



Dear third-party information provider,

We often rely on third parties like yourselves to provide FSCS with Notional Transfer Values (NTVs). Obtaining NTVs is critical in ensuring fair compensation, so we've put together this newsletter to highlight how we can work together to support customers.

This newsletter focuses on the positive impact of your provision of NTVs. We hope you find it helpful and that it helps illustrate the importance of the work we do together.

What is a Notional Transfer Value (NTV)?

When we receive valid claims from customers about advice to move their pension or investments, our rules require us to calculate compensation by comparing the value the benefits would have had in their original arrangement with the value they have now in their new arrangement.

To do this we have to ask the original provider for a 'notional' valuation.

In simple terms, the NTV is the current value a customer would have been able to transfer had the policy not been transferred at an earlier date.

However, we've identified that we don't always receive NTVs in a timely manner (and sometimes not at all).

Where this happens, we can use the original transfer-in value as a substitute value, but this will only provide the customer with an interim compensation payment. It also will not allow us to accurately put customers back in the position they would have been in, had they not been provided with unsuitable advice.

If this happens, we ask the customer to continue to request the notional valuation so they can receive a full and final compensation payment. However, this causes both inconvenience to the customer and additional operational costs for FSCS and firms like yours who provide the information.

Why do NTVs matter?

From a recent sample we identified that, on average, a further compensation payment of £10,500 was paid to customers once the NTV was received. In some cases, customers receive considerably more, which we've shown through our customer story below.

An additional payment of £10,500 or more for customers could be life-changing, especially where individuals have lost their entire pension provision through poor advice. We are keen to obtain NTVs from providers as soon as is possible, to ensure customers are compensated for losses fairly, and in one payment. And, as mentioned above, everyone benefits from this information being provided sooner.

To demonstrate why NTVs matter, we've highlighted a customer's journey below.

Mr S – additional payment of £39,300

Mr S brought a claim to us in 2021 as he was provided with unsuitable advice to move his pension from his existing provider. Mr S was a low-risk investor, but he had been advised to use a new provider and to put the funds into a high-risk investment at the age of 55. We decided that Mr S was provided with unsuitable advice and that he should be compensated.

To calculate Mr S' losses, we asked the original provider for the NTV, however this wasn't received. We, therefore, used the original transfer-in value to calculate Mr S' losses instead.

Mr S received compensation of £45,600 in 2021. Mr S requested, and chased, his original provider for the NTV and it was finally received eight months later.

After performing a new calculation, we found that Mr S was entitled to further compensation of **£39,300**.

Had the NTV been provided sooner, Mr S would have initially received full compensation of just under £85,000, without the inconvenience of having to chase himself and wait for a recalculation to be completed

So, what next?

We are strongly urging third-party information providers to provide us with NTVs when requested – and to do so as soon as possible.

We appreciate that it sometimes takes time to calculate this value, so if it is going to take longer than the deadline we set in our request, then please do let us know as soon as you can, so we don't needlessly chase for the information and can manage our customer's expectations.

Most customers have already suffered a degree of distress and inconvenience because of advice they have received. By keeping communication channels open we can all reduce any ongoing inconvenience and uncertainty and will help customers recover their losses seamlessly.

We hope you've found this newsletter useful. Please do not hesitate to contact the FSCS Relationship Team at relationshipteam@fscs.org.uk if you have any queries.

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Yours sincerely

The Relationship Management Team

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