FINANCIAL CONDUCT AUTHORITY

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FINAL NOTICE

To: **Keith Dickinson**

Individual Reference Number: **KXD01341**

Date: **7 September 2023**

1. ACTION

1.1. For the reasons given in this Final Notice, the Authority hereby:

(1) publishes a statement of Mr Dickinson's misconduct for failing to comply with Statement of Principle 2, pursuant to section 66 of the Act; and

(2) makes an order, pursuant to section 56 of the Act, prohibiting Mr Dickinson from performing any function in relation to the regulated activity of advising on Pension Transfers and Pension Opt-outs carried on by an authorised person, exempt person or exempt professional firm.

1.2. The Authority would have imposed a financial penalty of £403,814 on Mr Dickinson (reduced to £245,914 as Mr Dickinson has provided verifiable evidence that payment of the full amount of the financial penalty would cause him serious financial hardship). However, the Authority recognises that there is a significant liability for redress for Mansion Park's customers which has fallen to the Financial Services Compensation Scheme (FSCS). As at 17 March 2023, the FSCS has paid out £2,988,898.02 in compensation to customers of Mansion Park. Had it not been for the compensation limit of £85,000, the total compensation available to customers would have been £5,322,495.71. In these circumstances, the Authority has agreed with Mr Dickinson that in lieu of the imposition of a financial penalty, the sum of £70,000 be paid direct to the FSCS to contribute towards any redress due to Mansion Park's customers. This is in furtherance of the Authority's consumer protection objective. In light of the above and taking into account the exceptional circumstances of the British Steel Pension Scheme (BSPS), the Authority hereby publishes a statement of Mr Dickinson's misconduct.

2. SUMMARY OF REASONS

Overview

2.1. During the Relevant Period (8 June 2015 to 17 December 2017), Mr Dickinson was a qualified Pension Transfer Specialist (PTS) performing the CF30 (Customer) controlled function at Mansion Park. He was also a CF1 (Director) from 26 April 2016. Mr Dickinson acted without due skill, care and diligence, in breach of Statement of Principle 2, in giving unsuitable Pension Transfer advice to customers (some of whom were BSPS members), resulting in customers' retirement funds being unnecessarily put at risk, against their best interests.

Mansion Park

2.2. Mansion Park advised a total of 400 customers to transfer out of their Defined Benefit Pension Scheme (DBPS) during the Relevant Period, 81 of whom were members of the BSPS. Mr Dickinson advised 135 (33%) of Mansion Park's 400 customers who were considering a Pension Transfer during the Relevant Period, including 68 customers who were members of the BSPS (representing 50% of the customers he advised during the Relevant Period). Mr Dickinson's 135 clients had a total initial CETV of approximately £36.8 million with an average CETV of approximately £240,000. Mansion Park's clients were not charged if the adviser's recommendation was not to proceed with the Pension Transfer, or if the transfer did not take place. Mr Dickinson also carried out second-level checks on the Pension Transfer advice of other advisers at Mansion Park in respect of 14 customer files.

2.3. The Authority reviewed a sample of 21 of Mansion Park's completed Pension Transfer advice files dating from the Relevant Period (the Sample Files). Mr Dickinson was the primary adviser on 7 of the Sample Files, 5 of which related to customers who were members of the BSPS. For the majority of these customers, their pension fund was their most valuable asset, and many had limited additional resources or other pension provisions.

2.4. Of the 7 Sample Files where Mr Dickinson was the primary adviser:

a) in all of the files, Mr Dickinson failed to collect sufficient client information. In 1 of these files, Mr Dickinson made a Personal Recommendation without collecting the necessary information to assess suitability of advice; and

b) in all of the files which contained enough information to assess suitability, Mr Dickinson provided unsuitable Pension Transfer advice.

2.5. As at 17 March 2023, the FSCS has upheld 48 claims against Mansion Park relating to the provision of DBPS Pension Transfer advice where Mr Dickinson was identified as the adviser. The FSCS has paid out £2,049,580.24 in compensation on these claims. The Financial Ombudsman Service has issued 1 final decision dated 8 September 2020 upholding a complaint made by a customer regarding DBPS Pension Transfer advice received from Mansion Park.

FCA's Statements of Principle for Approved Persons

2.6. During the Relevant Period, Statement of Principle 2 stated that an approved person must act with due skill, care and diligence in carrying out their accountable functions.

Mr Dickinson's failings in the performance of his CF30 (Customer) function

2.7. The Authority considers that, during the Relevant Period, by reason of the matters described below in section 4 of this Notice, Mr Dickinson breached Statement of Principle 2, in that he failed to act with due skill, care and diligence when advising customers on Pension Transfers.

2.8. In particular, Mr Dickinson:

a) gave unsuitable Pension Transfer advice because he based Personal Recommendations on the incorrect assumption that a transfer to meet the customer's stated objectives was in the customer's best interests. In reality, many customers’ objectives were either not realisable or financially viable, or could have been met by the existing scheme;

b) failed to assess, or give due consideration to, whether customers would be reliant on the income from their DBPS or whether they could financially bear the risks involved in a Pension Transfer. He did this despite knowing that, following the recommended transfer, customers’ retirement income would be dependent on the performance of the new investment;

c) advised clients with no source of retirement income other than their DBPS and state pension, and who had cautious attitudes to risk, to give up the guaranteed benefits offered by their DBPS without sufficient justification;

d) failed properly to assess whether the customer had the necessary experience and knowledge to understand the risks involved in the Pension Transfer recommended, and failed to give due consideration to this where they did not;

e) failed to undertake adequate transfer analysis to compare the benefits likely to be paid under the DBPS with benefits paid out under the Proposed Arrangement or other pension scheme into which it was proposed that the client should transfer; and

f) failed to ensure his Suitability Reports contained adequate information about the possible disadvantages of transferring out of the customer’s DBPS, having regard to their specific circumstances and objectives. Although Suitability Reports contained caveats and risk warnings regarding Pension Transfers, the Authority considers that the Personal Recommendation was unclear and risked being confusing for customers. The warnings and Personal Recommendation to transfer were often contradictory, with no explanation.

2.9. BSPS members made up 18% of Mansion Park’s Pension Transfer advice customers during the Relevant Period, and constituted 50% of the customers Mr Dickinson advised to transfer out of their DBPS during the Relevant Period. These individuals were in a vulnerable position at the time due to the uncertainty surrounding their employment and the future of the BSPS and it was critical that the advice they received from Mr Dickinson, and on which they placed reliance, was clear, fair and not misleading and suitable for their particular circumstances. Unfortunately, many of Mr Dickinson’s BSPS customers did not receive suitable advice to enable them to make a sufficiently informed decision about their Pension Transfer.

2.10. The unsuitable advice provided by Mr Dickinson had serious consequences, specifically a lasting impact on his customers' pension arrangements and their financial wellbeing during retirement.

Seriousness

2.11. The Authority considers Mr Dickinson's failings to be serious because:

a) they caused a significant risk of loss to customers who transferred out of their DBPS as a result of Mr Dickinson's advice. The total value of transferred funds across the 135 customers he advised during the Relevant Period was approximately £36.8 million with an average CETV of approximately £240,000;

b) Mr Dickinson was either unaware of, or did not appreciate the significance of, the regulatory guidance which provides that the starting point should be to assume that a transfer from a DBPS would not be suitable. A reasonably competent PTS should be aware of that starting point, that a DBPS offers valuable guaranteed benefits, and that there can therefore be significant risks to clients if they transfer out of their DBPS; and

c) his advice impacted a number of BSPS members, many of whom were in a vulnerable position due to the uncertainty surrounding the future of the BSPS.

Sanction

2.12. The Authority considers that Mr Dickinson has demonstrated a lack of competence and capability to advise on Pension Transfers and Pension Opt-outs. As a result of the facts and matters set out in this Notice, Mr Dickinson is not a fit and proper person to carry out the regulated activity of advising on Pension Transfers and Pension Opt-outs carried on by an authorised person, exempt person or exempt professional firm. The Authority hereby prohibits Mr Dickinson from performing any such function.

2.13. The Authority would have imposed a financial penalty of £403,814 on Mr Dickinson (reduced to £245,914 as Mr Dickinson has provided verifiable evidence that payment of the full amount of the financial penalty would cause him serious financial hardship). However, the Authority recognises that there is a significant liability for redress for Mansion Park's customers which has fallen to the FSCS. As at 17 March 2023, the FSCS has paid out £2,988,898.02 in compensation to customers of Mansion Park. Had it not been for the compensation limit of £85,000, the total compensation available to customers would have been £5,322,495.71. In these circumstances, the Authority has agreed with Mr Dickinson that in lieu of the imposition of a financial penalty, the sum of £70,000 be paid direct to the FSCS to contribute towards any redress due to Mansion Park's customers. This is in furtherance of the Authority's consumer protection objective. In light of the above and taking into account the exceptional circumstances of the BSPS, the Authority hereby publishes a statement of Mr Dickinson's misconduct for failing to comply with Statement of Principle 2.

3. DEFINITIONS

3.1. The definitions below are used in this Notice:

"the Act" means the Financial Services and Markets Act 2000;

"Attitude to Risk" means the client's attitude to, and understanding of, the risk of giving up safeguarded benefits for flexible benefits;

"the Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority;

"the Authority's Rules" means the Authority's Conduct of Business Sourcebook as applicable during the Relevant Period;

"Statements of Principle" or "APER" means the Authority's Statements of Principle and Code of Practice for Approved Persons;

"the British Steel Pension Scheme" or "BSPS" means the British Steel DBPS that was in force during the period 8 June 2015 to 13 December 2017;

"BSPS 2" means the scheme which replaced the BSPS after 13 December 2017;

"Ceding Arrangement" means the customer's existing pension arrangement with safeguarded benefits;

"CETV" means Cash Equivalent Transfer Value, which is a lump sum available to the member upon transferring their pension benefits into an alternative pension. It is calculated according to actuarial principles;

“COBS” means the Conduct of Business Sourcebook in the Authority’s Handbook;

“Critical Yield” means an illustration of the annual growth rate (net of charges) that the customer would need to obtain upon investment of the CETV in order to replicate the benefits provided by the DBPS;

“Defined Benefit Pension Scheme” or “DBPS” means an occupational pension that pays out a defined benefit or guaranteed specified amount to the pension holder based on factors such as the number of years worked and the customer’s salary;

“Defined Contribution Pension” or “DC Pension” means a pension that pays out a non-guaranteed and unspecified amount depending on the defined contributions made and the performance of investments;

“DEPP” means the Authority’s Decision Procedure and Penalties Manual;

“EG” means the Authority’s Enforcement Guide;

“the Handbook” means the Authority’s Handbook of rules and guidance;

“Mansion Park” means Mansion Park Limited;

“Pension Commencement Lump Sum” or “PCLS” means a tax-free lump sum of money that can be drawn from the pension fund at retirement;

“Pension Opt-out” has the meaning given in the Authority’s Handbook and includes a transaction resulting from the decision of a retail client to opt out of an occupational pension scheme to which his employer contributes and of which they are a member;

“Pension Protection Fund” or “PPF” means a statutory public corporation which protects people who belong to a DBPS, if the employer responsible for funding the scheme they have paid into becomes insolvent;

“Pension Transfer” has the meaning given in the Authority’s Handbook and means a transfer payment made in respect of any safeguarded benefits with a view to obtaining a right or entitlement to flexible benefits under another pension scheme;

“Pension Transfer Specialist” or “PTS” has the meaning given in the Authority’s Handbook and includes an individual appointed by a firm to check the suitability of, amongst other things, a Pension Transfer, who has passed the required examinations as specified in the Training and Competence Sourcebook, part of the Handbook;

“Personal Recommendation” means a recommendation that is advice on transfer of pension benefits into a personal pension or Self-Invested Personal Pension, and is presented as suitable for the customer to whom it is made, or is based on a consideration of the customer’s circumstances;

“Preferred Retirement Date” means the date when the customer plans to retire;

“Proposed Arrangement” means the arrangement with flexible benefits into which the customer would move their funds from the Ceding Arrangement;

“Regulated Apportionment Arrangement” or “RAA” means the statutory mechanism that can be used in corporate restructuring whereby a sponsoring employer of a DBPS stops participating in the pension scheme (therefore freeing the sponsoring employer from its financial obligations to the pension scheme) in order to avoid insolvency, subject to certain conditions being met and the RAA being approved by The Pensions Regulator and the PPF;

“Relevant Period” means the period from 8 June 2015 to 17 December 2017;

"the Sample Files” means the 21 completed Pension Transfer advice files provided by Mansion Park and reviewed by the Authority;

“Suitability Report” means the report which a firm must provide to its client under COBS 9.4.1R which, amongst other things, explains why Mansion Park has concluded that a recommended transaction is suitable for the client;

“Tribunal” means the Upper Tribunal (Tax and Chancery Chamber);

“TVAS” means “Transfer Value Analysis” and is the comparison that a firm was required to carry out in accordance with COBS 19.1.2R prior to 1 October 2018, when a firm gave advice or a Personal Recommendation about, amongst other things, a Pension Transfer; and

“TVAS Report” means a document that sets out for the client a comparison of the benefits likely (on reasonable assumptions) to be paid under the Ceding Arrangement with the benefits afforded by the Proposed Arrangement, which firms were required to carry out in accordance with COBS 19.1.2R (and prepare in accordance with COBS 19.1.3R and 19.1.4R) prior to 1 October 2018.

4. FACTS AND MATTERS

Background

Mansion Park

4.1. Mansion Park was an independent financial adviser firm based in Ashby de la Zouch, Leicestershire, which was authorised by the Authority on 15 May 2002. During the Relevant Period Mansion Park had permission to carry on regulated activities including advising on Pension Transfers, advising on investments and arranging (bringing about) deals in investments.

4.2. On 8 December 2017, the Authority visited Mansion Park's offices. On 12 December 2017, following intervention by the Authority, Mansion Park applied for the imposition of voluntary requirements, whereby Mansion Park would cease all regulated activities relating to DBPS Pension Transfer business. Mansion Park entered liquidation on 30 November 2020.

4.3. During the Relevant Period, 19 advisers at Mansion Park provided DBPS Pension Transfer advice, with second-level review and sign-off provided by 5 PTSs. In some instances, those PTSs also advised clients directly.

4.4. Mr Dickinson advised 135 (33%) of Mansion Park's 400 DBPS Pension Transfer customers during the Relevant Period, including 68 customer who were members of the BSPS (representing 50% of the customers he advised in relation to DBPS Pension Transfers during the Relevant Period). Mr Dickinson held initial meetings with some customers after which the customer did not proceed through the advice process, but all 135 customers who proceeded through the advice process were advised by Mr Dickinson to transfer out of their DBPS.

Mr Dickinson

4.5. Mr Dickinson started working in the financial services industry in 1994 and has held the AF3 (Pension Planning) qualification since October 2013, which enabled him to practice as a qualified PTS throughout the Relevant Period. Prior to joining Mansion Park, Mr Dickinson had limited experience as an independent financial adviser and no experience as a PTS.

4.6. Mr Dickinson joined Mansion Park on 6 April 2015. He held the CF30 (Customer) controlled function at Mansion Park from 31 March 2015 to 6 April 2018, and the CF1 (Director) controlled function from 26 April 2016 to 5 March 2018.

4.7. Mr Dickinson was a key individual in the Pension Transfer advice process at Mansion Park. He provided Pension Transfer advice to a large number of customers, including a number of BSPS customers, and also provided second-level review of Pension Transfer advice provided by other advisers. He was also a CF1 Director who sat on the Mansion Park Board and attended meetings where the Pension Transfer advice process was discussed.

4.8. Mr Dickinson resigned from Mansion Park in April 2018.

Pension Transfers

4.9. Pensions are a traditional and tax-efficient way of saving money for retirement. The value of someone's pension can have a significant impact on their quality of life during retirement and, in some circumstances, may affect whether they can afford to retire at all. Pensions are, in most cases, a primary resource for ensuring financial stability in retirement. For some people, they are the only way of funding retirement. Customers who engage authorised firms to provide them with advice in relation to their pensions place significant trust in those providing the advice. Where a financial adviser fails to conduct the affairs of their advice business in a manner that is compliant with the Authority's regulatory requirements, this exposes their customers to a significant risk of harm.

4.10. Pensions can be structured in a variety of ways. However, a DBPS is particularly valuable because an employer sponsor carries the financial burden associated with offering a secure, guaranteed income for life to members, which typically increases each year in line with inflation. This is in contrast to, for example, a DC pension scheme where employer and employee capital contributions are invested, but the investment and mortality risk are borne by the member. The Authority expects that for the majority of customers it is in their best interests to remain in their DBPS because of the guarantees and protections it offers.

4.11. Customers who engage advisers and authorised firms to provide them with advice in relation to their pensions therefore place significant trust in them. It is important that firms and their advisers exercise due skill, care and diligence when advising customers regarding their pensions, ensuring that the advice given to a customer is suitable for them, having regard to all of their relevant circumstances. This is even more important when customers have no option but to make a decision regarding their pension.

4.12. Transfer out of a DBPS involves giving up the guaranteed benefits in exchange for a Cash Equivalent Transfer Value (CETV) which is typically invested in a DC pension. If a customer leaves a DBPS, they will have to buy an annuity to obtain a guaranteed level of income. Alternatively, they may rely on income from investments, but investments will have to be managed in such a way as to produce ongoing income; and even then, there is no guarantee as to the amount or duration of that income.

4.13. The introduction of pensions freedoms (introduced in April 2015) for DC pensions made transferring out of a DBPS an attractive option for some people. For example, a customer who will not be reliant on the DBPS income in retirement and who wishes to achieve a realistic objective attainable only once transfer has been effected may be an example of a suitable candidate. However, as referenced in COBS 19.1.6G, the Authority considers that, given the nature of the guaranteed benefits provided under a DBPS, advisers' default assumption should be that transferring out and giving up those benefits is unlikely to be suitable for a customer unless they can clearly show, based on a customer's specific circumstances, that it is in their best interests.

The British Steel Pension Scheme

4.14. During the Relevant Period 68 (50%) of Mr Dickinson's 135 DBPS Pension Transfer customers were members of the BSPS.

4.15. The BSPS was one of the largest DBPS in the UK, with approximately 125,000 members and £15 billion in assets as of 30 June 2017. In March 2017, the BSPS was closed to future accruals, which meant that no new members could join it and existing members could no longer build up their benefits. The BSPS also had an ongoing funding deficit.

4.16. In early 2016, various options were being explored in relation to the BSPS as a result of insolvency concerns relating to one of its sponsoring employers. These options included seeking legislative changes which would have allowed pension increases available under the BSPS to be reduced to the statutory minimum levels, and the sale of one of the sponsoring employers. However, it was concluded that the only way to avoid insolvency would be to enter into a Regulated Apportionment Arrangement (RAA).

4.17. On 11 August 2017, the Pensions Regulator gave its clearance for the RAA. Under the RAA, the BSPS would receive £550 million and a 33% equity stake in one of the sponsoring employers and the BSPS would transfer into the PPF. In addition, a new DBPS (BSPS 2) was proposed by the sponsoring employers in combination with the RAA proposal. The RAA received formal approval on 11 September 2017, which resulted in the BSPS being separated from the sponsoring employers.

4.18. As a consequences of the RAA, members of the BSPS were required to make a choice between two options offered by the BSPS, namely to either:

a) remain in the BSPS and therefore move into the PPF (suffering a 10% drop in the value of their fund in doing so); or

b) transfer their benefits into BSPS 2.

4.19. Alternatively, BSPS members could take a CETV and transfer their pension benefits into an alternative pension arrangement (for example a personal pension scheme or another occupational pension scheme held by the member).

4.20. On 11 and 21 September 2017, the BSPS announced that it would separate from the sponsoring employers, including the principal sponsor, Tata Steel UK. Information about the options available to members was available on the BSPS' website from 11 August 2017, and in October 2017, the BSPS distributed information packs to members about these options. There were over 20 different packs to take account of the different categories of members. The pack contained individual estimates of BSPS 2 entitlements, generic information about PPF compensation and comparisons between the two schemes. On the basis of this, members were asked to decide whether they wanted to transfer their pension rights to the new pension scheme, BSPS 2, which would be less generous than the old scheme but more generous than PPF compensation for the majority of members, or stay with the old scheme and move into the PPF. Members were required to choose their preferred option by 22 December 2017. Those who wanted to transfer their pension benefits from the BSPS to a personal pension were required to submit the required paperwork to execute the transfer by 16 February 2018.

4.21. The Rookes Review, an independent review of the support given to BSPS members during the restructuring and "Time to Choose" exercise, stated that BSPS members experienced, and were influenced by, a set of unique circumstances. This included the following:

a) distrust of their employer;

b) limited information on alternative options;

c) tight timescales to make a decision; and

d) limited support.

4.22. Some BSPS members were in vulnerable circumstances. For example, BSPS members tended to have no other assets and relied more on income from their DBPS than members of other schemes.

Mansion Park's Pension Transfer advice business and Mr Dickinson's role

Initial and ongoing transfer fees / contingent fee arrangements

4.23. Mansion Park charged clients they were advising on their Pension Transfer a tiered percentage of the CETV, if the recommendation was to transfer out of their DBPS (as was the recommendation for all of Mansion Park's 400 clients who proceeded through the advice process during the Relevant Period, including each of the 135 clients Mr Dickinson advised). Mansion Park's clients were not charged if the adviser's recommendation was not to proceed with the Pension Transfer, or if the transfer did not take place.

4.24. The percentage fee ranged from 1.5-5% of the gross amount transferred, but the typical fee charged was between 2% to 3% of the amount transferred. A lower percentage fee was charged, on a sliding scale, for significant transfers above the value of £300,000. An ongoing monthly adviser commission was also charged, typically at 0.5% per annum of the fund invested. Mr Dickinson received £732,354 resulting from the transfer of customers' pensions out of their DBPS in reliance on his advice during the Relevant Period.

Increase in DBPS work at Mansion Park

4.25. Mansion Park acquired permission to provide Pension Transfer advice in May 2002. From early 2017, Mansion Park began to receive a significant increase in Pension Transfer enquiries.

The Pension Transfer Advice Process

4.26. According to Mansion Park's documents setting out the process which was purportedly in place during the Relevant Period, Mansion Park's Pension Transfer advice process was as follows:

a) following an initial call, an introductory discussion would take place at a face-to-face meeting about the customer's aims and objectives and the options available. At this meeting, the adviser would complete a fact find, take further notes and complete and exchange other documents with the customer. Following that initial discussion, some customers decided not to proceed further and therefore did not receive advice; and

b) where a customer wished to proceed following the face-to-face meeting, the adviser would then request information from the customer's Ceding Arrangements and investment research would be conducted to provide a basis for the advice. Research would be uploaded to a customer file and reviewed and a TVAS and Suitability Report would be prepared.

PTS file check

4.27. In response to the growing levels of DBPS Pension Transfer advice business that Mansion Park was undertaking and concerns that there was no PTS in the Compliance Team, Mansion Park added a step to the process whereby Pension Transfer advice would be submitted for "*double sign off by PTS*", and advice could not be provided to clients without first being reviewed by a PTS. Mansion Park had five PTS' during the Relevant Period, one of which would be assigned to review each file.

4.28. The advice process was the same whether the primary adviser providing Pension Transfer advice to the client was a PTS or not, except that if the primary adviser was a non-PTS, then from 23 May 2016, following the first client meeting they would hold an initial discussion with the PTS to discuss the merits of proceeding to the advice stage.

4.29. Once the information gathering steps described at paragraph 4.26 above had been completed, the file would then be passed to a PTS for their review. The PTS communicated any remedial work they thought needed to be undertaken (for example, if further information was needed from the customer) to the adviser by email or telephone, and would check the file again after the remedial work had been completed. The PTS would not communicate directly with the customer as part of the review process.

4.30. Other than discussions which arose in the course of Board and Investment Committee meetings, PTSs did not meet to discuss issues or risks which might have arisen in the Pension Transfer advice process.

Mansion Park's compliance arrangements

Internal Compliance Role

4.31. Once the advice had been finalised and the PTS review had been completed, a customer file would be sent to Mansion Park's Compliance department to review the file. The Compliance team did not include any PTSs. Compliance would deal directly with the adviser if there were any queries. Once Compliance had reviewed the file, the adviser would visit the client to present the Personal Recommendation and discharge the obligations in COBS 19.1.2R(3) and (4), to explain the TVAS Report to the customer and take reasonable steps to ensure that they understood the TVAS Report and the advice.

External Compliance Review

4.32. Occasionally, Compliance would seek external assistance in relation to the firm's pension advice process. In August 2017, Mansion Park obtained an external report on its Pension Transfer advice process. In summary, the report concluded that Mansion Park's processes around Pension Transfer advice were "*basically sound and robust*". The report assessed 1 customer file in which Mr Dickinson was primary adviser, as well as some other aspects of the DBPS Pension Transfer advice process. The file reviewed was considered unclear, as it was found that "*[f]urther information is required before an opinion on suitability can be issued*".

Adherence to the advice process

4.33. In autumn 2017, Mansion Park held several discussions with Mr Dickinson regarding his adherence to internal policies and procedures, and the quality of advice he had provided. In October 2017, 6 of Mr Dickinson's files were sent for external review. For all 6 files, the suitability of advice was rated as unclear.

4.34. Additionally, although Mansion Park explained that the advice process explained above was in place during the Relevant Period, the Authority's feedback letter to the firm dated 8 February 2018 (following the visit on 8 December 2017) identified some concerns that the process was not being adequately followed, including by Mr Dickinson.

Mr Dickinson's approach to advice on Pension Transfers

4.35. Mr Dickinson stated at interview that he was unaware of the starting point in COBS 19.1.6G, which is that when advising on a potential Pension Transfer out of a DBPS, a firm should start by assuming that such a transfer would not be suitable. Mr Dickinson has since stated that he was aware of this premise, but that the advice process at Mansion Park which he followed was heavily weighted towards a customer's aims, objectives and personal situation. Mr Dickinson also stated that he was an inexperienced PTS who was not sufficiently trained or supervised to give DBPS Pension Transfer advice at Mansion Park, and that he would have relied on Compliance to advise him of the Authority's rules. The Authority's view is that a reasonably competent PTS should have been aware of this starting point and that Mr Dickinson's lack of knowledge, or alternatively awareness of the significance of, this point led to him adopting his own, incorrect starting point, which was based on customers' objectives.

4.36. Mr Dickinson portrayed the BSPS 2 to clients as a "*zombie scheme*", which according to him meant that "*British Steel would have no liability to the Scheme*" and that the Scheme was in deficit. Of the Sample Files where Mr Dickinson was the primary adviser, 5 related to BSPS customers. The Authority's view is that in advising these customers, Mr Dickinson started with a presumption that the customer should transfer out and exhibited a general lack of consideration of the alternatives to transferring out of the Ceding Arrangement. In particular, the risks associated with the PPF were overstated, and the advantages were underplayed.

4.37. Mr Dickinson also did not provide sufficient challenge to customer opinions and objectives during the advice process. He was of the view that BSPS members generally were very concerned about the options available to them and the risk of their pension falling into the PPF. The information recorded on customer files noted that customers had expressed concerns about the level of uncertainty and the reduction in the size of the funds payable to those drawing upon their pension under the BSPS 2. The Suitability Reports in all of the 5 BSPS files reviewed by the Authority used the same templated wording in respect of BSPS 2, which read "*I would understand why you wish to transfer your benefits to a Personal*

Pension/Stakeholder plan based on your current circumstances and will advise you accordingly."

4.38. Mr Dickinson's approach to advice meant that he recommended a transfer out of a customer's DBPS primarily on the opinion of the customer and without an objective assessment of whether it was in the customer's best interests. At interview, when asked about whether a transfer would be suitable if the customer's objectives could be met by staying in the existing scheme, even if the customer was willing to take the investment risk, Mr Dickinson responded that it would depend on the customer's objectives.

4.39. Whilst it was appropriate for Mr Dickinson to have regard to a customer's stated objectives, he was required to ensure that he explained the benefits of the DBPS and provide suitable advice to customers, taking into account all of their circumstances. If he was of the view that a transfer out of the DBPS was not in the best interests of the customer, even if that meant certain of the customer's stated objectives could not be achieved, then he should not have recommended a transfer.

The Authority's Review of Mr Dickinson's advice

<u>Review of a sample of files</u>

4.40. Following a visit to Mansion Park on 8 December 2017, the Authority requested and assessed a sample of 21 of Mansion Park's customer files (the Sample Files). Of the Sample Files, 7 had been advised by Mr Dickinson, all of which involved a completed Pension Transfer. 5 of the 7 Pension Transfers were for customers who were BSPS members. Although Mr Dickinson was a second level reviewer for some of Mansion Park's files, he was not a second level reviewer in any of the Sample Files.

4.41. The review of the 7 of the Sample Files where Mr Dickinson was the primary adviser was carried out using the Defined Benefit Advice Assessment Tool (DBAAT) and found that Mr Dickinson had:

a) failed to collect all required information to give Pension Transfer advice in all 7 cases. In 1 case the absence of information was so significant that the Authority was unable to assess whether Mr Dickinson's advice was suitable (see "*Information collection failures*" below);

b) given unsuitable Pension Transfer advice in 6 out of the 7 cases. In the 7th case, suitability could not be assessed because of material information gaps. In 4 out of the 6 cases assessed for suitability, the customers were members of the BSPS (see "*Unsuitable Pension Transfer advice*" below); and

c) given unsuitable investment advice in 4 out of the 7 cases (see "*Unsuitable investment advice*" below).

4.42. The average transfer value for the 6 customers who received unsuitable Pension Transfer advice, and the 1 customer where there was insufficient information for suitability to be assessed, was £303,919.30. In most of these customer files, the customer's DBPS was their most significant asset by some measure. These customers had very limited financial resources available to them to protect them from any downturn in their finances and could not be described as financially resilient.

Information Collection failures

4.43. During the Relevant Period, COBS 9.2.1R stated that a firm must take reasonable steps to ensure that a Personal Recommendation (which included, in this context, a recommendation to transfer or not to transfer a pension) was suitable for its customer (COBS 9.2.1R, see Annex A).

4.44. When making a Personal Recommendation, a firm must first obtain the necessary information regarding the customer's: (a) knowledge and experience in the investment field relevant to the Pension Transfer; (b) financial situation; and (c) investment objectives.

4.45. COBS 9.2.2R stated that a firm must obtain from the customer such information as is necessary for the firm to understand the essential facts about them and have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or entered into in the course of managing: (a) meets their investment objectives; (b) is such that they are able financially to bear any related investment risks consistent with their investment objectives; and (c) is such that they have the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of their portfolio.

4.46. COBS 9.2.6R stated that if a firm did not obtain the necessary information to assess suitability, it must not make a Personal Recommendation. Making a

Personal Recommendation without the necessary information increases the risk of providing unsuitable Pension Transfer advice.

Failure to collect necessary information to assess suitability of the proposed Pension Transfer

4.47. In 1 out of the 7 Sample Files in which Mr Dickinson was the primary adviser, Mr Dickinson made a Personal Recommendation without having gathered the necessary information to assess suitability of the proposed Pension Transfer. In this case, Mr Dickinson failed to capture information regarding the customer's financial situation including information regarding additional pensions held by the customer and their spouse and information regarding the spouse's rental property was not included in retirement income modelling, such that a proper and accurate assessment of reliance on the DBPS could not be undertaken. This put the customer at risk of receiving unsuitable advice.

Additional information collection failures

4.48. In addition to the case where the absence of necessary information meant that an assessment could not properly be made, and therefore suitability could not be demonstrated by Mr Dickinson, there was a failure to collect necessary information in the remaining 6 of the Sample Files where Mr Dickinson was the primary adviser. For example:

a) in 3 out of the 7 Sample Files, information regarding the customer's wider financial situation was missing, including details of additional pensions held by the customer and their spouse; and

b) in 2 out of the 7 Sample Files, there was a failure to obtain and discuss some aspects of the customer's income needs and expenditure in retirement, including their basic living costs, lifestyle expenditure and discretionary expenditure. Consequently, Mr Dickinson was not able to assess how the DBPS would be utilised by each of these customers during retirement.

4.49. Despite the absence of complete information for these customer files, the Authority was able to assess transfer suitability by making reasonable assumptions or inferences as to the missing information. All of these files were assessed by the Authority as containing unsuitable transfer advice.

Unsuitable pension transfer advice

4.50. The Authority's review of the 7 of the Sample Files where Mr Dickinson was primary adviser found that 6 customers (85%) received unsuitable Pension Transfer advice. The Authority was unable to assess whether the Pension Transfer advice provided to 1 of the 7 customers was suitable due to material information gaps. Of the 6 customers who received unsuitable Pension Transfer advice, 4 were former BSPS members.

4.51. The Authority found that Mr Dickinson's Pension Transfer advice was unsuitable for a variety of reasons (see below). Some of the files reviewed contained advice which was found to be unsuitable for multiple reasons.

Reliance on the DBPS and inability to bear transfer risk

4.52. The Authority assessed the customer as being reliant on the Ceding Arrangement in all 6 of Mr Dickinson's files which could be assessed for suitability. A customer was considered by the Authority to be reliant on income from the Ceding Arrangement in retirement if it would be their primary income source with no capacity to bear the risk of losing it; for example, because without it they would be unable to meet non-discretionary expenditure.

4.53. For example:

a) at the time of receiving advice from Mr Dickinson, Customer E was aged 55 and their spouse was aged 53. The customer held no savings or investments and stated that they had "*limited*" disposable income available each month. Mr Dickinson did not complete a budget planner or capture the customer's actual income or anticipated expenditure requirements in retirement;

b) their investment objectives were to take the maximum PCLS immediately to pay for home repairs and improvements and then to leave the residual fund invested over the medium to long term, in addition to maximising the value of the benefits payable upon their death; and

c) Mr Dickinson did not demonstrate the basis for believing that the customer was financially able to bear the risk of a Pension Transfer, including losing the guaranteed income from their DBPS, consistent with their objectives, or that it was in their best interests to prioritise their stated investment objectives at the expense of their income needs during retirement. Mr Dickinson should have known that following the recommended Pension Transfer, the customer’s retirement income would depend on the performance of the investment in the Proposed Arrangement.

Failure to demonstrate transfer to achieve customers’ objectives was in their best interests

4.54. COBS 19.1.6G indicates that a firm should only consider a Pension Transfer to be suitable if it can clearly demonstrate, on contemporary evidence, that the transfer is in the client’s best interests. Mr Dickinson failed to demonstrate that the specific customer objectives which drove the Pension Transfer (for example, a wish to maximise their death benefits) meant that the transfer would be in the customer’s best interests.

4.55. The Authority considers that the primary purpose of a pension is to meet the income needs of an individual in retirement. Where a customer expresses a strong wish to maximise their death benefits, or to increase the flexibility of alternative arrangements, there is an increased risk that this will undermine the primary purpose of their pension. A balance therefore needs to be achieved between these objectives, which is in the best interests of the customer given their circumstances (COBS 9.2.1R(1) and 9.2.2R(1)(b)).

4.56. In the Authority’s file review there were several examples where the customer expressed a wish to maximise their death benefits and/or a need for increased flexibility, and they were advised to complete a Pension Transfer. However, the information in those files did not adequately demonstrate that the customer’s demands and needs had been properly tested, or that a Pension Transfer was in the customer’s best interests.

4.57. For example:

a) Customer A expressed a desire for control and flexibility over their pension. However, it was not apparent from the customer’s financial circumstances or requirements that transferring out of their DBPS was otherwise in their best interests;

b) Customer A also listed early retirement as an objective. The interplay between this objective and reliance on the DBPS’s guaranteed income was not considered in the assessment contained in the Suitability Report. Because this analysis was not completed, it was unclear whether this objective was realistic or affordable;

c) in the case of Customer E, Mr Dickinson recommended that the customer transfer out of their DBPS, with the intention that the customer would take flexible benefits that would allow them to access the required PCLS. Mr Dickinson had not carried out any type of assessment of the customer's realistic income needs during retirement;

d) maximing death benefits appeared as an objective in some of the files reviewed by the Authority in which Mr Dickinson was the primary adviser. No consideration was given as to how this objective could be met without transfer out of the DBPS; and

e) several BSPS customers expressed concerns regarding the options available to them and the risk of their pension falling into the PPF. Mr Dickinson failed to explore customers' concerns about the available options and consider what weight should be attached to them given the customer's particular circumstances, and the advice he provided in the files reviewed by the Authority exhibited a general lack of consideration of the alternatives to transferring out of the Ceding Arrangement. In particular, the risks associated with the PPF were overstated and its advantages were underplayed.

4.58. In the files reviewed by the Authority, Mr Dickinson did not demonstrate how he had balanced customers' objectives, such as those set out above, and the need for their pensions to meet their income needs during retirement, in advising them to proceed to transfer out of their DBPS. Instead, Mr Dickinson set out in generic terms the disadvantages of the Pension Transfer, and balanced this with the customer's purported level of knowledge as a means of justifying the transfer. As a result, Mr Dickinson failed to analyse and present findings as to why, for the customer in question, weighing the competing factors, the recommendation to transfer out was in the customer's best interests.

Lack of necessary attitude to transfer risk and lack of knowledge and experience

4.59. Mr Dickinson was required to obtain information on the customer's preferences regarding risk-taking and their risk profile (COBS 9.2.2R) to ensure that the customer was prepared to exchange the guaranteed benefits of the DBPS for non-guaranteed benefits which are subject to investment risk borne by the customer). Mr Dickinson was also required to obtain sufficient information to provide a reasonable basis for believing that the customer had the necessary experience and knowledge to understand the risks involved in the Pension Transfer (COBS 9.2.2R).

4.60. In some of the files, it was unclear whether the customer had the necessary attitude to transfer risk to support the advice to transfer out of their DBPS. For example:

a) for Customer F, the mismatch between the customer's low Attitude to Risk and the risks associated with transferring out of the Ceding Arrangement created a contradictory impression in the Suitability Letter. The letter stated "*you are happy to accept a greater degree of risk in exchange for the possibility of a higher pension in retirement*", but then confirmed that the customer "*agreed*" they were a low-risk investor; and

b) Customer C did not appear to have the necessary Attitude to Risk to support a transfer out of their DBPS. The customer also had very little knowledge and experience of investing and the risk profile questionnaire indicated that they were a 'low' risk-taker. There was no evidence of discussions between Mr Dickinson and the customer to validate the customer's understanding of the risks and why they were prepared to give up the guaranteed benefits provided by their DBPS.

4.61. Mr Dickinson failed to demonstrate that the customer had sufficient knowledge to understand the risks of transfer in 4 out of the 7 Sample Files reviewed by the Authority for which he was the primary adviser. The information contained in the files often showed that the customer lacked experience, whereas Mr Dickinson did not assess them to be inexperienced.

4.62. In some of the Suitability Reports, Mr Dickinson recorded only that the customer had little experience but some understanding, without recording how he had formed a reasonable basis for believing that the customer had the necessary experience and knowledge to understand the risks involved in the Pension Transfer (COBS 9.2.2R). Where the customer had asserted a level of knowledge when their investment experience suggested otherwise, there was no evidence of Mr Dickinson challenging or scrutinising these answers. Instead, he relied on his own impression of the customer's understanding, rather than carrying out an objective assessment, even when the customer had no investment experience at all, with very limited savings. This exposed customers to significant risk.

Poor Transfer Value Analysis

4.63. In order to provide Pension Transfer advice, Mansion Park was obliged to carry out a comparison between the benefits likely to be paid by the DBPS with the benefits afforded by a personal pension. A TVAS Report facilitates this comparison as required by COBS 19.1.2R(1). The main output from this document is a series of percentages, known as Critical Yields. These illustrate the annual growth rate (net of charges) that the customer would need to obtain on an investment of the CETV in order to replicate the benefits provided by the Ceding Arrangement. The firm must ensure that the comparison included enough information for the customer to be able to make an informed decision, drawing the customer's attention to factors that both support and detract from the firm's advice, and take reasonable steps to ensure that the client understands the comparison and advice (COBS 19.1.2(2) – (4)).

4.64. Mr Dickinson failed to follow this guidance in 3 out of the 6 cases which could be assessed for suitability by the Authority. Mr Dickinson failed to fairly present the comparison or take into account the customer's objectives so as to make the comparison useful to the customer. Errors included not carrying out analysis for customers' Preferred Retirement Dates and not taking account of tax-free cash being taken, creating the risk that incorrect Critical Yield figures were then provided to the customer. Where calculated to a higher retirement age than desired by the customer, the Critical Yield figure will be lower, suggesting the receiving fund does not need to perform as well. This created a misleading picture about how the Ceding Arrangement and the Proposed Arrangement compared, resulting in the customer not being in a properly informed position with regard to the decision they were making.

4.65. In the 3 files reviewed by the Authority for which Mr Dickinson carried out inadequate analysis in the TVAS Report, his advice was deemed unsuitable by the Authority because, in each instance, he advised customers to transfer out of their DBPS despite the content of the TVAS Report and its Critical Yield calculations not supporting the recommendation to proceed with the Pension Transfer.

4.66. The TVAS Reports and fund illustrations in 6 out of the 7 files reviewed by the Authority for which Mr Dickinson was the primary adviser did not include sufficient information to enable customers to make informed decisions regarding whether to transfer out of their DBPS into the Proposed Arrangement.

Unsuitable investment advice

4.67. The suitability requirement in COBS 9.2.1R extends to the investment into which the firm has recommended the customer should transfer their pension funds. Just as the adviser must consider whether the customer can bear the transfer risk, they must also have a reasonable basis for believing that the customer can bear the risks associated with the chosen investment (COBS 9.2.1R(1)(a) and COBS 9.2.2R(1)(b)). In 4 out of the 7 files reviewed by the Authority for which Mr Dickinson was the primary adviser, the Authority found that the investment advice provided was unsuitable, for reasons including that the customers did not have the capacity to bear the investment risk associated with the Proposed Arrangement. The Authority was unable to assess 1 of the 7 files due to material information gaps.

Poor quality communications with customers

4.68. The Authority's Rules about the provision of information to customers ensure that consumers have all the necessary information to make an informed decision and are, ultimately, treated fairly. Mr Dickinson failed to comply with the Authority's Rules in all 7 of the files reviewed by the Authority for which he was the primary adviser. Suitability Reports were not compliant with rules set out in COBS in all of the 7 of the Sample Files reviewed were Mr Dickinson was the primary adviser.

4.69. Additionally, Mr Dickinson did not take steps to ensure the customer understood the comparison between the benefits likely to be paid and options available under the Ceding Arrangement and those benefits and options available under the Proposed Arrangement, as set out in the TVAS Reports.

5. FAILINGS

5.1. The regulatory provisions relevant to this Notice are referred to in Annex A.

5.2. Mr Dickinson breached Statement of Principle 2 during the Relevant Period, in that he failed to act with due skill, care and diligence when advising customers on Pension Transfers in his capacity as a PTS performing the CF30 (Customer) controlled function. His failings meant that the advice he provided did not comply with regulatory requirements and standards, which created a significant risk that his advice that a customer should transfer out of their DBPS would not be suitable for them.

5.3. In particular, Mr Dickinson:

a) gave unsuitable Pension Transfer advice because he based Personal Recommendations on the incorrect assumption that a transfer to meet the customer's stated objectives was in the customer's best interests. In reality, many customers’ objectives were either not realisable or financially viable, or could have been met by the existing scheme;

b) failed to assess, or give due consideration to, whether customers would be reliant on the income from their DBPS or whether they could financially bear the risks involved in a Pension Transfer. He did this despite knowing that, following the recommended transfer, customers’ retirement income would be dependent on the performance of the new investment;

c) advised clients with no source of retirement income other than their DBPS and state pension, and who had cautious attitudes to risk, to give up their guaranteed benefits without sufficient justification;

d) failed properly to assess whether the customer had the necessary experience and knowledge to understand the risks involved in the Pension Transfer recommended, and failed to give due consideration to this where they did not;

e) failed to undertake adequate transfer analysis to compare the benefits likely to be paid under the DBPS with benefits paid out under the Proposed Arrangement or other pension scheme into which it was proposed that the client should transfer.; and

f) failed to ensure his Suitability Reports contained adequate information about the possible disadvantages of transferring out of the customer’s DBPS, having regard to their specific circumstances and objectives. Although Suitability Reports contained caveats and risk warnings regarding Pension Transfers, the Authority considers that the Personal Recommendation was unclear and risked being confusing for customers. The warnings and Personal Recommendation to transfer were often contradictory, with no explanation.

5.4. As a consequence of his actions, Mr Dickinson failed to meet the regulatory standards applicable to a PTS performing the CF30 controlled function. The Authority therefore considers that he is not fit and proper to perform any function in relation to the regulated activity of advising on Pension Transfers and Pension opt-outs carried on by an authorised person, exempt person and exempt professional firm.

6. SANCTION

Financial penalty

6.1. The Authority's policy for imposing a financial penalty is set out in Chapter 6 of DEPP. In respect of conduct occurring on or after 6 March 2010, the Authority applies a five-step framework to determine the appropriate level of financial penalty. DEPP 6.5B sets out the details of the five-step framework that applies in respect of financial penalties imposed on individuals in non-market abuse cases.

Step 1: disgorgement

6.2. Pursuant to DEPP 6.5B.1G, at Step 1 the Authority seeks to deprive an individual of the financial benefit derived directly from the breach where it is practicable to quantify this.

6.3. Mr Dickinson derived direct financial benefit from the commissions generated from customers who transferred out of their DBPS as a result of unsuitable advice provided by him. Mr Dickinson received £274,178.59 in fees from Pension Transfers he advised on during the Relevant Period after tax and expenses directly referable to the misconduct.

6.4. 100% of Mr Dickinson's Pension Transfer advice in the Sample Files did not comply with the Authority's Rules (86% of the files contained unsuitable Pension Transfer advice and 14% of files had material information gaps such that a Personal Recommendation should not have been given). However the Authority also received parts of 4 customer files for which Mr Dickinson was the adviser which were not assessed using the DBAAT and on which no findings have been made in relation to suitability. The Authority therefore seeks to disgorge from Mr Dickinson 63% of the fees he received which relate to DBPS Pension Transfer advice. This is £172,732.51.

6.5. The Authority has charged interest on Mr Dickinson's benefits at 8% per year from the end of the Relevant Period to 4 April 2023, amounting to £73,181.80.

6.6. Step 1 is therefore £245,914 (rounded down to the nearest £1).

Step 2: the seriousness of the breach

6.7. Pursuant to DEPP 6.5B.2G, at Step 2 the Authority determines a figure that reflects the seriousness of the breach. That figure is based on a percentage of the individual's relevant income. The individual's relevant income is the gross amount of all benefits received by the individual from the employment in connection with which the breach occurred, and for the period of the breach.

6.8. The period of Mr Dickinson's breach of Statement of Principle 2 was from 8 June 2015 to 17 December 2017. Mr Dickinson's relevant income for this period was £789,507.04.

6.9. In deciding on the percentage of the relevant income that forms the basis of the step 2 figure, the Authority considers the seriousness of the breach and chooses a percentage between 0% and 40%. This range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach; the more serious the breach, the higher the level. For penalties imposed on individuals in non-market abuse cases there are the following five levels:

Level 1 – 0%

Level 2 – 10%

Level 3 – 20%

Level 4 – 30%

Level 5 – 40%

6.10. In assessing the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and whether it was committed deliberately or recklessly. DEPP 6.5B.2G(12) lists factors likely to be considered 'level 4 or 5 factors'. Of these, the Authority considers the following factors to be relevant.

Impact of the Breach

6.11. Mr Dickinson gained a significant, direct benefit from the misconduct identified in this Notice, due to the commissions he received resulting from the transfer of customers' pensions out of their DBPS in reliance on his advice (DEPP 6.5B.2G(8)(a)).

6.12. Mr Dickinson's breaches caused a significant risk of loss, as a whole, to consumers who transferred out of their DBPS as a result of his advice. The total value of the transferred funds on which Mr Dickinson gave advice was £39,032,439.7. Mr

Dickinson’s breaches placed these clients’ funds at significantly increased risk of loss (DEPP 6.5B.2G(8)(b)).

6.13. Mr Dickinson’s breaches caused a significant risk of loss to individual consumers who transferred out of their DBPS as a result of his unsuitable advice. For many customers, their DBPS was their most valuable asset (the average CETV per customer was £240,562.23) and was, for many customers, their main retirement provision (DEPP 6.5B.2G(8)(c)).

6.14. Some of Mr Dickinson’s customers were BSPS members, many of whom were in a vulnerable position due to the uncertainty surrounding the future of the BSPS. (DEPP 6.5B.2G(8)(d)).

Nature of the Breach

6.15. The breach was a continuous one during the Relevant Period of over two years. (DEPP 6.5B.2G(9)(b)).

6.16. Ms Dickinson is an experienced financial industry professional and a PTS (DEPP 6.5B.2G(9)(j)).

Whether the breach was deliberate and/or reckless

6.17. The breaches committed by Mr Dickinson were as a result of his serious lack of competence, rather than deliberate or reckless acts (DEPP 6.5B.2G(11)).

Level of Seriousness

6.18. DEPP 6.5B.2G(12) lists factors likely to be considered ‘level 4 or 5 factors’. The Authority considers that the fact that Mr Dickinson’s breach caused a significant risk of loss to customers is relevant (DEPP 6.5B.2G(12)(a)).

6.19. DEPP 6.5B.2G(13) lists factors likely to be considered ‘level 1, 2 or 3 factors’. The Authority considers that the fact that Mr Dickinson committed his breach negligently to be relevant (DEPP 6.5B.2G(13)(d)).

6.20. Taking all of these factors into account, the Authority considers the seriousness of the breach to be level 3 and so the Step 2 figure is 20% of £789,507.04.

6.21. Step 2 is therefore £157,901.04.

Step 3: mitigating and aggravating factors

6.22. Pursuant to DEPP 6.5B.3G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2, but not including any amount to be disgorged as set out in Step 1, to take into account factors which aggravate or mitigate the breach.

6.23. The Authority has considered whether any of the mitigating or aggravating factors listed in DEPP 6.5B.3G, or any other such factors, apply in this case and has concluded that none applies to a material extent, such that the penalty ought to be increased or decreased.

6.24. The step 3 figure is therefore £157,901.04.

Step 4: adjustment for deterrence

6.25. Pursuant to DEPP 6.5B.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the individual who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

6.26. The Authority considers that the Step 3 figure of £157,901.04 represents a sufficient deterrent to Mr Dickinson and others, and so has not increased the penalty at Step 4.

6.27. Step 4 is therefore £157,901.04.

Serious financial hardship

6.28. Pursuant to DEPP 6.5D.4G, the Authority will consider reducing the amount of a penalty if an individual will suffer serious financial hardship as a result of having to pay the entire penalty. The Authority accepts that the payment of any penalty in addition to the disgorgement amount of £245,914 would cause Mr Dickinson serious financial hardship. The Authority has therefore reduced the punitive element of the penalty to £0.

Conclusion on financial penalty

6.29. Having applied the five-step framework set out in DEPP, the appropriate level of financial penalty to be imposed on Mr Dickinson is £245,914.

6.30. The Authority would have imposed a financial penalty of £403,814 on Mr Dickinson (reduced to £245,914 as Mr Dickinson has provided verifiable evidence that payment of the full amount of the financial penalty would cause him serious financial hardship). However, the Authority recognises that there is a significant liability for redress for Mansion Park’s customers which has fallen to the FSCS. As at 17 March 2023, the FSCS has paid out £2,988,898.02 in compensation to customers of Mansion Park. Had it not been for the compensation limit of £85,000, the total compensation available to customers would have been £5,322,495.71. In these circumstances, the Authority has agreed with Mr Dickinson that in lieu of the imposition of a financial penalty, the sum of £70,000 be paid direct to the FSCS to contribute towards any redress due to Mansion Park’s customers. This is in furtherance of the Authority’s consumer protection objective. In light of the above and taking into account the exceptional circumstances of the BSPS, the Authority hereby publishes a statement of Mr Dickinson’s misconduct.

Statement of Misconduct

6.31. The Authority’s policy in relation to the imposition of a public censure is set out in Chapter 6 of DEPP. DEPP sets out non exhaustive factors that may be of particular relevance in determining whether it is appropriate to issue a public censure rather than impose a financial penalty. DEPP 6.4.2G (5) includes that it may be a factor (depending on the nature and seriousness of the breach) in favour of a public censure rather a financial penalty including but not limited to where a person has taken steps to ensure that those who have suffered loss due to the breach are fully compensated for those losses. Whilst the full amount of any losses due to Mr Dickinson’s breaches are not yet quantified, they may be significant. In light of this, and the FSCS having already paid out £2,988,898.02 to Mansion Park’s customers, the Authority has agreed that the sum of £70,000 should be paid direct to the FSCS.

6.32. The Authority has had regard to the fact that Mr Dickinson has agreed to pay direct to the FSCS assets that would otherwise be used to satisfy any financial penalty imposed by the Authority to be used towards any redress due to Mansion Park’s customers. On that basis, the Authority does not propose to impose a financial penalty on Mr Dickinson but instead hereby issues a statement of Mr Dickinson’s misconduct under section 66 of the Act.

Prohibition Order

6.33. The Authority has had regard to the guidance in Chapter 9 of EG in considering whether to impose a prohibition order on Mr Dickinson. The Authority has the power to prohibit individuals under section 56 of the Act.

6.34. The Authority considers that Mr Dickinson lacks fitness and propriety in all the circumstances, in particular relating to his lack of competence and capability for the reasons set out above. Therefore, the Authority considers it appropriate and proportionate in all the circumstances to prohibit Mr Dickinson from performing any functions in relation to the regulated activity of advising on Pension Transfers and Pension Opt-Outs carried on by an authorised person, exempt person or exempt professional firm.

7. PROCEDURAL MATTERS

7.1. This Notice is given to Mr Dickinson under sections 57 and 67 of the Act and in accordance with the section 390 of the Act.

7.2. The following statutory rights are important.

Decision maker

7.3. The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

Publicity

7.4. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this Notice relates. Under those provisions, the Authority must publish such information about the matter to which this Notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

7.5. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

7.6. For more information concerning this matter generally, contact Lisa Ablett at the Authority (direct line: 020 7066 9886/email: Lisa.Ablett@fca.org.uk).

Nicholas Hills

Head of Department

Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

RELEVANT STATUTORY AND REGULATORY PROVISIONS

The Financial Services and Markets Act 2000 ("the Act")

The Authority's operational objectives

1. The Authority's operational objectives are set out in section 1B(3) of the Act and include securing an appropriate degree of protection for consumers and protecting and enhancing the integrity of the UK financial system.

Section 56 of the Act

2. Section 56 of the Act provides that the Authority may make an order prohibiting an individual from performing a specified function, any function falling within a specified description or any function, if it appears to the Authority that that individual is not a fit and proper person to perform functions in relation to a regulated activity carried on by an authorised person, a person who is an exempt person in relation to that activity or a person to whom, as a result of Part 20, the general prohibition does not apply in relation to that activity. Such an order may relate to a specified regulated activity, any regulated activity falling within a specified description, or all regulated activities

Section 66A of the Act

3. Under section 66A of the Act, the Authority may take action against a person if it appears to the Authority that he is guilty of misconduct and the Authority is satisfied that it is appropriate in all the circumstances to take action against him, including the imposition of a penalty of such amount as it considers appropriate.

4. Under section 66A of the Act a person is guilty of misconduct if, inter alia, he at any time failed to comply with rules made by the Authority under section 64A of the Act and at that time was an approved person or had been knowingly concerned in a contravention of relevant requirement by an authorised person and at that time the person was an approved person in relation to the authorised person.

RELEVANT REGULATORY PROVISIONS

The Authority's Handbook of Rules and Guidance

5. In exercising its powers to impose a financial penalty, the Authority must have regard to the relevant regulatory provisions in the Authority's Handbook of rules and guidance (the "Handbook"). The main provisions that the Authority considers relevant are set out below.

Statements of Principle and Code of Practice for Approved Persons ("APER")[1]

6. The part of the Authority's handbook known as APER sets out the Statements of Principle issued under section 64 of the Act as they relate to approved persons and descriptions of conduct which, in the opinion of the Authority, do not comply with a Statement of Principle.

7. APER further describes factors which, in the opinion of the Authority, are to be taken into account in determining whether or not an approved person's conduct complies with particular Statements of Principle.

8. Statement of Principle 2 states that:

   An approved person must act with due skill, care and diligence in carrying out his accountable functions.

9. APER 3.2.1E states that:

   In determining whether or not the particular conduct of an approved person within their accountable function complies with the Statements of Principle, the following are factors which, in the opinion of the Authority, are to be taken into account:

[1] Where APER or COBS have been the subject of subsequent amendment they are stated as applicable during the Relevant Period.

(1) Whether that conduct relates to activites that are subject to other provisions of the Handbook;

(2) Whether that conduct is consistent with the requirements and standards of the regulatory system relevant to his firm.

10. Those descriptions and factors relevant to Statement of Principle 2 include:

APER 4.2.2G which states:

> In the opinion of the Authority conduct of the type described in […] APER 4.2.5G, […] does not comply with Statement of Principle 2.

APER 4.2.5G which states:

> Recommend an investment to a customer, or carrying out a discretionary transaction for a customer, where the approved person does not have reasonable grounds to believe that it is suitable for that customer, falls within APER 4.2.2G.

Conduct of Business Sourcebook ("COBS")

The client's best interest rule

11. COBS 2.1.1R:

> (1) A firm must act honestly, fairly and professionally in accordance with the best interests of its client (the client's best interests rule).

Communication is fair clear and not misleading

12. COBS 4.2.1R:

> (1) A firm must ensure that a communication or a financial promotion is fair, clear and not misleading.

Assessing suitability: the obligations

13. COBS 9.2.1R:

(1) A firm must take reasonable steps to ensure that a personal recommendation, or a decision to trade, is suitable for its client; and

(2) When making the personal recommendation or managing his investments, the firm must obtain the necessary information regarding the client's:

(a) knowledge and experience in the investment field relevant to the specific type of designated investment or service;

(b) financial situation; and

(c) investment objectives;

so as to enable the firm to make the recommendation, or take the decision, which is suitable for him.

14. COBS 9.2.2R:

(1) A firm must obtain from the client such information as is necessary for the firm to understand the essential facts about him and have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or entered into in the course of managing:

(a) meets his investment objectives;

(b) is such that he is able financially to bear any related investment risks consistent with his investment objectives; and

(c) is such that he has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

(2) The information regarding the investment objectives of a client must include, where relevant, information on the length of time for which he wishes to hold the investment, his preferences regarding risk taking, his risk profile, and the purposes of the investment.

(3) The information regarding the financial situation of a client must include, where relevant, information on the source and extent of his regular income, his assets, including liquid assets, investments and real property, and his regular financial commitments.

15. COBS 9.2.3 R:

The information regarding a client's knowledge and experience in the investment field includes, to the extent appropriate to the nature of the client, the nature and extent of the service to be provided and the type of product or transaction envisaged, including their complexity and the risks involved, information on:

(1) the types of service, transaction and designated investment with which the client is familiar;

(2) the nature, volume, frequency of the client's transactions in designated investments and the period over which they have been carried out;

(3) the level of education, profession or relevant former profession of the client.

16. COBS 9.2.4 R:

A firm must not encourage a client not to provide information for the purposes of its assessment of suitability.

17. COBS 9.2.5 R:

A firm is entitled to rely on the information provided by its clients unless it is aware that the information is manifestly out of date, inaccurate or incomplete.

Insufficient information

18. COBS 9.2.6R:

> If a firm does not obtain the necessary information to assess suitability, it must not make a personal recommendation to the client or take a decision to trade for him.

Suitability reports

19. During the Relevant Period COBS 9.4 set out the following rules and guidance concerning Suitability reports.

20. COBS 9.4.1 R:

> A firm must provide a suitability report to a retail client if the firm makes a personal recommendation to the client and the client:
>
> […]
>
> (2) buys, sells, surrenders, converts or cancels rights under, or suspends contributions to, a personal pension scheme or a stakeholder pension scheme; or
>
> (3) elects to make income withdrawals or purchase a short-term annuity; or
>
> (4) enters into a pension transfer or pension opt-out

21. COBS 9.4.7R:

> The suitability report must, at least:
>
> (1) specify the client's demands and needs;
>
> (2) explain why the firm has concluded that the recommended transaction is suitable for the client having regard to the information provided by the client; and
>
> (3) explain any possible disadvantages of the transaction for the client.

22. COBS 9.4.8 G:

> A firm should give the client such details as are appropriate according to the complexity of the transaction.

Pension transfers, conversions, and opt-outs

23. COBS 19.1 applies, with some exclusions, to a firm that gives advice or a personal recommendation about a pension transfer, a pension conversion or a pension opt-out. The following provisions of COBS 19.1 are set out as they applied during the Relevant Period.

24. COBS 19.1.2R:

> A firm must:
>
> (1) compare the benefits likely (on reasonable assumptions) to be paid under a defined benefits pension scheme or other pension scheme with safeguarded benefits with the benefits afforded by a personal pension scheme, stakeholder pension scheme or other pension scheme with flexible benefits, before it advises a retail client to transfer out of a defined benefits pension schemeor other pension scheme with safeguarded benefits;
>
> (2) ensure that that comparison includes enough information for the client to be able to make an informed decision;
>
> (3) give the client a copy of the comparison, drawing 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 key features document is provided; and
>
> (4) take reasonable steps to ensure that the client understands the firm's comparison and its advice.

25. COBS 19.1.3G:

In particular, the comparison should:

(1) take into account all of the retail client's relevant circumstances;

(2) have regard to the benefits and options available under the ceding scheme and the effect of replacing them with the benefits and options under the proposed scheme;

(3) explain the assumptions on which it is based and the rates of return that would have to be achieved to replicate the benefits being given up;

(4) be illustrated on rates of return which take into account the likely expected returns of the assets in which the retail client's funds will be invested; and

(5) where an immediate crystallisation of benefits is sought by the retail client prior to the ceding scheme’s normal retirement age, compare the benefits available from crystallisation at normal retirement age under that scheme.

26. COBS 19.1.6G:

When advising a retail client who is, or is eligible to be, a member of a defined benefits occupational pension scheme or other scheme with safeguarded benefits whether to transfer, convert or opt-out, a firm should start by assuming that a transfer, conversion or opt-out will not be suitable. A firm should only then 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.

27. COBS 19.1.7G:

> When a firm advises a retail client on a pension transfer, pension conversion or pension opt-out, it should consider the client's attitude to risk including, where relevant, in relation to the rate of investment growth that would have to be achieved to replicate the benefits being given up.

28. COBS 19.1.7AG:

> When giving a personal recommendation about a pension transfer or pension conversion, a firm should clearly inform the retail client about the loss of the safeguarded benefits and the consequent transfer of risk from the defined benefits pension scheme or other scheme with safeguarded benefits to the retail client, including:
>
> (1) the extent to which benefits may fall short of replicating those in the defined benefits pension scheme or other scheme with safeguarded benefits;
>
> (2) the uncertainty of the level of benefit that can be obtained from the purchase of a future annuity and the prior investment risk to which the retail client is exposed until an annuity is purchased with the proceeds of the proposed personal pension scheme or stakeholder pension scheme; and
>
> (3) the potential lack of availability of annuity types (for instance, annuity increases linked to different indices) to replicate the benefits being given up in the defined benefits pension scheme.

29. COBS 19.1.8G:

When a firm prepares a suitability report it should include:

(1) a summary of the advantages and disadvantages of its personal recommendation;

(2) an analysis of the financial implications (if the recommendation is to opt-out); and

(3) a summary of any other material information.

Fit and Proper test for Employees and Senior Personnel (“FIT”)

30. Guidance on the question whether an individual is a fit and proper person is given in the part of the Handbook called the Fit and Proper Test for Employees and Senior Personnel (FIT). FIT 1.3.1G states that the Authority will have regard to a number of factors when assessing the fitness and propriety of a person to perform a particular controlled function. The most important considerations will be the person’s:

(1) honesty, integrity and reputation;

(2) competence and capability; and

(3) financial soundness.

31. For the purposes of this Notice the only relevant consideration is (2) competence and capability.

Enforcement Guide (“EG”)

32. The Authority’s policy for exercising its power to make a prohibition order is set out in Chapter 9 of EG.

33. EG 9.2.2 states that the Authority has the power to make a range of prohibition orders depending on the circumstances of each case and the range of regulated activities to which the individual’s lack of fitness and propriety is relevant. Depending on the circumstances of each case, the Authority may seek to prohibit an individual from performing any class of function in relation to any class of regulated activity, or it may limit the prohibition order to specific functions in relation to specific regulated activities. The Authority may also make an order prohibiting an individual from being employed by a particular firm, type of firm or any firm.

34. EG 9.2.3 states that the scope of the prohibition order will depend on the range of functions which the individual concerned performs in relation to regulated

activities, the reasons why he is not fit and proper and the severity of risk which he poses to consumers or the market generally. At EG 9.3.5(4) the Authority gives a serious lack of competence as an example of the type of behaviour which has previously resulted in the Authority deciding to issue a prohibition order.

35. EG sets out the Authority's approach to taking disciplinary action. The Authority's approach to financial penalties is set out in Chapter 7 of EG, which can be accessed here:

https://www.handbook.fca.org.uk/handbook/EG/7/?view=chapter

Decision Procedures and Penalties Manual ("DEPP")

36. Chapter 6 of DEPP, which forms part of the Authority's Handbook, sets out the Authority's policy for imposing a financial penalty. The Authority applies a five-step framework to determine the appropriate level of financial penalty. DEPP 6.5B sets out the details of the five-step framework that applies to financial penalties imposed on individuals in non-market abuse cases, which can be accessed here:

https://www.handbook.fca.org.uk/handbook/DEPP/6/5B.htmln