Dear representatives,

The way we calculate Notional Transfer Values is changing

We'd like to draw your attention to the details we've shared on our website today (20 August 2026). Please visit the webpage to consider the decision.

We are changing the way we calculate Notional Transfer Values (NTVs) for claims that involve customers transferring out of defined contribution pension schemes. FSCS will start following the new approach from 20 November 2026 and it will only apply to claims concerning defined contribution pension schemes.

This means that for any claims decided on or after 20 November 2026 where FSCS determines compensation is payable, compensation will be calculated using our new in-house calculation methodology.

Why we have made this decision

At the moment, we ask the ceding defined contribution pension scheme to provide an NTV. We've worked closely with many of these schemes over the past two years to build relationships and reduce timescales. Through this work, we've identified areas we believe we can improve by changing our approach. These include:

- Providing an NTV is a significant time investment for a ceding scheme and waiting for this information can delay our claims handling process. This means customers aren't reunited with their pension savings as efficiently and as quickly as we'd like. By calculating NTVs in-house, we will be using our resources more efficiently and reduce the time customers wait to receive our decision on their claim.
- Ceding schemes calculate NTVs in different ways. This lack of uniformity means there are variables in the NTVs being provided to us.
- FSCS has identified an alternative methodology, which avoids the deficiencies of the current approach.
- By adopting a single in-house calculation, we can ensure consistency in the way we calculate any compensation across defined contribution pension scheme claims.

How will NTVs be calculated going forwards?

From 20 November 2026, FSCS will use an in-house methodology to calculate NTVs.

We will estimate the defined contribution ceding scheme NTV by using 50% of the growth in the FTSE 100 Total Return Index as a suitable default investment return index. This methodology aligns with approaches adopted in other similar contexts.

The methodology will be applied from the point the pension was transferred to the date we use in our calculation. It also makes an allowance for the charges the pension pot would reasonably have incurred during the period. You can see a simple worked example to illustrate this on our website.

Should you wish to bring an appeal against a compensation calculation that relies on our in-house methodology, asking FSCS to instead rely on an externally produced NTV, you would need to provide sufficient information for FSCS to properly assess the accuracy of the NTV. Please consider the information set out on our website.

Regards,

Relationship team

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