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Dear CEO

**British Steel Pension Scheme: Concerns about third party actuarial providers used for redress calculations in advance of the British Steel pension redress scheme.**

Since we announced our decision to implement a redress scheme (the scheme) for former British Steel Pension Scheme (BSPS) members in November 2022, we have become increasingly concerned by some financial advisory firms conducting redress calculations before the scheme commenced, using online portals provided by third party actuarial providers.

Our concerns are heightened where there has been no actuarial oversight of the inputs into using third party actuarial provider portals. This appears to have been a contributing factor to the misleading redress offers made by financial advisory firms to former BSPS members before the scheme started. Some of these offers were harmful and unsolicited. We publicly warned on this practice on [26 January 2023](#) and [7 February 2023](#), as we considered these offers to be a deliberate attempt to exclude former members from the redress scheme. Other offers may have been made following a complaint or in relation to a case at the Financial Ombudsman Service.

Many of these firms are associated with the British Steel Adviser Group (BSAG) and are advised by FS Legal (also known as FS Legal Solicitors LLP). This is the group that made a legal challenge against the FCA's decision to set up a redress scheme, which has since been [withdrawn](#).

Further, we have reviewed calculations conducted by firms using third party actuarial provider portals and identified the following key concerns:

1. Firms not using the first day of the quarter to value benefits/for assumptions and, instead, using variable valuation dates which benefit the firm by ultimately producing a lower redress figure.
2. Firms using the revised methodology set out in PS22/13 for offers, despite that methodology not being in force at the relevant time, causing confusion for consumers and undermining public confidence.
3. Firms, wilfully or otherwise, making technical errors that we would not expect persons competent in the calculation of redress to make. For example, when inputting data about the benefits given up (eg revaluation rates) or in relation to charges.

As a result of these concerns, we remind firms of our [Principles](#) (PRIN). These are fundamental obligations that apply to firms and individuals within our regulatory perimeter, especially PRIN 1 (Integrity), PRIN 2 (Skill, care and diligence) and PRIN 6 (Customers' interests).

Firms and individuals will be held accountable for breaching our Principles, and we will continue to use the full range of our regulatory powers to prevent harm to consumers. For example, where firms fail to meet our expectations (as set out below) we will consider using our own-initiative requirement power in section 55L(3) of the Financial Services and Markets Act 2000.

### **Our expectations for cases yet to be calculated**

In our final redress scheme rules ([PS22/14](#)), we confirmed we would develop a FCA calculator to provide fair and consistent redress to BPS consumers. The calculator was developed by expert actuaries and subject to significant internal and external reviews, including by the Government Actuary's Department, before its release on 26 April 2023. For further information on this tool, please visit: [www.fca.org.uk/firms/british-steel-pension-scheme-tools-firms](http://www.fca.org.uk/firms/british-steel-pension-scheme-tools-firms)

Firms will need to use the FCA calculator for scheme cases ([CONRED 4.4.2R](#)) and our expectation is firms should also use it for non-scheme cases. This is particularly important for non-scheme cases where the comparator scheme is the Pension Protection Fund (PPF) to ensure that the calculation takes account of the Pensions Insurance Corporation buyout to assess redress fairly ([DISP 1.4.1R](#)). The calculator has been developed so in most instances firms can calculate redress for consumers without the need for actuarial oversight.

### **Our expectations for cases already calculated**

Where firms have calculated redress for former BPS members using a third party online portal, they should review those offers, even where they have been accepted on a full and final basis. If the calculations were made without skilled actuarial oversight of inputs and/or are deficient in any way outlined below, firms should recalculate redress using our calculator. If this shows the original settlement offer was too low, then the difference should be offered and paid to the consumer. Alternatively, if the original settlement was higher than the recalculated redress, the firm must not ask the consumer to repay the difference. In either instance the firm should notify the FCA in line with Principle 11. For completeness, calculations undertaken in the following ways should be reviewed:

- Where a firm has used a third party online portal and there has been no actuarial oversight of inputs to the calculation.
- Where a firm has not used the first day of the quarter to value benefits/for assumptions and, instead, using variable valuation dates.
- Where a firm has used the wrong methodology (offers before 1 April 2023 should use FG17/9 and from 1 April 2023 should use PS22/13).
- Where a firm has wilfully or otherwise made technical errors that we would not expect persons competent in the calculation of redress to make. For example, when inputting data about the benefits given up (eg revaluation rates) or in relation to charges.

As part of our ongoing supervisory work, we may request further information to ensure firms comply with our expectations.

Yours sincerely

Nick McGruer

**Head of Department, Advisers, Wealth and Pensions 2 Department**