

Ombudsman's Determination

Applicant	Mr Y
Scheme	The Principal Civil Service Pension Scheme (the Scheme)
Respondents	Cabinet Office (the CO); and MyCSP

Outcome

1. I do not uphold Mr Y's complaint, and no further action is required by the Respondents.

Complaint summary

2. Mr Y complained about the difference in the pension benefits illustrated within his 2020 and 2021 Annual Benefit Statement (**ABS**).

Background information, including submissions from the parties

3. On 3 March 1980, Mr Y joined the Scheme.
4. On 2 December 2011, Mr Y, as a respondent to his divorce proceedings, was issued with a Decree Nisi.
5. On 22 May 2012, Mr Y was issued with a sealed Ancillary Relief Order, together with a Pension Sharing Order (**PSO**). The PSO was in favour of his ex-wife for 40% of the Cash Equivalent Transfer Value (**CETV**) of his benefits in the Scheme.
6. On 22 October 2012, Mr Y's divorce from his ex-wife was finalised and a Decree Absolute issued.
7. On 31 July 2019, Mr Y left the Scheme and subsequently joined the Alpha Scheme. His qualifying service in the Scheme was recorded as 39 years and 147 days and reckonable service as 39 years and 144 days.

8. On 1 September 2021, Mr Y received his ABS for the year 2020/2021. On receipt of the ABS, Mr Y said he contacted MyCSP to ask why the benefits illustrated in his 2021 ABS were lower than the 2020 ABS.
9. On 13 December 2021, Civil Service Pensions (**CSP**) told Mr Y that MyCSP had omitted to deduct the debit in relation to the PSO in the 2020 ABS, while deducting it twice in the 2021 ABS.
10. On 11 July 2022, Mr Y requested a review of his complaint under the Scheme's Internal Dispute Resolution Procedure (**IDRP**).
11. On 26 August 2022, Mr Y's complaint was partially upheld because of the errors identified within the statements, which MyCSP had communicated to Mr Y on 13 December 2021. Nevertheless, following the PSO, Mr Y's ex -wife had been awarded 40% of his benefits in the Scheme. This was held as a pension debit in favour of Mr Y's ex-wife against the benefits in the Scheme. At the effective date of the PSO, his ex-wife's share of benefits was valued at £6,577.58, but, as of 31 March 2022, and in accordance with Pension Increases (**PI**) this figure had increased to £7,525.41. So, while Mr Y had experienced a loss of expectation there was no financial loss because Mr Y's entitlement was correct and calculated in accordance with the Scheme Regulations.
12. On 11 September 2022, Mr Y requested a second review of his complaint under the Scheme's IDRP.
13. On 2 June 2023, MyCSP replied to Mr Y under Stage two of the Scheme's IDRP and apologised for the delay in responding. In summary it said:
 - Mr Y had previously written to MyCSP and said that his 2020 ABS showed his pension as £19,073 and a lump sum as £57,219, while his 2021 ABS showed his pension as £4,053 and lump sum as £12,161.
 - MyCSP had already explained that errors had occurred but had subsequently supplied the correct calculations and amended ABS.
 - Mr Y did not believe that the pension debit should attract the PI. But this was in accordance with provisions of the Welfare Reforms and Pensions Act (WRPA) 1999 and the Pensions (Increase) Act 1971.
 - While there were errors in the statements no money had been removed from the Scheme as the pension debit only occurs when benefits are claimed.

Mr Y's position

14. He had received his 2021 ABS which showed a figure of over £60,000 less than his 2020 statement. Approximately £45,000 off his lump sum and £15,000 off his annual pension.

15. He had queried the difference in figures and was informed that his benefits in the Scheme were subject to a PSO and the relevant deduction had not been applied.
16. The PSO had been dealt and implemented on 21 May 2012, so he believed anything in his pension after that date was solely his.
17. No worthwhile explanation was given to him about the deduction and the respondents failed to respond to his complaint in accordance with their timescales.
18. He thought he had lost £30,000 of his pension and had lost much sleep over this. This had impacted his plans for retirement in July 2023. He wanted the amounts quoted in his 2020 ABS to be honoured.

The Respondents' positions

19. The Scheme is otherwise known as the Classic Scheme and is administered by MyCSP with guidance from the CO, the Scheme Manager.
20. An ABS is an illustration of the benefits one may receive, but it was not a guarantee of entitlement. The Regulations of the Scheme govern payment of benefits, and no payments can be made other than in accordance with the Regulations.
21. Pensions that are subject to a PSO will reduce by the percentage specified in the court order. This percentage is then converted into benefits for the former spouse as a pension credit.
22. All pension benefits, including pension debits, have Consumer Price Index (CPI) added in line with HM Treasury legislation. When the debit member's benefits come into payment, each element of the pension debit will be increased in line with CPI from the effective date of the PSO.
23. Mr Y's divorce was finalised on 22 October 2012 and a PSO was granted in favour of Mr Y's ex-wife for 40% of the CETV of his benefits in the Scheme. Mr Y's gross pension value at the effective date was £16,443.96 and his ex-wife's share at that time was £6,577.58. The pension debit was uplifted by PI and at revaluation, on 31 March 2022, the pension debit was valued as £7,525.41.
24. In error the pension debit regarding the PSO had been deducted twice from the 2021 ABS and had not been factored within the 2020 ABS at all. While errors had occurred within the illustrative statements, Mr Y was treated in accordance with the PSO, and the legislation and he did not suffer a financial loss.

Adjudicator's Opinion

25. Mr Y's complaint was considered by one of our Adjudicators who concluded that the no further action was required by the CO or MyCSP. The Adjudicator's findings are summarised below:-

- The PSO was in favour of Mr Y's ex-wife for 40% of the CETV of his benefits in the Scheme. In the light of this, Mr Y's ex-spouse had become a member of the Scheme in her own right, and her pension credit was held as a debit against Mr Y's benefits in the Scheme.
- In accordance with section 39 of the WRPA 1999, the pension credit awarded to Mr Y's ex-wife had to be increased in accordance with the Pensions (**Increases**) Act 1971 from the effective date of the PSO. MyCSP was therefore correct in asserting that Mr Y's ex-wife's benefits attracted the PI in the same way as any other member, and, in any event, this had no bearing on Mr Y's entitlement.
- The PSO was granted on 22 May 2012, and the pension debit against Mr Y's benefits in the Scheme was valued on the effective date of the PSO as £6,577.58. This subsequently calculated increased to £7,525.41 in accordance with PI.
- A valuation of Mr Y's benefits had been supplied to Mr Y with the Stage two IDR response.
- MyCSP had incorrectly omitted to deduct the PSO from Mr Y's 2020 statement and had mistakenly deducted it twice from the 2021 statement. This was what had caused the confusion and the large increase in benefits between Mr Y's 2020 and 2021 ABS.
- While Mr Y may have suffered a loss of expectation, he had not sustained any financial injustice because he was only entitled to receive his proportion of the benefits under the Regulations of the Scheme.

26. MyCSP and the CO agreed with the Adjudicator's Opinion and made no further comments.

27. Mr Y did not accept the Adjudicator's Opinion but made no further comments and the complaint was passed to me to consider. I agree with the Adjudicator's Opinion.

Ombudsman's decision

28. Mr Y was a member of the Scheme. On 22 May 2012, in conjunction with his and his ex-wife's divorce proceedings, the Court ordered a PSO under the Matrimonial Causes Act 1973 (**the MCA 1973**) in favour of his ex-wife, for a proportion of the benefits Mr Y held within the Scheme.

29. Mr Y was under the impression that the PSO had been dealt with on 22 May 2012, however, in accordance with s24(B)(2) the MCA 1973, the order did not take effect until the Decree of Divorce was finalised, which in this case occurred on 22 October 2012. The effect of the PSO was that Mr Y's pension rights in the Scheme became subject to a reduction of 40%, in accordance with section 28 and 29 WRPA 1999. While I accept that the PSO provisions intend to give rise to a 'clean break' I am

unable to agree that MyCSP acted contrary to the WRPA 1999. I find that Mr Y's shareable rights in the Scheme had to suffer the appropriate pension debit for this to be applied as a pension credit for his ex-wife's benefit.

30. Further, I find that the MyCSP and the CO are correct in asserting that the notional value of the PSO debit against Mr Y's benefits in the Scheme had to be increased in accordance with pension increases governed by legislative provisions. This is compliant with section 39 of the WRPA 1999 (see Annexe) which amended the Pensions (Increase) Act 1971 to provide for pensions derived from pension sharing to be increased in accordance with pension increases as any other public pensions.
31. While I accept that Mr Y's ABS' contained errors, MyCSP is not obliged to honour the incorrect information contained in the ABS. While the provision of incorrect information is maladministration, Mr Y is only entitled to receive the correct benefits calculated according to the Regulations and the provisions of the WRPA 1999.
32. I would only direct redress if it can be shown that financial loss has flowed from the incorrect information given, and that Mr Y has reasonably relied upon that misinformation. Mr Y has not provided any evidence to show how he might have made up any perceived shortfall in his retirement income had he been aware of the correct position sooner. There is also no evidence that Mr Y made financial commitments in reliance on the misinformation that he would not have otherwise taken had he received the correct information.
33. I therefore do not uphold Mr Y's complaint.

Dominic Harris

Pensions Ombudsman
17 December 2024

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Appendix

Welfare Reform and Pensions Act 1999

“S28 Activation of pension sharing.

(1) Section 29 applies on the taking effect of any of the following relating to a person's shareable rights under a pension arrangement—

(a) a pension sharing order under the Matrimonial Causes Act 1973”

...

“S29 Creation of pension debits and credits.

(1) On the application of this section—

(a) the transferor's shareable rights under the relevant arrangement become subject to a debit of the appropriate amount, and

(b) the transferee becomes entitled to a credit of that amount as against the person responsible for that arrangement.

(2) Where the relevant order or provision specifies a percentage value to be transferred, the appropriate amount for the purposes of subsection (1) is the specified percentage of the cash equivalent of the relevant benefits on the valuation day.

...

(4) Where the relevant arrangement is an occupational pension scheme and the transferor is in pensionable service under the scheme on the transfer day, the relevant benefits for the purposes of subsections (2) and (3) are the benefits or future benefits to which he would be entitled under the scheme by virtue of his shareable rights under it had his pensionable service terminated immediately before that day.”

...

“31 Reduction of benefit.

(1) Subject to subsection (2), where a person's shareable rights under a pension arrangement are subject to a pension debit, each benefit or future benefit—

(a) to which he is entitled under the arrangement by virtue of those rights, and

(b) which is a qualifying benefit,

is reduced by the appropriate percentage.

(2) Where a pension debit relates to the shareable rights under an occupational pension scheme of a person who is in pensionable service under the scheme on the transfer day, each benefit or future benefit—

(a) to which the person is entitled under the scheme by virtue of those rights, and

(b) which corresponds to a qualifying benefit,

is reduced by an amount equal to the appropriate percentage of the corresponding qualifying benefit.

(3) A benefit is a qualifying benefit for the purposes of subsections (1) and (2) if the cash equivalent by reference to which the amount of the pension debit is determined includes an amount in respect of it.”

...

“S39 Public service pension schemes.

(1) The M1Pensions (Increase) Act 1971 shall be amended as follows.

(2) In section 3 (qualifying conditions), after subsection (2) there shall be inserted—

“(2A) A pension attributable to the pensioner having become entitled to a pension credit shall not be increased unless the pensioner has attained the age of fifty-five years.”

(3) In section 8, in subsection (1) (definition of “pension”), in paragraph (a), the words from “(either” to “person)” shall be omitted.

(4) In that section, in subsection (2) (when pension deemed for purposes of the Act to begin), after “pension”, in the first place, there shall be inserted “which is not attributable to a pension credit”, and after that subsection there shall be inserted—

“(2A) A pension which is attributable to a pension credit shall be deemed for purposes of this Act to begin on the day on which the order or provision on which the credit depends takes effect.”