DEFINED BENEFIT TRANSFER ADVICE ASSESSMENT TOOL

Case details

Project Ref:	

Review details

FCA Reviewer	
Date of review	10/06/2019

QA Completed?	
QA Specialist (Name)	
Date of QA review	
Causation QA required?	
QA Causation (Name)	
Date of causation review	

Firm details

			Page Ref
Firm / Network name	ABC Wealth Managers		
FRN	123456	FCA Register	
AR (if different)	N/A		
Advice Status	Independent		

Adviser details

Adviser name	A N adviser		
Adviser reference (IRN)	ANA12345	FCA Register	
Was the adviser a PTS?	Yes		
(If no above), name of PTS			

Advice details

		Page Ref
Date of advice	07/12/2017	SR P2
Date of last KYC at time of advice	02/11/2017	KYC P1
Recommendation	Transfer out	SR P42
Did the client transfer?	Yes	
Firm recommended proposed arrangemen	Yes	
Was the client treated as insistent?	No	
Initial advice charge basis	Non-contingent	
Initial advice charge (£)	£7,500.00	SR P46
Initial advice charge (%)	1.50%	
Ongoing advice charge (£)	£1,997.95	SR P46
Ongoing advice charge (%)	0.40%	SR P46
Additional comments		

Client referrals

Client referred from third party firm?	No		
Third party is regulated/unregulated?			
Third party firm name			
Third party firm FRN		FCA Register	
Third party adviser name			
Third party adviser reference (IRN)			

Employer sponsored advice

Was the client encouraged to take advice by their employer?	Yes	
Who paid for the advice?	Member	
Who selected the financial adviser?	Member	

Has the firm obtained the necessary information to provide advice?

		Reviewer	QA
1	Has the firm obtained the essential facts about the client?	Yes	

Was the advice on a single or joint life basis?	Single

	Client		Page Ref
Surname	Smith		CFQ P2
First name	Ava	Y	CFQ P2
Date of birth (Age at time of advice)	02/07/1963	54	CFQ P2
Marital status	Co-habiting		CFQ P2
Employment status	Employed		CFQ P2
Current tax rate	Basic rate		CFQ P3
UK Resident	Yes		CFQ P2
Health status	Good		CFQ P2
Notes on health (if not good)			

	Partner		Page Ref
Surname			
First name		Y	
Date of birth (Age at time of advice)			
Marital status			
Employment status			
Current tax rate			
UK Resident			
Health status			
Notes on health (if not good)			

		Reviewer	QA
2	Has the firm obtained the necessary information regarding the client's investment and retirement objectives?	**Yes**	

		Page Ref
Approach to capturing objectives?	Freetext	
Has the adviser prioritised objectives?	No	

	Objective	Amount wanted (where relevant)	Date needed (where relevant)	Page Ref
Priority 1 objective	Wants to consider transfer our of BSPS pension scheme			CFQ P12
Priority 2 objective	Retire early at age 56		02/07/2019	CFQ P12
Priority 3 objective	Draw benefits flexibily			CFQ P12
Priority 4 objective	Pass on benefits to partner, nieces and nephew			CFQ P12
Priority 5 objective				

Additional comments	Additional questionnaire used to capture objectives which ask the client for thoughts on certain circumstances. Confirms that Ava wishes to retain current level of expenditure, up to and through-out retirement. Additional questionnaire is quite leading, giving off a general impression that DB pensions are less favourable than DC pensions. However, this issue does not impact on the fact the the firm appears to have collected the necessary information for this individual.

		Reviewer	QA
3	Has the firm obtained the necessary information regarding the client's investment risk profile?	**Yes**	

		Page Ref
Firm's description of client's attitude to investment risk (tolerance).	Cautious - Risk Score 3	SR P6
Did the firm use a tool to help assess?	Yes	CFQ P8
Name of tool	Firm's own questionnaire	CFQ P8
Our comments on firm's assessment	Questionnaire completed with factfind but no record of output next to it. However, Suitability report suggests the client has a Cautious attitude to investment risk which appears reasonable in light of how she has answered the questions.	

Firm's description of client's ability to take investment risk (capacity).	Not explicitly assessed	
Did the firm use a tool to help assess?	No	
Name of tool		
Our comments on firm's assessment	The capacity for loss has not been explicitly assessed by the firm; however, I think that the firm has gathered the necessary information. The client's current expenditure is detailed and shows her basic cost of living as £1,132 per calendar month (see expenditure tab). She does not have a mortgage or other debts to repay. I consider it is reasonable to assume that the client would need to obtain at least this level of income before a loss had a material impact upon their standard of living.	

		Reviewer	QA
4	Has the firm obtained the necessary information regarding the client's attitude to transfer risk?	**Yes**	

		Page Ref
Firm's description of client's attitude to transfer risk	Not explicitly referenced, though this is a case from before April 2018.	
Our comments on firm's assessment	Information on the file covers the necessary information to determine the client's likely ATTR. The client has no knowledge or experience of pension transfers. The firm has gathered information about the client’s plans for retirement and from this we can extrapolate that the client will not access funds in an unplanned way. The client’s cautious attitude to investment is also relevant.	

Reviewer	QA

5	Has the firm obtained the necessary information regarding the client's knowledge & experience?	Yes	

		Page Ref
Firm's assessment of the client's knowledge and experience.	Minimal	CFQ P8
Our comments on firm's assessment	Only previous experience of financial advice is from a mortgage.	

		Reviewer	QA
6	Has the firm obtained the necessary information regarding the client's estimated expenditure throughout retirement?	Yes	

Has the adviser captured detail on the client's expenditure plans in retirement?	Yes

	Current regular expenditure	Page Ref		Retirement regular expenditure	Page Ref
Captured monthly or annually?	Monthly	CFQ P3	Captured monthly or annually?	Monthly	CFQ P4
Basic cost of living (p.m)	£1,132.00	CFQ P3	Basic cost of living (p.m)	£1,700.00	CFQ P4
Lifestyle expenditure (p.m)	£500.00	CFQ P3	Lifestyle expenditure (p.m)	£0.00	
TOTAL non-discretionary expenditure (p.m)	**£1,632.00**	CFQ P3	**TOTAL non-discretionary expenditure (p.m)**	**£1,700.00**	
Discretionary / savings (p.m)	£1,245.00	CFQ P3	Discretionary / savings (p.m)	£0.00	
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)	**£0.00**		**TOTAL non-discretionary expenditure (p.a)**	**£0.00**	
Discretionary / savings (p.a)			Discretionary / savings (p.a)		

Additional comments	Desired income in retirement of £1,700 net. This is captured at a high level/single figure but tallies well with what the client is currently spending. The client doesn't have a mortgage hence it is reasonable to assume that expenditure levels will not materially drop in retirement.

		Reviewer	QA
7	Has the firm obtained the necessary information regarding the client's financial situation?	Yes	

Income sources in retirement (client)		Page Ref	Income sources in retirement (spouse/partner)		Page Ref
Forecast state pension (p.a)	£8,325.00	SPF P1	Forecast state pension (p.a)		
State pension date	02/07/2030	SPF P1	State pension date		
State pension forecast or inferred?	Forecast	SPF P1	State pension forecast or inferred?		
Other secured gross pension income (p.a)			Other secured gross pension income (p.a		

Additional comments	No other pension assets

Gross income from non-pension assets (p.			Gross income from non-pension assets (|		

Additional comments	No other income producing assets.

Other assets			Other assets (spouse/partner)		
Money purchase pensions (TV)	£4,000.00	CFQ P5	Money purchase pensions (TV)		
Investments (FV)	£0.00		Investments (FV)		
Cash assets	£80,664.00	CFQ P5	Cash assets		
Property (ex main residence)	£0.00		Property (ex main residence)		
Other assets	£0.00		Other assets		

Additional comments	

Liabilities

				Page Ref
Outstanding mortgage	£0.00	Y		
Date of final payment (client age)				
Other secured debt	£0.00			
Unsecured debts	£350.00			CFQ P3
Will this pension be used to repay any of this debt?	No			
Additional comments	Unsecured debt is a small credit card balance, though the client appears to be managing this.			

		Reviewer	QA
8	Has the firm obtained the necessary information regarding the ceding arrangement?	**Yes**	

Number of schemes

Number of DB schemes advised on	1
Additional comments	

General scheme information

		Y	M	Page Ref
Sponsoring employer	British Steel			TVAS
Cash equivalent transfer value	£499,487.48			
Enhanced transfer value				
Transfer value guaranteed until...	11/12/2017			
Date joined scheme	29/08/1989			SR P7
Date left scheme (Service Years/Months)	31/03/2017	27	7	SR P7
Scheme retirement date (NRD)	02/07/2028	65		
Scheme funding position	Under funded			
Funding %	98.00%			
Additional comments on any other scheme benefits	Firm has been unable to run illustrations of benefits available when the client opts to take PCLS. They have claimed this is due to BSPS being unable to provide this. It seems to me that the firm has taken reasonable steps to obtain this information.			

Benefits at scheme NRD

		Page Ref
Pension (no commutation) p.a.	£27,358.00	SR P15
Pension (full commutation) p.a.		
PCLS		

Benefits at client's preferred retirement date

		Page Ref
Preferred retirement age (Years)	56	SR P15
Pension (no commutation) p.a.	£15,525.00	SR P15
Pension (full commutation) p.a.		
PCLS		

		Reviewer	QA
9	Has the firm obtained the necessary information regarding the proposed arrangement?	**Yes**	

Proposed arrangement

		Page Ref
Proposed product type	SIPP	SR P43
Proposed arrangement provider name	The SIPP Company	SR P43
Is a DIM recommended?	Yes	SR P44
Name of DIM	ABC Wealth Managers	SR P44
Is a platform recommended	No	
Name of platform		
Total initial cost of solution (£)	£0.00	
Total ongoing cost of solution (%)	1.74%	SR P46/47

		Page Ref
Have NMPI/UCIS been recommended?	No	
Name of provider of NMPI/UCIS		
Name of NMPI/UCIS investment		
Is the client a self-investor?	No	
Additional comments		

At retirement advice

		Page Ref
Has the firm recommended taking income and/or capital from receiving scheme?	No	
Recommended withdrawal method		
PCLS taken		
Annual income taken (First year)		

Additional comments	

		Reviewer	QA
10	Has the firm carried out the transfer analysis?	Yes	

TVAS

		Page Ref
CY to NRD (Joint)	9.9%	SR P15
CY to NRD (Single)	Not provided	SR P15
Which basis is more relevant?	Joint	
CY to match PPF at NRD	5.5%	SR P16

CY to preferred retirement date (Joint)	39.1%	SR P15
CY to preferred retirement date (Single)	Not provided	SR P15
Which basis is more relevant?	Joint	
CY to match PPF at preferred retirement date	17.0%	SR P16

Additional comments	

APTA / TVC

		Page Ref
TVC		
Difference between TVC & CETV		
Has an APTA been completed?		
Is the APTA personalised to the client?		
Does the APTA consider alternative ways of meeting the client's needs and objectives?		
Additional comments		

Summary of information obtained

Tool rating on whether firm has obtained necessary information	**Compliant - Proceed to suitability assessment**
Assessor's rating on whether firm has obtained necessary information	**Compliant - Proceed to suitability assessment**

Assessor's rationale/evidence for information collection rating (include reference to specific rule breaches).
I agree with the tool rating that the firm has collected the necessary information in order to provide the client with a personal recommendation.

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 this scheme.	Yes	
2	The aim of the transfer is to maximise death benefits but the firm has not demonstrated why this is in the client's best interests.	Yes	
3	The aim of the transfer is to access flexible benefits but the firm has not demonstrated why this is in the client's best interests.	Yes	
4	The aim of the transfer is to maximise the pension commencement lump sum, or to take it early, but the firm has not demonstrated why this is in the client's best interests.	No	
5	The aim of the transfer is to protect the client's pension fund but the scheme is not at risk or the Pension Protection Fund would provide an adequate level of protection.	No	
6	The client wants to retire early but can meet their objective(s) while remaining in the scheme.	Yes	
7	The client wants guaranteed income or returns.	No	
8	The client does not have the necessary attitude to transfer risk.	Yes	
9	The firm's transfer analysis does not support a recommendation to transfer.	Yes	
10	The firm does not have a reasonable basis for believing that the client has the necessary knowledge and experience to understand the risks involved in transferring their DB pension.	No	
11	The recommendation to transfer is unsuitable for the client's investment objectives or financial situation for some other reason. (Please state reason in freetext box below).	No	
	Please state the reason(s):		
12	The adviser recommended that the client retains the benefits within the scheme when a transfer appears to be suitable and in the client's best interests.	No	

Suggested suitability rating based upon examples	Potentially unsuitable

Assessor's suitability rating	**Unsuitable**

Assessor's rationale and evidence for suitability rating

I agree with the suggested rating that the pension transfer advice is unsuitable. This is for the following reasons:

1) The client is reliant upon an income from this scheme and does not have the capacity to lose the guaranteed income. The client requires £1,700 net per month to meet their required level of expenditure. This is £20,400 net per annum. This is in excess of the client's anticipated state pension entitlement of approximately £8,325 per annum that is payable from age 67. While the client has a separate DC pension with Aviva, this is relatively modest with a current value of £4,000. Her Aviva pension does not have much time to grow materially if the client retires (as intended) at age 56 (in 2 years' after the date of advice), even taking into account her intention to work part-time. In practice, the British Steel DB scheme is the client's primary provision for retirement. There is a high risk that the client may run out of income in retirement if she transfers her pension. We have therefore concluded that the recommendation is not suitable because the client cannot financially bear the investment risks consistent with her objectives (COBS 9.2.1R(1)(a) and 9.2.2R(1)(a) and (b)).

2) The firm has not explained how it is in the client's best interests to transfer to access death benefits, or to access their pension flexibly, bearing in mind they are reliant on income from the scheme. The firm has not demonstrated that the client is able or willing to compromise her retirement income to access these options in a DC Scheme. The recommendation is not therefore suitable for the client’s investment objectives and financial situation (COBS 9.2.1R(1)(a) and 9.2.2R(1)(a) and (b)) and the firm has not demonstrated how the transfer is in the client's best interests (COBS 2.1.1R and the guidance at 19.1.6G).

3) The client has indicated they wish to retire early (at age 56). The firm has not investigated whether the client is able to retire early, or identified whether there are alternative ways to achive her objective, whilst remaining in her DB scheme. A firm should only consider a transfer to be suitable where it can demonstrate that the transfer is in the client's best interests (COBS 19.1.6). A transfer must be suitable for the client's investment objectives and financial situation (COBS 9.2.1R(1)(a) and 9.2.2R(1)(a) and (b)). Whilst there are changes impacting upon the BSPS, early retirement is still a potential option from both the Pension Protection Fund and BSPS 2, yet these options have not been properly investigated or discounted.

4) The Transfer Value Analysis does not support the recommendation to transfer (COBS 19.1.2R requires a firm to carry out such a comparison to support its analysis). It is reasonable to base the analysis on the critical yields to match the PPF benefits, seeing as the scheme will be joining the PPF. However, we consider that, bearing in mind the client's cautious risk profile, a critical yield of 5.5% to match the PPF benefits at age 65 is unattainable. The critical yield increases to 17% to match the benefits payable by the PPF at the desired early retirement age of 56.

5) In the long run the client will be better off remaining in her DB scheme as she will not be able to make the income she wants in a flexible scheme without taking high risks with her investments. No alternative pension arrangement is likely or guaranteed to produce comparable or better returns than her British Steel scheme or successor.

6) On any reasonable assessment the client is not able to bear the risks or does not want to take the risks associated with transfer into a flexible scheme (investment and longevity related) to secure her objectives. The recommendation should therefore be to remain in the DB scheme.

The recommendation to transfer is not suitable for the risk the client is willing or able to take to achieve her objectives and to meet her retirement income needs over her predicted lifetime. It therefore fails to meet the suitability test in COBS 9.2.1R, 9.2.2R and 9.2.3R. The firm has also failed to demonstrate that the transfer is in her best interests (COBS 2.1.1R, and see also the guidance in COBS 19.1.6G, 19.1.7G and 19.1.7AG).

QA suitability rating	

QA summary of changes made and feedback to the file assessor

SUITABILITY ASSESSMENT - INVESTMENT ADVICE

Examples of unsuitability

No.	Example	Reviewer	QA
1	The recommendation is unsuitable for how the client intends to access their pension savings.	**No**	
2	The client was in ill health or had lifestyle factors indicating eligibility for an enhanced annuity but has been recommended a standard annuity.	**No**	
3	The client has incurred unnecessary or excessive adviser or product charges.	**Yes**	
4	The recommended solution requires ongoing review and rebalancing but this has not been explained or arranged.	**No**	
5	The client was not willing to take the required risk with the sum invested.	**Yes**	
6	The client does not have the capacity to bear the risk of this investment.	**Yes**	
7	The client did not have the necessary knowledge and experience to understand the risks of investing in the proposed arrangement.	**No**	
8	The recommendation is not suitable for the client's investment objectives or financial situation for some other reason. (Please state reason in freetext box below).	**No**	
	Please state the reason(s):		

Suggested suitability rating based upon examples	**Potentially unsuitable**

Assessor's suitability rating	**Unsuitable**

Assessor's rationale and evidence for suitability rating

I agree with the toolkit's rating that the investment advice is unsuitable. This is for the following reasons:

1) The client has incurred unnecessary or excessive adviser charges. The recommended investment strategy is the firm's own centralised investment proposition. This includes several layers of product charge, including a charge of 0.4% p.a. for the firm's investment management service, a charge of 0.48% p.a. (including VAT) for the firm's discretionary fund management service, a charge of 0.4% p.a. for the firm's ongoing advice service and a charge of 0.86% p.a. for the underlying funds that the client will ultimately be invested within. There appears to be unnecessary overlap within this recommended solution, particularly between the firm's own investment management service and its discretionary fund management service, both of which are of benefit to the firm itself. We consider this level of overlap results in the client having incurred unnecessary additional charges, which will ultimately impact on the client's pension value and it's longevity through-out retirement. As such, we consider that the firm has failed to comply with the client's best interest rule at COBS 2.1.1R and the overarching suitability requirements in COBS 9.2.1R(1)(a), because the recommended solution is not in the client's best interests or suitable for the client's financial objectives or financial situation.

QA suitability rating	

QA summary of changes made and feedback to the assessor

INSISTENT CLIENT

Steps in the insistent client process

		Reviewer	QA
Identify	**Is the client an "insistent client"?**		

		Reviewer	QA
Step 1	**Has the firm provided the necessary information to the insistent client?**		

		Reviewer	QA
Step 2	**Has the firm obtained an acknowledgement that the client is acting against advice?**		

		Reviewer	QA
Step 3	**Where the firm give a further recommendation in relation to the transaction proposed by the insistent client, has the firm made sure it is clear that this recommendation is separate from the firm's initial recommendation?**		

		Reviewer	QA
Step 4	**Has the firm made a record of this process? (For advice on or after 3 January 2018).**		

Suggested insistent client rating based upon indicators	

Assessor's insistent client rating	

Assessor's rationale/evidence for insistent client rating

QA insistent client rating	

QA summary of changes made and feedback to the assessor.

DISCLOSURE ASSESSMENT

Required disclosures

1	Disclosure of the firm's services and costs (for advice on or before 30 December 2012)		
No.	Required disclosures	Reviewer	QA
1	The firm has provided appropriate information to the client regarding its services.		
2	The firm has provided appropriate information to the client regarding its costs and associated charges.		
3	That information is provided in a clear and comprehensible form, so that the client is reasonably able to understand the nature and risks of the services and so that the client is reasonably able to take investment decision on an informed basis.		

2	Initial disclosure of the firm's services and adviser charges (for advice on or after 31 December 2012)	Compliant	
No.	Required disclosures	Reviewer	QA
1	The firm has provided the client with the initial disclosure document.	Yes	
2	The initial disclosure document was provided in good time before making the personal recommendation.	Yes	
3	The firm has provided the client with details of its charging structure.	Yes	
4	The charging structure was provided in good time before making a personal recommendation.	Yes	
5	The disclosure of the charging structure is fair, clear and not missleading.	Yes	

6	The firm explains the scope of its advice (whether it provides independent or restricted advice to its clients), including any restrictions on its advice in a fair, clear and not missleading way.	**Yes**	

3	**Specific disclosure of the firm's services and adviser charges (for advice on or after 31 December 2012).**	**Compliant**	
No.	Required disclosures	Reviewer	QA
1	The firm has disclosed the total adviser charge payable by the client.	**yes**	
2	The disclosure of the total adviser charge was as early as practicable.	**yes**	
3	The disclosure of the total adviser charge is either in cash terms, or, converted into illustrative cash equivalents.	**yes**	
4	The total adviser charge is disclosed in a durable medium or through a website (if the website conditions are satisfied.	**yes**	
5	Where there are payments over a period of time, the disclosure includes the amount and frequency of each payment, the period over which the adviser charge is payable, the implications for the client if the product is cancelled and, if there is no ongoing service, the total sum of all payments.	**yes**	
6	Where there is an ongoing service, that service is described in a clear, fair and not misleading way.	**yes**	

4	Product disclosure		Compliant	
	No.	Required disclosures	Reviewer	QA
	1	The firm has provided the client with a key features document ("KFD").	yes	
	2	The firm has provided the client with a key features illustration ("KFI"), unless the KFI information is included in the KFD provided to the client.	yes	
	3	The KFD/KFI includes the correct fund(s) and the correct adviser charge (where this is facilitated via the product).	yes	
	4	The KFD/KFI was provided free of charge and in good time before the firm carries on the relevant business.	yes	

5	Suitability report disclosure		Not compliant	
	No.	Required disclosures	Reviewer	QA
	1	The suitability report includes a clear recommendation as to whether or not to transfer from the DB scheme.	No	
	2	The suitability report(s) include a clear recommendation regarding investing the proceeds of the ceding arrangement in the proposed arrangement.	Yes	
	3	The suitability report specifies the client's demands and needs.	Yes	
	4	The suitability report explains why the the firm concluded that the recommended transaction is suitable for the client.	Yes	
	5	The suitability report explains any possible disadvantages of the transaction for the client.	Yes	
	6	The suitability report is written in a way that is fair, clear and not misleading.	No	

I do not consider that the recommendation is particularly clear. This is due to the layout and approach in the report. The firm initially explores it's recommendation on page 23 of the report under "reason for recommendation", this continues through to page 38 which comes on to "Conclusions", which continues through to page 43 which covers the PPF. Throughout the 20 pages flagged above, the firm outlines various positives and negatives to a recommendation, including various reasons why they could and could not recommend a transfer. This whole section is quite confusing and would not be clear to a client, especially one with low knowledge and experience,about what the firm is actually recommending.

6a	Defined benefit pension transfer disclosure (for advice on or before 30 September 2018)	Compliant	
No.	Required disclosures	Reviewer	QA
1	Has the firm provided the client with a copy of the TVA/TVAS?	**Yes**	
2	Has the firm (in correspondence with the client) drawn the client's attention to the factors that do and do not support the firm's advice, in good time, and in any case no later than when the KFD is provided?	**Yes**	
3	Has the firm ensured that the TVA/TVAS includes enough information for the client to be able to make an informed decision?	**Yes**	
4	Has the firm taken reasonable steps to ensure that the retail client understands the firm's comparison and its advice?	**Yes**	
5	**(For advice given between 1 April 2018 and 31 September 2018)** Has the firm taken reasonable steps to ensure that the client understands the firm's comparison and how it it contributes towards the personal recommendation?		
6	Has the firm explained the risks of the transfer to the client?	**Yes**	

6b	Defined benefit pension transfer disclosure (for advice on or after 1 October 2018)		
	No.	**Required disclosures**	**Reviewer**	**QA**

No.	Required disclosures	Reviewer	QA
1	Has the firm produced the TVC (complying with COBS 19.1.3AR and COBS 19 Annexes 4B and 4C)?		
2	Has the firm provided the TVC to the client in a durable medium using the format and wording in COBS 19 Annex 5 and following the instructions in COBS 19.1.3AR?		
3	Has the firm taken reasonable steps to ensure that the client understands how the key outcomes from the APTA and the TVC contribute towards the personal recommendation (COBS 19.1.1CR)?		
4	Has the firm explained the risks of the transfer to the client?		

Suggested disclosure rating	Potentially not compliant

Assessor's disclosure rating	Not compliant

Assessor's rationale and evidence for disclosure rating

We consider the disclosure provided by the firm is not compliant for the following reason:

The firm's suitability report is not written in a way that is fair, clear and not misleading, and therefore does not comply with the requirements in COBS 4.2.1R. This is because we do not consider it would have been clear to the client what the firm's recommendation was in relation to the transfer of the client's benefits with the British Steel Pension Scheme. The suitability report contains 20 pages which cover the recommendation where the firm outlines various reasons why the firm could and could not recommend a transfer. It is unlikely that the client would have a clear impression of what the recommendation was, and the reason for the recommendation, due to the length and presentation of this section of this section.

QA disclosure rating	

QA summary of changes made and feedback to the 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.	**Yes**	
2	Remain in their DB scheme.	**No**	

Non compliant conduct: Suitability - Investment advice

	Is it more likely than not that the firm's conduct caused the client to take one of the following actions:	Reviewer	QA
1	Make decision about how to invest their savings	**Yes**	

Non compliant conduct: Insistent client

	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.		
2	Remain in their DB scheme.		
3	Make decision about how to invest their savings		

Non compliant conduct: Disclosure

	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.	**No**	
2	Remain in their DB scheme.	**No**	
3	Make decision about how to invest their savings	**No**	

Causation breaches	**The firm's conduct is likely to have caused the client to transfer to a scheme with flexible benefits.**
	The firm's conduct is likely to have caused the client to make a decision about how to invest their savings.

Assessor's rationale/evidence for causation rating
The client approached the adviser to recommend whether or not she should transfer to achieve her objectives. The client is more likely than not to have relied on the adviser's recommendation when she made her decision to transfer. There is no information on file indicating that the client would have transferred anyway. The client also approached the adviser to recommend how to invest her savings within her pension fund. The client is more likely that not to have relied on the adviser's recommendation on where to invest the savings in her pension fund. There is no information on file indicating that the client would have invested her savings in this way anyway.

QA summary of changes made and feedback to the assessor.

RESULTS & FEEDBACK

Summary results

Information Collection	**Compliant - Proceed to suitability assessment**	**Causation**
Suitability - Pension transfer	**Unsuitable**	The firm's conduct is likely to have caused the client to transfer to a scheme with flexible benefits.
Suitability - Investment advice	**Unsuitable**	The firm's conduct is likely to have caused the client to make a decision about how to invest their savings.
Insistent Client	**N/A**	
Disclosure	**Not compliant**	

Feedback for firm

Case summary
Ava is an occupational nurse. She is 54 years of age. She is not married, keeps her finances separate from her partner (he contributes £400pcm) and he is not a beneficiary under her will. She has assets (house, investments) of £240k and may receive an inheritance of around £110k. She has expressed a desire to retire early at 56. Her current income is around £47k. She has savings and expects to contribute to her savings monthly. She would like a pension income of £1700 net pcm (c£20k pa). BSPS would provide her an income of £15,525pa (£1293pcm) if she retires at age 56; however this will likely be slightly reduced as the scheme is due to fall into the Pension Protection Fund. Ava has a cautious ATR and minimal investment knowledge. In the risk profiling questionnaire she says that she'd prefer a growth based portfolio and would like to invest for life. She would prefer to have secure capital and reduce her exposure to losses. Her objectives are recorded as (a) to retire at age 56 and (b) to access her income flexibly and have control over when she can access her income. She would also like to (c) pass on her pension to beneficiaries under her will (which may include her partner). She expresses concern about the viability of the British Steel scheme and has lost trust in its ability (or any replacement funds) to pay benefits. The firm recommends that Ava transfer to achieve her objectives.

Information Collection	**Compliant - Proceed to suitability assessment**

Suitability - Pension transfer	**Unsuitable**
The pension transfer advice is unsuitable. This is for the following reasons:	

1) The client is reliant upon an income from this scheme and does not have the capacity to lose the guaranteed income. The client requires £1,700 net per month to meet their required level of expenditure. This is £20,400 net per annum. This is in excess of the client's anticipated state pension entitlement of approximately £8,325 per annum that is payable from age 67. While the client has a separate DC pension with Aviva, this is relatively modest with a current value of £4,000. Her Aviva pension does not have much time to grow materially if the client retires (as intended) at age 56 (in 2 years' after the date of advice), even taking into account her intention to work part-time. In practice, the British Steel DB scheme is the client's primary provision for retirement. There is a high risk that the client may run out of income in retirement if she transfers her pension. I have therefore concluded that the recommendation is not suitable because the client cannot financially bear the investment risks consistent with her objectives (COBS 9.2.1R(1)(a) and 9.2.2R(1)(a) and (b)).

2) The firm has not explained how it is in the client's best interests to transfer to access death benefits, or to access their pension flexibly, bearing in mind they are reliant on income from the scheme. The firm has not demonstrated that the client is able or willing to compromise her retirement income to access these options in a DC Scheme. The recommendation is not therefore suitable for the client’s investment objectives and financial situation (COBS 9.2.1R(1)(a) and 9.2.2R(1)(a) and (b)) and the firm has not demonstrated

client's investment objectives and financial situation (COBS 9.2.1R(1)(a) and 9.2.2R(1)(a) and (b)) and the firm has not demonstrated how the transfer is in the client's best interests (COBS 2.1.1R and the guidance at 19.1.6G).

3) The client has indicated they wish to retire early (at age 56). The firm has not investigated whether the client is able to retire early, or identified whether there are alternative ways to achive her objective, whilst remaining in her DB scheme. A firm should only consider a transfer to be suitable where it can demonstrate that the transfer is in the client's best interests (COBS 19.1.6). A transfer must be suitable for the client’s investment objectives and financial situation (COBS 9.2.1R(1)(a) and 9.2.2R(1)(a) and (b)). Whilst there are changes impacting upon the BSPS, early retirement is still a potential option from both the Pension Protection Fund and BSPS 2, yet these options have not been properly investigated or discounted.

4) The Transfer Value Analysis does not support the recommendation to transfer (COBS 19.1.2R requires a firm to carry out such a comparison to support its analysis). It is reasonable to base the analysis on the critical yields to match the PPF benefits, seeing as the scheme will be joining the PPF. However, we consider that, bearing in mind the client's cautious risk profile, a critical yield of 5.5% to match the PPF benefits at age 65 is unattainable. The critical yield increases to 17% to match the benefits payable by the PPF at the desired early retirement age of 56.

5) In the long run the client will be better off remaining in her DB scheme as she will not be able to make the income she wants in a flexible scheme without taking high risks with her investments. No alternative pension arrangement is likely or guaranteed to produce comparable or better returns than her British Steel scheme or successor.

6) On any reasonable assessment the client is not able to bear the risks or does not want to take the risks associated with transfer into a flexible scheme (investment and longevity related) to secure her objectives. The recommendation should therefore be to remain in the DB scheme.

The recommendation to transfer is not suitable for the risk the client is willing or able to take to achieve her objectives and to meet her

Suitability - Investment advice	**Unsuitable**

The investment advice is unsuitable. This is for the following reasons:

1) The client has incurred unnecessary or excessive adviser charges. The recommended investment strategy is the firm's own centralised investment proposition. This includes several layers of product charge, including a charge of 0.4% p.a. for the firm's

centralised investment proposition. This includes several layers of product charge, including a charge of [illegible] p.a. for the firm's investment management service, a charge of 0.48% p.a. (including VAT) for the firm's discretionary fund management service, a charge of 0.4% p.a. for the firm's ongoing advice service and a charge of 0.86% p.a. for the underlying funds that the client will ultimately be invested within. There appears to be unnecessary overlap within this recommended solution, particularly between the firm's own investment management service and its discretionary fund management service, both of which are of benefit to the firm itself. We consider this level of overlap results in the client having incurred unnecessary additional charges, which will ultimately impact on the client's pension value and it's longevity through-out retirement. As such, we consider that the firm has failed to comply with the client's best interest rule at COBS 2.1.1R and the overarching suitability requirements in COBS 9.2.1R(1)(a), because the recommended solution is not in the client's best interests or suitable for the client's financial objectives or financial situation.

2) The client was not willing to take the required risk with the sum invested. The client has been assessed as a cautious investor. They intend to commence drawing from this pension in under 2 years to cover their expenditure in retirement. The firm has recommended an investment strategy with over 60% exposure to equities, of which approximately one of the equity exposure is invested in equities that pose a particularly high risk (far east equity, emerging markets equity and commodities). As an individual with a relatively low attitude to investment risk and relatively low knowledge and experience, this recommendation is not suitable for the client’s investment objectives as the client’s attitude to risk does not match the degree of risk they must have been willing to take with the sum invested. For this reason, the recommendation is not compliant with COBS 9.2.1R(1)(a)).

3) The client does not have the capacity to bear the loss of this investment. The client is reliant upon this pension to meet their basic expenditure in retirement. They will start to draw from this scheme in under 2 years. For the reasons recorded above in Q2 about the equity exposure we consider the recommendation is not suitable because the client is unable to bear the risk of the recommended investment. For this reason, the recommendation is not compliant with COBS 9.2.1R(2)(b).

Insistent client	**N/A**

Disclosure	**Not compliant**

The disclosure provided by the firm in it's suitability report is not compliant for the following reason:

1) The firm's suitability report is not written in a way that is fair, clear and not misleading, and therefore does not comply with the requirements in COBS 4.2.1R. This is because we do not consider it would have been clear to the client what the firm's recommendation was in relation to the transfer of the client's benefits with the British Steel Pension Scheme. The suitability report contains 20 pages which cover the recommendation where the firm outlines various reasons why the firm could and could not recommend a transfer. It is unlikely that the client would have a clear impression of what the recommendation was, and the reason for the recommendation, due to the length and presentation of this section.