

The FCA's response to the Complaints Commissioner's Report on the allegations made by former members of the British Steel Pension Scheme against the Financial Conduct Authority

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We have carefully considered the Complaints Commissioner's (the Commissioner) Final Report about the FCA's handling of the British Steel Pension Scheme (BSPS).

We recognise that members of the BSPS worked hard during their employment and have experienced significant worry regarding their financial security in retirement due to unsuitable advice to transfer out of their Defined Benefit (DB) pension. We also recognise that the complaints process has been challenging for many complainants, and we sincerely appreciate their patience.

Our response

The FCA has learned important lessons from the events of BSPS, both for how it operates as a regulator and how the wider pensions regulatory system serves to protect consumers. It has also accepted and implemented several recommendations from a number of reports concerning the FCA's actions.¹

The FCA has carefully considered the Commissioner's findings and recommendations, which are similar to those already made in previous reviews.

¹ National Audit Office [Investigation into the British Steel Pension Scheme](#), [Rookes review of British Steel Pension Scheme members](#), House of Commons Work and Pension Committee [British Steel Pension Scheme](#), [House of Commons Public Accounts Committee Oral evidence: British Steel Pension Scheme](#), House of Commons Committee of Public Accounts [Investigation into the British Steel Pension Scheme](#)

We do not agree with the Commissioner's finding that the FCA was behind the curve in anticipating, preventing and responding to widespread unsuitable financial advice.

With the benefit of hindsight, there will always be areas where the FCA may have done things differently or acted more quickly. However, the assessment should consider whether the FCA acted in a reasonable and proportionate way, given the circumstances and information available at the time.

The FCA took tangible action following the Pension Freedoms in 2015, dedicated resource to addressing issues in the pension's advice market and took action when responding to BPS.

The FCA secured approximately £106 million in redress for 1,870 former BPS members and has taken enforcement action against more than 20 individuals and firms for their misconduct. This action resulted in payments of £3.8m to the Financial Services Compensation Scheme (FSCS), which paid a total of £8.87m under the statutory redress scheme.²

Regulatory Framework

The FCA considers that the rules in place during the BPS period were appropriate and designed to protect consumers. Since 2007, pension transfers have been treated as presumed unsuitable unless a firm can clearly demonstrate that transferring is in the customer's best interests. The FCA had already strengthened standards for DB transfer advice, including additional qualifications and guidance. It has always been the responsibility of firms to follow these rules, maintain proper controls, and act in consumers' interests. We estimate that over half (54%) of the advice provided by firms was suitable.

After Pension Freedoms dramatically expanded consumer options in 2015, the FCA adopted a risk-based supervisory approach. This meant focusing on firms and patterns of advice where the potential for consumer harm was highest. Supervisory activity was supported by reviews and policy work aimed at raising standards and anticipating the impact of the reforms. Alongside this, the FCA introduced further rules to address known issues in the pension advice market.

² [British Steel Pension Scheme transfers: action from the FCA, FOS and FSCS | FCA](#)

Contingent Charging

The FCA carried out substantial work to restrict and ultimately ban contingent charging from 1 October 2020, which had created conflicts of interest by allowing advisers to be paid only if a transfer went ahead. However, the FCA could not impose a ban immediately. Major rule changes must go through statutory consultation and a cost-benefit analysis to ensure the measures are proportionate.

Further, a sudden ban would have risked destabilising the advice market, potentially leaving vulnerable groups, including BPS members, unable to access advice at all.

Acting on Known Risks

The FCA acknowledges that poor information sharing between organisations limited early visibility of BPS issues.

As concerns escalated in 2017–18, the FCA worked quickly with industry and stakeholders to address immediate risks. It also recognised the need to shift its supervisory approach as the scale of harm became clearer. Because data on DB transfer activity was initially incomplete, the FCA began targeted supervisory work to understand what was happening across the market. Early efforts focused on high-risk firms, and later expanded into broader evidence-gathering that ultimately supported a market-wide intervention. Once the evidence was strong enough, the FCA launched a joint Enforcement and Supervision strategy to support numerous investigations and ultimately provide the necessary evidence to justify the launch of a statutory redress scheme.

After the Rookes Review, the FCA strengthened cooperation through a Joint Protocol introduced in January 2019 with The Pensions Regulator, the Pension Protection Fund, and the Money and Pensions Service.³ This improved intelligence-sharing and enabled earlier identification of risks in DB transfer activity.

Oversight of Professional Indemnity Insurance (PII) and Capital

The FCA rejects the Commissioner's claim that its rules on PII and capital were unclear. Firms have always been required to hold adequate

³ The independent review of communications and support given to BPS members. Caroline Rookes was asked by The Pensions Regulator (tPR) to conduct an independent review of the communications and support provided to members of the BPS during the pensions restructuring exercise in 2017 to 2018 and the 'Time to Choose' exercise, January 2019

resources, including both PII and additional capital where needed. As concerns about PII grew in 2019, the FCA strengthened its regulatory reporting processes to better identify higher-risk firms.

However, the FCA cannot force insurers to provide cover or dictate pricing. Notifications of potential claims, combined with wider market pressures and an increased Financial Ombudsman Service award limit, made PII harder to secure. In this environment, the FCA balanced consumer protection with the need to avoid pushing smaller firms out of the market entirely, which would reduce access to advice.

Where PII was unavailable, firms were required to hold more capital and, when necessary, the FCA used supervisory powers to restrict their business.

Real-Time Market Intelligence

The FCA accepts that data-sharing could have been better, but it acted rapidly once concerns were raised. Within days of receiving intelligence in November 2017, the FCA sought data from The Pensions Regulator, held adviser seminars, and met BPS trustees. The lack of early, comprehensive data meant the FCA could not immediately identify all firms advising BPS members.

Since 2019, it has invested more than £130 million to strengthen the FCA's data and analytics capabilities, improving its ability to act quickly in future.

FCA intervention

Resources were prioritised based on real-time information, initially focusing on stopping harm and using supervisory and enforcement powers where firms would not voluntarily stop giving DB transfer advice. The FCA considers that its interventions were timely and proportionate.

The FCA engaged with firms and emergency asset retention measures were imposed on a firm-by-firm basis when there was a sufficient evidential and legal basis that assets were being dissipated. The FCA did not have early evidence of systemic issues that would justify a blanket restriction. When we had that evidence, we acted to implement a wide scale asset restriction on multiple firms. Ahead of implementing the emergency ban, the FCA engaged with firms, imposed individual requirements where appropriate, and took action in cases where assets were being dissipated.

Delay in Launching the Redress Scheme

The FCA had two options for redress: a complaints-led approach or a statutory redress scheme. Initially, the FCA considered that a complaints-led redress was the quickest and most proportionate option, particularly given the costs, time and evidential requirements associated with a statutory scheme. The FCA wrote directly to BSPS members and Parliamentarians, and conducted engagement sessions to raise awareness in local communities with the support of relevant organisations. We then escalated to writing to each BSPS member individually.

By April 2021, evidence showed that the complaints-led model was not delivering redress effectively. The FCA then developed a statutory scheme, supported by legal advice confirming that the stringent legal and evidential thresholds had been met.

Strategic Planning

The FCA's approach combined a complaints-led process with targeted supervisory and enforcement action. The strategy aimed to be proportionate, evidence-based, and responsive as the situation evolved. The FCA took steps to raise awareness of unsuitable advice risks among steelworkers and deployed significant resource to address emerging issues as quickly as possible.

The FCA's use of enforcement powers in relation to Firms 1 and 2

The FCA notes that the Commissioner found the enforcement action taken in relation to Firms 1 and 2 was reasonable.

Statutory redress scheme

The FCA also notes that based on the available evidence, the Commissioner did not see that a sufficiently developed alternative to the statutory redress scheme was identified.

Recommendations

In response to the Commissioner's recommendation that the FCA publish a clear evaluation of the lessons learned from BSPS, it has set out previously in detail the steps taken and the lessons learned as an organisation following the events of BSPS.⁴

⁴ See Annex 1 to this Response

The FCA has accepted the recommendation from the Commissioner to consider any evidence that complainants have that some firms did not adhere to the three-month deadline for making a redress offer following the valuation date. Complainants should contact the FCA Complaints Department via email at Complaints.Scheme@fca.org.uk or via post to: Complaints Department (Risk & Compliance Oversight Division), Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN.

The FCA recognises the serious harm experienced by BSPS members and has learned important lessons. It has strengthened collaboration with other regulators, improved how it collects and uses data, and introduced new rules to raise standards in the pensions advice market. It remains committed to ensuring consumers are properly protected.