that if they did not have adequate financial and/or non-financial resources, they must notify us immediately and, if necessary, seek the advice of an insolvency professional. Firms should also consider their duties under the Companies Act 2006 and the Insolvency Act 1986. Where the firm issues a redress offer to the consumer, we have added a requirement for firms to send a chaser letter after 4 weeks if they do not receive a response to the initial offer letter. We will monitor firm progress with the scheme via reporting requirements which will require firms to confirm to us that redress has been paid and how much.

Firms can apply for a waiver if they think they will be unable to comply with the timeframes set out in the rules.

All stages

To ensure that firms are still able to meet the deadlines for scheme steps where a consumer refers a complaint about a redress determination to the Financial Ombudsman Service, we have introduced a new provision in the rules. This stops the clock on scheme deadlines when cases are referred to the Financial Ombudsman. Time stops on the date the redress determination is sent. Once the Financial Ombudsman reaches a decision and communicates this to the firm or if the complaint is resolved between the firm and the consumer, the clock will then restart if the decision requires the firm to continue to progress the case as a scheme case.

We have made minor changes to headings and wording in the main text of some of the letters that firms are required to send to consumers.

We are also amending the scheme letter requirements so that only those letters which are 'redress determinations' include Financial Ombudsman Service referral rights.

We have included new guidance in the rules explaining that the scheme letters can be adapted as necessary when another party is carrying out the scheme steps on the firm's behalf, for example a 'competent person.'

Where information requests are sent to a third party, a reasonable time for the response has been set at 4 weeks. If there has been no response after this, the firm requesting the information can notify the FCA if the third party is an authorised firm.

We have also amended the rules to ensure that they are more compatible with any potential PII cover that might still be available:

- to reduce the risk of firms invalidating PII policies while carrying out the scheme steps, our rules now allow for the steps to be carried out by the firm's insurer acting on the firm's behalf
- where a consumer accepts the redress offer made by their firm, the acceptance letter text is now amended to make this more expressly a valid 'claim' under most PII policies.

We have introduced specific guidance on how firms should carry out the scheme steps where a consumer has died. Firms should take reasonable steps to reach out and engage with the deceased's estate/beneficiaries of the pension and estate when carrying out the steps.

We do not intend to extend the scheme deadlines for determining whether cases are in scope, assessments are suitable, or paying consumers once a redress offer is accepted. If there are exceptional circumstances that mean firms cannot complete the required steps within the deadlines they can apply to us for a waiver or discuss with the firm's relevant supervisor.

Following consideration of responses, we have decided to extend the deadline for firms to calculate redress under the scheme if the consumer requests augmentation or asks the firm to consider. This is to ensure that the firm has sufficient time to collect the information that it needs to calculate the augmentation offer or other losses. Please see Chapter 5 for further information about this and other deadlines for calculating and paying redress under the scheme rules.

Putting cases on hold

We do not think it is appropriate for firms or the Financial Ombudsman Service to put cases on hold until we have confirmed changes to the redress methodology. We understand that consulting on changes to our methodology while redress calculations continue could make some people uncertain about when to have their redress calculated. We therefore gave everyone the option to wait until we have made any changes to the methodology to have their redress calculated. We explained that consumers should not wait to have redress calculated just because of the changes in the economy. We are confident that our methodology is appropriately factoring in economic change.

The BSPS DBAAT and the examples of unsuitability

- 4.18** We proposed that suitability will be assessed using a BSPS-specific version of the DBAAT we created in 2019, which has been used widely and which we consider to be a robust tool for assessing advice.
- 4.19** We proposed that the instructions would require the assessor to be familiar with the risks of a pension transfer out of BSPS, and to answer the questions in the template with reference to available evidence. During the TTC period, members could stay in the current BSPS DB scheme, which would move into the PPF; or join the new BSPS DB scheme (BSPS2). Consumer also had the right to transfer out.
- 4.20** We published an annex to the instructions which outlined the general features of DB schemes, the risks associated with DB transfers, a comparison of the key benefits available in BPS2 and the PPF, and a timeline of the key announcements relevant to BPS. The annex also provides guidance on what information was available and when during the timeline. The information section of the BPS DBAAT requires firms to check whether the required information was gathered to inform the transfer advice.

4.21 The proposed suitability section required the assessor to record the available evidence and information in the information section. It also required the assessor to consider a list of examples that indicate advice is likely to have been unsuitable. The assessor had to conclude, considering all the available evidence and presence of any examples indicating unsuitable advice, whether the advice complied with the suitability requirements.

4.22 We proposed that if the assessor concluded the advice failed to comply with the suitability requirements, then the causation section of the BSPS DBAAT had to be completed. The causation section recorded the assessment of whether the advice was the effective cause of the consumer's decision to transfer and had (or might have) caused loss.

4.23 We asked:

Q12: *Do you agree that the BSPS DBAAT is an appropriate tool for assessing whether advice to transfer out of BSPS was suitable?*

Q13: *Do you agree that the examples of failures we've identified in the BSPS DBAAT instructions are indications of a failure to comply with suitability requirements?*

4.24 For Q12, almost two thirds (63%) of respondents disagreed that the BSPS DBAAT is an appropriate tool for assessing whether advice to transfer out of BSPS was suitable. For Q13, almost half (49%) of respondents disagreed that the examples of failures we identified in the BSPS DBAAT instructions were indications of a failure to comply with suitability requirements.

4.25 Several respondents said the BSPS DBAAT was a useful tool to guide the assessor through collating the information needed to assess the suitability of advice. However, many said it was not appropriate for carrying out the assessment itself. It was suggested that it is inherently biased, uses closed questions, does not take proper account of 'soft facts', and does not consider other factors relevant to the suitability of advice. Some also asked for more guidance or clarity on certain parts of the tool.

Inherent bias

4.26 Some respondents said the proposed BSPS DBAAT was biased as it was more likely to produce an outcome of 'unsuitable' than 'suitable'. They believed this was because the proposed BSPS DBAAT provides examples of unsuitable advice but does not provide examples of suitable advice and the questions asked are closed questions.

4.27 Some said the DBAAT didn't give sufficient space for assessors to explain their rationale. Others stated that some of the examples of unsuitability could also be examples of suitability. Another said that the examples mean potentially every file is likely to be unsuitable.

4.28 One respondent said that the DBAAT holds advisers to a higher standard than the typical test for legal liability. They argued that advice does not need to be perfect but be reasonably given and that the DBAAT will produce a result of unsuitable if any question is answered in the negative. Some also viewed the DBAAT as giving minor compliance issues the same weight as the key drivers behind a transfer.

- 4.29 Some said that the DBAAT is procedurally unfair because it doesn't involve any communication with clients or firms.

Our response

Purpose of the DBAAT, purported bias and advisers' obligations

Section 404A (s.404A) of FSMA specifies the types of rules that the FCA may make in relation to a s.404 redress scheme. These rules include:

- s.404A(1)(b): 'setting out, in relation to any specified description of case, examples of things done, or omitted to be done, that are to be regarded as constituting a failure to comply with a requirement'
- s.404(1)(c): 'setting out ... matters to be taken into account, or steps to be taken, by relevant firms for the purpose of (i) assessing evidence as to a failure to comply with a requirement; or (ii) determining whether such a failure has caused (or may cause) loss or damage to consumers'

As such, the BSPS DBAAT does not focus on examples of 'suitable' advice, because firms are required to assess whether their advice was non-compliant with the requirement in COBS 9.2.1R(1) – to take reasonable steps to ensure that the advice is suitable.

We recently published some [guidance](#) to help firms understand how to apply our Handbook rules and [guidance](#) when giving DB transfer advice. This guidance includes examples of 'good' and 'poor' practice, largely based on advice we have assessed, to illustrate our expectations and how they link to compliance with our rules. We recognise that parts of the guidance reflect rule changes we have put in place since firms gave advice to BSPS members. But it still provides a useful steer on how we expect firms to give suitable advice.

'Scoring' and weighting are not features of the BSPS DBAAT. Where one or more examples of unsuitability are ticked, this will lead to the DBAAT suggesting a 'potentially unsuitable' rating. However, this is only a suggestion/indicator. The DBAAT acts to assist the assessor in considering all the relevant factors when assessing the suitability of the advice. While it asks closed questions and requests factual information, it does not prevent the assessor from considering other information when determining the outcome. The DBAAT does not produce the assessment outcome. Instead, it is for the assessor to review the case in the round, including the example(s) present and the wider information and circumstances, to form a view on suitability.

Communications with stakeholders during FCA case assessments

When we conduct a suitability assessment using the DBAAT, we speak to the firm at the outset so the firm can provide all the evidence that it holds to support the recommendation. We assess suitability on the evidence the firm provides. We are assessing whether firms have complied with our rules. The onus is on firms to demonstrate the suitability of their advice, as outlined in COBS 9 and COBS 19. The DBAAT is designed to focus on the information the adviser knew

and gathered at the time. Firms are not precluded from seeking information from the adviser or the consumer where necessary, however in most cases it is not necessary to reach out to consumers for input during our assessment process.

Soft facts

- 4.30** Some respondents said the DBAAT asked closed yes/no questions which did not allow for shades of grey. Some said the DBAAT failed to allow assessors to weigh different factors against each other and that it encouraged assessors to consider the examples simplistically in isolation from the consumer's broader needs, priorities and circumstances. In particular, some said that if an assessor answered 'yes' to one example of unsuitability then the outcome would be deemed 'unsuitable'. These respondents said this was neither accurate nor fair, in cases where there may be other mitigating circumstances or factors.
- 4.31** The most common criticism of the proposed DBAAT was that it was not nuanced enough to produce the right result. Some said it was a good starting point but should not provide the definitive assessment outcome. Respondents mentioned the importance of judgement, 'soft facts' and the 'human element'. One said the attestation doesn't allow for any deviation from the rules and so will encourage a formulaic approach to the DBAAT.
- 4.32** Some said that the DBAAT assesses suitability based on the loss of guaranteed benefits alone. They argued that while this might be the primary factor to consider, it should not be the only factor.
- 4.33** Some said the DBAAT doesn't capture the client's objective, which in many cases was to retire early. They said the objective of retiring early isn't always evident from 'hard-file information' and so might not be sufficiently considered.

Our response

The DBAAT serves as a summary record of the file and a prompt to the assessor. It is designed so that it does not itself determine whether the advice was suitable or unsuitable. This is always for the assessor to conclude. Although the DBAAT requests certain hard facts, it does not prevent the assessor from considering other information, be it 'soft facts' or other factors. The proposed BPS DBAAT's instructions say that an assessor should take the examples of unsuitability into account, but not that these would themselves necessarily determine overall suitability of the advice. At 9.3G they state that: 'If an example is present, this will tend to show the firm's compliance or non-compliance with the suitability requirements. There may be other factors which mean that the firm has, despite the presence of the example, complied, or not complied, with the suitability requirements.' In other words, the DBAAT relies on examples as strong evidence or illustrations of unsuitability, but those examples are not determinative of the outcome.

The DBAAT intentionally provides space throughout for assessors to provide additional comments from the file which are relevant to the assessment. This enables assessors to draw on that evidence when completing the DBAAT and to include it in their rationale for the suitability rating. This evidence is necessary to justify the rating, particularly in situations where the assessor's suitability rating differs from the suggested suitability rating. For each example of unsuitability in the BPS DBAAT, the instructions set out steps for the assessor to consider. Many of the factors which respondents said did not feature in the DBAAT are explicitly factored into the instructions for working through the examples. We have added guidance to the final Handbook text to clarify the level of detail that assessors should ensure they enter on the DBAAT.

We consider that the BPS DBAAT does provide the assessor with room for a balanced consideration, in light of the specific client's needs, objectives and circumstances, of the benefits and drawbacks of safeguarded benefits (provided by BPS2 and/or the PPF) against the benefits and drawbacks of a transfer to a DC scheme. However, this assessment needs to be balanced and should not over-emphasise the benefits of one course of action, for example transferring out of a DB pension, whilst downplaying the disadvantages, such as the loss of a guaranteed income for life. The DBAAT helps to ensure consistency of outcome in the assessment process and therefore consistency of outcome for consumers. It also mitigates the risk that different assessors reach different conclusions.

Hindsight

- 4.34** Some respondents claimed that the DBAAT was informed by hindsight and so applied a different suitability test than would have applied at the time of the advice. Some suggested that we had changed our stance on whether a transfer was unlikely to be, or on balance could be, in the client's best interests. Some said that much of the information that was relevant in a holistic context was introduced later on.
- 4.35** One respondent said that certain DBAAT areas ask for data in relation to COBS rules that came into effect after BPS advice was given. They said that, for example, rules on client attitude to transfer risk (COBS 19.1.6G(4)(b)), expected expenditure throughout retirement (COBS 19.1.6.G (4)(d)), and realistic retirement income needs were introduced on 1 April 2018.
- 4.36** Some suggested that the PPF should be the comparator scheme, and that the DBAAT should not consider BPS2 benefits or critical yield because BPS2 did not exist at the time. They said that information in the 'Time to Choose document' could not be relied upon because it was only a 'proposal', subject to change and might not have proceeded. They also noted that a trust deed and rules for BPS2 were not available to advisers at the time.

Our response

Our view remains that keeping safeguarded benefits will be in the best interests of most consumers. In CP17/16, we did consult on whether to remove the guidance in COBS 19 on the starting assumption that a transfer would be unsuitable and replace it with a statement in the Handbook that for most people, retaining safeguarded benefits will likely be in consumers best interests. We also consulted on including guidance that advisers should have regard to this statement. However, in PS18/6 we clarified that we had decided not to proceed with this change, given the significant proportion of unsuitable advice we were seeing at the time. As a result, the starting presumption of unsuitability has remained in the Handbook consistently since November 2007.

As we said in CP22/6, and when we created the BSPS DBAAT, we have been careful to ensure that we are not being retrospective in applying our rules. The rules and guidance that apply to DB transfer advice are primarily found in COBS 9 and COBS 19 within our Handbook. We took particular care with the BSPS DBAAT to reflect the rules and guidance in COBS 9 and COBS 19 that were in place at the time the advice was given. Although the COBS 19 rules subsequently changed between 2018 and 2020, the underlying rules in COBS 9 have remained broadly unchanged for this type of advice. Furthermore, the language used in COBS 9 is framed in the context of the 'specific transaction' which in this case involves advice to give up safeguarded benefits. For example, COBS 9.2.2R(1)(b) states the firm should have reasonable basis for believing that the specific transaction recommended is such that the client is able financially to bear any investment related risks consistent with their investment objectives. Further, COBS 9.2.2R(3) clarifies that firms should collect information about the client's financial situation, including source and extent of regular income, assets, liquid assets, investments and real property and the client's regular financial commitments.

We have also been careful to consider what information was available to advisers at the time they provided advice. The report from Grant Thornton, which we published on our website, analysed the information available to firms during the TTC period. It set out the steps that a competent and reasonable adviser should have taken at the time when advising BPS members. The BPS DBAAT instructions say what comparator scheme should have been used at various dates. Normally the comparator scheme is the ceding scheme, but the closure of the original BPS scheme (Old BPS) complicates this comparison. We have taken a view that for advice given on or before 16 May 2017, the comparator should have been the Old BPS. This is because before this date, we do not consider there was sufficient reason to believe the Old BPS was certain to cease existing. Between 17 May 2017 and 11 October 2017, we consider the comparator scheme should have been the PPF, as sufficient information was not yet available on the benefits under BPS2. From 11 October 2017, when the TTC packs were provided, we consider the comparator scheme should have been BPS2 and the PPF. While some information on the benefits of BPS2 were still to be confirmed, we consider that a reasonable adviser would have used the information provided in this pack to make the necessary comparison.

The examples

- 4.37** One respondent said that most of the examples are not examples of unsuitability but are material information gaps. The respondent referred to the following line in the example: 'The aim of the transfer is to maximise death benefits but there is insufficient evidence on the client file to demonstrate why this is in the client's best interests.'
- 4.38** The respondent added that maximising death benefits can mean different things. And maximising death benefits doesn't equate to a recommendation, but if the assessor answers 'yes' here, the suggested rating will be 'unsuitable'. The assessor can then use judgement about the overall rating, but an inexperienced unqualified assessor will not be equipped to do that.
- 4.39** Another respondent said the examples are largely irrelevant because they are simply objectives of the consumer, or statements about an element of the consumer's risk profile, such as transfer risk. The respondent said the BSPS DBAAT is assessing whether the objectives are in the client's best interest, when it should be assessing whether the advice is in the client's best interests.
- 4.40** A further respondent said the examples in the DBAAT did not show that advisers were legally liable for consumers' losses because legal liability only arises if the consumer was unable to bear the risks, even if that fact is only proven after the event. The respondent said the DBAAT instead wrongly tests whether the firm demonstrated at the time of the advice that the consumer was unable to bear the risks.
- 4.41** One respondent said it would be helpful if we could provide an example or a case with 1 or 2 indicators of unsuitability but overall suitability because 'the wider view is that if 1 factor is present then the case is unsuitable'.

Our response

The DBAAT takes an examples-based approach to assessing suitability. This is consistent with s.404 FSMA. The DBAAT therefore looks for the presence of examples which, in our experience, tend to indicate that the advice was unsuitable. For instance, Example 1 in the BSPS DBAAT is that 'The client is, or will be, reliant on income from the scheme'. Where Example 1 is present, it would suggest that the client may not have the capacity to lose the income provided by the scheme. We have not received any compelling evidence to suggest that the examples are not actually evidence of unsuitability or fall short of indicating unsuitability.

The presence of an example in a particular case indicates that the advice in that case might have been unsuitable. However, the assessor must consider the evidence in the round. In practice, the examples help the assessor to consider relevant factors when assessing suitability.

Several examples do refer to consumer objectives, such as Example 2 which refers to passing on death benefits. However, these examples also consider how the adviser has considered this objective when forming their advice. Referring to Example 2, the desire to pass on lump sum death benefits comes with the risks associated with transferring to a DC arrangement. These include the risk of running out of money if withdrawals are too high, investment performance is not what was expected or the

client lives longer than anticipated. These examples are present where the firm has not demonstrated that the consumer is able to bear the risk of the transfer that would be needed to meet the client's objective.

The instructions to the BPS DBAAT include examples of ways in which an assessor might override the presence of an example of unsuitability and assess the case as suitable overall despite the presence of 1 or more examples of unsuitability.

This approach is consistent with guidance in COBS 19.1.6G that a firm should start from the position that a transfer will not be suitable for a client, unless the firm can demonstrate based on evidence that, in the case of a particular client, a transfer is in the client's best interests.

Regarding liability, an assessment that advice was unsuitable does not assume that a liability arises. Liability requires a separate assessment. It is determined after the suitability assessment, if the suitability assessment found that the advice was unsuitable. Where an assessor has found that advice was unsuitable, the assessor must then move to determine whether the advice caused the transfer (in the DBAAT's causation section) and, if it did, whether the transfer caused any loss to the consumer. Whether the advice the firm provided was justified based on the information available to it at the time is relevant to the suitability assessment. The suitability assessment is an assessment of whether, in giving the advice, the firm complied with COBS standards. Whether in fact the consumer was unable to bear the risk of the transfer is likely to be shown as part of establishing the amount of any loss if the advice is found to be non-compliant with COBS standards and the advice is found to have caused the consumer to transfer.

On untrained assessors, the BPS DBAAT says, 'Before completing the BPS DBAAT, an assessor must familiarise themselves with the features, benefits and risks of a pension transfer from BPS, including the features, benefits and risks in general of a pension transfer that a reasonably competent firm should have identified, as illustrated in CONRED 3 Annex 17G at Table 1'.

Reliance

- 4.42** Example 1 is that the consumer is, or will be, reliant on income from the comparator scheme. Some respondents said it was not clear whether reliance means the consumer will rely on part or all of the DB pension.
- 4.43** Some respondents said the DBAAT seemed to assume that state pension could not be relied on as an income source.
- 4.44** One respondent said that the question of reliance is not whether there is a need for any of the DB pension income, but whether there is a need for guaranteed income.
- 4.45** Another respondent said the DBAAT ignores the significance of small income gains where total income is low. In BPS cases, the upside motivation may well take the form of earlier retirement.

4.46 A further respondent disagreed that reliance was relevant at all.

Our response

The purpose of Example 1 is to recognise if a consumer would have been reliant on their guaranteed DB scheme pension to meet their basic inflation-linked living costs and lifestyle expenditure, given the other assets available to them throughout retirement. DB pension schemes provide a guaranteed income for life, typically with some protection from inflation. This guarantee is lost upon transfer to a DC pension, so a transfer increases the risk that the consumer could run out of money. While there is always the opportunity for a consumer to use a DC pension to 'purchase' a guaranteed income for life, via an annuity, often the terms offered, and cost are less favourable than those available in the DB scheme.

The instructions that support users of the DBAAT, and that were consulted upon in CP22/6, frame Example 1 in the context of the consumer's capacity for loss. Example 1 seeks to establish the level of reliance the consumer has on this pension, the possibility that this income may run out and whether the consumer has the capacity to bear such a loss. It is not simply the case that if the client needs to draw any money from this pension, then Example 1 is present. The instructions outline the steps to take to identify whether the example is present.

The instructions recognise that the question of reliance depends on multiple factors. These include the consumer's anticipated expenditure patterns, their health and life expectancy and what other assets, both pension and non-pension, they have available. For example, the DBAAT instructions explicitly recognise that many consumers will have access to a state pension which will help to meet their planned retirement expenditure.

However, we said in CP22/6 that many BSPS members tended to have few other assets or sources of retirement income in addition to the state pension. This would tend to increase the importance of the BSPS pension as many consumers have few other assets to draw upon.

Our view is that there is sufficient detail within the DBAAT instructions to allow firms to consider whether the consumer can produce the same, or similar, contributions to their income needs post transfer and whether such a course of action aligns with the client's capacity for loss.

Guarantees

4.47 Example 7 is that the consumer wants or prefers guaranteed income or returns. Some respondents said that loss of guaranteed income is a major factor, but if the member had other valid motivations and understood that income was not guaranteed, their short and long-term objectives should also be considered, and not discounted (for example if a case is referred to the Financial Ombudsman Service). These respondents suggested that the spreadsheet over-emphasised the significance of guarantees. Some also said that uncertainty over the future of BSPS meant that consumers wanted to transfer out of the scheme to secure benefits. Another respondent said

the emphasis on guarantees ignored the fact that consumers value the opportunity to increase their retirement benefits via a transfer and that the value of guarantees has to be considered in the wider context.

Our response

Our view is that if a consumer has indicated a preference for guarantees or certainty, then this is an example of potentially unsuitable advice to transfer out of a pension scheme that provides such guarantees. However, the presence of an example does not determine suitability. The assessor has the opportunity to weigh this factor against other factors to decide whether, overall, the advice was suitable or unsuitable. For example, while the consumer may have a preference for a guarantee, they may have a significantly reduced life expectancy which may reduce the ultimate value of a guaranteed income for life for that consumer. It would be reasonable for the firm to take into account these factors when completing its assessment.

Attitude to risk

- 4.48** Example 8 is that the consumer does not have the necessary attitude to risk. One respondent said that if the personal pension does not meet the client's attitude to risk then they could switch funds after a further assessment to determine suitability based on the revised fund selection, rather than 'casually deem the file unsuitable'.

Our response

The BSPS DBAAT focusses solely on the advice to transfer out of the BSPS DB pension. It does not consider the follow-on investment advice and whether this was suitable. While we recognise that the situation raised by the respondent may occur, that unsuitable investment advice could in some cases be rectified via a fund switch, this is not a situation the scheme is focused upon.

The BSPS DBAAT focusses purely on whether the consumer had the necessary attitude to risk to transfer out of a scheme with safeguarded benefits to a DC pension scheme. We do not consider that if the DBAAT is properly used it will or should lead to 'casual' determinations.

Transfer analysis

- 4.49** Example 9 is 'The firm's transfer analysis does not support a recommendation to transfer'.
- 4.50** One respondent said this example focuses only on achieving the same level of benefits as the BSPS, rather than focussing on individual objectives.
- 4.51** Some respondents suggested that critical yield should not be considered in the DBAAT. They noted that we have said in the past that critical yield is just one factor in the assessment of suitability. Some said we had noted the drawbacks of using critical

yield. One noted that we removed the requirement to include the critical yield following the introduction of Appropriate Pension Transfer Analysis and the Transfer Value Comparator. Another said that the transfer analysis requires comparison of the critical yield with the Key Features Illustration, but many factors would mean critical yield is irrelevant. They felt we seem to have changed our view about critical yield since 2017.

- 4.52** Another respondent said the DBAAT wrongly takes into account critical yield for an annuity but not for drawdown. They said advisers rarely recommended transferring out to an annuity, and the annuity option is a strawman because it is easier to fault than the drawdown option. They said best interests are rarely served by transferring with the intention of buying an annuity and that this would lose the welfare gain that a transfer provides. The respondent noted that Grant Thornton's report did not suggest that critical yield for drawdown should not form part of advice. The respondent noted that, for a recommendation of transfer-to-drawdown, COBS 19.1.3G requires calculating 'the rates of return that would have to be achieved to replicate the benefits being given up' and 'rates of return which take into account the likely expected returns of the assets in which the retail client's funds will be invested'. They believe that COBS 19.1.3G uses 'replicate' ambiguously to cover both the annuity and the drawdown option (even though neither is actually replication). They consider that the DBAAT lacks a section for data on the drawdown option, so it encourages assessors to test on the annuity option. Some respondents told us that they considered that this is the most common basis for the Financial Ombudsman Service to find advice unsuitable.
- 4.53** One respondent said the transfer analysis should be the first example in the DBAAT and set the tone for the rest of the assessment. However, they also said the transfer analysis example pushes assessors to use the wrong analysis, producing flawed assessments. The respondent said the DBAAT pushes assessors towards Transfer Value Analysis (TVAS) critical yield calculations to assess better or worse off, but they assume individuals will de-risk pension investments at retirement by buying an annuity. They suggested our own data on annuity purchases shows that this assumption no longer holds. The respondent considered that cashflow modelling was most effective at showing the value inherent in a transfer but said the Financial Ombudsman Service ignores cashflow modelling on files.
- 4.54** The respondent said that bias in the DBAAT meant advisers assessing suitability would have to use the box 'Commentary on any other comparison of benefits', and third-party assessors might not include it at all, and the Financial Ombudsman Service might not take this into account. One respondent said that the Financial Ombudsman Service had a history of ignoring client objectives, suitability reports and file notes.
- 4.55** One respondent said the DBAAT doesn't consider the reduction of indexation by sponsoring employers who moved from the Retail Price Index to the Consumer Price Index or nothing, and capped indexation as low as 2.5% in some cases.

Our response

The critical yield is the rate of return needed from a DC scheme to replicate the benefits of the DB scheme. Before 1 October 2018 firms were required to produce a transfer analysis and should have determined a critical yield. The rule change in 2018 was a result of, amongst other things, an over-reliance on critical yields by some firms. The BPS DBAAT takes into account that the critical yield was still a key part of

transfer analysis that firms should have provided to BSPS members. But it is not the sole determinant of whether advice was suitable. The critical yield is a factor in whether the assessor answers 'yes' to Example 9.

The DBAAT does not prevent assessors from taking into account any critical yield calculated against a drawdown option in addition to the critical yield that assumes purchase of an annuity to replicate benefits. Similarly, if a firm has carried out cashflow modelling showing for example, how long funds may last under drawdown under different investment scenarios, we agree that this is relevant information from the analysis for assessing the suitability of the advice, as set out in the draft DBAAT instructions. Concerns about third party assessors not including reference to other comparisons of benefit (in addition to the critical yield) are unfounded. If the case is referred to the Financial Ombudsman Service after the firm has assessed the advice, it will see the firm's assessment including any notes on other comparisons of benefit. The Financial Ombudsman Service will not need to complete the DBAAT as it can use the firm's completed DBAAT.

We know that as a result of the restructuring of the scheme, the indexation of benefits was reduced. However, even at reduced levels, indexation still provides an element of protection against inflation, both in deferment and retirement. Such indexation does not exist in DC pensions, where protection from inflation comes through achieving growth in the pension fund, though with the risk that poor markets may mean the consumer is worse off. So our view is that this is a question of whether the consumer is both willing and able to take the risk associated with the transfer and the corresponding loss of indexation benefits. The answer will depend on the circumstances of each individual case.

Client knowledge and experience

- 4.56** Example 10 is 'The firm did not have a reasonable basis for believing that the consumer had the necessary knowledge and experience to understand the risks involved in transferring their DB scheme'.
- 4.57** One respondent said it was important to test for comprehension rather than specific past experience, and consumers without experience should not be prejudiced.
- 4.58** One respondent said knowledge and experience are 'downplayed' and BSPS members usually were fully engaged, understood what they were getting and understood the risks.
- 4.59** Some respondents questioned the importance of knowledge and experience. One said knowledge should be assessed after the consumer has been informed by the adviser, and experience is not necessary, and every investor is a first-time investor at some point. The respondent said that what matters is the ability to understand the risk involved in transferring, emotional tolerance, and the need and capacity to take the investment risk.

- 4.60** Some said that: Parliament did not intend to prevent consumers exercising transfer rights if they had no specific experience of transferring a pension or of pension or other investment wrappers. Consumers would gain experience as a consequence of transfer, particularly if it establishes an ongoing relationship with an adviser.

Our response

The example asks about knowledge and experience needed to be able to understand the risks. It asks whether the firm had a reasonable basis for believing that the consumer would be able to understand the risks involved in transferring. As 1 respondent pointed out, the DBAAT leaves room for judgement. It also takes into account what the firm told the consumer (10.28R(6)(b)) rather than relying on the consumer necessarily having extensive knowledge and experience from the start.

Our file reviews found that in 40% of unsuitable cases the client did not appear to have the knowledge and experience to understand the risks of the transfer. In many of these cases, the adviser did not explain the transfer decision giving sufficient balance to the advantages and disadvantages. We also saw many examples of firms failing to correct a material misunderstanding by the consumer. The BSPS DBAAT makes clear that advisers are expected to correct such consumers' misunderstandings. For example, about the roles of the trustees and employers if the consumer has concerns about belonging to a scheme where the employer would continue being involved. Other misunderstandings which advisers should have corrected involve the level of protection the PPF would have provided, which may still have been adequate to meet many consumers' needs and objectives.

The instructions to the DBAAT direct the assessor to answer 'yes' to this example if any of a range of circumstances are present. None of those circumstances requires the consumer to have extensive pre-existing knowledge and experience.

Client age

- 4.61** Example 11 is based on the client's age at transfer. It states: 'the consumer is under 50 and cannot bear the risks of transfer'. Some respondents said the BSPS DBAAT should not include this example. They gave reasons including that: 50 is an arbitrary age; this question is not included in the general (non-BSPS) DBAAT; BSPS members were more likely than others to want to retire early; younger clients stand to benefit from the longer period of time during which their benefits can be invested in equities; health factors could make age irrelevant; the FCA has assessed advice as suitable where a consumer was in their 20s; and some consumers were offered enhancements of over 200% of their pension while scheme benefits were reduced due to underfunding; and the Chair of Trustees told members in May 2016 that BSPS was highly likely to go into the PPF.
- 4.62** One respondent said we argue that lack of visibility about retirement needs is more important than higher outcomes, but advisers were entitled to assess the value clients placed on transfer outcomes without that value depending on contextual information such as a budget. The respondent said, 'People prefer more to less.'

Our response

When considering what degree of protection for consumers may be appropriate, s.1C(2) of FSMA requires us to have regard to, amongst other things, the differing degrees of risk involved in different kinds of investment or other transaction, and the differing degrees of experience and expertise that different consumers may have. As we said in CP22/6, younger consumers often did not have any clear plans for their retirement, and by transferring, they lose the option to draw a guaranteed income (other than an annuity). A transfer to BSPS2 still ensured consumers kept open all their options. We also note that many individuals further away from drawing their pension may have changes in circumstances that may make scheme benefits more beneficial than at the time advice was given. For example, they may have married and now will benefit from the spouse's pension.

We chose age 50 for the example because our analysis showed that more than 50% of consumers with unsuitable advice were under 50. Further, many BSPS members had a protected pension age of 50, so were unable to access their pension until this age at the earliest.

Whilst we acknowledge that future transfer values from BSPS2 may be lower (due to the reduced level of the benefits), this is of little consequence if the consumer ultimately decides they would rather have a guaranteed income throughout their retirement. We also consider that those disadvantaged by transferring out of BSPS might not realise they have suffered a loss until much later in life when it is likely that they will be time-barred from making a complaint.

Transfer values are the expected cost of providing a member's benefits in the scheme. This will partly depend on the expected returns of the assets held by the scheme. Changes in the BSPS investment strategy meant that transfer values changed over time. Transfer values may also reflect underfunding. BSPS was underfunded but the reduction for underfunding was reduced over time.

As with the other examples in the DBAAT, if this example is present and competing or mitigating factors are also present, the assessor can balance those other factors against this example when deciding whether overall the advice was suitable or unsuitable.

Causation

- 4.63** Some respondents pointed out that in some cases consumers might be determined to follow a particular course of action, irrespective of the advice provided or the process the adviser followed.
- 4.64** However, 1 respondent said that the most likely reason a consumer would still have transferred to the proposed scheme 'in the absence of non-compliant conduct' is that the client understood and was persuaded by the case made by the adviser to transfer. The respondent said that any doubt over causation in such cases must be due to the DBAAT introducing errors of both hindsight and logic.

- 4.65** One respondent said that a s.404 redress scheme can only be established in relation to loss or damage that would be actionable in legal proceedings and that this excludes FCA principles and guidance. The respondent said the BSPS DBAAT doesn't distinguish between legally actionable rule breaches and guidance.

Our response

We said in CP22/6 that we were proposing not to include insistent clients in the scheme and this position has not changed in the final rules.

Our legal analysis is that where a consumer received advice to transfer their BSPS benefits to a DC scheme, and that advice was unsuitable (non-compliant with COBS 9.2.1R(1)), then the consumer should, in principle, be entitled to recover from the firm the full amount of the loss from that transfer. This is regardless of the actions of other parties, such as introducers, or delays in providing information about a consumer's options leading up to TTC.

The respondent who said that the DBAAT introduces error appears to argue that advice did cause consumers to transfer. The challenges raised to the DBAAT appear to relate more to how it approaches suitability. We have set out in this chapter our response to feedback that alleges certain failings by the BSPS DBAAT.

The BSPS DBAAT tests for legally actionable non-compliance with the FCA rules in place at the time that advice was given to BSPS members. It helps the assessor to decide whether there has been a breach of the key obligations relating to suitability in COBS.

In Annex 7 of CP22/6, our King's Counsel (KC) said that the proposed scheme did not apply COBS rules retrospectively or use hindsight to judge on compliance. Our KC advised that it was a question of fact and expert judgement as to whether reasonable steps were taken in a case, but the legal standards applied by a court or tribunal were clearly set out in the COBS rules in force at the relevant time.

Clarifications and guidance

- 4.66** One respondent said that the notes on how to complete the DBAAT are not clear enough, so some assessors might interpret them incorrectly. They also suggested that we should produce a series of training videos, offer a helpline for assessors and a published record of questions and answers about the DBAAT. Another respondent said that it might be prudent to keep the BSPS DBAAT under review and fine tune, using feedback from IFAs during the first few months of the scheme.

- 4.67** Some respondents suggested the following miscellaneous changes that might improve the DBAAT:

- Section 1 should make clear whether the personal details relate to the consumer or the consumer's partner
- Example 8 should specify whether 'attitude to risk' refers to transfer risk, investment risk, or other risk

- provide more space to fully explain the rationale for the assessment outcome
- provide guidance on what to record in the 'Notes' fields throughout the BSPS DBAAT, similar to the guidance on the 'Additional comments' fields
- clarify what yes/no refers to in response to multi-part questions
- for consistency, change 'reviewer' to 'assessor'
- clarify the scoring system, in particular whether examples of unsuitability carry different weightings
- should Examples 1, 5, 6 from 5.42 use 'existing' rather than 'comparator' (which could mean destination scheme)?

4.68 Another respondent said we should require all assessments under the scheme to use the BSPS DBAAT. It said firms could transfer the data from existing DBAATs and add any missing information.

Our response

We have created comprehensive instructions and notes to support firms to complete the DBAAT. We know there is a risk of poor-quality assessments if firms either cannot or do not follow the instructions when completing the BSPS DBAAT. Where information is required from a third-party, the firm can use a letter of authority signed by the consumer and request the information itself. The rules also include a provision to ensure that authorised third parties cooperate with such requests so that the scheme is not unnecessarily delayed.

In response to the various suggestions to improve the BSPS DBAAT at paragraph 4.72, we have made a series of minor changes to address some of these points. In Section 1 of the DBAAT, there are separate sections for client details and spouse details. To clarify, the DBAAT does not have a scoring system. Examples are not weighted. The presence of one or more examples simply indicates that the advice might have been unsuitable. Any such examples require the assessor to reach a judgement on suitability of the advice overall. Where we have used the term 'comparator', this is the correct term, as set out in the definitions section of the instructions. Deciding which scheme serves as the comparator scheme in a particular case depends on the circumstances of that case, for example on the date the advice was given. The BSPS DBAAT sets out at 3.1.1R(6) how to determine which scheme is the comparator scheme for a particular case.

On Section 1 of the DBAAT "as the firm obtained the essential facts about the consumer?", firms must add the following information into the DBAAT when reviewing cases: 1) client identifier (the same identifier on the RegData return); 2) consumer details including: *consumer name, first line address, second line address, city, postcode, email address; 3) confirmation field that the firm has successfully contacted the consumer.

We agree that using the BSPS DBAAT for all assessments under the redress scheme would help to ensure consistent outcomes between firms and consumers. However, we consider it is more proportionate to allow those firms that may have completed an FCA DBAAT before the scheme effective date to use this instead, if it is accompanied by

an attestation from a suitably senior individual. This helps to ensure the burden on firms is proportionate to the benefits we expect will flow to consumers through completion of the DBAAT. Associated risks are offset by the attestation, as well as the facilitated referral of 'suitable' cases to the Financial Ombudsman Service, which will review the firm's completed DBAAT during its complaint review process.

Independence and oversight

4.69 We proposed that for all cases rated by firms as 'suitable', firms must provide details of these to us so that we can, with the consumer's permission, contact them to ask if they would like to refer a complaint about the determination to the Financial Ombudsman Service. It will then decide whether the firm has applied the rules of the scheme correctly. We asked:

Q16: *Do you agree that we should require firms in the scheme to pass consumer details to the FCA so we can take steps to facilitate referrals to the Financial Ombudsman Service for all cases that are assessed as suitable?*

Q17: *Do you agree that the proposed scheme will provide a proportionate level of independence and oversight?*

4.70 For Q16, just over two thirds (70%) of respondents did not agree that we should require firms in the scheme to pass consumer details to the FCA so we can take steps to facilitate referrals to the Financial Ombudsman Service. For Q17, over half (57%) of respondents did not agree that the proposed scheme will provide a proportionate level of independence and oversight.

4.71 Several respondents said we should not leave firms to 'mark their own homework'. However, others disagreed with our proposal to facilitate referral to the Financial Ombudsman Service. Key reasons given for this were that: it unnecessarily undermines trust in firms; is inconsistent with the roles of redress schemes, the FCA and the Financial Ombudsman Service; and it increases the cost of the scheme to firms.

4.72 Some claimed a facilitated referral was unnecessary. They felt it defeats the scheme's purpose to help consumers take cases to the Financial Ombudsman Service after the firm has assessed the advice as suitable and we have already made significant effort encouraging consumers to complain. Some said using the DBAAT and the proposed attestation requirement should be enough to ensure that assessments are done correctly. Some said that simply referring all cases to the Financial Ombudsman Service at the outset would be more efficient. Others said that we should simply leave consumers to make referrals if they wish, while some even said that consumers should not have referral rights at all. Another view among some was that firms should have a right of appeal against Financial Ombudsman Service decisions.

- 4.73** Respondents concerned about the role of redress schemes, the FCA and Financial Ombudsman Service said that a redress scheme should be an alternative to the standard complaints process, whereas the proposed scheme merges both. They said that it is not the Financial Ombudsman Service's role to quality-assure cases under a redress scheme, and that it cannot consider complaints which are not made by the consumer.
- 4.74** Related to this, some respondents had concerns about the Financial Ombudsman Service's impartiality, capability, knowledge and experience of case handlers to consider cases under the scheme. These respondents typically interpreted, as evidence for this, the Financial Ombudsman Service upholding 98% of BSPPS cases at the time of our consultation. Some suggested that assessing cases/suitability should require previous experience of giving DB transfer advice, reviewing DB transfer files and/or having formal qualifications such as a PTS qualification. Some believed that inconsistency in case review outcomes was likely if the Financial Ombudsman Service did not use the DBAAT. Some mentioned specific individual Financial Ombudsman Service decisions which they disagreed with.
- 4.75** Respondents who focused on costs said that a facilitated referral to the Financial Ombudsman Service for all 'suitable' cases would mean more case fees for firms to pay and delays at an overburdened Financial Ombudsman. Some said firms' negotiations for PII renewal would be harmed, because insurers would perceive a greater risk if all suitable cases were being referred on. Some mentioned uncertainty for firms, as they would have to wait for confirmation of their redress liabilities. Some asked if we would liaise with PII providers to ensure firms remain covered in future. Several firms thought the Financial Ombudsman Service was likely to uphold 98% of cases under the scheme and claimed this would cause greater firm failure than we estimated in CP22/6.
- 4.76** Some respondents suggested alternative means for ensuring independent oversight, such as referring cases to a list of independent skilled persons, recording the interviews carried out by assessors, or the FCA carrying out targeted file reviews.
- 4.77** Outside of case reviews, some respondents disagreed that a senior manager should provide an attestation. Some asked us to clarify who must provide the attestation and what this entails in practice.

Our response

Use of the DBAAT and the proposed attestation to ensure that assessments are done correctly

The BSPPS DBAAT provides a framework which prompts the assessor to consider relevant factors. However, the DBAAT itself does not determine the outcome of the assessment and so does not negate the need for independent oversight of assessments under the scheme.

An attestation, generally, is a firm's formal statement that it will take, or has taken, an action we require. We use attestations as a supervisory tool to ensure that regulated firms – and senior individuals within them – are clearly accountable for taking the actions we require, often without our ongoing regulatory involvement. The essence of the Senior Managers and Certification Regime is to introduce a duty of responsibility. As with the regime more broadly, we would expect a senior manager in this instance to take reasonable steps to avoid a contravention. What this

looks like will depend on the size of the firm, but it need not mean that the senior manager will personally complete each BSPS DBAAT. As with the use of the DBAAT, we do not think the attestation negates the need for independent oversight of a firm's assessments.

Facilitated referral

For the same reasons that the redress scheme should be an opt-out scheme, we believe facilitating the referral of 'suitable' cases to the Financial Ombudsman Service is appropriate to ensure that consumers do not miss out on any redress they may be owed.

We understand why some firms say referring all 'suitable' cases for review would defeat the purpose of firms assessing cases in the first place. However, referring all cases to the Financial Ombudsman Service at the outset, without requiring firms to assess advice themselves, would be inconsistent with the Financial Ombudsman Service's role, and with the statutory requirements for a consumer redress scheme under s.404 FSMA. It would also impose a greater burden on the Financial Ombudsman Service because it would have to assess all cases, not only those that are referred after being assessed as suitable. It would also have to complete the BSPS DBAAT fully without the benefit of the DBAAT completed by the firm.

The role of the Financial Ombudsman Service

We consider the Financial Ombudsman Service is best placed to provide an independent appeal mechanism when a consumer wishes to complain about a firm's determination under the scheme. As set out in 1.6.1G of CONRED, complaints will fall in the Financial Ombudsman Service's compulsory jurisdiction if they are about: acts of omissions of firms where the subject matter falls (or has properly been dealt with) under the redress scheme; or determinations made by a firm under the redress scheme; or firm failure to make a determination under the redress scheme.

It is not appropriate for us to comment here on individual case decisions made by the Financial Ombudsman Service. It is operationally independent of the FCA, and we have not seen full details of the cases mentioned by respondents. However, we are satisfied that as the statutory body appointed to make decisions on financial services complaints, the Financial Ombudsman Service is an appropriate decision-maker to deal with complaints about determinations under the redress scheme for BSPS.

The Financial Ombudsman Service decides cases based on what is fair and reasonable in all the circumstances of the case. Under s.404B FSMA the scheme the Financial Ombudsman Service will be bound by scheme rules and will use the BSPS DBAAT. Consistent with CONRED the Financial Ombudsman Service will make decisions under the scheme by reference to what, in their opinion, the determination under the consumer redress scheme should be or should have been (unless both the consumer and firm agree that the scheme rules should not apply to a particular case.). We worked with the Financial Ombudsman Service during the development of the DBAAT to ensure that we had a

consistent view and understanding of its aims and how it should be used. To help ensure consistency under the scheme we will continue to work closely with the Financial Ombudsman Service and the FSCS on the application of the BSPS DBAAT.

Qualification of assessors

We have chosen to require our own assessors to have PTS qualifications, but we have said that there are no minimum qualification levels for users of the DBAAT. We do not agree that a particular qualification such as the PTS qualification is required for an assessor to make a fair decision on a DB pension transfer case. As a statutory body the Financial Ombudsman Service is subject to scrutiny by Parliament and occasional independent reviews.

Reporting requirements

We are amending our regular reporting requirements in the scheme rules as our supervisory and data strategy has further developed since publishing CP22/6. For example, we have made changes to clarify how we want firms to provide information to us, such as by aligning the requirements with our RegData return format, as well as the questions and format of the completed DBAAT data that firms will need to report to us. Please see the previous response under 'Clarifications and guidance' for more detail on the amended requirements that firms will need to follow when completing the DBAAT and reporting its results to us.

5 Calculating and paying redress

- 5.1** In August 2022, we published CP22/15. This CP set out our proposals for changes to the general methodology for calculating redress for non-compliant pension transfer advice and proposals for calculating and paying redress for BSPS scheme cases. We also summarised the responses that we had received to question 19 of CP22/6, which asked:

Q19: *Do you have any comments on the high-level proposals for redress calculations?*

- 5.2** We have published the final rules on the general redress calculation methodology separately in PS22/13. This chapter summarises the responses that we received to questions 54 to 73 of CP22/15 and our final position for how firms should calculate and pay redress under the BSPS scheme rules.

How firms should pay redress

- 5.3** In CP22/15, we considered different options for how redress could be paid including through buying deferred annuity products or whether it might be possible for consumers to re-join the DB scheme they transferred out of. We found that deferred annuity products are currently not readily available, and we explained that we had spoken to the Trustees of both BSPS ceding schemes who had confirmed that reinstatement for these members is not possible.
- 5.4** So to address concerns about whether the consumers will invest their redress for retirement, we proposed that firms are required to pay as much redress as possible into the consumer's DC pension by augmentation, reflecting our approach in the general methodology. We asked:

Q55: *Do you agree with our proposal to follow our general approach on the method of payment of redress for BSPS consumers? If not, what alternative approach would you propose?*

- 5.5** Half of respondents disagreed with this approach. A few respondents thought that we should explore other options that would ensure that BSPS consumers had a guaranteed income in retirement. This included reinstatement into their BSPS DB ceding schemes, a BSPS bulk annuity purchase or a master trust arrangement. One respondent also suggested we use BSPS-specific assumptions to calculate redress and align the pre-retirement discount rate to lower risk assets.
- 5.6** Respondents commented on our proposal to pay as much of consumers' redress into their current pension arrangement as part of their feedback on our general redress methodology. We discuss this in detail in chapter 6 of PS22/13. One of the concerns from firms was that calculating the augmentable portion of a payment would use up resources, when consumers are likely to request payment as a lump sum.

Our response

In the general methodology we have changed our approach slightly. Instead of requiring firms to calculate the augmentable element for every case, the scheme rules require firms to ask consumers how they would like the redress to be paid. If the consumer would like to review how much redress is payable under both options (lump sum and augmentation) the firm must not charge them for this calculation, even if the consumer ultimately decides not to have their redress augmented. This amended proposal ensures that firms do not incur additional costs in putting together an augmented offer where the consumer is not interested in paying their redress into their pension. But firms can choose to calculate augmented offers without consumers' consent if they have all the relevant information to do so.

In Chapter 2 of PS22/13, we discuss in detail the practical barriers to providing DB transfer redress in the form of guaranteed income products. And we also say that we would not prevent cases being settled with the purchase of an annuity or reinstatement instead of the payment of cash redress if the firm and the consumer are willing to do this.

For BPS, we said in CP22/15 that we established with the trustees that the governing documents for the BPS2 and the Old British Steel Pension Scheme (OBPS) do not allow the admission of new members and we have no power to compel the trustees to reinstate members. So reinstatement is not possible for BPS consumers who transferred out.

We also spoke with several insurers about a BPS bulk annuity purchase. We understand that even if all consumers agree to use their redress monies (estimated at £71.2m under an opt-out s.404 scheme), it appears it is not viable for insurers to offer a BPS specific annuity product, unless consumers also agree to move their transferred pension pot. As we said in CP22/15, we have no power to direct consumers to move their transferred pot to another provider or product. So it is unlikely that we would have enough interest from BPS consumers for an insurer to offer a BPS insured solution. Our rules do not prevent firms from offering an annuity purchase as a redress solution if they can overcome the practicalities discussed in PS22/13.

We discuss the use of BPS specific assumptions in the 'BPS calculation methodology' section below, and the pre-retirement discount rate adjustment in Chapter 3 of PS22/13.

In Chapter 6 of PS22/13 we also discuss how firms should take reasonable steps to avoid a redress payment affecting consumers' entitlement to means tested benefits.

Choice of defined benefit scheme

- 5.7** To calculate redress, firms will need to consider which BSPS scheme a consumer would have selected if they had not transferred out following unsuitable advice. During the TTC period, 2 possible comparator schemes were available. Members could either choose to stay in the current BSPS DB scheme which would move into the PPF or join the BSPS2. Further, for those members that remained in the "old" BSPS scheme, their legacy benefits may be improved by an uplift over the PPF as they are in the process of being bought out by the Pension Insurance Corporation (PIC).
- 5.8** We proposed that calculations should only consider 1 comparator scheme if the consumer made an active selection of BSPS2 or PPF.
- 5.9** Where there was no active selection of BSPS2 or PPF, we proposed 2 options. Option 1 proposed firms calculate what the redress amount would be for both schemes, and pay the higher amount to the consumer. Option 2 proposed that firms consider information from the time of the transfer advice to see if there is any evidence that the consumer would have been more likely than not to have chosen one of the 2 schemes. Where the firm cannot demonstrate with evidence which scheme the consumer would have been more likely to select, firms should calculate what the redress would be for both and pay the higher amount to the consumer. We asked:
- Q57:** *Do you agree that where the consumer made an active selection of either the BSPS2 or the PPF at the time of the transfer, the redress calculation should be based on the benefits of the selected scheme? If not, what alternative approach would you propose?*
- Q58:** *Do you agree that where there is no evidence of consumers making an active selection of either the BSPS2 or the PPF at the time of the transfer, firms should calculate what the redress would be for both and pay the higher amount to the consumer? If not, what alternative approach would you propose?*
- Q59:** *Do you agree that where consumers have not made an active selection, firms should consider information from the time of the transfer advice to see if there is any evidence that demonstrates the consumer would have been more likely than not to have chosen one of the two schemes? If so, what evidence do you consider could help firms demonstrate this?*
- Q60:** *Do you agree that if the firm cannot demonstrate with evidence which scheme the consumer would have chosen, the calculation should be based on the scheme that provides the higher redress to the consumer?*
- 5.10** A couple of respondents thought the only comparator scheme should be PPF as it was the only available scheme when most transfer recommendations were made.

- 5.11** Most respondents were in favour of selecting the higher paying scheme as the comparator scheme. Some consultancy firms argued that the higher paying scheme should always be selected, regardless of any evidence on which scheme the consumer would have selected. Some thought this approach would ensure redress is consistent, while 1 firm thought it would reduce firms' costs for complaints. Respondents not in favour thought there is no basis for simply selecting the highest paying scheme and that this approach applies hindsight to the selection a consumer would have made.
- 5.12** Most respondents also thought any evidence of a consumer's active selection should determine the comparator scheme selection. A few thought that consumers should not be bound by any active selection they made during the TTC consultation because the TTC circumstances meant consumers made misguided choices.
- 5.13** Most respondents disagreed with firms relying on evidence pointing to the consumer's most likely scheme selection. Some respondents wanted clarity on what evidence should be considered, another doubted any definitive evidence would be available which inevitably brings an element of subjectivity when considering evidence.

Our response

We do not agree that PPF should be the only comparator scheme. We recognise that until BSPS2 became more certain, PPF was the only concrete option available at the time of most transfer advice. But the relevant consideration is the scheme the consumer would have ended up in had they been given suitable advice not to transfer out of BSPS, progressed to the TTC consultation and been given a choice between PPF and BSPS2.

We have also revised our approach to the consumers' active scheme selection being a definitive factor for the comparator scheme selection. This is because it has come to light that consumers were able to change their active selection. So had they received suitable advice to stay in the scheme, a firm may have directed them to change their selection. Consequently, our revised approach is that a scheme selection can be considered as part of the evidence to support which scheme a consumer would have selected, but it should not be considered determinative evidence in isolation.

We also considered responses on selecting the highest paying scheme where there is no evidence on file. When we carried out further analysis we found the highest paying scheme is not a sound indicator for determining the scheme consumers that would most likely have gone into. This is because scheme-specific benefits that would have influenced consumers to choose a scheme do not always result in higher redress, and when they do, they also give higher redress to consumers who may not have relied on these benefits.

So in our final rules, we expect firms to use the evidence on file to determine which scheme the consumer would likely have joined and use this scheme as the comparator. We expect however in the vast majority of cases this evidence is unlikely to be in the file. In these cases where there is no evidence on file, BSPS2 should be the 'default' comparator.

This is on the basis that two-thirds of consumers chose to go into BPS2 during TTC and the Trustee communications at the time emphasised their desire to secure better benefits (in BPS2) than those which the PPF would provide.

Where a firm relies on evidence on which scheme a consumer would have selected, they are required to consider how the consumer would have weighed some factors against others to select their scheme. For example, the desire to retire early should not be conflated with a view that a consumer would have accepted the 10% pension value reduction that applies to a PPF selection. And the desire to retire early without concrete realisable plans to do so is not reliable evidence that a consumer would have selected PPF.

The calculator will require firms to record their justification for any active comparator scheme selection. To help consumers understand and engage with the process, we require that where the scheme selection results in lower redress, firms' redress offers to consumers will highlight the additional amount the consumers would have been offered if the redress had been calculated using the other comparator scheme. This prompt should help consumers challenge a firm's justification for selecting the scheme if they find it unfair or refer a complaint to the Financial Ombudsman Service.

Our Supervision function will also monitor firms' justification for their comparator scheme selections to ensure their selections are appropriate and suitable.

5.14 We also proposed that where firms use the PPF as a comparator scheme, consumers should be redressed based on the upcoming PIC benefits when available. We asked:

Q56: *Do you agree that where the PPF is used as the comparator scheme, consumers should be redressed based on the upcoming PIC benefits when available? If not, what alternative approach would you propose?*

5.15 While many respondents agreed that redress based on PPF benefits should be updated to PIC benefits, a few respondents thought it would be wrong to take this position before the PIC benefits are known. One respondent argued that PIC benefits would be different if more consumers had ended up in PPF had they not transferred out following unsuitable advice. They felt this meant that uplifting redress to PIC benefits would not provide the correct redress. Some respondents asked for more clarity on how to process redress calculations until confirmation of the PPF buy-out by PIC, or when BPS2 restoration payments are due.

Our response

With BPS we know that the ceding schemes' benefits value have changed or will change: the PIC buy-out is likely to uplift PPF benefits and BPS2 has distributed restoration payments. The basis for calculating redress against updated DB benefits is that the consumer would have

been affected by these DB benefit changes had they not transferred out of their DB scheme, and redress calculations should take account of these changes.

Fair redress should reflect any future DB benefit changes once these are quantified, certain and publicly available. At that point, it becomes a fact that consumers would have been affected in a quantifiable way by these changes had they not transferred out of their DB scheme. The BSPS calculator will be updated to reflect any DB benefit changes.

With the PIC uplift, we understand that had more consumers ended up in PPF, the benefits available to PIC members may have looked different. In paragraph 8.22 of CP22/15 we said that there is no practical way of evaluating what PIC benefits would have been if more consumers had ended up in PPF had they not received unsuitable advice to transfer out. Without a suitable counterfactual, we will calculate redress against actual PIC benefits when they are known.

BSPS calculation methodology

5.16 We proposed that the calculation methodology for British Steel cases should use the same assumptions as the general approach. We also set out the BSPS calculation methodology using the general methodology as a basis. We asked:

- Q54:** *Do you agree that, subject to the differences set out in Chapter 8, the same redress calculation methodology should be used for British Steel cases as all other cases? If not, what alternative approach would you propose?*
- Q62:** *Do you agree that the calculation methodology for British Steel cases should use the same assumptions as the general approach? If not, what alternative approach would you propose?*
- Q63:** *Do you agree with the proposed redress calculation methodology for the British Steel redress scheme? If not, what alternative approach would you propose?*

5.17 Most respondents agreed that the BSPS methodology should follow the general methodology. Some respondents echoed their concerns about our proposed method of redressing consumers. These related to paying redress by augmentation and the need to find a guaranteed income redress solution, and we discussed this in this chapter's section 'How redress should be paid'. A couple of firms objected to the redress calculation taking into account the value of under-performing DC schemes where the firm who provided the transfer advice did not provide the investment advice. A few respondents thought that calculations should use a fixed set of BSPS-specific economic assumptions to level redress among BSPS consumers and give consistency in the amount of redress over time rather than tailoring redress to the latest available economic assumptions. One respondent also thought BSPS should have its own demographic assumptions.

Our response

We have updated the Consumer Redress Scheme Sourcebook to combine the scheme rules and the redress rules for the scheme which we consulted on separately.

We do not agree that BSPS redress should be calculated with its own set of economical or demographic assumptions. What makes BSPS stand out compared to other cohorts of DB redress cases is the level of unsuitable transfers, calling for the set-up of a s.404 redress scheme. But there is no justification for calculating redress for BSPS consumers with different assumptions than those set out in the general methodology.

Using BSPS specific assumptions would also undermine the objectives of the DB redress calculation methodology of providing fair and consistent redress. The calculation methodology essentially uses various assumptions to calculate the amount required to buy an annuity on retirement to provide the equivalent of the extra pension income consumers lost when they transferred out of their DB scheme. This will depend on the economic situation until that time, and as the economic conditions change, redress calculations done at different times can result in different payments. So this methodology ensures that redress is fair and consistent throughout time, and the amount consumers receive is calculated with the most up to date information at that point in time. Whereas using a fixed set of assumptions would mean that some consumers may be over or under compensated depending on the economic conditions at the time of the calculation.

On redress accounting for under-performing DC investments recommended by a third-party firm, our view remains that where a consumer received advice to transfer their BSPS benefits to a DC scheme, and that advice was unsuitable, then the consumer should, in principle, be entitled to recover the full amount of the loss from that transfer from the adviser. A recommendation to transfer out of a DB scheme assesses the suitability of giving up guaranteed DB benefits for potentially higher paying DC benefits. A foreseeable risk of such transfer is that the consumer's resulting DC investment may reduce in value instead, and consistent with how a court would award damages, the redress should cover the full amount of the loss.

5.18 Part 1 of the BSPS methodology relates to the information required for redress calculations. We proposed that where additional information is needed, firms should get the consumer's consent to request this from a third party. We asked:

Q61: *Do you agree that where further information is needed for a redress calculation, firms should obtain the consumer's consent to request this from a third party?*

- 5.19** All the respondents to this question agreed with this approach. A couple of respondents raised concerns with third party firms taking a long time to respond to information requests, and the impact this has on firms completing the scheme steps in a timely manner. One firm asked for clarity on whether firms should suspend calculations where consumers have not authorised them to collect information from third parties.

Our response

We have considered the scheme timelines in Chapter 4 of this paper, where we set out the steps firms must complete in the 'Implementation Period' section.

In the scheme steps, firms may need to collect information required to assess suitability or calculate redress from the consumer, or get the consumer's authorisation to collect this information on their behalf from third parties. Where a firm has made reasonable attempts to obtain the information in accordance with the scheme rules but has not been able to, the firm will no longer be required to consider the consumer's case under the scheme.

Where information requests are sent to a third party, a reasonable time for the response has been set at 4 weeks. If there has been no response after this, the firm requesting the information can notify the FCA if the third party is an authorised firm and we will decide on the appropriate follow-up action on a case-by-case basis. We will also be communicating our expectations to third parties ahead of the scheme commencing.

On timelines, we have given extra time for firms to complete Stage 3 where a consumer asks them to consider other losses outside of the calculation methodology or gather the required information to calculate an offer by augmentation if the consumer requested it.

We also have created a consequential losses claim form to help BPS consumers notify firms if they feel they have suffered any losses that would not otherwise be considered under the calculation methodology, and give consumers the option to switch their advice firm if they are still in an advice arrangement with the firm who provided the unsuitable transfer advice. If consumers decide to switch to a new adviser, their redress calculation will take account of the compensation for initial advice fees.

5.20 We also proposed that firms should adjust the redress payment to take account of the consumer's tax position and accumulated interest between the valuation date and the payment date. We asked:

Q64: *Do you agree with our proposals for adjusting the redress payment to take account of the consumer's tax position and accumulated interest between the valuation date and payment date? If not, what alternative approach would you propose?*

5.21 Most of the respondents agreed. However, 1 respondent disagreed with redress being subject to tax, and another thought if interest is to be applied, the growth or fall of the underlying DC fund is used to offset any additional interest.

Our response

On paying interest on redress offer amounts, instead of 'interest' our rules now refer to 'additional compensation amount' because it describes more accurately that this payment is to compensate for the passage of time between the valuation and the payment date. On taking into account of the DC value fluctuation to offset the additional compensation amount, we discussed this in PS22/13. We consider it to be overly complex in some scenarios, such as where further withdrawals have been made from the pension, or impractical where the fund value takes some time to get or has zero realisable value.

On taxation of redress, the FCA has no remit in setting taxation arrangements which are a matter for the Government.

5.22 Lastly, we set out the steps firms should follow to issue redress determinations and pay redress to consumers in stage 3 of the scheme. We asked:

Q65: *Do you agree with our proposals for issuing redress determinations to consumers? If not, what alternative approach would you propose?*

Q66: *Do you agree with our proposals for paying redress to consumers? If not, what alternative approach would you propose?*

Q67: *Do you have any other comments on the stages of the process that firms must follow to calculate redress under the proposed British Steel redress scheme?*

5.23 Most of the respondents agreed with the steps firms must take to give consumers their redress determination as set out in stage 3.

5.24 Regarding timelines, a few considered that 28 days is too short to pay redress to consumers, but they qualified this by suggesting this does not provide enough time to gather the information required for the calculation. This indicates they may have misunderstood; 28 days is the time in which firms must pay the consumer from the

day the offer is accepted. Another considered 28 days may not be sufficient to carry out identification and anti-fraud checks and obtain bank detail from consumers. One respondent thought 3 months is too long to calculate redress and 1 month should be sufficient. One respondent thought consumers should be given more opportunities to seek outside advice.

5.25 Respondents also commented on the approach to step 3. A couple of respondents objected to redress covering initial advice charges where consumers accepted redress as a lump sum, or the additional compensation amount that we referred to as interest in CP22/15. Another questioned whether the Financial Ombudsman Service should determine cases where the referral involves the redress amount, or where the consumer has failed to respond to any information request. One firm suggested that firms may manage away their liabilities through selective timing of valuations and artificial advisory charges.

5.26 One respondent thought that providing a summary explanation of the calculation backed up by details on request would be a more effective way of communicating with consumers. Another respondent thought it was important that consumers are able to check the economic assumptions used for the calculation.

Our response

We have considered the scheme steps in Chapter 4 of this paper, including stage 3 setting how firms should issue redress offers. The timelines allocate 3 to 5 months for firms to calculate redress. This is because we have considered the time it would take firms to collect information from consumers or on consumer's behalf, and extended this timeframe where firms have to calculate an augmentation offer or consider claims for other losses outside of the calculation methodology. Outside of specific circumstances described in chapter 6 of PS22/13, the timelines also allocate 3 months for consumers to consider the offer and seek relevant outside advice if they require. Firms can start their identity and anti-fraud checks from the day they send out the redress offer, providing them with more than the 28 days allocated to make the payment to consumers to complete their checks.

In Chapter 5 of PS22/13 we discuss the importance of ongoing advice, and the appropriateness for redress calculations to allow for the cost of taking initial advice from a new adviser, in specified circumstances.

Firms are required to issue a number of redress determinations following the completion of various scheme steps which may be the subject of a complaint to the Financial Ombudsman Service. These include:

- the consumer is not in scope of the scheme
- the consumer has opted out of the scheme
- there is insufficient information to assess suitability or to calculate redress
- the advice was suitable
- the unsuitable advice did not cause the loss
- the redress offer

It is important that consumers have Financial Ombudsman Service referral rights following determinations of this kind. Firms' explanation of the calculation in redress offers and the BSPS calculator will assist the Financial Ombudsman Service's review of redress calculations.

Consumers have different reasons for not responding to information requests, such as the complexity or unavailability of the information asked for, so we do not believe such consumers should have their access to the Financial Ombudsman Service denied.

We note the concern that firms might attempt to manage away liabilities. Our general calculation methodology deals with the timing of valuation and calculation dates (Chapter 2 of PS22/13) so that redress calculations always use the latest quarterly economic assumptions. Firms will no longer be able to manipulate adviser charges as all calculations will use the same default level of charges (currently set at 0.5%) rather than the charges the consumer is currently paying.

For the additional compensation amount we referred to as interest in CP22/15, we discuss this in detail in PS22/13.

On the calculation explanations, we set out our requirements in Chapter 6 of PS22/13. In the BSPS template letters, we require firms to send out their redress determination letters with a summary calculation report including the key information consumers should check. We also require firms to provide a detailed calculation report with all the information used to calculate the redress amount on request and when the firm issues the redress payment confirmation.

Consumers will be able to check their calculation report to understand the information firms have used to calculate their redress and challenge the appropriateness of any input. We will be responsible for updating the economic assumptions used by the BSPS calculator on a quarterly basis, and the rate for the key underlying economic assumptions used will be shown in the detailed calculation report.

BSPS redress calculator

5.27 In CP22/15 we announced that we were developing a BSPS redress calculator to help make calculations more consistent under the scheme, ensure more BSPS consumers receive fair and quicker redress, and reduce the overall costs of calculations. We asked:

Q68: Do you agree that the calculator should significantly reduce or eliminate the need for actuarial input? If not, why not?

Q69: Do you agree that the use of the calculator should be limited to firms, the Financial Services Compensation Scheme and the Financial Ombudsman?

- Q70: Do you agree that the use of the calculator should be mandatory? If not, why not?**
- Q71: Is your firm interested in taking part in testing the redress calculator for the proposed British Steel redress scheme?**
- Q72: Do you have any other proposals on how to make redress calculations for the proposed British Steel redress scheme more consistent?**
- Q72: Do you have any other comments on the development of the calculator?**

- 5.28** Most respondents agreed that the calculator should significantly reduce or eliminate the need for actuarial input. Some thought we should make a redress calculator available for all DB redress. However, some respondents said that the accuracy of the calculation result relies on the quality of the data supplied and how this is inputted into the calculator, and only an actuary can check the reasonableness of calculation results.
- 5.29** Most respondents agreed that access to the calculator should be limited. A number of respondents thought the calculator should also be accessible to third party firms representing the firm to calculate redress. A couple of respondents thought access to the calculator by CMCs and consumers should help reduce complaints on amounts offered, particularly where the calculation determines that no redress is owed. Others thought that giving access to the calculator to users who do not have the knowledge or expertise to accurately enter the required data would increase complaints.
- 5.30** Most respondents agreed that the use of the calculator should be mandatory, but some thought other calculation tools should be allowed as it should produce the same result. One respondent thought this would concentrate the risk of BSPS consumers getting the wrong redress if the BSPS calculator is found to be inadequate. Another respondent was concerned that offering a free calculator is commercially harmful to firms who have been providing actuarial support, and that we are underestimating the level of experience and investment involved in producing and maintaining such a tool.
- 5.31** A few respondents put forward some suggestions to make BSPS calculations more consistent such as using BSPS specific assumptions, a guaranteed income method of redress, or selecting the higher paying scheme as the comparator scheme. We discuss all of these above.
- 5.32** Lastly, some respondents commented on the development of the calculator and thought it should be thoroughly tested for actuarial accuracy, contain clear instructions and be designed with users in mind (referring to the Government Service Standard for user centred digital products).

Our response

We are building the calculator as an excel spreadsheet and it is on schedule to be delivered in April to coincide with the updated quarterly assumptions. We have engaged the Government Actuary's Department (GAD) to conduct an independent review of the methodology underpinning the calculator, and the accurate reflection of the various

BSPS scheme benefits. The spreadsheet format of the calculator will enable firms to report the calculator inputs and outputs to us, similar to the way they will be able to report on their completed DBAATs.

We are expecting that most redress will now be offered as a lump sum because firms are no longer required to offer redress by augmentation for every case (as discussed above) unless the consumer requests it. We have decided that any tax implications for augmented offers should be calculated by firms outside the calculator. This is because firms are best placed to make subjective determinations for annual and lifetime allowance capacity based on the consumer's upcoming changes in circumstances. Similarly, when paying cash lump sums where a notional tax deduction is applied, firms are best placed to assess the rate of tax a consumer expects to pay in retirement, based on their personal circumstances. Firms will be required to enter into the calculator their determination of the lump sum amount payable to the consumer after the notional tax adjustment they have applied.

The objective of providing fair and consistent redress to BSPS consumers relies on the quality of the BSPS calculator. For this reason, the calculator build and development includes a thorough testing plan to challenge the calculators' actuarial reliability, technological robustness, and user accessibility. We have noted the respondents who volunteered to take part in the calculator testing, and this user testing phase will take place in due course. While other actuary-approved methods may provide similar calculation results to the BSPS calculator, mandating the use of the BSPS calculator helps to ensure consistent outcomes for consumers.

Another objective of the BSPS calculator is to reduce the overall cost of calculations and provide quicker redress to BSPS consumers by reducing the need to rely on external actuarial input. We noted respondents' concerns about the lack of actuarial oversight for each calculation to sense check data inputs and improve the accuracy of results. In Chapter 3 of PS22/13 we discuss how actuarial oversight is not required for each calculation; firms can instead rely on an actuary-approved approach to calculate redress and we added guidance on when firms should consider using an actuary for certain aspects of the calculation (see DISP ANNEX 4.2.7). As noted above we have engaged GAD to independently review the BSPS calculator. To improve the accuracy of data inputs, we will produce clear and accessible instructions for calculator users. Firms will be required to provide consumers with sufficient information so they can challenge their results. Consumers can refer the matter to the Financial Ombudsman Service if they have any concerns about the calculation that the firm has carried out.

While actuarial oversight is not required for each calculation, firms are free to engage actuarial support, as long as firms bear any associated costs, and the actuarial firm uses the BSPS calculator to determine redress. Third party firms representing firms for redress calculations will have access to the BSPS calculator. We are also giving firms the option to use the BSPS calculator to calculate redress for BSPS consumers outside the s.404 scheme while this calculator is available. The calculator

should not be used for non-BSPS transfer calculations. Regarding wider access to the calculator, we believe that the enhanced disclosure requirements are a better way for consumers or their CMCs to check redress offers, because it is unlikely they would have the expertise to enter the data accurately into the calculator.

The calculator will require updating to reflect changes to underlying assumptions and will be unavailable at certain times while these changes are made. We will notify firms about the calculator's availability, and our Supervision function will follow up on firms using expired versions of the calculator.

6 Cost benefit analysis

6.1 In this chapter we consider the feedback to our assessment of the costs and benefits of our proposed opt-out s.404 redress scheme.

6.2 We asked the following question in CP22/6:

Q20: *Do you agree with our estimates of the costs and benefits of our proposed scheme?*

6.3 Two thirds of respondents disagreed with our estimates of the costs and benefits. However, a number of respondents noted that we gathered our data from multiple sources and analysed this in depth. These respondents also stated that the estimates and assumptions appeared reasonable, and so the rationale for a s.404 opt-out scheme seemed sound. Some agreed with our estimates of the benefits to consumers.

6.4 Others believed the CBA process is fundamentally subjective and inherently unreliable. A few suggested that the costs will not be reliably known until the proposals for the scheme are finalised (through changes to the pension transfer redress methodology that we proposed in CP22/15 and implemented through PS22/13) and extent of harm becomes known, as results emerge from firms' reviews under the scheme.

6.5 Some respondents asked for more information about the underlying data for example:

- how we reached our £60,000 average loss estimate figure (being ~16% of the average pension transfer value)
- why we believe 60% of cases that end up at the Financial Ombudsman Service under the scheme will be upheld and sent back for redress calculations
- that the payment of redress should be taken into account as a cost for firms under the scheme.
- how our modelling has accounted for variations in the levels of redress when comparing 2018 transfers with pre-2018 transfers.

6.6 Industry respondents commonly believed we had underestimated the cost implications for advice firms, FSCS and others in 3 main areas:

- compliance costs
- redress costs
- knock-on costs outside of BSPPS

Compliance costs

6.7 The first major theme and argument in responses was that compliance costs to firms will be higher than forecast:

- Several respondents thought that our estimate of £1,000 for firms to assess cases was too low given the complexity of the cases and the need for third-party involvement. However, very few provided any alternative figures to back this up.
- Some respondents also thought our estimate for carrying out redress calculations was too low and that the actuarial cost was likely to be £1,500 or higher. A few of these respondents quoted actuary prices that they had seen for 2022, which showed for example that the most basic loss calculation could cost £1,175+VAT, increasing to £2,150+VAT for an investor retiring before scheme retirement age, plus additional charges of up to £700 for assessing State Earnings Related Pension Scheme impact and £225 per hour for assessing lifetime allowance impacts.
- Some suggested we underestimated or did not fully consider other associated costs, such as the legal costs needed to defend and address complaints, the management costs to respond to FCA surveys and publications, reputational damage through carrying out the scheme steps and other factors leading to a loss of sales and clients.
- Regarding Financial Ombudsman Service case costs (estimated at £500 per case), a significant number believed that £1,000 or more is a more accurate estimate, especially where a case goes to an Ombudsman for a decision. These respondents typically argued that cases can be lengthy and time consuming, with a possible minimum 4 hours of firm time spent per case.
- Also related to the Financial Ombudsman Service, a sizeable number of respondents asked whether we accounted for the 1 April 2022 reduction in the complaint payment allowance/threshold from 25 to 3 cases before a firm must pay a fee (£750) for each referral. They argued that costs for smaller firms arising from this change will be particularly significant, especially in the context of the facilitated referral process for cases marked as 'suitable' by firms. To reduce the burden on small firms, one suggested that we should waive Financial Ombudsman Service fee costs for small firms under the scheme.

Redress costs

6.8 Respondents also commonly claimed that the redress costs are underestimated, as well as knock-on consequences for firm insolvency, burdens on FSCS and other parties, while linking back to our statutory objectives of ensuring market stability and competition. Feedback focused on the following calculations and outputs:

- Average redress figures of £60,000 and £82,000 in CP22/6 were based on FCA firm data and FSCS data respectively, representing 16% and 22% of an average £374,000 pension transfer value. A few suggested these estimates were too low, arguing that for some firms the average may range from 50-75% of the CETV. Others said any averages mask the fact that redress costs often vary widely, ranging from no loss cases to hundreds of thousands payable in redress.
- On the estimated 6-15% of cases resulting in no loss, a few suggested there was more uncertainty in what proportion will end up as loss cases, pointing to fluctuating market conditions in 2022 which have affected gilt yield rates.

- Some felt that the estimate that 1,400 members will seek and receive redress was too low.
- A common focus was on our estimated 46% unsuitability figure. Industry respondents often suggested the scheme would bring out a lower figure in practice.
- Firms and representative trade bodies also queried the difference between the 46% unsuitability rate in FCA file reviews and 98% uphold rate at the Financial Ombudsman Service.
- Another prominent area of concern among industry responses was the non-targeted and opt-out nature of the scheme, with some believing this poses an increased risk for BSPS firms. Respondents argued that firms' ability to meet redress costs is overestimated and that there would be a higher firm failure and market exit rate, particularly among smaller firms. A few responses claimed there could be possibly up to 40% failure. A few suggested that FSCS may need to meet most of the redress under the scheme (our CBA estimated this at near 30%), and that due to FSCS's compensation limits, this would in turn limit the average redress paid out to consumers.

Knock-on effects beyond BSPS

- 6.9** Some went on to suggest that the risks to BSPS firms could have knock-on effects for the wider advice market and other financial advice markets too, with potentially higher FCA and FSCS levy increases as well as increases to PII premiums in future. On FSCS levy costs, some attempted to estimate the final impact at £350m-400m or more, without providing further information to underly this. We discuss in more detail the PII-related feedback we received in paragraph 6.11 below.
- 6.10** Respondents who focused on knock-on impacts referred to a range of potential circumstances that might affect consumers and the market, such as orphaned clients, risks to clients in vulnerable circumstances (including fraud), loss of jobs and the impact on local economies, reduced consumer choice and advice availability, higher fees and therefore worse consumer outcomes overall.

Our analysis of the PII market for BSPS

- 6.11** The final theme frequently arising from feedback was our assessment of the PII market and how it might cover redress. Responses claimed that:
- We may have overestimated PII providers' willingness to cover redress, with fewer claims covered and a larger proportion of redress falling on firms (and FSCS where firms fail).
 - No PII cover would be available upon scheme implementation for a large proportion of firms under our proposed approach, as an opt-out process would not satisfy notification requirements for a valid claim under PII policies (with many written on a claims-made basis). This was the worst-case scenario modelled in CP22/6.
 - If any BSPS policies do remain, they would feature much higher premiums and excesses, regardless of a firm's reputation or track record in its quality of advice. One response suggested average excess was now likely to be around £50,000, rather than £25,000 per claim as we estimated in CP22/6.

- Some respondents queried why our PII redress figures differed by only £2.3m under an opt-out s.404 (£19.4m) compared to an opt-in s.404 approach (£17.1m). Several suggested that we should revisit these figures and impacts on firms and FSCS in terms of broader cost burdens and expected firm failure, including where PII is widely unavailable.

Our response

While we have sought to estimate and consider all costs arising from the scheme based on the best evidence available, like all projections our estimates are subject to uncertainty. Feedback based on the detail of the figures and assumptions presented in our CBA in CP22/6 does not materially impact our overall assessment that a s.404 redress scheme is desirable compared to other options. We note that s.404(1)(c) FSMA gives the FCA discretion to make an overall determination of desirability.

We do not think it would be appropriate to waive certain costs that firms might face as a result of the scheme, for example the Financial Ombudsman Service case fee. If we did this, these costs would need to be absorbed by other parties such as the Financial Ombudsman Service or other authorised firms.

Although a few respondents provided alternative figures for the likely costs to assess cases and calculate redress, we have continued to use a £1,000 estimate for each of these costs. We explain why in our updated CBA in Annex 1. For instance, we believe that our planned redress calculator will significantly reduce the cost burden on firms to carry out redress calculations. Our file review figure is based on the latest, up-to-date evidence of the costs charged by consultants to review cases.

We do not consider that the changes we are making in PS22/13 to the redress methodology will have a material impact on how much redress we estimate the scheme we deliver. This is because the changes largely relate to the administration of redress payments. It is likely that the main changes to our proposals in this area (regarding augmentation of redress payments and the frequency of updating the economic assumptions) will reduce the administrative cost to firms of carrying out redress calculations. We will also be providing a calculator for firms to use for scheme cases.

We have made several revisions to our estimates in response to feedback and to ensure that our estimates are up to date:

- We have included more recent data from the Financial Ombudsman Service, FSCS and Supervision data collection.
- Around 400 consumers have complained to the Financial Ombudsman Service over the last 6 months and so will be out of scope of the redress scheme. This has reduced the starting number of transfers in scope of the scheme.
- The results of our file reviews were that 46% of cases were unsuitable and in approximately 14% of cases the suitability of the recommendation was unclear due to a material information gap

(MIG). For example, a case might be classified as a MIG case where there is insufficient information about the consumer or the scheme benefits to assess suitability. Our cost and benefit estimates are based on the assumption that around half of cases with material information gaps will be rated as unsuitable rather than suitable. We have designed the DBAAT rules in such a way as to assume the majority of MIGs are unsuitable. The presence of a MIG is likely to indicate that the firm has not taken reasonable steps to ensure suitability and has failed to collect or consider critical information. As the scheme's design makes it easier for the consumer to complain to the Financial Ombudsman Service, we have updated our assumption for the expected proportion of consumers who will refer their case to the Financial Ombudsman Service after the firm assesses their case as suitable from 10% to 20% of in-scope decisions. Therefore, the model uses an overall unsuitability rate of approximately 53%.

- PII cover has been excluded from the central scenario following discussions with a specialist insurance Counsel and a review of policy terms and conditions. This work suggests that following annual renewal of policies, there is likely to be little or no PII cover available if a redress scheme is implemented (because policies will include specific exclusions for these cases). We are considering how we can assist firms if insurers wrongly refuse to accept notifications of a claim prior to renewal.
- We have carried out further analysis of available data and increased the estimated percentage of no loss cases from 6% to 32% based on updated claims data from the FSCS. Since the start of 2022, long term gilt rates have increased substantially (eg from 1.5% to 3.9% at a 15-year term; from 0.5% to 2.2% at 30 years). This will have resulted in a material fall in the value we place on the cost of replicating the consumer's transferred DB pension (and hence the redress, increasing the percentage of no loss cases).
- Extrapolating from the latest FSCS claims data (covering Q3 2022), in which average financial loss reduced from 22% to 16.5% of the pension transfer value, we have also reduced the estimated average redress from 16% of the transfer value to 12% (from approximately £60,000 to £45,000), to reflect changes to the economic environment. The redress calculation methodology is designed to respond to changes in the economy by using assumptions based on financial markets' future expectations of economic factors. These assumptions are used to estimate the value of the DB benefits. In particular, the calculations are heavily influenced by long term gilt yields and long-term inflation expectations.
- At the same time the value of the DC benefits depends on the performance of asset markets – in particular equities, gilts and corporate bonds which commonly make up the consumer's DC pot. These values have not changed to the same extent as gilt yields and therefore do not offset the impact of gilt yield movement.
- We previously estimated in our central scenario that approximately 40 (10% of firms in scope) firms would fail as a result of the scheme. In our updated central scenario, we still estimate that 40 firms will fail as a result of the scheme. No change in the number of firms that are likely to fail is a result of counterbalancing factors. We expect many affected firms to lose PII cover and to change their capital positions.

On their own, we would expect these factors to increase the number of firms that will fail as a result of the scheme. However, the lower number of consumers in scope of the scheme reduces the overall redress paid. Similarly, the proposed asset retention rules should help to ameliorate some of the risk of asset dilution. In CP22/6 we estimated that FSCS would be responsible for £20.6m of the redress paid in our central scenario. We now estimate that the redress paid by the FSCS will be £15.4m.

Annex 1

Revised cost benefit analysis

Summary

1. This Annex sets out our update to the assessment of the costs and benefits of the s.404 redress scheme for unsuitable pension transfer advice for BSPS members, which we proposed in CP22/6. Our cost benefit analysis has informed our view on the desirability of proceeding with the scheme.
2. Our estimates in this Policy Statement are based on the same economic modelling approach taken in CP22/6. We have used updated data and assumptions where we have new information. The main differences in this CBA are that:
 - We use new data from the FSCS on average redress amounts.
 - We draw on new evidence affecting the fraction of cases in which consumers experienced no financial loss after receiving unsuitable pension transfer advice.
 - We amend our assumption for the proportion of consumers who are told they received suitable advice, but who will refer their case to the Financial Ombudsman Service.
 - We remove the assumption that PI insurers will contribute towards redress liabilities, based on updated information.
3. The main benefit of our proposals is the payment of redress to BSPS members who received unsuitable advice. We estimate the total redress paid to consumers under our s.404 scheme to be £49m under our central scenario. (NB. We round numbers in our presentation of estimates throughout this CBA.) Since some redress would be paid under the current supervisory and enforcement approach to BSPS, we estimate the incremental amount of redress relative to the counterfactual to be £36.1m. Redress represents a transfer to BSPS members who received unsuitable pension transfer advice from the firms that provided that advice, to the extent that they remain in business.
4. As in CP22/6, we have conducted sensitivity analysis of some of the key assumptions in our modelling. Our sensitivity analysis assesses the impact of varying key assumptions on our estimates of the costs and benefits of the s.404 redress scheme. We have carefully examined the impact of changing these assumptions, including the impact on the amount of redress that would be paid to consumers. Compared to the alternative options we have identified, we consider that a s.404 scheme secures the highest level of redress for consumers, relative to the costs of the scheme
5. Our s.404 scheme could lead to other wider benefits from improved market confidence, particularly in the advice market. Although these effects are not practicably quantifiable and we do not consider them significant factors that influence the choice of option, if realised, they would make the case for implementing our s.404 redress scheme stronger.

6. The redress costs of the scheme will be paid by advice firms. Redress will only be directly payable by firms if consumers suffered financial loss following the firm's unsuitable advice.
7. Some advice firms may not be able to meet their liabilities under the scheme and may leave the market. In cases where advice firms become insolvent, outstanding liabilities will be passed to the FSCS, representing a cost to wider industry. We estimate a cost of £15.4m to the FSCS, or £10.2m relative to the counterfactual.
8. In addition to redress payments that firms will need to pay to BSPS members found to have been given unsuitable advice, we estimate that advice firms will incur around £8.3m in compliance costs to review their historical BPS transfers, and to deal with possible complaints and challenges regarding their assessment. Those firms that have given unsuitable advice will incur an estimated additional £1.7m to calculate and administer the redress due, including the costs relating to claims upheld by the Financial Ombudsman Service.
9. Our proposal will lead to administrative costs for the FCA, the Financial Ombudsman Service, and FSCS. We estimate the FCA will incur costs of around £3.2m, FSCS will incur administrative costs of £0.5m, which will be recovered from firms via the FSCS levy, and the Financial Ombudsman Service will incur costs of £0.4m that will be raised through Financial Ombudsman Service case fees paid by firms. The Financial Ombudsman Service's costs are based on a scenario in which advice firms correctly self-assess the suitability of the pension transfer advice on their books. If this were not the case, and firms incorrectly assess a greater share of claims as suitable, more cases might be referred to the Financial Ombudsman Service and therefore its costs will be higher.
10. We have amended our assumptions regarding PII following discussions with specialist insurance counsel, a review of policy terms and conditions, and our latest supervisory activity and market intelligence. This work suggests that following annual renewal of policies, there is likely to be little or no PII cover available to firms for BPS transfer-related redress pay-outs if a redress scheme is implemented. For this reason, we assume in this CBA that firms in scope of the scheme will have no PII cover available to cover any redress liabilities. This differs from our central assumption in CP22/6, although we acknowledged at the time within our sensitivity analysis the prospect of insurers withdrawing from the market.
11. During the consultation period, we have considered the potential wider market implications of our s.404 redress scheme relative to the counterfactual. As in our CBA in CP22/6, we conclude that it is unlikely that our proposal would lead to wider deterioration in the PII market beyond BPS firms, since the necessary sequence of events to bring about contagion following a redress scheme is highly indirect. Furthermore, we believe the risk that competition in the market for DB transfer advice will be materially affected by our proposal is very low. Our analysis indicates that even in a scenario where future DB PII premiums rise further, the effect on prices for and the market for DB transfer advice would be mitigated under plausible scenarios. Our estimates also indicate that BPS firms that may leave the market following our proposal would represent a small reduction in the supply of financial advice, both for DB transfers and other services those advisers provide.

Problem and rationale for intervention

- 12.** In CP22/6 we presented our analysis of drivers of harm and rationale for intervention. They remain unchanged. A large proportion of BSPS members received unsuitable advice recommending they transfer out of their DB pension. Because the advice was inconsistent with their preferences or circumstances, it placed BSPS members at risk of financial harm, potentially causing them to lose a guaranteed stream of income. The rationale for a s.404 redress scheme, as well as the alternatives under consideration, is for members who suffered financial harm to receive appropriate redress.
- 13.** We present our estimates of this harm on a per-consumer basis later in this CBA. Overall, under our central scenario we estimate around 1,900 consumers in scope of this proposal experienced an average financial loss of around £41,000, implying a total harm of around £77m.

Our proposal

- 14.** Chapters 3-5 of this PS set out our intervention. In summary, we are using our s.404 power to require firms to establish and carry out a consumer redress scheme for BSPS members, and the position is largely unchanged as from CP22/6. Firms will be required to identify all consumers in scope of the scheme, review the advice given to those consumers (who haven't opted-out of the redress scheme), and where the advice is found to be unsuitable, calculate and pay any redress owed to the consumer. The scheme will cover consumers who received advice between 26 May 2016 to 29 March 2018 to transfer out of BSPS.

Counterfactual and alternative options

- 15.** Our CBA estimates are expressed relative to a counterfactual that would arise if we did not implement a s.404 redress scheme.
- 16.** We consider the same counterfactual as in CP22/6, which is our current supervisory and enforcement approach to BSPS (see Chapter 2 of this PS). Our PBR and enforcement work has targeted higher-risk DB transfer advice firms and has reached around 2,500 BSPS members. The counterfactual is that the currently planned reviews are completed but not extended, covering around 1,000 further transfers. It should be emphasised that the counterfactual is materially different from a 'do nothing' scenario; if we continued our supervisory approach, some consumers would receive redress from their advisers.
- 17.** We consider the same alternative options as in CP22/6. In summary they are:
- An extension of the current supervisory approach.
 - An enhanced communication strategy to encourage eligible BSPS members to complain.
 - A s.404 redress scheme covering all firms that arranged BSPS transfers but with a requirement that consumers opt-in to the scheme.

Estimation approach

- 18.** Our cost and benefit estimates are derived from our modelling of the outcomes of the file reviews we carried out to establish if we met the legal tests for a s.404 redress scheme. The model is calibrated using updated evidence and, where there is more uncertainty, assumptions that reflect a range of possible scenarios.

Overview of our model

- 19.** Our model for the opt-out s.404 scheme follows closely the model presented in CP22/6 and can be summarised as follows:
- The model starts with the estimated number of transfers in scope of the scheme. Firms in scope will incur a cost to review the suitability of each transfer.
 - We apply the estimated market average unsuitability rate to derive the number of transfers found to be suitable and unsuitable for each individual firm. For transfers assessed as unsuitable, firms will calculate the redress owed to the consumer, and if necessary, contact the consumer for more information.
 - For transfers assessed as suitable, consumers will have the right to complain to the Financial Ombudsman Service. We will require firms in the scheme to pass consumer details to us so we can take steps to facilitate referrals to the Financial Ombudsman Service for some or all of the cases that are assessed as suitable. Based on our analysis of Financial Ombudsman Service data and our estimated consumer response rates, we assume that a certain proportion of consumers will complain, and that the Financial Ombudsman Service will uphold a proportion of these complaints.
 - We estimate the average redress amount using firm survey data on BSPS DB transfers and data from the FSCS. We take into account data for the fraction of consumers who received unsuitable advice but experienced no financial loss.
 - We apply the same assumptions as in CP22/6 about response rates of consumers who: opt out of the scheme, provide additional information where required, and accept the compensation offered to them.
 - We then, for each firm individually, calculate the estimated redress bill using each firm's volume of BSPS transfers which qualify for redress. We compare that redress bill with the firm's financial position. This allows us to identify if a firm can pay their redress bill, or whether the liability is likely to lead to them becoming insolvent.
 - Contrary to our assumption in CP22/6, and based on new information set out below, we assume that affected firms will not have access to PII when paying their redress bill.
 - We assume residual redress liabilities among firms that become insolvent will be passed to FSCS. FSCS will award compensation up to the relevant limit (£85,000). Compensation costs will be reflected in FSCS levies, which are a cost to wider industry.
- 20.** Our model estimates the costs and benefits of the alternative options in a very similar way. The most important differences between the options are the number of transfers in scope and the estimated rates of consumer action. Our model does not include any allowance for wider effects of our proposal on the advice market, but we consider those separately in the CBA.

Data

- 21.** We use data from a range of sources, and updated since CP22/6, covering transfers from May 2016 to March 2018 in our modelling of the costs and benefits:
- Building on the FCA firm survey in January-February 2022, we have further engaged with firms; including new and revised submissions from 20 firms. In total, we have drawn on information from around 400 firms. The survey collected information on whether the firm had advised BSPS members, the volumes of consumers advised or not advised to transfer, total transfer values, complaints and redress paid to date.
 - The Financial Ombudsman Service. We use updated complaints data from the Financial Ombudsman Service regarding BSPS DB transfers. The data is categorised by outcome status – ie whether the complaint is open or closed, and if closed how it was resolved.
 - Our previous supervisory and enforcement work, including PBRs of advice given to BSPS members.
 - FCA regulatory returns. We use updated regulatory returns RMA-D on regulatory capital and financial resources.
 - Data on FSCS cases, which inform our estimates for the financial loss experienced by consumers.
- 22.** To inform our understanding of the wider implications of our proposal, we undertook further work during the consultation period on the PII and DB pension advice markets.

Assumptions

- 23.** The sub-sections below set out the key features of our model and some of the key assumptions that underpin our cost and benefit estimates. We have conducted a number of sensitivity analyses on key assumptions in our analysis. These are presented in paragraph 55 below.

Number of qualifying transfers

- 24.** In total we estimate that around 8,100 BSPS DB pension transfers were arranged over the period May 2016 to March 2018. The reasoning behind this time period is explained at paragraphs 3.2-3.4 ('The relevant period') of this Policy Statement. The number of transfers is higher than was reported in CP22/6 to reflect a longer relevant time period which this scheme covers.
- 25.** To derive the number of transfers in-scope of the redress scheme, we adjust this figure as outlined in Table 1. We estimate that around 3,600 BSPS transfers, arranged by approximately 350 firms, are within scope of the scheme.

Table 1: Estimated number of cases within scope of our proposals

Population	Estimated Numbers	Comments
Number of arranged transfers	8,100	
Number of advised transfers	7,700	Here we remove a non-advised rate of 5% based on supervisory information.
<i>Of which</i> were clients of firms who are insolvent or no longer exist	2,100	FSCS will assess breach, causation and loss in accordance with the rules of the redress scheme.
<i>Of which</i> clients of firms that has or is being reviewed as part of our supervisory PBRs	300	This group of clients is not included in the scheme
<i>Of which</i> clients of firms that are otherwise out-of-scope	1,000	For example, we exclude claims where the consumers of out-of-scope firms have complained about the suitability of their transfer to the Financial Ombudsman Service and the case has not been passed to FSCS.
The number of arranged transfers <i>by firms that are in scope of s. 404</i>	4,300	This the total number of cases left after removing firms that are out of scope
<i>Of which</i> consumers have complained about the suitability of their transfer to the Financial Ombudsman Service	600	The proposal is to exclude these consumers from the scheme. The reported figure comprises those reported in CP22/6 and additional complaints received until the end of August 2022.
<i>Of which</i> 'insistent' (clients that were advised to remain in the scheme by their adviser but asked their adviser to arrange a transfer)	100	The proposal is to exclude these consumers from the scheme.
The total number of transfers in scope of s. 404	3,600	

Note: Numbers are rounded to the nearest 100.

26. For the alternative option of an opt-in s.404 redress scheme, the number of transfers in scope is the same as for our opt-out s.404 scheme, around 3,600. The number of consumers that actually receive redress under each option will differ according to the response rates. This is set out in the sections below.

Transfer value

27. As in CP22/6, we estimate the average transfer value for BSPS transfers is £374,000 based on information from our survey of advice firms.

File review

28. The s.404 redress scheme requires each firm to review all in-scope cases where they advised a BSPS member to transfer out of their DB scheme, and where the client transferred. Any consumer that opted out of the s.404 redress scheme would be excluded at this stage.

29. As in CP22/6, we assume each file review will cost £1,000. This figure is based on our evidence to date of costs charged by consultants to review the contents of each case, analyse them as necessary, and record information in the appropriate manner. As we set out in our response to the feedback in Chapter 6, we believe this assumption remains valid, even though some respondents suggested it should be higher.

Unsuitability rate

30. As in CP22/6, we draw on evidence from file reviews that 46% of advice to transfer given to BSPS members was unsuitable based on evidence in firms' file records. We base this on updated statistical analysis by an external statistician following additional file reviews since CP22/6. The 95% confidence interval for the unsuitability rate has been estimated to be 39% to 52%. (The mean unsuitability rate is the same as CP22/6, but the confidence interval has narrowed relative to the previous range of 37% to 54%.) In a further 14% of files reviewed, it was unclear if advice was suitable, for instance due to missing information. We assume firms will resolve these cases by either contacting the consumer or a third party. Consumers can refer complaints to the Financial Ombudsman Service if they are concerned that the firms has not complied with the scheme rules.
31. We do not have information to estimate the share of unsuitable advice among the cases with material information gaps. Therefore, as in CP22/6, we assume that among those cases half of consumers received unsuitable advice.
32. Based on this evidence, our central estimate for the unsuitability rate of assessed BSPS transfers remains 46%. After taking into account the evidence concerning unsuitable advice among cases with missing information, the overall unsuitability rate is estimated to be around 53%. As part of our sensitivity analysis, we also vary the central estimate of the unsuitability rate between 39% and 52%, covering the estimated 95% confidence interval.

Calculating redress

33. Firms will also incur the costs of calculating redress for cases where advice was found to be unsuitable. As in CP22/6, we estimate that the cost of each redress calculation is £1,000. This is additional to the cost of file review.
34. As we outlined in our response to the feedback in Chapter 6 of this Policy Statement, we believe this assumption remains valid, even though some respondents suggested that it should be higher.
35. We also believe this figure will likely overestimate the costs of calculating redress because we are developing a redress calculator to be launched alongside the s.404 redress scheme with the aim of reducing the burden on firms and ensuring consistent outcomes. As a result, we anticipate that firms will not need to use specialist actuarial firms to undertake calculations. This could materially reduce the assumed cost of calculations.

Redress amount

36. In CP22/6, we estimated average financial losses incurred by consumers as a result of unsuitable advice to be about £60,000, representing around 16% of the average transfer value of £374,000. This figure was based on a sample of 132 cases where either the firm themselves or the Financial Ombudsman Service found the advice

to be unsuitable. As a sensitivity check in CP22/6, we used data from the FSCS that showed a higher redress amount, representing an average loss of 22% of the average transfer value.

- 37.** We have considered whether it is possible to update the CBA to take account of the impact of any changes to the redress methodology. We have concluded that it would not be possible for us to do this. This is because we would need a representative sample of consumers who would be subject to the redress scheme, including information necessary to carry out redress calculations under the previous and revised methodology. For example, the consumer's age, term to retirement, whether they are married or in a civil partnership and the charges they are currently paying. While we know how many transfers each firm subject to the scheme has carried out, we do not have this level of detail about the individuals who were advised. In the absence of this information, we consider it reasonable to assume that, as with redress calculations outside the scope of the scheme, the overall impact of the changes to the methodology on redress payments under the scheme will be modest. However we have conducted sensitivity analysis around the central scenario to account for a reasonable degree of uncertainty around redress payable under the scheme.
- 38.** In the latest FSCS claims data covering the third quarter of 2022, we observed a decrease in the average financial loss from 22% to approximately 16% of the pension transfer value, ie a relative decrease of almost 25% in the redress amount. Extrapolating this decrease to our current central scenario would reduce the estimated average redress from 16% to 12% (from approximately £60,000 to £45,000).
- 39.** These changes reflect recent developments in the economic environment. The redress calculation methodology estimates the value of DB benefits by using assumptions based on financial markets' future expectations of economic factors. In particular, the calculations are influenced by changes in long term gilt yields and long-term inflation expectations. As set out in CP22/6, we recognise that future redress figures may be affected by changing economic circumstances, but our model does not account for inflation explicitly or make assumptions around the timeframe of the pay-outs.
- 40.** We continue to use a financial loss figure of 16% as our central scenario in this updated CBA, as in CP22/6. However, we recognise that the future direction of financial loss calculations is uncertain. To account for changes in recent data we now use a 12% financial loss figure as part of our sensitivity analysis, while we no longer use the 22% figure within our sensitivity analysis. In addition, we have stress tested this parameter further (to 9%) to reflect uncertainty over whether the current trend of interest rate rises continues, which would create further downward pressure on the valuation of DB pensions and therefore the estimated financial loss from unsuitable advice.

Fraction of transfers where consumer experienced no loss

- 41.** The share of redress cases where the FSCS assess that the consumer has suffered no loss has risen markedly since we published CP22/6. The latest data available from FSCS show that 68% of BSPS members who received unsuitable DB transfer advice suffered financial losses. The remaining 32% received unsuitable advice but did not suffer financial loss as a result. Therefore, we have updated our assumption about the fraction of transfers where consumers experience no loss to 32% from 6% in CP22/6. Such an increase in 'no loss' cases is a consequence of changes in the economic environment that affect the calculation of redress, in particular a move away from

the low interest rate environment in the short and medium term. However, given the materiality of the change in this parameter, we continue to use an assumption of 6% of no-loss transfers within our sensitivity analysis.

Financial Ombudsman Service complaints

- 42.** Consumers may complain to the Financial Ombudsman Service if their firm concludes they received suitable advice. We have updated our assumption for the expected proportion of consumers who will refer their case to the Financial Ombudsman Service, based on further clarification of the details of the facilitated referral process. Although assessing the magnitude of these changes is difficult, we assume that 20% of in-scope suitable decisions (consumers) will complain to the Financial Ombudsman Service, compared to 10% in CP22/6.
- 43.** Our assumption for the uphold rate for these Financial Ombudsman Service complaints remains unchanged (60%) from CP22/6 (see paragraph 48 of Annex 2).
- 44.** Furthermore, as of the end of August 2022, around 400 additional consumers have complained to the Financial Ombudsman Service since the launch of our consultation and so will be out of scope of the redress scheme. This has reduced the starting number of transfers in scope of the scheme. (These additional cases are captured in Table 1 with an increase (to 600) in the estimated number of consumers that have complained about the suitability of their transfer to the Financial Ombudsman Service. This explains the key differences between Table 1 and Table 2 in Annex 2 of CP22/6).
- 45.** As in CP22/6, for every complaint that is referred to the Financial Ombudsman Service, we assume advisers will incur a cost of £1,250, comprising of £750 case fee and £500 in compliance costs. Cases could be referred to the Financial Ombudsman Service when firms complete various scheme steps and issue redress determinations. In our cost estimation, we do not take into account the fact that each firm is not required to pay for its first 3 Financial Ombudsman Service cases per year because firms may have already exhausted their free case allowance for other business areas.

Consumer response

- 46.** We continue to use the assumption that 62% of consumers who received unsuitable advice and are in scope to receive redress will respond to all communications. The consumer response rates used to inform this assumption were based on previous FCA experience, including response rates to previous DB pension redress exercises such as PBRs conducted by firms, as well as behavioural science literature. Our methodology for all of the options under consideration was set out in detail in [Annex 3 in CP22/6](#). This assumption was not challenged during the consultation.
- 47.** Our assumed consumer response rate makes a large difference to our cost and benefit estimates (see paragraph 55). We note that the reduction in estimated average redress from approximately £60,000 to £45,000 could lead to a lower proportion of consumers than assumed in CP22/6 responding at the final stage of the redress process to accept their redress offer. Although we have amended the text of the letters that firms will be required to send to consumers, aimed at increasing the consumer response rate, the number of decisions that consumers need to make to get redress will largely stay the same as we assumed in CP22/6. We have therefore undertaken sensitivity analysis around the overall 62% response rate figure under a s.404 opt-out scheme, ranging from 40% to 70%.

Claims on PII policies

48. In contrast to the central scenario in CP22/6, we assume that firms in scope of our redress scheme will have no PII cover available to meet any redress liabilities. This follows discussions with a specialist insurance counsel, a review of policy terms and conditions, and our latest supervisory activity and market intelligence. This work suggests that following annual renewal of policies, there is likely to be little or no PII cover available to firms for BSPS transfer-related redress pay-outs if a redress scheme is implemented. We raised the potential of this scenario arising in CP22/6 and included it within our sensitivity analysis.

Capital position and firm exit

49. We assume that firms for whom redress and compliance costs exceeds their capital will become insolvent and exit the market. Market exit is estimated individually for every firm within our model based on the comparison of estimated liabilities with capital position.
50. As in CP22/6 we use 2 scenarios for firms' capital position. Our central assumption is the capital holding reported in the regulatory return RMA-D, based on firm submissions up to August 2022. Since the capital position of firms could have changed since the latest regulatory return, we also model a lower bound capital holding that represents the minimum capital requirements defined in regulation (IPRU-INV 13.1).
51. Regarding the ordering of liabilities, since our model operates on a stock rather than a flow basis (see 'limitations' section below), we make some modelling simplifications. We factor in compliance costs of reviewing the files, calculating redress and dealing with Financial Ombudsman Service complaints to this calculation on a per firm basis. The firm is assumed to pay as much as possible of their redress liabilities from their capital reserves. If the costs and liabilities exceed their capital resources, the firm is declared insolvent and leaves the market. Otherwise it stays solvent and continues as a going concern. Our model assumes that firms can use all their capital to pay redress even if that means that their capital falls below the regulatory minimum. Hence, they would be forced to go out of business only if they have no capital left. Any residual liability goes to FSCS for redress. As noted above, in contrast to CP22/6, in calculating firm liabilities we no longer assume firms have PII coverage for any BSPS scheme liabilities.

FSCS

52. For firms that default during the redress scheme, any outstanding scheme liabilities will be passed to the FSCS. FSCS redress for pension transfer advice is capped at £85,000. Redress paid and fees incurred by FSCS will in turn be reflected in the FSCS levy and paid for by industry.
53. As in CP22/6, the FSCS administrative costs are estimated to be £1,450 for the end-to-end processing of a DB transfer claim, including the redress calculation.
54. We assume that, where a firm becomes insolvent, only the residual BSPS liabilities of the firm will be passed to FSCS, rather than all of its liabilities.

Sensitivity analysis

55. Our central assumptions are set out in Table 2.

Table 2: Summary of assumptions for the central scenario

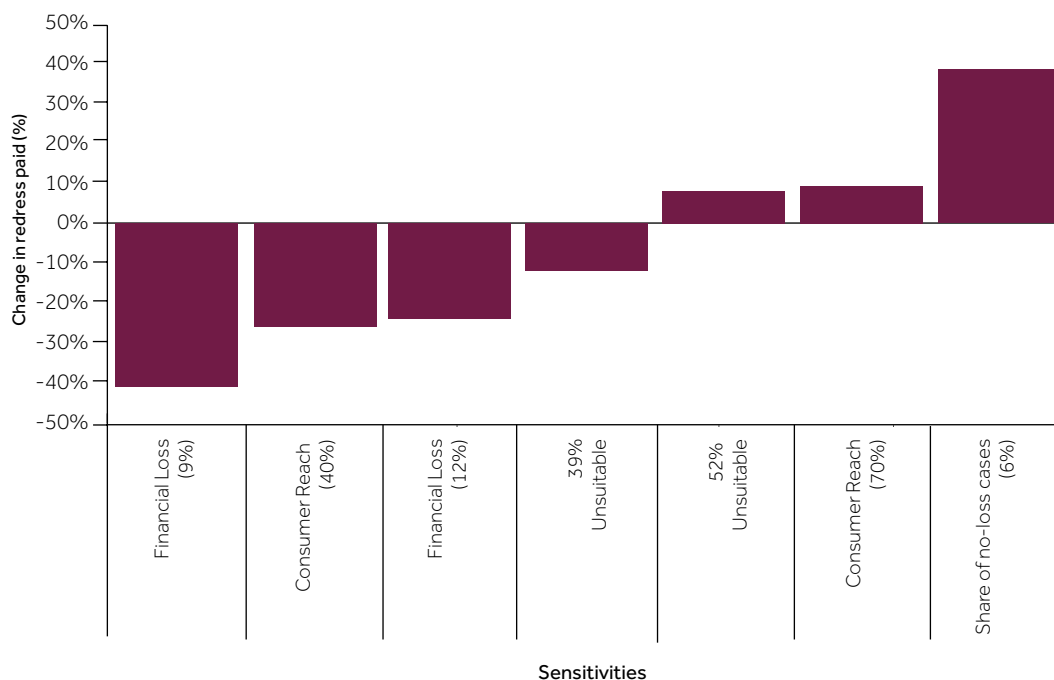
Assumption	Values
Consumers in scope of time period	8,100 (May 2016-March 2018 period)
Consumers in scope of s.404 scheme	3,600
Unsuitability rate	46%
Financial loss (used to calculate average redress value)	16%
% of no-loss cases	32%
Capital resources	RMA-D
PII cover	No cover
Overall consumer response rate (opt-out s.404)	62%

56. To account for the uncertainty in our assumptions in Table 2, we have undertaken sensitivity analysis. We calculate what impact varying the key parameters in the model has on the estimated total value of redress paid. We consider changes to: the unsuitability rate (to 39% and 52%); the financial loss assumption (to 9% and 12%); the consumer response rate (to 40% and 70%); and the proportion of unsuitable cases that ultimately experience no loss (to 6%).

57. The results of the sensitivity analysis are shown in Figure 1, which reports the difference from the central scenario in the amount of redress paid as a result of varying the parameters. To provide a sense of relative scale, we have sorted the results by their estimated magnitude compared to the central scenario.

58. Our analysis indicates that the sensitivities that have the biggest impact on our estimates of redress paid are changes to the financial loss, reducing the consumer reach and the proportion of unsuitable cases that experience no financial loss. All of which change the redress amount relative to the central scenario by more than 20%. Varying our other assumptions has a more marginal effect on our estimates.

Figure 1: Impact of our sensitivity analysis on the estimated aggregate redress paid compared with the central assumptions



Limitations of our approach

59. The main limitations of our model are set out in detail in CP22/6. To summarise, these include:
- We apply uniform average unsuitability rates and percentage redress values to all firms in our model, rather than varying these by firm. As a result, we expect our model will miss some distributional effects, or differences in impact on individual firms.
 - The latest regulatory returns data available used in the CBA – updated in August 2022 – can be potentially up to a year out of date because of reporting cycles. The capital position of firms, in particular, may have subsequently changed.
 - Our model operates on a static stock basis, rather than considering the flow of cases and liabilities each firm will face. Our approach may overestimate or underestimate the impact on the financial viability of firms and the impact on FSCS.
 - Our consumer response rate assumptions are subject to a wide degree of uncertainty. Consumer response rates are highly context specific. The applicability of response rates from previous DB pension redress exercises to a s.404 scheme is uncertain. We also note that response rates may also vary according to the levels of compensation a consumer could receive.
60. As in CP22/6, overall, we believe that our approach to estimating costs and benefits is proportionate given the information constraints and in spite of the limitations set out above.

Summary of costs and benefits

61. Table 3 summarises our estimates of the quantified costs of the s.404 redress scheme. These figures are expressed relative to (ie over and above) our counterfactual, our current supervisory and enforcement approach to BSPS and therefore are different from the total amounts of, for example, redress consumers would receive. We set out our estimated impact under our s.404 opt-out scheme, the counterfactual and the alternative options in absolute terms in Table 6.

Table 3: Summary of costs and benefits for the s.404 redress scheme relative to the counterfactual

Category	One-off or Ongoing	Benefits	Costs
Consumers	One-off	£36.1m	–
Firms*	One-off	–	£8.4m (excluding redress payments)
PI Insurers	One-off	–	–
Financial Ombudsman Service	One-off	–	£0m
FSCS	One-off	–	£10.5m
FCA (midpoint)	One-off	–	£3.2m
Total	One-off	£36.1m	£22.1m

* Note these costs include the Financial Ombudsman Service fees paid by firms to cover the Financial Ombudsman Service administrative costs. Costs may not sum to total due to rounding.

62. As explained in the 'Redress liabilities' section below, Table 3 does not present redress paid by advice firms as a cost. We do, however, present the part of the redress bill estimated to be paid by FSCS as costs.

Costs

63. Our cost estimates are summarised in Table 4 below.

Table 4: Summary of costs for the s.404 redress scheme (central assumptions)

Entity	Category	Cost	s.404 (Opt-out)	Counterfactual: Current supervisory and enforcement approach	Difference
Firm	Advice firms in scope	Familiarisation and legal review	£0.5m	£0.0m	£0.5m
		Training	£0.3m	£0.0m	£0.3m
		Other compliance costs	£3.9m	£0.3m	£3.6m
		File reviews	£3.6m	£1.0m	£2.6m
		Cost of calculating redress	£0.7m	£0.2m	£0.5m
		Financial Ombudsman Service and other costs relating to complaints*	£0.9m	£0.2m	£0.7m
		Cost of redress payments	See 'Redress liabilities' section	See 'Redress liabilities' section	See 'Redress liabilities' section
	Other firms	FSCS redress pay-out recovered through levies	£15.4m	£5.2m	£10.2m
FSCS administrative costs recovered through levies			£0.5m	£0.2m	£0.4m
PI Insurers		Claims	£0.0m	£0.0m	£0.0m
Regulators	FCA	Case review (midpoint)	£3.2m	£0.0m	£3.2m
	Financial Ombudsman Service	Administrative costs**	£0m	£0m	£0m
Total			£29.1m	£7.2m	£22.0m

Note: Numbers are rounded to the nearest £100,000.

* These costs include the case fee, compliance costs and redress calculation costs for upheld cases incurred by firms.

** The Financial Ombudsman Service costs will be £0m because the Financial Ombudsman Service case fees of £750 are paid by firms.

Cost to firms

Compliance costs

Familiarisation and gap analysis

64. We expect firms will incur costs to familiarise themselves with our proposed rules, including legal review of our rules on pre-scheme checks and insistent clients. We draw on standardised assumptions to estimate these for all of the estimated 352 advice firms in scope of our proposal, comprising an estimated 3 large firms, 24 medium-sized firms and 325 small firms. Taking into account the length of the document that firms will read and the legal instrument, we estimate these costs to be around £0.5m.

Training

65. To comply with our proposal's rules on assessing the suitability of advice set out in the DBAAT we expect firms will incur costs to train their staff. We estimate that large, medium and small firms will respectively train 10, 5 and 1 staff member. Using our standardised assumptions, we estimate training costs of £0.3m.

Other compliance costs

66. We estimate additional compliance costs to account for the elements of our proposal regarding data reporting and monitoring, and attestations.
67. We estimate these costs will collectively require firms to incur the time of staff and/or consultants. Assuming a 'minor' project according to our standardised assumptions, we apply total staff days of 540, 280 and 6 respectively for large, medium and small firms to derive an industry-wide cost estimate of £3.9m.

Cost of file reviews

68. Under our proposal, we estimate firms would have to review 3,600 transfers. Multiplying the estimated cost of reviewing a transfer of £1,000 by the estimated number of transfers implies costs of around £3.6m under our proposal.
69. Under the counterfactual supervisory and enforcement approach, we estimate these costs would be around £1m.

Costs of calculating redress

70. Firms are required to cover the costs of calculating redress for cases where advice was found to be unsuitable (providing they have sufficient information from the consumer).
71. Of the 3,600 transfers that we estimate will be reviewed by firms under our proposal, we estimate that in total around 1,100 will receive redress. This reflects our assumptions regarding unsuitability rate (46%), the probability of having suffered a financial loss (68%), and our assumption for the consumer response rate (62%). We estimate that 700 redress cases will arise directly from firms correctly identifying unsuitable transfers. Firms will incur £1,000 in costs per case, resulting in total costs of around £0.7m. Under our counterfactual scenario, we estimate these costs would be around £0.5m. Note around a further 400 upheld redress claims will arise from cases assessed by the Financial Ombudsman Service, of which the costs of calculating redress are reflected in the following section.

72. As a simplifying assumption, we have estimated compliance costs for the other options under consideration on a pro rata basis. These costs are included within the estimates for the counterfactual in Table 4.

Financial Ombudsman Service fees for firms and compliance costs related to the complaints

73. Of the 3,600 transfers that we estimate will be reviewed by firms under our proposal, we estimate that almost 500 consumers will complain to the Financial Ombudsman Service under our central scenario (based on our model using firm-specific data). Firms will incur at least £1,250 in fees and compliance costs per complaint (noting that the Financial Ombudsman Service's case fee is currently £750). Of these, we estimate 60% of cases will be upheld and sent back to firms for redress calculations. We therefore estimate total costs to firms of around £0.9m, which includes redress calculation costs for upheld cases. The number of transfers and cost estimates are inevitably subject to rounding error, which arises from applying rules to a stock rather than a flow of transfers individually.
74. Using the same calculation approach, under the counterfactual we estimate that less than 100 consumers will complain, leading to fees and compliance costs of around £0.2m.
75. As part of our sensitivity analysis, we have attempted to estimate the maximum possible compliance costs to firms associated with facilitated referral of suitable cases to the Financial Ombudsman Service. These maximum costs would arise if, following firms' review, complaints about a suitability redress determination in relation to all 3,600 transfers were made to the Financial Ombudsman Service for review. Under this scenario, the overall compliance costs to firms would be up to £5m. (See also paragraph 95 of CP22/6.) This is not reflected in our model or in our central estimates.

Redress liabilities

76. As in CP22/6, we do not consider that redress paid by advice firms should be recorded as a cost of our proposal. Any redress costs payable by firms that are found to have given unsuitable advice to BSPS members would represent harm inflicted on consumers from past non-compliance with our rules. If we considered such payments a cost, it is unlikely any redress mechanism would be able to generate benefits in excess of its costs without consideration of wider benefits (for example, confidence in the financial system) brought about by redress schemes. By contrast we do count compliance tasks as costs, since some of these would be incurred by both compliant and non-compliant firms. This assumption is likely to mean we overestimate some elements of costs.

Firm failure and FSCS costs

77. We have updated our estimates related to firm failure. Under the central scenario we now estimate that around 40 (approximately 10%) of firms that arranged pension transfers for BSPS members and are in scope of the scheme, will become insolvent under our redress scheme proposal. These firms provided approximately 50% of BSPS DB transfers among firms that are in-scope for the s.404 redress scheme.

- 78.** Under the counterfactual of our current supervisory approach, we estimate that fewer than 10 firms that arranged pension transfer for BSPS members during the in-scope time period and that are still active will become insolvent and exit the market.
- 79.** Firm exit would result in redress liabilities being passed to FSCS. As a result of firm exit, under our proposal we estimate that £15.4m (of the total redress cost) will be paid by FSCS under our central scenario, excluding FSCS administrative costs, which are around £0.5m. This compares to an estimated £5.2m and roughly £0.2m under the counterfactual. Our approach assumes that firms meet their FSCS liabilities up to the point where their capital is exhausted. Note that only residual liabilities are assumed to be sent to the FSCS.
- 80.** Where we estimate firms will leave the market, it will be as a direct result of them providing unsuitable advice to BSPS members. Redress costs are the principal determinant of whether a firm will exit or not. Redress will only be payable by firms whose past advice harmed consumers. We expect that small and medium sized advice firms, with lower capital resources are more likely to exit the market as a result of our proposal. Large, multi-product financial firms are underrepresented in the BSPS transfer advice market and tend to be better capitalised.

Costs to the Financial Ombudsman Service

- 81.** As set out in paragraph 73, we estimate that around a further 500 consumers are likely to complain to the Financial Ombudsman Service once the scheme is launched, under our central scenario. This results in cost to the Financial Ombudsman Service of £750 per complaint (or around £0.4m) that will be recovered from firms.
- 82.** As part of our sensitivity analysis, and set out in paragraph 55, we have attempted to estimate the maximum possible cost to the Financial Ombudsman Service. We have assumed that following firms' review all transfers will be passed to the Financial Ombudsman Service under the facilitated referral, ie all 3,600 cases would be referred to the Financial Ombudsman Service. Under this scenario, the overall cost to the Financial Ombudsman Service will be up to £3m, and all these costs would be recovered from firms via the case fee. This is not reflected in our model or in our central estimates.

Costs to the FCA

- 83.** As in CP22/6, for our s.404 redress scheme we estimate that direct costs to the FCA will be approximately £3.2m. These costs include reporting and firm monitoring, resources to collate and analyse data, and follow-up work. We assume costs to the FCA of the counterfactual supervisory and enforcement work are already allocated and therefore are incorporated into business as usual.

Wider impacts

- 84.** In CP22/6 we carefully considered the potential impact of a s.404 redress scheme for BSPS on the wider pension transfer and advice markets. That analysis remains valid. This section summarises our position and describes the additional analysis that we have undertaken since the original CBA.

Pll for BSPS-related claims

- 85.** Our CBA in CP22/6 acknowledged that Pll cover for historical BSPS transfers may become harder to obtain under a s.404 redress scheme relative to the counterfactual and that, potentially as a consequence and depending on the degree of market adaptation, some firms that advised BSPS members may need to raise additional capital while other firms for whom this is not feasible may be forced to leave the market.
- 86.** Our CBA also concluded that the likelihood of any 'contagion' effects arising on Pll premiums for non-BSPS DB transfer advice was uncertain, but we considered it unlikely because the necessary sequence of events to bring about 'contagion' following a redress scheme is highly indirect. As a consequence, we concluded that we did not believe there are strong probability-driven reasons to expect a deterioration in the wider market for DB transfer advice as a result of our proposal, relative to existing trends under the counterfactual.
- 87.** We have undertaken additional analysis since CP22/6 to further understand the historical trend over time in Pll premiums and conditions for pension transfer advice firms, and to understand the size of typical Pll premiums in the context of the prices that firms charge for DB transfer advice.
- 88.** We have found that Pll premiums have risen faster since 2018 for DB-active advisers than for other financial advisers, suggesting that the PI insurance market has to some extent already priced in the perceived risk associated with DB transfer advice claims.
- 89.** We have not been able to identify a clear relationship between adviser firms' Pll premiums and the number of historical DB transfers they have advised, and hence not estimated a 'per-transfer' Pll premium. However, our analysis indicates that Pll premiums are a significant but not dominant component of fees that firms charge for DB transfer advice, so even in a scenario where future DB Pll premiums were to rise further, the effect on prices for and the market for DB transfer advice would be mitigated under plausible scenarios.
- 90.** Similar to CP22/6 we estimate that under our s.404 redress scheme around 2% of firms that currently offer DB transfer advice, representing around 1% of DB to DC transfers, will leave the market under our central scenario. These firms all provided unsuitable DB transfer advice to at least one BSPS member. These estimates represent a small reduction in the supply of financial advice, both for DB transfers and the other services that those advisers provide. Given the small number of firms estimated to exit and given that a significant number of advice firms have low exposure to BSPS customers, this effect is likely to be small. Therefore, we believe that our conclusion in the original CBA—that any effects of our proposal on the wider DB pension transfer advice market are likely to be very limited—remains valid.

Benefits

- 91.** The primary benefit of the s.404 redress scheme is the redress that consumers would receive (Table 5). We estimate that around 1,100 consumers will receive redress under our scheme.

Table 5: Summary of benefits for the s.404 redress scheme

	Category	s.404 opt-out (our scheme)	Counterfactual – current supervisory approach	Difference
Consumer	Compensation received	£49m	£12.9m	£36.1m
Total		£49m	£12.9m	£36.1m

92. The benefits above represent a transfer from firms to consumers. However, the benefits of our proposal can also be conceived of as correcting previous market failures. The redistributive aspect of compensation is consistent with our consumer protection objective to 'undo' previous harm and may be considered a benefit in and of itself.

Wider benefits

93. As we discussed in paragraphs 120-123 of Annex 2, CP22/6, other wider benefits might accrue as a result of our intervention. We discussed two improvement areas in particular: (i) consumer trust in financial advice and financial markets and (ii) quality of pension transfer advice. We still consider these factors to be relevant but not reasonably practicable to quantify and, overall, not to be significant in influencing the choice of policy option.

Other options

94. This section presents our cost and benefit estimates for the other options under consideration.
95. Our estimates of the costs and benefits for the alternative options is based on the same modelling methodology used for our proposal. However, we have assumed each option generates different consumer responses. These are set out in Annex 3 to CP22/6.
96. Table 6 contains our central estimates of the costs and benefits of the alternative options under consideration. Our enhanced supervision option (set out in Chapter 2 of this Policy Statement) builds on and extends the current supervisory approach, so the presented estimates are a sum of the enhanced and current supervisory options.

Table 6: Summary of costs under different intervention options

Category	Measure	Counterfactual: Current supervisory and enforcement approach	s.404 with opt-out (our scheme)	s.404 with opt-in	Enhanced supervision (including current supervisory approach)	Enhanced communications
Scale	Number of consumers in scope	1,000	3,600	3,600	2,100	3,600
	Number of consumers that receive redress	300	1,100	1,000	500	100

Category	Measure	Counterfactual: Current supervisory and enforcement approach	s.404 with opt-out (our scheme)	s.404 with opt-in	Enhanced supervision (including current supervisory approach)	Enhanced communications
Cost – administrative	Firms (compliance)	£1.5m	£5.5m	£5.4m	£3.3m	£0.6m
	FCA	£0.0m	£3.2m	£2.0m	£0.7m	£0.4m
	Financial Ombudsman Service	£0m	£0m	£0m	£0m	£0m
	FSCS (administrative)	£0.2m	£0.6m	£0.5m	£0.5m	£0.1m
Cost – redress related	FSCS (redress)	£5.2m	£15.4m	£13.7m	£12.9m	£1.8m
	PI Insurers	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m
Benefits	Consumers	£12.9m	£49m	£45.4m	£24.8m	£4.7m
Benefits less administrative cost of the scheme		£11.2m	£39.7m	£37.5m	£20.4m	£3.7m

97. The number of consumers that actually receive redress under each option will differ according to the consumer response rate. As set out in Annex 3 of CP22/6, we expect that the consumer response rate for the opt-in proposal will be lower than under the opt-out proposal, meaning fewer advisers will assess the suitability of fewer transfers and fewer consumers will receive redress.
98. For all the options considered, the benefits to consumers who were provided unsuitable advice to transfer out of BSPS will be the direct transfer of redress from their advice firm (or other firms via FSCS, in cases where firms fail).
99. Costs to the FCA for each option reflect the additional supervisory and regulatory costs. For the communications outreach options, costs to the FCA would involve the commission of enhanced communication through partners and outreach, including in-person events with other members of the regulatory family. This would be supported by consumer tracking to evaluate the effectiveness of the communications. We estimate nearly £400,000 of FCA resource cost would be required for enhanced engagement and to mitigate the risk that firms will not resolve complaints appropriately to ensure fair outcomes for consumers.

Comparison of options

100. We estimate our proposal of a s.404 redress scheme with opt-out to have the highest net benefits less administrative costs of the scheme. Our estimates of benefits under central assumptions are set out in Table 6. We estimate benefits less administrative costs of £39.7m under a s.404 redress scheme with opt-out, and of £37.5m under a redress scheme with opt-in. This difference is a result of a higher estimated consumer response rate under the opt-out scheme than under the opt-in scheme. These two figures are very similar, but we note that our estimated consumer redress benefits are around £3.6m higher under the opt-out version. We consider the uncertainty behind our estimates will affect the two s.404 options in similar ways, and therefore a preference for the higher estimated redress under an opt-out scheme is the most proportional choice. Both benefits and benefits less administrative costs are higher under the s.404 options than the others we have considered.

Annex 2

Revised KC opinion

Section 404 Scheme for British Steel Pension Scheme Members

Further Opinion

1. I am asked to advise the Financial Conduct Authority ("FCA") on proposals for a redress scheme under section 404 of the Financial Services and Markets Act 2000 ("FSMA") for former British Steel Pension Scheme ("BSPS") members ("the Proposed Scheme"). This Further Opinion supplements the Opinion on the Proposed Scheme which I provided on 29th March 2022 ("the Main Opinion"), and should be read together with the Main Opinion.
2. Since preparing the Main Opinion, I have been provided by the FCA with copies of the key responses to the consultation which took issue with one or more aspects of the Proposed Scheme. I have also seen in draft the Policy Statement prepared by the FCA which addresses the consultation responses, and explains the approach which the FCA has taken.
3. It is apparent from the draft Policy Statement that very detailed and careful consideration has been given to the large number of consultation responses received. I note, for example, that thought has been given to whether the conditions for the Proposed Scheme continue to be met in light of both responses received and changes in external circumstances, most notably developments in the wider economy impacting redress levels and changes to the FCA's understanding of the availability of insurance cover.
4. Overall, I have also scrutinised the approach taken, and I continue to consider that the Proposed Scheme complies with the requirements of s. 404. I note that minor and consequential changes have been made to the Proposed Scheme in light of the responses received and I consider these to be appropriate. In particular, I remain of the view that the failures which would be addressed by the Proposed Scheme are those that a court or tribunal would find to constitute a failure to comply with a requirement, or as indicators of such a failure.

Jemima Stratford KC
Brick Court Chambers

18th November 2022

Annex 3

Revised Statistician's Report

Report on file review sampling methodology and analysis of file review data with revisions to cover the period 26th May 2016 to 28th February 2017

Background

I was commissioned by the FCA to establish with reasonable certainty the percentage of transactions that involved unsuitable advice to transfer from BSPS, and to establish with reasonable certainty whether unsuitable advice was widespread across firms. I was also asked to provide independent analysis of the results of the file review process and commentary from a statistical perspective.

My advice on sample design was provided in three stages (1) during the FCA's fourth multi-firm review of DB transfer advice in 'higher risk firms' (2) during the FCA's further investigations of advice given to BSPS members to establish a market-wide picture of the quality of advice given to BSPS members for the period 1 March 2017 to 31 March 2018, and (3) during additional investigations of advice given to BSPS members for the earlier period of 26 May 2016 to 28 February 2017.

I have previously reported on the findings from the first two stages. This report updates the previous report, adding in the sample data from the earlier period. This report also takes into account revisions made to the outcome of the assessments for two of the files in the initial exercise.¹

The higher risk firms included in the fourth multi-firm review and previous work on the BSPS are labelled Group 1 in the text below. The firms included in the further investigations are labelled Group 2. The analysis of the results combines the data from these two groups.

The relevant 'population' for the review is transfers that took place between 26th May 2016 and 31 March 2018, which is the period before and during the Time to Choose period. The FCA estimate that around 8,160 members transferred out of their BSPS pension during that period with around 7,738 having received advice. The exact number of firms giving advice is not known but is believed to be between 385 and 502.

The population of firms divides into three groups. Groups 1 and 2 are as described above (36 firms and 3,389 transfers in Group 1, and 309 firms and 3,301 transfers in Group 2). There is a third group ('Group 3') made up of an estimated 55 to 172 firms who were responsible for around 1,000 transfers. There is no available list of Group 3 firms, so Group 3 firms and their transfers were not included in the file review exercise.

¹ This is following reconciliation on some of the files where the FCA identified that the pension transfer outcome on two cases moved from unsuitable to suitable.

Summary

The analysis presented in this paper is based on a review of 392 files drawn from 101 firms. This is made up of 309 files from 36 Group 1 ('higher risk') firms, and 83 files drawn from a total of 70 Group 2 firms.² For the Group 1 sample, 302 files were drawn from the period 1 March 2017 to 31 March 2018 and seven from the period 26 May 2016 to 28 February 2017. For the Group 2 sample, 63 of the 83 cases were drawn from the period 1 March 2017 to 31 March 2018 and 20 from the period 26 May 2016 to 28 February 2017. All of the 392 files were reviewed, and the advice given judged to be either suitable, unsuitable, or not compliant – unclear.

'Grossing'³ the findings from the sample up to the total population of firms and transfers in Groups 1 and 2 gives an estimate of the percentage of all transfers that involved unsuitable advice.

The key findings from the analysis are:

- **Across the sample of 392 files, 153 were found to have involved unsuitable advice (121 of the 309 files from Group 1, and 32 of the 83 files from Group 2).**
- **Grossing the sample to the total of 6,690 Group 1 and 2 transfers suggests that 46% of the transfers involved unsuitable advice (41% for the 3,389 Group 1 transfers, and 51% for the 3,301 Group 2 transfers). The 95% confidence interval around the 46% is (39%, 52%). Informally and in summary, the confidence interval represents a 'plausible range' for the underlying percentage of 'unsuitable advice'. That is, the sample provides strong evidence that the underlying rate is at least 39% and it is less than 52%. The evidence points to 46% as the best point estimate.**
- **The analysis included checks on whether the percentage of unsuitable files differed by: the total number of transfers dealt with by the firm; the estimated conversion rate for the firm; whether or not there is ongoing 'past business review' work in respect of the firm; and by the date of advice. The percentage unsuitable was found to be broadly the same across all the sub-groups with two exceptions:**
 - **Firms with under 10 transfers were found to have a lower estimated rate of unsuitability, at 19% (95% confidence interval 6% to 50%). The sample size of files for this group is however fairly small, so there is material uncertainty around this finding;**
 - **The files where advice was given in January to March 2018 have a lower estimated rate of unsuitability, at 25% (95% confidence interval 12% to 45%) compared with 51% for the files from March 2017 to Dec 2017.**
- **The number of files reviewed per firm was very small, especially for Group 2 where just one file was reviewed for the majority of firms in the sample. Nevertheless, at least one transfer involving unsuitable advice was found for 52 of the 101 firms in the sample (25 of the 36 Group 1 firms, and 28 of the 70 Group 2 firms). This strongly suggests the problem of unsuitable advice is widely distributed across firms.**

² Five firms in the sample are labelled as Group 1 for the period March 2017 – March 2018 but as Group 2 for the earlier period.

³ Details on how the grossing was done are included in the Appendix.

These statistics change very little from the statistics in the report appended to the consultation. The overall percentage unsuitable stays the same, at 46%. Other statistics change by at most one or two percentage points. This lack of change is because the number of transfers from the period that has been added (26 May 2016 to 28 February 2017) is only a small percentage of all transfers from Group 1 and Group 2, at just 2.5%. Findings from this period have very little influence on the overall percentages.

The finding of 19% unsuitable for the firms with under 10 transfers is the same as in the previous report. However, the fact that the sample size is now slightly bigger for this sub-group means that this unsuitability percentage is now significantly lower on a statistical significance test, than the percentage for the firms with more transfers. Nevertheless, the confidence interval around the 19% is extremely wide, and there is still considerable uncertainty around the exact percentage for the under 10 group.

The statistics presented in this report are strictly valid only for the transfers in the Group 1 and 2 firms. The approximate 1,000 transfers from an estimated further 55 to 172 firms (Group 3) are not covered. If the behaviour of the Group 3 firms is similar to that of the Group 1 or 2 firms, the results presented here can be used to draw inference to the whole population of over 7,000 transfers. But any assumption of 'similar behaviour' cannot be tested using the data available. However, it is the view of the FCA that the Group 3 firms are very unlikely to be systematically different in their behaviours to the Group 2 firms but that they may, on average, have tended to deal with relatively small numbers of transfers. If so, the percentage of unsuitable files for Group 3 is likely to be similar to the percentage for the firms in Groups 1 and 2 with the lowest number of transfers.

The data

The analysis presented in this report is based on a review of 392 files from 36 Group 1 firms and a stratified random sample of 83 files from across 70 Group 2 firms. The sampling procedures differed for the two groups, the details being given in the technical appendix. The approach taken for each Group is summarised below.

Group 1

Group 1 consists of firms sampled during the FCA's project work on the BSPS in November 2017 to March 2018 and fourth multi-firm review of firms active in the DB transfers market, which covered those firms most active in the DB transfer market from April 2015 to September 2018. Some of the files reviewed by the FCA included advice given to members of the British Steel Pension Scheme.

In total, 212 of the 309 files selected from Group 1, from across 29 of the 36 firms, were selected as part of the fourth multi-firm review, with these files being drawn at random from the firms' business register. The remaining 97 files were not drawn at random but appear to be reasonably representative so have been included in the analysis reported here.⁴

4 A sensitivity check based on the data for the 1 March 2017 to 31 March 2018, based just on the randomly selected files, suggests that if the non-random cases were excluded the percentage unsuitable for Group 1 would have increased to 45%. That is, the non-random cases were more likely to be 'suitable' and their inclusion brought the percentage unsuitable down. Including the non-random cases is therefore conservative. I judged it preferable to include non-random cases, so that all 36 firms were represented in the analysis, rather than exclude seven firms without random cases.

Group 2

The Group 2 data consists of a stratified random sample of 83 files from firms who gave DB transfer advice to BSPS members from 26 May 2016 to 30 September 2018. The 83 files between them came from 70 firms. An initial sample of 63 files (from 53 firms) was selected from the period 1 March 2017 to 31 March 2018. An additional sample of 20 files (from 20 firms) was subsequently selected from the period 26 May 2016 to 28th February 2017.⁵

For 58 of the firms just one file was selected; for 11 firms two files were selected, and for one firm, three files were selected. Efforts were taken to ensure the sample of 83 files covered reasonable numbers from firms with the smallest numbers of transfers, and from firms with different conversion rates.

File level analyses

The analysis described below covers the whole of the period 26 May 2016 to 31 March 2018. Tables that restrict the analysis to the shorter period of 1 December 2016 to 31 March 2018 are included as Appendix A.

Overall estimates of unsuitability, by Group 1 and 2, and for firms that remain Authorised by the FCA

Across the total sample of 392 files, 153 were found to have involved unsuitable advice (121 of the 309 files from Group 1, and 32 of the 83 files from Group 2). A further 92 were found to be non-compliant-unclear, leaving just 147 'suitable'.

Grossing the sample to the total of 6,690 Group 1 and 2 transfers suggests that 46% of the transfers involved unsuitable advice (41% for the 3,389 Group 1 transfers, and 51% for the 3,301 Group 2 transfers). The 95% confidence interval around the 46% is (39%, 52%). In terms of the total number of transfers involving unsuitable advice, this equates to 3,057 from a total of 6,690.

For firms that remain Authorised by the FCA the estimated percentage unsuitable is 45% with a 95% confidence interval of (38%, 52%).

Excluding insistent client cases from the sample increases the percentage unsuitable to 48% with a 95% confidence interval of (41%, 54%).

The details are shown in Table 1.

5 Five of the files selected from this earlier period were from firms that were in the Group 1 list for the post March 2017 sample period. These earlier files were selected independently of the fourth multi-firm review exercise so have been assigned to Group 2 in this report.

Table 1: Pension transfer suitability overall, and by groups 1 and 2

	Grossed data			Sample size (files/firms)
	Grossed number of transfers	%	95% CI (%)	
All				392/101
Suitable	2,708	41	(35,47)	
Unsuitable	3,057	46	(39,52)	
Not compliant/Unclear	924	14	(10,18)	
Total	6,690			
Group 1				309/36
Suitable	1,351	40	(36,44)	
Unsuitable	1,375	41	(36,46)	
Not compliant/Unclear	662	20	(16,24)	
Total	3,389			
Group 2				83/70
Suitable	1,357	41	(30,53)	
Unsuitable	1,682	51	(40,62)	
Not compliant/Unclear	262	8	(3,17)	
Total	3,301			
Firm which remain Authorised by the FCA				320/96
Suitable	2,665	46	(39,53)	
Unsuitable	2,640	45	(38,52)	
Not compliant/Unclear	540	9	(6,14)	
Total	5,843			
Excluding insistent client cases				354/99
Suitable	2,592	41	(34,47)	
Unsuitable	3,048	48	(41,54)	
Not compliant/Unclear	736	12	(8,16)	
Total	6,376			

Estimates of unsuitability by the number of transfers per firm

To test, firstly whether unsuitable advice occurred across the market, and secondly whether there was a relationship between the rate of unsuitability and the number of transfers a firm advised on, the sample data was divided by the number of transfers per firm, using the following splits:

- 70 or more transfers
- 10-69 transfers
- Under 10 transfers.

For firms with 10 or more transfers, the percentage unsuitable is similar for the two size groups, at around 50%. However, for the firms in the 'up to 10' group, the sample data suggests that the rate of unsuitability is lower, at 19%. That is, on a statistical test, this group has a 'significantly' lower rate of unsuitability than the rate for firms advising on more transfers. The 95% confidence interval around the 19% is, however, very wide, at (6%, 50%) so there is still considerable uncertainty around the exact percentage for this group.⁶

Table 2: Pension transfer suitability by number of transfers per firm

	Grossed data			Sample size (files/firms)
	Grossed number of transfers	%	95% CI (%)	
Firms with 70 or more transfers				268/30
Suitable	1,591	38	(32,45)	
Unsuitable	1,976	47	(41,53)	
Not compliant/Unclear	643	15	(12,20)	
Total	4,210			
Firms with 10 to 69 transfers				91/40
Suitable	734	39	(24,56)	
Unsuitable	967	51	(35,67)	
Not compliant/Unclear	184	10	(4,22)	
Total	1,886			
Firms with up to 10 transfers				33/31
Suitable	383	65	(37,84)	
Unsuitable	114	19	(6,50)	
Not compliant/Unclear	96	16	(5,41)	
Total	593			

⁶ The p-value from the test of difference between the unsuitability rates for the above 10 and below 10 groups is 0.046. This means that using the standard 0.05 significance level we can reject the null hypothesis that the rates are equal.

Estimates of unsuitability by the date of the advice

Table 3 divides the data into five groups, based on the date of advice given. The percentage unsuitable is estimated to be higher (at 67%) for the period May 2016 to February 2017 than for the following periods, but the difference is not statistically significant. However, the rate for 2018 is lower at 25% (with a 95% confidence interval of 12% to 45%).⁷

Table 3: Pension transfer suitability by date of advice given

	Grossed data			Sample size (files/firms)
	Grossed number of transfers	%	95% CI (%)	
May 2016 – Feb 2017				27/25
Suitable	28	16	(6,38)	
Unsuitable	115	67	(40,86)	
Not compliant/Unclear	28	16	(6,36)	
Total	171			
March 2017 – June 2017				14/9
Suitable	56	27	(9,57)	
Unsuitable	98	47	(23,73)	
Not compliant/Unclear	55	26	(10,53)	
Total	209			
Jul 2017-Sep 2017				70/24
Suitable	379	35	(23,50)	
Unsuitable	475	44	(30,60)	
Not compliant/Unclear	221	21	(12,34)	
Total	1,075			
Oct 2017 – Dec 2017				192/68
Suitable	1,276	33	(25,42)	
Unsuitable	2,065	53	(45,62)	
Not compliant/Unclear	529	14	(9,20)	
Total	3,870			
Jan 2018-Mar 2018				41/28
Suitable	670	68	(49,83)	
Unsuitable	249	25	(12,45)	
Not compliant/Unclear	62	6	(3,13)	
Total	981			

⁷ This difference reaches significance on a formal statistical test (p=0.015).

Estimates of unsuitability by the conversion rate and whether there is ongoing past business review work

Additional analyses, looking at whether the unsuitability rate varied by the firm level conversion rate or whether there is ongoing past business review work, did not identify any strong evidence of difference in either respect.

Firm level analyses

The sample was not designed to generate estimates of the degree of unsuitability for individual firms. For many of the firms in the sample, especially those in Group 2, just one file was selected for review. Essentially, a large sample of firms were 'dipped in to' to establish the overall prevalence of unsuitability across the market, but these dips do not allow for the number of firms that have high levels of unsuitability to be established.

Nevertheless, the distribution of the collected data does suggest that unsuitability is widespread across firms, with the possible exception of firms with just a small number of transfers.⁸ Across the 101 firms in the sample, the 'dip' found at least one unsuitable file for 52 (51%) of these firms (25 of the 36 Group 1 firms, and 28 of the 70 Group 2 firms⁹).

8 For the 31 firms in the sample with under 10 transfers, an unsuitable file was selected for seven of them. This is consistent with the finding discussed earlier that these firms seem to have a slightly lower overall percentage unsuitable.

9 As was noted earlier, five firms are included as Group 1 for the March 2017 – March 2018 period as Group 2 for the earlier period.

Appendix A: Tables for the period 1 December 2016 to 31 March 2018

Table A1: Pension transfer suitability overall, and by groups 1 and 2

	Grossed data			Sample size (files/firms)
	Grossed number of transfers	%	95% CI (%)	
All				373/92
Suitable	2,689	41	(35,47)	
Unsuitable	2,987	45	(39,52)	
Not compliant/Unclear	900	14	(10,18)	
Total	6,576			
Group 1				304/36
Suitable	1,349	41	(37,45)	
Unsuitable	1,313	40	(35,45)	
Not compliant/Unclear	662	20	(16,24)	
Total	3,324			
Group 2				69/57
Suitable	1,340	41	(30,54)	
Unsuitable	1,674	52	(40,63)	
Not compliant/Unclear	238	7	(3,17)	
Total	3,251			
Firm which remain Authorised by the FCA				304/87
Suitable	2,648	46	(39,53)	
Unsuitable	2,592	45	(38,52)	
Not compliant/Unclear	514	9	(6,14)	
Total	5,754			

Table A2: Pension transfer suitability by number of transfers per firm

	Grossed data			Sample size (files/firms)
	Grossed number of transfers	%	95% CI (%)	
Firms with 70 or more transfers				262/30
Suitable	1,586	38	(33,44)	
Unsuitable	1,920	46	(40,52)	
Not compliant/Unclear	641	16	(12,20)	
Total	4,147			
Firms with 10 to 69 transfers				85/38
Suitable	730	39	(24,56)	
Unsuitable	956	51	(35,68)	
Not compliant/Unclear	173	9	(4,22)	
Total	1,859			
Firms with up to 10 transfers				26/24
Suitable	373	66	(37,86)	
Unsuitable	111	19	(5,51)	
Not compliant/Unclear	86	15	(4,41)	
Total	569			

Table A3: Pension transfer suitability by date of advice given

	Grossed data			Sample size (files/firms)
	Grossed number of transfers	%	95% CI (%)	
Dec 2016 – Feb 2017				8/8
Suitable	9	15	(4,47)	
Unsuitable	44	78	(44,94)	
Not compliant/Unclear	4	7	(1,34)	
Total	57			
March 2017 – June 2017				14/9
Suitable	56	27	(9,57)	
Unsuitable	98	47	(23,73)	
Not compliant/Unclear	55	26	(10,53)	
Total	209			
Jul 2017-Sep 2017				70/24
Suitable	379	35	(23,50)	
Unsuitable	475	44	(30,60)	
Not compliant/Unclear	221	21	(12,34)	
Total	1,075			
Oct 2017 – Dec 2017				192/68
Suitable	1,276	33	(25,42)	
Unsuitable	2,065	53	(45,62)	
Not compliant/Unclear	529	14	(9,20)	
Total	3,870			
Jan 2018-Mar 2018				41/28
Suitable	670	68	(49,83)	
Unsuitable	249	25	(12,45)	
Not compliant/Unclear	62	6	(3,13)	
Total	981			

Appendix B: Technical appendix

Sampling of files

Sampling of files from Group 1 firms

Overall, 309 files were selected from the 36 firms in Group 1. The number selected per firm varied from just one to 22, around an average of nine.

Of the 309 files, 212 were selected within firms 'at random'. The remaining 97 were non-random. Of the 36 firms, 29 had at least some random sample. For the remaining seven all sampling was non-random. The analysis reported on here includes both the random and non-random samples, although a sensitivity analysis was conducted on the post February 2017 data to ensure the non-random files did not lead to bias. This analysis suggested that if the non-random cases were excluded the percentage unsuitable for Group 1 would increase from 39% to 45% for that time period. That is, the non-random cases seemed to be somewhat biased towards 'suitable'. Including the non-random cases is therefore conservative and leads to a lower percentage unsuitable. How to deal with the non-random cases is a judgement call. On balance it seemed preferable to include non-random cases, so that all 36 firms were included in the analysis to ensure full coverage, rather than exclude seven firms without random cases and gross up the data from the other Group 1 firms to cover them.

Sampling of files from Group 2 firms

The Group 2 sample comprises 63 files drawn from a stratified random sample of 53 firms (from a Group 2 'population' of 295 firms) for the period March 2017 to March 2018 and a stratified random sample of 20 files (from 20 firms) for the period May 2016 to February 2017.

In drawing the March 2017-March 2018 sample, the population of 295 firms was divided into strata (i.e. groups) based on

- a. their numbers of transfers (1; 2; 3-4; 5-9; 10-19; 20-29; 30-49; 50-69; 70-99; 100-150; plus two firms with more than 150 transfers that were each assigned to individual strata); and
- b. the estimated conversion rates (Under 50%; 50% to just under 75%; 75% and above; unknown conversion rate).

This division gives 37 strata in total, some of the 'size by conversion rate' combinations being unpopulated.

A small random sample of firms was selected within each of the 37 populated strata, typically just one or two, to a total of 53 firms. Within each selected firm a pre-specified number of files was selected, again at random. For 44 of the firms just one file was selected; for eight of the larger firms two files were selected, and for one firm (the firm that had conducted the most transfers in the Group 2 population and represented almost 8% of all transfers in Group 2), three files were selected.

The sampling fraction for files was set slightly higher than average within the strata covering firms with under 10 transfers or a conversion rate of under 75%. This was to ensure a sample of at least 20 files in these two sub-divisions of the Group 1 population, sufficient to allow for a test of whether unsuitability rates varied by number of transfers or conversion rate.

For the May 2016-February 2017 sample the population was divided into strata based on the number of transfers (1; 2; 3-4; 5-10) and conversion rate (under 100%; 100%) and 20 firms selected, at random, from the stratified list. One file was selected per selected firm, again at random.

Grossing the data

The raw sample data from Groups 1 and 2 does not automatically represent the population of transfers. Firstly, the sample from Group 1 is proportionately too large relative to Group 2. And secondly, the Group 2 sample has, as described above, some inbuilt over-sampling to ensure a sufficient sample size in smaller firms and firms with conversion rates of below 75%. To address this, the data has been weighted. To apply weights is a statistical means of re-adjusting or re-balancing a sample, so as to be reflective of the population from which the sample was drawn.

The weights are calculated as the inverse of the probability of selection per file. Files with a low probability of selection are given a large weight; files with a high probability of selection are given a smaller weight. The probability of selection is calculated as the probability of selection for the firm multiplied by the probability of selection for a file within the firm. So, for example, if a firm in Group 2 had a one in two chance of selection, and one file was selected from a total of 10 for that firm, the probability of selection for the file would be $0.5 \times 0.1 = 0.05$. The weight is then $1/0.05 = 20$.¹⁰ Note that for Group 1 firms, their probability of selection equals one, so only the probability of selection within those firms is relevant.

The weights can be thought of as 'grossing weights'. That is, once applied they give grossed estimates of the number of transfers in the Group 1 and 2 population that are unsuitable.¹¹

The calculation of confidence intervals

The confidence intervals presented in this report have all been calculated in the complex samples module of IBM SPSS Statistics Version 26.

The calculation takes into account the nesting of the samples of files within a sample of firms, the grossing weights, and the Group 2 stratification.

10 This approach, although technically correct, led to very large weights for two Group 2 files. In the first case, one large firm was not included in the sample and the other firm from the same stratum was calculated to have a large weight to compensate. For the second case, the number of transfers identified at the sampling stage was much larger than in the original files, so the probability of selection within this firm was particularly low. These large, outlier, weights lead to these two files having too much leverage on the results, so their weights have been trimmed (by a factor of about two).

11 The inverse probability weights after trimming gave a grossed total for Group 2 of 3,036 for period March 2017-March 2018. The weights were scaled by a factor of $3,234/3,036$ to give a grossed total of 3,234, this being the FCA's best estimate of the total number of transfers for Group 2 for this period.

Appendix C: Author biography

Dr Susan Purdon is a professional statistician with a PhD in Mathematics (University of Glasgow, 1990) and an MSc in Applied Statistics (Sheffield Hallam, 1994). She has worked as a statistician for over 25 years, but between 1993 and 2009 worked at the National Centre for Social Research, where she was head of the Evaluation Unit and subsequently head of the Survey Methods Unit. In the latter position she was head of the team of statisticians in the organisation. In 2009 she left NatCen to set up an independent research partnership (BPSR). She is a fellow of the Royal Statistical Society.

Dr Purdon has very considerable experience in complex sample design and analysis and has been responsible for sample design for a considerable number of surveys, trials and evaluations. Most have been studies for government, and include a number of very high-profile studies, such as the Health Surveys for England and Scotland, the Adult Psychiatric Morbidity Survey, and the Workplace Employee Relations Survey.

Although most of her sampling work has been around the sampling of individuals, the principles are the same when applied to other units (in this instance, transfers), and these principles have been applied here.

Annex 4

List of non-confidential respondents to CP22/6

75point3 Limited

Abacus Money Management Ltd

Abrdn plc

Acumen Independent Financial Planning Ltd

Adam Wilfred Samuel

AEON Financial Services Ltd

Age Partnership Wealth Management

AJH Financial Services Ltd

Anstee & Co

Anthony Way

Association of Pension Transfer Specialists

Association of Professional Compliance Consultants

Axiom Financial Services Ltd

bdhsterling Ltd

British Steel Advisory Group

CGR Wealth Management

Chapelwood Financial Planning Limited

Christina Clegg Financial Planning Services Ltd

Community Trade Union

Corporate Solutions NI Ltd

Create Wealth Management Ltd

Creative Benefit Wealth Management Limited

CST Wealth Management Limited

D S Howell Financial Services

Darran Jenkins

Davies Financial Ltd

David Neilly

Dobson & Hodge Ltd

Dragon Financial Planning Ltd

Edesia Law Limited

Edward Asset Management LLP

Elliot Fletcher Ltd

Ellis Lloyd Jones FS Ltd

E S Walton & Co Ltd

Financial Fortress Ltd

Financial Services Consumer Panel

Financial Strategies Limited

Financial Synergy Ltd

Fowler Drew Limited

Fraser Backhouse LLP

Future Asset Management LLP

Gareth Baxter

Gary Southall

Grange Financial Planning Ltd

Green Gem Financial Limited

I Planning Wealth Management Ltd

Ian Gravel

Independent Personal Financial Management Ltd

Innes Reid Investments Limited

Inperio (London) Limited

International Underwriting Association and Reynolds Porter Chamberlain LLP

Jacobs and Harris Ltd

Jewell & Petersen Ltd

John Tamblin Financial Services Ltd

Jon Short

Kerry Lee Walker

Langley Consultancy Services

Lowes Financial Management Ltd

Members of Parliament – joint response

Michael OBrien

Millen Compliance Ltd

Montfort International

M&G Wealth Advice Network

New South Law Ltd

N2 Asset Management Limited and 4TheRecord Compliance Limited

OAC PLC

Oakhouse Financial Services

OCM Wealth Management

Origen Financial Services

Pensionhelp Limited

Personal Finance Society

Personal Investment Management & Financial Advice Association

Planet 3 Wealth

Portal Financial Planning Ltd

Priswm Limited

Professional Pensions and Investments Ltd

Prosser Knowles Associates Ltd

QED Financial Associates Ltd

Red Circle Financial Planning Limited

Redwood Financial Family Wealth & Estate Planners Limited

Richard Caddy

Rutland Independent Wealth Management LLP

Savio Santimano

Scott Llewellyn

SimplyBiz

Stepping Stones Wealth Management Ltd

Sterling Financial Services Limited

St James's Place plc

Taurus Global Financial Advisers Ltd

Tenet Group Limited

The Catt's Eye View

The IFA Corporation Ltd/TIFAC IFA Compliance & Regulatory Support Services

threesixty Services LLP

Tideway Investment Partners LLP

Truly Independent

Waterbridge Financial Planning Ltd

Wayne Julian Davies

Westcourt Financial Services Ltd

WPS Financial Group Ltd

Your Financial Planning Ltd

Annex 5

Abbreviations used in this paper

Abbreviation	Description
BSPS	British Steel Pension Scheme
BSPS2	new British Steel Pension Scheme
CBA	cost benefit analysis
CETV	cash equivalent transfer value
CMC	claims management company
COBS	Conduct of Business Sourcebook
CONRED	Consumer Redress Schemes sourcebook
CP	Consultation Paper
DB	defined benefit
DC	defined contribution
DBAAT	Defined Benefit Advice Assessment Tool
DWP	Department for Work and Pensions
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act 2000
KC	King's Counsel
PBR	Past Business Review
PI	Professional Indemnity
PIC	Pension Insurance Corporation
PII	Professional Indemnity Insurance
PPF	Pension Protection Fund

Abbreviation	Description
PTS	Pension Transfer Specialist
s.404	Section 404 of the Financial Services Markets Act 2000
TTC	Time To Choose
TVAS	Transfer Value Analysis Software

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Appendix 1

Made rules (legal instrument)

**BRITISH STEEL PENSION SCHEME CONSUMER REDRESS SCHEME
INSTRUMENT 2022**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 138C (Evidential provisions);
 - (3) section 137T (General supplementary powers);
 - (4) section 139A (Power of the FCA to give guidance);
 - (5) section 395(5) (The FCA’s and PRA’s procedures);
 - (6) section 404(3) (Consumer redress schemes);
 - (7) section 404A (Rules under s404: supplementary); and
 - (8) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (the Financial Conduct Authority).
- B. The rule-making powers listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 28 February 2023.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes in this instrument listed in column (2) below.

(1)	(2)
Glossary of definitions	Annex A
Fees manual (FEES)	Annex B
Consumer Redress Schemes sourcebook (CONRED)	Annex C

Notes

- E. In this instrument, the “notes” (indicated by “**Note:**” or “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the British Steel Pension Scheme Consumer Redress Scheme Instrument 2022.

By order of the Board
24 November 2022

Annex A**Amendments to the Glossary of definitions**

In this Annex, underlining indicates new text.

Amend the following definition as shown.

proposed arrangement (for the purposes of *COBS 19* and *CONRED 4*), refers to the arrangement with *flexible benefits* to which the *retail client* would move and takes into account the subsequent intended pattern of decumulation;

...

Annex B

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3 Application, Notification and Vetting Fees

...

3.2 Obligation to pay fees

...

3.2.7 R Table of application, notification and vetting and other fees payable to the FCA

Part 1A: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable (£) by reference to the pricing category in <i>FEES</i> 3 Annex 1AR.	Due date
...		
(zn) [deleted]	...	
(zo) In the case of <i>persons</i> in respect of which the <i>FCA</i> has given notice of its intention to take, or appoint a competent person to take, any steps under <i>CONRED</i> 2.5.12R or 4.5.1R, either: (i) a Firm (as defined in <i>CONRED</i> 2.1.1R(1)) or 4.1.3R; or (ii) a <i>person</i> falling within <i>CONRED</i> 2.1.2R(1) or 4.1.5R.	An amount equal to: (1) a sum determined by the number of hours, or part of an hour, taken by the <i>FCA</i> in relation to work conducted in taking steps under <i>CONRED</i> 2.5.12R or 4.5.1R recorded on the <i>FCA</i> 's systems, multiplied by the rate in <i>FEES</i> 3 Annex 9 (11)R; or (2) any amount invoiced to the <i>FCA</i> by a competent person in relation to any work carried out by that competent person in connection with its appointment by the <i>FCA</i> under <i>CONRED</i> 2.5.12R or 4.5.1R.	Within 30 <i>days</i> of the date of the invoice.

...		
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Annex C

Consumer Redress Schemes sourcebook (CONRED)

In this Annex, all of the text is new and is not underlined.

Insert the following new chapter, CONRED 4 (British Steel Consumer Redress Scheme), after CONRED 3 (British Steel Pension Scheme Financial Resilience Requirements).

4 British Steel Consumer Redress Scheme

4.1 Application and subject matter of the scheme

Definitions used in this chapter

- 4.1.1 R (1) ‘BSPS’ means the Old British Steel Pension Scheme, which entered a PPF assessment period on 29 March 2018;
- (2) ‘BSPS2’ means the British Steel Pension Scheme in its new format, following the agreement of the Regulated Apportionment Arrangement with Tata Steel UK Limited and the Time to Choose exercise in 2017 under which the BSPS was separated from its sponsor;
- (3) ‘BSPS calculator’ is the calculator used to complete Step 3 of the pension transfer redress calculation in *DISP* App 4.3.19R;
- (4) ‘BSPS DBAAT’ means the British Steel Pension Scheme Defined Benefit Advice Assessment Tool in the form of an Excel spreadsheet at *CONRED* 4 Annex 20R;
- (5) ‘BSPS pension transfer’ means a *pension transfer* of the *consumer’s* BSPS pension arrangement;
- (6) ‘calculation date’ has the same meaning as in *DISP* App 4.1.1R(6);
- (7) ‘causation question’ is whether the *firm’s* failure to comply with the suitability requirements is the effective cause of the *consumer’s* loss;
- (8) ‘comparator scheme’ means, other than as provided by *CONRED* 4 Annex 21 13.1R(4):
- (a) if the advice was given in the period on or before 16 May 2017, BSPS;
 - (b) if the advice was given in the period from 17 May 2017 to 11 October 2017, either or both of BSPS and PPF; and
 - (c) if the advice was given in the period on or after 12 October 2017, BSPS2 and PPF;

- (9) ‘DC pension arrangement’ means any pension arrangement holding the value of the *consumer’s* pension benefits which originated from the BSPS, including where the arrangement has been subsequently switched to a new arrangement;
- (10) ‘DOL’ means the date that the *consumer* left active service in the BSPS;
- (11) ‘FCA DBAAT’ means the FCA Defined Benefit Advice Assessment Tool.
[*Editor’s note:* the FCA DBAAT is available at <https://www.fca.org.uk/firms/defined-benefit-pension-transfers>]
- (12) ‘material information gap’ means where there is a failure to collect the necessary information so that the *firm* cannot complete an Information Area in the Information Section of the BSPS DBAAT and, as a result, it is not possible to assess the suitability of the advice;
- (13) ‘pension benefits’ are the benefits available to a *consumer* in the named *defined benefit occupational pension scheme(s)* and may include income and lump sum benefits, payable to either a *consumer*, their spouse or dependents, which could commence at specified times;
- (14) ‘PPF’ means the Pension Protection Fund;
- (15) ‘redress offer’ has the same meaning as in *DISP* App 4.1.1R(18);
- (16) ‘relevant period’ means the period commencing on 26 May 2016 and ending on 29 March 2018;
- (17) ‘scheme case’ is a case falling within the subject matter of the scheme that satisfies each of the conditions in *CONRED* 4.2.2R, as modified by *CONRED* 4.2.3R;
- (18) ‘scheme effective date’ means 28 February 2023 and is the date that the *consumer redress scheme* created by this chapter comes into force;
- (19) ‘secondary compensation sum’ has the same meaning as in *DISP* App 4.1.1R(20);
- (20) ‘suitability requirements’ means the requirements specified in paragraph 7.1R of *CONRED* 4 Annex 21R and are:
- (a) the requirements in *COBS* 9.2.1R(1); and

- (b) the common law duty in contract or tort to exercise reasonable skill and care in advising the *consumer* on *pension transfers*,

and that were in force during the relevant period and applicable to a scheme case;

- (21) ‘two-adviser model’ means an arrangement where one *firm* provides the advice on *pension transfers* and a different *firm* provides the advice on the *proposed arrangement*.

- 4.1.2 G Certain words and phrases specific to *CONRED* have the meaning set out in the *Glossary*. All words in italics are defined in the *Glossary*.

Application to firms which gave advice about a pension transfer

- 4.1.3 R This chapter applies to a *firm* which gave advice to a *consumer* in relation to a BPS pension transfer, after which a *consumer* made such a *pension transfer*, and to which advice the suitability requirements applied.

- 4.1.4 G This chapter applies:

- (1) regardless of whether a *firm* advised a *consumer* to transfer their BPS pension benefits to a *pension scheme* with *flexible benefits* or advised a *consumer* against such a course of action; and
- (2) to a *firm* even if a *consumer* to whom the advice was given instructed another *firm* to arrange the BPS pension transfer.

Application to persons who have assumed a firm’s liabilities

- 4.1.5 R (1) This chapter also applies to a *person* that has assumed a liability (including a contingent one) in respect of a failure by a *firm* to whom this chapter applies.
- (2) A *person* in (1) must either:
- (a) perform the obligations the *firm* is required to perform under this chapter; or
- (b) ensure that those obligations are performed by the *firm*,
and must notify the *FCA*, by email to BSPSnotifications@fca.org.uk within 1 week of the scheme effective date, as to whether that *person* or the *firm*, or both, will be performing those obligations.
- (3) References in this chapter to a *firm* are to be interpreted as referring to a *person* in (1) where the context so requires.

Wider application of certain provisions

- 4.1.6 R (1) *CONRED* 4.3.10R and *CONRED* 4.4.22R also apply to a *firm* which has carried out any of the following *regulated activities* for a *consumer* in relation to a *BSPS pension transfer*:
- (a) *advising on investments*;
 - (b) *arranging (bringing about) deals in investments*;
 - (c) *making arrangements with a view to transactions in investments*; or
 - (d) *managing investments*.

Duration of the scheme

- 4.1.7 R The *consumer redress scheme* created by this chapter comes into force on the scheme effective date and has no end date.

Subject matter of the scheme

- 4.1.8 R The subject matter of the scheme is whether a *firm* complied with the suitability requirements in scheme cases.

- 4.1.9 G Subject to *CONRED* 4.7.2R(4) and *CONRED* 4.7.3R(4), a scheme case may cease to be within the subject matter of the scheme where any of *CONRED* 4.2.7R(1), *CONRED* 4.2.8R, *CONRED* 4.3.8R or *CONRED* 4.4.20R apply.

Impact of complaints to the Financial Ombudsman Service on scheme deadlines

- 4.1.10 R Where a *consumer* makes a *complaint* to the *Financial Ombudsman Service* following a *redress determination* by a *firm* under this chapter, the remaining time period for completing any subsequent scheme steps in, as applicable, *CONRED* 4.2.1R, *CONRED* 4.3.1R and *CONRED* 4.4.1R is suspended between:
- (1) the date the letter from the *firm* communicating the *redress determination* is sent to the *consumer*; and
 - (2) the date:
 - (a) the *complaint* is resolved by agreement between the *firm* and the *consumer* pursuant to *DISP* 3.5.1R; or
 - (b) the *firm* receives notification from the *Financial Ombudsman Service* of the outcome of the *complaint* in accordance with *DISP* 3.6.6R(5).

Summary of the scheme

- 4.1.11 G *CONRED* 4 Annex 18G contains a flow diagram of the *consumer redress scheme* created by this chapter.

4.2 Consumer redress scheme: identifying scheme cases

Deadline to complete the steps in this section

- 4.2.1 R No more than 1 *month* after the scheme effective date, a *firm* must take the first and second steps set out in this section. The deadline for the third step is set out at *CONRED* 4.2.8R.

First step: identify scheme cases

- 4.2.2 R The first step is for a *firm* to identify all scheme cases. A scheme case is a case that satisfies each of the following conditions:
- (1) a *firm* gave a *consumer* advice in relation to a BPS pension transfer during the relevant period;
 - (2) the advice in (1) was to transfer their BPS pension benefits;
 - (3) the suitability requirements applied to the advice in (1);
 - (4) the *consumer* subsequently transferred their BPS pension benefits;
 - (5) the *consumer* had not, prior to the scheme effective date, accepted an offer of redress from the *firm* or other *person* in full and final settlement of all potential claims arising out of the advice in (1);
 - (6) the *consumer* had not, prior to the scheme effective date, asked the *Financial Ombudsman Service* to deal with a *complaint* against the *firm* arising out of the advice in (1);
 - (7) the advice in (1) was not reviewed in a past business review carried out by a *skilled person* where the *firm* had assessed the *firm's* advice using the FCA DBAAT and notified the *consumer* of the following:
 - (a) the outcome of that review (whether in the *firm's* view the advice met the suitability requirements); and
 - (b) that the *consumer* is entitled to complain to the *Financial Ombudsman Service* if they disagree with the *firm's* assessment;
 - (8) the law applicable to the obligations of the *firm* arising in connection with the advice in (1) is that of a *UK* territory (that is, England and Wales, Scotland or Northern Ireland) (see *CONRED* 4.2.5R); and
 - (9) if the applicable law in (8) is that of England and Wales or Northern Ireland:
 - (a) the *consumer's* BPS pension transfer was on or after 24 November 2016; or

- (b) the *consumer* did not know, and could not have reasonably been expected to know, before 24 November 2019 that they had cause for a claim; or
- (10) if the applicable law in (8) is that of Scotland:
 - (a) the *consumer's* BPS pension transfer was on or after 24 November 2017; or
 - (b) the *consumer* did not know, and could not have reasonably been expected to know, before 24 November 2017 that they had cause for a claim.

4.2.3 R The condition in *CONRED* 4.2.2R(6) does not apply if a *firm* is declared in *default*.

Guidance on excluded scheme cases

4.2.4 G *CONRED* 4.2.2R(1) does not include a case where the *firm* advised the *client* not to transfer their BPS pension benefits, or to remain in the BPS, and where the *firm* or a different *firm* subsequently arranged the *pension transfer*.

Applicable law

- 4.2.5 R For the purposes of *CONRED* 4.2.2R(8), the applicable law is:
- (1) that of the *UK* territory where, in connection with the advice:
 - (a) the *consumer* has agreed to the *firm's terms of business*; and
 - (b) these include a clause providing for the application of the law of a particular *UK* territory (that is, England and Wales, Scotland or Northern Ireland); or
 - (2) (if (1) does not apply) that of the *UK* territory where the *firm* and the *consumer* both habitually reside and where the advice is given; or
 - (3) (if neither (1) nor (2) apply) that of the *UK* territory in which the *consumer* is habitually resident, provided the conditions in *CONRED* 4.2.6R(1) to (2) are satisfied; or
 - (4) (if neither (1), (2) nor (3) apply) that of the *UK* territory in which the *firm* gave the advice.
- 4.2.6 R The conditions referred to in *CONRED* 4.2.5R(3) are that:
- (1) in the *UK* territory in which the *consumer* has their habitual residence, either:
 - (a) the contract under which the advice was provided was preceded by a specific invitation addressed to the *consumer*,

or by advertising, and the *consumer* took all the steps necessary to engage the *firm*; or

- (b) the *firm* or its agent received the *consumer's* order; or
- (2) the advice was provided at least in part in that *UK* territory.

Second step: send letters to consumers

- 4.2.7 R The second step is for a *firm*:
- (1) in relation to cases which do not meet any one of the conditions in *CONRED* 4.2.2R(1) to (10) (subject to *CONRED* 4.2.3R) (non-scheme cases), to send to the *consumer* a *redress determination* in the form set out in *CONRED* 4 Annex 1R;
 - (2) in relation to all scheme cases, to send to the *consumer* a letter in the form set out in *CONRED* 4 Annex 2R.

Third step: acknowledge opt-outs

- 4.2.8 R Where a *consumer* has responded to a letter sent by a *firm* in accordance with *CONRED* 4.2.7R(2) stating that they do not wish to have their case considered under this *consumer redress scheme*, the *firm* must, within 5 *business days* of receiving the response, send the *consumer* a *redress determination* in the form set out in *CONRED* 4 Annex 3R.
- 4.2.9 R The effect of a *consumer* stating that they do not wish to have their case considered under this scheme and opting out of it is that the scheme case no longer falls within the subject matter of the *consumer redress scheme* created by this chapter.
- 4.2.10 G After any opt-out, a *firm* should handle any *complaint* from a *consumer* in relation to advice about a BPS pension transfer other than in respect of a *redress determination* in accordance with the complaint handling rules in *DISP*.

4.3 Consumer redress scheme: case review

Deadline to complete the steps in this section

- 4.3.1 R No later than 7 *months* from the scheme effective date, a *firm* must take the steps set out in this section.

First step: case review

- 4.3.2 R (1) The first step is for a *firm* to carry out a review of each scheme case ('a case review').
- (2) A case review must be carried out by:

- (a) completing the BSPS DBAAT at *CONRED* 4 Annex 20R, in accordance with the instructions set out in *CONRED* 4 Annex 21R; or
 - (b) using a FCA DBAAT that was completed by the *firm* prior to the scheme effective date.
- (3) Where a BSPS DBAAT is used:
- (a) it must be accompanied by an attestation in the form specified in the BSPS DBAAT; and
 - (b) the attestation in (a) must be made by an *individual* approved to perform the SMF16 (Compliance oversight) *FCA controlled function* for the *firm* or by an *individual* approved to perform another appropriate *senior management function* within the *firm*.
- (4) If a FCA DBAAT is used to carry out a case review:
- (a) it must be accompanied by an attestation in the form specified in *CONRED* 4 Annex 19R; and
 - (b) the attestation in (a) must be made by an *individual* approved to perform the SMF16 (Compliance oversight) *FCA controlled function* for the *firm* or by an *individual* approved to perform another appropriate *senior management function* within the *firm* in accordance with the instructions set out at *CONRED* 4 Annex 21R 12.2 and 12.3.
- 4.3.3 E Non-compliance with any of the evidential provisions set out in the instructions at *CONRED* 4 Annex 21R may be relied upon as tending to establish contravention of *CONRED* 4.3.2R.
- 4.3.4 G In complying with *CONRED* 4.3.2R, a *firm* should have regard to the guidance set out in the instructions at *CONRED* 4 Annex 21R.

Second step: cases of insufficient information

- 4.3.5 R (1) The second step applies only in respect of a scheme case where a *firm* has attempted to comply with the first step (case review) but does not have sufficient information to determine:
- (a) whether it has failed to comply with any of the suitability requirements;
 - (b) the causation question; or
 - (c) both (a) and (b).
- (2) To complete the second step, a *firm* must take the following actions:

- (a) within 5 *business days* of determining that a scheme case falls within (1), send a letter in the form set out in *CONRED 4 Annex 4R* to the *consumer* including, where necessary, a request that the *consumer* completes a letter of authority to authorise the *firm* to obtain further information on their behalf;
- (b) within 5 *business days* of receiving any completed letter of authority from the *consumer* or at the same time as sending the letter in (a) if the *firm* already has such authority, send a letter requesting the information in *CONRED 4 Annex 4R* to one of the following and allow at least 2 weeks to respond:
 - (i) in a scheme case involving a two-adviser model, the *firm* which provided the advice on the *proposed arrangement*; or
 - (ii) in all other cases, any other *firm* that was involved in the BPS pension transfer;
- (c) if no reply is received by the *firm* within 2 weeks of a letter in (a) being sent:
 - (i) within 5 *business days* of the 2 weeks expiring, send a further letter to the *consumer* in the form set out in *CONRED 4 Annex 5R* and allow the *consumer* at least 2 weeks to respond; and
 - (ii) within 5 *business days* of receiving the completed letter of authority from the *consumer*, where relevant, send a letter to the *firms* in (b)(i) or (ii) requesting the necessary information and allow the *firms* at least 2 weeks to respond;
- (d) if no reply is received by a *firm* within 2 weeks of a letter in (b) or (c)(ii) being sent, within 5 *business days* of the 2 weeks expiring, send a further letter to the applicable *firms* requesting the necessary information and allow the *firms* at least 2 weeks to respond;
- (e) if no reply is received by a *firm* to the letters in (c)(i) or (d), take all reasonable steps to contact the *consumer* or, where applicable, any other *firm* by other means; and
- (f) if a reply is received from the *consumer* or a *firm* to whom a letter was sent in accordance with this *rule* but that reply contains insufficient information to determine the matters in (1), the *firm* must take all reasonable steps to obtain further information from the *consumer* or, where applicable, any other *firm* in (b).

- 4.3.6 R A *firm* which, having carried out the second step, has acquired sufficient information to determine the matters in *CONRED* 4.3.5R(1) must proceed to complete the first step (case review) in accordance with *CONRED* 4.3.2R.
- 4.3.7 R A *firm* may determine a scheme case no longer falls within the subject matter of the *consumer redress scheme* created by this chapter if the *firm*:
- (1) has carried out the second step in relation to a scheme case; and
 - (2) still does not have sufficient information to complete the first step.
- 4.3.8 R Where *CONRED* 4.3.7R applies, a *firm* must:
- (1) rate the case ‘non-compliant – material information gap’ in the BPS DBAAT or ‘not-compliant-unclear’ in the FCA DBAAT (as appropriate);
 - (2) complete the attestation in *CONRED* 4.3.2R(3) or (4) (as appropriate); and
 - (3) promptly send the *consumer* a *redress determination* in the form set out in *CONRED* 4 Annex 6R.
- 4.3.9 G Where a *firm* has sent a *consumer* a *redress determination* pursuant to *CONRED* 4.3.8R(3), the *firm* should handle any subsequent *complaint* from a *consumer* in relation to advice about a BPS pension transfer other than in respect of a *redress determination* in accordance with the complaint handling rules in *DISP*.

Obligation on firms connected with transfer advice

- 4.3.10 R A *firm* receiving a request for information pursuant to *CONRED* 4.3.5R(2)(b), *CONRED* 4.3.5R (2)(c)(ii) or *CONRED* 4.3.5R(2)(d) must take all reasonable steps to locate and provide the information requested within any reasonable time periods requested and, in any case, no later than 4 weeks after receiving the request.

Obligation to notify FCA of any failures to elicit response

- 4.3.11 R A *firm* that has sent a further letter to another *firm* in accordance with *CONRED* 4.3.5R(2)(d) and has not received a response to that letter within 4 weeks must notify the *FCA* of this failure at BSPSnotifications@fca.org.uk promptly and, in any case, within 5 *business days* of the 4 weeks elapsing.

General guidance on second step

- 4.3.12 G Scheme cases to which the second step (in *CONRED* 4.3.5R (cases of insufficient information)) applies are likely to be exceptional, having regard to the record-keeping requirements applicable to *authorised persons* under *FCA rules* (notably *COBS* 9.5, which requires *firms* to retain records relating

to the suitability of *pension transfers* indefinitely and record keeping requirements in *SYSC*).

- 4.3.13 G (1) A *firm* should not refuse to consider a scheme case if there is sufficient information to conclude that it was likely that the advice did not comply with the suitability requirements (but there is insufficient information to conclude that the advice complied with the suitability requirements).
- (2) A *firm* that has sufficient information to assess whether it complied with the suitability requirements should not refuse to answer the causation question unless there are reasonable grounds for requiring further information from the *consumer* to identify what they would have done if the advice met the suitability requirements.

Third step: case review letters to consumers

- 4.3.14 R (1) Where a *firm* concludes that the advice provided to a *consumer* did not comply with the suitability requirements and has answered ‘yes’ to the causation question in the BPS DBAAT or FCA DBAAT, it must:
- (a) send the *consumer* a letter in the form set out in *CONRED 4 Annex 7R*; and
- (b) send the *consumer* a letter in the form set out in *CONRED 4 Annex 10R*, including:
- (i) a list of any of the information set out in paragraph 13.30R of *CONRED 4 Annex 21R* which is required to complete the redress calculation using the BPS calculator and which the *firm* does not already have;
- (ii) if the *consumer* has not already provided the *firm* with authority to enable the *firm* to collect information from third parties on the *consumer’s* behalf, a request that the *consumer* provide such authority;
- (iii) a request that the *consumer* respond to the *firm* to:
- (A) confirm whether they require the *firm* to calculate the redress sum that would be payable by full or partial augmentation;
- (B) where the *consumer* requires the *firm* to calculate the redress sum at (A), provide any information set out at (2) which the *firm* does not already have;
- (C) confirm whether they wish to claim as part of a secondary compensation sum any other

consequential losses as described in *CONRED* 4 Annex 10R; and

- (D) where the *consumer* does wish to claim an amount described in (C), provide the necessary information as set out in *CONRED* 4 Annex 10R;
- (c) where a *firm* already has authority from the *consumer*, at the same time as sending the letter in (b), as necessary, send one or more letters requesting the information in (b)(i) to:
- (i) in a scheme case involving a two-adviser model, the *firm* which provided the advice on the *proposed arrangement*;
 - (ii) any other *firm* that was involved in the BPS pension transfer or which may hold relevant information (including the provider of the *consumer's* DC pension arrangement and *defined benefit occupational pension scheme*); and
 - (iii) HMRC and DWP; and
- (d) where a *firm* does not have authority at the time of sending the letter at (b) but subsequently receives a letter of authority, send an information request to any of the applicable parties as required by (c)(i) to (iii) within 5 *business days* of receipt of the letter of authority.
- (2) The information to calculate the redress sum that would be payable by full or partial augmentation is:
- (a) the *consumer's* relevant earnings in the current tax year;
 - (b) the value of all pension contributions already made in the current tax year;
 - (c) whether the redress payment would result in the *consumer's* unused annual allowance in the current and previous 3 tax years being exceeded;
 - (d) the expected value of all pensions held by the *consumer* up to the age of 75;
 - (e) any lifetime allowance protections secured by the *consumer*;
 - (f) any applicable lifetime allowance protection enhancement factors;
 - (g) any benefit crystallisation events; and

- (h) whether the *consumer's* money purchase annual allowance has been triggered.
- (3) Where a *firm* concludes that the advice provided to a *consumer* did not comply with the suitability requirements, but has answered 'no' to the causation question in the BSPS DBAAT or FCA DBAAT, the *firm* must send the *consumer* a *redress determination* in the form set out in *CONRED 4 Annex 8R*.
- (4) Where a *firm* concludes that the advice provided to a *consumer* complied with the suitability requirements, it must:
 - (a) send the *consumer* a *redress determination* in the form set out in *CONRED 4 Annex 9R*; and
 - (b) take the steps in *CONRED 4.3.15R* to notify the *FCA*.

Suitable redress determinations: notification to the *FCA*

- 4.3.15 R (1) Where a *firm* concludes that its advice to a *consumer* was suitable, it must notify the *FCA* of the following information:
- (a) the outcome of the *firm's redress determination*; and
 - (b) the *consumer's* name, address, telephone number(s) and, where available, email address.
- (2) A *firm* must comply with the requirement in (1) to notify the *FCA* in the next progress report required under *CONRED 4.8.2R(2)*, which is due following the 'opt-out deadline' in (3).
- (3) The opt-out deadline is the date which falls 2 weeks after the date when the *redress determination* required by *CONRED 4.3.14R(4)(a)* is sent by the *firm* to the *consumer*.
- (4) The requirement in (1) does not apply if the *consumer* has informed the *firm* in writing that they do not wish for their details to be passed to the *FCA*.

4.4 Consumer redress scheme: calculating and paying redress

Deadlines to complete the steps in this section

- 4.4.1 R (1) A *firm* must make a *redress determination* pursuant to *CONRED 4.4.2R* or *CONRED 4.4.20R* where it has determined that the advice provided to the *consumer* did not comply with the suitability requirements and has answered 'yes' to the causation question. Subject to (2), the *firm* must:
- (a) not take the first step of calculating and sending the *redress determination* pursuant to *CONRED 4.4.2R* until after 1 April 2023; and

- (b) make such *redress determination* no later than 10 *months* from the scheme effective date.
- (2) The deadline to make the *redress determination* referred to in (1)(b) is extended to 12 *months* from the scheme effective date where a *consumer* has:
- (a) requested that the *firm* calculate the redress sum that would be payable by full or partial augmentation; or
- (b) claimed for an amount described at *CONRED* 4.3.14R(1)(b)(iii)(C).

First step: calculate redress and send redress determination

- 4.4.2 R 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.

- 4.4.3 R A *firm* must comply with *DISP* App 4 when carrying out the redress calculation, as modified by this section:

Table: application of <i>DISP</i> App 4 rules	
<i>DISP</i> App 4 provisions	Application / modification
Step 1 at <i>DISP</i> App 4.3.3R to <i>DISP</i> App 4.3.14G	Does not apply. A <i>firm</i> must instead follow the steps to obtain information in <i>CONRED</i> 4.
Step 2 at <i>DISP</i> App 4.3.15R to <i>DISP</i> App 4.3.18G	Apply with the following modification: any reference to <i>defined benefit occupational pension scheme</i> is to be replaced with a reference to the appropriate comparator scheme identified in <i>CONRED</i> Annex 21R 13.21R to <i>CONRED</i> Annex 21R 13.26R.

Step 3 at <i>DISP</i> App 4.3.19R to <i>DISP</i> App 4.3.26R.	Applies in full. A <i>firm</i> must use the BSPS calculator to complete Step 3.
Step 4 at <i>DISP</i> App 4.3.27R to <i>DISP</i> App 4.3.35G	Applies in part. A <i>firm</i> must use the BSPS calculator to complete <i>DISP</i> App 4.3.27R to 4.3.29R as described in <i>CONRED</i> Annex 21R to determine the redress components of a cash lump sum.
Step 5 at <i>DISP</i> App 4.3.36R to 4.3.40G	Applies in part. A <i>firm</i> completes Step 5 by sending out the <i>redress determination</i> at <i>CONRED</i> 4 Annex 13R in accordance with the instructions at <i>CONRED</i> 4.4.5R.

- 4.4.4 E Non-compliance with any of the evidential provisions set out in the instructions for the redress calculation at *CONRED* 4 Annex 21R may be relied upon as tending to establish contravention of *CONRED* 4.4.2R.
- 4.4.5 R A *redress determination* in the form of the letter set out in *CONRED* 4 Annex 13R must include the following:
- (1) a copy of a summary report from the BSPS calculator as well as an offer to provide a detailed calculation report from the BSPS calculator if requested by the *consumer*;
 - (2) the information at *DISP* App 4.3.38R to *DISP* 4.3.39R; and
 - (3) where the firm has reached an arrangement with the *consumer* as described at *CONRED* 4.4.9R(1)(b), a comprehensive summary of the instalments agreed.
- 4.4.6 R When a *firm* communicates a redress offer to a *consumer*, it should:
- (1) take reasonable steps to communicate in a way that is fair, clear and not misleading;
 - (2) take into account the information needs of the *consumer*, including their understanding of financial services; and
 - (3) where possible, use plain language and avoid the use of jargon, unfamiliar or technical language.
- 4.4.7 R Where a *consumer* requests a copy of the detailed calculation report from the BSPS calculator, a *firm* must send a letter enclosing such report in the form of the letter set out in *CONRED* 4 Annex 14R within 5 *business days* of receiving such request.

- 4.4.8 R Where a *firm* determines that redress is payable to a *consumer* and the *firm* has not received a claim from the *consumer* within 4 weeks of a *redress determination* being sent pursuant to *CONRED* 4.4.2R, the *firm* must:
- (1) within 5 *business days*, send a further letter to the *consumer* in the form set out in *CONRED* 4 Annex 16R; and
 - (2) if there is no response to the *redress determination* in *CONRED* 4.4.2R within 3 months, send a letter to the *consumer* in the form set out in *CONRED* 4 Annex 17R within 5 *business days* of the 3 months expiring.
- 4.4.9 R Unless *CONRED* 4.4.10R applies, a *firm* must pay the redress determined payable to a *consumer*:
- (1) either:
 - (a) within 28 *days* of receiving a claim from the *consumer* for the redress determined to be payable; or
 - (b) as agreed with the *consumer* pursuant to any arrangement providing for the payment of redress in instalments over one or more tax years pursuant to *DISP* App 4.4.31G(4)(c);
 - (2) in accordance with the instructions set out by the *consumer* in their response to the *redress determination* in which they make their claim;
 - (3) including an additional compensation sum which:
 - (a) is payable to provide redress for the period between the valuation date referred to in *CONRED* 4 Annex 21 13.1R(16) and the payment date; and
 - (b) must be calculated using the BSPS calculator in accordance with *DISP* App 4.3.29(3); and
 - (4) accompanied by a confirmation in the form of the letter set out in *CONRED* 4 Annex 15R including, where appropriate, a comprehensive summary of any arrangement with the *consumer* as described at *CONRED* 4.4.9R(1)(b).
- 4.4.10 R A *firm* does not need to pay redress or otherwise comply with the requirements in *CONRED* 4.4.9R where the *consumer* did not send a claim for it within 3 *months* of the date of the *redress determination* in *CONRED* 4.4.2R, unless the *firm* is required to extend the validity of the redress calculation in accordance with *DISP* App 4.3.25R.
- 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 the 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.
- 4.4.12 R After the expiry of the 28-day period in *CONRED* 4.4.9R(1)(a) or in the case of an arrangement referred to at *CONRED* 4.4.9R(1)(b) after the expiry of the payment period for each instalment, the redress may be recovered as a debt due to the *consumer* and, in particular, may:
- (1) if a county court so orders in England and Wales, be recovered by execution issued from the county court (or otherwise) as if it were payable under an order of that court; or
 - (2) be enforced in Northern Ireland as a money judgment under the Judgments Enforcement (Northern Ireland) Order 1981; or
 - (3) be enforced in Scotland as if it were an extract registered decree arbitral bearing a warrant for execution issued by the sheriff court of any sheriffdom in Scotland.

[**Note:** This *rule* is imposed by the *FCA* using the powers granted to it under section 404A(1)(m) of the *Act* to make *rules* providing for the enforcement of any redress under a *consumer redress scheme*.]

Second step: cases of insufficient information

- 4.4.13 R The second step applies in respect of a scheme case where:
- (1) a *firm* has not received a response:
 - (a) from a *consumer* ('C') to a letter sent in accordance with *CONRED* 4.3.14R(1)(b) within 2 weeks of the letter being sent; or

- (b) from another *party* to a letter sent in accordance with *CONRED* 4.3.14R(1)(c) or (d) within 2 weeks of the letter being sent; or
 - (2) a *consumer* requests that the *firm* calculate the redress sum that would be payable by full or partial augmentation.
- 4.4.14 R To complete the second step, a *firm* must take the following actions:
- (1) Where *CONRED* 4.4.13R(1) applies within 5 *business days* of:
 - (a) the 2 weeks in *CONRED* 4.4.13R(1)(a) expiring, send a further letter in the form set out in *CONRED* 4 Annex 11R to the *consumer* and allow the *consumer* at least 2 weeks to respond; and
 - (b) the 2 weeks in *CONRED* 4.4.13R(1)(b) expiring, send a further letter to the parties in *CONRED* 4.3.14R(1)(c) requesting the applicable information and allow the parties at least 2 weeks to respond.
 - (2) Where *CONRED* 4.4.13R(2) applies, within 5 *business days* of receiving a request from a *consumer* to calculate the redress sum that would be payable by full or partial augmentation:
 - (a) send a letter to the applicable parties in *CONRED* 4.3.14R(1)(c) requesting the information at *CONRED* 4.3.14R(2) and allow at least 2 weeks to respond; and
 - (b) if no reply is received to the letter at (a), send a further letter to the applicable parties within 5 *business days* of the expiry of the applicable deadline at (a) with a further reminder to provide the applicable information and allow at least 2 weeks to respond.
 - (3) If a reply is received from the *consumer* or the parties specified in *CONRED* 4.3.14R(1)(c) in respect of any information request in connection with the calculation of redress but the information it contains is insufficient to calculate redress in accordance with *CONRED* 4.4.2R, the *firm* should take all reasonable steps to obtain further information from the *consumer* or, where applicable, any other parties in *CONRED* 4.3.14R(1)(c).
- 4.4.15 R A *firm* which, having carried out the second step, has sufficient information to complete the redress calculation using the BSPS calculator and, where requested by the *consumer*, the redress sum that would be payable by full or partial augmentation, must then complete the first step in accordance with *CONRED* 4.4.2R.
- 4.4.16 G Paragraph 13.30R of *CONRED* 4 Annex 21R specifies the information required to complete the redress calculation using the BSPS calculator.

- 4.4.17 R Where a *consumer* has requested a *firm* calculate the redress sum that would be payable by full or partial augmentation or an amount described at CONRED 4.3.14R(1)(b)(iii)(C), but the *firm* does not have sufficient information to make such calculations having taken the applicable steps at CONRED 4.4.13R, the *firm* must proceed to calculate only the redress calculation using the BSPS calculator in accordance with CONRED 4.4.2R (excluding any amount claimed as described at CONRED 4.3.14R(1)(b)(iii)(C)).
- 4.4.18 R A *firm* may determine a scheme case no longer falls within the subject matter of the *consumer redress scheme* created by this chapter if the *firm*:
- (1) has taken all reasonable steps to obtain further information from the *consumer* and the parties specified in CONRED 4.3.14R(1)(c); and
 - (2) does not have sufficient information to calculate redress using the BSPS calculator.
- 4.4.19 R A *firm* must not make a determination pursuant to CONRED 4.4.18R only because, following a request from a *consumer*, it does not have sufficient information to calculate either or both the redress sum that would be payable by full or partial augmentation or any amount described at CONRED 4.3.14R(1)(b)(iii)(C).
- 4.4.20 R A *firm* must promptly send a *consumer* a *redress determination* in the form set out in CONRED 4 Annex 12R if it determines, in accordance with CONRED 4.4.18R, that the scheme case no longer falls within the subject matter of the *consumer redress scheme* created by this chapter.
- 4.4.21 G Where a *firm* has sent a *consumer* a *redress determination* pursuant to CONRED 4.4.20R, the *firm* should handle any subsequent *complaint* from the *consumer* in relation to advice about a BPS pension transfer other than in respect of a *redress determination* in accordance with the complaint handling rules in DISP and, where possible, calculate redress using the BPS calculator.

Obligation on firms connected with transfer advice

- 4.4.22 R A *firm* receiving a request for information pursuant to CONRED 4.3.14R or CONRED 4.4.14R must take all reasonable steps to locate and provide the information requested within any reasonable time periods requested and, in any case, no later than 4 weeks after receiving the request.

Obligation to notify FCA of any failures to elicit response

- 4.4.23 R A *firm* that has sent a reminder to an initial information request to another *firm* in accordance with CONRED 4.4.14R and has not received a response to that letter within 4 weeks of it being sent, must notify the FCA of this failure at BSPSnotifications@fca.org.uk within 5 *business days* of the 4 weeks elapsing.

4.5 Taking steps by or on behalf of FCA

- 4.5.1 G (1) If the conditions in (2) are satisfied, the *FCA* may:
- (a) instead of the *firm*, take any of the steps at *CONRED* 4.2 to *CONRED* 4.4; or
 - (b) appoint one or more competent persons to take any of the steps at *CONRED* 4.2 to *CONRED* 4.4.
- (2) The conditions are:
- (a) there has been a material failure by the *firm* to take any of the actions required under this chapter; or
 - (b) the *firm* has informed the *FCA* that it is unable or unwilling to take any of the actions required under this chapter because:
 - (i) to do so would be in breach of a condition of the *firm*'s professional indemnity insurance policy; and
 - (ii) the *firm*'s insurer has not elected to take such actions on its behalf.
- (3) The *FCA* must give a *firm* prior notice before taking any of the steps under this *rule*.
- 4.5.2 R If the *FCA* gives notice in the circumstances described in *CONRED* 4.5.1R, the *firm* must:
- (1) not carry out (or, as the case may be, continue to carry out) any of the steps to be taken by the *FCA* or the competent person, unless so directed in writing by the *FCA* or competent person (as applicable); and
 - (2) render all reasonable assistance to the *FCA* or competent person (but any assistance, the rendering of which would invalidate the *firm*'s professional indemnity insurance policy, is not reasonable for the purposes of this *rule*).
- 4.5.3 G A *firm* is expected to make reasonable efforts to obtain the consent of its professional indemnity insurer to take the relevant steps in relation to this redress scheme, in line with its obligations under *Principle* 11 (Relations with regulators).
- 4.5.4 G Where permitted under the *firm*'s professional indemnity insurance policy, a *firm*'s insurer can take any of the steps at *CONRED* 4.2 to *CONRED* 4.4 acting on the *firm*'s behalf.

- 4.5.5 R (1) If, where the *FCA* or a competent person takes any steps in accordance with *CONRED* 4.5.1R, the *FCA* proposes to make a determination of:
- (a) whether a failure by a *firm* has caused loss to a *consumer*; and
 - (b) what the provisional redress sum should be in respect of any failure,
- the *FCA* must give the *firm* a *warning notice* that specifies the proposed determination.
- (2) The provisional redress sum in (1) must be the amount that would be owed to a *consumer* if a *redress determination* were made pursuant to *CONRED* 4.4.2R on the same date as the *warning notice*.
- 4.5.6 G (1) If the *FCA* decides to make a determination of the matters in *CONRED* 4.5.5R, the *FCA* must give a *firm* a *decision notice* specifying the determination.
- (2) If the *FCA* decides to make such a determination, a *firm* may refer the matter to the *Tribunal*.
- 4.5.7 G Part XXVI of the *Act* (including the provisions as to *final notices*) applies in respect of notices given under *CONRED* 4.5.5R and *CONRED* 4.5.6R.
- 4.5.8 G Where, instead of a *firm*, the *FCA* or, where applicable, a competent person:
- (1) communicates with a *consumer*:
 - (a) they will do so in their own name, making clear in the case of a competent person its authority from the *FCA* to do so; and
 - (b) they may make such amendments to the letters in the forms set out in the Annexes in *CONRED* 4 as are appropriate to reflect that they are being sent in the name of the *FCA* or competent person; or
 - (2) makes the *redress determination* in the letter at *CONRED* 4 Annex 13R, the *FCA* or competent person will:
 - (a) update the provisional redress sum no later than 14 *days* after the issue of a final notice in respect of the *FCA*'s decision to make a determination of the matters in *CONRED* 4.5.5(1)R to reflect the amount that is owed at the time such *redress determination* is made; and
 - (b) send the *firm* a copy of the *consumer*'s response to the *redress determination*.

4.5.9 G A fee is payable by the *firm* (or *person* falling within *CONRED* 4.1.5(1)R in any case where the *FCA* exercises its powers under *CONRED* 4.5.1R: see the table at *FEES* 3.2.7R.

4.5.10 G The completion of steps in *CONRED* 4.2 to *CONRED* 4.4 by, or on behalf of, the *FCA* does not affect the ability of the *Financial Ombudsman Service* to consider a *complaint*, in particular where the *firm* has not sent a *redress determination* in accordance with the time limits specified under the *consumer redress scheme* created by this chapter.

4.6 Supervision and delegation of scheme process by firms

4.6.1 R A *firm* must ensure that the steps required by this chapter are undertaken or supervised by:

- (1) where *DISP* 1.3.7R applies, the *individual* appointed by the *firm*; or
- (2) a *person* of appropriate seniority in all other cases

4.6.2 G (1) A *firm* intending to outsource any of the obligations imposed on it under this chapter should have due regard to the *rules* and *guidance* on outsourcing which are applicable to it, notably in *SYSC*.

- (2) A *firm* which outsources any of the obligations imposed on it under this chapter in respect of communications with *consumers* should ensure that those communications are clear as to the identity of the *firm*.

4.7 Provisions relating to communications with consumers

4.7.1 R Whenever a *firm* is required by a provision of this chapter to send a letter in a form set out in a specified Annex in *CONRED* 4, it must:

- (1) do so enclosing any relevant documents or pre-paid envelopes which the *firm* is instructed to enclose in the Annex with that letter;
- (2) where the letter is a redress determination, enclose the *Financial Ombudsman Service* leaflet and bespoke referral form in respect of such determination;
- (3) complete the letter by following the instructions in the standard form set out in the specified Annex; and
- (4) comply with any instructions in the specified Annex to insert, delete, select or complete text.

4.7.2 R All letters to *consumers* required under this chapter must be printed on the letterhead of the *firm* and dispatched by recorded delivery mail.

- (1) Where a *firm* becomes aware that the contact details it holds for a *consumer* are out of date, it must take all reasonable steps to obtain

up-to-date contact details and, where appropriate, resend any letter and repeat the steps to contact the *consumer*, required by this chapter.

- (2) If, having complied with (1), a *firm* is unable to contact a *consumer*, it need not take any further action pursuant to this chapter in relation to that *consumer* unless (3) applies.
- (3) If, in reliance on (2), the *firm* has ceased taking action but subsequently becomes aware of up-to-date contact details for that *consumer* within 12 months of the scheme effective date, the *firm* must, where appropriate, resend any letter and repeat the steps to contact the *consumer* required by this chapter.
- (4) Where a *firm* is required in (1) and (3) to resend any letter and repeat the steps to contact the *consumer*, required by this chapter:
 - (a) it must do so even where it has made a *redress determination* pursuant to *CONRED* 4.3.8R or *CONRED* 4.4.20R; and
 - (b) such *redress determination* is void.
- (5) Where a *firm* is resending a letter and repeating steps pursuant to (3), each applicable deadline for those actions by the *firm* is extended according to the length of the delay incurred by the application of (2).

Provisions relating to communications with other firms

- 4.7.3 R (1) Where a *firm* becomes aware that the contact details it holds for a *firm* that it has tried to contact pursuant to *CONRED* 4.3.5R, *CONRED* 4.3.14R(c) and (d), or *CONRED* 4.4.14R ('other *firm*') are out of date, it must take all reasonable steps to obtain up-to-date contact details and, where appropriate, resend any letter and repeat the steps to contact the other *firm* as required by this chapter.
- (2) If, having complied with (1), a *firm* is unable to contact the other *firm*, it need not take any further action pursuant to this chapter in relation to that *firm* unless (3) applies.
 - (3) If, in reliance on (2), the *firm* has ceased taking action but subsequently becomes aware of up-to-date contact details for that *firm* within 12 months of the scheme effective date, the *firm* must, where appropriate, resend any letter and repeat the steps to contact the *firm* required by this chapter.
 - (4) Where a *firm*:
 - (a) has already made a *redress determination* pursuant to *CONRED* 4.3.8R or *CONRED* 4.4.20R; and
 - (b) obtains further information from the other *firm* within 12 months of the scheme effective date which means that the *firm* has sufficient information to determine, as applicable, the

matters in *CONRED* 4.3.5R(1) or to calculate redress using the BSPS calculator,

such *redress determination* is void and the *firm* must take the remaining actions in relation to the relevant *consumer's* case as if the *redress determination* had not been made.

- (5) Where a *firm* is resending a letter and repeating steps pursuant to (1) or (3), or where (4) applies, each applicable deadline for those actions by the *firm* is extended according to the length of the delay incurred by the application of (2).

Guidance on taking reasonable steps to ascertain missing information

4.7.4 G For the purposes of *CONRED* 4.3.5R, *CONRED* 4.3.10R, *CONRED* 4.4.14R, *CONRED* 4.4.22R, *CONRED* 4.7.2 and *CONRED* 4.7.3, 'reasonable steps' might include, as appropriate:

- (1) checking public sources of information, but without incurring disproportionate cost;
- (2) attempting to contact the *consumer* by telephone (at a reasonable hour when the *consumer* is likely to be available to receive the call) and by email; and
- (3) attempting to contact any other party by telephone (during business hours) and by email.

4.7.5 R When taking reasonable steps to ascertain missing information and when they contact a *consumer* a *firm* must:

- (1) only make requests for information that are necessary for assessing compliance with the suitability requirements, the causation question or for the redress calculation using the BSPS calculator and which the *consumer* can reasonably be expected to provide;
- (2) exercise sensitivity when requesting information about a *consumer's* personal circumstances;
- (3) ensure the *consumer* understands what information they have been asked to provide and in what format;
- (4) only ask for information that is likely to be readily accessible to the *consumer* (and obtain the *consumer's* authority to approach third parties for information on their behalf);
- (5) allow the *consumer* at least 14 *days* to respond; and
- (6) make clear why the *firm* is asking for the information and the consequence if the information is not provided.

Prohibition against influencing consumers against their interests

- 4.7.6 R A *firm* must not make any communication to a *consumer* which seeks to influence, for the benefit of the *firm*, the outcome of the steps taken in this chapter, either by seeking to influence the content of information provided by the *consumer* in response to the *firm*'s requests made under this chapter or otherwise.

Deceased consumers

- 4.7.7 R Where a *firm* is required to contact a *consumer* under a provision of these rules whom the *firm* knows to be or becomes aware is deceased, it must take all reasonable steps to instead communicate with:
- (1) a personal representative of the *consumer*'s estate; or
 - (2) a beneficiary or beneficiaries of their estate or pension.
- 4.7.8 R The provisions of *CONRED* 4.7.2R also apply in respect of a *firm*'s communications with *persons* referred to in *CONRED* 4.7.7R.

4.8 Consumer redress scheme: information requirements

Requests for information by the FCA

- 4.8.1 R In relation to any matter concerning or related to the *consumer redress scheme* created by this chapter, section 165 (FCA's power to require information: authorised persons etc) of the *Act* and any provision of Part XI (Information Gathering and Investigations) of the *Act* which relates to that section apply to any *firm* (or *person* in *CONRED* 4) which is not an *authorised person* as if it were an *authorised person*.

Ongoing reporting requirements

- 4.8.2 R
- (1) By 1 month after the scheme effective date, a *firm* must send the *FCA* an initial 'progress report' with the most up-to-date information held by the *firm* in the information categories in *CONRED* 4.8.3R.
 - (2) A *firm* must submit a further progress report every 2 weeks, with the second progress report to be received by the *FCA* no later than 14 *days* after the date the initial report was provided to the *FCA* until the conditions in (3) apply.
 - (3) The conditions are:
 - (a) there are no further steps which the *firm* is or could be required to take pursuant to this chapter in respect of any scheme case; and
 - (b) the *firm* has notified the *FCA* by email to BSPSnotifications@fca.org.uk that the condition in (a) is satisfied and that it intends to stop submitting progress reports in accordance with (2).

- (4) By 6 weeks after the scheme effective date, the *firm* must send the *FCA* a ‘one-off report’ with the information held by the *firm* in the information categories in *CONRED* 4.8.4.
- (5) The reports required by (1), (2) and (4) must:
 - (a) contain an attestation by a *senior manager* responsible for compliance oversight of the *firm* confirming that:
 - (i) the information provided in each of the reports is complete; and
 - (ii) where the information reflects a *redress determination*, that such a determination has been reached in accordance with any applicable rules; and
 - (b) be submitted to the *FCA*:
 - (i) in the case of the reports at (1) and (2) using RegData; or
 - (ii) in the case of the report at (4):
 - (A) using any electronic system which has been made available by the *FCA* for the purposes of submitting the report; or
 - (B) if no such electronic system is available, by email to BSPSnotifications@fca.org.uk.
- (6) Where a *firm* agrees an arrangement with a consumer providing for the payment of redress in instalments over one or more tax years pursuant to *DISP* App 4.3.31G(4)(c), it must within 5 *business days* of reaching such an arrangement notify the *FCA* by email to BSPSnotifications@fca.org.uk.

- 4.8.3 R The progress reports required by *CONRED* 4.8.2R must contain the following information about each scheme case:
- (1) *consumer* identifier;
 - (2) the date the letter at *CONRED* 4 Annex 2R was sent;
 - (3) whether the *consumer* receiving the letter in (2) has opted out of the scheme and the date a *firm* received notification from the *consumer* of their decision to opt-out;
 - (4) where the *firm* has carried out the case review at *CONRED* 4.3.2R:
 - (a) the date the case review was completed;

- (b) a copy of the completed FCA or BSPS DBAAT;
 - (c) whether the scheme case was rated suitable, unsuitable or ‘non-compliant due to a material information gap(s)’ or ‘not-compliant-unclear’ (in the case of the FCA DBAAT);
 - (d) for scheme cases rated as unsuitable, the result of the causation assessment;
- (5) in a case where a *firm* has concluded that the advice was suitable:
- (a) the date a *firm* sent the letter at *CONRED* 4 Annex 9R;
 - (b) the *consumer*’s name, address, telephone number(s) and, where available, email address (in the BSPS DBAAT or, where using an FCA DBAAT, in the Reg Data report);
 - (c) whether a *firm* is aware that the *consumer* has complained to the *Financial Ombudsman Service* about the determination communicated in (a);
 - (d) the date a *firm* became aware of any *complaint* in (c); and
 - (e) the outcome of the *complaint* (both suitability and causation as applicable) as notified to the *firm* by the *Financial Ombudsman Service* in accordance with *DISP* 3.6.6R(5);
- (6) in a case where a *firm* has concluded that the advice was unsuitable and answered ‘no’ to the causation question, the date a *firm* sent the letter at *CONRED* 4 Annex 8R;
- (7) in a case where a *firm* has concluded that the advice was unsuitable and answered ‘yes’ to the causation question the date a *firm* sent the letters at:
- (a) *CONRED* Annex 7R; and
 - (b) *CONRED* Annex 10R;
- (8) where a *firm* has completed the redress assessment as required by *CONRED* 4.4.2R, the following in respect of the latest offer of redress made pursuant to the *consumer redress scheme* created by this chapter;
- (a) the date on which the redress calculation was completed;
 - (b) the redress amount rounded to the nearest pound sterling;
 - (c) the date the letter at *CONRED* 4 Annex 13R was sent to the *consumer*;

- (d) a copy of the redress calculation from the BSPS calculator;
 - (e) whether the *consumer* has accepted the offer of redress in (c); and
 - (f) the date on which any redress was paid.
- 4.8.4 R The ‘one-off report’ required by *CONRED* 4.8.2R must contain the following information:
- (1) the number of cases in relation to which a *firm* has sent a *consumer* a letter pursuant to:
 - (a) *CONRED* 4 Annex 1R;
 - (b) *CONRED* 4 Annex 2R; and
 - (2) in respect of (1)(a), a breakdown of the reasons such cases were excluded from the scheme with reference to the relevant condition or conditions at *CONRED* 4.2.2R.
- 4.8.5 G The *consumer* identifier referred to at *CONRED* 4.8.3R(1) should:
- (1) be a number unique to each *consumer* which starts with a *firm*’s *FCA* firm reference number;
 - (2) not include the *consumer*’s name or other personal data; and
 - (3) be the same *consumer* identifier used on the BSPS DBAAT.
- 4.8.6 R A *firm* must provide copies of the BSPS DBAAT, *FCA* DBAAT and the redress calculation from the BSPS calculator in the format of a data string in the applicable RegData report.
- 4.8.7 G If the *firm* is to send an encrypted email to the *FCA*, it should use Egress Switch encryption software.
- [*Editor’s note*: instructions for Egress Switch are available at <https://www.fca.org.uk/egress-switch>]

4.9 Record-keeping requirements

- 4.9.1 R (1) A *firm* must keep the following records:
- (a) evidence of posting for each letter sent in accordance with this chapter;
 - (b) a copy of each letter sent in accordance with this chapter;
 - (c) a record of any attempts to contact the *consumer*, contact any other relevant *firm*, or obtain further information, in

accordance with *CONRED* 4.3.5R, *CONRED* 4.3.14R(1)(c) or (d) and *CONRED* 4.4.14R;

- (d) a copy of the Excel Spreadsheet containing the completed BSPS DBAAT or FCA DBAAT for each scheme case;
 - (e) a record of the redress calculation performed by the BSPS calculator in Excel Spreadsheet format; and
 - (f) all information on the *consumer* file and any information received from the *consumer*.
- (2) A *firm* must keep the records required by (1) for a minimum of 5 years from the date of their creation or (for the records in (1)(f)) the date when the information was included in the *consumer* file or obtained.

4 Annex Redress determination: consumers outside scope/confirming exclusion 1R

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Customer details]

British Steel consumer redress scheme

We will not review the advice we gave you about your British Steel Pension Scheme benefits

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [insert name of introducer firm] for advice about your British Steel Pension Scheme benefits]

We will not be reviewing the advice we gave you about your British Steel Pension Scheme (BSPS) benefits. We give our reasons for excluding you from the redress scheme below.

If you are unhappy with our decision not to review your advice under the scheme, you should contact the Financial Ombudsman Service within 6 months of the date of this letter. We have enclosed a referral form that you can use to refer your complaint on to them.

You can contact the Financial Ombudsman Service by:

- telephone on 0800 023 4567 or 0300 123 9123; or
- email addressed to BSPS@financial-ombudsman.org.uk.

The Financial Conduct Authority (FCA) has identified that many people were given poor advice to transfer out of the BSPS. The FCA has set up a redress scheme. This scheme means we must review the advice we gave to some customers to see if they could be entitled to a payment.

We are not required to review the advice we gave to you for the following reason(s):

[*You have already complained about our advice to you to transfer out of BSPS. We sent our response to you on [insert date of final response] and you accepted an offer in full and final settlement of your complaint.*] AND/OR

[You have already complained about our advice to you to transfer out of BPS. We sent our response to you on [insert date of final response] and you subsequently referred your complaint to the Financial Ombudsman Service.] AND/OR

[We advised you to remain in BPS but you transferred out against our advice. This is known as an ‘insistent client’ transfer. If you disagree that you were an ‘insistent client’, you can contact the Financial Ombudsman Service.] AND/OR

[The advice we gave you to transfer out of BPS has already been assessed by an independent reviewer (known as a ‘Skilled Person’). Because that review has finished and we sent the result to you in our letter of [insert date], we are not required to take further action about the advice we gave you. If you have any questions about this, you can contact the FCA using the details below.] AND/OR

[The scheme only covers advice that was given between 26 May 2016 and 29 March 2018. We advised you on [insert date of advice], so in our view your case is not covered by the scheme.] AND/OR

[For England, Wales and Northern Ireland cases:]

[The scheme only covers advice on pension transfers where the legal time limits for complaining about the advice had not expired on 24 November 2022 when the FCA made the scheme rules. There are two relevant time limits where the case is under the law of England and Wales or Northern Ireland:

- 1. The first is that the date of the transfer must be on or after [24 November 2016]. [If relevant] As you transferred on [insert date of transfer], this time period has expired; and*
- 2. The second is that the date you knew you had a cause for complaint must be on or after [24 November 2019]. This depends on when you knew or ought to have reasonably known there might have been a problem with the advice we gave you. In our view, your case is not covered by the scheme because you should have known you had cause for complaint on [insert date]. We believe this because [insert rationale].]*

OR

[For Scotland cases:]

[The scheme only covers advice on pension transfers where the legal time limits for complaining about the advice had not expired on 24 November 2022 when the FCA made the scheme rules. There are two relevant time limits where the case is under the law of Scotland:

- 1. The first is that the date of the transfer must not be before [24 November 2017]. As you transferred on [insert date of transfer], this time period has expired; and*
- 2. The second is that the date you knew you had a cause for complaint must be on or after [24 November 2017]. This depends on when you knew or ought to have reasonably known there might have been a problem with the advice we gave you. In our view, your case is not covered by the scheme because you should have known you had cause for complaint on [insert date]. We believe this because [insert rationale].]*

What you can do next

If you are unhappy with our decision not to review the advice we gave you, you should contact the Financial Ombudsman Service within 6 months of the date of this letter. The Financial Ombudsman Service will decide whether we have followed the rules of the scheme correctly in our decision to exclude you.

We have enclosed a leaflet explaining the role of the Financial Ombudsman Service, as well as a referral form you can use to refer your complaint on to them. If you decide to complete and send this referral form to them, they will contact you to set up and look into your complaint. Please inform us if you would like an electronic version of these documents, so that you can email a completed referral form to the Financial Ombudsman Service email address below.

You can find out more information on how the Financial Ombudsman Service can help if you want to complain about our decision at www.financial-ombudsman.org.uk/consumers/complaints-can-help/pensions-annuities/transfers-from-workplace-pensions-and-the-pensions-review/british-steel-pension-scheme.

You can contact the Financial Ombudsman Service by:

- telephone: 0800 023 4567 or 0300 123 9123; or
- email: BSPS@financial-ombudsman.org.uk.

You can find out more about the BSPS consumer redress scheme at www.fca.org.uk/bsps. If you want to contact the FCA, you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000. If you would like to contact the Financial Ombudsman Service using next generation text relay, please call on (18002) 0207 964 1000.

If you have any questions about our review, you can phone or email us [*insert contact details*]. We are available between [*insert contact hours*].

You should contact us directly if you have any other complaint about our services.

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosure:

Financial Ombudsman Service leaflet and bespoke referral form

Mailmerge insert to go with FCA letter to consumers out-of-scope of the assessment. Details in *Italics* to be pre-populated.



[Customer name]

[Address 1]

[Address 2]

[Postcode]

[City]

[Email address]

[Telephone number]

Firm Name: [X] (the 'Firm')

Firm Reference Number: [X]

British Steel Pension Scheme Consumer Redress Scheme - Complaint to the Financial Ombudsman Service about Out-of-Scope Assessment

I have received a letter from my firm saying they will not be reviewing the advice they provided on my British Steel Pension Scheme and they have excluded me from the s404 redress scheme.

I am unhappy with that decision and would like it to be reviewed by the Financial Ombudsman Service (FOS).

I understand that FOS will contact me to set up my complaint and will request further information. Please tick:

- I confirm the contact details at the top of this letter are correct; or
- The contact details are not correct and I have updated this information below:

Customer name: _____

Address 1: _____

Address 2: _____

Postcode: _____

City: _____

Email address: _____

Telephone number: _____

How would you like FOS to contact you? Phone Email Post

There will be times FOS need to write to you, for example, to send you the outcome of your complaint. When FOS do, would you prefer an email or letter? Email Post

Have you used FOS services before? Yes No

(This is so FOS can link records)

Do you have any practical needs where we could help by making adjustments – like using large print, Braille or a different language?

Please sign to confirm you would like the FOS to contact you to look into your complaint:

Signed:

Date:

Please return this letter to the Financial Ombudsman Service using their Freepost address at:

Freepost BSPS REDRESS SCHEME

Financial Ombudsman Service

London

E14 9SR

For information on the Financial Ombudsman Service's privacy notice for consumers on how they use your personal information when you contact them, or bring a complaint to the Financial Ombudsman Service, please visit:

- www.financial-ombudsman.org.uk/privacy-policy

4 Annex Consumer within scope/confirming inclusion 2R

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]
[Date]

[Consumer details]

British Steel consumer redress scheme

We will review the advice we gave you to transfer out of the British Steel Pension Scheme

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [insert name of introducer firm] for advice about your British Steel Pension Scheme benefits]

You could be owed money for the advice we gave you to transfer out of the British Steel Pension Scheme (BSPS). The FCA requires all firms who advised BSPS members to transfer to be part of a consumer redress scheme.

We will review whether our advice was unsuitable and let you know the result by [*insert day date month year*]. You do not have to do anything unless we need more information from you to complete our review. We will contact you if this is the case.

If you do not want us to review the advice you were given, please complete the enclosed form and return it to us by [*insert day date month year*].

The Financial Conduct Authority (FCA) has gathered evidence that suggests nearly half of the advice given to people to transfer out of the BSPS was unsuitable. Unsuitable advice is advice that was not in line with FCA requirements. We will review the advice we gave you to decide if it was unsuitable.

If we find that we gave you unsuitable advice, we will ask you for some information to help us check if you are owed money. We will do this by calculating if our advice caused you a financial loss. If our advice did cause you a loss, we will be required to offer you a payment. The payment will aim to put you in the position you would have been in if we had given you suitable advice. **Whatever the result of our review, you will not need to pay anything.**

You do not need to do anything unless we ask you for information to help us complete our review. We will contact you if this is the case. We will tell you the result of our review by *[insert day date month year]*.

You do not need to use a claims management company as it will not affect our review and, if you do, they will charge you for the service.

If you **do not** want us to review the advice we gave, please let us know by completing the enclosed form and returning it to us by *[insert day date month year]*. If you opt-out, you may end up with less money during your retirement than you should have had.

You can find out more about the BSPS consumer redress scheme at www.fca.org.uk/bsps. If you want to contact the FCA, you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000.

If you have any questions about our review, you can phone or email us *[insert contact details]*. We are available between *[insert contact hours]*.

Yours sincerely,

<signature>

<name of adviser or customer service>

Opting out of the review of the advice given to you

[I/We] have enclosed 2 copies of this letter.

If you **DO NOT** want us to review our advice to transfer out of the BSPS:

- (1) Tick the box below on 1 copy of this letter; and
- (2) Send this letter to [me/us] by [date].

CONFIRMATION THAT I DO NOT WANT MY ADVICE REVIEWED

I do not want you to review the advice you gave me to transfer out of the BSPS to see if I am entitled to a payment.

Please be aware that if you decide you DO NOT want us to review your advice, you could lose out on a payment and may end up with less money during your retirement than you should have had.

4 Annex Redress determination: confirmation of consumer opt-out 3R

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar
cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]
 [Date]

[Consumer details]

British Steel consumer redress scheme

We will not review the advice we gave you to transfer out of the British Steel Pension Scheme

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [*insert name of introducer firm*] for advice about your British Steel Pension Scheme benefits]

You have told us that you do not want us to review the advice we gave you to transfer out of the British Steel Pension Scheme.

As a result, we will not take any further action.

If you do not agree that you opted out of the review, you should contact the Financial Ombudsman Service within 6 months of the date of this letter. We have enclosed a referral form that you can use to refer your complaint on to them.

You can contact the Financial Ombudsman Service by:

- telephone on 0800 023 4567 or 0300 123 9123; or
- email addressed to BSPS@financial-ombudsman.org.uk.

The Financial Conduct Authority (FCA) has identified that many people were given unsuitable advice to transfer out of the British Steel Pension Scheme (BSPS).

We wrote to you on [*insert date of letter*] to tell you that we would review the advice we gave you to transfer out of the BSPS. You then told us on [*insert date of opt out*] that you did not want us to do this review. We can confirm that we will not take any further action.

This letter does not affect your ability to complain to us or to take legal action. However, if you do not take action promptly, you may find that the time limit has passed for you to do so. Details of our usual complaints procedure are attached.

If you do not agree that you opted out of the review, you should contact the Financial Ombudsman Service within 6 months of the date of this letter. The Financial Ombudsman Service will decide whether we have followed the rules of the scheme correctly in our decision not to take any further action.

We have enclosed a leaflet explaining the role of the Financial Ombudsman Service, as well as a referral form you can use to refer your complaint on to them. If you decide to complete and send this referral form on to them, they will contact you to set up and look into your complaint.

Please inform us if you would like an electronic version of these documents, so that you can email a completed referral form to the Financial Ombudsman Service email address below. You can find out more information on how the Financial Ombudsman Service can help if you want to complain about our decision at www.financial-ombudsman.org.uk/consumers/complaints-can-help/pensions-annuities/transfers-from-workplace-pensions-and-the-pensions-review/british-steel-pension-scheme.

You can contact the Financial Ombudsman Service by:

- telephone: 0800 023 4567 or 0300 123 9123; or
- email: BSPS@financial-ombudsman.org.uk.

You can find out more about the reviews that firms must do at www.fca.org.uk/bsps. If you want to contact the FCA, you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000. If you would like to contact the Financial Ombudsman Service using next generation text relay, please call on (18002) 0207 964 1000.

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

Financial Ombudsman Service leaflet and bespoke referral form

Details of how to complain to us

Mailmerge insert to go with FCA letter to consumers who opted-out of providing their contact details. Details in *Italics* to be pre-populated



[*Customer name*]
 [*Address 1*]
 [*Address 2*]
 [*Postcode*]
 [*City*]
 [*Email address*]
 [*Telephone number*]
 Firm Name: [X] (the 'Firm')
 Firm Reference Number: [X]

British Steel Pension Scheme Consumer Redress Scheme – Complaint to the Financial Ombudsman Service about Opt-Out from Assessment

I have received a letter from my firm saying that I do not want them to review the advice they provided me to transfer out of the British Steel Pension Scheme and that they will not take any further action.

I am unhappy with their decision and would like it to be reviewed by the Financial Ombudsman Service (FOS).

I understand that FOS will contact me to set up my complaint and will request further information. Please tick:

- I confirm the contact details at the top of this letter are correct, or
- The contact details are not correct and I have updated this information below:

Customer name: _____

Address 1: _____

Address 2: _____

Postcode: _____

City: _____

Email address: _____

Telephone number: _____

How would you like FOS to contact you? Phone Email Post

There will be times FOS need to write to you, for example, to send you the Email Post

outcome of your complaint. When FOS do, would you prefer an email or letter?

Have you used FOS services before? Yes No

(This is so FOS can link records)

Do you have any practical needs where we could help by making adjustments – like using large print, Braille or a different language?

Please sign to confirm you would like the FOS to contact you to look into your complaint:

Signed:

Date:

Please return this letter to the Financial Ombudsman Service using their Freepost address at:

Freepost BSPS REDRESS SCHEME

Financial Ombudsman Service

London

E14 9SR

For information on the Financial Ombudsman Service's privacy notice for consumers on how they use your personal information when you contact them, or bring a complaint to the Financial Ombudsman Service, please visit:

- www.financial-ombudsman.org.uk/privacy-policy

**4 Annex Further information request (1): initial request
4R**

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

ACTION REQUIRED – We need some information from you to help us review the advice we gave you to transfer out of the British Steel Pension Scheme

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [*insert name of introducer firm*] for advice about your British Steel Pension Scheme benefits]

We need some information from you so we can review the advice we gave you to transfer out of the British Steel Pension Scheme (BSPS).

The information we need is listed below.

[*If information is being requested from a third party*]

So that we can collect this information from other parties on your behalf, please sign the attached 'Letter of Authority' form and return it to us by [*insert Day Date Month Year*].

[*If information is being requested from the consumer*]

Please send this information to us by [*insert Day Date Month Year*]. You can send this information to us by post (return envelope included) or by email: [*insert firm email*]. If we do not receive this information, we may not be able to complete our review of the advice we gave you and you may end up with less money during your retirement than you should have had.

The Financial Conduct Authority (FCA) has identified that many people were given unsuitable advice to transfer out of the BSPS.

We wrote to you on [*insert date*] to confirm that we will review the advice we gave you to transfer out of the BSPS. If our review finds that this advice was unsuitable, we will calculate whether you have suffered a financial loss and if you are owed money. This payment aims to put you in the position you would have been in if we had given you suitable advice and you

had stayed in BSPS. **Whatever the result of our review, you will not have to pay anything.**

We now need more information so we can review the advice we gave you to transfer out of BSPS.

[If information is being requested from a third party]

So that we can collect this information for you from *[insert name of third party the data will be sought from, if known]*, please sign the attached ‘Letter of Authority’ form and return it by *[insert Day Date Month Year]*.

If we become insolvent before we can complete our review, the Financial Services Compensation Scheme (FSCS) will step in to assess whether you are due a payment. As such, the attached form also asks you to authorise FSCS to collect information on your behalf, should this become necessary.

Information on how FSCS collects and uses your data can be found here:

<https://www.fscs.org.uk/data-protection-statement/privacy-notice/>.

[If information is being requested from the consumer]

Please send us the information listed below by *[insert Day Date Month Year]*

- ***[Insert information required in bold, bulleted list].***

[Please note you need to delete this information box before you send this letter to the consumer. It is to help you prepare the letter.

Firms should only request the information set out in CONRED 4 that is necessary to complete the case review.

When you request information from a consumer you should:

- *only make requests for information that are necessary and which the consumer can reasonably be expected to provide;*
- *be sensitive when requesting information about a consumer’s personal circumstances;*
- *ensure the consumer understands what information they have been asked to provide and in what format;*
- *only ask for information that is likely to be readily accessible to the consumer (and get the consumer’s authority to approach third parties for information on their behalf);*
- *allow the consumer at least 14 days to respond; and*
- *make clear why the firm is asking for the information and the consequence if the information is not provided.]*

If you do not give us this information, we may not be able to complete our review and you may end up with less money during your retirement than you should have had.

You do not need to use a claims management company as it will not affect our review and, if you do, they will charge you for the service. This may mean that you do not receive the full amount of money you may be entitled to.

If you have any problems providing this information or any questions about our review, you can phone or email us [*insert contact details*]. We are available between [*insert contact hours*].

By returning the enclosed form, you consent to us collecting the information on your behalf. You can withdraw that consent at any time by contacting us by phone, email or post [using the same contact details.] [return envelope included]

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

1. Pre-paid envelope
2. Letter of Authority

LETTER OF AUTHORITY

To whom it may concern

RE: authority to obtain information on behalf of [enter consumer name] [enter consumer date of birth] [enter consumer current address and previous addresses where relevant] [enter policy number if known / applicable] as part of the Financial Conduct Authority's British Steel consumer redress scheme

I, [enter consumer name] [enter consumer date of birth], authorise [enter firm name] [enter firm address] to collect information on my behalf about my previous and current pension arrangements to assess the advice I was given and, if appropriate, to calculate any money I may be owed following the transfer of my British Steel Pension Scheme pension benefits, as part of the British Steel consumer redress scheme.

I further authorise the Financial Services Compensation Scheme to collect on my behalf any information it may require to perform its statutory functions, including processing my claim as part of the British Steel consumer redress scheme.

Signature:

Date:

**4 Annex Further information request (2): final reminder
5R**

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

FINAL REMINDER – We still need some information from you to help us review the advice we gave you to transfer out of the British Steel Pension Scheme

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [insert name of introducer firm] for advice about your British Steel Pension Scheme benefits]

We wrote to you on [*insert Day Date Month Year*] to say we need information to help us review the advice we gave you to transfer out of the British Steel Pension Scheme (BSPS). We have not yet received this information from you.

The information we need from you is listed below.

[*If information is being requested from a third party*]

So that we can collect this information from other parties on your behalf, please sign the attached 'Letter of Authority' form and return it to us by [*insert Day Date Month Year*].

[*If information is being requested from the consumer*]

Please send this information to us by [*insert Day Date Month Year*]. You can send this information to us by post (return envelope included) or by email: [*insert firm email*].

If we do not receive this information, we may not be able to complete our review of the advice we gave you and you may end up with less money during your retirement than you should have had.

The Financial Conduct Authority (FCA) has identified that many people were given unsuitable advice to transfer out of the BSPS.

We wrote to you on [*insert date*] to say that we will review the advice we gave you to transfer out of the BSPS. If our review finds that the advice we gave you was unsuitable and resulted in a financial loss to you, we must give you a payment. This money will aim to put

you in the position you would have been in if we had given you suitable advice and you had stayed in the BSPS. **Whatever the result of our review, you will not have to pay anything.**

[If information is being requested from a third party]

So that we can collect this information for you from *[insert name of third party the data will be sought from, if known]*, please sign the attached ‘Letter of Authority’ form and return it by *[insert Day Date Month Year]*.

If we become insolvent before we can complete our review, the Financial Services Compensation Scheme (FSCS) will step in to assess whether you are due a payment. As such, the attached form also asks you to authorise FSCS to collect information on your behalf, should this become necessary.

Information on how FSCS collects and uses your data can be found here:

<https://www.fscs.org.uk/data-protection-statement/privacy-notice/>.

[If information is being requested from the consumer]

Please send us the information listed below by *[insert Day Date Month Year]*

- ***[Insert information required in bold, bulleted list]***.

Please note you should delete this information box before you send this letter to the consumer. It is to help you prepare the letter.

Firms should only request the information set out in CONRED 4 Annex 16R 13.9R that is necessary to complete the case review.

When you request information from a consumer you should have regard to Principles 6 and 7 and should:

- *only make requests for information that are necessary and which the consumer can reasonably be expected to provide;*
- *be sensitive when requesting information about a consumer’s personal circumstances;*
- *ensure the consumer understands what information they have been asked to provide and in what format;*
- *only ask for information that is likely to be readily accessible to the consumer (and get the consumer’s authority to approach third parties for information on their behalf);*
- *allow the consumer at least 14 days to respond; and*
- *make clear why the firm is asking for the information and the consequence if the information is not provided.*

If you do not give us this information, we may not be able to complete our review and you may end up with less money during your retirement than you should have had.

You do not need to use a claims management company as it will not affect our review and, if you do, they will charge you for the service.

If you have any problems providing this information or any questions about our review, you can phone or email us *[insert contact details]*. We are available between *[insert contact hours]*.

By returning the enclosed form, you consent to us collecting the information on your behalf.

You can withdraw that consent at any time by contacting us by phone, via email or post [using the same contact details] [return envelope included].

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

1. Pre-paid envelope
2. Letter of Authority

LETTER OF AUTHORITY

To whom it may concern

RE: authority to obtain information on behalf of [enter consumer name] [enter consumer date of birth] [enter consumer current address and previous addresses where relevant] [enter policy number if known / applicable] as part of the Financial Conduct Authority's British Steel consumer redress scheme

I, [enter consumer name] [enter consumer date of birth], authorise [enter firm name] [enter firm address] to collect information on my behalf about my previous and current pension arrangements to assess the advice I was given, and if appropriate, to calculate any money I may be owed following the transfer of my British Steel Pension Scheme pension benefits, as part of the British Steel consumer redress scheme.

I further authorise the Financial Services Compensation Scheme to collect on my behalf any information it may require to perform its statutory functions, including processing my claim as part of the British Steel consumer redress scheme.

Signature:

Date:

4 Annex Redress determination: further information not provided 6R

[*Editor's note:* The letter(s) can be found at this address:
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[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

We are stopping our review of the advice we gave you to transfer out of the British Steel Pension Scheme

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [*insert name of introducer firm*] for advice about your British Steel Pension Scheme benefits]

We are not able to complete our review of the advice we gave you to transfer out of the British Steel Pension Scheme (BSPS). This is because you did not provide the information we asked for.

We wrote to you on [*insert dates of initial letter and reminder letter*] to tell you that we needed some information from you to help us complete this review. We also tried to contact you [*insert details*] without success.

As a result, your case is no longer covered by the scheme and we are stopping our review.

If you are unhappy with our decision, you should contact the Financial Ombudsman Service within 6 months of the date of this letter. We have enclosed a referral form that you can use to refer your complaint on to them.

You can contact the Financial Ombudsman Service by:

- telephone on 0800 023 4567 or 0300 123 9123; or
- email addressed to BSPS@financial-ombudsman.org.uk .

What you can do next

This letter does not affect your ability to complain to us or take legal action. However, if you do not take action promptly, you may find that the time limit has passed for you to do so. If you still want us to review the advice we gave you, you should make a complaint to us

outside of the scheme, through our usual complaints procedure. Details of how to complain are attached.

If you are unhappy with our decision that we are unable to review the advice we gave you because you did not provide the information we asked for, you can contact the Financial Ombudsman Service within 6 months of the date of this letter. The Financial Ombudsman Service will decide whether we have followed the rules of the consumer redress scheme correctly.

We have enclosed a leaflet explaining the role of the Financial Ombudsman Service, as well as a referral form you can use to refer your complaint on to them. If you decide to complete and send this referral form on to them, they will contact you to set up and look into your complaint.

Please inform us if you would like an electronic version of these documents, so that you can email a completed referral form to the Financial Ombudsman Service email address below. You can find out more information on how the Financial Ombudsman Service can help if you want to complain about our decision at www.financial-ombudsman.org.uk/consumers/complaints-can-help/pensions-annuities/transfers-from-workplace-pensions-and-the-pensions-review/british-steel-pension-scheme.

You can contact the Financial Ombudsman Service by:

- telephone: 0800 023 4567 or 0300 123 9123; or
- email: BSPS@financial-ombudsman.org.uk.

You can find out more about the BSPS consumer redress scheme at www.fca.org.uk/bsps. If you want to contact the Financial Conduct Authority (FCA), you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000. If you would like to contact the Financial Ombudsman Service using next generation text relay, please call on (18002) 0207 964 1000.

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

Financial Ombudsman Service leaflet and bespoke referral form

Details of how to complain to us

Mailmerge insert to go with FCA letter to consumers where further information was not provided for assessment. Details in *Italics* to be pre-populated.



[Customer name]

[Address 1]

[Address 2]

[Postcode]

[City]

[Email address]

[Telephone number]

Firm Name: [X] (the 'Firm')

Firm Reference Number: [X]

British Steel Pension Scheme Consumer Redress Scheme - Complaint to the Financial Ombudsman Service about Further Information Required Assessment

I have received a letter from my firm saying that they will not be reviewing the advice they provided on my British Steel Pension Scheme because I have not provided further information they requested to determine the suitability of advice.

I am unhappy with that decision and would like it to be reviewed by the Financial Ombudsman Service (FOS).

I understand that FOS will contact me to set up my complaint and will request further information. Please tick:

- I confirm the contact details at the top of this letter are correct; or
 The contact details are not correct, and I have updated this information below:

Customer name: _____

Address 1: _____

Address 2: _____

Postcode: _____

City: _____

Email address: _____

Telephone number: _____

How would you like FOS to contact you? Phone Email Post

There will be times FOS need to write to you, for example, to send you the Email Post

outcome of your complaint. When FOS do, would you prefer an email or letter?

Have you used FOS services before? Yes No

(This is so FOS can link records)

Do you have any practical needs where we could help by making adjustments – like using large print, Braille or a different language?

Please sign to confirm you would like the FOS to contact you to look into your complaint:

Signed:

Date:

Please return this letter to the Financial Ombudsman Service using their Freepost address at:

Freepost BPS REDRESS SCHEME

Financial Ombudsman Service

London

E14 9SR

For information on the Financial Ombudsman Service's privacy notice for consumers on how they use your personal information when you contact them, or bring a complaint to the Financial Ombudsman Service, please visit:

- www.financial-ombudsman.org.uk/privacy-policy

4 Annex Notification of finding of unsuitable advice 7R

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

We gave you unsuitable advice to transfer out of the British Steel Pension Scheme

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [*insert name of introducer firm*] for advice about your British Steel Pension Scheme benefits]

We have reviewed the advice we gave you to transfer out of the British Steel Pension Scheme (BSPS). Our review has found that we gave you unsuitable advice.

This means that you may be entitled to a payment. But first we need to calculate whether our unsuitable advice caused you a financial loss and whether we owe you any money. We will tell you the result of our calculation by [*insert date*].

How did we reach this decision?

We have found that the advice we gave you to transfer out of the BSPS was unsuitable.

[*Insert reason: summarise the information in the assessment template which led to the finding that the advice was unsuitable.*]

We will now take steps to calculate whether our advice caused you a financial loss and, if so, how much money we owe you. Any money we pay you will aim to put you in the position you would have been in had you been given suitable advice and stayed in the BSPS.

Whatever the result of our calculation, you will not have to pay anything.

We will send you a separate letter to ask you for information to help us complete the calculation. Once we have this information, we can complete the calculation. We will tell you the result of the calculation by [*insert date*].

You do not need to use a claims management company as it will not affect our calculation and, if you do, they will charge you for the service.

You can find out more about the BSPS consumer redress scheme at www.fca.org.uk/bsps. If you want to contact the Financial Conduct Authority (FCA), you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000.

If you have any questions about our review, you can phone or email us [*insert contact details*]. We are available between [*insert contact hours*].

Yours sincerely,

<signature>

<name of adviser or customer service>

4 Annex 8R Redress determination: unsuitable advice, no causation

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar
cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

We gave you unsuitable advice to transfer out of the British Steel Pension Scheme, but it did not cause any loss you may have suffered

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [insert name of introducer firm] for advice about your British Steel Pension Scheme benefits]

We have reviewed the advice we gave you to transfer out of the British Steel Pension Scheme (BSPS). Our review found that the advice we gave you was unsuitable, but our unsuitable advice did not cause any loss you may have suffered.

This means that we will not take any further steps about the advice we gave you.

If you are unhappy with our decision, you should contact the Financial Ombudsman Service within 6 months of the date of this letter. We have enclosed a referral form that you can use to refer your complaint on to them.

You can contact the Financial Ombudsman Service by:

- telephone on 0800 023 4567 or 0300 123 9123; or
- email addressed to BSPS@financial-ombudsman.org.uk

How did we reach this decision?

[*Insert reason: summarise the information in the assessment template which led to the finding that the unsuitable advice did not cause any loss the consumer may have suffered.*]

What you can do next

If you are unhappy with our decision that our unsuitable advice did not cause you any loss you may have suffered, you should contact the Financial Ombudsman Service within 6

months of the date on this letter. The Financial Ombudsman Service will decide whether we have followed the rules of the scheme correctly.

We have enclosed a leaflet explaining the role of the Financial Ombudsman Service, as well as a referral form you can use to refer your complaint on to them. If you decide to complete and send this referral form on to them, they will contact you to set up and look into your complaint. Please inform us if you would like an electronic version of these documents, so that you can email a completed referral form to the Financial Ombudsman Service email address below.

You can find out more information on how the Financial Ombudsman Service can help if you want to complain at www.financial-ombudsman.org.uk/consumers/complaints-can-help/pensions-annuities/transfers-from-workplace-pensions-and-the-pensions-review/british-steel-pension-scheme.

You can contact the Financial Ombudsman Service by:

- telephone: 0800 023 4567 or 0300 123 9123; or
- email: BSPS@financial-ombudsman.org.uk.

We will pass your details to the Financial Conduct Authority (FCA). They may contact you to see if you would like the Financial Ombudsman Service to review our decision. If you do not want us to pass your details to the FCA, please tell us in writing within 14 days of this letter. You can write to us by letter or email at [*insert details*].

You can find out more about the BSPS consumer redress scheme at www.fca.org.uk/bsps. If you want to contact the FCA, you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000. If you would like to contact the Financial Ombudsman Service using next generation text relay, please call on (18002) 0207 964 1000.

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

Financial Ombudsman Service leaflet and bespoke referral form

Mailmerge insert to go with FCA letter to consumers who have received unsuitable advice with no causation. Details in *Italics* to be pre-populated.



[Customer name]

[Address 1]

[Address 2]

[Postcode]

[City]

[Email address]

[Telephone number]

Date of Suitability Assessment: [X]

Firm Name: [X] (the 'Firm')

Firm Reference Number: [X]

British Steel Pension Scheme Consumer Redress Scheme - Complaint to the Financial Ombudsman Service about Unsuitable Advice Assessment

I have received an assessment from my firm saying that the advice I received to transfer out of my British Steel Pension Scheme was unsuitable but was not the cause of any loss I may have suffered.

I am unhappy with that assessment and would like it to be reviewed by the Financial Ombudsman Service (FOS).

I understand that FOS will contact me to set up my complaint and will request further information. Please tick:

- I confirm the contact details at the top of this letter are correct; or
- The contact details are not correct and I have updated this information below:

Customer name: _____

Address 1: _____

Address 2: _____

Postcode: _____

City: _____

Email address: _____

Telephone number: _____

How would you like FOS to contact you?

Phone

Email

Post

There will be times FOS need to write to you, for example, to send you the outcome of your complaint. When FOS do, would you prefer an email or letter? Email Post

Have you used FOS services before? Yes No
(This is so FOS can link records)

Do you have any practical needs where we could help by making adjustments – like using large print, Braille or a different language?

Please sign to confirm you would like the FOS to contact you to look into your complaint:

Signed:

Date:

Please return this letter to the Financial Ombudsman Service using their Freepost address at:

Freepost BSPS REDRESS SCHEME
Financial Ombudsman Service
London
E14 9SR

For information on the Financial Ombudsman Service's privacy notice for consumers on how they use your personal information when you contact them, or bring a complaint to the Financial Ombudsman Service, please visit:

- www.financial-ombudsman.org.uk/privacy-policy

4 Annex Redress determination: suitable advice 9R

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]
[Date]

[Consumer details]

British Steel consumer redress scheme

We gave you suitable advice to transfer out of the British Steel Pension Scheme

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [insert name of introducer firm] for advice about your British Steel Pension Scheme benefits]

We have reviewed the advice we gave you to transfer out of the British Steel Pension Scheme (BSPS). Our review found that the advice we gave you was suitable.

This means that we will not take any further steps about the advice we gave you.

If you are unhappy with our decision, you should contact the Financial Ombudsman Service within 6 months of the date of this letter. We have enclosed a referral form that you can use to refer your complaint on to them.

You can contact the Financial Ombudsman Service by:

- telephone on 0800 023 4567 or 0300 123 9123; or
- email addressed to BSPS@financial-ombudsman.org.uk.

How did we reach this decision?

[*Insert reason: summarise the information in the assessment template which led to the finding that the advice was suitable.*]

What you can do next

If you are unhappy with our decision that the advice we gave you was suitable, you can ask the Financial Ombudsman Service to review the decision within 6 months of the date of this

letter. The Financial Ombudsman Service will decide whether we have followed the rules of the scheme correctly.

We have enclosed a leaflet explaining the role of the Financial Ombudsman Service, as well as a referral form you can use to refer your complaint on to them. If you decide to complete and send this referral form on to them, they will contact you to set up and look into your complaint.

Please inform us if you would like an electronic version of these documents, so that you can email a completed referral form to the Financial Ombudsman Service email address below. You can find out more information on how the Financial Ombudsman Service can help if you want to complain at <http://www.financial-ombudsman.org.uk/consumers/complaints-can-help/pensions-annuities/transfers-from-workplace-pensions-and-the-pensions-review/british-steel-pension-scheme>.

You can contact the Financial Ombudsman Service by:

- telephone: 0800 023 4567 or 0300 123 9123; or
- email: BSPS@financial-ombudsman.org.uk.

We will pass your details to the Financial Conduct Authority (FCA). They may contact you to see if you would like the Financial Ombudsman Service to review our decision. If you do not want us to pass your details to the FCA, please tell us in writing within 14 days of the date of this letter. You can write to us by letter or email at [*insert details*].

You can find out more about the BSPS consumer redress scheme at www.fca.org.uk/bsps. If you want to contact the FCA, you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000. If you would like to contact the Financial Ombudsman Service using next generation text relay, please call on (18002) 0207 964 1000.

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

Financial Ombudsman Service leaflet and bespoke referral form

Mailmerge insert to go with FCA letter to consumers who have received a suitable assessment. Details in *Italics* to be pre-populated.



[Customer name]
 [Address 1]
 [Address 2]
 [Postcode]
 [City]
 [Email address]
 [Telephone number]
 Firm Name: [X] (the 'Firm')
 Firm Reference Number: [X]

British Steel Pension Scheme Consumer Redress Scheme - Complaint to the Financial Ombudsman Service about Suitable Advice Assessment

I have received an assessment from my firm saying that the advice I received to transfer out of my British Steel Pension Scheme was suitable.
 I am unhappy with that assessment and would like it to be reviewed by the Financial Ombudsman Service (FOS).
 I understand that FOS will contact me to set up my complaint and will request further information. Please tick:

- I confirm the contact details at the top of this letter are correct; or
- The contact details are not correct and I have updated this information below:

Customer name: _____
 Address 1: _____
 Address 2: _____
 Postcode: _____
 City: _____
 Email address: _____
 Telephone number: _____

How would you like FOS to contact you? Phone Email Post

There will be times FOS need to write to you, for example, to send you the outcome of your complaint. When FOS do, would you prefer an email or letter? Email Post

Have you used FOS services before? Yes No

(This is so FOS can link records)

Do you have any practical needs where we could help by making adjustments – like using large print, Braille or a different language?

Please sign to confirm you would like the FOS to contact you to look into your complaint:

Signed:

Date:

Please return this letter to the Financial Ombudsman Service using their Freepost address at:

Freepost BSPS REDRESS SCHEME

Financial Ombudsman Service

London

E14 9SR

For information on the Financial Ombudsman Service's privacy notice for consumers on how they use your personal information when you contact them, or bring a complaint to the Financial Ombudsman Service, please visit:

- www.financial-ombudsman.org.uk/privacy-policy

4 Annex Redress calculation, further information: initial request 10R

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

ACTION REQUIRED – We need some information from you to calculate whether we owe you money

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [*insert name of introducer firm*] for advice about your British Steel Pension Scheme benefits]

We wrote to you on [*insert date*] to say that we gave you unsuitable advice to transfer out of the British Steel Pension Scheme (BSPS). We said we would calculate whether you had suffered a financial loss and, if so, how much money we owe you. Any money we pay you will aim to put you in the position you would have been in had you been given suitable advice and stayed in the BSPS. **Whatever the result of our calculation, you will not have to pay anything.**

We need more information from you so we can calculate whether we owe you any money.

ACTION YOU NEED TO TAKE

We need information from you so we can calculate whether you suffered financial loss as a result of transferring out of the British Steel Pension Scheme (BSPS), and whether we owe you any money.

[*If information is being requested from the consumer*]

The information we need is listed in the box below. Please send this information to us by [*insert date - 14 days from the date of this letter*]. You can send this information to us by post (return envelope included) or by email: [*insert firm email*].

[*If information is being requested from a third party*]

So that we can collect this information from other parties on your behalf, please sign the attached 'Letter of Authority' form and return it to us by [*insert date - 14 days from the date of this letter*].

[*All letters*]

If you would like us to, we can also calculate how much money can be paid into your pension to ensure the money is invested for your retirement. If you would like us to do this, please complete and return the attached ‘Payment into a pension’ form by [*insert date- 14 days from the date of this letter*].

You also need to let us know about any other losses you think we owe you money for. To do this, please complete and return the attached ‘Other Losses’ form to us by [*insert date – 1 month from the date of this letter*].

If we do not receive this information, we might not be able to calculate whether we owe you any money. This means that you may end up with less money in your retirement than you should have had.

[*If information is being requested from a third party*]

Asking for information from other firms

So that we can collect this information for you from [*insert name of third party the data will be sought from, if known*], please sign the attached ‘Letter of Authority’ form and return it by [*insert Day Date Month Year – 1 month from date of this letter*].

If we become insolvent before we can complete our review, the Financial Services Compensation Scheme (FSCS) will step in to assess whether you are due a payment. As such, the attached form also asks you to authorise FSCS to collect information on your behalf, should this become necessary.

Information on how FSCS collects and uses your data can be found at <https://www.fscs.org.uk/data-protection-statement/privacy-notice/>.

If we do not receive this information, we might not be able to calculate whether we owe you any money. This could mean that you end up with less money during your retirement than you should have had.

[*If information is being requested from the consumer*]

The information we need from you

- **Please provide us with the following information by [*insert day date month year*] so we can calculate how much money we may owe you:**

[*List information required to calculate lump sum redress set out in CONRED 4 Annex 21*]

If we do not receive this information, we might not be able to calculate whether we owe you any money. This could mean that you end up with less money during your retirement than you should have had.

- **If you want us to calculate how much of the money we owe you can be paid into your pension, please also provide the following information.**

[*List information required to calculate how much redress can be augmented set out in CONRED 4.3.14R(2)*]

If we do not receive this information, we can still calculate how much money we owe you, but we will not be able to calculate the amount you can pay into your pension; we will offer you a lump sum instead.

[Please note you should delete the information in this box before you send this letter to the consumer. It is to help you prepare the letter.]

Firms should only request the information set out in CONRED 4 Annex 16R 13.30R that is necessary to calculate redress.

When you request information from a consumer you should:

- only make requests for information that are necessary and which the consumer can reasonably be expected to provide;*
- be sensitive when requesting information about a consumer's personal circumstances;*
- ensure the consumer understands what information they have been asked to provide and in what format;*
- only ask for information that is likely to be readily accessible to the consumer (and obtain the consumer's authority to approach third parties for information on their behalf)*
- allow the consumer at least 14 days to respond; and*
- make clear why the firm is asking for the information and the consequence if the information is not provided.]*

[All letters]

How you want the money we owe you to get paid

You have a choice in how you receive this payment.

- You can choose to pay this money into your pension. This ensures the money is invested for your retirement.**

There may be restrictions on whether and how much you can pay into your pension. If you are interested in this option, we can work out how much money you can pay into your pension under current tax regulations. We can do this free of charge whether you choose to invest in your pension or not. You may have to give us additional information so we can do this. If not all of the money can be paid into your pension, then the balance will be paid to you as a lump sum.

Pensions are designed to help support you financially in your retirement. Adding this payment to your pension will improve your retirement income. This payment aims to provide you with the extra retirement income you would have been given if you had not transferred out of your BSPS.

- You can choose to receive it as a lump sum into your bank account.**

If you receive payment as a lump sum you should get advice on how to invest it. If you do not invest it, you risk losing out on the income the payment is meant to give you during your retirement.

If you are thinking of saving or re-investing the money you may get, MoneyHelper is there to help. Backed by government, it ensures that everyone in the UK can easily access the information they need to make the right financial decisions.

The service is free and impartial, and you can visit the website at www.moneyhelper.org.uk or call 0800 138 7777 for money advice, 0800 011 3797 for pension advice.

You can also contact an FCA-regulated financial adviser to seek advice, but you may have to pay for this service. You may also find the FCA's Scam Smart guidance helpful.

If you want us to calculate how much of the money we owe you can be paid into your pension, you need to let us know by completing and returning the form 'Payment into a pension' by *[insert date – 1 month from issue of this letter]*.

If we do not receive your completed form, we can still calculate how much money we owe you but we will not be able to calculate the amount you can pay into your pension, and we will offer you a lump sum instead.

Do you think we owe you money for other losses?

You should also tell us if you have suffered any other losses because of our unsuitable advice. These losses could include money you had to pay to get tax advice, or any tax charges you had to pay.

In all cases, any payment calculation will include the original fee charged for the unsuitable advice *[if consumer has already switched to a new adviser]* the fees you paid to change your adviser, and any other past advice fees paid out of your transferred pension. *[Add if the transfer advice firm has a current advice arrangement with the firm]* If you decide you want to change to a new advice firm, you can terminate your arrangement with us but it is important you tell us in the 'Other Losses' form. This will allow us to add an extra amount to what we may owe you to pay for the new advice. This amount will be calculated according to FCA rules. When looking for a new adviser, check what their ongoing adviser fees are. If we owe you any money, your calculation will only cover fees up to 0.5% of your fund each year. If their fees are more than 0.5% you may end up with less retirement income as a result.

We may need to ask you for more information so we can decide whether we think we owe you more money for these other losses.

If you want us to consider whether we owe you money for other losses, you need to let us know by completing and returning the form 'Other Losses' by *[insert date – 1 month from issue of this letter]*.

If we do not receive your completed form, we can still calculate how much money we owe you, but we will not be able to add any money for other losses.

What should you do now?

[If some information needs collecting from the consumer]

The information we need from you is listed in the box above. Please send this information to us by *[insert date- 14 days from the date of this letter]*.

[If letter of authority is required to collect the information from Third Parties]

We can ask for some of this information from other firms on your behalf, but we need you to agree to this first. If you are happy for us to ask other firms for the information we need, you need to complete and return to us the attached ‘Letter of Authority’ form by *[insert date- 14 days from the date of this letter]*

You need to let us know if you want us to calculate how much of the money we owe you can be paid into your pension. Please let us know by completing and returning to us the attached ‘Payment into a pension’ form by *[insert date- 14 days from the date of this letter]*.

You also need to let us know about any other losses you think we owe you money for. Please let us know by completing and returning the attached ‘Other Losses’ form called by *[Insert date – 14 days from the date of this letter]*.

If you do not provide this information you may end up with less money in your retirement than you should have had.

You do not need to use a claims management company as it will not affect our calculation and, if you do, they will charge you for the service.

If you need help with the information we need from you or have any questions about our review, you can phone or email us *[insert contact details]*. We are available between *[insert contact hours]*. By returning the enclosed letter, you consent to us collecting the information on your behalf. You can withdraw this consent at any time by contacting us *[using the same contact details]*.

You can find out more about the BSPS consumer redress scheme at www.fca.org.uk/bsps. If you want to contact the Financial Conduct Authority (FCA), you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000.

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

1. Pre-paid envelope
2. Letter of Authority form *[if required]*.
3. Other Losses form
4. Payment into a pension form

LETTER OF AUTHORITY

To whom it may concern

RE: authority to obtain information on behalf of [enter consumer name] [enter consumer date of birth] [enter consumer current address and previous addresses where relevant] [enter policy number if known / applicable] as part of the Financial Conduct Authority's British Steel consumer redress scheme

I, [enter consumer name] [enter consumer date of birth], authorise [enter firm name] [enter firm address] to collect information on my behalf about my previous and current pension arrangements to calculate if I am owed any money following the unsuitable advice to transfer my British Steel Pension Scheme pension benefits, as part of the British Steel consumer redress scheme.

I further authorise the Financial Services Compensation Scheme to collect on my behalf any information it may require to perform its statutory functions, including processing my claim as part of the British Steel consumer redress scheme.

Signature:

Date:

Other Losses

[Insert file reference]

I would like *[name of firm]* to consider if I am owed money for other losses.

- [if the firm is in a current advice arrangement with the consumer]* I want to terminate my advice arrangement with *[name of the firm]* with immediate effect to look for a new adviser, and for *[name of firm]* to pay me an extra amount to get advice from a new adviser (this amount will be calculated according to FCA rules).

- Other losses. Please describe the additional losses here and send in supporting documents where you can:**

(You do not have to enter any of the information below if you are not sure)

I feel that the extra money owed to me for these additional losses should be:

Enter amount: £ _____

Date you suffered or will suffer these losses: _____

Name: _____

Signed: _____

Date: _____

Payment into a pension

[Insert file reference]

- I would like *[name of the firm]* to calculate how much of the money they owe me can be paid into my pension.

[Where consumer will be arranging payment into their pension directly with their pension provider or third-party adviser] If you select this option, you should contact your pension provider or adviser as soon as possible to let them know you are planning on paying some money into your pension, and what steps you should take to do so.

- I am NOT interested in having my payment paid into my pension.

Name: _____

Signed: _____

Date: _____

4 Annex Redress calculation, further information request: final reminder 11R

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

FINAL REMINDER – We still need some information from you to calculate whether we owe you money

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [*insert name of introducer firm*] for advice about your British Steel Pension Scheme benefits]

We wrote to you on [*insert date*] to say we need information to help us calculate any money we may owe you for our advice to transfer out of the British Steel Pension Scheme. We have not yet received the information from you.

ACTION YOU NEED TO TAKE

We still need information from you so we can calculate whether we owe you money.

[*If information requested from consumer not received*]

The information we need is listed in the box below. Please send this information to us by [*insert date - 1 month from date of initial letter*]. You can send this information to us by post (return envelope included) or by email: [*insert firm email*].

[*If letter of authority not received*]

So that we can collect this information from other firms on your behalf, please sign the attached 'Letter of Authority' form and return it to us by [*insert date- 1 month from date of initial letter*].

[*If request to calculate augmentation not received*]

If you would like us to, we can also calculate how much money can be paid into your pension to ensure the money is invested for your retirement. If you would like us to do this, please complete and return the attached 'Payment into a pension' form by [*insert date- 14 days from the date of this letter*].

[*If consequential loss notification not received*]

You also need to let us know about any other losses you think we owe you money for.

Please let us know by completing and returning the attached ‘Other Losses’ form by [*insert date - 14 days from the date of this letter*].

If we do not receive this information, this could mean that you end up with less money during your retirement than you should have had.

[*If letter of authority not returned*]

Asking for information from other firms

So that we can collect this information for you from [*insert name of third party the data will be sought from, if known*], please sign the attached ‘Letter of Authority’ form and return it to us by [*insert date - 14 days from the date of this letter*].

If we become insolvent before we can complete our review, the Financial Services Compensation Scheme (FSCS) will step in to assess whether you are due a payment. As such, the attached form also asks you to authorise FSCS to collect information on your behalf, should this become necessary.

Information on how FSCS collects and uses your data can be found here:

<https://www.fscs.org.uk/data-protection-statement/privacy-notice/>.

If we do not receive this information, we might not be able to calculate whether we owe you any money. This could mean that you end up with less money during your retirement than you should have had.

[*If information from the consumer is not returned*]

The information we need from you

Please provide us with the following information by [*insert date*] so we can calculate how much money we may owe you:

[*List information required to calculate lump sum redress set out in CONRED 4 Annex 21*]

If we do not receive this information, we might not be able to calculate whether we owe you any money. This could mean that you end up with less money during your retirement than you should have had.

If you want us to calculate how much of the money we owe you can be paid into your pension, please also provide the following information.

[*List information required to calculate how much redress can be augmented set out in CONRED 4.3.14R(2)*]

If we do not receive this information, we can still calculate how much money we owe you, but we will not be able to calculate the amount you can pay into your pension; we will offer you a lump sum instead.

[*Please note you should delete the information in this box before you send this letter to the consumer. It is to help you prepare the letter.*]

[*Firms should only request the information set out in CONRED 4 Annex 21R 13.30R that is necessary to complete the case review.*]

When you request information from a consumer you should:

- *only make requests for information that are necessary and which the consumer can reasonably be expected to provide;*
- *be sensitive when requesting information about a consumer's personal circumstances;*
- *ensure the consumer understands what information they have been asked to provide and in what format;*
- *only ask for information that is likely to be readily accessible to the consumer (and obtain the consumer's authority to approach third parties for information on their behalf);*
- *allow the consumer at least 14 days to respond; and*
- *make clear why the firm is asking for the information and the consequence if the information is not provided.]*

How you want the money we owe you to get paid

You have a choice in how you receive this payment.

- **You can choose to pay this money into your pension. This ensures the money is invested for your retirement.**

There may be restrictions on whether and how much you can pay into your pension. If you are interested in this option, we can work out how much money you can pay into your pension under current tax regulations. We can do this free of charge, whether you choose to invest in your pension or not. You may have to give us additional information so we can do this. If not all of the money can be paid into your pension, then the balance will still be paid to you as a lump sum.

Pensions are designed to help support you financially in your retirement. Adding this payment to your pension will improve your retirement income. This payment aims to provide you with the extra retirement income you would have been given if you had not transferred out of your BSPS.

- **Alternatively, you can choose to receive it as a lump sum into your bank account.**

If you receive payment as a lump sum, you should get advice on how to invest it. If you do not invest it, you risk losing out on the income the payment is meant to give you during your retirement.

If you are thinking of saving or re-investing the money you may get, MoneyHelper is there to help. Backed by government, it ensures that everyone in the UK can easily access the information they need to make the right financial decisions.

The service is free and impartial, and you can visit the website at www.moneyhelper.org.uk or call 0800 138 7777 for money advice, 0800 011 3797 for pension advice.

You can also contact an FCA-regulated financial adviser to seek advice, but you may have to pay for this service. You may also find the FCA's Scam Smart guidance helpful. If you want us to calculate how much of the money we owe you can be paid into your pension, you need to let us know by completing and returning the attached 'Payment into a pension' form by *[insert date – 14 days from the date of this letter]*.

If we do not receive your completed form, we can still calculate how much money we owe you, but we will not be able to calculate the amount you can pay into your pension, and we will offer you a lump sum instead.

Do you think we owe you money for other losses?

You should also tell us if you have suffered or will suffer any other losses because of our unsuitable advice. These losses could include money you had to pay to get tax advice, or any tax charges you had to pay.

In all cases, any payment calculation will include the original fee charged for the unsuitable advice [if consumer has already switched to a new adviser] the fees you paid to change your adviser, and any other past advice fees paid out of your transferred pension. [Add in only if the transfer advice firm has a current advice arrangement with the firm] If you decide you want to change to a new advice firm, you can terminate your arrangement with us but it is important you tell us in the 'Other Losses' form. This will allow us to add an extra amount to what we may owe you to pay for the new advice. This amount will be calculated according to FCA rules. When looking for a new adviser, check what their ongoing adviser fees are. If we owe you any money, your calculation will only cover fees up to 0.5% of your fund each year. If their fees are more than 0.5% you may end up with less retirement income as a result.

We may need to ask you for more information so we can decide whether we think we owe you more money for these other losses.

If you want us to consider whether we owe you money for other losses, you need to let us know by completing and returning the 'Other Losses' form by *[insert date – 14 days from the date of this letter]*.

If we do not receive your completed form, we can still calculate how much money we owe you, but we will not be able to add any money for other losses.

What should you do now?

[If some information from consumer not returned]

The information we need is listed in the box above. Please send this information to us by *[insert date- 14 days from the date of this letter]*.

[If letter of authority not returned]

We can ask for some of this information from other firms on your behalf, but we need you to agree to this first. If you are happy for us to ask other firms for information we need, you need to complete and return the attached 'Letter of Authority' form by *[insert date- 14 days from the date of this letter]*.

[If augmentation calculation request not returned]

You need to let us know if you want us to calculate how much of the money we owe you can be paid into your pension. Please let us know by completing and returning the attached ‘Payment into a pension’ form by *[insert date- 14 days from the date of this letter]*.

[If consequential loss notification not received]

You also need to let us know about any other losses you think we owe you money for. Please let us know by completing and returning the attached ‘Other Losses’ form by *[insert date- 14 days from the date of this letter]*.

You do not need to use a claims management company as it will not affect our calculation and, if you do, they will charge you for the service.

If you need help with the information we need from you or have any questions about our review, you can phone or email us *[insert contact details]*. We are available between *[insert contact hours]*. By returning the enclosed letter, you consent to us collecting the information on your behalf. You can withdraw this consent at any time by contacting us *[using the same contact details.]*

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

1. Pre-paid envelope

[Only enclose forms not returned]

2. Letter of Authority form

3. Other Losses form

4. Payment into a pension form

LETTER OF AUTHORITY

To whom it may concern

RE: authority to obtain information on behalf of [enter consumer name] [enter consumer date of birth] [enter consumer current address and previous addresses where relevant] [enter policy number if known / applicable] as part of the Financial Conduct Authority's British Steel consumer redress scheme

I, [enter consumer name] [enter consumer date of birth], authorise [enter firm name] [enter firm address] to collect information on my behalf about my previous and current pension arrangements to calculate if I am owed any money following the unsuitable advice to transfer my British Steel Pension Scheme pension benefits, as part of the British Steel consumer redress scheme.

I further authorise the Financial Services Compensation Scheme to collect on my behalf any information it may require to perform its statutory functions, including processing my claim as part of the British Steel consumer redress scheme.

Signature:

Date:

Other Losses

[Insert file reference]

I would like *[name of firm]* to consider if I am owed money for additional losses.

- [if the firm is in a current advice arrangement with the consumer]* I want to terminate my advice arrangement with *[name of the firm]* with immediate effect to look for a new adviser, and for *[name of firm]* to pay me an extra amount to get advice from a new adviser (this amount will be calculated according to FCA rules).
- Other losses. Please describe the additional losses here and send in supporting documents where you can:

(You do not have to enter any of the information below if you are not sure)

I feel that the extra money owed to me for these additional losses should be:

Enter amount : £ _____

Date you suffered or will suffer these losses: _____

Name: _____

Signed: _____

Date: _____

Payment into a pension

[Insert file reference]

- **I would like *[name of firm]* to calculate how much of the money they owe me can be paid into my pension**

[Where consumer will be arranging payment into their pension directly with their pension provider or third-party adviser]

If you select this option, you should contact your pension provider or adviser as soon as possible to let them know you are planning on paying some money into your pension, and what steps you should take to do so.

- **I am NOT interested in having my payment paid into my pension**

Name: _____

Signed: _____

Date: _____

4 Annex 12R Redress determination: Redress calculation – information not provided

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

We are stopping our calculation of any money we may owe you

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [*insert name of introducer firm*] for advice about your British Steel Pension Scheme benefits]

We are not able to complete the calculation of any money we may owe you due to the unsuitable advice we gave you to transfer out of the British Steel Pension Scheme (BSPS). This is because you did not give us the information we asked for in our letters of [*insert dates of initial letter and reminder letter*].

If you are unhappy with our decision, you should contact the Financial Ombudsman Service within 6 months of the date of this letter. We have enclosed a referral form that you can use to refer your complaint on to them.

You can contact the Financial Ombudsman Service by:

- telephone on 0800 023 4567 or 0300 123 9123; or
- email addressed to BSPS@financial-ombudsman.org.uk.

Why we are stopping our calculation of any money we may owe you

We wrote to you on [*insert dates of initial letter and reminder letter*] to tell you that we needed information from you to complete this calculation. We also tried to contact you [*insert details*] without success.

What you can do next

You can still complain to us or take legal action. However, if you do not take action promptly, you may find that the time limit has passed for you to do so.

If you are unhappy with our decision to stop our calculation of any money we may owe you, you should contact the Financial Ombudsman Service within 6 months of the date of this letter. The Financial Ombudsman Service will decide whether we have followed the rules of the consumer redress scheme correctly.

We have enclosed a leaflet explaining the role of the Financial Ombudsman Service, as well as a referral form you can use to refer your complaint on to them. If you decide to complete and send this referral form on to them, they will contact you to set up and look into your complaint. Please inform us if you would like an electronic version of these documents, so that you can email a completed referral form to the Financial Ombudsman Service email address below.

You can find out more information on how the Financial Ombudsman Service can help if you want to complain about our decision at www.financial-ombudsman.org.uk/consumers/complaints-can-help/pensions-annuities/transfers-from-workplace-pensions-and-the-pensions-review/british-steel-pension-scheme.

You can contact the Financial Ombudsman Service by:

- telephone: 0800 023 4567 or 0300 123 9123; or
- email: BSPS@financial-ombudsman.org.uk.

If you still want us to review the advice we gave you, you should make a complaint to us by [*insert details on how to complain*].

You can find out more about the BSPS consumer redress scheme at www.fca.org.uk/bsps. If you want to contact the Financial Conduct Authority (FCA), you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000. If you would like to contact the Financial Ombudsman Service using next generation text relay, please call on (18002) 0207 964 1000.

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

Financial Ombudsman Service leaflet and bespoke referral form

Mailmerge insert to go with FCA letter to consumers where redress calculation could not be conducted due to insufficient information provided. Details in *Italics* to be pre-populated.



[*Customer name*]

[*Address 1*]

[*Address 2*]

[*Postcode*]

[*City*]

[*Email address*]

[*Telephone number*]

Firm Name: [X] (the 'Firm')

Firm Reference Number: [X]

British Steel Pension Scheme Consumer Redress Scheme - Complaint to the Financial Ombudsman Service about Redress calculation - Further Information Required

I have received a letter from my firm saying they are not able to complete the calculation of any money owed on transferring out of my British Steel Pension Scheme because I have not provided further information they requested.

I am unhappy with that decision and would like it to be reviewed by the Financial Ombudsman Service (FOS).

I understand that FOS will contact me to set up my complaint and will request further information. Please tick:

- I confirm the contact details at the top of this letter are correct; or
- The contact details are not correct and I have updated this information below:

Customer name: _____

Address 1: _____

Address 2: _____

Postcode: _____

City: _____

Email address: _____

Telephone number: _____

How would you like FOS to contact you?

Phone

Email

Post

There will be times FOS need to write to you, for example, to send you the outcome of your complaint. When FOS do, would you prefer an email or letter? Email Post

Have you used FOS services before? Yes No

(This is so FOS can link records)

Do you have any practical needs where we could help by making adjustments – like using large print, Braille or a different language?

Please sign to confirm you would like the FOS to contact you to look into your complaint:

Signed:

Date:

Please return this letter to the Financial Ombudsman Service using their Freepost address at:

Freepost BPS REDRESS SCHEME

Financial Ombudsman Service

London

E14 9SR

For information on the Financial Ombudsman Service's privacy notice for consumers on how they use your personal information when you contact them, or bring a complaint to the Financial Ombudsman Service, please visit:

- www.financial-ombudsman.org.uk/privacy-policy

**4 Annex Redress determination: Result of redress calculation
13R**

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

ACTION REQUIRED – Payment for unsuitable advice to transfer out of the British Steel Pension Scheme

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [insert name of introducer firm] for advice about your British Steel Pension Scheme benefits]

[*If not owed money*]

We wrote to you on [*insert date*] to tell you that the advice we gave you to transfer out of the British Steel Pension Scheme (BSPS) was unsuitable. We have now found that we do not owe you money for the advice we gave you to transfer out of the BSPS.

[*If owed money*]

We wrote to you on [*insert date*] to say that we owe you money for the advice we gave you to transfer out of the British Steel Pension Scheme (BSPS) [, and you told us you would like us to calculate how much of this money can be paid into your pension – *delete if not applicable*].

[*If not owed money*]

We have found that we do not owe you money for the advice we gave you to transfer out of the British Steel Pension Scheme (BSPS).

[*If owed money*]

We have calculated the amount we owe you.

[*Where the money is paid as augmentation*]

- If you want to have the money we owe you added to your pension, the total amount that will be added to your pension is £[*insert amount including HMRC relief*]; or

- If you do not want the money we owe you added to your pension, we can pay you a lump sum of £[insert amount].

[Where the money is paid part augmentation part lump sum]

- If you want to have the money we owe you added to your pension, the total amount that will be added to your pension is £[insert amount including HMRC relief], and we will pay you the rest of the money we owe you in a lump sum of £[insert amount]; or

- If you do not want the money we owe you added to your pension, we can pay you all the money we owe you in a lump sum of £[insert amount].

[Where augmentation is not possible]

We have calculated that we cannot add the money we owe you into your pension. So we will pay you the money we owe you in a lump sum of £[insert amount].

[Where consumer did not ask for augmentation or provide the necessary information to calculate this]

We were not able to calculate how much of the money we owe you can be paid into your pension because you [did not ask us for this / asked for this but did not provide us with the information we needed – delete as applicable]. [We wrote to you on [insert dates of initial letter and reminder letter] to tell you that we needed information from you to complete the calculation. We also tried to contact you [insert details] without success – delete if not applicable.]

So, we calculated the money we owe you in a lump sum of £[insert amount].

[If a consequential loss claim was submitted and the information to calculate this was provided]

This amount includes £[insert amount] for the other losses you told us about / does not include any extra money for the losses you told us about because [insert reason].

[If a consequential loss claim was submitted, but the information to calculate this was not provided] You asked us to calculate other losses, but you did not provide us with the information we needed to calculate this. [We wrote to you on [insert dates of initial letter and reminder letter] to tell you that we needed information from you to complete the calculation. We also tried to contact you [insert details] without success – delete if not applicable.] We have therefore been unable to calculate your claim for other losses.

What should you do now?

Look at the calculation report and check that the information about you which we used for the calculation is right. [If owed money] This is to make sure we are offering you the right amount.

Contact us immediately if any information in the calculation report is wrong.

[If the comparator scheme used for the calculation provides lower redress]

Pay close attention to the BSPS scheme we used for your calculation when you check the calculation report to make sure the money we owe you is the right amount.

[Where full or part augmentation possible]

Decide if you want the money we owe you added to your pension or if you prefer to be paid in a lump sum.

[Where consumer arranges payment into their pension]

If you want the money we owe you added to your pension, contact your pension provider or adviser to arrange this.

If you would like to accept this offer, you must sign and return the attached ‘Settlement form’ by *[Insert date – 3 months from date of this letter]*.

[All letters]

If you are unhappy with our decision, you should contact the Financial Ombudsman Service within 6 months of the date of this letter. We have enclosed a referral form that you can use to refer your complaint on to them.

You can contact the Financial Ombudsman Service by telephone on 0800 023 4567 or 0300 123 9123 or by email addressed to BSPS@financial-ombudsman.org.uk.

[If owed money]

The payment aims to put you back in the financial position you would have been in if you had been given suitable advice and stayed in the BPS. that the redress calculation assumes this payment will be invested for your retirement and paid directly into your current pension where possible.

Pensions are designed to help support you financially in your retirement. Adding this payment to your pension will help improve your retirement income. This amount is intended to provide you with the extra retirement income you would have been given if you had stayed in your BPS. If you receive the payment as a lump sum, you should get advice on how to invest it. If you do not invest it, you risk losing out on the income this money is meant to give you during your retirement.

Paying the money we owe you into your pension

[Where the money is paid as augmentation]

If you accept this offer we will arrange to pay £*[insert offer amount]* into your current pension / to send you a cheque for £*[insert offer amount]*, which you should arrange to pay into your current pension with your pension provider or adviser.

Your pension provider will claim £*[insert amount]* tax relief from HMRC, which means the total amount that will be added to your pension is £*[insert amount]*.

If you want to accept our offer to pay the money we owe you into your pension, you must tell us by *[insert day date month year]*. Please *[confirm/sign below/etc.]* by *[insert date]* and we will arrange payment to you.

[Where the money is paid as part augmentation part lump sum]

If you accept this offer we will arrange to pay £*[insert offer amount]* into your current pension / to send you a cheque for £*[insert offer amount]*, which you should arrange to pay

into your current pension with your pension provider or adviser. Please see the attached report for a breakdown of how we have calculated this amount.

Your pension provider will claim £[insert amount] tax relief from HMRC, which means the total amount that will be added to your pension is £[insert amount].

We will also pay you £[insert amount] as a lump sum.

If you want to accept our offer to pay the money we owe you into your pension and the rest of it in a lump sum, you must tell us by [insert day date month year]. Please [confirm/sign below/etc] by [insert date] and we will arrange payment to you.

[Where augmentation is not possible]

We have calculated that we cannot add the money we owe you into your pension. So, we will pay you the money we owe you in a lump sum instead.

[if owed money]

Paying the money we owe you in a lump sum

[Where full or part augmentation offer available]

If you do not want the money we owe you added to your pension, you can choose to receive the money we owe you in a lump sum instead.

[If owed money]

We have calculated that we owe you £[insert redress amount] as a lump sum. [If applicable] We did not calculate how much of the money we owe you can be paid into your pension, because you asked us not to [OR] We were not able to calculate how much of the money we owe you can be paid into your pension, because you did not [ask us for this/provide us with the information – delete as applicable].

[If consumer did not indicate whether they wanted an augmentation calculation]

If you would like us to, we can work out how much money you can pay into your pension under current tax regulations. We can do this free of charge whether you choose to invest in your pension or not. You may have to give us additional information so we can do this. If not all of the money can be paid into your pension, then the balance will be paid to you as a lump sum. If you would like us to do this, please complete and return the attached 'Payment into a pension' form by [insert date – 3 months from the date of this letter].

[If owed money]

If you are thinking of saving or re-investing the money we owe you, MoneyHelper is there to help. Backed by the government, it ensures that everyone in the UK can easily access the information they need to make the right financial decisions.

The service is free and impartial, and you can visit the website at www.moneyhelper.org.uk or call 0800 138 7777 for money advice, 0800 011 3797 for pension advice.

You can also contact an FCA-regulated financial adviser to seek advice, but you may have to pay for this service. You may also find the FCA's Scam Smart guidance helpful. **How did we reach this decision?**

[All letters]

We have calculated this amount with the FCA calculator based on the FCA's rules.

We have enclosed a summary of the information about you that we used to calculate the amount owed to you, and you should carefully check that this information is right [*if owed money*], to make sure we are offering you the right amount. If any of the information is wrong, you should contact us immediately. You can also ask us for a full calculation report, which includes all the information we used to calculate your offer.

[*If the comparator scheme used for the calculation provides lower redress*]

Pay close attention to the BSPS scheme we used for your calculation when you check the calculation report, to make sure the money we owe you is the right amount.

Our information shows that if you had stayed in BSPS, you were likely to have chosen the [*select as appropriate: New BSPS scheme or Old BSPS scheme*] / We did not have any information to show whether you were more likely to choose the Old BSPS scheme or New BSPS scheme if you had stayed in BSPS, so the FCA's rules say that the New BSPS scheme should be used for your calculation.

If the [*select as appropriate: New BSPS scheme / Old BSPS scheme*] had been used instead, we would owe you an extra £[*enter difference between higher paying scheme and lower paying scheme*].

[*If a consequential loss claim was submitted and the necessary information was provided*]

This amount includes £[*insert amount*] for the other losses you told us about [[*add if partially including the amount claimed for*] and we did not pay you the full amount you asked for because [*reason*]] [*OR*] This amount does not include any extra money for the losses you told us about because [*insert reason*].

[All letters]

If you are not happy with the amount we are offering, you can contact the Financial Ombudsman Service or the FCA helpline.

What should you do now?

Look at the calculation report and check that the information about you which we used for the calculation is right. [*If the comparator scheme used for the calculation provides lower redress*] Pay close attention to the BSPS scheme that we used for your calculation. This is to make sure we are offering you the right amount.

[*Where full or part augmentation possible*]

Decide if you want the money we owe you to be added to your pension or, if you prefer, to be paid in a lump sum.

[*Where consumer arranges payment into their pension*]

If you want the money we owe you to be added to your pension, contact your pension provider or adviser to arrange this.

[*If money is owed*]

If you would like to accept this offer, you must sign and return the attached form by *[insert date – 3 months from the date of this letter]*.

[All letters]

If you are unhappy with this outcome, you should contact the Financial Ombudsman Service within 6 months of the date of this letter. The Financial Ombudsman Service will decide whether we have followed the rules of the scheme correctly.

[If owed money]

Help with your decision

If you are not happy with the amount we are offering, you can contact the Financial Ombudsman Service or the FCA helpline. If you are unsure about how to invest any money we owe you, you can contact free guidance services such as MoneyHelper or you can contact an FCA-regulated financial adviser to seek advice. You may also find the FCA's Scam Smart guidance helpful.

Your offer also covers your future investment costs, and this money is there to help reach your retirement goals. *[Only for consumers entitled to initial advice fee]* Your offer also includes £*[insert amount]* for you to get advice from another financial adviser if you want to. This is because *[delete as applicable: you are not currently getting advice, and you may decide you now want advice / your current advice arrangement with us is more expensive than the amount allocated in the money we owe you, and you may want to use another adviser]*. You can find out more about the level of investment costs your payment allows for in your calculation report.

What should you do if you want to accept this offer?

You must accept this offer by *[insert Day Date Month Year – 3 months from date of this letter]*.

If you want to accept this offer, please *[confirm/sign below/etc.]*. We will arrange for you to receive the money we owe you through the method you chose, within 28 days of receiving your acceptance. We will also calculate how the money we owe you would be expected to grow in the period between the date it was calculated and the date you receive it. This amount will be added to your payment.

You do not have to accept this offer, but if you want to, you must respond by *[insert date – 3 months from date of this letter]*, unless there are exceptional circumstances.

If we do not pay or contact you within 28 days of receiving your acceptance, you can contact the FCA using the details below.

[Optional wording]

If you accept this payment, it will be in full and final settlement of all claims against *[me/us/name of firm which provided the advice]* for the advice given by *[me/us/it]* to you to invest in the above-named fund.

[All letters]

If you are unhappy with this outcome, you should contact the Financial Ombudsman Service

within 6 months of the date of this letter. The Financial Ombudsman Service will decide whether we have followed the rules of the scheme correctly.

We have enclosed a leaflet explaining the role of the Financial Ombudsman Service, as well as a referral form you can use to refer your complaint on to them. If you decide to complete and send this referral form on to them, they will contact you to set up and look into your complaint. Please inform us if you would like an electronic version of these documents, so that you can email a completed referral form to the Financial Ombudsman Service email address below.

You can find out more information on how the Financial Ombudsman Service can help if you want to complain about the result of our calculation at www.financial-ombudsman.org.uk/consumers/complaints-can-help/pensions-annuities/transfers-from-workplace-pensions-and-the-pensions-review/british-steel-pension-scheme.

You can contact the Financial Ombudsman Service by:

- telephone: 0800 023 4567 or 0300 123 9123; or
- email: BSPS@financial-ombudsman.org.uk.

You can find out more about the BSPS consumer redress scheme at www.fca.org.uk/bsps. If you want to contact the FCA you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000. If you would like to contact the Financial Ombudsman Service using next generation text relay, please call on (18002) 0207 964 1000.

If you have any questions about the offer or this letter, you can phone or email us [*insert contact details*]. We are available between [*insert contact hours*].

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures as applicable:

1. Settlement form
2. Payment into a pension form
3. Summary calculator report
4. Pre-paid envelope
5. FAQs
6. Financial Ombudsman Service leaflet and bespoke referral form

Settlement form

[Insert firm file reference for the offer]

Method of payment

[I/We] have enclosed 2 copies of this settlement form.

If you would like to accept this offer:

- 1) Tick the box next to your preferred payment method on 1 copy of the letter;
- 2) Complete any required fields;
- 3) Sign and print your name; and
- 4) Send the completed letter to [me/us] by [date].
- 5) Keep your letter and 1 copy of the settlement form for your records. On the settlement form you keep, you should mark which choice you selected.

CONFIRMATION OF ACCEPTANCE OF OFFER AND PAYMENT METHOD

In accepting this offer of payment and indicating my preferred method of payment, I am communicating a demand for payment and/or assertion of a right to payment from you and/or making a complaint to you.

[If method of payment is augmentation]

I would like:

£*[insert amount]* to be paid into my current pension by *[name of the firm]*.

Or:

£*[insert amount]* to be paid to me as a lump sum, and I will arrange payment into my pension with my adviser or pension provider.

Or:

£*[insert amount]* to be paid to me as a lump sum, and I do NOT want the payment to be added to my pension.

[Where method of payment is part augmentation, part lump sum]

I would like:

- £[insert amount] to be paid into my current pension by [name of firm] and £[insert amount] to be paid to me as a lump sum.

Or:

- £[insert amount] to be paid to me as a lump sum, and I will arrange payment into my pension with my adviser or pension provider.

Or:

- £[insert amount] to be paid to me as a lump sum, and I do NOT want the payment to be added to my pension.

[Where offer on a lump sum basis only]

- £[insert amount] to be paid as a lump sum.

[All letters]

Where money is paid to me, I would like to receive the payment:

- By cheque
- By payment into bank account

Sort code: _____ Account number: _____

Print name: _____

Signed:

Payment into a pension

[Insert file reference]

- **I would like *[name of firm]* to calculate how much of the money they owe me can be paid into my pension**

[Where consumer will be arranging payment into their pension directly with their pension provider or third-party adviser]

If you select this option, you should contact your pension provider or adviser as soon as possible to let them know you are planning on paying some money into your pension, and what steps you should take to do so.

- **I am NOT interested in having my payment paid into my pension**

Name: _____

Signed: _____

Date: _____

FAQs

1. What is redress for unsuitable DB pension transfer advice and what should I do with my payment?

We must provide a payment if we gave you unsuitable advice to transfer out of your defined benefit (DB) or ‘final salary’ pension scheme and you have lost out as a result. The payment aims to put you back in the financial position you would have been in if we had given you suitable advice and you had stayed in your DB scheme.

You should invest the payment in a personal pension – usually the one that you moved your DB pension funds into when you transferred out. The aim is that the topped-up pension grows to an amount that allows you to buy an annuity which provides a guaranteed income when you retire. The aim is that this income will be similar to what you would have received from your original DB scheme on retirement.

The FCA calculation rules expect your payment to grow to the amount you will need if it is invested prudently, and if the amount you pay for your investment costs are covered by your payment. The information about the investment growth and investment costs is included in your calculation report. You can use this information to decide how to invest your payment or check with your adviser or pension provider.

You do not have to buy an annuity, but it is the best way to get a guaranteed lifetime income, similar to the benefits from your DB scheme. So this is what the redress calculation assumes you will do.

2. How do I accept the offer?

If you would like to accept the offer, please sign and return the attached form by the date given in the letter.

3. Can I negotiate the offer?

No. The offer is not negotiable. We have calculated the amount based on FCA rules and guidance.

4. Do I have to accept the offer?

No. You do not have to accept the offer if you do not want to do so. If you have any questions about the offer, you can contact us.

5. How did you calculate the amount of money I am owed?

We have to use the FCA’s method of calculation. This explains how we should carry out the calculation fairly. We have to use various assumptions about things like future inflation and investment returns to estimate:

- in retirement, how much money you would have been given each year from your DB pension
- on retirement, what it would cost to buy an annuity that provides a guaranteed income similar to what you would have been given from your DB pension

- what that annuity would cost in today's money. If the cost of the annuity today is greater than the current value of your personal pension, then we will make up the difference.

6. Why does the payment I receive depend on when the calculation is carried out?

The payment you receive depends on when the calculation is done and your own individual circumstances. Comparing payments – even with those who appear to be in a similar position – will not tell you whether the offer you have been given is fair.

The method of calculation aims to work out how much money we should pay so that you have enough when you come to buy an annuity on retirement. This should provide a guaranteed income similar to what you would have been given from your DB scheme.

The amount you will need to buy this annuity on retirement will depend on the economic situation until that time. As such, the methodology uses up-to-date, publicly available information from formal sources (including the Bank of England) about what financial markets think will happen in the future. These expectations tend to change when economic conditions change, so redress calculations done at different times can result in different payments.

For example, people may be receiving lower redress payments than if their redress was calculated at a different time. One main cause may be annuities becoming cheaper (and are expected to remain so) because of changes in the economy, such as rising interest rates. If annuities are estimated to be cheaper in the future, you will likely need less money now to buy one when you retire. But if annuities were estimated to be more expensive in the future, then you would need more money to buy one when you retire.

The calculation also takes account of your individual circumstances, which may be different to others. Things that can make a major difference to the calculation include your age, length of service (or date you joined your DB scheme) and what your personal pension is worth when we calculate your offer.

7. Should I delay accepting the offer because of changes in the economy?

The methods for calculation take into account economic changes – see question 6.

You should not wait to accept your offer just because of the changes in the economy.

8. What should I do if I think that the offer is incorrect?

If you have any questions about how we have calculated the offer, you can contact us. If you are unhappy with the offer, you can refer the matter to the Financial Ombudsman Service, who will consider whether we followed the scheme rules when we calculated the offer. If you want to refer the matter to the Financial Ombudsman Service, you must do so within 6 months of the date of the original offer letter.

9. What should I do if I think that the information used to calculate the offer is wrong?

If you think the information we have used to carry out the calculation is wrong, please contact us. If you are unhappy with the offer, you can refer the matter to the Financial Ombudsman Service, who will consider whether we have followed the scheme rules when we calculated the offer. If you want to refer the matter to the Financial Ombudsman Service, you must do so within 6 months of the date of the original offer letter.

10. If I am unhappy with the offer, can I take legal action or refer my case to the Financial Ombudsman Service?

If you are unhappy with the offer, you can refer the matter to the Financial Ombudsman Service, who will consider whether we have followed the scheme rules when we calculated the offer. If you want to refer the matter to the Financial Ombudsman Service, you must do so within 6 months of the date of the original offer letter.

11. What impact will accepting the offer have on my personal tax allowance or tax liabilities?

Your payment has been calculated with the information you provided so that you should not incur any tax charges. If you are unsure how accepting the offer may affect your tax position, including whether getting your payment as a cash lump sum may create an unauthorised payment or unauthorised payment charges, you may want to contact HMRC.

12. Who can I contact if I am not sure how I would like the payment to be paid?

If you are thinking of saving or re-investing the money you may get, MoneyHelper is there to help. Backed by government, it ensures that everyone in the UK can easily access the information they need to make the right financial decisions.

The service is free and impartial, and you can visit the website at www.moneyhelper.org.uk or call 0800 138 7777 for money advice, 0800 011 3797 for pension advice.

You can also contact an FCA-regulated financial adviser to seek advice, but you may have to pay for this service. You may also find the FCA's Scam Smart guidance helpful.

Mailmerge insert to go with FCA letter to consumers where redress calculation concludes no redress/redress amount is not what the consumer expected. Details in *Italics* to be pre-populated.



[Customer name]

[Address 1]

[Address 2]

[Postcode]

[City]

[Email address]

[Telephone number]

Firm Name: [X] (the 'Firm')

Firm Reference Number: [X]

British Steel Pension Scheme Consumer Redress Scheme - Complaint to the Financial Ombudsman Service about Redress Calculation

I have received a letter from my firm saying that the advice I received to transfer out of my British Steel Pension Scheme was unsuitable, but I am not owed any money.

(OR (delete as applicable))

I have received a letter from my firm saying that the advice I received to transfer out of my British Steel Pension Scheme was unsuitable and that I am owed money, but I am not happy with the amount they are offering.

(OR (delete as applicable))

I have received a letter from my firm saying they are calculating the money owed to me on transferring out of my British Steel Pension Scheme, but they are not able to calculate how much of that amount I can pay into my pension and/or have not included any amount for other losses I claimed. This is because they say I have not provided further information they requested.

I would like my firm's assessment to be reviewed by the Financial Ombudsman Service (FOS).

I understand that FOS will contact me to set up my complaint and will request further information. Please tick:

- I confirm the contact details at the top of this letter are correct; or
- The contact details are not correct and I have updated this information below:

Customer name: _____

Address 1: _____

Address 2: _____

Postcode: _____

City: _____

Email address: _____

Telephone number: _____

How would you like FOS to contact you? Phone Email Post

There will be times FOS need to write to you, for example, to send you the outcome of your complaint. When FOS do, would you prefer an email or letter? Email Post

Have you used FOS services before? Yes No
(This is so FOS can link records)

Do you have any practical needs where we could help by making adjustments – like using large print, Braille or a different language?

Please sign to confirm you would like the FOS to contact you to look into your complaint:

Signed:

Date:

Please return this letter to the Financial Ombudsman Service using their Freepost address at:

Freepost BPS REDRESS SCHEME

Financial Ombudsman Service

London

E14 9SR

For information on the Financial Ombudsman Service's privacy notice for consumers on how they use your personal information when you contact them, or bring a complaint to the Financial Ombudsman Service, please visit:

- www.financial-ombudsman.org.uk/privacy-policy

**4 Annex Request for detailed calculation report
14R**

*[Editor's note: The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]*

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus I ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

Detailed calculation report

Dear *[Insert name]*,

[If applicable: You were introduced to our firm by *[insert name of introducer firm]* for advice about your British Steel Pension Scheme benefits]

We have enclosed the detailed calculation report which shows all the information about you that we used to calculate the money we owe you.

Check that the information about you which we used for the calculation is right. This is to make sure we are offering you the right amount.

[If the comparator scheme used for the calculation provides lower redress]

Pay close attention to the British Steel Pension Scheme (BSPS) scheme we used for your calculation when you check the calculation report, to make sure the money we owe you is the right amount.

If the *[select as appropriate: New BSPS scheme / Old BSPS scheme]* had been used instead, we would owe you an extra £*[enter difference between higher paying scheme and lower paying scheme]*.

Contact us immediately if the information in the calculation report is wrong.

We wrote to you on *[insert date]* to say that we owe you money for the advice we gave you to transfer out of the BSPS, and you told us you would like us to send you a detailed calculation report.

We have enclosed a detailed report which shows all the information about you that we used to calculate your compensation. **Please carefully check that this information is right, to make sure we are offering you the right amount.** If any of the information is wrong, you should contact us immediately.

[If the comparator scheme used for the calculation provides lower redress]

Pay close attention to the BSPS scheme we used for your calculation when you check the calculation report, to make sure the money we owe you is the right amount.

Our information shows that if you had stayed in BPS, you were likely to have chosen the [select as appropriate: New BPS scheme or Old BPS scheme] / We did not have any information to show whether you were more likely to choose the Old BPS Scheme or New BPS scheme if you had stayed in BPS, so the Financial Conduct Authority (FCA)'s rules say that the New BPS scheme should be used for your calculation.

If the [select as appropriate: New BPS scheme / Old BPS scheme] had been used instead, we would owe you an extra £[enter difference between higher paying scheme and lower paying scheme].

If you are not happy with the amount we are offering about, you can contact the Financial Ombudsman Service or the FCA helpline.

If you have any questions about the offer or this letter, you can phone or email us [*insert contact details*]. We are available between [*insert contact hours*].

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

Detailed calculation report

4 Annex Payment confirmation 15R

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

Payment for unsuitable advice to transfer out of the British Steel Pension Scheme

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [*insert name of introducer firm*] for advice about your British Steel Pension Scheme benefits]

Thank you for confirming how you would like to receive payment.

We have added £[*insert amount*] to the amount we offered you, to cover how the money we owe you would have been expected to grow in the period between the date it was calculated and the date you receive it, if it had been invested in the way assumed within the redress calculation.

[*If the money is augmentation*]

[*Select as applicable*] We have arranged to pay £[*insert amount*] into your current pension / We have enclosed a cheque for £[*insert amount*] / We have paid £[*insert amount*] into your bank account using the details you provided. [*If applicable: You should contact your current pension provider or financial adviser and arrange to pay this amount into your current pension.*]

This amount is broken down as follows:

- £[*insert amount*] payment amount
- Your pension provider will claim £[*insert amount*] tax relief from HMRC, which means the total amount that will be added to your pension is £[*insert amount*]
- £[*insert amount*] added

[*If the money is part augmentation part lump sum*]

The rest of the money is intended to provide you with the retirement income you would have been given if you had stayed in your British Steel Pension Scheme. You should get advice on how to invest it. Pensions are designed to help support you financially in your retirement.

Investing your payment will help improve your retirement income. If you do not invest it, you risk losing out on the extra retirement income your payment is meant to provide.

The total amount is broken down as follows:

- £[insert amount] payment amount
- Your pension provider will claim £[insert amount] tax relief from HMRC, which means the total amount that will be added to your pension is £[insert amount]
- £[insert amount] added

[If the money is paid as a lump sum]

We have enclosed a cheque for £[insert amount] / We have paid £[insert amount] into your bank account using the details you provided. Pensions are designed to help support you financially in your retirement. This could be for a long period of time, so it is important that your pension fund lasts as long as possible. This amount is intended to provide you with the retirement income you would have been given if you had stayed in your British Steel Pension Scheme. You should get advice on how to invest it. If you do not invest it, you risk losing out on the retirement income your payment is meant to provide.

The total amount is broken down as follows:

- £[insert amount] payment amount
- £[insert amount] added

[All letters]

We also enclose a calculation report with full details of the information we used to calculate the money we owe you, for you to keep for your records.

If you have any questions about this letter, you can phone or email us [insert contact details]. We are available between [insert contact hours].

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

Detailed calculator report

**4 Annex Final reminder to accept offer
16R**

*[Editor's note: The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]*

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

FINAL REMINDER – Payment for unsuitable advice to transfer out of the British Steel Pension Scheme

Dear *[Insert name]*,

[If applicable: You were introduced to our firm by *[insert name of introducer firm]* for advice about your British Steel Pension Scheme benefits]

We owe you money.

[Where augmentation is possible]

We have calculated that the money we owe you can be added to your pension for a total amount of £*[insert amount including HMRC relief]* *[where part augmentation, part lump sum offer]*, and the rest can be paid to you in a lump sum of £*[insert amount]*.

Or, if you do not want the money we owe you added to your pension, we can pay you a lump sum of £*[insert amount]*.

[Where lump sum offer only]

We have calculated that we owe you £*[insert amount]*.

If you would like to accept our offer, you must sign and return the attached 'Settlement Form' by *[insert date of initial offer]*.

If we do not receive an acceptance from you, we cannot arrange to pay the money. This could mean that you end up with less money during your retirement than you should have had.

If we do not hear from you by [*insert offer deadline*], you can still complain to us or take legal action. However, if you do not take action promptly, you may find that the time limit has passed for you to do so.

If you are unhappy with our offer, you should contact the Financial Ombudsman Service within 6 months of the date of our original payment offer – [*insert date of initial offer letter*]. We have enclosed a referral form that you can use to refer your complaint on to them.

You can contact the Financial Ombudsman Service by telephone on 0800 023 4567 or 0300 123 9123 or by email addressed to BSPS@financial-ombudsman.org.uk.

We wrote to you on [*insert date*] to tell you that we owe you money for the advice we gave you to transfer out of the British Steel Pension Scheme (BSPS), and we made you a payment offer. We have enclosed 2 copies of this letter.

If you want to accept this offer, please follow the instructions in our letter dated [*insert date of initial offer letter*]. Once we receive your acceptance, we will arrange for the payment through the method you chose within 28 days of receiving your acceptance. We will also calculate and add interest to the amount, to cover the period between the date it was calculated and the date you receive it.

If you do not accept this offer, you may end up with less money in your retirement than you should have had.

If you were not able to accept our offer because of personal circumstances such as bereavement or incapacity, you need to let us know and we will consider whether we can give you more time to accept the offer.

You do not need to use a claims management company and, if you do, they will charge you for the service.

If you are unhappy with our offer, you should contact the Financial Ombudsman Service within 6 months of the date of our original payment offer [*insert date of initial offer letter*]. The Financial Ombudsman Service will decide whether we have followed the rules of the scheme correctly.

We have enclosed a leaflet explaining the role of the Financial Ombudsman Service, as well as a referral form you can use to refer your complaint on to them. If you decide to complete and send this referral form on to them, they will contact you to set up and look into your complaint. Please inform us if you would like an electronic version of these documents, so that you can email a completed referral form to the Financial Ombudsman Service email address below.

You can find out more information on how the Financial Ombudsman Service can help if you want to complain about our payment offer at www.financial-ombudsman.org.uk/consumers/complaints-can-help/pensions-annuities/transfers-from-workplace-pensions-and-the-pensions-review/british-steel-pension-scheme.

You can contact the Financial Ombudsman Service by:

- telephone: 0800 023 4567 or 0300 123 9123; or
- email: BSPS@financial-ombudsman.org.uk.

You can find out more about the BSPS consumer redress scheme at www.fca.org.uk/bsps. If you want to contact the Financial Conduct Authority (FCA), you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000. If you would like to contact the Financial Ombudsman Service using next generation text relay, please call on (18002) 0207 964 1000.

If you have any questions about the offer or this letter, you can phone or email us [*insert contact details*]. We are available between [*insert contact hours*].

Yours sincerely,

<signature>

<name of adviser or customer service>

Enclosures:

1. Copy of redress determination at 13R with enclosures

4 Annex Redress Determination: payment acceptance not provided 17R

[*Editor's note:* The letter(s) can be found at this address:
[https://www.handbook.fca.org.uk/form\[xxx\].](https://www.handbook.fca.org.uk/form[xxx].)]

[Please delete or amend any drafting instructions in italics before sending]

Rydym yn hapus i ddarparu copi o'r llythyr hwn yn y Gymraeg ar gais. Cysylltwch gyda ni ar cymraeg@fca.org.uk ac fe wnawn anfon copi atoch.

[Firm details]

[Date]

[Consumer details]

British Steel consumer redress scheme

We are not able to pay you the money we owe you

Dear [*Insert name*],

[If applicable: You were introduced to our firm by [*insert name of introducer firm*] for advice about your British Steel Pension Scheme benefits]

We are not able to pay you the money we owe you. This is because you did not accept our payment offer in our letters of [*insert dates of initial letter and reminder letter*].

If you are unhappy with this outcome, you should contact the Financial Ombudsman Service within 6 months of the date of our original payment offer [*insert date of initial offer letter*]. We have enclosed a referral form that you can use to refer your complaint on to them.

You can contact the Financial Ombudsman Service by:

- telephone on 0800 023 4567 or 0300 123 9123; or
- email addressed to BSPS@financial-ombudsman.org.uk

Why we are not able to pay you the money we owe you

We wrote to you on [*insert dates of initial letter and reminder letter*] to ask you how you would like us to pay you the money we owe you. We also tried to contact you [*insert details*] without success.

What you can do next

This letter does not affect your ability to complain to us or to take legal action. However, if you do not take action promptly, you may find that the time limit has passed for you do so.

If you are unhappy with this outcome, you can contact the Financial Ombudsman Service within 6 months of the date of our original payment offer [*insert date of initial offer letter*]. The Financial Ombudsman Service will decide whether we have followed the rules of the consumer redress scheme correctly.

We have enclosed a leaflet explaining the role of the Financial Ombudsman Service, as well as a referral form you can use to refer your complaint on to them. If you decide to complete and send this referral form on to them, they will contact you to set up and look into your complaint. Please inform us if you would like an electronic version of these documents, so that you can email a completed referral form to the Financial Ombudsman Service email address below.

You can find out more information on how the Financial Ombudsman Service can help if you want to complain about our payment offer at www.financial-ombudsman.org.uk/consumers/complaints-can-help/pensions-annuities/transfers-from-workplace-pensions-and-the-pensions-review/british-steel-pension-scheme.

You can contact the Financial Ombudsman Service by:

- telephone: 0800 023 4567 or 0300 123 9123; or
- email: BSPS@financial-ombudsman.org.uk.

If you still want us to review the advice we gave you, you should make a complaint to us by [*insert details on how to complain*].

You can find out more about the consumer redress scheme at www.fca.org.uk/bsps. If you want to contact the Financial Conduct Authority (FCA), you can:

- call its Consumer Helpline on 0800 098 4100; or
- email consumer.enquiries@fca.org.uk.

If you would like to contact the FCA using next generation text relay, please call on (18001) 0207 066 1000. If you would like to contact the Financial Ombudsman Service using next generation text relay, please call on (18002) 0207 964 1000.

Yours sincerely,

<signature>

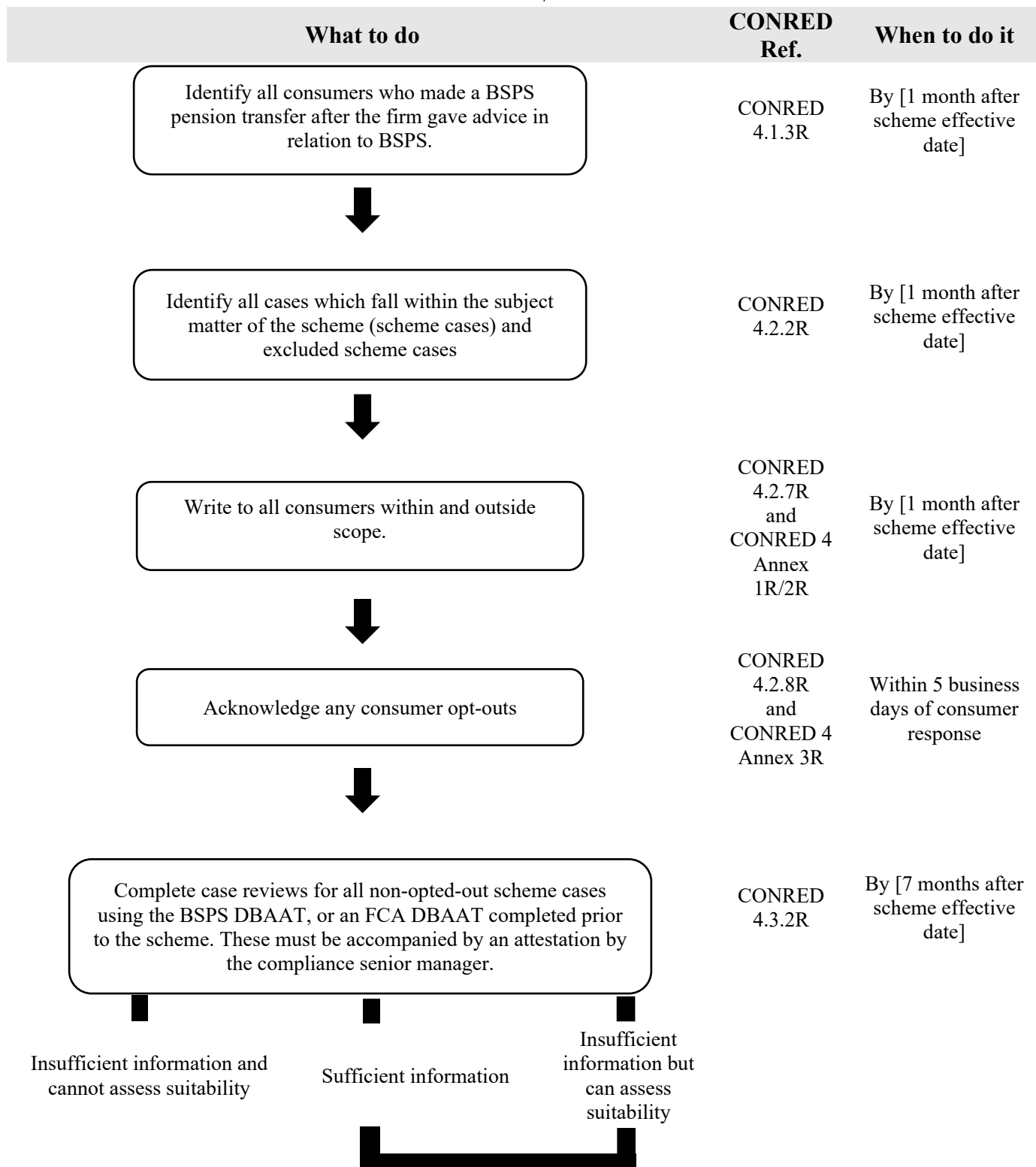
<name of adviser or customer service>

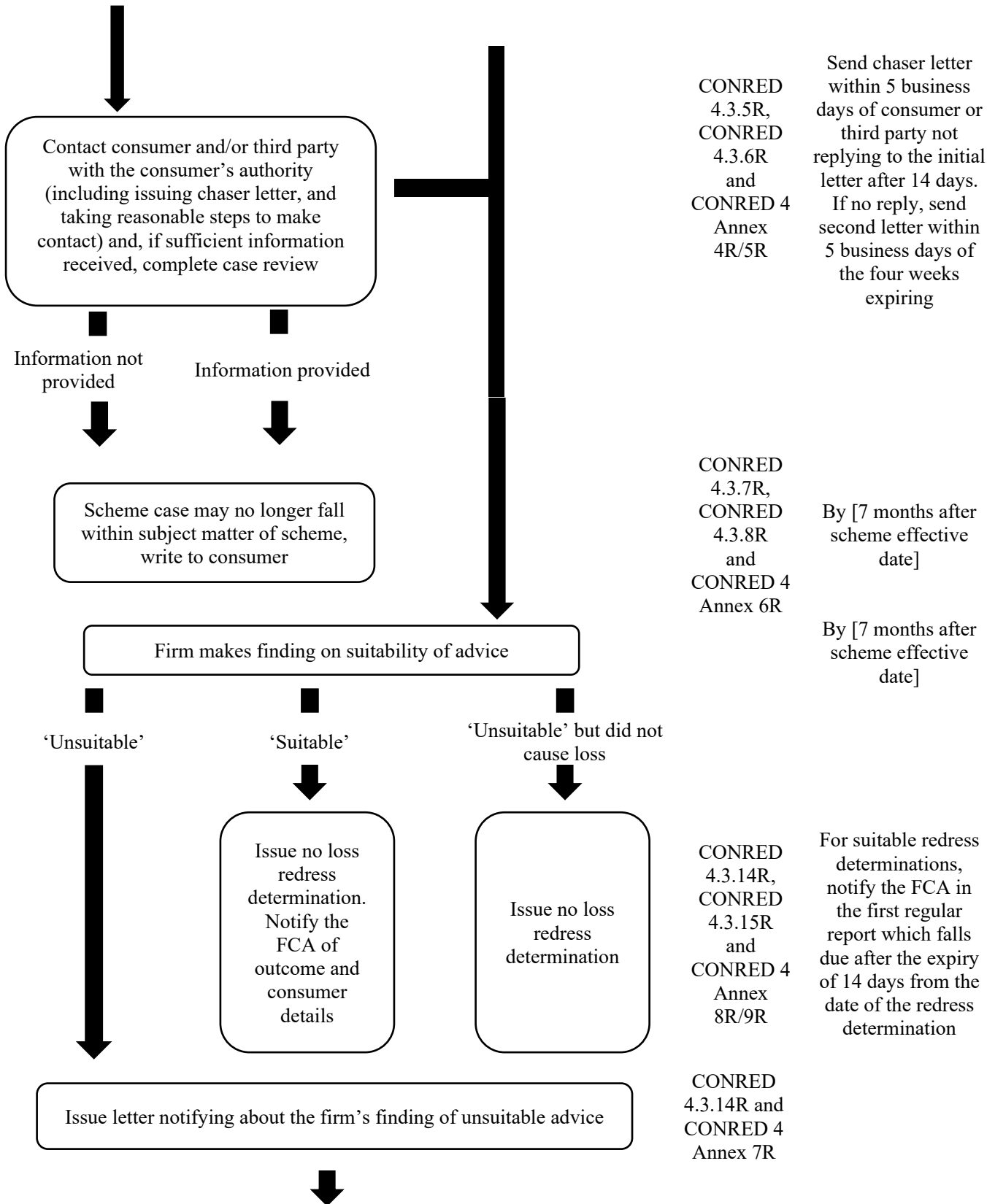
Enclosures:

Financial Ombudsman Service leaflet and bespoke referral form attached to initial offer letter

**4 Annex Summary of scheme flow diagram [CONRED 4.1.11R]
18G**

Summary of redress scheme steps





Contact consumer and/or third party with the consumer's authority (including issuing chaser letter, and taking reasonable steps to make contact) and, if sufficient information received, complete redress calculation. If consumer requests augmentation, issue a further letter and, if necessary a chaser letter, to third parties to seek necessary information.

CONRED 4.3.14R, CONRED 4.4.14R and CONRED 4 Annex 10R/11R

Send initial letter requesting information at the same time as sending the redress determination (or when authority is received to write to a third party)

Send chaser letter within 5 business days of the consumer or third party not replying to initial letter after 14 days.

Information not provided to calculate redress

Information provided with or without request to augment and/or consider other losses

Scheme case may no longer fall within subject matter of scheme, write to consumer

CONRED 4.4.18R, CONRED 4.4.19R, CONRED 4.4.20R and CONRED 4 Annex 12R

By [10 months after scheme effective date] or By [12 months after scheme effective date] where augmentation offer requested and/or a claim for other losses

Calculate lump sum redress (and, where requested by the consumer and enough information is provided on each, augmentation and/or other losses) that may be owed to consumer

CONRED 4.4.2R

No redress due

Redress due

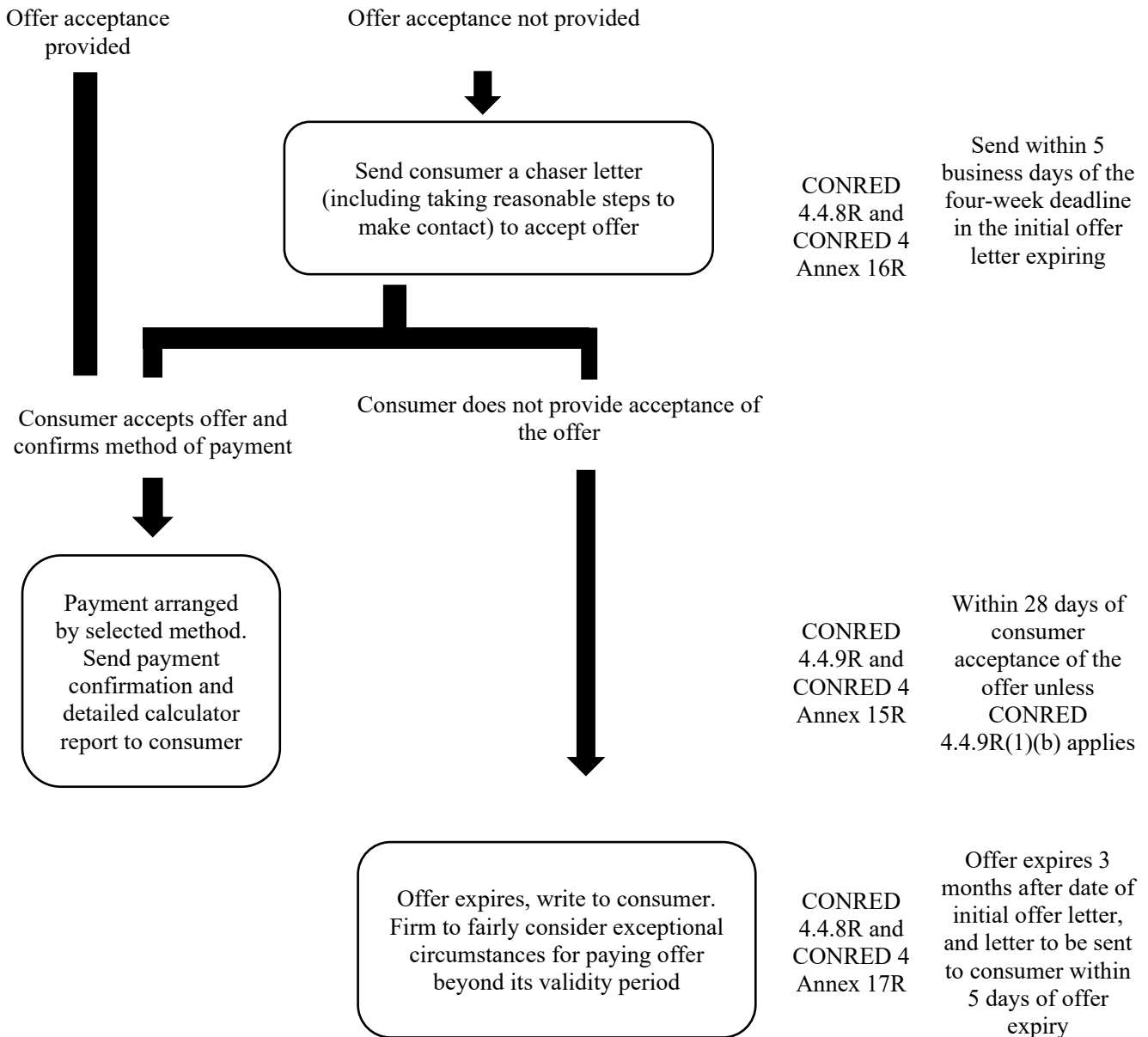
Issue no loss redress determination

Issue redress determination to consumer. Ask consumer to check summary calculation report and accept offer confirming method of payment (if consumer requests full calculation report send it within 5 days of the request)

CONRED 4.4.2R, CONRED 4.4.5R, CONRED 4.4.6R CONRED 4.4.7R, and CONRED 4 Annex 13R/14R

By [10 months after scheme effective date] or

By [12 months after scheme effective date], where augmentation offer requested and/or a claim for other losses



**4 Annex Form of Attestation for use of FCA DBAAT
19R**

I [name] of [firm] attest on [date] that:

(1)	I have read the BSPS Consumer Redress Scheme <i>rules</i> in <i>CONRED</i> 4 and in particular the BSPS DBAAT instructions at <i>CONRED</i> 4 Annex 21R;
(2)	I am approved to perform the SMF16 (Compliance oversight) <i>FCA controlled function</i> for the <i>firm</i> or [another appropriate <i>senior management function</i>] within the <i>firm</i> ;
(3)	I have reviewed the completed FCA DBAAT in light of the <i>rules</i> for the BSPS DBAAT referred to in (1);
(4)	where applicable, the completed FCA DBAAT has been amended as a consequence of applying the rules referred to in (1);
(5)	where the FCA DBAAT information section rating was ‘non-compliant – unclear’ or ‘non-compliant – proceed to suitability assessment’, the <i>firm</i> has taken the steps in <i>CONRED</i> 4.3.5R and has assessed the case in accordance with the <i>rules</i> , <i>evidential provisions</i> and <i>guidance</i> in <i>CONRED</i> 4.3.2R to <i>CONRED</i> 4.3.4R, <i>CONRED</i> 4.4.12G and <i>CONRED</i> 4.3.13G (or took equivalent steps previously); and
(6)	in my view, the <i>firm</i> would have come to the same conclusion (that the advice was suitable, unsuitable or a rating of ‘not-compliant – unclear’ (as applicable)) if it had used the BSPS DBAAT.

Signed:

4 Annex B **SPS DBAAT**
20R

BSPS DBAAT

Information assessment

Case details

Consumer identifier

Review details

Reviewer
 Date of review

QA Completed?	
QA Specialist (Name)	
Date of QA review	
Causation QA required?	
QA Causation (Name)	
Date of causation review	

Full advice details

Date of advice	
Date of last KYC at time of advice	
Recommendation	
Did the client transfer?	
Firm recommended proposed arrangement?	
Was the client treated as insistent?	
Initial advice charge basis	
Initial advice charge (£)	
Initial advice charge (%)	
Ongoing advice charge (£)	
Ongoing advice charge (%)	

Additional comments

Firm details

Firm / Network name		
FRN		FCA Register
AR (if different)		
Advice Status		

Adviser details

Adviser name		
Adviser reference (IRN)		FCA Register
Was the adviser a PTS?		
(If no above), name of PTS		

Client referrals

Client referred from third party firm?		
Third party is regulated/unregulated?		
Third party firm name		
Third party firm FRN		FCA Register
Third party adviser name		
Third party adviser reference (IRN)		

Has the firm obtained the necessary information to provide advice?

	Reviewer	QA
1 Has the firm obtained the essential facts about the consumer?		

Was the advice on a single or joint life basis?

Surname		Surname	
---------	--	---------	--

First name		Y	First name		Y
Date of birth (Age at time of earliest advice)			Date of birth (Age at time of advice)		
Marital status			Marital status		
Employment status			Employment status		
Current tax rate			Current tax rate		
UK Resident			UK Resident		
Health status			Health status		
Notes on health (if not good)			Notes on health (if not good)		
Notes on any dependents			Notes on any dependents		
Is the client considered vulnerable?			Is the client considered vulnerable?		
Notes on vulnerability			Notes on vulnerability		
Additional comments					

2	Has the firm obtained the necessary information regarding the consumer's objectives?	Reviewer	QA

Has the adviser prioritised objectives?

	Objective	Amount wanted (where relevant)	Date needed (where relevant)
Priority 1 objective			
Priority 2 objective			
Priority 3 objective			
Priority 4 objective			
Priority 5 objective			

Additional comments

3	Has the firm obtained the necessary information regarding the consumer's preferences regarding risk taking and their risk profile?	Reviewer	QA

Firm's description of client's attitude to investment risk (tolerance).	
Firm's description of the client's attitude to the risks associated with a pension transfer, including the loss of safeguarded benefits;	
Did the firm use a tool to help assess?	
Name of tool	

Additional comments

Firm's description of client's ability to take investment risk (capacity).	
Firm's description of the client's capacity for loss of safeguarded benefits;	

Did the firm use a tool to help assess?	
Name of tool	
Additional comments	

	Reviewer	QA
4 Has the firm obtained the necessary information regarding the consumer's knowledge & experience?		

The types of service, transaction and investments with which the consumer is familiar.	
The nature, volume and frequency of the consumer's transactions in investments and the period over which they have been carried out.	
The level of education, profession or relevant former profession of the consumer.	
Additional comments	

	Reviewer	QA
5 Has the firm obtained the necessary information regarding the consumer's estimated expenditure?		

Has the adviser captured detail on the client's expenditure plans in retirement?	
Current regular expenditure	Retirement regular expenditure
Captured monthly or annually?	Captured monthly or annually?
Basic cost of living (p.m)	Basic cost of living (p.m)
Lifestyle expenditure (p.m)	Lifestyle expenditure (p.m)
TOTAL non-discretionary expenditure (p.m)	TOTAL non-discretionary expenditure (p.m)
£0.00	£0.00
Discretionary / savings (p.m)	Discretionary / savings (p.m)
Basic cost of living (p.a)	Basic cost of living (p.a)
Lifestyle expenditure (p.a)	Lifestyle expenditure (p.a)
TOTAL non-discretionary expenditure (p.a)	TOTAL non-discretionary expenditure (p.a)
£0.00	£0.00
Discretionary / savings (p.a)	Discretionary / savings (p.a)
Additional comments	

	Reviewer	QA
6 Has the firm obtained the necessary information regarding the consumer's financial situation?		

Current income (client)

Salary (p.a)	
Investment/dividend/property income (p.a)	
Pensions income (p.a)	
Other income (p.a)	
TOTAL	£0.00
Additional comments	

Current income (spouse/partner)

Salary (p.a)	
Investment/dividend/property income (p.a)	
Pensions income (p.a)	
Other income (p.a)	
TOTAL	£0.00
Additional comments	

Income sources in retirement excluding this pension (client)

Forecast state pension (p.a)	
State pension date	
State pension forecast or inferred?	
Secured pension income (p.a.)	
TOTAL	£0.00
Additional comments	

Income sources in retirement (spouse/partner)

Forecast state pension (p.a)	
State pension date	
State pension forecast or inferred?	
Secured pension income (p.a.)	
TOTAL	£0.00
Additional comments	

Gross income from non-pension assets (p.a)	
Additional comments	

Gross income from non-pension assets (p.a)	
Additional comments	

Other assets

Other DC pensions (TV)	
Investments (FV)	
Cash assets	
Property (ex main residence)	
Predicted future inheritance	
Other assets	
Additional comments	

Other assets (spouse/partner)

Other DC pensions (TV)	
Investments (FV)	
Cash assets	
Property (ex main residence)	
Predicted future inheritance	
Other assets	
Additional comments	

Liabilities

Outstanding mortgage		Y
Date of final payment (client age)		
Type of mortgage		
Other secured debt		
Unsecured debts		
Will this pension be used to repay any of this debt?		
Additional comments		

Reviewer	QA
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7 Has the firm obtained the necessary information about the consumer's pension benefits?

Number of periods of service

Number of periods of service advised on?	
(where multiple periods of service) Did the adviser recommend all periods were transferred?	

Additional comments	
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Membership information

BSPS statement of benefits obtained?			
Time to Choose pack obtained?			
Time to Choose election?			
Date of CETV			
Cash equivalent transfer value			
Date joined the scheme		Y	M
Date left scheme (Service Years/Months)			
Scheme retirement date (NRD)			
Scheme minimum retirement age.			
Did the client opt out of the scheme in advance of it's closure on 31 March 2017?			
Date of opt-out			

Additional comments	
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	Reviewer	QA
8 Has the firm obtained the necessary information regarding the proposed arrangement?		

Proposed arrangement

Proposed arrangement product type	
Proposed arrangement provider name	
Is a DIM recommended?	
Name of DIM	
Is a platform recommended	
Name of platform	
Total initial cost of solution (£)	
Total ongoing cost of solution (%)	
Additional comments	

Have NMPI/UCIS been recommended?	
Name of provider of NMPI/UCIS	
Name of NMPI/UCIS investment	
Is the client a self-investor?	
Additional comments	

	Reviewer	QA
9 Has the firm carried out the transfer analysis?		

Client's preferred retirement age

Client's preferred retirement age (Years)	
---	--

Comparator scheme(s)

Comparator scheme(s)	
----------------------	--

Comparison of benefits		Original BSPS	BSPS 2	PPF
Benefits at scheme NRD	Pension (no commutation) p.a.			
	Pension (full commutation) p.a.			
	PCLS			
	Pension (no commutation) p.a.			
Benefits at preferred retirement age	Pension (full commutation) p.a.			
	PCLS			
	Pension (no commutation) p.a.			
	Pension (full commutation) p.a.			

Comparison of critical yield		Original BSPS	BSPS 2	PPF
CY to NRD (Joint)				
CY to NRD (Single)				
Which basis is more relevant?				
CY to preferred retirement date (Joint)				
CY to preferred retirement date (Single)				
Which basis is more relevant?				

Commentary on any other comparison of benefits	
--	--

Additional comments	
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Summary of information obtained

Case summary	
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Tool rating on whether firm has obtained necessary information	
Assessor's rating on whether firm has obtained necessary information	
Assessor's rationale/evidence for information collection rating (include reference to specific rule breaches).	
QA rating on whether firm has obtained necessary information	
QA summary of changes made and feedback to the file assessor	

SUITABILITY ASSESSMENT - PENSION TRANSFER

Examples of unsuitability

No.	Example	Reviewer	QA
1	The client is, or will be, reliant on income from the comparator scheme.		
2	The aim of the transfer is to pass the value of the pension to beneficiaries on the member’s death, but the firm has not demonstrated that the consumer can bear the risk of the transfer that would be needed to achieve this objective.		
3	The aim of the transfer is to access income-related benefits flexibly but the firm has not demonstrated that the consumer can bear the risk of the transfer that would be needed to achieve this objective.		
4	The aim of the transfer is to maximise PCLS but the firm has not demonstrated that the consumer can bear the risk of the transfer that would be needed to achieve this objective.		
5	An aim of the transfer is to preserve or protect the value of the consumer's pension benefits but the comparator scheme(s) benefits would meet the consumer’s needs.		
6	The consumer wants to retire early but can meet their objective(s) in the comparator scheme(s).		
7	The consumer wants or prefers guaranteed income or returns.		
8	The consumer does not have the necessary attitude to risk.		
9	The firm’s transfer analysis does not support a recommendation to transfer.		
10	The firm did not have a reasonable basis for believing that the consumer had the necessary knowledge and experience to understand the risks involved in transferring their DB scheme.		
11	The consumer is under 50 and cannot bear the risks of transfer.		
12	The recommendation to transfer is unsuitable for the consumer’s investment objectives or for their financial situation for some other reason.		
	Please state the reason(s):		

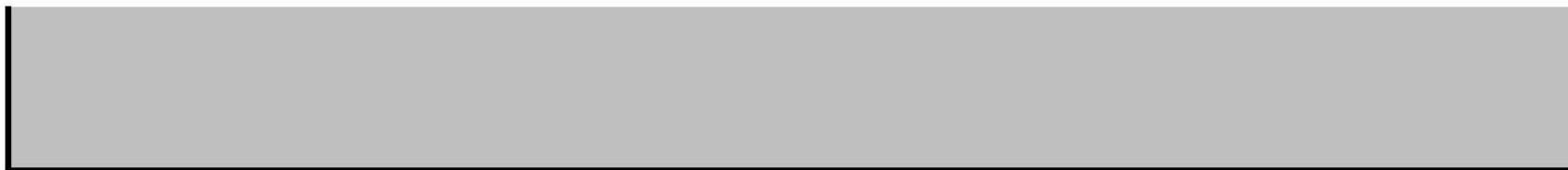
Suggested suitability rating based upon examples

Assessor's suitability rating	
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Assessor's rationale and evidence for suitability rating
--

QA suitability rating	
-----------------------	--

QA summary of changes made and feedback to the file assessor
--



CAUSATION ASSESSMENT

Non compliant conduct: Suitability - Pension transfer

Is it more likely than not that the firm's conduct caused the client to take one of the following actions:		Reviewer	QA
1	Transfer to a pension scheme with flexible benefits.		

Causation outcome	
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Assessor's rationale/evidence for causation rating

QA summary of changes made and feedback to the assessor.
--



ATTESTATION

Statement:

As the Senior Manager responsible for the compliance oversight of the Firm, I confirm the following:

- 1. I have read the BPS Consumer Redress Scheme *rules* and the BPS DBAAT instructions;**
- 2. The BPS DBAAT has been completed in accordance with the *rules* and instructions referred to in (1);**
- 3. That the information recorded in the BPS DBAAT is factually accurate and based on contemporaneous records; and**
- 4. Where the BPS DBAAT information section rating was 'Not compliant - Material Information Gap (MIG)' the firm has taken the steps in CONRED 4.3.5R and has assessed the case in accordance with the rules, evidential provisions and guidance in CONRED 4.3.2R to CONRED 4.3.4R, CONRED 4.4.12G and CONRED 4.3.13G.**

Attestation:

Do you attest to the statement outlined above?	
Name of Senior Manager attesting:	
Date of attestation:	

Client notification:

Has the client opted out for passing their contact details to the FCA?	
Has 2 weeks passed since the client was notified of the suitability outcome?	

Client contact details:	
Client email address	
Client telephone number	
Client Title	
Client address: First Line	
Client address: Second line	
Client address: Town/City	
Client address: County	
Client address: Post code	
Has the firm been in recent communication with the client at this address?	

4 BSPS DBAAT and BSPS Redress Calculator Instructions

Annex 21R

1 Introduction

Limitation on use

- 1.1 G The suitability assessment toolkit reproduced at *CONRED* 4 Annex 20R (referred to in these instructions as the ‘BSPS DBAAT’) and instructions in this Annex are to be used only for the purpose of complying with the requirements under *CONRED* 4 to assess *pension transfer* advice provided to BSPS members during the relevant period. They should not be used for any other purpose.
- 1.2 G Unless otherwise stated, nothing in *CONRED* 4 affects how the FCA DBAAT operates.

Definitions

- 1.3 R In this section we use the following definitions:
- (1) ‘assessor’ means the person filling in the BSPS DBAAT, either at the *firm* or on behalf of the *firm*;
 - (2) ‘available evidence’ means the information collected by the *firm* and held on the *consumer* file or information received from a *consumer*;
 - (3) ‘BSPS’ has the meaning in *CONRED* 4.1.1R(1);
 - (4) ‘BSPS2’ has the meaning in *CONRED* 4.1.1R(2);
 - (5) ‘BSPS DBAAT’ has the meaning in *CONRED* 4.1.1R(4);
 - (6) ‘Causation Section’ is the tab on the BSPS DBAAT Excel Spreadsheet that records whether the *firm*’s failure to comply with the suitability requirements is the effective cause of the *consumer*’s loss;
 - (7) ‘comparator scheme’ means, other than as provided by *CONRED* 4 Annex 21 13.1R(4):
 - (a) (if the advice was given on or before 16 May 2017) BSPS;
 - (b) (if the advice was given from 17 May 2017 to 11 October 2017) either or both of BSPS and PPF; and
 - (c) (if the advice was given on or after 12 October 2017) BSPS2 and PPF;

- (8) 'FCA DBAAT' has the meaning in *CONRED* 4.1.1R(11);
- (9) 'information requirements' are the requirements in force during the relevant period and are:
 - (a) *COBS* 9.2.1R(2);
 - (b) *COBS* 9.2.2R;
 - (c) *COBS* 9.2.3R;
 - (d) *COBS* 9.2.6R; and
 - (e) *COBS* 19.1.2R;
- (10) 'instructions' means this Annex;
- (11) 'Information Section' is the tab on the BSPS DBAAT Excel Spreadsheet that collects information about the *firm's* compliance with the information requirements that is relevant to the assessment of suitability;
- (12) 'material information gap' has the meaning in *CONRED* 4.1.1R(12);
- (13) 'NRD' is the normal retirement date in the comparator scheme;
- (14) 'pension benefits' has the meaning in *CONRED* 4.1.1R(13);
- (15) 'PPF' means the Pension Protection Fund;
- (16) 'relevant period' is defined at *CONRED* 4.1.1R(16);
- (17) 'scheme case' is defined at *CONRED* 4.1.1(17);
- (18) 'suitability requirements' are the requirements in force during the relevant period specified at *CONRED* 4 Annex 21R 7.1R and are:
 - (a) *COBS* 9.2.1R(1); and
 - (b) the common law duty in contract or tort to exercise reasonable skill and care in advising the *consumer* on *pension transfers*;and that were in force during the relevant period and applicable to a scheme case;
- (19) 'Suitability Section' is the tab on the BSPS DBAAT Excel Spreadsheet that records the assessment of the *firm's* compliance with the suitability requirements;
- (20) 'transfer value' is the cash equivalent transfer value or CETV;

- (21) ‘transfer value analysis’ is the analysis a *firm* was required to carry out during the relevant period, in accordance with the requirements at *COBS* 19.1.2R; and
- (22) ‘two-adviser model’ has the meaning in *CONRED* 4.1.1R(21).

2 Using the BSPS DBAAT

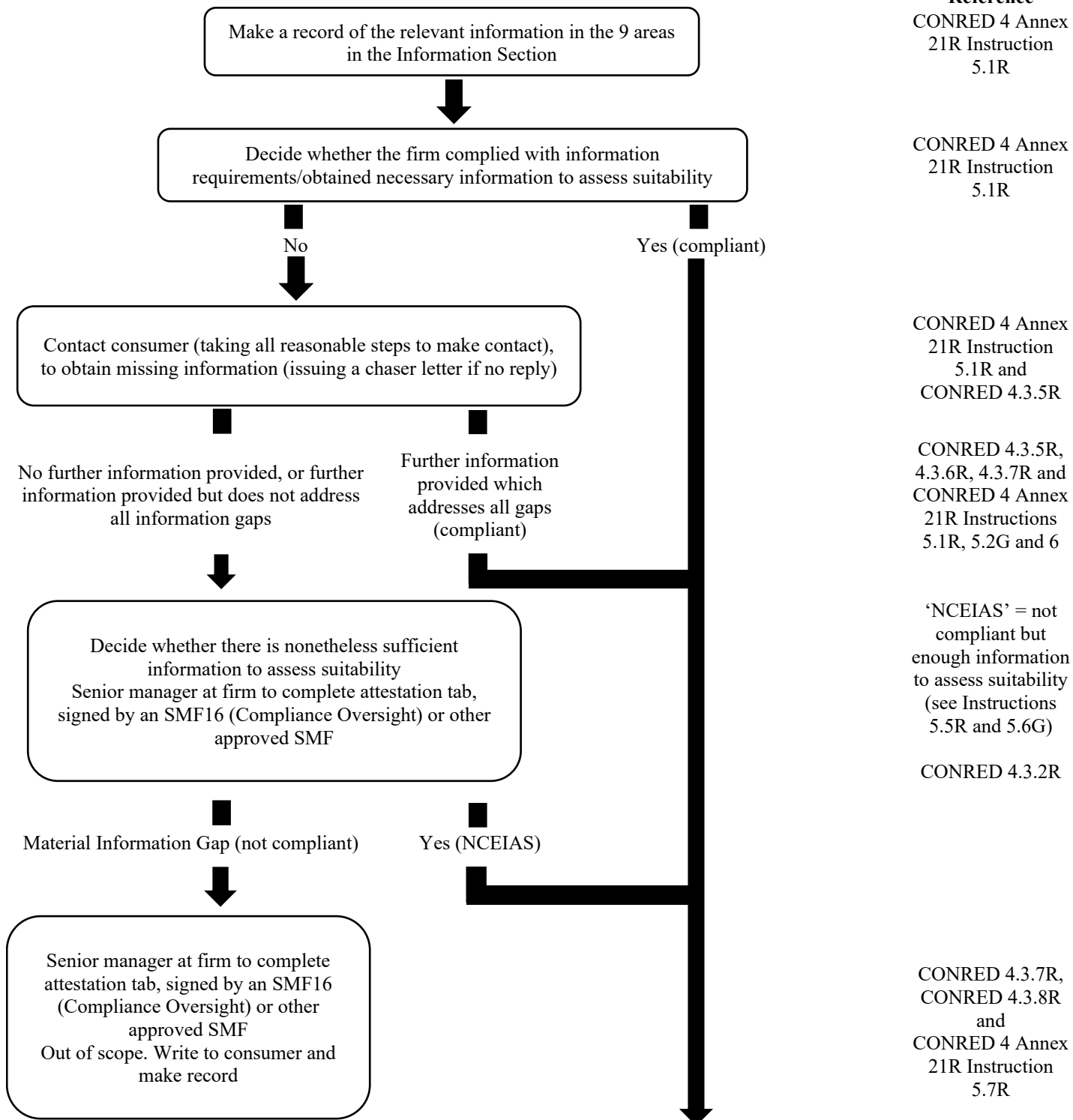
- 2.1 G The BSPS DBAAT contains factors for the *firm*’s assessor to take into account to determine whether there has been a failure to comply with the suitability requirements in a scheme case. The instructions are addressed to the assessor carrying out the review.
- 2.2 R The BSPS DBAAT is a Microsoft Excel workbook divided into 5 ‘sections’, using worksheet tabs, which must be completed in full except where indicated in these instructions.
- 2.3 R Before completing the BSPS DBAAT, an assessor must familiarise themselves with the features, benefits and risks of a *pension transfer* from BSPS, including the features, benefits and risks in general of a *pension transfer* that a reasonably competent *firm* should have identified, as illustrated in *CONRED* 4 Annex 22G at Table 1.
- 2.4 R The assessor must answer the questions in the BSPS DBAAT and complete the assessment by reference to the available evidence, and where specified the information available to advisers during the relevant period listed in *CONRED* 4 Annex 22G at Tables 2 and 3.
- 2.5 R All answers should be based on information obtained up until the date the *firm* gave the advice or arranged the *pension transfer*, unless otherwise stated.
- 2.6 G When completing the BSPS DBAAT, an assessor should ensure that the information they enter, including, without limitation, all values, notes, additional comments, rationale and evidence, is sufficiently detailed for a third-party assessor to:
- (1) gain an accurate and complete overview of the relevant evidence on the *consumer* file; and
 - (2) form a view without the need to refer to the relevant evidence as to whether the *firm* has collected the necessary information to assess suitability and, where applicable, complied with the suitability requirements.
- 2.7 G The BSPS DBAAT uses colours to indicate whether fields have been completed. Blue indicates fields still to complete. Grey indicates fields that may not have to be completed, depending on the answer to a question.
- 2.8 G The diagram at 2.9G explains the scheme steps in diagrammatic form, with reference to the relevant sections of the instructions and *CONRED* 4 rules.

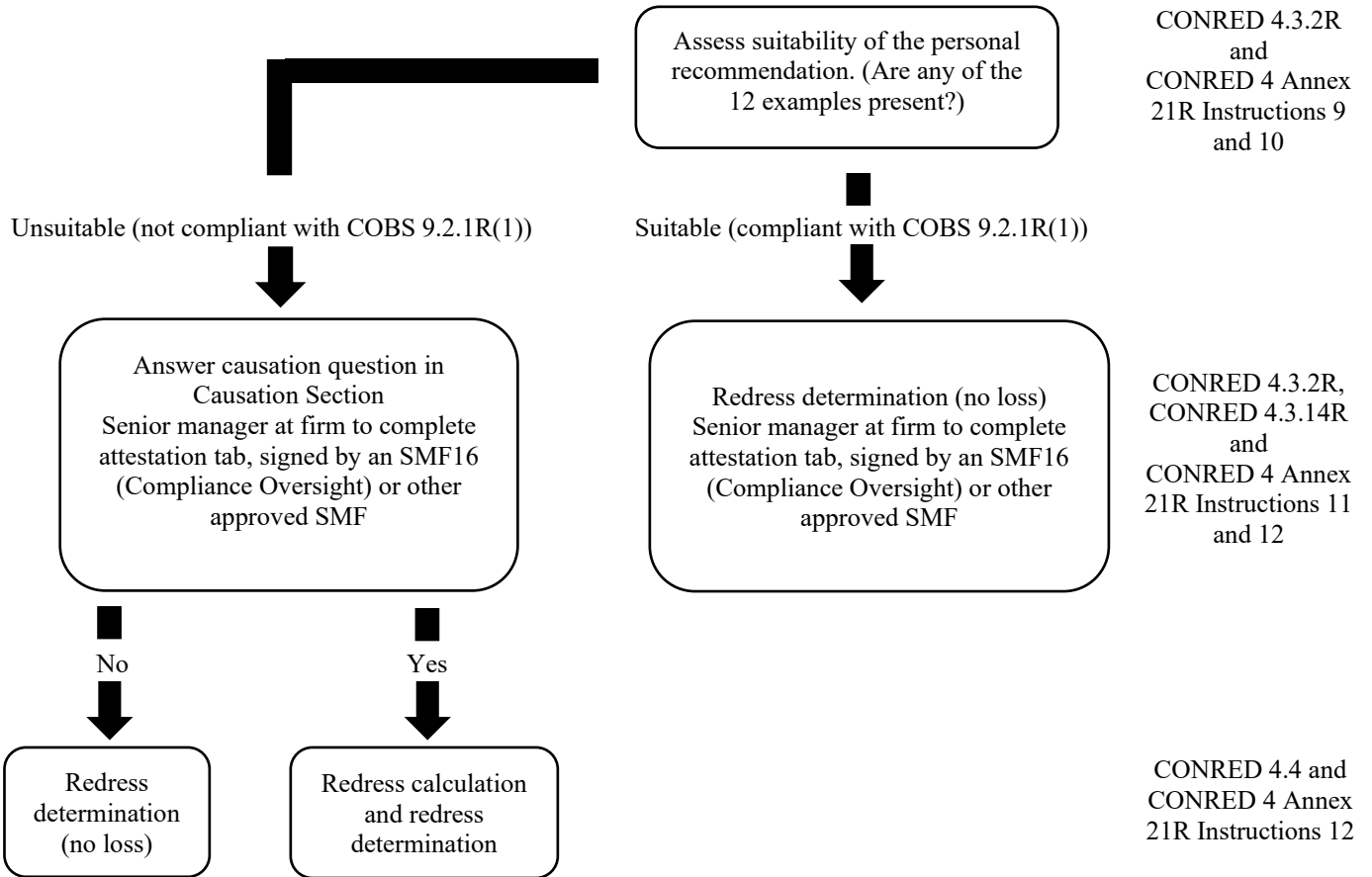
2.9 G The steps to complete a BSPS DBAAT are set out below.

Steps to complete a BPS DBAAT

Note this diagram should be considered alongside other scheme diagrams

Using the available evidence:





3 Use of FCA DBAAT

- 3.1 G If *CONRED* 4.3.2R(2) applies and the *firm* uses a non-BSPS DBAAT to complete the first step under *CONRED* 4.3.2R, it should have regard to the differences between the BSPS and non-BSPS DBAAT and refer to relevant sections of the instructions to identify whether their FCA DBAAT or assessment requires amendment. The material changes include:
- (1) In the Information Section:
 - (a) Information Area 4 is not present in the BSPS DBAAT and the remaining Information Areas have been renumbered;
 - (b) Information Area 7 in the BSPS DBAAT on the comparator scheme (area 8 in the non-BSPS DBAAT) has been significantly revised;
 - (c) Information Area 9 in the BSPS DBAAT on the transfer analysis (area 10 in non-BSPS DBAT) has been significantly revised.
 - (2) In the Suitability Section:
 - (a) the addition of *evidential provisions* in respect of Examples 1 to 11;
 - (b) new Example 11 has been inserted in the BSPS DBAAT;
 - (c) Example 11 from the non-BSPS DBAAT becomes Example 12;
 - (d) Example 12 from the non-BSPS DBAAT has been removed.
 - (3) The Suitability Investment Advice, Disclosure and Insistent Client Sections have been removed.

4 General instructions

- 4.1 R An assessor must complete a separate BSPS DBAAT for each *consumer* and:
- (1) if the *consumer* has more than one period of service in the BSPS, complete a separate BSPS DBAAT for each period of service;
 - (2) if the *consumer* received connected *advice on pension transfers* from a non-BSPS *ceding arrangement* within 6 months of the BSPS advice, have regard to how the connected advice factors into the advice to transfer the *consumer's* BSPS scheme.
- 4.2 G For the purpose of 4.1R, advice on a *pension transfer* from a non-BSPS *ceding arrangement* is likely to be connected with advice to transfer from

BSPS if the advice on the other scheme is integral to the *consumer's* decision to transfer from the BSPS.

- 4.3 R Where the *consumer* is married or has a partner, complete the BSPS DBAAT on a joint life basis unless the *consumer* has instructed the *firm* to advise on a single life basis and their spouse or partner has confirmed that they have sufficient retirement provision of their own.
- 4.4 R Where it is necessary to use multiple BSPS DBAATs:
- (1) use the first BSPS DBAAT for the *ceding arrangement* offering the largest transfer value;
 - (2) label the completed BSPS DBAATs with the *consumer's* name and the number in sequence order that the BSPS DBAATs were completed;
 - (3) re-use the relevant information from the first BSPS DBAAT in any connected BSPS DBAATs and ensure that the following sections are completed using the available evidence about the *consumer* and the *ceding arrangement* the BSPS DBAAT relates to:
 - (a) case details;
 - (b) Information Area 1 – ‘has the *firm* obtained the essential facts about the *consumer*?’;
 - (c) Information Area 7 – ‘has the *firm* obtained the necessary information about the consumer’s pension benefits?’;
 - (d) Information Area 8 – ‘has the *firm* obtained necessary information regarding the *proposed arrangement*?’; and
 - (e) Information Area 9 – ‘has the *firm* carried out the transfer analysis?’; and
 - (4) clearly cross refer between the BSPS DBAATs.

5 Information Section

- 5.1 R An assessor must take these 6 actions to complete the Information Section:
- (1) Enter ‘case details’ of the file review and assessor alongside details of the *firm*, adviser and *pension transfer specialist* (as recorded on the *Financial Services Register*) and the charging basis for the advice.
 - (2) Record the relevant information from the available evidence under each of the 9 Information Areas, following the instructions under each area heading.
 - (3) For each Information Area, decide whether the *firm* has complied with the information requirements and obtained the necessary information to assess suitability and answer ‘yes’ or ‘no’ to each ‘area question’.

- (4) Depending on the answers to questions in Information Areas 1 to 9, the BSPS DBAAT will give the *firm's* information collection 1 of 3 indicative ratings. To complete this action, refer to the instructions at *CONRED* 4 Annex 21R from 5.3R to 5.7R and select from the drop-down list one of the following 'assessor' ratings:
- (a) 'Compliant – Proceed to suitability assessment' – the *firm* has complied with the information requirements and collected the necessary information to assess suitability. Proceed to the Suitability Section of the BSPS DBAAT.
 - (b) 'Non-compliant – Material Information Gap' – the *firm* has not complied with the information requirements and so it is not possible to assess suitability. Complete action (5) before finalising this rating.
 - (c) 'Non-compliant - However enough information to assess suitability' – the *firm* has not complied with the information requirements and has taken the steps at *CONRED* 4.3.5R but there is sufficient information to conclude that the advice was likely to be unsuitable. Proceed to the Suitability Section of the BSPS DBAAT.
- (5) If 4(b) applies, follow the steps in *CONRED* 4.3.5R to obtain the missing information, then carry out actions 5.1R(2) to (4) again and finalise the assessor rating.
- (6) Explain, with reference to the *consumer* file, the reasons for the rating and any actions taken to obtain missing information.

5.2 G The overall assessment part of the Information Section has 2 boxes:

- (1) Tool rating: the BSPS DBAAT's indicative rating of whether the *firm* has obtained the 'necessary information' to make a *personal recommendation* based on the answers to Information Area questions 1 to 9 in the Information Section.
- (2) Assessor rating: this is the assessor's own informed assessment in the round of whether the *firm* has obtained the necessary information to make a *personal recommendation*. The assessor can come to a different rating.

5.3 R To complete the overall assessment of whether the *firm* has collected the necessary information at 5.1R(4), take the following steps. Using the available evidence and with reference to the information requirements:

- (1) review the information recorded and the ratings in each Information Area of the BSPS DBAAT;
- (2) answer 'yes' or 'no' depending on whether the *firm* has complied with the information requirements; and

- (3) insert commentary on whether or not the *firm* has complied with the information requirements.
- 5.4 R If the answer to all of the Information Area questions 1 to 9 is ‘yes’, select ‘compliant – proceed to suitability section’ and proceed to the Suitability Section.
- 5.5 R If one or more of the answers to the Information Area questions 1 to 9 is ‘no’, decide, with reference to the information requirements, whether there is nonetheless sufficient information to assess the suitability of the recommendation and:
- (1) if there is sufficient information, select ‘non-compliant however enough information to assess suitability’ and make a record of the reasons for the assessment in accordance with *CONRED* 4 Annex 21R 5.3(3)R; or
- (2) if there is not sufficient information, select ‘Non-compliant - Material Information Gap’ and take the second step at *CONRED* 4.3.5R to obtain the missing information then proceed to 5.1R(2).
- 5.6 G There may be sufficient information to assess the suitability of the advice in circumstances where the *firm* has been unable to obtain the necessary information in one or more Information Area. For example:
- (1) where the *consumer* was in *serious financial difficulty* and had a proven urgent need for the transferred funds and the *firm* was unable to obtain the necessary information in Information Area 1, 3, 4 or 5. The types of circumstances in which a *consumer* is likely to be able to show they are experiencing *serious financial difficulty* include where continuing to pay domestic bills and credit commitments is a heavy burden on the *consumer* and the *consumer* has missed payments for any credit commitments and/or any domestic bills in any 3 or more of the last 6 months; or
- (2) where the *consumer* was in ill health, with death expected imminently, and wanted to transfer in order to pass the value of their pension benefits to beneficiaries and the *firm* was unable to obtain the necessary information in Information Area 3, 4, 5, or 6.
- 5.7 R If, after taking the steps at *CONRED* 4.3.5R, and having regard to the guidance in *CONRED* 4.3.12G to *CONRED* 4.3.13G, the conclusion is that the *firm* has not obtained the necessary information and it is not possible to assess the suitability of the transfer (such that the ‘assessor rating’ is ‘Non-compliant – Material Information Gap’), record:
- (1) a brief summary of the missing information and its significance to the suitability assessment (for example, ‘the *firm* has not recorded any *consumer* objectives and so it cannot form a view on whether the transfer meets the *consumer*’s investment objectives’); and

- (2) that the *firm* has not complied with the information requirements but it is not possible to assess whether the *firm* has complied with the suitability requirements; and
- (3) where the failure relates to the transfer analysis, that the *firm* has not carried out the required transfer analysis in accordance with COBS 19.1.2R.

6 Instructions for Information Areas

- 6.1 G This section sets out how to assess whether the *firm* has collected the necessary information across 9 Information Areas to make a *personal recommendation*. It is also to be used to determine whether the assessor has sufficient information to assess suitability.

Information Area 1: has the firm obtained the essential facts about the consumer?

- 6.2 R Refer to the available evidence and take the following steps:
- (1) Select ‘yes’ or ‘no’ depending on whether the *firm* has obtained the essential facts about the *consumer*.
 - (2) Enter the information about the *consumer* and (if relevant) their spouse or partner from the available evidence.
 - (3) Record any information inferred from the available evidence in the comment box.
- 6.3 R Complete the BSPS DBAAT as follows:
- (1) Where advice is on a joint life basis, complete the essential information for the *consumer* and their partner.
 - (2) If the *consumer’s* tax rate is not recorded, it can be inferred from the *consumer’s* salary at the date of the advice.
 - (3) Record in the additional comments box whether the *consumer* intends to transfer the pension to a Qualifying Recognised Overseas Pension Scheme. Record the relevant currency and overseas tax rates.
 - (4) Where health status is not recorded, absent any evidence suggesting otherwise, infer that the *consumer* is in good health.
 - (5) Record details about any dependants and the *consumer’s* responsibility for them.
 - (6) Include details about whether the *consumer* had characteristics of vulnerability. This means someone who, due to their personal circumstances, is especially susceptible to detriment.

Information Area 2: has the firm obtained the necessary information regarding the consumer's objectives?

- 6.4 R Take the following steps to complete this area. Using the available evidence, identify the information recorded on the *consumer's* objectives and:
- (1) if no objectives have been recorded, answer 'no' to this question; or
 - (2) if objectives are recorded, answer 'yes'; and
 - (3) complete the BSPS DBAAT by recording the *consumer's* objectives, using the same wording and ranking or prioritisation as the *firm* and include any observations in the additional comments box.
- 6.5 G For each objective identified, the BSPS DBAAT will indicate fields where further information can be recorded, in the right-hand columns, relating to:
- (1) the amount wanted (to achieve the objective); and
 - (2) the date the amount is needed.

Information Area 3: has the firm obtained the necessary information regarding the consumer's preferences regarding risk taking and their risk profile?

- 6.6 R Take the following steps to complete this area. Using the available evidence:
- (1) select 'yes' or 'no' depending on whether the *firm* has obtained the necessary information about the *consumer's* preferences regarding risk taking and their risk profile;
 - (2) record in the boxes provided the *firm's* description of the *consumer's*:
 - (a) attitude to investment risk;
 - (b) attitude to the risks associated with a *pension transfer*, including the loss of *safeguarded benefits*;
 - (c) capacity for loss (in general); and
 - (d) capacity for loss of *safeguarded benefits*;
 - (3) select 'yes' or 'no' depending on whether the *firm* used a tool for any of the above assessments. If the *firm* used a tool record the name of that tool in the 'name of tool' box; and
 - (4) record in the 'comments' box any additional comments or observations on the *firm's* approach to obtaining this information.
- 6.7 G 'Capacity for loss' refers to the *consumer's* ability to absorb falls in the value of their investment. If any loss of capital would have a materially detrimental effect on their standard of living, this should be taken into account in assessing the risk that they are able to take.

- 6.8 G *COBS* 9.2.2R(2) requires a *firm* to obtain, where relevant, information about the *consumer's* (a) preferences regarding risk taking and (b) risk profile. *COBS* 19.1.7G and *COBS* 19.1.7AG contain guidance to which a *firm* giving *pension transfer* advice should have had regard when identifying the *consumer's* risk preferences and risk profile.
- 6.9 G A *firm* advising a *consumer* during the relevant period should have obtained sufficient information to enable it to consider the *consumer's* attitude to the investment risks specific to a *pension transfer*, including:
- (1) the rate of growth that would have to be achieved to replicate scheme benefits in the *proposed arrangement* (*COBS* 19.1.7G and *COBS* 19.1.7AG);
 - (2) the extent to which benefits may fall short of replicating those in the *defined benefits pension scheme* or other scheme with *safeguarded benefits* (*COBS* 19.1.7AG(1));
 - (3) the uncertainty of the level of benefit that can be obtained from the purchase of a future *pension annuity* and the investment risk to which the retail *consumer* is exposed until a *pension annuity* is purchased with the proceeds of the proposed *personal pension scheme* or *stakeholder pension scheme* (*COBS* 19.1.7AG(2));
 - (4) the potential lack of availability of *pension annuity* types (for instance, *pension annuity* increases linked to different indices) to replicate the benefits being given up in the *defined benefits pension scheme* as set out in *COBS* 19.1.7AG(1)); and
 - (5) the risks relevant to a *pension transfer* from the BPS to a scheme with *flexible benefits* listed at *CONRED* 4 Annex 22G at Table 1.

Information Area 4: has the firm obtained the necessary information regarding the consumer's knowledge and experience?

- 6.10 R Take the following steps to complete this area. Using the available evidence:
- (1) identify the information relevant to the *consumer's* knowledge and experience of *defined benefits pension schemes* and *pension schemes* with *flexible benefits*, including:
 - (a) the types of service, transaction and investments with which the *consumer* is familiar;
 - (b) the nature, volume and frequency of the *consumer's* transactions in *investments* and the period over which they have been carried out; and
 - (c) the level of education, profession or relevant former profession of the *consumer*;

- (2) answer 'yes' or 'no' depending on whether the *firm* has obtained the necessary information about the *consumer's* knowledge and experience; and
- (3) record the *consumer's* knowledge and experience relevant to *pension transfers* in the 'additional comments' box.

Information Area 5: has the firm obtained the necessary information regarding the consumer's estimated expenditure?

- 6.11 R Take the following steps to complete this area. Using the available evidence:
- (1) identify the information relevant to the *consumer's* financial situation;
 - (2) answer 'yes' or 'no' depending on whether the *firm* has obtained the necessary information regarding the *consumer's* estimated expenditure;
 - (3) record relevant information under the headings 'current regular' and 'retirement regular', including the *consumer's* expenditure on:
 - (a) basic cost of living;
 - (b) lifestyle expenditure; and
 - (c) discretionary expenditure/savings; and
 - (4) record any additional comments about the steps the *firm* has taken to obtain this information, including any inferences made about current or retirement regular expenditure.
- 6.12 E Answer 'yes' to the question at 6.11R(2) if the *firm* has taken reasonable steps to obtain the information under the headings 'current regular' and 'retirement regular expenditure' but there is information missing and:
- (1) the *consumer* is 5 years or less from their intended retirement age and taking account their personal circumstances, it is possible to use the current regular expenditure as a proxy for retirement regular expenditure; or
 - (2) it is possible to use the current regular expenditure, with *consumer-specific* adjustments, as a proxy for retirement regular expenditure.
- 6.13 G The BPS DBAAT records the necessary information about the *consumer's* estimated expenditure throughout retirement in 3 categories:
- (1) Basic cost of living: this includes all non-discretionary expenditure. For example, utility bills, council tax, food and any outstanding accommodation payments (such as mortgages and rents) or care expenses if these are ongoing.

- (2) Lifestyle expenditure: this is expenditure to support the *consumer's* lifestyle. For example, *consumers* may wish to spend money on entertainment, holidays or home help.
- (3) Discretionary expenditure/savings: this is expenditure which is discretionary and could easily be cut back by the *consumer* at any time. It may include current savings into pensions or investments which may well cease upon retirement. This may also be labelled as 'disposable income'.

6.14 G If the *firm* has estimated the *consumer's* expenditure in retirement, consider whether it took reasonable steps to do so. Reasonable steps might include:

- (1) gathering the necessary information on the *consumer's* current level of expenditure and liabilities;
- (2) considering how the *consumer's* personal circumstances and lifestyle (for example, living arrangements, mortgage position, provision of financial support for dependents, recreational activities, and travel) are likely to change upon retirement, and how this might affect future expenditure and liabilities;
- (3) challenging low estimates of expenditure by using comparative figures derived from (for example) the *firm's* experience with other *consumers* in similar situations, statistical averages, actuarial data and other reliable sources (though it is unlikely that the use of generic data would by itself satisfy the requirement to take reasonable steps);
- (4) where a *firm* has used a cashflow modelling tool to estimate the *consumer's* level of expenditure in retirement as part of demonstrating how reliant the *consumer* is on this income in retirement;
- (5) challenging inconsistent information, for example, where the *consumer* suggests they have a high level of available disposable income but low levels of savings, suggesting that their lifestyle expenditure may be more than they represent.

Information Area 6: has the firm obtained the necessary information regarding the consumer's financial situation?

6.15 R To complete this area, take the following steps. Using the available evidence:

- (1) identify the information relevant to the *consumer's* financial situation;
- (2) answer 'yes' or 'no' depending on whether the *firm* has captured the necessary information regarding the *consumer's* financial situation; and
- (3) record the relevant information for the *consumer* and (for joint advice) their spouse or partner under the headings:
 - (a) *consumer's* current income;

- (b) income sources in retirement (excluding income from the comparator scheme, which is captured in Information Area 7);
 - (c) other assets (excluding the *consumer's* main residence); and
 - (d) liabilities.
- 6.16 G The *consumer's* main residence should not usually be counted as an asset which can be used as an income source in retirement. The *consumer's* main residence typically provides secure accommodation throughout retirement. Where the *firm* has a reasonable basis for treating the main residence as an asset, for example because the *consumer* has a legitimate plan to downsize and the *firm* has a contemporaneous record of these plans, include the value of the main residence in the 'other assets' box.
- 6.17 G If the *consumer* file is incomplete or it is unclear whether the *firm* has collected the necessary information on the *consumer's* financial situation, it may be possible to estimate the *consumer's* income or assets from other information on the *consumer* file. For example:
- (1) if the 'other assets' section in a fact-find is blank, and there is evidence that the *consumer's* income does not exceed or marginally exceeds their expenditure, it may be reasonable to assume that the *consumer* has no other assets;
 - (2) if the 'state pension' section of the fact-find is blank:
 - (a) where there is evidence of the *consumer's* employment history on file or length of service at the scheme employer, it may be possible to estimate entitlement to a state pension;
 - (b) where a *consumer* expects to continue in employment until retirement, it is reasonable to infer, unless there is specific information to the contrary, that the *consumer* would continue to accrue state pension entitlement throughout that period;
 - (3) if details on the 'spouse's/partner's' assets are missing, it may be possible to infer information based on the spouse's circumstances. For example:
 - (a) if the spouse or partner was employed at the time of the advice, it is likely they will have some eligibility for state pension;
 - (b) if the spouse or partner was not employed, this may indicate that they have modest assets, in the absence of evidence suggesting otherwise;
 - (4) if the *consumer* or their spouse or partner held other *defined benefits* of material value, where a benefits statement was delayed, these benefits could be reasonably estimated by contemporaneous records of their salary, length of service and publicly available scheme details;

- (5) if there is an indication that the spouse or partner has a defined contribution pension scheme or other assets but the value is not quantified, where it has already been demonstrated that the *consumer* and spouse or partner have sufficient other guaranteed pension provision to cover their expenditure in retirement, the value of this scheme may not be necessary to assess the suitability of the recommendation to transfer.
- 6.18 G (1) If the available evidence suggests that the *consumer* has a significant amount of disposable income, but the *firm* has obtained limited or no information on them, it is more likely than not that the *firm* has not obtained the necessary information.
- (2) If the available evidence demonstrates that the *consumer* has other assets or liabilities, but the *firm* has obtained limited or no information on them, it is likely that the *firm* has not obtained the necessary information.
- 6.19 G If the *consumer* was concerned about the security of their employment with Tata Steel Ltd and the security of income over the remaining term to retirement, this should have been recorded on the *consumer* file. The *firm* should have inquired as to whether redundancy or loss of income was imminent and was likely to cause significant financial hardship.

Information Area 7: has the firm obtained the necessary information regarding the consumer's pension benefits?

- 6.20 R To complete this area, take the following steps. Using the available evidence:
- (1) (where the *firm* has advised on multiple periods of service in the BSPPS) record under the heading 'number of schemes':
- (a) the number of periods of service in the BSPPS advised on;
 - (b) whether the outcome was to transfer all periods of service;
- (2) record the relevant information for the *consumer's* BSPPS membership, including:
- (a) the statement of benefits and date obtained;
 - (b) whether the Time to Choose pack was obtained;
 - (c) what the *consumer's* Time to Choose election was (BSPPS2 or PPF);
 - (d) the date of the CETV and the CETV amount;
 - (e) the dates they joined and left the BSPPS (the BSPPS DBAAT will then automatically calculate the length of service);

- (f) their retirement date (NRD) in the BSPS;
 - (g) BSPS minimum retirement age;
 - (h) whether the client opted out of the scheme in advance of its closure and the date of any opt-out;
 - (i) any additional comments;
- (3) answer ‘yes’ or ‘no’ depending on whether the *firm* has captured the necessary information regarding the *consumer’s* BSPS membership, Time to Choose election, and benefits; and
- (4) record any comments relevant to the *consumer’s* CETV and the comparator scheme(s) in the ‘additional comments’ box.

Information Area 8: has the firm obtained the necessary information regarding the proposed arrangement?

6.21 R To complete this area, take the following steps. Using the available evidence:

- (1) identify information about the *proposed arrangement*;
- (2) answer ‘yes’ or ‘no’ depending on whether the *firm* has captured the necessary information regarding the *proposed arrangement*;
- (3) if the *firm* has not identified a *proposed arrangement*, answer ‘no’ to this question;
- (4) record the relevant information under the headings ‘proposed arrangement’; and
- (5) in the ‘additional comments’ box, record any relevant information about product and adviser costs and charges.

Information Area 9: has the firm carried out the transfer analysis?

6.22 R To complete this area, take the following steps. For the relevant comparator scheme(s), using the available evidence and with reference to the *firm’s* transfer value analysis:

- (1) record the *consumer’s* preferred retirement age;
- (2) record the relevant comparator schemes(s);
- (3) record relevant information under the heading ‘comparison of benefits’ from the comparison carried out by the *firm* to comply with COBS 19.1.2R; and
- (4) record relevant information under the heading ‘critical yield’, including:

- (a) the critical yield on a joint and single basis to the *consumer's* NRD and preferred retirement date; and
 - (b) identify which critical yield is more relevant (joint or single) by selecting the critical yield which corresponds to the *consumer's* intentions; and
 - (i) if the evidence on file demonstrates that the *consumer* does not intend to take any *pension commencement lump sum*, record the critical yield for a full pension and make a note in the 'additional comments' box; and/or
 - (ii) if the *consumer* is single and there is nothing on file to suggest that this is likely to change, then insert the critical yield calculated on a single life basis and make a note in the 'additional comments' box; and
 - (c) record the critical yield to match the comparator scheme(s) at the *consumer's* preferred retirement date; and
- (5) record commentary on any other comparison of benefits, for example on cashflow modelling or analysis of how long funds are likely to last in the *proposed arrangement*.
- 6.23 G The BPS DBAAT records the necessary information about the *consumer's* benefits at the comparator scheme(s) and their preferred retirement date in 3 categories:
- (1) Pension (no commutation) per annum (p.a.): the income benefits the *consumer* would receive at NRD if they were to take all their benefits as income only.
 - (2) Pension (full commutation) per annum (p.a.): the (reduced) income benefits the *consumer* would receive at NRD if they chose to maximise their *pension commencement lump sum* by commuting income benefits up to the full permitted limit.
 - (3) *Pension commencement lump sum* (PCLS): the lump sum benefits the *consumer* would receive at their NRD if they chose to maximise their PCLS by commuting income benefits up to the full permitted limit.
- 6.24 G To assess whether the *firm* has carried out the transfer analysis, identify whether:
- (1) (with reference to the assumptions in *COBS* 19.1.4R to *COBS* 19.1.4BR and taking into account the dates these rules were in force) the analysis has been undertaken on the correct assumptions, including whether, if more cautious assumptions have been used, those assumptions are reasonable; and

- (2) the analysis is consistent with product-related documents such as the *key features illustration*.

7 Suitability requirements

- 7.1 R The following requirements are specified as ‘suitability requirements’:
- (1) *COBS 9.2.1R(1)*, which requires a *firm* to take reasonable steps to ensure that a personal recommendation is suitable for its *client*; and
 - (2) the common law duty in contract or tort to exercise reasonable skill and care in advising the *consumer* on *pension transfers*.
- 7.2 G The contract between the *firm* and the *consumer* may have included a specific term providing that the *firm* would exercise reasonable skill and care in advising the *consumer* on investments. If it did not do so, such a duty is likely to have been implied into the contract.
- 7.3 G The standard of care under the *FCA rules* and the common law is that of a reasonably competent *firm* carrying on a similar business to that of the *firm* assessed.
- 7.4 G The suitability requirements arise from *FCA rules* and the common law. For the requirements specified, the standards required of the *firm* are materially similar, regardless of whether their origin is a *rule* or the common law.
- 7.5 G *COBS 9.2.1R(2)*, *COBS 9.2.2R* and *COBS 9.2.3R* indicate matters of which a *firm* must take account when assessing whether the *firm* failed to comply with the suitability requirements. In summary, these are the *consumer*’s:
- (1) investment objectives;
 - (2) financial situation; and
 - (3) knowledge and experience in the *investment* field relevant to the specific type of designated *investment* or service.
- 7.6 G The starting point for *pension transfer* advice is the *guidance* in *COBS 19.1.6G* that a *firm* should only consider a transfer, conversion or opt-out to be suitable if it can clearly demonstrate, on contemporary evidence, that the transfer, conversion or opt-out is in the *client*’s best interests.

8 Assessing scheme cases for compliance with suitability requirements

- 8.1 R (1) The ‘Suitability Section’ in the BPS DBAAT and associated additional provisions in these instructions contain ‘examples’ which tend to show failure to comply or compliance with the suitability requirements specified at 7.1R.

- (2) The examples are indicators that advice may be unsuitable, and an overall view of suitability or unsuitability must be reached taking account of all of the circumstances.
- 8.2 R For each scheme case, the assessor must:
- (1) fairly consider and give appropriate weight to all available evidence of the *firm's* compliance or non-compliance with applicable suitability requirements; and
 - (2) decide, including with reference to the examples in the BSPS DBAAT, whether it is more likely than not that the *firm* complied or failed to comply with the suitability requirements.
- 8.3 R In considering the available evidence, the assessor must:
- (1) not assume that a *firm* complied with a suitability requirement solely on the basis that:
 - (a) the *consumer* signed documentation that records their understanding or agreement to matters set out in that documentation;
 - (b) the advice was given to a *consumer* who had transferred from a *defined benefit occupational pension scheme* in the past;
 - (2) give more weight to evidence of the *consumer's* particular circumstances or the circumstances at the time than to general evidence of the selling practices of the *firm* or its advisers at the relevant time;
 - (3) determine that an example is present on the 'balance of probabilities' when it is more likely than not to have occurred.
- 8.4 R When assessing whether a *firm* complied with the suitability requirements, the assessor must take into account the following:
- (1) the *consumer's* investment objectives, including their willingness to bear the risks associated with transfer (transfer risk);
 - (2) the *consumer's* financial situation, including their ability, financially, to bear the risks associated with the recommended transfer consistent with their investment objectives;
 - (3) the *consumer's* ability, in the light of the following, to understand the risks associated with a *pension transfer*:
 - (a) the experience and knowledge of the *consumer* relevant to a *pension transfer*; and
 - (b) any communications received from the comparator scheme(s) regarding the *pension transfer*.

- 8.5 R When assessing the reasonableness of a *firm*'s conduct, the assessor must:
- (1) assess the *firm*'s conduct against what was reasonable at the time when the *firm* gave the advice; and
 - (2) have regard to the information available at various times, including the information listed at Table 3 of *CONRED* 4 Annex 22G; and
 - (3) conclude that the conduct of the *firm* assessed was reasonable only where that *firm* displayed the degree of skill, care and diligence that would at that time have been exercised in the ordinary and proper course of a similar business to that of the *firm*.
- 8.6 G Where the advice is given using a two-adviser model and the advisers are employed by different *firms*:
- (1) identify which *firm* is responsible for the *pension transfer* advice and which *firm* is responsible for the investment advice;
 - (2) take into account that it will generally be reasonable for the *firm* providing *pension transfer* advice to rely on information provided to it in writing by the *firm* providing investment advice, unless it is aware or ought reasonably to be aware of any fact that would give reasonable grounds to question the accuracy of that information (*COBS* 2.4.6R and *COBS* 2.4.8G).

9 Completing the Suitability Section of the BPS DBAAT

- 9.1 G The Suitability Section is used to record the assessment of whether the *firm* has complied with the suitability requirements.
- 9.2 R The assessor must take the following steps to complete the Suitability Section:
- (1) review the available evidence and the information recorded in the Information Section of the BPS DBAAT;
 - (2) take the steps in Section 10 of this Annex to determine whether the available evidence shows overall that an example is present, or not;
 - (3) indicate whether any or all of Examples (1) to (12) are present, or not, by selecting 'yes' or 'no';
 - (4) conclude, taking into account all of the available evidence and the presence of any examples indicating unsuitable advice, whether the *firm* complied with the suitability requirements; and
 - (5) comment on whether or not the *firm* complied with the suitability requirements, with reference to the example or examples that support their conclusion.
- 9.3 G If an example is present, this will tend to indicate the *firm*'s potential non-compliance with the suitability requirements. There may be other factors

which mean that the *firm* has, despite the presence of the example, complied, or not complied, with the suitability requirements. For example:

- (1) if Example 9 is present because the transfer analysis does not support a recommendation to transfer, but the recommendation is nonetheless suitable because the *consumer* has little or no reliance on the transfer value from the comparator scheme and no requirement to replicate the amount or shape of the comparator scheme benefits; or
- (2) if Example 1 is present but the recommendation is nonetheless suitable because the *consumer* is in serious ill health with a shortened life expectancy and:
 - (a) the *consumer's* objective is to transfer to preserve the value of their scheme benefits for beneficiaries; and
 - (b) the beneficiaries would be financially better off if the funds were transferred to a scheme with *flexible benefits* rather than remaining in the comparator scheme(s).

- 9.4 G The BSPS DBAAT rating will indicate a conclusion of 'Compliant' or 'Non-Compliant' based on the answer to the example questions in the BSPS DBAAT. The BSPS DBAAT rating is not definitive of suitability; it is an indication of the *firm's* compliance with the suitability requirements.

10 Examples that indicate unsuitable advice

- 10.1 G This section contains rules, evidential provisions, and guidance for determining whether the available evidence shows overall that an example is present, or not.

Example 1: the consumer is, or will be, reliant on income from the comparator scheme

- 10.2 R Take the following steps to determine whether this example is present:
- (1) Review the available evidence in Information Areas 5, 6, 7, 8 and 9 of the Information Section.
 - (2) Using the available evidence, identify the amount the *consumer* needs to meet anticipated expenses and personal outlays throughout retirement, taking into account:
 - (a) any forecast expenditure plans that the *firm* has identified with the *consumer*;
 - (b) any intention or preference for early retirement;
 - (c) any existing liabilities that the *consumer* continues to pay off (for example, their mortgage) and their plans for clearing these debts;

- (d) whether the forecast expenditure appears reasonable in light of their current expenditure patterns and plans to pay off liabilities; and
 - (e) where the *firm* has not collected a forecast expenditure plan, an estimate (if possible) of the *consumer's* likely expenditure patterns based on the information on file.
- (3) Using the available evidence, identify the anticipated income from the comparator scheme at NRD or the *consumer's* preferred retirement date, whichever is earlier. Where the *consumer* wishes to retire early, assess whether the *consumer* can afford to retire early or whether this will give rise to or increase the risk of the *consumer* running out of income in retirement.
- (4) Assess how the income from the comparator scheme, including inflationary increases, contributes to the *consumer's* income needs in (2).
- (5) Assess whether the *consumer* can produce the same or similar contribution towards their planned expenditure needs throughout retirement (using a range of possible life expectancies) as identified in (2) using the available assets, including from:
- (a) contribution-based pension schemes, including the *proposed arrangement*, taking into account the impact of the following factors on the sustainability of these schemes throughout retirement:
 - (i) the frequency of withdrawals (ad hoc or regular payments);
 - (ii) the timing of withdrawals (monthly, yearly);
 - (iii) the amount of the withdrawals; and
 - (iv) investment performance;
 - (b) savings and investments;
 - (c) other *pension schemes* with *safeguarded benefits*;
 - (d) (if the *consumer* is eligible) state pension;
 - (e) (if the *consumer* is managing income on a joint basis) the spouse's/partner's other assets, pensions and entitlement to the state pension, and how this contributes to their total household income.
- (6) Using the assessments in 10.2R(4)-(5) decide (yes or no) whether:

- (a) the *consumer* can produce the same or similar contribution towards their income needs, as identified in 10.2R(2), from the *proposed arrangement*; and
 - (b) the *consumer* has the requisite capacity for loss, taking into account the impact of the factors considered at 10.2R(5)(a) on the sustainability of the *proposed arrangement*.
- 10.3 E (1) If the answer to 10.2R(6)(a) and (b) is ‘yes’, conclude that the *consumer* is not likely to be reliant on income from the comparator scheme.
- (2) If the answer to either 10.2(6)(a) or (b) is ‘no’, conclude that the *consumer* is likely to be reliant on income from the comparator scheme.
- (3) If the *firm* has not obtained the necessary information in all of the Information Areas 5, 6 and 7 of the Information Section and so it is not possible to carry out the steps in 10.2R(1) to (6), conclude that the *firm* has not demonstrated that it has a reasonable basis for believing that the *consumer* is able to bear the risk of the *pension transfer* to achieve their objective.

Example 2: the aim of the transfer is to pass the value of the pension to beneficiaries on the member’s death, but the firm has not demonstrated that the consumer can bear the risk of the transfer that would be needed to achieve this objective

- 10.4 R Refer to Information Area 2 of the Information Section:
- (1) if the *consumer* has a priority objective to pass the value of the pension to beneficiaries on their death, take the steps in 10.5R; or
 - (2) if the *consumer* does not have this priority objective answer ‘no’ to this question and proceed to Example 3.
- 10.5 R Take the following steps to determine whether this example is present:
- (1) Review the available evidence in Information Areas 2, 5,6 and 7 of the Information Section.
 - (2) Refer to Tables 1 and 2 in *CONRED 4 Annex 22G* and the available evidence to identify what death benefits were likely to be available for beneficiaries on the member’s death:
 - (a) (in all cases) in the *proposed arrangement* having regard to the way the *consumer* is likely to access their pension scheme throughout retirement; and
 - (b) in the comparator scheme.

- (3) Identify whether there was an alternative way to meet the *consumer's* objective without giving up comparator scheme benefits, including:
 - (a) level term assurance for the required sum; or
 - (b) decreasing term assurance for an appropriate term; or
 - (c) using available death in service cover.
- (4) Decide whether the *firm* has a reasonable basis for believing that:
 - (a) the recommendation to transfer in order to pass the value of the pension to beneficiaries on the member's death meets the *consumer's* investment objectives; and
 - (b) the *consumer* is able financially to bear any transfer-related risks consistent with their investment objectives.

10.6 E Answer 'yes' to this question when the available evidence demonstrates that:

- (1) the *consumer* did not have the requisite capacity for loss because they were not able to forego comparator scheme benefits to achieve this objective; and/or
- (2) a lower risk suitable alternative was available to achieve this objective; and/or
- (3) it was likely that the *consumer* would exhaust their pension savings during their lifetime (having regard to how the *consumer* will access their pension savings and the factors listed at 10.2R(5) above) and so there will be minimal death benefits available; and/or
- (4) the *firm* has not obtained the necessary information in both of the Information Areas 5 and 6 of the Information Section and so it is not possible to complete the assessment in 10.4R because the *firm* has not demonstrated that it has a reasonable basis for believing that the *consumer* is able to bear the risk of the *pension transfer* to achieve this objective; and/or
- (5) the *firm* has not obtained the necessary information in Area 2 of the Information Section and so it is not possible to understand the *consumer's* rationale for pursuing this objective.

Example 3: the aim of the transfer is to access income-related benefits flexibly but the firm has not demonstrated that the consumer can bear the risk of the transfer that would be needed to achieve this objective

10.7 R Refer to the available evidence in Information Area 2 of the Information Section:

- (1) if the *consumer* has a priority objective to access income-related benefits flexibly or to take control of their benefits, take the steps in 10.8R; or
 - (2) if the *consumer* does not have this priority objective, answer ‘no’ to this question and proceed to Example 4.
- 10.8 R Take the following steps to determine whether this example is present:
- (1) Review the available evidence in Information Areas 2, 5 and 6 of the Information Section.
 - (2) Identify why the *consumer* requires flexible access to or control over their income-related benefits and how the features of the *proposed arrangement* meet their objective(s).
 - (3) Identify whether any alternatives are available to meet the *consumer’s* objective.
 - (4) Decide whether the *firm* has a reasonable basis for believing that the recommendation to transfer to access income-related benefits flexibly:
 - (a) meets the *consumer’s* investment objectives; and
 - (b) the *consumer* is able financially to bear any related risks consistent with their investment objectives.
- 10.9 E Answer ‘yes’ to this question when the available evidence demonstrates that:
- (1) the *consumer* does not have the requisite capacity for loss because they were not able to forego scheme benefits to achieve this objective; and/or
 - (2) there is an alternative way for the *consumer* to meet their objectives using other assets instead of transferring their BPS scheme; and/or
 - (3) the *firm* has not collected the necessary information in both of the Information Areas 5 and 6 of the Information Section and so it is not possible to complete the assessment in 10.8R because the *firm* has not demonstrated that it has a reasonable basis for believing that the *consumer* is able to bear the risk of the *pension transfer* to achieve this objective; and/or
 - (4) the *firm* has not collected the necessary information in Information Area 2 of the Information Section and so it is not possible to understand the *consumer’s* rationale for pursuing this objective.
- 10.10 G (1) The objective may be recorded as ‘flexibility’ or ‘control’ without further explanation. It is up to the *firm* to demonstrate what is meant by ‘flexibility’ or ‘control’ with reference to the *consumer’s* circumstances and how the recommendation meets the *consumer’s*

objectives and is suitable for their financial situation. The following examples may demonstrate a need for flexibility:

- (a) if the *consumer* wishes to retire early and would like to access a higher amount of income in the short term in order to bridge an income gap until other guaranteed income commences, such as state pension;
 - (b) if the *consumer* is in *serious financial difficulty* or facing financial hardship and needs to pay off or reduce debt prior to its planned redemption date, and the *pension commencement lump sum* from the comparator scheme(s) would be insufficient to meet this objective. The types of circumstances in which a *consumer* is likely to be able to show they are experiencing *serious financial difficulty* include where continuing to pay domestic bills and credit commitments is a heavy burden on the *consumer* and the *consumer* has missed payments for any credit commitments and/or any domestic bills in any 3 or more of the last 6 calendar *months*;
 - (c) the *consumer* intends to reduce their working hours or take alternative work which may produce a lower income, prior to retiring fully, and it can be demonstrated that the transfer value is of sufficient value to support this objective without the risk of running out of money in the *consumer's* lifetime.
- (2) A *consumer* may have a strong desire to transfer to obtain flexibility and control where they have real or perceived concerns regarding the financial viability in the scheme. The circumstances of the BSPS restructuring may have encouraged a greater than usual proportion of members to seriously consider the option of transferring out, which may in turn have led to an increased occurrence of *consumers* expressing a strong desire to transfer. However, this does not absolve the *firm* from its responsibility to only recommend a transfer if it can demonstrate that it is suitable.

Example 4: the aim of the transfer is to maximise PCLS but the firm has not demonstrated that the consumer can bear the risk of the transfer that would be needed to achieve this objective

- 10.11 R Refer to the available evidence in Information Area 2 of the Information Section:
- (1) if the *consumer* has a priority objective(s) to maximise their *pension commencement lump sum* (PCLS), take the steps in 10.12R; or
 - (2) if the *consumer* does not have this priority objective, answer 'no' to this question and proceed to Example 5.
- 10.12 R Take the following steps to determine whether this example is present:

- (1) Refer to the available evidence in Information Areas 2, 5 and 6 of the Information Section on the *consumer's* objectives and financial situation.
 - (2) Identify the PCLS option in the relevant comparator scheme(s).
 - (3) Identify why the *consumer* wants to access their PCLS.
 - (4) Identify whether the *consumer* needs to transfer to the *proposed arrangement* to access their PCLS or could have used:
 - (a) the PCLS from the comparator scheme; or
 - (b) other assets to create a lump sum without transferring the pension.
 - (5) Identify the impact taking their PCLS may have on the level of other benefits which the *consumer* may obtain from the comparator scheme.
- 10.13 E Answer 'yes' to this question when the available evidence demonstrates that:
- (1) the *consumer* did not have the requisite capacity for loss because they were not able to forego scheme benefits to achieve this objective; and/or
 - (2) there was an alternative way for the *consumer* to access income-related benefits flexibly without transferring their pension benefits; and/or
 - (3) Example (1) is present and taking higher PCLS makes it likely that the *consumer* would exhaust their pension savings during their lifetime (having regard to how the *consumer* will access their pension savings and the factors listed at 10.2R(5) above); and/or
 - (4) the *firm* has not collected the necessary information in both of the Information Areas 5 and 6 of the Information Section and so it is not possible to complete the assessment in 10.11R because the *firm* has not demonstrated that it has a reasonable basis for believing that the *consumer* is able to bear the risk of the *pension transfer* to achieve their objective; and/or
 - (5) the *firm* has not obtained the necessary information in Information Area 2 of the Information Section and so it is not possible to understand the *consumer's* rationale for pursuing this objective.
- 10.14 G For the purposes of 10.12R(4)(b), the *firm* should have considered the following alternative options, where they were available:
- (1) where the lump sum need/objective relates to paying off a debt, whether they can restructure a mortgage or other debt;

- (2) making increased contributions to a workplace pension scheme to increase the PCLS;
- (3) whether using the PCLS provision in the comparator scheme(s) will meet the *consumer's* lump sum need/objective;
- (4) whether the *consumer* can meet their lump sum need/objective using other available funds in a scheme with *flexible benefits* or from other savings or investments;
- (5) taking a short-term loan.

Example 5: an aim of the transfer is to preserve or protect the value of the consumer's pension benefits but the comparator scheme(s) benefits would meet the consumer's needs

- 10.15 R Refer to the available evidence in Information Area 2 of the Information Section:
- (1) if the *consumer* has any objective related to preserving the value of their pension benefits or protecting their benefits from the PPF, take the steps in 10.16R; or
 - (2) if the *consumer* does not have this objective, answer 'no' to this question and proceed to Example 6.
- 10.16 R Take the following steps to determine whether this example is present:
- (1) Refer to the available evidence in Information Areas 2, 5 and 6 of the Information Section on the *consumer's* objectives and financial situation.
 - (2) Identify the relevant comparator scheme(s) benefits.
 - (3) Identify whether the comparator scheme(s) benefits would have met the *consumer's* needs. To do this:
 - (a) identify the *consumer's* needs in retirement;
 - (b) refer to the available evidence and Table 2 in *CONRED 4 Annex 22G* to identify the pension benefits the *consumer* would be likely to receive from the comparator scheme(s), having regard to the PPF income cap as it applied prior to 19 July 2021; and
 - (c) decide whether the level of comparator scheme benefits would meet the *consumer's* needs in (a).
- 10.17 E (1) Answer 'yes' to this question when the available evidence demonstrates that:

- (a) the level of comparator scheme benefits meets the *consumer's* income needs; and/or
 - (b) where Example 7 is present, the *consumer* wanted guaranteed income or returns and the comparator scheme met those needs; and/or
 - (c) the *firm* has not collected the necessary information in both of the Information Areas 5 and 6 of the Information Section and so it is not possible to complete the assessment in 10.16R because the *firm* has not demonstrated that it had a reasonable basis for believing that the *consumer* was able to bear the risk of the *pension transfer* to achieve their objective.
- (2) Answer 'no' to this question where the level of comparator scheme benefits was not likely to meet the *consumer's* income needs in retirement.

Example 6: the consumer wants to retire early but can meet their objective(s) in the comparator scheme(s)

- 10.18 R Refer to the available evidence in Information Area 2 of the Information Section:
- (1) if the *consumer* has a priority objective related to accessing benefits from their pension prior to the relevant scheme NRD (an 'early retirement objective'), take the steps in 10.19R; or
 - (2) if the *consumer* does not have this priority objective, answer 'no' to this question and proceed to Example 7.
- 10.19 R Take the following steps to determine whether this example is present:
- (1) Refer to the available evidence in Information Areas 2, 5 and 6 of the Information Section on the *consumer's* objectives and financial situation.
 - (2) Refer to the available evidence and Table 2 in *CONRED 4 Annex 22G* to identify what early retirement options were likely to be available and any protected retirement ages in:
 - (a) the *proposed arrangement*; and
 - (b) the comparator scheme(s).
 - (3) Consider whether the *consumer* may have retired at a protected retirement age in the comparator scheme(s).
 - (4) If (3) was not an option, identify whether there was an alternative way to meet the *consumer's* objective without giving up the comparator scheme(s) benefits, including using:

- (a) other pensions (defined benefit or defined contribution);
 - (b) income from part time work; and
 - (c) savings, investments or other assets.
- (5) Decide whether the *firm* has a reasonable basis for believing that the recommendation to transfer to retire early:
- (a) meets the *consumer's* investment objectives; and
 - (b) the *consumer* is able financially to bear any risks consistent with their investment objectives.
- 10.20 E Answer 'yes' to this question when the available evidence demonstrates that:
- (1) the *consumer* could have retired in the comparator scheme(s) at a protected retirement age; and/or
 - (2) the *consumer* did not have the requisite capacity for loss because they were not able to forego comparator scheme benefits to achieve this objective; and/or
 - (3) a lower risk suitable alternative was available to achieve this objective; and/or
 - (4) it was likely that the *consumer* would exhaust their pension savings during their lifetime (having regard to how the *consumer* will access their pension savings and the factors listed at paragraph 10.2R(5) above) and so there will be minimal death benefits available; and/or
 - (5) the *firm* has not collected the necessary information in both of the Information Areas 5 and 6 of the Information Section and so it is not possible to complete the assessment in 10.19R because the *firm* has not demonstrated that it has a reasonable basis for believing that the *consumer* is able to bear the risk of the *pension transfer* to achieve this objective; and/or
 - (6) the *firm* has not collected the necessary information in Information Area 2 of the Information Section and so it is not possible to understand the *consumer's* rationale for this objective.

Example 7: the consumer wants or prefers guaranteed income or returns

- 10.21 R Refer to the available evidence in Information Areas 2 and 3 of the Information Section:
- (1) if the *consumer* wants or indicates a preference for guaranteed income or returns, take the steps in 10.22R; and/or

- (2) if the *consumer* does not have this objective, answer ‘no’ to this question and proceed to Example 8.

10.22 R Take the following steps to determine whether this example is present:

- (1) Refer to the available evidence in Information Areas 2, 6 and 7 of the Information Section on the *consumer’s* objectives and financial situation.
- (2) Identify whether the *proposed arrangement*:
 - (a) guarantees the *consumer’s* income or returns; or
 - (b) takes into account the *consumer’s* preference for a guarantee and puts in place a sustainable strategy to achieve this end.
- (3) Determine whether the recommendation to transfer met the *consumer’s* preference for guaranteed income or returns.

10.23 E Answer ‘yes’ to this question when the available evidence demonstrates that:

- (1) the *consumer* wants or has indicated a preference for guaranteed income or returns throughout retirement; and
- (2) the *firm* has recommended that the *consumer* transfer into a *proposed arrangement* that does not meet these needs; or
- (3) the *firm* has not collected the necessary information in Information Area 3 of the Information Section about the *consumer’s* attitude towards secure income or guarantees and so it is not possible to complete the assessment in 10.22R because the *firm* has not demonstrated that it has a reasonable basis for believing that the *consumer* has the requisite attitude to risk; or
- (4) Example 8 is present.

Example 8: the consumer does not have the necessary attitude to risk

10.24 R Take the following steps to determine whether this example is present:

- (1) Refer to the available evidence in Information Areas 3 and 5 of the Information Section regarding the *consumer’s* preferences regarding risk taking and risk profile and their understanding of the risk of transfer.
- (2) Compare (a) with (b):
 - (a) the *consumer’s* preferences regarding the risks specific to *pension transfers* in general, focusing on the *consumer’s* attitude to:

- (i) *safeguarded benefits* or guarantees;
 - (ii) *flexible benefits* or the ability to control how and when they withdraw money from their pension savings;
 - (iii) managing their investments or paying for someone to manage their investments on their behalf; and
 - (iv) the long-term sustainability of their fund;
- (b) the risks associated with a *pension transfer* that the *consumer* must have been willing to take for a recommendation to transfer to be suitable. The relevant transfer risks are:
- (i) that their investments in the *proposed arrangement* will not perform as expected, and they will have less income in retirement (investment risk);
 - (ii) that the withdrawals from the *proposed arrangement* (planned and/or ad hoc) are not sustainable and the *consumer* will run out of money in retirement (longevity risk);
 - (iii) that inflation will erode the real value of the income they are able to draw from the *proposed arrangement* (inflation risk); and
 - (iv) that the *consumer* and/or their partner may become less able to make the necessary financial decisions in relation to their income as they age (for example, due to illness or diminishing capacity).
- (3) Decide, with reference to (2)(a), whether the *consumer* was willing to take the risks associated with a *pension transfer* in (2)(b).
- 10.25 E (1) Answer ‘yes’ when the available evidence demonstrates that:
- (a) the *consumer* was not willing to take the risks in 10.24R(2)(a); and/or
 - (b) Example 7 or 10 is present; and/or
 - (c) the *firm* has not collected the necessary information in Information Area 3 or 4 of the Information Section and so it is not possible to complete the assessment in 10.24R(3) because the *firm* has not demonstrated that the recommendation meets the *consumer*’s objectives.

Example 9: the firm’s transfer analysis does not support a recommendation to transfer

- 10.26 R Take the following steps to determine whether this example is present:
- (1) Refer to the available evidence in Information Areas 7, 8 and 9 of the Information Section, the transfer value analysis and the *suitability report*.
 - (2) Identify the benefits and options available in the *proposed arrangement*.
 - (3) Identify the benefits and options likely (on reasonable assumptions) to be paid in the comparator scheme(s).
 - (4) Review the *firm's* analysis of the effect of replacing the benefits in the comparator scheme with the benefits in the *proposed arrangement*, having regard to the *consumer's* circumstances, including their age, marital status and, where relevant, their objectives for taking a PCLS or early retirement.
 - (5) Compare (a) with (b):
 - (a) the rate of return required on investments in the *proposed arrangement* to match the income benefits in the comparator scheme(s) that is relevant to the *consumer's* circumstances and objectives:
 - (i) if the *consumer* is single or unmarried, use the single life critical yield;
 - (ii) if the *consumer* is taking a PCLS, use the critical yield that factors in the *consumer* taking the PCLS;
 - (iii) if the *consumer* wishes to retire early, use the critical yield at the early retirement date;
 - (b) the investment risk that the *consumer* must be willing and able to take in the *proposed arrangement* (taking into account a realistic rate of return) to match the desired income benefits in the comparator scheme(s).
 - (6) Review how the *firm* says the transfer analysis supports the *firm's* recommendation to transfer.
 - (7) Decide whether the *firm* has demonstrated that the transfer analysis supports the recommendation to transfer, taking into account:
 - (a) the comparison undertaken at (5); and
 - (b) the analysis carried out by the *firm* and assessed at (4) and (6).
- 10.27 E (1) Answer 'yes' to this question when the available evidence demonstrates that:

- (a) the *firm* has not demonstrated that the transfer analysis supports the recommendation to transfer, for example because:
 - (i) the critical yield indicated in the transfer value analysis is likely to be unattainable, factoring in the term to retirement and the *consumer's* attitude to investment risk; or
 - (ii) the capitalised value of death benefits (where this is a priority objective) is significantly higher under the comparator scheme(s) than that available from the *proposed arrangement*; and/or
- (b) the *consumer* would not have been able to match the rate of return to replicate the benefits being given up if they invested in line with their attitude to risk; and/or
- (c) Example 8 is present; and/or
- (d) Example 1 is present; and/or
- (e) the *firm* has not collected the necessary information in Information Area 7 or 9 of the Information Section and so it is not possible to complete the assessment in 10.26 because the *firm* has not demonstrated that the recommendation meets the *consumer's* objectives.

Example 10: the firm did not have a reasonable basis for believing that the consumer had the necessary knowledge and experience to understand the risks involved in transferring their DB scheme

- 10.28 R Take the following steps to determine whether this example is present:
- (1) Refer to the available evidence and the information recorded in Information Area 4 of the Information Section, including:
 - (a) the correspondence with the *consumer*;
 - (b) the transfer analysis; and
 - (c) the *suitability report*.
 - (2) Establish the *consumer's* level of investment experience and knowledge of *pension transfers*, pensions and investments at the time of the advice:
 - (a) in relation to *defined benefit occupational pension schemes*;
 - (b) in relation to defined contribution schemes;

- (c) in relation to the cash equivalent transfer value offered, including any actuarial reductions;
 - (d) in relation to the separate roles of the trustee and the sponsoring employer of a scheme;
 - (e) in relation to the features, benefits and risks of the comparator scheme available to it at the time; and
 - (f) generally, in relation to pensions and investments.
- (3) Identify the steps that the *firm* took to establish that the *consumer* could appreciate the nature of the risks they were taking with this transfer.
- (4) Identify the steps the *firm* took to address the *consumer's* behavioural response to their situation in a balanced and rational way, including:
- (a) any misunderstandings the *consumer* had about the benefits available in the comparator scheme(s);
 - (b) the roles of trustee and the employer where the *consumer* was concerned about belonging to a scheme where the employer would continue to be involved;
 - (c) the level of the cash equivalent transfer value on offer, including any actuarial reductions that were being applied at the time the value was prepared;
 - (d) any concerns the *consumer* had about the financial viability of the comparator scheme(s); and
 - (e) the role of the *firm* and their professional duties when providing *pension transfer advice*.
- (5) Identify the steps that the *firm* took to ensure that the *consumer* understood the *firm's* transfer analysis and its advice.
- (6) Decide whether the *consumer* had the necessary experience and knowledge to understand the risks involved in transferring to the *proposed scheme*, taking into account, in particular:
- (a) what the *consumer* already understood, including information such as:
 - (i) information about the *consumer's* existing investment and pensions portfolio and the nature, volume and frequency of the *consumer's* transactions in pensions and investments;
 - (ii) how long the *consumer* has been an investor;

- (iii) the *consumer's* experience with, and knowledge of, personal, stakeholder or workplace pension schemes;
 - (iv) the *consumer's* experience of managing their pension or other investments or using a financial adviser to manage these investments;
 - (v) the *consumer's* profession (if any), including whether it is relevant to understanding defined benefit *pension transfer* advice and investment advice;
 - (vi) whether the *consumer* had characteristics of vulnerability and the impact this had on the suitability of advice;
- (b) how the *firm* communicated the following to the *consumer*:
- (i) the risks of transferring the *consumer's* pension and investing in a scheme with *flexible benefits*;
 - (ii) the outcomes from the transfer analysis and whether the *firm* drew the attention to the factors that did, and did not, support the *firm's* advice;
 - (iii) the option to remain in BPS while it entered the PPF assessment period, and the overall safety of their pension savings during this time; and
 - (iv) the option to transfer to BPS2, including the role of the trustee and the sponsoring employer and the ability to transfer out of BPS2 at a later date;
- (c) if the *consumer* approached the *firm* for advice before 12 October 2017 and the Time to Choose period, consider:
- (i) whether the *firm* should have waited until more information was available about the comparator scheme(s) to provide the recommendation;
 - (ii) what information the *firm* was able to provide the *consumer* with about the options in the comparator scheme(s); and
 - (iii) the effect of any failure to obtain information about the comparator scheme(s) on the *consumer's* understanding of their options and the risk of transfer;
- (d) what the *consumer* is likely to have understood after this information was provided, taking into account the overall impression that the *consumer* would reasonably have had of the features and risks of a transfer, particularly in the light of:

- (i) the entirety of the *firm's* communications with the *consumer*, including communications the *consumer* received from the scheme trustees;
- (ii) the extent to which the *firm's* communications were balanced and rational in their presentation of features and risks; and
- (iii) the *consumer's* relevant experience and knowledge in (2) above.

10.29 E Answer 'yes' to this question where:

- (1) the *firm* did not communicate in substance the risks of transferring in a way the *consumer* would have understood; and/or
- (2) the *firm* did not take reasonable steps to ensure that the *consumer* understood the *firm's* transfer analysis, their option to transfer to a comparator scheme, and its advice; and/or
- (3) the *firm* did not take reasonable steps to correct any misunderstandings the *consumer* had in relation to the benefits available and/or the security of their benefits in the comparator schemes; and/or
- (4) the *firm* has not collected the necessary information in Information Area 4 of the Information Section and so it is not possible to complete the assessment in 10.28R because the *firm* does not have a reasonable basis for believing that the *consumer* has the necessary knowledge and experience to transfer.

Example 11: the consumer is under 50 and cannot bear the risks of transfer

- 10.30 R (1) Refer to the available evidence in Information Area 1 of the Information Section; and
- (2) Identify whether the *consumer's* age at the time of the advice is 50 or under and:
- (a) if the *consumer* is under 50, take the steps in 10.31R; or
 - (b) if the *consumer* is 50 or over, answer 'no' to this question and proceed to Example 12.

10.31 R Take the following steps to determine whether this example is present:

- (1) Refer to the available evidence recorded in the Information Areas 1, 2, 3, 7 and 9 of the Information Section and to the scheme benefits available in the comparator scheme(s) (see *CONRED 4 Annex 22G* at Table 2).

- (2) Identify the minimum age that the *consumer* can draw benefits from the comparator scheme(s), including their option to take any protected retirement benefits.
- (3) Identify the objective for the transfer and:
 - (a) the amount needed;
 - (b) the date the amount is needed; and
 - (c) why the *consumer* needs to transfer their comparator scheme(s) benefits now, taking into account when the *consumer* wants to:
 - (i) release capital and/or tax-free cash from their scheme; and
 - (ii) draw an income from the scheme;
 - (d) the alternatives available to achieve the objective, including:
 - (i) the option to remain in the scheme and wait for the outcome of the PPF assessment;
 - (ii) the option to remain in the scheme and transfer into BPS2; and
 - (iii) use of other assets to achieve the *consumer's* objective.
- (4) Consider the investment strategy in the *proposed arrangement* and whether the *consumer* had the requisite attitude to the risks of investment in the *proposed arrangement*, including inflation risk.
- (5) If the *consumer* approached the *firm* for advice before 12 October 2017 and the Time to Choose period, consider:
 - (a) whether the *firm* should have waited until more information was available about the comparator scheme(s) to provide the recommendation;
 - (b) what information the *firm* was able to provide the *consumer* with about the options in the comparator scheme(s); and
 - (c) evaluate the effect of any failure to obtain information about the comparator scheme(s) on the *consumer's* understanding of their options and the risk of transfer.
- (6) Decide whether the *firm* had a reasonable basis for believing that the *consumer* was able financially to bear the investment risk consistent with their investment objectives and had the knowledge and experience to transfer.

- 10.32 E Answer ‘yes’ to this question when the available evidence demonstrates that:
- (1) the *consumer* was unable financially to bear the long-term investment risks associated with an investment in the *proposed arrangement*; and/or
 - (2) Example 10 is present and the *consumer* did not have the requisite knowledge and experience to understand their options and the risk of transfer; and/or
 - (3) the *firm* should have waited for more information to become available before it advised the *consumer* ahead of the Time to Choose exercise; and/or
 - (4) the *consumer’s* objectives for the transfer, their intended retirement date, and investments were uncertain or not clearly defined and the *firm’s* recommendation to transfer has exposed the *consumer* to financial and other risks that they did not need to take with this investment.

Example 12: the recommendation to transfer is unsuitable for the consumer’s investment objectives or for their financial situation for some other reason

- 10.33 R Take the following steps:
- (1) Refer to the available evidence and the information recorded in Information Areas 2, 6 and 7 of the Information Section.
 - (2) Refer to the features and benefits of the comparator scheme(s) at *CONRED 4 Annex 22G*.
 - (3) Consider whether there is any reason, other than the reasons at examples 1 to 11 above, why the recommendation to transfer was unsuitable for the *consumer’s* investment objectives or financial situation.
- 10.34 G This example may be present when:
- (1) the transfer would result in a tax liability that the *consumer* is unwilling or unable to pay; and/or
 - (2) the *consumer* could have taken an alternative course of action to meet their objectives (other than the specific objectives identified in the examples above) with less cost or less risk; and/or
 - (3) the *consumer* has a specific objective in mind for the transfer (other than the objectives listed in Examples 2, 3, 4, 5 and 6 above), but this objective can be met without a *pension transfer*; and/or
 - (4) the *firm* has recommended a transfer to mitigate against the risk of future redundancy, when there is no evidence on file that the *consumer*

is at imminent risk of being made redundant or that redundancy was likely to cause significant financial hardship.

11 Causation Section

- 11.1 G The Causation Section is used to record the assessment of whether or not the *consumer's* loss was as a result of (or caused by) the *firm's* failure to comply with the suitability requirements.
- 11.2 G The Causation Section proceeds on an assumption that the *consumer* suffered a loss by transferring their BSPS to the *proposed arrangement*. Whether or not there was actually a loss is dealt with in the Redress Section.
- 11.3 R Complete the Causation Section where the assessor has concluded that the *firm* has failed to comply with the suitability requirements.
- 11.4 R Take the following steps to complete the Causation Section:
- (1) Review the available evidence any communications to *consumers* during the relevant period, including those listed in *CONRED 4 Annex 22G* at Table 3, and any other relevant information recorded in the Information Section and Suitability Section of the BSPS DBAAT.
 - (2) Determine whether the *firm's* failure to comply with the suitability requirements ('non-compliant conduct') caused the *consumer* to transfer their BSPS to the *proposed arrangement* (the 'causation question').
 - (3) Answer the causation question by selecting 'yes' or 'no'.
 - (4) Explain the conclusion on the causation question with reference to the evidence at (1).
- 11.5 R To answer the causation question, decide whether it is more likely than not that the *firm's* non-compliant conduct was the effective cause of the *consumer's* decision to transfer.
- 11.6 G The effective cause in 11.5R above does not have to be the sole or primary cause of the *consumer's* decision. In particular:
- (1) as long as the non-compliant conduct was an effective cause of the *consumer's* decision, it is immaterial that other factors (for example, the influence of a third party such as an introducer) also influenced that decision;
 - (2) the *firm's* non-compliant conduct will not have been the effective cause of the *consumer's* loss if it is more likely than not that the *consumer* would have transferred their BSPS to the *proposed scheme* in the absence of non-compliant conduct. This may occur if, for example, the *firm* gave an unsuitable recommendation to transfer but

the *consumer* would still have transferred their BPS to the *proposed scheme* even if the *firm* had complied with the suitability requirements.

- 11.7 G For the purposes of the determination under 11.4R(2), have regard to the impact of the *firm's* non-compliant conduct on the *consumer's* decision to transfer, including:
- (1) the *consumer's* demands, needs and intentions at the time of the advice, including in relation to:
 - (a) the *consumer's* financial situation;
 - (b) any potential tax or other liabilities the *consumer* has;
 - (c) the *consumer's* objectives and future financial needs throughout retirement;
 - (d) the *consumer's* age and expected retirement age;
 - (e) the *consumer's* state of health; and
 - (f) the *consumer's* timeline for making any relevant decision about their BPS in light of the BPS restructuring;
 - (2) the *consumer's* knowledge and experience at the relevant time, including:
 - (a) the *consumer's* knowledge and experience as recorded in the Information Section;
 - (b) the extent to which the *consumer* understood the changes to the BPS, the operation of the PPF, and other relevant matters in the BPS restructuring following the publication of the Regulated Apportionment Agreement, or whether the *consumer* would have made a decision solely or primarily on the *firm's* recommendation;
 - (c) the extent to which the *consumer* understood the detailed reasoning (if any) within the *firm's* advice, or would have made a decision solely or primarily based on the *firm's* recommendation overall;
 - (d) the extent to which the *consumer* read the *firm's* written advice (or would have made a decision solely or primarily based on advice given orally); and
 - (e) the extent to which the *consumer* considered whether to take the relevant step independently of the *firm's* advice.

- (3) whether the *consumer* had characteristics of vulnerability as recorded in the Information Section;
- (4) the relevance of surrounding circumstances, including publicly available information at the time, such as the information listed in *CONRED 4 Annex 22G* at Table 3, paying due regard to the reliance the *consumer* was reasonably likely to place on the *personal recommendation* of the *firm* as compared with generic and/or publicly available information;
- (5) the significance of any particular features of the BSPS, BSPS2, the PPF and the *proposed arrangement*, as regards the *consumer's* specific demands, needs and intentions;
- (6) whether the *consumer* sought specific information from the *firm* and to what extent that information was provided to the *consumer*. If the *consumer* has sought specific information from the *firm*, then it is more likely that the information was relatively important to the *consumer* when making a decision as to whether to take a relevant action;
- (7) whether the *consumer* was informed about the particular risks and benefits of:
 - (a) staying in the BSPS and moving into the PPF;
 - (b) joining BSPS2; or
 - (c) transferring to the *proposed arrangement*,
 where those risks and benefits were of particular concern to the *consumer* (given their demands, needs and intentions);
- (8) whether a failure to provide information under (7)R above may make it more likely that the non-compliant conduct caused the *consumer* to take the decision they did;
- (9) the *consumer's* knowledge and experience at the relevant time, including:
 - (a) the *consumer's* knowledge and experience as recorded in the Information Section;
 - (b) the extent to which the *consumer* understood the changes to the BSPS, the operation of the PPF, and other relevant matters in the BSPS restructuring following the publication of the Regulated Apportionment Agreement, or whether the *consumer* would have made a decision solely or primarily on the *firm's* recommendation;
 - (c) the extent to which the *consumer* understood the detailed reasoning (if any) within the *firm's* advice, or would have made

a decision solely or primarily based on the *firm's* recommendation overall;

- (d) the extent to which the *consumer* read the *firm's* written advice (or would have made a decision solely or primarily based on advice given orally); and
- (e) the extent to which the *consumer* considered whether to take the relevant step independently of the *firm's* advice.

12 Attestation Section

- 12.1 G This section is for the *senior manager* at the *firm* to complete in compliance with *CONRED* 4.3.2R(3).
- 12.2 R The attestation must be signed by an *individual* approved to perform the SMF16 (Compliance oversight) *FCA controlled function* for the *firm* or by an *individual* approved to perform another appropriate *senior management function* within the *firm*.
- 12.3 R For the purposes of 12.2R, a notification is to be treated as signed where any of the following apply:
 - (1) it contains an image of a 'wet ink' signature applied by the appropriate *individual*;
 - (2) it contains an electronic signature applied by the appropriate *individual*; or
 - (3) it contains a typed signature applied by, or with the express consent of, the appropriate *individual*.

13 Redress Calculation BSPS calculator instructions

- 13.1 R The following definitions are used in this section:
 - (1) 'assumptions' are the economic, demographic and other assumptions to be used in the redress calculation set out at *DISP* App 4 Annex 1;
 - (2) 'BSPS calculator' has the meaning in *CONRED* 4.1.1R(3);
 - (3) 'calculation date' has the meaning in *DISP* App 4.1.1R(6);
 - (4) 'comparator scheme' is the scheme identified at *CONRED* 4 Annex 21 13.21R to 13.26R;
 - (5) 'DC pension arrangement' means any pension arrangement holding the value of the *consumer's* pension benefits which originated from the BSPS, including where the arrangement has been subsequently switched to a new arrangement;

- (6) ‘DOL’ is the date that the BSPS member left active service in the BSPS;
- (7) ‘input’ is information entered into the BSPS calculator;
- (8) ‘output’ is the report produced by the BSPS calculator setting out the redress calculation, together with a summary of the inputs and the effect of any adjustments made;
- (9) ‘PPF’ includes any benefits bought out by PIC. The BSPS PPF benefit structure will be automatically mapped to PIC Scheme Benefits that are expected to be secured with PIC in 2022/2023;
- (10) ‘PIC’ is the Pensions Insurance Corporation;
- (11) ‘primary compensation sum’ is the amount calculated in accordance with *DISP* App 4.3.19R, adjusted to take account of the *consumer’s* tax position and any entitlement to means-tested state benefits;
- (12) ‘quarter’ is the period of three *months* commencing 1 January, 1 April, 1 July and 1 October in each year;
- (13) ‘secondary compensation sum’ is the amount comprising any consequential losses, including any initial *adviser charges* on the DC pension arrangement and the primary compensation sum;
- (14) ‘Section’ is each former *defined benefit occupational pension scheme* that was merged into the BSPS over time;
- (15) ‘tranche’ is an element of pension benefit which typically has a unique combination of revaluation increases before coming into payment and pension increases during payment, but may also have a unique payment starting age or payment end age; and
- (16) ‘valuation date’ has the meaning in *DISP* App 4.1.1R(25).

Using the BSPS calculator

- 13.2 R This section sets out the instructions for using the BSPS calculator. The BSPS calculator is used to calculate the redress (if any) payable to a *consumer*, their spouse or beneficiary in a scheme case where the *firm* has determined that:
- (1) the *firm* has failed to comply with the suitability requirements; and
 - (2) the *firm’s* non-compliant conduct was the effective cause of the consumer’s BSPS pension transfer.
- 13.3 R (1) The BSPS calculator carries out Step 3 at *DISP* App 4.3.19R to 4.3.26R and the parts of Step 4 at *DISP* App 4.3.27R to 4.3.29R and *DISP* App 4.3.32.

- (2) The BSPS calculator does not calculate the redress sum that would be payable by full or partial augmentation.
- 13.4 R The BSPS calculator compares the position the *consumer* is in with the position they would have been in if the *firm* had complied with the suitability requirements.
- 13.5 R The BSPS calculator has a number of sections which must be completed in full except where indicated in these instructions.
- 13.6 R All inputs into the BSPS calculator must be based on information obtained by the *firm* prior to the calculation date.
- 13.7 G The BSPS calculator will only produce a redress calculation where the *firm* inputs the necessary information.
- 13.8 G The diagram at *CONRED 4 Annex 23G* explains the steps to complete the redress calculation using the BSPS calculator in diagrammatic form, with reference to the relevant sections of the instructions, *DISP App 4* and *CONRED 4 rules*.

Use of the BSPS calculator

- 13.9 G The BSPS calculator and instructions in this Annex are to be used for the purpose of complying with the requirements under *CONRED 4* to calculate redress owed to a BSPS member as a result of a *firm's* failure to comply with the suitability requirements.
- 13.10 G Nothing in the BSPS calculator affects how the FCA DBAAT or BSPS DBAAT works.

General instructions

- 13.11 R A *firm* must carry out a separate calculation on the BSPS calculator for each period of the *consumer's* service or membership of the BSPS.
- 13.12 R The valuation date will be the first day of the quarter (for calculations undertaken within that quarter).
- 13.13 G The redress calculation date will fall within the same *quarter* as the valuation date but does not have to be the same date as the valuation date.
- 13.14 R The BSPS calculator will base calculations on the new assumptions available on the first day of each new quarter, using publicly available data from the final *business day* of the quarter immediately before.
- 13.15 R (1) Subject to *DISP App 4.3.25R*, redress calculations using the BSPS calculator will remain valid for 3 *months* from the date the *redress determination* is sent to the *consumer*, irrespective of quarterly changes to the assumptions.

- (2) If a firm carries out a further redress calculation after expiration of the validity period in (1), that calculation must be based on the new assumptions for the quarter in which it is carried out.

Steps for redress calculation

- 13.16 G The BSPS calculator can be accessed on the *FCA's* website from April 2023.
- 13.17 R A *firm* must take the following steps to complete the redress calculation using the BSPS calculator:
- (1) Step 1: obtain the necessary information to calculate redress, including identifying the relevant comparator scheme by following the instructions at *CONRED 4 Annex 21 13.21G to 13.26R*.
 - (2) Step 2: identify when the *consumer* would have taken retirement benefits from the comparator scheme by following Step 2 of *DISP App 4*.
 - (3) Step 3: carry out a redress calculation by:
 - (a) inputting the necessary information into the calculator, overriding default settings where appropriate, as specified in *CONRED 4 Annex 21 13.30R*; and
 - (b) running the BSPS calculator and obtaining a calculator report.
 - (4) Step 4: work out the redress offer for the *redress determination* in accordance with the requirements at *DISP App 4.3.27R to 4.3.30R* and *CONRED 4.4.2R* and *CONRED 4.4.3R*.
 - (5) Step 5: send the *redress determination* to the *consumer* in accordance with the requirements at *CONRED 4.4.2R*, *CONRED 4.4.5R* and *CONRED 4.4.6G*.

Step 1: obtain necessary information

- 13.18 G A *firm* should follow the steps in *CONRED 4.3.14R* and, where applicable, at *CONRED 4.4.14R* to obtain the necessary information to carry out a redress calculation using the BSPS calculator.
- 13.19 G The necessary information to carry out a redress calculation using the BSPS calculator is specified at *CONRED 4 Annex 21 13.30R*.
- 13.20 R A *firm* is entitled to rely on the information provided by the *consumer* unless it is aware that the information is out of date, inaccurate or incomplete.

Step 2: identify comparator scheme and retirement date

- 13.21 R A *firm* must identify the appropriate comparator scheme to:

- (1) complete Step 2 in *DISP* App 4.3.15R to 4.3.18G; and
 - (2) use for the purpose of the redress calculation.
- 13.22 G Former BSPS members who did not complete a *pension transfer* had two options during the ‘Time to Choose exercise’ implemented by the BSPS:
- (1) move to BSPS2; or
 - (2) remain in the original BSPS scheme, which would move into the PPF.
- 13.23 R A *firm* must determine whether the evidence on the client file demonstrates that the *consumer* would have been more likely than not to choose the BSPS2 or the PPF.
- 13.24 E Where there is evidence in a *firm*’s client file that a *consumer* selected either the BSPS2 or PPF during the Time to Choose exercise, a *firm* must take that choice into account in the determination required by *CONRED* 4 Annex 21 13.23R. The *firm* must also take account of any other evidence on the client file including where it may have displaced such choice and with reference to the evidential provision at *CONRED* 4 Annex 21 13.25R.
- 13.25 E (1) The following evidential provisions provide examples of circumstances which make it more likely than not that the *consumer* would have chosen the BSPS2 over the PPF:
- (a) the *consumer* was under 50 at the time of the advice;
 - (b) the *consumer* could not accept a reduction in the starting pension entitlement at retirement; or
 - (c) the *consumer* wanted to retain the option to transfer benefits in the future.
- (2) The following evidential provisions provide examples of circumstances which make it more likely than not that the *consumer* would have chosen the PPF over BSPS2:
- (a) the *consumer* needed to take the highest *pension commencement lump sum* available at their retirement date; and
 - (b) the *consumer* had a considered plan for taking retirement benefits early which would have met their income needs in retirement when taking into account the PPF reduction in starting pension entitlement at retirement.
- 13.26 R Where the *firm* is unable to determine which scheme a *consumer* would have been more likely than not to choose during the Time to Choose exercise, it must calculate the amount of redress using the BSPS2 as the comparator scheme.

Retirement date

- 13.27 R A *firm* must determine the *consumer's* retirement date using the *rules* and *guidance* at *DISP* App 4.3.15R to 4.3.18G, with the following modification: any reference to the *defined benefit occupational scheme* is to be replaced with a reference to the comparator scheme identified in accordance with *CONRED* 4 Annex 21 13.21R to 13.26R.

Step 3: carry out redress calculation

- 13.28 R The third step is for the *firm* to carry out the redress calculation using the BSPS calculator. The BSPS calculator will calculate whether 'X' is greater than 'Y' on the valuation date, using the formula at *DISP* App 4.4.2R, where:
- (1) 'X' is the estimated value of the benefits in the *defined benefit occupational pension scheme*; and
 - (2) 'Y' is the value of the benefits from the *consumer's* DC pension arrangement.
- 13.29 R Where 'X' is greater than 'Y', the *consumer* has suffered a loss and the amount calculated is the primary compensation sum to be used at Step 4.
- 13.30 R A *firm* must input the following information into the BSPS calculator to carry out the redress calculation:
- (1) Information relevant to the *consumer's* personal and financial situation including, where relevant, and overriding the default setting where different:
 - (a) date of birth;
 - (b) marital status;
 - (c) spouse/civil partner's date of birth;
 - (d) the appropriate comparator scheme identified in accordance with *CONRED* 4 Annex 21 13.21R to 13.26R;
 - (e) the *consumer's* presumed date of retirement from the appropriate comparator scheme, identified in accordance with *CONRED* 4.4.3R and Step 2 of *DISP* App 4.3.15R to 4.3.18G;
 - (f) whether the *consumer* is alive or deceased on or before the calculation date (default is that the *consumer* is still alive). If the *consumer* is deceased, the *consumer's* date of death.
 - (2) Where the comparator scheme is the BSPS (PPF) data relating to the *consumer's* former benefit entitlement in the BSPS, including:

- (a) the relevant Section (the BSPS calculator will provide a list of options);
 - (b) the DOL;
 - (c) annual BPS pension at DOL split by tranche, as applicable to each section. The tranches expected will be pre-populated based on the Section selected. All tranches will be optional; however, there must be one or more non-zero amounts (the BPS calculator will provide a list of tranches by Section);
 - (d) the value at DOL of the automatic lump sum entitlement due at retirement split by tranche, as applicable to each Section;
 - (e) confirmation of any lower unreduced retirement age that applies to any tranches due to any enhanced early retirement provision (optional - default is Section's retirement age will apply);
 - (f) the value at DOL of any other associated benefits, for example for a bridging pension; and
 - (g) details of any adjustment applicable to the transfer as part of a pension sharing order entered into (optional - default is no adjustment).
- (3) Where the comparator scheme is the BPS2, data relating to the *consumer's* former benefit entitlement in the BPS2, including:
- (a) Section (the BPS calculator will provide a list of Sections);
 - (b) the DOL;
 - (c) annual BPS2 pension at DOL split by tranche, as applicable to each Section. The tranches expected will be pre-populated based on the Section selected. All tranches will be optional; however, there must be one or more non-zero amounts (the BPS calculator will provide a list of tranches by Section);
 - (d) the value at DOL of the automatic lump sum entitlement due at retirement split by tranche, as applicable to each Section;
 - (e) confirmation of any lower unreduced retirement age that applies to any tranches due to any enhanced early retirement provision (optional - default is the BPS2's retirement age will apply);
 - (f) the value at date of leaving of any other associated benefits, for example for a bridging pension; and

- (g) details of any adjustment applicable to the transfer as part of a pension sharing order entered into (optional - default is no adjustments apply).
- (4) Data relating to the DC pension arrangement, including:
- (a) date of transfer out of the BSPS;
 - (b) value of each investment fund attributable to the original transfer value at the valuation date;
 - (c) valuation date for each investment fund;
 - (d) product and adviser-related percentage charges, including annual management charges;
 - (e) non percentage charges in addition to the charges at (4)(d) (option - default is nil); and
 - (f) whether the *consumer* requires initial advice in future, and whether an initial *adviser charge* needs to be applied.
- (5) Where the *consumer* has already commenced taking their pension benefits:
- (a) the amount of any *pension commencement lump sum* taken and dates of payment;
 - (b) the amount of any funds accessed flexibly and dates of payments; and
 - (c) the date of any annuity purchased and for that annuity:
 - (i) its amount;
 - (ii) increases (fixed, *RPI* linked, *CPI* linked, applicable cap, applicable floor);
 - (iii) spouse/civil partner's pension – proportion on death;
 - (iv) the guarantee period from the commencement date (enter in years);
 - (v) payment in arrears or advance and the payment frequency; and
 - (vi) annuity commencement date.
- (6) An amount for any consequential losses claimed by a *consumer* pursuant to *CONRED* 4.3.14R(1)(b)(iii)(C) which the *firm* accepts are properly payable.

- (7) The amount at 13.34R(1) and (2) combined and adjusted to take account of the *consumer's* tax position calculated in accordance with *DISP* App 4.3.31G.
- (8) The amount at 13.34R(3) adjusted to take account of the *consumer's* tax position calculated in accordance with *DISP* App 4.3.31G.

Use of assumptions from *DISP* App 4

- 13.31 G The BSPS calculator uses the assumptions in *DISP* App 4 Annex 1 for the purpose of calculating redress. These assumptions may include (depending on the type of case and the information entered in the calculator):
- (1) pre-retirement discount rate, adjusted for the default product charges and default ongoing *adviser* charges (see *DISP* App 4 Annex 1 8.1G and 9.1G);
 - (2) post-retirement discount rate, adjusted for a *pension commencement lump sum*, if relevant (see *DISP* App 4 Annex 1 7G);
 - (3) *RPI* inflation (see *DISP* App 4 Annex 4 3.1G);
 - (4) *CPI* inflation (see *DISP* App 4 Annex 4 4.1G);
 - (5) Earnings inflation (see *DISP* App 4 Annex 4 5.1G);
 - (6) pension increases in payment, with reference to the relevant inflation index, caps and floors (see *DISP* App 4 Annex 1 6.1G);
 - (7) default product charge % (see *DISP* App 4 Annex 1 9.1G);
 - (8) default *adviser charge* % (see *DISP* App 4 Annex 1 9.1G);
 - (9) Bank of England Base Rate;
 - (10) mortality for *consumer* and spouse / dependant (see *DISP* App 4 Annex 1 10.1G);
 - (11) spouse / dependant age difference (if the spouse / dependant date of birth is not available) (see *DISP* App 4 Annex 1 10.2G); and
 - (12) proportion married / having a dependant at retirement age (if status unknown) (see *DISP* App 4 Annex 1 10.3G).
- 13.32 G These assumptions will be derived in line with *DISP* App 4 Annex 1 and will be updated on a quarterly basis. All the assumptions needed will be automatically calculated based on the information inputted and the market conditions at the valuation date.
- 13.33 G The BSPS calculator will be temporarily unavailable at quarter ends for a short period while updates for latest assumptions are made.

Step 4: work out redress offer for redress determination

- 13.34 R The BSPS calculator will produce the following outputs:
- (1) a primary compensation sum, calculated in accordance with *DISP* App 4.3.19R and 4.3.20R;
 - (2) a secondary compensation sum comprising any consequential losses, including any:
 - (a) initial adviser charges on the DC pension arrangement and the primary compensation sum at (1) in accordance with *DISP* App 4.3.32G, calculated using the formula at *DISP* App 4.4.19R;
 - (b) amount as described at 13.30R(6);
 - (3) an additional compensation sum to compensate the *consumer* for the lapse of time between the valuation date and the payment date, calculated in accordance with the formula at *DISP* App 4 Annex 1 14.1G to 14.3G; and
 - (4) the total of the amounts in 13.30R(7) and (8).

Step 5: redress determination

- 13.35 R The amount at 13.34R(4) is the redress payable to a *consumer* in the form of a cash lump sum for the purpose of *CONRED* 4.4.2R.

4 Annex 22G BSPS DBAAT Annex

1 Features, benefits and risks of a pension transfer

- 1.1 The definitions in *CONRED* 4 and *CONRED* 4 Annex 21 1.3R apply to this Annex.
- 1.2 Table 1 illustrates in general the relative features and benefits of a *defined benefit occupational pension scheme* ('DB scheme') and a *non-DB pension scheme* ('DC scheme').
- 1.3 Table 1 should be read alongside the *consumer's* BSPS Scheme Rules and Handbook to determine how the BSPS benefits below apply to the *consumer* at the point the *firm* advised the *consumer*. Where there were special benefits in the BSPS that may be relevant to the *firm's* advice and disclosure of risks and benefits of transfer in general these are mentioned in 'notes' in Table 1.

Table 1:

	DB Scheme	DC Scheme
Benefits available	<p>Defined by scheme rules.</p> <p>Pay a regular income based on the <i>consumer's</i> salary and length of the <i>consumer's</i> membership in the pension scheme.</p>	<p>Benefits depend on <i>consumer</i> contributions. The <i>consumer</i> builds up a pension 'pot' over time.</p> <p>Benefits available include taking withdrawals directly from the pot either via <i>uncrystallised funds pension lump sums</i> (UFPLS) or flexi-access drawdown (FAD) or using part/all of the pot to purchase an annuity to secure a guaranteed income for life.</p>
When can benefits be taken?	<p>Scheme benefits are intended to be taken at the scheme Normal Retirement Date (NRD), defined in the scheme rules (e.g. at age 65).</p> <p>Most schemes permit benefits to be drawn earlier than NRD (but only once the <i>consumer</i> reaches the scheme's minimum pension age), though with an actuarial reduction typically applied for every year they are taken before NRD.</p> <p>Note – <i>Consumers</i> that joined the BSPS before 6 April 2006 had a protected minimum pension age of 50. This benefit was lost on transfer to a DC pension (unless it was done as part of a block/buddy transfer) but may have been retained in BSPS2 and the PPF.</p>	<p>Benefits can be withdrawn from the pension at any point once the <i>consumer</i> meets their normal minimum retirement age.</p>
Is a <i>pension commencement lump sum</i> (PCLS) available?	<p>A PCLS is available and is typically achieved by 'commuting' pension benefits for lump sum benefits using a commutation factor outlined in the scheme rules. This typically leads to a lower PCLS available than from a DC scheme.</p>	<p>25% of the pension 'pot' is available to be withdrawn as a PCLS.</p>

<p>Are benefits protected against inflation?</p>	<p>The pension benefits under a DB scheme typically have a level of inflation protection (the income will increase every year) both in deferment (before the <i>consumer</i> accesses the pension) and in payment.</p> <p>The level of inflation protection depends on the type of benefits accrued (for example, Guaranteed Minimum Pension ('GMP'), excess over GMP) and when they were accrued. It is also impacted by certain minimums set out in legislation. The scheme rules detail the level of indexation and escalation that is applied.</p>	<p>There is no explicit inflation protection for benefits invested in a DC scheme. DC pension pots may be invested in the markets to generate a return to offset inflation.</p> <p>Where a <i>consumer</i> uses their pot to purchase an annuity, they can purchase levels of inflation protection, though this comes at the cost of reducing the initial income payment to the client.</p>
<p>What flexibility is available within the scheme?</p>	<p>DB schemes typically have flexibility around when benefits are taken from the pension, subject to confirmation in the scheme rules on early retirement and the factors that are used.</p> <p>All benefits are usually taken simultaneously – for example, PCLS and income benefits are usually taken in their entirety at the same time.</p>	<p>DC schemes allow for flexibility as to when and how benefits are taken. Further, not all benefits have to be taken at the same time. For example, partial or full PCLS can be taken without starting to withdraw income benefits.</p>
<p>Benefits available on death of consumer</p>	<p>A DB scheme will usually include a spouse's pension, which will continue to pay a proportion of the <i>consumer's</i> income after their death.</p> <p>There may also be pensions for dependent family <i>consumers</i>. Some schemes may make minor lump sum payments depending on when the <i>consumer</i> dies (e.g. if it was not long after they elected to take benefits).</p>	<p>Whatever is left in the pension pot at the <i>consumer's</i> death is an asset which is available to be inherited by a nominated individual. Annuities may also have other benefits (e.g. a spouse's pension) built in at the time of purchase which will continue paying an income to a spouse, though typically at a reduced rate.</p>

- 1.4 The key risks associated with a transfer from a DB scheme to a DC scheme include:
- (1) the loss of *safeguarded benefits*, in the form of a guaranteed lifetime income from the DB scheme for the *consumer* and their eligible dependants (usually spouses and dependent children);
 - (2) the loss of the inflationary protection that is provided by the DB scheme associated with the pension (both in deferment and in payment);
 - (3) the transfer of investment risk from the DB scheme (and sponsoring employee) to the *consumer*. Poor investment returns will directly impact on the value of the *consumer's* benefits in a DC scheme. In a DB scheme, investment returns impact on the scheme's funding position and the sponsoring employer must make good any shortfall;
 - (4) the transfer of longevity risk, which is the risk of running out of money in retirement and having to rely on the state pension. This is a key risk for *consumers* that choose to withdraw money from their pension via UFPLS or FAD. It is not a risk that is present in a DB scheme;
 - (5) the transfer of responsibility for decisions about scheme assets. A *consumer* must keep their DC scheme assets under review, particularly where benefits are withdrawn via either UFPLS or FAD. In these situations, the *consumer* will need to continue monitoring their pension and potentially making complex and important investment and withdrawal decisions for the remainder of their lives. Where professional support is needed to help with the monitoring and these decisions, this will come at a cost that will reduce the available benefits within the pension.

2 Comparison of benefits provided by BPS2 and the Pension Protection Fund (PPF)

- 2.1 Table 2 compares the benefits available from the proposed BPS2 with the benefits available from the PPF for deferred (rather than retired) *consumers* who were eligible for a *pension transfer*. This information would have become available when Time to Choose packs were sent out between 9 and 11 October 2017 at the beginning of the Time to Choose period.
- 2.2 The BPS first entered the PPF assessment period on 29 March 2018. During the assessment period, the PPF considers whether the assets of the scheme can be used to secure benefits for the *consumer* in excess of those provided by the PPF. If they cannot, the scheme is transferred to the PPF. During the assessment period, *consumers* who retire receive benefits at PPF levels.

Table 2:

	Benefits and features of BSPS2	Benefits and features of the PPF	Comparison of BSPS2 to PPF
‘Starting’ income benefits by comparison to Old BSPS scheme – Consumers aged 65 or over at date of PPF assessment	No reduction	No reduction	Both options are the same.
‘Starting’ income benefits by comparison to Old BSPS scheme – Consumers below age 65 at date of PPF assessment	No reduction	All income benefits reduced by 10% AND subject to the benefit cap (see 3.1(3)): <ul style="list-style-type: none"> April 2016 to April 2017 – £37,420.42 at age 65 April 2017 to April 2018 – £38,505.61 at age 65 	BSPS2 provides unreduced income benefits for all scheme <i>consumers</i> .
Revaluation of benefits in deferment (pre-retirement) Source: Time to Choose Information Pack (for BPS2)	Benefits accrued: <ul style="list-style-type: none"> Before 5 April 2006 – CPI with no cap 5 April 2006 to 5 April 2009 – CPI capped at 4% a year 5 April 2009 to 5 April 2012 – CPI capped at 4% a year 5 April 2012 to 5 April 2016 – CPI capped at 3% a year From 5 April 2016 – CPI capped at 2.5% a year 	Benefits accrued: <ul style="list-style-type: none"> Before 5 April 2006 – CPI capped at 5% a year 5 April 2006 to 5 April 2009 – CPI capped at 5% a year 5 April 2009 to 5 April 2012 – CPI capped at 2.5% a year 5 April 2012 to 5 April 2016 – CPI capped at 2.5% a year From 5 April 2016 – CPI capped at 2.5% a year 	BSPS2 generally provides more favourable revaluation in deferment, except for: <ul style="list-style-type: none"> benefits between 5 April 2006 and 5 April 2009 where PPF revaluation is better benefits from 5 April 2016 which are revalued at the same rate

<p>Indexation of benefits in payment (post-retirement)</p>	<ul style="list-style-type: none"> • GMP benefits between 5 April 1978 and 5 April 1988 – No increases • GMP benefits between 5 April 1988 and 5 April 1997 – CPI capped at 3% a year • Excess over GMP pre-5 April 1997 – No increases • Pension benefits between 5 April 1997 and 5 April 2005 – CPI capped at 5% a year • Pension benefits from 5 April 2005 – CPI capped at 2.5% a year 	<ul style="list-style-type: none"> • GMP benefits between 5 April 1978 and 5 April 1988 – No increases • GMP benefits between 5 April 1988 and 5 April 1997 – No increases • Excess over GMP pre-5 April 1997 – No increases • Pension benefits between 5 April 1997 and 5 April 2005 – CPI capped at 2.5% a year • Pension benefits from 5 April 2005 – CPI capped at 2.5% a year 	<p>BSPS2 generally provides more favourable indexation in retirement except for:</p> <ul style="list-style-type: none"> • GMP benefits between 5 April 1978 and 5 April 1988 where neither provide indexation; • excess over GMP pre-5 April 1997 where neither provide indexation; and • pension benefits from 5 April 2005 where indexation is at the same rate.
<p>Spouse and dependents benefits</p>	<ul style="list-style-type: none"> • Continued income benefits valued at 50% of the <i>consumer's</i> pension, calculated with reference to the <i>consumer's</i> pension before any is commuted for a PCLS. • In Time to Choose packs (issued between 9 and 11 October 2017), there was uncertainty over whether same sex spouses or civil partners would be eligible to pension 	<ul style="list-style-type: none"> • Continued income benefits valued at 50% of the <i>consumer's</i> pension, calculated with reference to the <i>consumer's</i> pension after any is commuted for a PCLS. • PPF treats same sex spouses and civil partners in the same way as an opposite sex 	<p>Death benefits under BSPS2 are generally more beneficial due to higher reference point for calculating spouses' pension plus the presence of a lump sum payment if death occurs in the first 5 years.</p> <p>However, there are question marks over eligibility for payments to same sex spouses and civil partners under BSPS2. These question marks do not apply to the PPF, which treats same and</p>

	<p>payments relating to benefits accrued before 1997.</p> <ul style="list-style-type: none"> • The scheme pays out a lump sum if the <i>consumer</i> dies less than 5 years after taking their pension. This equals the total amount of remaining pension they would have received in those 5 years. This is in addition to the spouse's pension. • Children's allowance paid for 'qualifying dependent children'. 	<p>spouse – they are eligible for a spouse pension relating to all benefits accrued, regardless of when they were accrued.</p> <ul style="list-style-type: none"> • No lump sum death benefits are paid from the PPF. • Dependent's pension available for qualifying children either under 18 or over 18 but under 23 in 'qualifying education' or with a 'qualifying disability'. 50% of <i>consumers</i> compensation if there is one child, or 100% split equally if there are 2 or more children. 	<p>opposite sex spouses/civil partners the same.</p>
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<p><i>Pension commencement lump sum (PCLS)</i></p>	<p>PCLS is available from BPS2 by commuting income.</p> <p>The commutation factors range from £12.60 to £23 of lump sum for every £1 of income, depending on the age at which the <i>consumer</i> retires and when the <i>consumer</i> built up benefits in the old scheme.</p> <p>Where a significant proportion of the <i>consumer's</i> rights are in the form of GMP benefits, this may inhibit the amount of pension they are able to commute for a PCLS in BPS2.</p>	<p>PCLS is available from the PPF by commuting income.</p> <p>The commutation factors range from £20.22 to £43.57 of lump sum for every £1 of income, depending on the age at which the <i>consumer</i> retires and when the <i>consumer</i> built up benefits in the old scheme.</p>	<p>The PPF provides more favourable PCLS commutation factors in all instances.</p> <p>Where a <i>consumer</i> wishes to take the maximum PCLS, the PPF will typically provide both a larger PCLS and a larger starting income (even after accounting for the 10% reduction in the PPF) than BPS2.</p>
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Early retirement	<p>Early retirement is available from BSPS2.</p> <p>The early retirement factor ranges from 0.73 to 0.97, depending on the age at which the <i>consumer</i> retires and when the <i>consumer</i> built up benefits in the old scheme.</p> <p>Where a significant proportion of the <i>consumer's</i> rights are in the form of GMP benefits, this may reduce the level of income they can withdraw if they seek early retirement.</p>	<p>Early retirement is available for the PPF.</p> <p>The early retirement factor ranges for 0.819 to 0.978, depending on the age at which the <i>consumer</i> retires.</p>	<p>The PPF provides more favourable early retirement factors than BSPS2 in all circumstances, regardless of the <i>consumer's</i> age and when they accrued benefits.</p> <p>However, the PPF reduces starting income by 10% (BSPS2 does not). After this reduction is applied, BSPS2 typically provides a higher starting income.</p>
Potential for future transfer requests	BSPS2 allowed <i>consumers</i> the option to transfer out at any time up to a year from the <i>consumer's</i> NRD.	Once a scheme enters the PPF assessment period, <i>consumers</i> are no longer permitted to transfer out of the scheme.	BSPS2 provided <i>consumers</i> with more flexibility of options, in regard to the ability to transfer out at a future date, than the PPF.

3 Information available to advisers during the relevant period

3.1 The following information was available to advisers about the PPF benefits:

- (1) Once a scheme enters the PPF assessment period, the benefits that will be available to *consumers* of the BSPS who have not yet commenced drawing a pension are calculated by reference to provisions governing the PPF and will not be the same as the pension that would have been available in the BSPS.
- (2) The PPF treatment of *consumer* benefits throughout the relevant period was published or available:
 - (a) on the PPF website (<https://www.ppf.co.uk/>);
 - (b) directly from the PPF;

- (c) through continuing professional development, including in the study material for the qualifications required to be a *pension transfer specialist*.
- (3) In July 2021, the Court of Appeal ruled that the PPF compensation cap was unlawful on the grounds of age discrimination. The PPF confirmed that the compensation cap would no longer apply and it would be removed from affected PPF pensioners. Whilst this is the case now, advisers at the time would not have been aware of this change, so it would have been reasonable to assume that the cap would still apply to those *consumers* with benefits above the cap. More information is found at <https://www.ppf.co.uk/trustees-advisers/valuation-guidance/compensation-cap-factors>.

3.2 The information in Table 3 was available to advisers about BPS2 benefits during the relevant period.

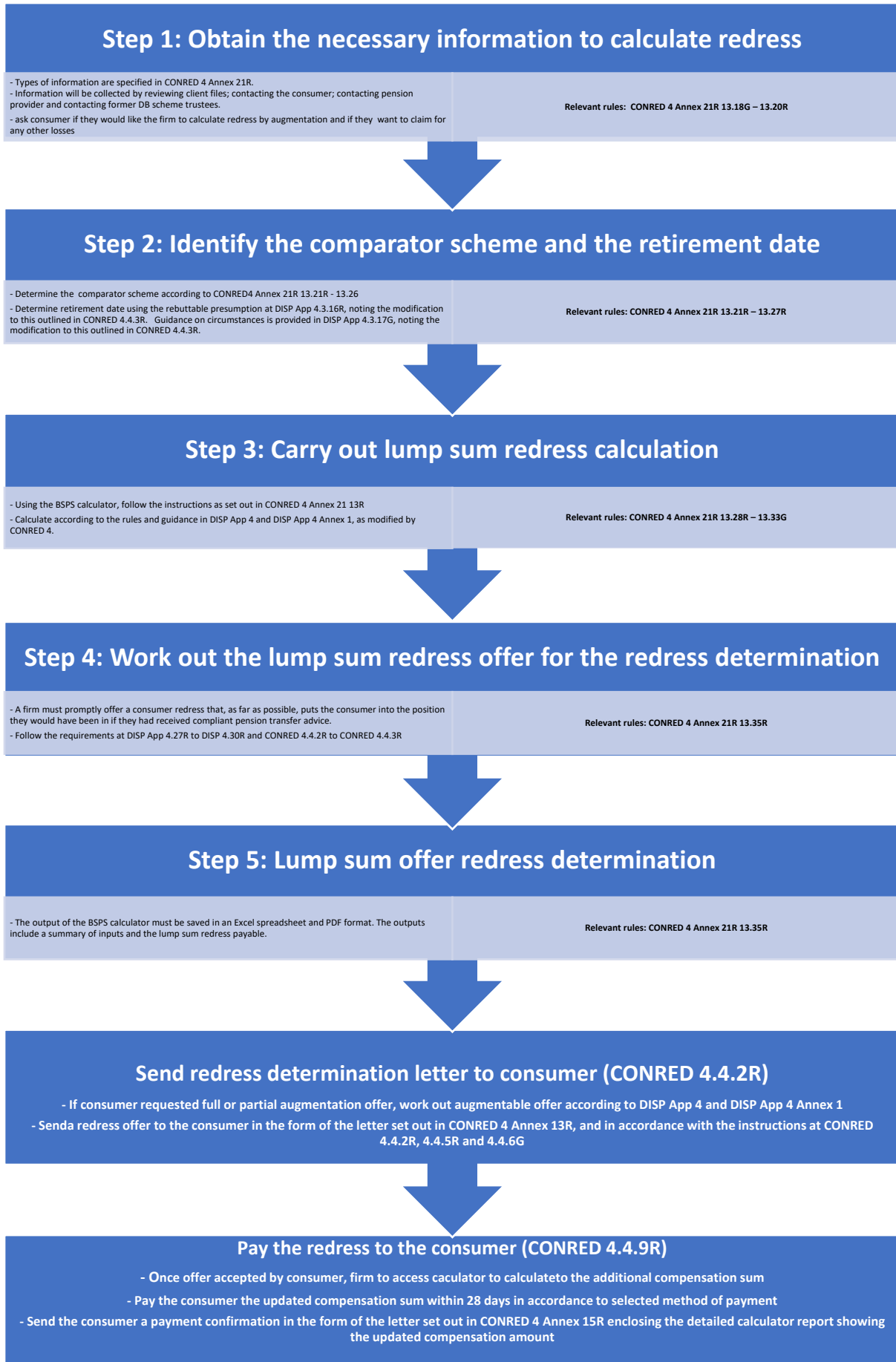
Table 3:	
Date	Information
30 March 2016	Tata Steel Ltd announcement examining options for restructuring business and calling into question the future of BPS.
26 May 2016	DWP launch consultation on BPS outlining 4 options for the future of BPS.
26 May 2016	Letter to consumers from BPS Trustee (Allan Johnston) outlining Government consultation on potential changes to BPS.
16 June 2016	BPS Trustees response to the DWP consultation .
12 August 2016	Trustee update to consumers .
7 December 2016	Tata Steel UK announcement on proposal to close BPS to future accrual.
7 December 2016	Trustee update to consumers following Tata Steel UK Ltd's announcement on proposal to close BPS to future accrual.
12 January 2017	Trustee statement on potential future of the scheme.

27 January 2017	Trustee letter to consumers providing an update on developments.
31 March 2017	The old BSPS scheme closed to accrual and all active <i>consumers</i> became deferred.
1 April 2017	Trustee amendment to how the CETV was calculated resulting in most <i>consumers</i> seeing an increase in their CETV after 1 April 2017 compared to before.
16 May 2017	PPF and TPR announcements on key commercial terms for an RAA being agreed in principle.
11 August 2017	TPR announcement on initial approval of RAA for BSPS.
25 August 2017	Trustee announcement to <i>consumers</i> on CETV change.
11 September 2017	Trustee announcement on RAA.
9-11 October 2017	Time to Choose packs sent out to <i>consumers</i> (received by <i>consumers</i> between 9 and 11 October 2017) which detailed personalised benefits for <i>consumers</i> under BSPS2.
29 November 2017	The deadline for <i>consumers</i> to make a decision under Time to Choose was extended from 11 December to 22 December 2017.
16 February 2018	The trustees stated deadline for receiving transfer applications.
29 March 2018	The old BSPS scheme entered the PPF assessment period and was closed to transfer.

4 Annex 23G **BSPS Calculator steps in diagrammatic form**

This Annex belongs to *CONRED* 4 Annex 21 13.8G

The diagram illustrates the steps to take to calculate redress and to complete a *redress determination* using the BSPS calculator.



Amend the following as shown.

App 1 Key definitions

App 1.1 Key definitions

[**Note:** the following definitions relevant to *CONRED 1* and *2* are extracted from the Glossary.]

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Schedule Record keeping requirements

1

After Sch 1.2G, insert the following table as Sch 1.3G. The text is all new and is not underlined.

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
<i>CONRED</i> 4.9.1R(1)(a)	BSPS consumer redress scheme	Evidence of posting for each letter sent	When letter sent	5 years
<i>CONRED</i> 4.9.1R(1)(b)	BSPS consumer redress scheme	Copy of each letter sent	When letter sent	5 years
<i>CONRED</i> 4.9.1R(1)(c)	BSPS consumer redress scheme	Record of attempts to contact <i>consumer</i> , any other relevant <i>firm</i> or obtain further information	When attempts made	5 years
<i>CONRED</i> 4.9.1R(1)(d)	BSPS consumer redress scheme	A copy of the Excel spreadsheet containing a completed BSPS DBAAT or FCA DBAAT for each scheme case	When BSPS DBAAT completed	5 years
<i>CONRED</i> 4.9.1R(1)(e)	BSPS consumer redress scheme	A record of the redress calculation performed by the BSPS calculator in Excel	When the redress calculation carried out	5 years

		Spreadsheet format		
<i>CONRED</i> 4.9.1R(1)(f)	BSPS consumer redress scheme	Information on the <i>consumer</i> file and information received from the <i>consumer</i>	When located on <i>consumer</i> file or obtained	5 years

Schedule Notification requirements 2

After Sch 2.1G, insert the following table as Sch 2.2G. The text is all new and is not underlined.

Handbook reference	Matters to be notified	Contents of notification		Time allowed
<i>CONRED</i> 4.8.2R(1) and (2) and <i>CONRED</i> 4.8.3R	Information about each case the <i>firm</i> has taken scheme steps for	(1)	<i>consumer</i> identifier;	By 1 month after the scheme effective date and then every 2 weeks
		(2)	the date the letter at <i>CONRED</i> 4 Annex 2R was sent;	
		(3)	whether the <i>consumer</i> receiving the letter in (2) has opted out of the scheme and the date a <i>firm</i> received notification from the <i>consumer</i> of their decision to opt-out;	
		(4)	where the <i>firm</i> has carried out the case review at <i>CONRED</i> 4.3.2R:	
		(a)	the date the case review was completed;	
		(b)	a copy of the completed FCA or BSPS DBAAT;	
		(c)	whether the scheme case was rated suitable, unsuitable or ‘non-compliant due to a material information gap(s)’ or ‘not-compliant-unclear’ (in the case of the FCA DBAAT);	

		(d)	for scheme cases rated as unsuitable, the result of the causation assessment;
		(5)	in a case where a <i>firm</i> has concluded that the advice was suitable:
		(a)	the date a <i>firm</i> sent the letter at <i>CONRED 4 Annex 9R</i> ;
		(b)	the <i>consumer's</i> name, address, telephone number(s) and, where available, email address (in the BPS DBAAT or, where using an FCA DBAAT, in the Reg Data report);
		(c)	whether a <i>firm</i> is aware that the consumer has complained to the <i>Financial Ombudsman Service</i> about the determination communicated in (a);
		(d)	the date a <i>firm</i> became aware of any complaint in (c); and
		(e)	the outcome of the complaint (both suitability and causation as applicable) as notified to the <i>firm</i> by the <i>Financial Ombudsman Service</i> in accordance with <i>DISP 3.6.6R(5)</i> ;
		(6)	in a case where a <i>firm</i> has concluded that the advice was unsuitable and answered 'no' to the causation question, the date a <i>firm</i> sent the letter at <i>CONRED 4 Annex 8R</i> ;

		(7)	in a case where a <i>firm</i> has concluded that the advice was unsuitable and answered ‘yes’ to the causation question the date a <i>firm</i> sent the letters at:	
		(a)	<i>CONRED</i> 4 Annex 7R; and	
		(b)	<i>CONRED</i> 4 Annex 10R;	
		(8)	where a <i>firm</i> has completed the redress assessment as required by <i>CONRED</i> 4.4.2R, the following in respect of the latest offer of redress made pursuant to the <i>consumer redress scheme</i> created by this chapter:	
		(a)	the date on which the redress calculation was completed;	
		(b)	the redress amount rounded to the nearest pound sterling;	
		(c)	the date the letter at <i>CONRED</i> 4 Annex 13R was sent to the <i>consumer</i> ;	
		(d)	a copy of the redress calculation from the BSPS calculator;	
		(e)	whether the <i>consumer</i> has accepted the offer of redress in (c); and	
		(f)	the date on which any redress was paid.	
<i>CONRED</i> 4.8.2R(3) and <i>CONRED</i> 4.8.4R	Information about BSPS cases excluded from the scheme,	(1)	the number of cases in relation to which a <i>firm</i> has sent a <i>consumer</i> a letter pursuant to:	By 6 weeks after the scheme effective date
		(a)	<i>CONRED</i> 4 Annex 1R;	

	<i>consumer opt outs</i>		(b) <i>CONRED 4 Annex 2R; and</i>	
		(2)	in respect of (1)(a), a breakdown of the reasons such cases were excluded from the scheme with reference to the relevant condition or conditions at <i>CONRED 4.2.2R</i> .	

Amend the following as shown.

Schedule 3 Fees and other required payments

There are no provisions for fees in CONRED. As noted in CONRED 2.5.19G and CONRED 4.5.9G, a fee is payable in any case where the *FCA* exercises its powers under CONRED 2.5.12R or CONRED 4.5.1R to take steps instead of a firm, or appoint one or more competent persons to do so. This fee is as specified in the table at *FEES 3.2.7R*.

