

**Pensions Ombudsman**  
**Pension Protection Fund Ombudsman**

# Annual Report and Accounts 2015/16



**Pensions Ombudsman  
Pension Protection Fund Ombudsman**

**Annual Report and Accounts 2015/16**

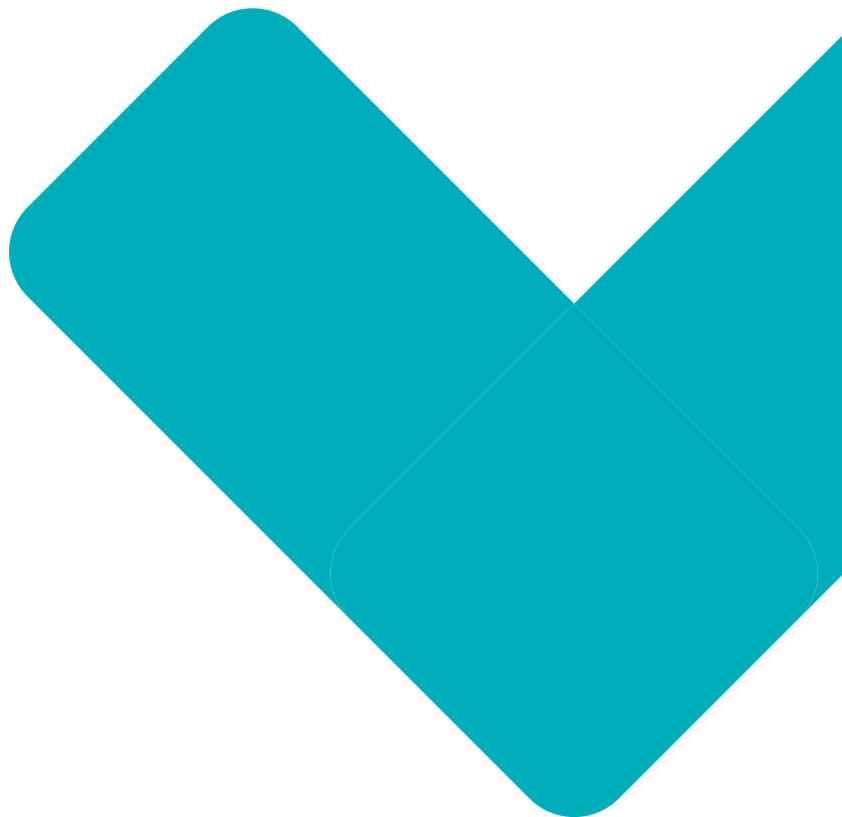
---

The Pensions Ombudsman's Accounts presented to Parliament pursuant to section 145(9) of the Pension Schemes Act 1993 and the Pensions Ombudsman's report presented to Parliament by Command of Her Majesty.

The Pension Protection Fund Ombudsman's Accounts presented to Parliament pursuant to section 212A of the Pensions Act 2004, and the Pension Protection Fund Ombudsman's report presented to Parliament by Command of Her Majesty.

Ordered by the House of Commons to be printed 7 July 2016.

HC207



© Crown copyright 2016

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.uk/government/publications](http://www.gov.uk/government/publications)

Any enquiries regarding this publication should be sent to us at Pensions Ombudsman Service, 11 Belgrave Road, London, SW1V 1RB.

Print ISBN 9781474133852

Web ISBN 9781474133869

ID 01061611            07/16

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

# Contents

About us	6
<b>Performance Report</b>	<b>8</b>
Ombudsman's introduction	8
The year in summary	11
Key facts and figures	11
Our performance	12
Our costs	13
<b>Casework review – Pensions Ombudsman</b>	<b>14</b>
Our workload – “enquiries”	14
Our workload – investigations	15
What complaints were about	21
Some summaries of completed cases	23
Casework review – Pension Protection Fund Ombudsman	30
The Courts	34
Other activities	41
<b>Accountability Report</b>	<b>43</b>
Statement of Accounting Officer's responsibilities	43
Governance statement	44
Remuneration and staff report	50
Our people	57
Parliamentary accountability and audit report	61
Certificate and Report of the Comptroller and Auditor General	63
<b>Financial Statements</b>	<b>66</b>
Statement of comprehensive net expenditure	66
Statement of financial position	67
Statement of cash flows	68
Statement of changes in taxpayer's equity	69
Notes to the accounts	70

# About us

We are an independent organisation set up by law to investigate complaints about pension administration. We can also consider complaints about the actions and decisions of the Pension Protection Fund and about some decisions made by the Financial Assistance Scheme.

We look at the facts without taking sides. And we have legal powers to make decisions that are final, binding and enforceable in court. Our service is free.

The Pensions Ombudsman Service combines, in one organisation, the functions of two statutory bodies, the Pensions Ombudsman and the Pension Protection Fund Ombudsman.

## ■ The Pensions Ombudsman

---

The Pensions Ombudsman investigates and determines complaints and disputes concerning occupational and personal pension schemes. The establishing legislation is Part X of the Pension Schemes Act 1993 and Part X of the Pension Schemes (Northern Ireland) Act 1993.

## ■ The Pension Protection Fund Ombudsman

---

The Pension Protection Fund Ombudsman deals with complaints and “reviewable matters” connected with the Pension Protection Fund (a statutory corporation) and appeals against decisions of the manager of the Financial Assistance Scheme. The establishing legislation is sections 209 to 218 of the Pensions Act 2004.

## ■ Funding

---

The service is funded by grant-in-aid paid by the Department for Work and Pensions (DWP). The grant-in-aid is substantially recovered from the general levy on pension schemes that is invoiced and collected by The Pensions Regulator. The levy is set by and owed to the Secretary of State for Work and Pensions.

In 2015/16 the service received £3,432,000 grant-in-aid, incurred net expenditure of £3,380,873 and had net assets at 31 March 2016 of £206,387. Full details are in the accounts.

We are a Non Departmental Public Body sponsored by the Department for Work and Pensions. Our principal place of business is 11 Belgrave Road, London, SW1V 1RB.

## Our vision

A trusted, fair, impartial service that makes it easy for everyone to resolve pension complaints.

## Our aims

**Get the right outcome every time and in good time** – by being proportionate, efficient and consistent with the law.

**Make it easier to resolve complaints about pensions** – by ensuring more people know where to go for help and by working closely with our stakeholders and partners.

**Provide a trusted, accessible service** – by listening, delivering on promises and being honest about what we can and cannot do.

**Deliver value for money** – by making a difference to how pension schemes are run and by continually reviewing and improving the way we work.

**Ensure everyone who works here is supported to succeed** – by being a good employer and helping people develop their potential.

## Our values

**We are:** **Fair** – we look at the facts, without taking sides and we're always impartial. We take our responsibilities seriously.

**Collaborative** – we share what we know so everyone can do a better job. We seek out opportunities to work with others and then take action to make it happen.

**Open** – we are approachable and make it easy for people to get the help they need. We are honest and transparent about how and why we make our decisions.

**We:** **Show respect** – we are considerate and take people's needs into account. We believe in treating people with dignity and we welcome different points of view.

**Build Trust** – we take pride in our work and do our best to get it right. We always do what we say we will.

**And we:** **Keep learning** – we are open to change and want to find better ways of doing things. We stay positive, take charge of our own development and support people trying something new.

# Ombudsman's introduction

My first full year as Pensions Ombudsman saw a marked increase in the number of pension complaints coming to our office. Fundamental changes to pension provision and the publicity around the reforms have helped fuel this increase. The impact on our resources and working processes has been considerable and our priority this year was to find ways to deal with complaints more efficiently while at the same time simplifying the wider customer journey.

In last year's Annual Report I said our immediate challenge was to reduce our backlog and ensure that all complaints are dealt with in a timely manner while maintaining the quality of our service. I am delighted to say we are well on our way to achieve this.

This year we handled around 5,000 enquiries, an increase of 18% from the previous year, and we closed 35% more cases than last year. Substantial changes to our internal processes have helped us speed up the way we handle complaints and our decision making process.

We established separate teams to deal with complaints according to their level of complexity. A 90 day team and a longer investigations team, which include specialist groups focussing on specific types of schemes; for example, education, local government and health, Self Invested Personal Pensions and Small Self-Administered Schemes and different types of complaints such as ill health, overpayment and underpayment.

This year we have seen a marked increase in complaints relating to personal pensions. Last year they accounted for 25% of our completed investigations – this has increased now to 46% with the largest increase being Self Invested Personal Pensions.

Good communication is vital to the way we work. We have strengthened the role of our investigators, they are now called adjudicators, and I have encouraged a more direct and personal approach across our service together with a focus on dialogue and early resolution, in advance of us becoming an Alternative Dispute Resolution entity next year.

We have increased the number of cases resolved informally. This year 63% of cases were resolved informally and 37% formally, reversing the position last year where 44% of cases were resolved informally and 56% formally.

This trend will continue with the use of more informal opinions and a reduction in the number of Ombudsman determinations. The traditional route of a provisional decision followed by a determination will now only be used where the subject of the complaint is complex, where there is a novel legal point, where there are a number of complainants with the same issue, where the case is almost certainly going to be appealed, or where, in particular circumstances, it is considered to be appropriate.



Simplifying the complaint process underpins the changes and this is why we have stopped issuing decision letters, a third method of complaint closure which was found to be both confusing for the public and unnecessary.

Of course opinions are informal and so both complainants and respondents will always have the right to have an Ombudsman determination. We will begin publishing opinions that are determined or others which are considered to be of interest. At the same time we will anonymise all future published decisions in respect of the complainant unless we consider it appropriate to do otherwise.

This year I doubled the minimum amount for redress awarded to individuals for significant distress and inconvenience. The original figure was set 20 years ago and since that time there has been 82% inflation. These awards are not automatic – if awarded they will start from £500, and on occasion a higher award will be warranted.

With the departure in January of our Interim Chief Executive, Simon O'Brien, who managed the transition following the departure of my predecessor, I conducted a complete review of our management structure. I introduced a streamlined senior team of three Directors responsible for all aspects of casework delivery, legal matters, business and strategy, reporting directly to me. Our Executive Board came into effect at the beginning of February and is supported by an Operational Group of managers and deputy managers across the office.

Last year we overhauled our website and customer literature. Feedback is positive and the contact with our customers much improved but there is still a way to go to ensure our service is accessible to all. We have an increased online presence through social media channels and provide information in a range of formats, including video.

We are planning to improve our systems to allow potential complainants to make an online application via the website using an 'intelligent form' – ultimately moving to a self-service approach where complainants and respondents will be able to track the progress of the complaint.

The last Department for Work and Pensions Triennial Review of Pension Bodies resulted in an examination of how the customer journey can be improved. We are working with pension bodies and partners, including The Pensions Advisory Service and The Pensions Regulator, to ensure clearer signposting for our customers and clear boundaries around who deals with what. We are liaising with various provider forums and groups in order to give and receive feedback and are building stronger relationships with the unions who represent a large percentage of scheme members.

Pension liberation continues to be one of the areas where we have many cases accepted for investigation. February's High Court ruling in the case of Donna-Marie Hughes and Royal London provided clarity for more than 200 suspected pension liberation cases we had on hold, however the judgment attracted widespread media coverage and highlighted the importance of striking a balance between allowing people to invest as they wish and preventing fraudulent transfers taking place. I anticipate that we will continue to receive further complaints concerning Small Self-Administered Schemes and their use as a vehicle for pension liberation.

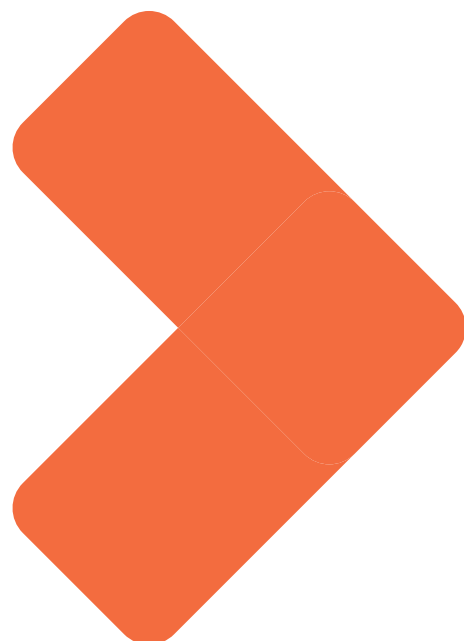
I fully expect auto enrolment complaints to become more commonplace in the next three to four years; with around 1.8 million small employers having to manage auto-enrolment there are bound to be issues.

Finally, I must thank our staff for their hard work and resilience in a time of considerable change – they have risen to the many challenges in an exceptional manner. It is always gratifying to hear positive feedback about our service through my engagement with a wide variety of different groups, and my talks and presentations to the wider pension world. With this level of progress I believe we are on our way to becoming a gold standard dispute resolution and complaint service working in partnership with The Pensions Advisory Service and Pensions Wise. It is vital to have a clear simple pathway to the speedy resolution of all pension complaints in order for the public and the pensions industry to have confidence in a fair and impartial outcome.



**Anthony Arter**

Pensions Ombudsman  
Pension Protection Fund Ombudsman



# The year in summary

## Key facts and figures

---

### Pensions Ombudsman

We received 4,998 contacts (new or repeat) from people who thought we might be able to help them.

We responded to 98% of new contacts within two working days.

The most common reason for not taking complaints on was that they had not been taken up with whoever was possibly at fault. We also passed a significant proportion of enquires to The Pensions Advisory Service if we thought they were likely to be able to help.

We took on 1,363 new investigations, which is 6% more than in 2014/15. This included around 200 complaints about “pension liberation” (we took on a similar number last year). Excluding all anomalies from both years, new investigations were up by 7% over 2014/15.

Investigations ended in the year took 10 months on average to complete.

The most common topics of completed investigations were: pension liberation (accounting for 20% of completed investigations), misquotations/misinformation and failure to provide information or act on instructions. Complaints about payment of ill health benefits also featured.

Around 40% of complaints determined by an Ombudsman were upheld, at least in part. Complaints determined by an Ombudsman represent 37% of all completed investigations.

### Pension Protection Fund Ombudsman

Pension Protection Fund Ombudsman referrals form a very small part of our work. We accepted 11 new referrals for investigation in the year, and completed 19 investigations.

## Our performance

What we said we would do	What we did
we would respond to 95% of enquiries within an average of 2 working days of receipt	we responded to 98% of enquiries within 2 working days of receipt
not more than 5% of the number of enquiries received and reactivated in the previous 12 months would be open at any time	measured at the end of each month we met this target in 3 out of 12 months (including at the year-end)
we would decide whether we could investigate a case within 7 weeks, on average, from the date on which we had a valid application	we made our decisions whether to investigate in 5 weeks on average
we would complete investigations at an average rate of 112 each month	we completed an average of 109 investigations each month
we would have no more than 70% of the investigations opened in the last 12 months open at any one time	we generally had an open caseload equivalent to 80% of investigations opened in the last 12 months
we would complete investigations on average within 11 months from the date on which we had a valid application	we completed investigations in an average of 10 months
the average age of open investigations by 31 March 2016 would be 6 months from the date on which we had a valid application	the average age was 8 months
there would be no more than 1% of open investigations aged over 24 months by 31 March 2016	3% of open investigations were over 24 months old

## Our costs

---

Our actual operating cost was	£3.381m
Our budgeted operating cost was	£3.619m
An underspend of	£0.238m
Our cost per case was	£942
Our budgeted cost per case was (operating costs divided by the number of enquiries and investigations)	£774
Our cost per investigation was	£2,584
Our budgeted cost per investigation was (operating cost divided by the number of completed investigations)	£2,604

### The year ahead

In 2016/17, challenges will come from our increasing workload. The number of enquiries we deal with has been increasing significantly in recent years and we predict that we will see a further increase in the coming year of perhaps around 15% more than we dealt with in 2015/16. As a result, we will also see an increase in the number of investigations we take on, perhaps around 10% more than this year.

We are monitoring developments in the pensions industry that might increase our workload further. For example, the abolition of contracting-out has led to widespread reconciliations of Guaranteed Minimum Pensions, an area where there is clearly scope for concern amongst pension scheme members that could lead to complaints. Changes to public sector pension schemes are continuing to bed in, as are the pension freedoms. Small and micro employers are now starting to automatically enrol their employees into pension arrangements. These areas are likely to be sources of complaints in the coming year, and beyond.

# Casework review – Pensions Ombudsman

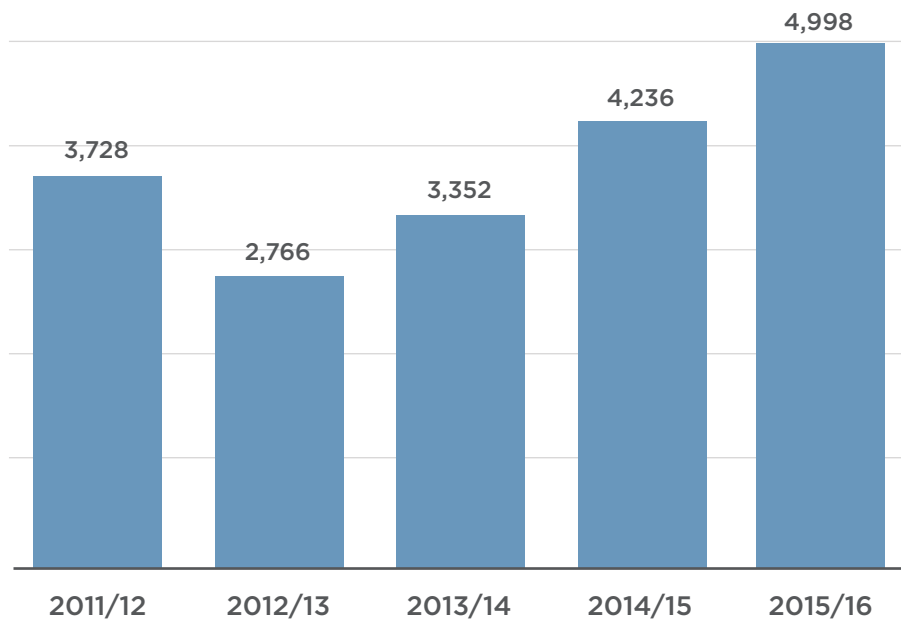
This part of our report comprises the bulk of our work. Our work as the Pension Protection Fund Ombudsman is covered in the next section.

## Our workload – enquiries

---

We count as “enquiries” any initial written request for our help.

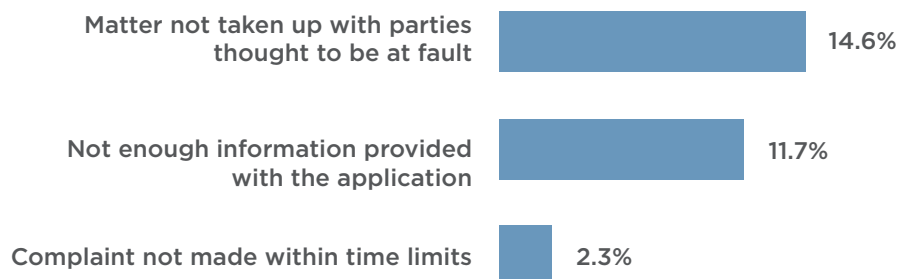
### Enquiries received and re-opened – five years



We received or re-opened 18% more enquiries in 2015/16 than in the previous year. And over the last three years, we have seen annual growth in enquiries of 14%.

Despite the increase in new enquiries in 2015/16, we kept pace with them, dealing with 4,954 in the year. We responded to 98% of new contacts within two working days – within our target of responding to 95% within two working days.

## Main reasons that enquiries did not become investigations (top three)



The main reasons that enquiries did not become investigations were that the matter had not yet been taken up with whoever was thought to be at fault, or not enough information had been provided with the application to enable us to progress further. Where we were able to check if a complaint was within our jurisdiction, the main reason for the complaint not being taken on was that it had been made outside our time limits.

## Our workload – investigations

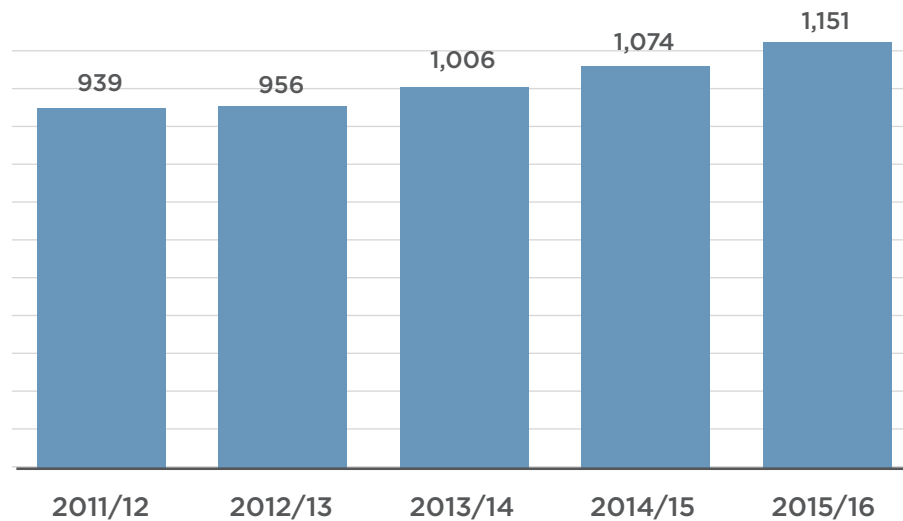
---

### New investigations

We accepted 1,363 complaints for investigation in the year, an increase of 6% from 2014/15.

Of the complaints accepted, just over 200 were related to “pension liberation”. (We use “pension liberation” as a convenient term, avoiding the term “pension scam” which might imply prejudice). Around 180 similar complaints were accepted the year before.

## Underlying trend - new investigations with groups removed - five years



Discounting anomalous groups of cases from all years, the trend is still upwards. Over the last three years, we have seen annual growth in new investigations of 5%.

## Completed investigations

We completed a record number of investigations in the year; a total of 1,308. This represents an increase of 35% on our performance in 2014/15. We achieved this uplift with broadly the same amount of investigative resource as the previous year. We have applied a number of new ways of working and are now seeing the results of those. The changes are discussed elsewhere in this report.

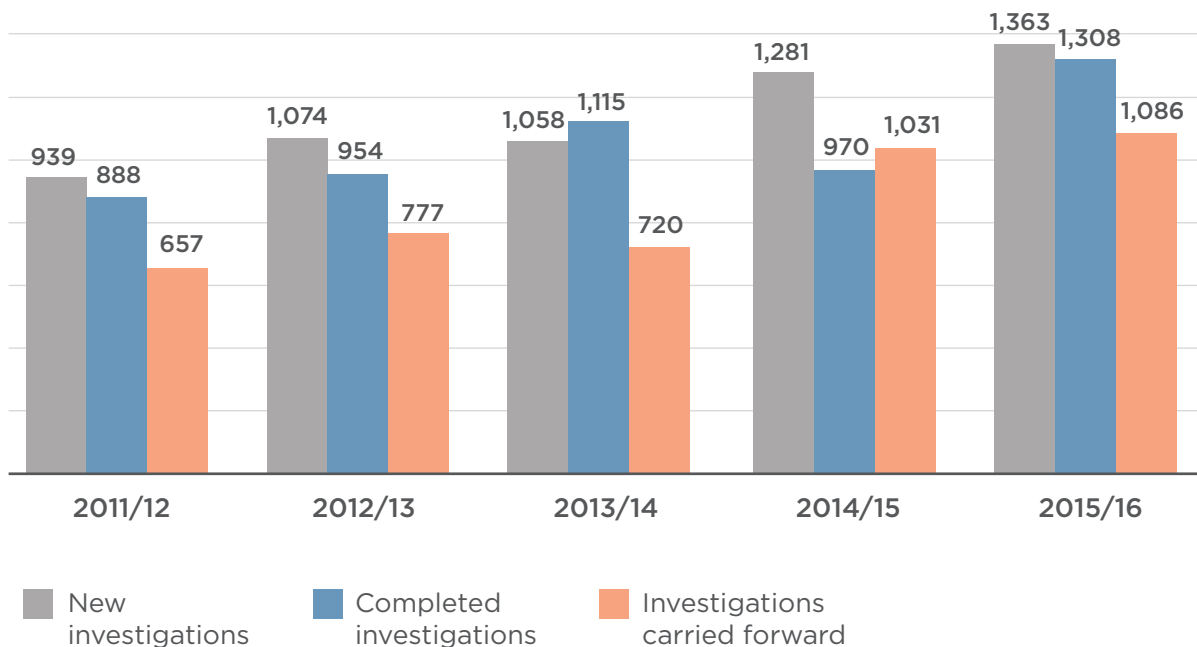
Included in the completed investigations for 2015/16 are around 260 pension liberation complaints and a further group of around 30 complaints that were linked together because of their subject matter.

## Investigations in hand

Even with our record output in 2015/16, we could not combat the effect of several years' increase in incoming investigations. We ended the year with 1,068 open investigations. We expect our additional changes to make further inroads into the investigations we have in hand.



## New, completed and carried forward investigations – five years



### Investigation timescales

The average time for an investigation to be completed was 10 months, against our target of 11 months. We measure time from the date on which we have enough information to make a jurisdiction decision.

A symptom of the increasing number of investigations in hand is an ageing population of investigations. As we work towards reducing the number of investigations in hand, we are tackling our older cases. This means that we did not see an improvement in the proportion of investigations completed in 12 months or less in 2015/16 when compared to 2014/15. But the proportion is broadly similar, at around 70%, so we have remained stable on this indicator.

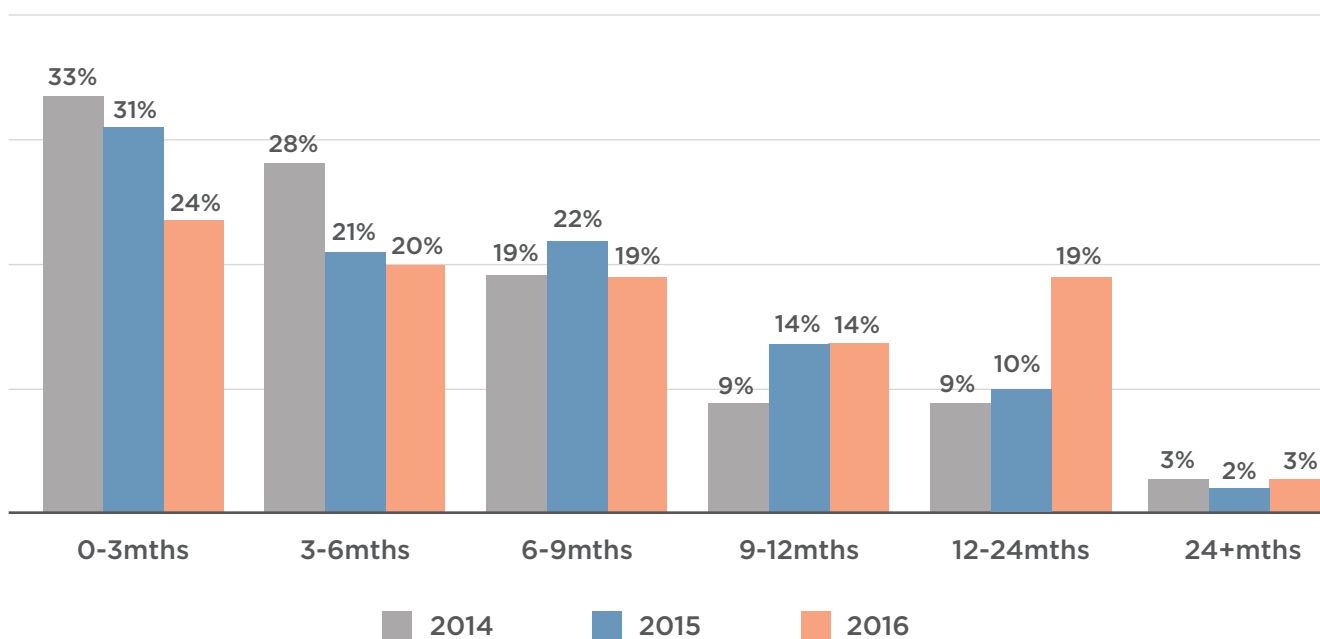
As a result of some of our initiatives during 2015/16, we saw an increase in the proportion of investigations that completed in six months or less. 25% were completed in this timescale; an increase on the 18% we saw in the previous two years and a higher proportion than we have achieved in any of the last five years.

For open investigations, the average age on 31 March 2016 was 8 months. We had been aiming for an average age of 6 months, which would have represented a slight reduction on the 6.6 months' average age of investigations in hand at the end of 2014/15. But for reasons already mentioned, the age of our open cases is increasing. We are taking active steps to remedy this, as explained in the Ombudsman's introduction.

## Age of open and completed investigations – five years

	2011/12	2012/13	2013/14	2014/15	2015/16
Average age of open investigations at 31 March in months	6.5	5.0	6.3	6.6	8.1
Average age of investigations at completion in months	10.6	9.6	9.5	9.8	10.0

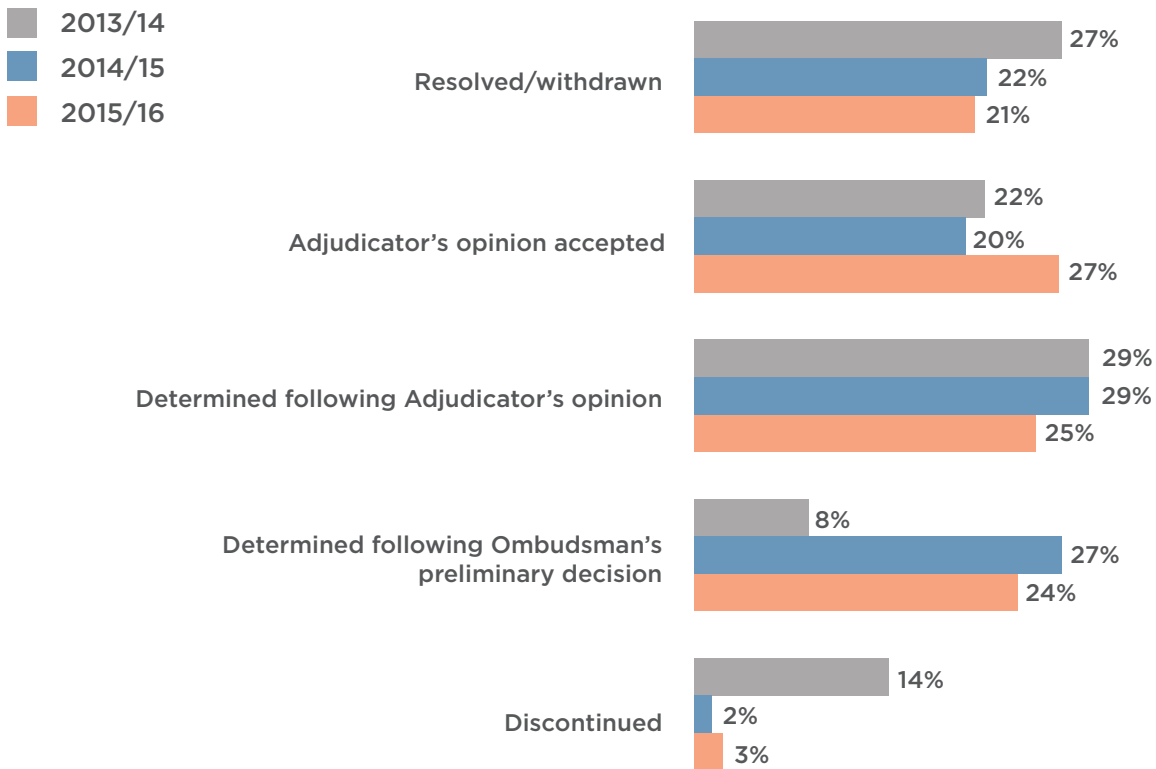
## Age profile of open investigations at year-end – three year comparison



## Decision process

There are several ways in which an investigation can be concluded. During 2015/16 we piloted initiatives that looked to apply the most efficient and proportionate method to every investigation. We will continue the work we started, since we are seeing positive results.

## Decision process: three year comparison



### Resolved or withdrawn complaints

In these cases, an adjudicator will give an informal explanation of the position to the applicant, and possibly to others involved in the complaint, with a view to resolving the matter. In 2015/16, 27% of the completed complaints ended in resolution or with the complaint being withdrawn. In the previous year, 22% concluded in this way. This is important because it indicates that we are applying quicker, more efficient methods to a higher proportion of investigations.

### Adjudicator's opinion accepted

In these cases, an adjudicator will give everyone involved in the complaint their written view (or "opinion") of the outcome. 22% of completed investigations ended with the parties accepting the opinion, and the matter was settled. This compares with 20% of investigations being concluded in this way in 2014/15. Where investigations can be concluded by agreement, timescales and effort for the people involved in the complaint are kept to a minimum.

### Complaint is determined following adjudicator's opinion

This happens when some or all of the people involved in the complaint do not accept the adjudicator's opinion. The complaint is referred to an Ombudsman and if they agree with the opinion, a final determination is issued. This happened in 29% of the cases completed in the year; exactly the same proportion as in the previous year.

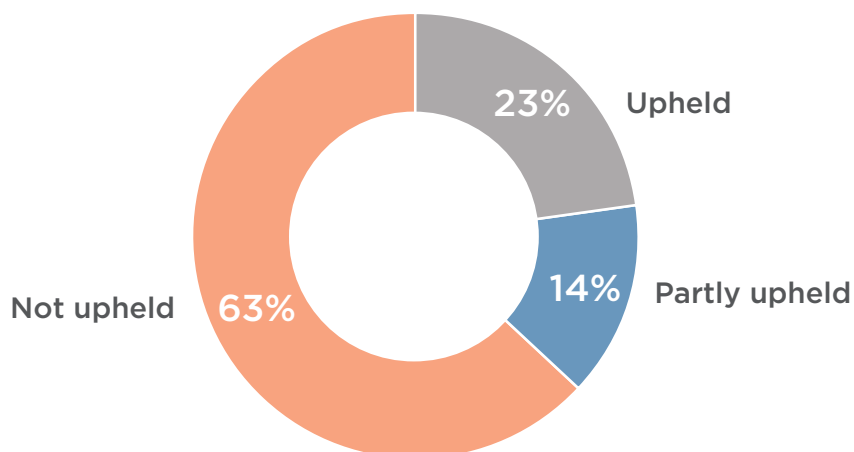
### Complaint is determined following an Ombudsman's preliminary decision

In some cases - for example where the complaint is highly complex with a number of issues to be addressed - an Ombudsman might issue a preliminary decision and then go on to make a final determination. 8% of investigations followed this process in 2015/16, compared with 27% the previous year. This represents a significant saving in time and effort for the people involved in complaints.

### Complaint is discontinued

In these cases, an Ombudsman decides that the investigation should not continue. Usually, the number of complaints that are discontinued is low - less than 3%. In 2015/16, 14% of completed investigations ended by discontinuance. This is an unusual result and occurred because a large number of the complaints about pension liberation were brought to a close this way.

### Outcome of complaints determined by an Ombudsman



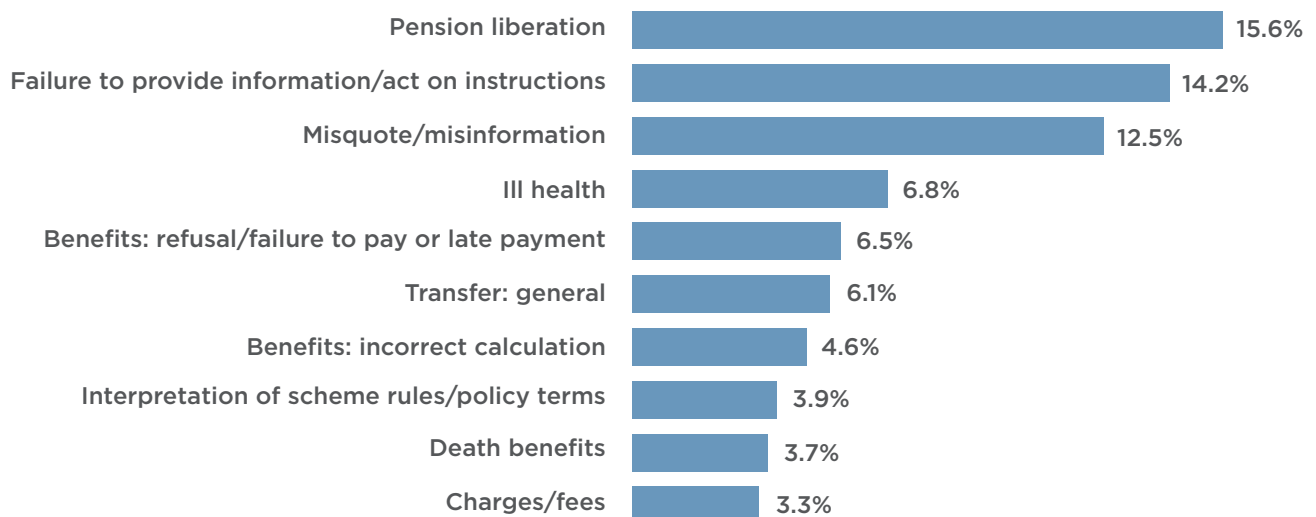
Only complaints determined by an Ombudsman can be said to have been upheld, or not. This is the position for 2015/16, and it is very similar to previous years. We have seen little change in the outcome of the complaints that are determined.

## What complaints were about

---

### New investigations

#### Subject matter of new investigations (top 10)

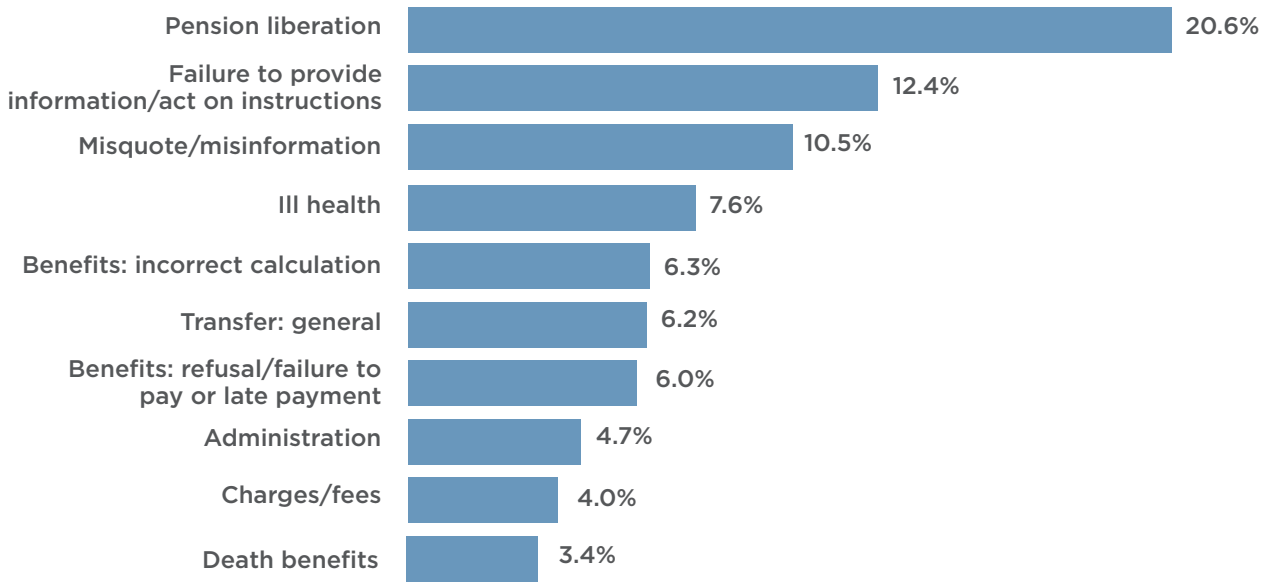


This shows us that, in respect of the subject matter of the complaints we took on for investigation, the position is fairly static; we do not see significant changes from year to year, with the exception of some transient issues that crop up for a while then subside again.

Pension liberation is one of these. It accounted for a significant proportion of new investigations in 2015/16; at nearly 16%. In the previous year we saw a similar proportion of work in this area.

## Closed investigations

### Subject matter of closed investigations (top 10)



Investigations that closed in the year were distributed across the topics in a broadly similar pattern to the previous year. The exception was pension liberation, which accounted for around 20% of all completed investigations. We therefore completed a number of the pension liberation complaints that had been brought forward into 2015/16 from the previous year.

## Some summaries of completed cases

---

These simplified accounts of our cases give a flavour of what we do. We publish all formal determinations in full on our website. Because the summaries below are shortened they have also had the names of parties removed.

When we say “the Ombudsman” we mean whichever of the Pensions Ombudsman or Deputy Pensions Ombudsman dealt with the case.

### Death benefits

Ms K’s complaint was against the trustees of her former husband’s pension scheme. They refused to pay her a dependant’s pension, following the death of her former husband. Ms K also submitted that there were no criteria in the scheme rules to say how the trustees would determine the issue.

The adjudicator’s opinion was that it was not for the Ombudsman to comment on the construction of the scheme rules but to consider if they were correctly applied, which they had been. The adjudicator considered the complaint was unlikely to be upheld because the trustees had properly considered Ms K’s claim for a dependant’s pension in accordance with the relevant provision of the scheme rules and in a manner that was not perverse.

The matter was concluded based on the adjudicator’s opinion.

### Death benefits

Mrs A’s complaint was that the trustees of her husband’s pension scheme refused to pay her any part of the lump sum death benefit when he died in 2012. She was named on a nomination form he completed in 2001, but in 2010 he completed a new form nominating his partner Ms S, who he was living with at the time he died.

Mrs A received the spouse’s pension and the whole of his estate under the terms of Mr A’s will. But the trustees paid one-third of the lump sum to Ms S and two-thirds to Mr A’s son. The reasons the trustees gave for dividing the lump sum between Ms S and Mr A’s son were that Ms S had provided evidence to show she was in a relationship of mutual dependency with Mr A and therefore qualified as a “Dependant” under the scheme’s rules; and Mr A’s son qualified as a “Relative” under the rules. The trustees also took into account Mrs A’s own financial position, and requested information from her, before coming to their decision.

The complaint was not upheld. The Ombudsman concluded that in reaching their decision the trustees had made the necessary enquiries; had not taken into account irrelevant matters; had not asked themselves the wrong questions; had not misinterpreted the rules; and had not come to a perverse decision.

### **Incorrect calculation of benefits**

Dr K complained that his retirement benefits at normal retirement age had not been properly calculated in accordance with the scheme rules and existing sex equality legislation. The scheme had equalised normal retirement ages, reduced its accrual rate and introduced an underpin determined on a basis recommended by the scheme actuary and certified as reasonable.

Dr K contended that the underpin method was incorrect and there was a legal requirement to equalise Guaranteed Minimum Pensions (GMPs) between men and women as established in a previous Ombudsman determination on the subject.

The Ombudsman concluded that:

- the trustees of the scheme were entitled to use the current method to calculate Dr K's deferred pension at Normal Retirement Age which was recommended and certified as reasonable by the current scheme actuary;
- the trustees had interpreted the relevant clause of the scheme rules in a way which was consistent with what the clause actually stated; and
- as the previous Ombudsman determination on the subject had been overturned leaving the question of GMP equalisation open, the trustees could continue to defer action to equalise GMPs until the Government finalises an approach as to how GMP equalisation should be achieved.

### **Automatic enrolment**

Mr B complained that his employer had unfairly reduced his monthly salary by taking its 1% mandatory automatic enrolment contribution from an existing 15% "pension allowance" which was being paid as a salary enhancement.

The Ombudsman decided it was clear from Mr B's contract of employment, both before and after a TUPE transfer, that the 15% had always been paid in lieu of an employer pension contribution and could be taken in full as cash, paid into a pension or a combination of the two. The fact that Mr B had chosen to receive the full sum in cash, and had not allocated it towards pension provision, did not mean



that the employer then had to make an additional pension contribution as a result of the automatic enrolment legislation.

However the employer had failed to explain the effect of automatic enrolment on Mr B's unusual contractual position which was that the 1% employer contribution would be deducted from the 15% salary enhancement. Mr B should have been offered the alternative of opting out of automatic enrolment to continue receiving the full 15% as cash. The Ombudsman also decided that these options did not constitute "undue coercion" away from being automatically enrolled under the relevant legislation.

The Ombudsman directed the current employer to offer Mr B the choice outlined above and if Mr B chose to opt out of the scheme, to reimburse him the 1% payments, with interest. The employer was also required to pay him £500 for the distress and inconvenience caused by its maladministration.

## Misinformation

Mr F complained that his pension provider gave him an incorrect tax free cash quotation of £104,374. The provider subsequently told him the correct figure was £68,770. Mr F said that he relied on the incorrect quotation to his detriment in purchasing and refurbishing a property.

The complaint was not upheld. The Ombudsman concluded that Mr F had unreasonably relied on the incorrect quotation and his pension provider had paid him sufficient redress for their error, i.e. £1,000. The covering note accompanying the incorrect quotation said that the figures were not guaranteed. Mr F's pension benefits were not finalised at that stage so spending money in advance of receiving the benefits, even if there had been a reasonable degree of confidence in its future payment, greatly weakened his detrimental reliance argument.

The Ombudsman also concluded that home refurbishments are often carried out because they need to be done. So Mr F's home refurbishments were not undertaken as a direct result of the incorrect quotation. Also Mr F would have benefited from the refurbishments as they would have improved the value of his property.

There was a delay by the pension provider in dealing with this case. However, it had already paid Mr F £1,000 as compensation for its error in providing him with the erroneous quotation. The Ombudsman decided this was sufficient redress for the distress and inconvenience caused to Mr F by the quotation error and for the subsequent poor handling of his case.

## Delay

Mr B set up a Self-Invested Personal Pension (SIPP) with a provider where the major asset was a half share of property, which he owned jointly with his professional partner in a firm of solicitors. The partner held her half of the property in another SIPP with the same provider. Mr B died in 2011 and Mrs B wanted to sell the property to take the proceeds as a lump sum. The partner did not want to sell and was interested in buying the remaining half of the property through her SIPP but was unable to complete this (Mrs B incurred legal costs for the aborted sale).

The property was not sold in the two years following Mr B's death. Mrs B complained that the provider failed to act in a timely fashion so as not to miss the two year limit for payment of the benefits in a tax free form.

The provider said that where a property is purchased by a group of SIPP members it recommends that a syndicate agreement is put in place. But there is no requirement that such an agreement is made and doing so remained the responsibility of the members. There was no such agreement between the two partners and, as one partner indicated a desire to purchase the property, the provider was obliged to facilitate this purchase if necessary as opposed to forcing a sale on the open market. The provider had a responsibility to treat both members (Mrs B as beneficiary and the partner) equally and to act impartially. Although the provider gave deadlines to the partner, it was very difficult to enforce those deadlines if it would be detrimental to one of the members.

The complaint was upheld. The Ombudsman found that although the provider had imposed deadlines for the remaining partner to purchase the property, these were continually extended and, by the time the partner eventually pulled out of the purchase, it was too late to put the property on the market and realise the value within the two year time limit. The Ombudsman's decision was that the provider had not acted impartially, or in Mrs B's best interests.

The Ombudsman directed the provider to reimburse Mrs B for the legal costs that were incurred for the aborted sale of the property, to reimburse the management fees that had been deducted, assist Mrs B in the sale of the property and meet any scheme sanction charge imposed following the sale of the property. Mrs B was also awarded £750 for the distress and inconvenience she had suffered.

## Interpretation of scheme rules

Dr M complained that the regulations governing the NHS Scheme were discriminatory against those in same sex-marriages, as his spouse would only be provided with a pension for service from 6 April 1988 onwards.

The complaint was not upheld. The NHS Scheme provides widows with a spouse's pension for the entire period of service; however, widowers are only entitled to a spouse's pension for service from 6 April 1988. Further, the Equality Act 2010 expressly permits civil partners' survivor pensions to be based only on service from 4 December 2005. Taking these provisions into account, the Ombudsman found that the regulations governing the NHS Scheme fully complied with equality legislation, and there was no discrimination as Dr M's position was the same as a widower in an opposite-sex marriage.

The Ombudsman also explained that the Review of Survivor Benefits in Occupational Pension Schemes, produced by the Government in 2013, estimated the cost of removing differences in survivor benefits at around £2.9 billion. Therefore funding issues were likely to be the reason for not equalising all spouses' pension benefits.

## Transfer of benefits

Mr B complained that the respondent had delayed in providing him with a statement of entitlement and subsequently, in processing his transfer request. As a result of the delay, the transfer of Mr B's benefits was not completed before HMRC de-listed the Guernsey based qualifying registered overseas pension scheme (QROPS) which Mr B planned to transfer to. The QROPS was then unable to accept the transfer in without it being an unauthorised payment - following which, the transfer did not go ahead.

Mr B complained to the Ombudsman that the failure to transfer had led to a fall in the value of the transfer value of £30,314 and meant that he had to pay income tax on his pension benefits, which he otherwise would not have had to pay.

The Ombudsman held that the respondent's breach of the statutory deadline for supplying a statement of entitlement was not maladministration. There were valid reasons for the delay which were essentially beyond the respondent's control. This included the completion of a Guaranteed Minimum Pension (GMP) reconciliation exercise, and obtaining and applying legal advice on the correct revaluation rate. The Ombudsman held that without the delay, the respondent would not have been able to supply the correct cash equivalent transfer value figure.

The Ombudsman also held that the consequent delays in processing the transfer (after the respondent supplied the statement of entitlement) were also reasonable. The reasons for the delay had included the need to seek proof of Mr B's identity, as well as completion of the relevant HMRC form relating to his GMP and a release form in relation to his additional voluntary contributions. The Ombudsman held that although the respondent's failure to communicate the reasons for the delay to Mr B did amount to maladministration, this did not cause Mr B to suffer any loss.

In this case the Ombudsman recognised that the breach of the statutory deadline was clearly caused by issues which were relevant to Mr B's best interests. The issues were both complicated and time consuming and meant that it was not unreasonable, or maladministration, for the respondent to have breached the relevant time limits.

## **Transfer of benefits**

Mr P was a member of an occupational money purchase scheme. In 2013 Mr P began the process of transferring his benefits in the scheme to a Self-Invested Personal Pension (SIPP). In July 2013 Mr P and his SIPP provider signed a transfer discharge form and sent it, along with his application form, to the ceding scheme provider/trustee. In that communication Mr P requested that the transfer was made on 9 July 2013.

The scheme provider/trustee claimed, in a letter to Mr P in September 2013, that it was unsure whether it was able to action the transfer. It therefore asked Mr P to sign a declaration to the effect that he consented to the scheme provider/trustee transferring his benefits and he would bear any liability (for example, to tax) that might arise as a consequence of it.

Mr P was not prepared to sign the declaration, and made a complaint to the Ombudsman. In his application Mr P claimed that the failure to transfer had caused him to suffer financial and non-financial injustice.

The Ombudsman upheld the complaint against the scheme provider/trustee, finding that it should have made the transfer within a reasonable time after it had received the completed discharge form. The Ombudsman found that, in accordance with the rules of the ceding scheme, the scheme provider/trustee had incorrectly refused to make a transfer on receipt of the discharge form. The Ombudsman's view was that a transfer ought reasonably to have been made within a month of the scheme provider/trustee's receipt of the discharge form. Accordingly, his directions put Mr P in the position he would have been in had the transfer been made at that time. In addition, the Ombudsman awarded Mr P

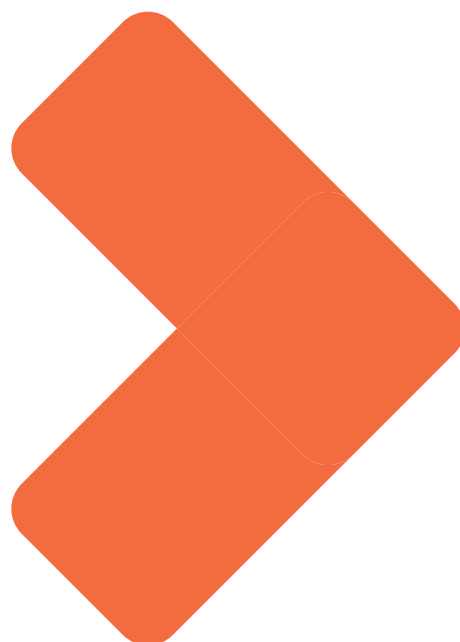
compensation for the distress and inconvenience he suffered as a consequence of the scheme provider/trustee's actions in facilitating the delays, although he declined to award Mr P the fees he had expended on engaging an independent financial adviser.

## Oral Hearings

Mrs L made a complaint that she had not been advised of the option of a pension transfer when she commenced employment in September 1992, or that there was a time limit of 12 months for her to make an application for a transfer on a transfer club basis. The case largely turned on whether particular documents had been sent and whether the wording was sufficient to publicise the transfer options.

The Ombudsman's original determination upheld the complaint, but on appeal it had been remitted to the Ombudsman for reconsideration, together with a suggestion that an oral hearing might be held. The Ombudsman decided to hold one and travelled to Belfast. Normally, oral hearings are held at or near our office, however, as all the relevant witnesses and parties were based in Northern Ireland, on this occasion it was more practical to hold the hearing there.

It was very helpful to hear the witnesses give good accounts of their recollections and positions and carefully assess their responses under questioning from the advocates. Although, in this case the Ombudsman decided the case on other grounds and not on the oral evidence, the process reinforced the fact that oral hearings are an important tool in our investigative process. However, such hearings will only be held when the facts cannot be determined by other means.



## Casework review – Pension Protection Fund Ombudsman

---

This part of our report describes the relatively small part of our work concerning the Pension Protection Fund Ombudsman’s jurisdiction.

### PPF maladministration

We can investigate and determine complaints of maladministration on the part of the Pension Protection Fund (PPF).

### PPF reviewable matters

We can review decisions made by the Board of the PPF, but only after they have been reviewed by the Board of the PPF and then considered by its Reconsideration Committee.

### Financial Assistance Scheme (FAS) appeals

We have jurisdiction to determine appeals against decisions made by the PPF, as scheme manager of the FAS, relating to eligibility to receive compensation. FAS appeals can be sub-divided further into two main categories: whether a scheme is eligible to be accepted by the FAS, and whether a member has received the correct entitlement.

## The year’s cases

	In hand at 01/04/15	New/reopened matters	Accepted for investigation	Not accepted for investigation	Completed investigations	In hand at 31/03/16
PPF maladministration	2	13	2	9	2	2
PPF reviewable matter	6	19	7	4	5	9
FAS appeal	7	17	2	14	5	3
<b>Total</b>	<b>15</b>	<b>49</b>	<b>11</b>	<b>27</b>	<b>12</b>	<b>14</b>

Overall, 2015/16 saw a reduction in the number of new matters referred to us. In terms of investigations, we took on and completed a similar number to the previous year.

Referrals of reviewable matters that we investigated were, in line with previous years, related to the levy that schemes are required to pay towards the PPF.

A number of the maladministration complaints we dealt with were a result of scheme members' dissatisfaction at decisions for their scheme to be taken in to the PPF.

### **Case summary - Referral to the Pension Protection Fund Ombudsman**

This was a referral of a reviewable matter under paragraph 19B of Schedule 9 of the Pensions Act 2004. The referral related to the PPF Board's decision not to waive the interest payable in respect of late payment of a levy.

The scheme trustee had previously referred the PPF Board's decision not to recognise a contingent asset to the PPF Ombudsman. The then Deputy PPF Ombudsman determined that the PPF Board had not erred. The trustee appealed to the High Court. The appeal was dismissed. The trustee then paid the balance of the scheme's levy.

The PPF Board decided to waive the interest payable in respect of two periods: the three months from the date it said a review decision would be issued to the date the decision was issued; and the period after the Deputy PPF Ombudsman issued a final decision.

The relevant legislation states that, for the purposes of considering whether it is reasonable to charge interest, the PPF Board must have regard to such matters as it considers relevant. It then lists a number of matters for the PPF Board to consider (where relevant) as follows:

- the dates on which any payments of the pension protection levy are made,
- the dates on which any payments of the pension protection levy were made in previous years,
- any failure to respond to correspondence from the Board concerning interest or the levy,
- any failure to provide the Board with information relating to interest or the levy,
- any review, reconsideration or reference to the PPF Ombudsman or appeal against a determination by the Ombudsman.

The PPF Board agreed to waive the interest in respect of the period after the Deputy Ombudsman had issued her decision on the basis that it had been reasonable for the trustee to appeal. It decided that it would not waive the interest accrued for the period of the Deputy Ombudsman's investigation on the grounds that the two bodies are independent of each other and that the trustee was aware that the investigation could take some time. It subsequently agreed to waive the interest payable in respect of the period for which a review decision was outstanding.

The decision whether or not to waive the interest payable in respect of late payment of a levy is the exercise of a discretion. The Ombudsman took the approach taken in any case relating to the exercise of a discretion; he considered whether the decision had been taken in accordance with the relevant legal principles. He determined that the PPF Board had asked the right question; namely, whether it was reasonable not to charge interest. The Ombudsman noted there are a number of factors which the PPF Board must have regard to (see above) and determined that it had given due consideration to these and had considered waiving the interest due in respect of the late payment of the Scheme's risk-based levy in accordance with the legislation.

The trustee argued there was a statutory obligation for the PPF Board to issue a decision within 28 days of receipt of an application for a review. The Ombudsman found that the legislation did say the PPF Board "must" give a review decision within 28 days of receiving an application for review. However, he also found that it clearly envisaged there will be circumstances in which the PPF Board is unable to give a decision within 28 days. He also found that, whilst the legislation required the PPF Board to have regard to a review, it did not require it to waive interest where a decision has not been given within 28 days.

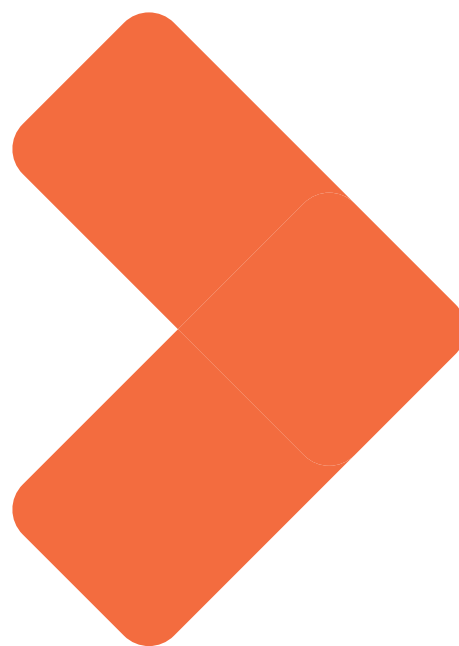
The Ombudsman determined that the PPF Board was not required to waive interest simply because a reviewable matter had been referred to him. He found that the PPF Board had considered the reference. He also determined that the grounds on which the PPF Board had decided not to waive interest (namely, that the two bodies are independent of each other and that the trustee was aware that the investigation could take some time) could not be said to be irrelevant.

The Ombudsman acknowledged that it was possible that another decision maker may have decided to waive interest for the period of the Deputy Ombudsman's investigation. However, he concluded that this does not mean that the PPF Board's decision not to do so could be described as perverse.



The trustee had also argued that the PPF Board was required to have a policy on the matter of waiving interest and that an individual had a right to know what the policy was. The Ombudsman said any policy could not fetter the PPF Board's discretion. He noted the case law cited by the trustee but observed that this concerned an individual's rights and it was not clear how it related to the case before him, which concerned a scheme. The Ombudsman went on to say the PPF Board had made it clear, through the use of frequently asked questions, that there was a possibility the scheme would be required to pay interest for late payment. The trustee was, therefore, in a position to take suitable steps to mitigate its exposure to the consequences of late payment.

The Ombudsman determined that there was no action which the PPF Board was required to take.



## The Courts

---

### Appeal Figures

Determinations of the Pensions Ombudsman and Pension Protection Fund Ombudsman are final and binding, subject to appeal on a point of law to the High Court in England and Wales, the Court of Appeal in Northern Ireland and the Court of Session in Scotland.

#### Pensions Ombudsman appeals

Outstanding at the start of the year	4
New	11
Heard/settled/withdrawn during the year	7
Remaining at year-end	8

#### Pension Protection Fund Ombudsman appeals

Outstanding at the start of the year	1
New	0
Heard/settled/withdrawn during the year	0
Remaining at year-end	1

### Right of appeal

Appeals to the High Court in England and Wales against a determination of either the Pensions Ombudsman or the Pension Protection Fund Ombudsman are subject to the Civil Procedure Rules. Since 6 April 2014, a party applying to the court has required the consent of the High Court for any appeal against a determination or direction in England and Wales. The requirement seeking consent to appeal came about because the judiciary had expressed concerns about appeals made by litigants-in-person seeking to reopen issues of fact rather than raising issues of law – and about the risks they then face of having costs awarded against them.

Our recent experience has been that permission is not being refused to litigants-in-person. In a couple of cases they have been given an oral hearing (or more

than one) to explain their case further and demonstrate that they have an arguable case to continue. Although it is too early to say, it seems that the intention to avoid unnecessary court hearings is not always being achieved in relation to Ombudsman cases.

## Notification of Appeals

Our general policy is not to participate in appeals other than where it would assist the court for us to do so and/or where there is an issue of wider importance – in particular one that may impact on jurisdiction or process. However, although such participation is rare, we cannot consider our position unless we are aware of the details in advance of any court hearings. And, even where we decide at the outset not to participate, we monitor the progress and outcome of appeals for a variety of reasons – for example, so that we can decide whether to change our view on participation if new issues arise during the proceedings, for learning purposes and so that we know the issues to address if the case is remitted back to us for reconsideration.

In last year's annual report, we highlighted the difficulties we had experienced in not always receiving notification of appeals from Ombudsman determinations. For the reasons highlighted above, this was very problematic for our office. We have since taken this issue forward with the Chancellor of the High Court, the Right Honourable Sir Terence Etherton. As a result, there is now a standing instruction for the appeals office to routinely provide our office with notice of appeals against Ombudsman determinations. We are now able to report a significant improvement and recognise the valuable role which the court has played in this.

We also liaised with the Pensions Litigation Court Users Committee who agreed to urge appellants and respondents to serve on us notice of the appeal.

Further we are very pleased to note that the Chancery Guide 2016 references appeals against determinations of the Ombudsman. It states that it is a requirement for those appealing against determinations of the Ombudsman to ensure that our office is always notified of such appeals. The Guide also highlights that where an appellant is not represented the respondent should take it upon itself to confirm that the Ombudsman has been notified of the appeal.

We hope that this guidance, combined with the ongoing assistance of the court and the Committee, will mean that going forward our office always receives notification of appeals against Ombudsman determinations.

## Appeal case update

### Remitted case and repeat appeal

When an appeal is successful the judge presiding over the case may order that the case is remitted to us in order that we can reconsider the complaint (or specific aspects of it).

When a case is remitted (following a successful appeal) and decided a second time that is usually the end of the matter, whatever the outcome of the second determination. Occasionally, however, an unsuccessful party will lodge a further appeal against the subsequent determination.

This year one case fell into both categories. It concerns the complaint brought by Mr Webber against the administrator of the Teachers' Pension Scheme about the abatement of his pension (also detailed in last year's annual report). Mr Webber's complaint was first determined by the Deputy Pensions Ombudsman on 26 June 2012, who did not uphold it.

Mr Webber subsequently appealed the Deputy Pensions Ombudsman's determination and the High Court remitted the matter back to us, broadly on the basis that there was insufficient reasoning in the determination in relation to why Mr Webber could not rely on the defence of change of position. The Deputy Pensions Ombudsman reconsidered the complaint and issued her second determination on 24 January 2014. Again, Mr Webber's complaint was not upheld.

Mr Webber subsequently appealed the second determination to the High Court. Mr Justice Nugee handed down judgment on 19 December 2014. On the specific point concerning the change of position defence, he concurred with the Deputy Pensions Ombudsman's second determination. However, he also found that a limitation point should be remitted for our reconsideration, if the parties could not agree, which they did not. As a result, the limitation issue (concerning the applicable date for recovery of the overpayment) was remitted to our office for consideration and the Pensions Ombudsman issued his determination on 2 February 2016. Mr Webber has since appealed to the High Court, for the third time, and his case is currently pending.

As a matter of policy, as indicated earlier, the Pensions Ombudsman would not normally participate in an appeal against a determination. Appeals against determinations of the Ombudsman are generally matters for the parties which appeared before him; in this case, Mr Webber and the Department for Education.

However, the Pensions Ombudsman believes that Mr Webber's latest appeal raises wider issues for his office and so intends to participate in the appeal. In particular, that the statutory time limits affecting the Pensions Ombudsman's jurisdiction are distinct from the Limitation Act 1980. The case references court time limits but there is a clear distinction between the Pensions Ombudsman's time limits and those of the courts. In this particular instance, the case throws a light on the relationship between the date of a complaint made to us arguing against recovery of overpaid pension and the role of the respondent in seeking to obtain that recovery while complying with their complaint-handling duties through the ombudsman process.

### **Pension Liberation**

We did not participate in any appeals this year, however there was a very notable appeal heard in January 2016<sup>1</sup>, Hughes, which represented the first challenge in relation to our approach to a case where a provider had blocked a transfer due to concerns over suspected pension liberation.

Bespoke Pension Services Limited, who represented Ms Hughes (and were also the administrators for the receiving scheme), argued that she should be allowed to transfer her pension from Royal London to her own small self-administered occupational pension scheme.

The Pensions Ombudsman found that Ms Hughes did not have a statutory right to a transfer because she was not an "earner" within the definition of "transfer credits" in the relevant legislation. The principal employer of the scheme was a dormant company she had established, which was not intended to trade and paid her no salary.

On 19 February 2016, the High Court, Mr Justice Morgan, held that it was not open to the court to read words into the statutory definition of "earner" to qualify the source of those earnings. Ms Hughes was therefore an earner by reason of her earnings from another source and was entitled to require the administrator to transfer the cash equivalent of her accrued rights to the receiving scheme.

This case was an example of one where the Pensions Ombudsman was called upon to interpret laws which do not fully reflect the current pensions environment and to make a determination involving many competing interests – member's wishes

<sup>1</sup> Our Ref PO-7126; Hughes v Royal London (High Court, Chancery Division CH/2015/0377)

and member's best interests (which may not be the same thing), respondents interests, protection of the public and firms' regulatory responsibilities and commercial imperatives.

Mr Justice Walker (as he then was) said of the Pensions Ombudsman in *Westminster Council v Haywood*<sup>2</sup>:

*“A very important part of the legislative purpose was to provide a quick, inexpensive and informal means of settling complaints and disputes about occupational pensions...The provisions relating to disputes on questions of law, to references of questions of law to the High Court, and to appeals on questions of law, can be seen as a recognition that however desirable quick, inexpensive and informal procedures are, complaints and disputes about pension rights do often raise difficult questions of law as well as questions of fact. The relevant provisions of primary and subordinate legislation are often lengthy and obscure, and the same is unfortunately true of many pension schemes' trust deeds and rules...The Pensions Ombudsman's task in delivering rapid, unlegalistic justice, without cutting too many legal corners, is a dauntingly difficult one.”*

The function of the Pensions Ombudsman Service is to provide unlegalistic justice and protect members' pensions to the extent that, where there is legislative uncertainty, the Pensions Ombudsman may explore the limits of the legislative intention in order to reach the right outcome. The Department for Work and Pensions has recently confirmed that it supports that position.

Royal London would not formally consent to the appeal being allowed on the “earner” point but said that it would not present any argument in support. Mr Justice Morgan was concerned to decide the question without hearing both sides of the argument. So counsel for Royal London was instructed to put forward such arguments as it could to support the Ombudsman's interpretation. The Ombudsman has decided that going forward he will be more robust in participating in appeals (whether or not the respondent participates) if he considers that to do so would be beneficial to the pensions industry at large.

<sup>2</sup> [1996] 2 All ER 467

## Others

In last year's Annual Report, we provided an update on the long-running case brought by Mr Bradbury against the BBC<sup>3</sup> about the imposition of a cap on pensionable salary through the mechanism of his pay award. We issued determinations in October 2011 and, following remittance, in December 2013. The High Court, Chancery Division heard the case on 14 January 2015 and Mr Justice Warren handed down judgment on 15 May 2015. Mr Bradbury's appeal was dismissed. Mr Bradbury had already made an application for permission to appeal on the effect of section 91 Pensions Act 1995. He did so some time ago, since the court's Order when the case originally remitted to the Ombudsman required any application for permission to be made within 42 days of the Ombudsman's decision on reconsideration. Mr Bradbury then applied to the Court of Appeal for permission to appeal the other issues as well, namely the content and effect of the duty of good faith and the effectiveness of a 'South West Trains' agreement in the absence of free and informed consent. At the hearing on 22 October 2015, Lady Justice Gloster granted permission to appeal on all three issues. The case is currently pending and the appeal is not expected to be heard until February 2017.

An appeal of our determination in the case of Ms Langford<sup>4</sup> was heard in March 2015, but at the time last year's annual report was prepared, had yet to be decided. The appeal concerned a claim for death benefits from Ms Langford, whose long term partner had died. She was, however, still married to her former partner. The relevant rule of the Armed Forces Pension Scheme - Rule E.2(3) - said that a surviving adult partner was eligible if certain conditions were met, in particular that the parties were not prevented from marrying (the others related to co-habitation and financial dependence).

Timothy Fancourt QC sitting as a Deputy Judge of the High Court, dismissed the appeal. He rejected Ms Langford's argument that the words "were not prevented from marrying" in Rule E.2(3) would include a case such as hers, where, although one of the parties was married they could obtain a divorce in order to re-marry. He rejected this on the basis that this situation was exactly the type of case to which Rule E.2(3) was directed. At the hearing he struggled to identify other categories of persons to which this rule could have been intended to apply. He concluded that the obvious intention of the rule was that if either the member or the adult dependant was married on the date of death, the entitlement under the rule would not arise.

<sup>3</sup> Our ref PO-636

<sup>4</sup> Our ref PO-2632 Langford v Secretary of State for Defence (High Court, Chancery Division CH/2014/0464)

Ms Langford also argued that the rule amounted to unlawful discrimination because it discriminated against her as a married person, contrary to Article 14 of the European Convention on Human Rights. Timothy Fancourt QC concluded that there was no unlawful discrimination.

In last year's annual report, we provided an update on Mr Hampshire's appeal in respect of a Pension Protection Fund Ombudsman determination, to the Court of Appeal<sup>5</sup> which had, at that time, recently been granted permission. The case is due to be heard in the Court of Appeal in late June.

## Judicial review

### Judicial reviews

Outstanding at the start of the year	1
New	0
Heard/settled/withdrawn during the year	1
Remaining at year-end	0

We reported last year on 1 outstanding judicial review<sup>6</sup>. We explained that at the first permission application Bobbie Cheema QC (sitting as a Deputy High Court Judge) decided to award costs in our favour against Mr Ellison. She did not, however, rule that the application was totally without merit. When Nicholas Padfield QC (also sitting as a Deputy High Court Judge) later considered Mr Ellison's renewed permission application, he also did not rule that the application was totally without merit. If either judge had ruled that there was no merit, Mr Ellison would not have been able to continue to the Court of Appeal, in consequence of changes in the court rules affecting applications made after 1 July 2013 that an the applicant could not in such circumstance ask for a permission hearing. Mr Ellison sought the permission of the Court of Appeal to continue his case. The Court of Appeal, the Right Honourable Lord Justice Lewison, refused permission on 23 December 2015, holding that his case was totally without merit.

We received no new judicial reviews this year.

<sup>5</sup> Our ref PPFO-750; Grenville Holden Hampshire v The Board of the Pension Protection Fund [2014] EWHC 4402 (Ch)  
<sup>6</sup> Our ref PO-1997; Ellison v Pensions Ombudsman, Court of Appeal, Civil Division C1/2015/0803



## Other activities

---

### Quality Management

A new check was introduced looking at cases while they were still open, to confirm that new and existing processes were being followed and that any decision made was properly documented and well-reasoned. Previously all checks were carried out either when a case had already closed, or had moved to a stage later on in our process. The new check has proved useful in ensuring consistency in our files and in the methods of how we make our decisions and helped us to record our progress in these areas.

It is sometimes necessary for applicants to wait a little while before an adjudicator can look into their complaint. To make the best use of this time, following up acceptance of the complaint is something the Ombudsman is reviewing. It is used to obtain responses and/or file papers from the parties being complained about. This was essentially a new process that applied to a large proportion of the cases we took on during the year. A new check was put in place to make sure we were asking for the correct information from the right parties and handling it correctly when we received the information. The check helped us to improve the new process, something we will build on next year in order to improve efficiency for all parties.

Going forward, we will publish more of our decisions. To facilitate this, a pilot checking process was set up to confirm that the opinions we issued were consistent and would be useful to the wider public when the case closed. Opinions were checked before being issued so any necessary adjustments could be made. The process identified no serious concerns with our decisions and provided assurances around the future publication of opinions as well as highlighting a few areas for improvement.

### Communications

The appointment of a part time Communications Manager, in August 2015, enabled us to improve and extend the ways we communicate with the public and deliver the actions within our agreed three year Communications Strategy.

We developed two new videos with subtitled versions providing clear information on how we can help and what people need to do before they bring a complaint to us. The videos are easily accessible on the redesigned home page of our website and on two of our new social media channels –Facebook and LinkedIn.

We launched our Twitter channel in February 2016 and use this to engage with pensions industry colleagues, pensions media and the wider public. Individuals with specific disabilities or language needs who visit our website now have communication support through the introduction of the Browsealoud tool which provides text to speech and translation.

Between August 2015 and March 2016 we received 51 responses to our website survey. 49% of respondents were satisfied, with a further 21% neither satisfied nor dissatisfied. The feedback from the 30% who were dissatisfied is informing the ongoing development of our website so it becomes more accessible and easier to use for those with pension complaints and for individuals within the pensions industry.

We have a greater and more positive media presence as a result of interviews with key pensions trade publications and external speaking engagements for the Pensions Ombudsman. This proactive stance is supported by a media policy and in house media monitoring both of print and online titles.

A staff communications group helps oversee and develop internal communications. In the past year we have introduced regular monthly blogs from the Pensions Ombudsman and developed a new communications section on our Intranet to include writing guidance, the media policy and social media guidance. We are also continuing to develop the content and structure of our Intranet to enable improved information access and knowledge management.

## **Liaison with our stakeholders**

In 2010, in conjunction with a number of public sector schemes, we set up a forum to discuss issues of mutual interest which affect how we work with one another. For example, general issues arising which may impact on the Pension Ombudsman Service or the volume of work it receives. A member of staff (otherwise known as the relationship manager) was appointed to each scheme as the point of contact. There are now six of the largest public sector schemes participating in the forum. We meet annually as a group when we are joined by representatives from The Pensions Regulator, the Pension Protection Fund and The Pensions Advisory Service. Between annual meetings each relationship manager maintains contact with the scheme to which they are appointed.

In 2012, due to the success of the public sector forum, we set up a similar forum for the larger pension providers. This forum also meets on an annual basis and also has points of contact with several members of staff.

Both forums have proved extremely beneficial to all participating organisations.

# Corporate governance report

## Statement of Accounting Officer's responsibilities

---

Under Section 145(8) of the Pension Schemes Act 1993 and Section 212A of the Pensions Act 2004, the Secretary of State for Work and Pensions (with the consent of the Treasury) has directed the Pensions Ombudsman and Pension Protection Fund Ombudsman to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Pensions Ombudsman and Pension Protection Fund Ombudsman and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State for Work and Pensions, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Department for Work and Pensions has designated the Pensions Ombudsman as Accounting Officer of the Pensions Ombudsman and Pension Protection Fund Ombudsman. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Pensions Ombudsman and Pension Protection Fund Ombudsman's assets, are set out in the Non-Departmental Public Bodies Accounting Officers Memorandum and in Managing Public Money issued by the Treasury.

## Governance statement

---

### Scope of responsibility

The statutory role of the Pensions Ombudsman is primarily determined by Part X of the Pension Schemes Act 1993 and Part X of the Pension Schemes (Northern Ireland Act) Act 1993. The statutory role of the Pension Protection Fund Ombudsman is primarily determined by sections 209 to 218 of the Pensions Act 2004.

The Pensions Ombudsman and Pension Protection Fund Ombudsman is a statutory commissioner appointed to both posts by the Secretary of State for Work and Pensions. As post-holder I am the designated Accounting Officer, accountable (through the DWP Chief Accounting Officer) to Parliament for regularity and propriety in use of public finances. I therefore have responsibility for maintaining a sound system of internal control that supports the statutory functions of the Pensions Ombudsman Service.

### Governance framework

#### Framework agreement with DWP

The Framework Document identifies the differing responsibilities of the DWP Accounting Officer and the Pensions Ombudsman Service Accounting Officer. In particular it describes the requirements for the keeping of records and access to them, preparation of corporate and business plans and annual reports, arrangements for audit, spending controls and delegations, and in-year reporting.

DWP receives reports on performance, finance and risk at quarterly accountability meetings.

#### Corporate governance

The Pensions Ombudsman and Pension Protection Fund Ombudsman is a statutory commissioner and the Pensions Ombudsman Service is not a corporate body, however, we comply with the Corporate Governance Code as far as possible for a small Non Departmental Public Body.

I took up the post in May 2015 and having taken a strategic review of the management structure, in February 2016, I introduced a new Executive Board that included the creation of three Director posts.

The Casework Director post was reinstated (having ceased in 2014) to provide focussed operational and strategic leadership in the casework delivery area.

The Business Director role was created to transfer responsibility from operational to strategic leadership and to support me, as Accounting Officer, in ensuring that corporate governance arrangements and internal controls are effective.

The Legal Director role was created to recognise the responsibility to provide legal guidance and input across policy, strategy and operations.

The remaining Casework and Gateway managers formed a new Operational Group who are responsible for the day to day running of the service.

I also created three new Deputy Manager roles to provide crucial operational support to the Gateway Manager and Casework Managers at a more appropriate management level.

<b>Executive Board</b>	<b>Operational Group</b>
Pensions Ombudsman	Business Manager
Casework Director	Casework Manager x 2
Business Director	Deputy Casework Manager x 2
Legal Director	Gateway Manager
	Deputy Gateway Manager

## Internal Governance

The overarching aim of the Executive Board is to take a long term strategic view in order to meet the challenges facing us in the months, and years, ahead.

The role of the Executive Board is to:

- set strategy – for casework handling, finance, HR and communications (internal and external);
- initiate policies;
- plan for the mid and long term;
- monitor and measure achievement;
- provide leadership – which will include modelling behaviours; and
- be outward facing – maintaining and further developing links with stakeholders.

The Operational Group are responsible for the day-to-day running of the service.

The role of the Operational Group is to:

- develop and implement measures to deliver the objectives and meet the strategic aims as generated by the Executive Board;
- generate ideas to feed into the Executive Board;
- share good practice across the service; and
- develop consistency in output.

The Operational Group reports to the Executive Board on a regular basis.

In the course of the year there were ten meetings of the Management Team (previous structure). Since February 2016 there have been four Executive Board meetings and one Operational Group meeting.

### **Risk assessment**

The system of control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievements of our policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of control has been in place for the year ended 31 March 2016, and up to the date of approval of the annual report and accounts it accords with Treasury guidance.

The Executive Board has determined, in the light of the size of the organisation and our relatively straightforward functions, that risk should be managed proportionately and reasonably in order to ensure that value is added to the office's objectives. We seek to avoid risk, but we do not expect to eliminate all risk. We do expect to manage risk so as to be able to fulfil our functions effectively and efficiently in order to maintain public confidence.

Being a small organisation, those engaged in strategic risk management are also close to operational matters. We adapt to change by identifying and managing risks both informally and formally at operational level, recording and acting on any strategic implications of those risks.

I am confident that the quality of the data used by the Board is reliable. All reports prior to submission to the Board are subject to quality assurance processes. The effectiveness of the systems that generate the financial and performance data contained within the reports is evidenced through positive internal and external audit results. None of these results this year, or in the previous year, were of a low or inadequate opinion, We aim to keep reports clear, concise and focused on the purpose of the Board's reviewing.

In 2013/14 we revisited our approach with input from DWP Risk Assurance Division and identified the level of tolerance our service should have for risk and the level of exposure faced. This resulted in a more focussed and informed strategic risk register.

It defines those risks that are regarded as strategic – and so within the Executive Board's remit and those that are operational – and dealt with in Operational Group meetings.

Within that structure, risk is controlled through the following steps:

- key risks to the achievement of strategic and or business delivery, aims, objectives, and targets, are identified and assigned to named individuals;
- causes and consequences of those risks are identified;
- there is a consistent scoring system for the assessment of risks on the basis of likelihood and impact;
- we determine appropriate controls and activities to mitigate the risks identified, having regard to the amount of risk deemed to be tolerable and justifiable;
- risks are measured, at both inherent and residual level, to assess the reliance placed on mitigating controls and activities and the office's exposure should they fail;
- measures and indicators are identified to provide assurance that the mitigation actions are appropriate and effective; and
- regular monitoring and updating of risk information to ensure new and emerging risks are captured.

## The Audit Committee

The Audit Committee consisted of two independent members, Roy Field, chair (appointed March 2010, chair from April 2014) and Mark Ardron (appointed April 2014). They are unpaid volunteers, with board level experience in public bodies. They were appointed by the Accounting Officer. Their appointments are for three years.

The Business Manager, Business Director, and other staff, the external auditors (National Audit Office and their partner, Deloitte), the internal auditors (DWP) and a DWP observer attend meetings by invitation.

The Committee's role is to advise the Accounting Officer on the strategic processes for risk, control and governance:

- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the corporate governance requirements for the organisation;
- proposals for tendering, for either Internal or External Audit services, or for purchase of non-audit services, from contractors who provide audit services; and
- anti-fraud policies, whistle blowing processes, and arrangements for special investigations.

The committee met four times during 2015/16. Roy Field and Mark Ardron attended all four meetings.

## Whistleblowing

In April 2015 we updated our whistleblowing policy to comply with Treasury guidance. The policy is contained within our staff guide. In our latest annual staff survey, 89% of staff said they knew how to raise a concern if they had one. No issues were raised so we have no reason to believe the policy is not working effectively.



## Information security

In accordance with our responsibilities under the Data Protection Act, and HMG Security Policy Framework, the Pensions Ombudsman Service has in place arrangements for data security. In particular, we have assessed our casework-related data as requiring to be treated as “official” and at “business impact level 3”. Staff are security cleared to a minimum of baseline clearance (BPSS), receive annual training, and are contractually required to follow documented security operation procedures.

There were no breaches requiring notification to the Information Commissioner in the year.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

I am satisfied that the arrangements described above are fit for purpose and effective, having themselves been subject to appropriate review during the year.

My review of the effectiveness of our internal controls is informed by the work of the internal auditors, and comments made by the external auditors, in their management letter and other reports. I have been advised on my review concerning the effectiveness of the system of internal control by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement is in place.

At the end of 2015/16 our internal auditors, in their assurance report, gave an overall assurance level of “moderate”.



**Anthony Arter**

Pensions Ombudsman  
Pension Protection Fund Ombudsman

23 June 2016

## Remuneration and staff report

---

### Ombudsman remuneration policy

In accordance with Sections 145 and 145A of the Pension Schemes Act 1993, the current and future remuneration of the Pensions Ombudsman and the Deputy Pensions Ombudsman is determined by the Secretary of State for Work and Pensions. The current and future remuneration of the Pension Protection Fund Ombudsman and Deputy Pension Protection Fund Ombudsman, is determined by the Secretary of State in accordance with Sections 209(4) and 210(6) of the Pensions Act 2004.

### Ombudsman Service contracts

The length of service contracts is determined by the Secretary of State for Work and Pensions. Tony King retired on 22 May 2015. Jane Irvine stepped down on 31 May 2015. Simon O'Brien was appointed Interim Chief Executive for one year on 1 February 2015, his contract ended on 31 January 2016.

Anthony Arter was appointed as Pensions Ombudsman and Pension Protection Fund Ombudsman for 4 years on 23 May 2015. Karen Johnston was appointed Deputy Pensions Ombudsman and Deputy Pension Protection Fund Ombudsman for three years from 1 July 2015.

Name	Dates of appointment	Unexpired term as of 31/3/16	Notice period
Anthony Arter	23 May 2015	3 years 2 months	6 months from employee
Karen Johnston	1 July 2015	2 years 3 months	6 months from employee

The Pensions Ombudsman and Deputy Pensions Ombudsman appointment may be terminated early by employer on the following grounds:

1. Misbehaviour
2. Incapacity
3. Bankruptcy or arrangement with creditors.

Any decision to remove on one or more of the above three grounds will be taken by the Secretary of State with the concurrence of the Lord Chief Justice. No compensation will be paid if the appointment is terminated on any of the grounds set out above. Should the appointment be terminated on the basis of misbehaviour one month's notice will be given. Where conduct is so serious as to warrant immediate removal from office pay in lieu of notice will be paid.

The notice periods shall not prevent the Ombudsman, Deputy Ombudsman or Secretary of State, waiving the right to notice, or the Ombudsman or Deputy Ombudsman accepting a payment in lieu of notice.

### **Executive Board (Management restructure)**

On 1 February 2016 the management of the service was restructured and a new Executive Board was introduced, creating three Director posts.

The following sections provide details of the remuneration and pension interests of the Pensions Ombudsman, Casework Director, Legal Director and Business Director.

The Deputy Pensions Ombudsman is not part of the Executive Board and is not involved in the management of the Service so her salary and pension details are not reported here.

## Salary and pension entitlements

The information in these tables is subject to audit.

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) <sup>1</sup>		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Anthony Arter	115-120* 130-135**	- -	-	-	-	-	-	-	115-120	-
Simon O'Brien	80-85* 95-100**	15-20* 95-100**	-	-	-	-	-	6	80-85	20-25
Jane Carey	10-15* 60-65**	- -	-	-	-	-	13	-	10-15	-
Fiona Nicol	10-15* 60-65**	- -	-	-	-	-	3	-	10-15	-
Claire Ryan	5-10* 40-45**	- -	-	-	-	-	6	-	10-15	-

\* actual salary \*\* annualised salary

1. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

	2015/16 (£'000)	2014/15 (£'000)
Band of Highest Paid Director's Total Remuneration	130-135	135-140
Median Total Remuneration	36	37
Ratio	3.6	3.64

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest paid office holder in the financial year 2015/16 was £130,000 - £135,000 (2014/15 £135,000 - £140,000). This was 3.59 times (2014/15 - 3.67) the median remuneration of the workforce which was £36,392 (2014/15 - £37,000).

No employees received remuneration in excess of the highest paid office holder.

Total remuneration includes salary and non-consolidated performance related pay. It does not include employer pension contributions and the case equivalent transfer values of pensions.

## Pension Benefits

The information in this table is subject to audit

	Accrued pension at age 60 as at 31/3/16 (£'000)	Real increase in pension at age 60 (£'000)	CETV at 31/3/16 (£'000)	CETV at 31/3/15 (£'000)	Real Increase in CETV (£'000)
Jane Carey	-	0-2.5	337	315	8
Fiona Nicol	-	0-2.5	227	219	2
Claire Ryan	-	0-2.5	172	158	3.5
Simon O'Brien	-	2.5-5	58	5	46

Related lump sum at 31/3/16 and at pension age is Nil.

Anthony Arter does not receive any pension benefits as a result of his appointment.

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their current service in a senior capacity to which disclosure applies. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pensions benefits are taken.

## The real increase in the value of the CETV

This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the individual and is worked out using common market valuation factors for the start and end of the period.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their

normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015, and 8% and 14.75% from 1 October 2015 (depending on the age of the member), into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015, and 0.5% of pensionable salary from 1 October 2015, to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Although the PCSPS is unfunded, employer contributions are set at the level of contributions that would be paid by private sector employers to pension schemes for their employees. For 2015/2016, employers’ contributions were payable to the Principal Civil Service Pension Scheme in the range 20% to 24.5% of pensionable pay. From 1 April 2016 the percentages remain the same but the salary bands have changed.

New career average pension arrangements come into force from 1 April 2015 and the majority of classic, premium, classic plus, and nuvos members joined the new scheme.

The information in this table is subject to audit.

Band	2015-2016		From 1 April 2016	
	Salary Band (£)	Rate of charge	Salary Band (£)	Rate of charge
Band 1	22,000 and under	20%	22,500 and under	20%
Band 2	22,001 to 45,000	20.9%	22,501 to 45,000	20.9%
Band 3	45,001 to 75,000	22.1%	45,001 to 76,000	22.1%
Band 4	75,001 and above	24.5%	76,001 and above	24.5%

Further details about the Civil Service pension arrangements can be found at the website: [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

Further staff cost disclosures are included in the notes to the accounts in note 3. The financial disclosures within the Remuneration Report are subject to audit.



## Our people

---

### Ombudsmen

The holders of the posts of Pensions Ombudsman/Pension Protection Fund Ombudsman and Deputy Pensions Ombudsman/Pension Protection Fund Ombudsman are statutory commissioners. They are excluded from the figures below.

### Staff

Staff numbers at year end			
	2013/14	2014/15	2015/16
Full time equivalent	34.9	40.3	45.14

We have increased our investigation resource given the increase in our workload.

	2013/14	2014/15	2015/16
Staff costs	£1,908,283	£2,077,857	£2,223,816

### Pay

We are bound to follow Treasury guidance for the public sector, so the maximum consolidated increase in total payroll allowed was 1%. For non-consolidated awards we were able to use up to an equivalent sum to the performance pot from the year before.

To be eligible for an award in 2015/16, staff needed to have been in post on 31 March 2015. All eligible staff received a consolidated 1% increase.

### Diversity

#### Gender of staff in post (headcount)

	Year end 2014/15		Year end 2015/16	
	Male	Female	Male	Female
Ombudsmen	1	1	1	1
Managers	2	4	3	6
Other employees	11	20	23	16

In previous years we collected diversity statistics as part of the annual staff survey but in September 2015 we conducted our first discrete staff diversity survey.

Previously diversity questions were confined to the categories of ethnic group, religion, disability, caring for someone with long-term illness or disability, and caring responsibilities for dependent children. This time round we asked additional questions in relation to sexual orientation, gender/transgender, marital and civil partnership status, to capture information across all nine of the protected characteristics in the Equality Act 2010.

56% of staff completed the survey. The sample size is small and we are not in a position to say that the sample is representative of staff as a whole. It is however the only sample we have and so we compared it with population statistics on the basis that the results should be read with care and in the knowledge that they may not be accurate in determining how well we were performing as a diversity aware employer. They also provide us with a useful benchmark.

### **Summary of key results at September 2015**

- Our staff compliment has an over-representation of 45 to 54 year olds in comparison to that age bracket in the UK (age 20 to 75) population.
- In the three other age brackets our staff are under-represented by 3 to 5% in each case. It will be interesting to see whether new methods of communication with the public and the use of social media in recruitment will attract more younger people to apply to us for jobs.
- We had a higher percentage of male staff compared to their representation in the UK population.
- When compared with Greater London, people of white origin are over-represented in our workforce. When compared with the population of the South-East (including Greater London) white people are under-represented. Whilst some 58% of staff live in Greater London our catchment area for staff is somewhat wider, with a substantial minority living in the home counties, outside the London boundary. It is therefore difficult to know which geographical area to use as a comparison for our staff statistics. It would seem appropriate to recognise both and conclude that the correct comparison is probably somewhere between the two.
- Disabled staff are under-represented in comparison with the UK population. With such a small sample size, the difference amounts to just over one person.

- Married staff and divorced staff are over-represented in our workforce, and single people, widowed and separated are under-represented.
- The representation of heterosexual people in our workforce is almost equal with that of the estimated UK population. The representation of gay and lesbian and bi-sexual people is about right.
- Christians, Buddhists, Jews and Sikhs are under-represented. Those having no religion or belief are over-represented.
- No one described themselves as transgender.
- One member of staff was on maternity leave as at 30 September 2015.
- 34% of staff said they had caring responsibilities for a child or children.
- 26.1% of staff said they looked after or give help to family members or friends who have a long-term physical or mental impairment or who have problems related to old age.
- Two staff said they had experienced discrimination. Although this is nothing to be complacent about, it is fewer than the previous figures we have for this which was for the 2013-14 year. These show six staff saying they had experienced discrimination, two on grounds of disability, one on ethnic grounds and two “other”. Hopefully the development of our aims and values and the provision of equalities training has helped. We will continue to provide equalities training and have reminded everyone of the importance of acting in accordance with our aims and values.

## Staff satisfaction

We introduced our staff survey in 2010-11 and have run it every year since. It now gives us a valuable insight into how people feel, where we can improve and how things are changing.

The results of the staff survey demonstrate high levels of staff interest and satisfaction with their work, having the skills to do the job and clear understanding of the organisation’s purpose and objectives.

Significantly, specific initiatives have increased the opportunities for career progression over the year and this is reflected in what staff are saying.

There is a good sense of team work within teams and people feel involved in decisions that affect them. Staff feel valued for the work they do and managers are considerate of work-life balance issues.

Managers are open to ideas and people are encouraged to come up with new and better ways of doing things so that we can improve and enhance the service provided to the customer.

Though still positive, the areas where we could do better (in some cases showing a downward trend) were around motivation; discretion over how work is done; people feeling they have the right tools to do the job; being kept informed about matters that affect them; the alignment of management action and our vision, aims and values; and the sense of the whole of the service working as a team together.

We focussed on motivation during 2015/16 and will be continuing this during the 2016/17 year. We are exploring ways to enhance our technology in order to streamline processes and provide better systems support for staff.

The timing of the staff survey, which is held at the same time each year, happened to coincide with a period immediately following the implementation of a new management structure and shortly before the introduction of new processes for casework. In effect the staff survey was completed at a time of uncertainty and some of the sentiments expressed in the survey about management action, information and working together as a team were reflective of that uncertainty. We have since held a staff event aimed at working together, and we will be considering further steps in order to strengthen our performance in these areas over the course of the next year.

## **Sickness**

The average absence for the year was 3.5 per capita. This figure is slightly higher this year as we had two long term absences.

## Parliamentary accountability and audit report

---

### Statutory background

The Pensions Ombudsman is a statutory commissioner appointed by the Secretary of State for Work and Pensions under section 154 of the Pension Schemes Act 1993. The jurisdiction and powers of the Pensions Ombudsman are derived from Part X of the Pension Schemes Act 1993 and regulations thereunder.

The Ombudsman for the Board of the Pension Protection Fund (the Pension Protection Fund Ombudsman) is a statutory commissioner appointed by the Secretary of State for Work and Pensions under section 209 of the Pensions Act 2004. The jurisdiction and powers of the Pension Protection Fund Ombudsman are contained in sections 209 to 218 of the Pensions Act 2004 and regulations thereunder.

The respective legislation also provides for the appointment by the Secretary of State for Work and Pensions, of a Deputy Pensions Ombudsman and a Deputy Ombudsman for the Board of the Pension Protection Fund (Deputy Pension Protection Fund Ombudsman).

At present the postholder of Pensions Ombudsman also holds the post of Pension Protection Fund Ombudsman. Similarly, the Deputy Pensions Ombudsman also holds the post of Deputy Pension Protection Fund Ombudsman.

### Other interests

Neither the Pensions Ombudsman nor the Deputy Pensions Ombudsman had any significant external interests that conflicted with their management responsibilities.

### Accounting and audit

The accounts have been prepared under a direction issued by the Secretary of State for the Department for Work and Pensions in accordance with Section 145(8) – (10) of the Pension Schemes Act 1993 and section 212A of the Pensions Act 2004 as inserted by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2008.

There are no significant future net liabilities that will be financed by grant-in-aid.

Details of the treatment of pension liabilities in the accounts can be found in the Remuneration Report, in the accounting policies and note 3.

The office has a policy of paying invoices within 10 days and monitors compliance with it. The process is such that invoices are in fact paid within a maximum of five working days, unless there is a query on the invoice.

The auditors did not receive any remuneration for non-audit work.

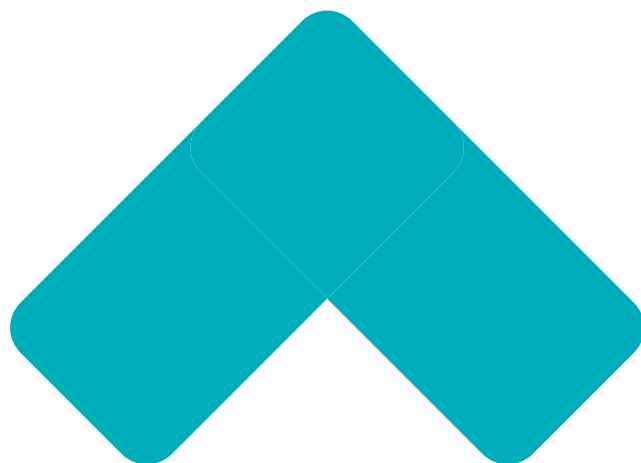
So far as the Pensions Ombudsman is aware, there is no relevant audit information of which the auditors are unaware, and the Pensions Ombudsman has taken all the steps that he ought to have taken to make him aware of any relevant audit information and to establish that the auditors are aware of that information.



**Anthony Arter**

Pensions Ombudsman  
Pension Protection Fund Ombudsman

23 June 2016



# Certificate and Report of the Comptroller and Auditor General

---

## **The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament**

I have audited the financial statements of the Pensions Ombudsman and Pension Protection Fund Ombudsman for the year ended 31 March 2016 under the Pension Schemes Act 1993 and the Pensions Act 2004. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

## **Respective responsibilities of the Board, Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Ombudsman as the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, and express an opinion on the financial statements in accordance with the Pension Schemes Act 1993 and the Pensions Act 2004. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Pensions Ombudsman and Pension Protection Fund Ombudsman's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Pensions Ombudsman and Pension Protection Fund Ombudsman; and the overall presentation of the financial statements. In addition I read all the financial and nonfinancial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the

knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Pensions Ombudsman and Pension Protection Fund Ombudsman's affairs as at 31 March 2016 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Pension Schemes Act 1993 and the Pensions Act 2004 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Pension Schemes Act 1993 and the Pensions Act 2004; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

Sir Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

29 June 2016

## Statement of comprehensive net expenditure

Year ended 31 March 2016

	Note	2015/16 £	2014/15 £
<b>Expenditure</b>			
Staff costs	3	(2,223,816)	(2,077,857)
Depreciation	5	(5,238)	(5,089)
Amortisation	6	(73,182)	(73,182)
Other expenditure	4	<u>(1,078,637)</u>	<u>(1,134,969)</u>
<b>Operating deficit</b>		<u>(3,380,873)</u>	<u>(3,291,097)</u>
<b>Total comprehensive expenditure</b>		<u>(3,380,873)</u>	<u>(3,291,097)</u>

All activities were continuing throughout the year.

The notes on pages 70 to 82 form part of these accounts.

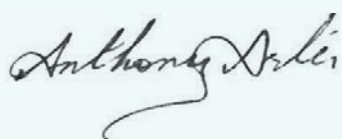
## Statement of financial position

Year ended 31 March 2016

	Note	2015/16 £	2014/15 £
<b>Non-current assets</b>			
Property, plant and equipment	5	29,149	24,252
Intangible assets	6	<u>105,348</u>	<u>178,530</u>
<b>Total non-current assets</b>		<b>134,497</b>	<b>202,782</b>
<b>Current assets</b>			
Trade and other receivables	7	64,206	71,026
Cash and cash equivalents	8	<u>187,328</u>	<u>17,410</u>
<b>Total current assets</b>		<b><u>251,534</u></b>	<b><u>88,436</u></b>
<b>Total assets</b>		<b><u>386,031</u></b>	<b><u>291,218</u></b>
<b>Current liabilities</b>			
Trade and other payables	9	<u>179,644</u>	<u>135,959</u>
<b>Total current liabilities</b>		<b><u>179,644</u></b>	<b><u>135,959</u></b>
<b>Assets less liabilities</b>		<b><u>206,387</u></b>	<b><u>155,259</u></b>
<b>Capital and reserves</b>			
General reserve		<u>206,387</u>	<u>155,259</u>

The financial statements on pages 62 to 65 were approved on 23 June 2016

and signed by



Anthony Arter  
Pensions Ombudsman  
Pensions Protection Fund Ombudsman

The notes on pages 70 to 82 form part of these accounts.

## Statement of cash flows

Year ended 31 March 2016

	Note	2015/16 £	£	2014/15 £	£
<b>Cash flows from operating activities</b>					
Net expenditure		<b>(3,380,873)</b>		(3,291,097)	
Depreciation	5	5,238		5,089	
Amortisation	6	73,182		73,182	
Revaluation of non current assets	5	-		11,345	
Decrease/(Increase) in receivables		6,820		(693)	
Increase/(Decrease) in payables		43,685		(73,063)	
Net cash outflow from operating activities		<b>(3,251,948)</b>		(3,275,237)	
<b>Cash flows from investing activities 5</b>					
Purchase of property, plant and equipment		<b>(10,134)</b>		(1,507)	
Net cash outflow from investing activities		<b>(10,134)</b>		(1,507)	
<b>Cash flows from financing activities</b>					
Grants from sponsor department		<b>3,432,000</b>		3,067,000	
<b>Net financing</b>		<b>3,432,000</b>		3,067,000	
Net increase/(decrease) in cash and cash equivalents in the year		<b>169,918</b>		(209,744)	
Cash and cash equivalents at the beginning of the year		<b>17,410</b>		227,154	
Cash and cash equivalents at the end of the year		<b>187,328</b>		17,410	

The notes on pages 70 to 82 form part of these accounts.

## Statement of changes in taxpayer's equity

Year ended 31 March 2016

	General Reserve £
<b>Balance at 1 April 2014</b>	<u>379,356</u>
<b>Changes in Taxpayers' Equity</b>	
Comprehensive expenditure for the year	<u>(3,291,097)</u>
Grant from sponsor department	<u>3,067,000</u>
<b>Balance at 31 March 2015</b>	<u>155,259</u>
<b>Changes in Taxpayers' Equity</b>	
Comprehensive expenditure for the year	<u>(3,380,873)</u>
Grant from sponsor department	<u>3,432,000</u>
<b>Balance at 31 March 2016</b>	<u>206,387</u>

The notes on pages 70 to 82 form part of these accounts.

## Notes to the accounts

### Year ended 31 March 2016

## 1. Accounting Policies

### Basis of accounting

These financial statements have been prepared in accordance with the 2015-16 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Pensions Ombudsman for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Pensions Ombudsman are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### International Financial Reporting Standards Amendments and Interpretations effective in 2015-16

No Amendments or Interpretations that have been issued but are not yet effective, and that are available for early adoption, have been applied by the Pensions Ombudsman in these financial statements. There are no Amendments or Interpretations issued, but not yet effective, which are expected to have a material effect on the financial statements in the future.

### Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

### Going concern

Future financing of the Ombudsman will be met by grant-in aid from the Department for Work and Pensions, as the Ombudsman's sponsoring department. The amount for 2016/17 has already been agreed and there is no reason to suppose that this will not continue. It has accordingly been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

## Notes to the accounts

### Year ended 31 March 2016

#### 1. Accounting Policies (continued)

##### Grant-in-aid

Grant-in-aid received used to finance activities which support the statutory and other objectives of the entity are treated as financing, credited to the General Reserve, because they are regarded as contributions from a controlling party. Grant-in-aid is accounted for on a cash basis.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

##### Other income and expenditure

Other income and expenditure is recognised on an accruals basis. Where income received relates to the period of time covering more than one accounting period that part extending beyond the current accounting period is treated as deferred income.

##### VAT

The Ombudsman was not registered for VAT during the financial year 2015/16.

##### Property, plant and equipment

Property, plant and equipment are valued at current replacement cost which is calculated by applying appropriate Office for National Statistics indices (ONS) to the historical cost of each asset. Any surplus on revaluation of these is credited to the General Reserve. Any impairment in the value of a non-current asset on revaluation is charged to the Statement of Comprehensive Net Expenditure when it occurs. The Ombudsman is required to remit the proceeds of disposal of non-current assets to the Secretary of State.

Non-current assets are recognised where expenditure is in excess of £500.

## Notes to the accounts

### Year ended 31 March 2016

#### 1. Accounting Policies (continued)

##### Depreciation

Depreciation is calculated so as to write off the carrying value of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Information Technology	- Straight line over 5 to 10 years
Leasehold Improvements	- Straight line over estimated remaining life of the lease

Assets are not depreciated until they are commissioned or brought into use.

During 2015-16 the Ombudsman conducted a review of its depreciation rates to ensure assets were charged over the expected useful economic life of the assets, this resulted in some items of IT Equipment being charged over a revised 10 years (9 years 2014-15). The impact of this change in accounting estimate is a £87 reduction in charge for the year to the Statement of Comprehensive Net Expenditure.

During 2015-16 the estimated remaining life of the lease was determined to be the 5 years up to 31 March 2021. It is the Ombudsman's view that this is an accurate estimate of the remaining life of the lease, as it is fully expected that the lease will be renewed in June 2016.

##### Intangible assets

Intangible assets are recognised and valued at current replacement cost which is calculated by applying appropriate Office for National Statistics indices (ONS) to the historical cost of each asset. Any surplus on revaluation of these is credited to the General Reserve. Any impairment in the value of a non-current asset on revaluation is charged to the Statement of Comprehensive Net Expenditure when it occurs. The Ombudsman is required to remit the proceeds of disposal of non-current assets to the Secretary of State.



## Notes to the accounts

### Year ended 31 March 2016

#### 1. Accounting Policies (continued)

##### Amortisation

Amortisation is calculated so as to write off the carrying value of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Information Technology - Straight line over 5 years

Intangible assets are not depreciated until they are commissioned or brought into use.

##### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the relevant lease.

##### Pension arrangements

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory, except in respect of dependants' benefits, but the Ombudsman is unable to identify its shares of underlying assets and liabilities. The Ombudsman recognises the expected cost of providing pensions over the period during which it benefits from employees' service by payment to the PCSPS of contributions calculated on an accruing basis. Liability for the payment of future benefits is a charge on the PCSPS.

##### Financial instruments

The Pensions Ombudsman determines the classification of financial assets and liabilities at initial recognition. They are derecognised when the right to receive cash flows has expired or when it transfers the financial asset and the transfer qualifies for derecognition.

## Notes to the accounts

Year ended 31 March 2016

### 1. Accounting Policies (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade and other receivables is usually the original invoiced amount.

Cash at bank and in hand comprises cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

The Pensions Ombudsman assesses at each Statement of Financial Position date whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Statement of Financial Position date and whether such events have had an impact on the estimated future cash flows of the financial instrument and can be reliably estimated.

Interest determined, impairment losses and translation differences on monetary items are recognised in the Statement of Comprehensive Net Expenditure.

#### **Critical accounting judgments and key sources of estimation uncertainty**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts in the financial statements.

We consider there to be no areas of critical judgment used in applying the accounting policies.

There are no significant sources of estimation uncertainty.

#### **Operating Segments**

The Pensions Ombudsman only report one operating segment to management for the entire organisation. As such there is no additional analysis requiring disclosure in the accounts.

## Notes to the accounts

### Year ended 31 March 2016

## 2. Pension Protection Fund Ombudsman (PPFO) element of costs

PPFO activity continues to be of relatively limited scale. An informal time recording arrangement is in place to support the split of costs. During the year ending 31 March 2016, 12 PPFO cases (2014/15: 18 cases) and 1308 PO cases (2014/15: 970 cases) were closed. Approximately 1.1% (2014/15: 1.8%) of expenditure and total net liabilities (corresponding to £37,190 for the year ended 31 March 2016) is deemed attributable to the PPFO (2014/15: £59,240).

No further analysis of costs is made between PPFO and PO cases and these costs are not separately reported to management. Therefore the Ombudsman is considered to only have one operating segment and as such there is no additional segmental analysis requiring disclosure in the accounts.

## 3. Staff costs

	Year ended 31 March 2016			31 March 2015
	Total	Permanently employed staff	Others	
	£	£	£	£
Wages and salaries	1,747,790	1,742,598	5,192	1,634,259
Social security costs	155,083	155,083	-	142,326
Other pension costs	<u>320,943</u>	<u>320,943</u>	<u>-</u>	<u>301,272</u>
	<u>2,223,816</u>	<u>2,218,624</u>	<u>5,192</u>	<u>2,077,857</u>

The average number of staff employed during the period was 44 (2014/15: 41). The average number of other staff was 1 (2014/15: 1).

## Notes to the accounts

### Year ended 31 March 2016

#### 4. Other expenditure

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Rent and rates	352,290	354,111
Insurance	1,287	1,416
Business continuity	12,017	12,304
Travel and subsistence	6,840	6,557
Telephone	5,195	2,329
Hire of equipment	14,871	26,333
Printing, stationery and postage	52,623	46,259
Staff training	26,360	23,330
Sundry expenses	6,868	7,991
Computer expenses	405,777	388,869
Subscriptions	67,759	51,317
Staff recruitment	53,452	19,609
Legal and professional fees	36,072	146,803
Accountancy fees	15,930	15,060
Auditor's remuneration	20,500	20,500
Non-cash items:		
• Revaluation of non current assets	-	11,345
• Bank charges	796	836
	<u>1,078,637</u>	<u>1,134,969</u>

The auditors did not receive any remuneration for non audit work (2014/15: £Nil).

**Notes to the accounts**  
Year ended 31 March 2016

**5. Property, plant and equipment**

	Information Technology	Leasehold Property	Total
Valuation	£	£	£
At 1 April 2015	44,282	26,158	70,440
Additions	624	9,510	10,134
<b>At 31 March 2016</b>	<b><u>44,906</u></b>	<b><u>35,668</u></b>	<b><u>80,574</u></b>
<b>Depreciation</b>			
At 1 April 2015	41,651	4,537	46,188
Charge for the year	701	4,537	5,238
<b>At 31 March 2015</b>	<b><u>42,352</u></b>	<b><u>9,034</u></b>	<b><u>51,426</u></b>
<b>Carrying amount</b>			
<b>At 31 March 2016</b>	<b><u>2,554</u></b>	<b><u>26,594</u></b>	<b><u>29,148</u></b>
At 31 March 2015	2,631	21,621	24,252
<b>Valuation</b>			
At 1 April 2014	44,511	27,220	71,731
Revaluation	(1,736)	(1,062)	(2,798)
Additions	1,507	-	1,507
<b>At 31 March 2014</b>	<b><u>44,282</u></b>	<b><u>26,158</u></b>	<b><u>70,440</u></b>
<b>Depreciation</b>			
At 1 April 2014	42,767	-	42,767
Revaluation	(1,668)	-	(1,668)
Charge for the year	552	4,537	5,089
<b>At 31 March 2015</b>	<b><u>41,651</u></b>	<b><u>4,537</u></b>	<b><u>46,188</u></b>
<b>Carrying amount</b>			
<b>At 31 March 2015</b>	<b><u>2,631</u></b>	<b><u>21,621</u></b>	<b><u>24,252</u></b>
At 31 March 2014	1,744	27,220	28,964

## Notes to the accounts

### Year ended 31 March 2016

#### 6. Intangible assets

	Information Technology £	Total £
<b>Valuation</b>		
At 1 April 2015	324,212	324,212
<b>At 31 March 2016</b>	<b><u>324,212</u></b>	<b><u>324,212</u></b>
<b>Amortisation</b>		
At 1 April 2015	145,682	145,682
Charge for the year	73,182	73,182
<b>At 31 March 2016</b>	<b><u>218,864</u></b>	<b><u>218,864</u></b>
<b>Carrying amount</b>		
<b>At 31 March 2016</b>	<b><u>105,348</u></b>	<b><u>105,348</u></b>
At 31 March 2015	<u>178,530</u>	<u>178,530</u>
<b>Valuation</b>		
At 1 April 2014	337,369	337,369
Revaluation	(13,157)	(13,157)
<b>At 31 March 2015</b>	<b><u>324,212</u></b>	<b><u>324,212</u></b>
<b>Amortisation</b>		
At 1 April 2014	75,442	75,442
Revaluation	(2,942)	(2,942)
Charge for the year	73,182	73,182
<b>At 31 March 2015</b>	<b><u>145,682</u></b>	<b><u>145,682</u></b>
<b>Carrying amount</b>		
<b>At 31 March 2015</b>	<b><u>178,530</u></b>	<b><u>178,530</u></b>
At 31 March 2014	<u>261,927</u>	<u>261,927</u>

Included in Intangible assets at 31 March 2016 are leased assets with a valuation of £324,212 and accumulated amortisation of £145,682. The carrying amount that would have been recognised had IT been measured after recognition using the cost model would be £143,394 (2014/15 £216,576).

## Notes to the accounts

### Year ended 31 March 2016

#### 7. Trade and other receivables

	31 March 2016	31 March 2015
	£	£
Other receivables	12,824	20,420
Prepayments	<u>51,382</u>	<u>50,606</u>
	<u>64,206</u>	<u>71,026</u>

There are no intra government balances

#### 8. Cash and cash equivalents

	31 March 2016	31 March 2015
	£	£
Balance at 1 April	17,410	227,154
Net change in cash and cash equivalent balances	<u>169,918</u>	<u>(209,744)</u>
Balance at 31 March	<u>187,328</u>	<u>17,410</u>

The following balances at 31 March 2016 were held at:  
Commercial banks and cash in hand £187,094 (31 March 2015: £17,226).

#### 9. Trade and other payables

	31 March 2016	31 March 2015
	£	£
Accruals	<u>179,644</u>	<u>135,959</u>

## Notes to the accounts

### Year ended 31 March 2016

#### Payables: Balances with other Government bodies

	31 March 2016	31 March 2015
	£	£
DWP	22,205	20,364
HM Revenue and Customs	61,778	57,627
Bodies external to government	<u>95,661</u>	<u>57,968</u>
Accruals	<u>179,644</u>	<u>135,959</u>

#### 10. Commitments under operating leases

The total future minimum lease payments under operating leases are given below, analysed according to the period in which payments fall due:

##### Buildings

	31 March 2016	31 March 2015
	£	£
Obligations under operating leases comprise: -		
Not later than one year	57,713	225,096
Later than one year and not later than five years	<u>-</u>	<u>56,274</u>
	<u>57,713</u>	<u>281,370</u>

##### Other

	31 March 2016	31 March 2015
	£	£
Obligations under operating leases comprise: -		
Not later than one year	121,967	121,967
Later than one year and not later than five years	<u>130,642</u>	<u>252,609</u>
	<u>252,609</u>	<u>374,576</u>



## Notes to the accounts

Year ended 31 March 2016

### 11. Related party transactions

The Department for Work and Pensions are our Sponsor Department and grant-in-aid is received from them, the amounts are disclosed in the Statement of Changes in Taxpayers' Equity. Service Charges in respect of the accommodation were reimbursed to the Department for Work and Pensions in the sum of £23,616 during the year (2014/15: £22,264). During the year the office accommodation was rented from HM Revenue and Customs at an annual cost of £320,111 (2014/15: £352,120). At 31 March 2016 £1,905 was due to the Department for Work and Pensions (2014/15: £nil) and £65,244 was due to HM Revenue and Customs (2014/15: £57,627). The Ombudsman's Internal Audit Services are provided by the Department for Work and Pensions and the annual cost was £20,300 for 2015/16 (2014/15: £20,364). At 31 March 2016 £20,300 was due to the Department for Work and Pensions (2014/15: £20,364).

### 12. Capital commitments

Amounts contracted for but not provided in the accounts amounts to £nil (2014/15: £nil).

### 13. Financial instruments

It is, and has been, the Pensions Ombudsman's policy that no trading in financial instruments is undertaken.

The Ombudsman does not face the degree of exposure to financial risk that commercial businesses do. In addition financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing the Pensions Ombudsman in undertaking its activities. The Ombudsman relies upon the Department for Work and Pensions for its cash requirements, having no power itself to borrow or invest surplus funds and the Ombudsman's main financial assets and liabilities have either a nil or a fixed rate of interest related to the cost of capital (currently 3.5%). The short-term liquidity and interest rate risks are therefore slight. Therefore the liquidity, interest rate and foreign currency risks facing the Ombudsman are not significant.

The fair values of the Ombudsman's financial assets and liabilities for both the current and comparative year do not differ materially from their carrying values.

## Notes to the accounts

Year ended 31 March 2016

### Financial liabilities by category at fair value

	2016 Measured at amortised cost £	2015 Measured at amortised cost £
Accruals	<u>179,644</u>	<u>135,959</u>

### 14. Events after the reporting date

No material events have occurred since the reporting date that have an effect on the accounts. The Accounting Officer authorised these financial statements for issue on the same date as the Certificate and Report of the Comptroller and Auditor General.





ISBN 978-1-4741-3385-2



9 781474 133852