

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

Telephone: 020 7066 9346

Email: enquiries@fs-cp.org.uk

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By email: caxtonhouse.pensiontrustees@dwp.gov.uk

Dear DWP,

Financial Services Consumer Panel response to DWP pension trustee skills, capability and culture: a call for evidence

The Financial Services Consumer Panel (the Panel) is an independent statutory body. We represent the interests of individual and small business consumers in the development of financial services policy and regulation in the UK.

Our focus is predominantly on the work of the FCA, however, we also look at the impact on consumers of other bodies' activities and policy where relevant to the FCA's remit. Whilst the Panel does not have all the evidence necessary to respond to all of the questions, we have included responses to questions we do have insight on.

The Panel's vision for the market is as follows:

- Consumers can easily understand their pensions: where they are, how they are invested, their current value, the potential retirement income they will provide and where to get help.
- Those considering accessing their pensions for the first time receive high-quality impartial guidance on the options available to them
- Those withdrawing lump sums make fully informed decisions, including understanding any tax implications and the risks of holding cash
- Consumers understand the options available to them, and are able to select an option based on their immediate and potential long-term needs
- Firms act in consumers' best interests when managing pensions and pension assets and when providing advice
- Delivery of significant improvements in measurable outcomes including sustainable withdrawal rates and evidence that consumers are selecting products that are appropriate for their needs at any particular point in time

- Pension products offer value for money

The Panel believes that the following member-focussed principles should underpin policy-making concerning pensions :

- Decisions should be based on members' best interests or outcomes, not on the impact on firms of having to manage individual 'pots'
- Assumptions about consumers' behaviours should be evidence-based (not, for example, based on the attitudes or beliefs of pension providers or firms)
- Taxation policies that hinder good outcomes for members need to be addressed (e.g. Uncrystallised Funds Pension Lump Sum (UFPLS) v drawdown)
- Due to the complexity of pensions and low overall engagement, there should be an assumption that high quality guidance or advice is an essential component of good outcomes

The Panel welcomes changes that will improve outcomes for DB scheme members but caution against assumptions of good outcomes for members without a full consideration of the potential risks and mitigations. It is vitally important that unintended consequences to members are anticipated and managed otherwise the costs to members and broader society will increase even while the capital markets are benefiting.

The Pensions Regulator (TPR) recently published data¹ that showed only 24% of DC schemes were meeting a requirement to assess value for members. Larger schemes, such as master trusts, were more likely to meet the requirement, indicating a worryingly poor level of compliance among smaller schemes.

In order to improve consumer confidence in pensions, the Panel agree that there should be a focus in increasing the capability of trustees.

Please find the Panel's responses to the questions posed in Annex 1.

Yours sincerely,

Helen Charlton
Chair, Financial Services Consumer Panel

¹ <https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2023-press-releases/new-initiative-to-check-savers-are-getting-value-from-their-pensions>

Annex A – Response to consultation questions

Q3. What are the barriers to improving trustee capability? What do you think government should do to ensure that all trustees meet the standards expected of them? Does trustee liability put off potential trustees?

Government could ensure that the Chair completes an annual attestation, attesting to the capability and capacity of individuals and the Board as a whole, with evidence. The Panel would suggest that this attestation is accompanied by any gaps and how they will be closed. This would work almost like a form of self-reported RAG rating and the Panel would expect it to lead to better recruitment decisions.