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By email: cp20-09@fca.org.uk

Dear Sir / Madam,

**Financial Services Consumer Panel response to the FCA's consultation on Driving Value for Money in Pensions.**

The Consumer Panel welcomes the FCA's proposals and objectives regarding making it easier for Independent Governance Committees (IGCs) to compare the value for money (VfM) of pension products and services, enabling them to be more effective in assessing value for pension scheme members.

The Consumer Panel wish to additionally highlight:

- The Panel feel it is important ESG factors are considered when assessing value for money in pension products.
- The Panel believe that a reasonable comparison on its own will contribute to, but not necessarily lead to, high cost providers reducing their charges. To achieve this outcome the IGCs need to have an obligation to maximise the value for money they offer to members.
- Additionally, IGCs should have an obligation to publish both the value for money analysis and a narrative describing their actions to drive value for money to the members in their annual statements.

Our responses to the questions posed in the consultation are included at Annex 1 below.

Yours sincerely,

Wanda Goldwag

Chair, Financial Services Consumer Panel

## **Annex 1**

### **Question 1**

**Do you agree with our 3 proposed elements for assessing value for money? If not, what alternative elements do you suggest?**

The Panel broadly agrees with the 3 proposed elements for assessing value for money. However, with Environmental, Social and Governance (ESG) becoming increasingly important for pension savers, the Panel believe some ESG analysis should form part of the evaluation of value for money, forming a fourth criteria.

### **Question 2**

**Do you agree with our proposed definition of VfM? If not, what alternative wording would you suggest?**

Yes. Additionally, it would be easier for members to understand if the comparison gave an order of comparison, for example, stating if an option falls within the top 10% or has been rated better than the average. This will allow for easier comparisons.

### **Question 3**

**Do you agree with our proposed process for VfM assessment? If not, what alternative process would you suggest?**

The Panel agrees with the proposed process for VfM assessment.

Additionally, we would expect the IGC process to include identification of different segments of members to be able to consider different VFM expectations and outcomes across different groups of members. We would expect the IGC narrative to outline the main member groups and also to highlight any variants and outliers along with their expectations for how outcomes will improve.

### **Question 4**

**Do you agree with our proposals for IGCs to compare charges and transaction costs with other options on the market? If not, how should IGCs review costs and charges?**

Yes. The Panel would like to add that the analysis should be done in context of the performance of the scheme and (potentially) ESG credentials of the scheme.

### **Question 5**

**Do you agree with our proposed guidance that fully complying with the charge cap does not necessarily indicate value for money?**

The Panel agrees with the proposed guidance that fully complying with the charge cap does not necessarily indicate value for money. Whilst we are very supportive of the charge cap we believe that adhering to the charge cap and providing value for money can be (for some schemes) largely unconnected issues.

### **Question 6**

**Do you agree that a reasonable comparison of costs and charges with other options available on the market will put pressure on high-charging providers to reduce their charges and transaction costs? If not, how else could this outcome be achieved?**

The Panel believe that a reasonable comparison on its own will contribute to, but not necessarily lead to, high cost providers reducing their charges. To achieve this outcome the IGCs need to have an obligation to maximise the value for money they offer to members.

Additionally, IGCs should have an obligation to publish both the value for money analysis and a narrative describing their actions to drive value for money to the members in their annual statements.

### **Question 7**

**Do you think that further guidance will improve the assessment of legacy products?**

Yes. It would appear that the current rules are not driving IGCs to pay attention to value for money in legacy products.

### **Question 8**

**Do you think that our proposed rules and guidance will improve the clarity of IGC annual reports?**

The Panel believe the proposed rules and guidance will improve the clarity of IGC annual reports.

### **Question 9**

**Do you think that firms providing pension products should have a specific responsibility on ensuring the VfM to customers of these products?**

The Panel believes that firms providing pension products should have a specific responsibility on ensuring value for money to the customers of their products. This supports the Panel's position around the benefits across the broad spectrum of financial service products from the adoption of the proposed New Duty of Care.