



Department of Work and Pensions

By email

31 August 2023

Dear Sir/Madam,

FCA Practitioner Panel response to DWP Consultation on Helping savers understand their pension choices: supporting individuals at the point of access

The UK's Financial Conduct Authority (FCA) Practitioner Panel (the Panel) is a statutory Panel created by the FCA with the key remit of representing the interests of practitioners of larger firms, and providing input to the FCA from the industry in order to help it in meeting its statutory and operational objectives in an effective manner. Further details of the Panel are available on its website at <https://www.fca-pp.org.uk/>.

The Panel broadly agrees with the proposal to encourage pension schemes to offer decumulation solutions, with some caveats.

In our view, schemes should offer a full range of services and products, or partner with/signpost to a provider who does, rather than nudge members towards a single solution that may not be right for them. Further, members should never be defaulted into a product or service that they are then unable to cash-in or transfer out of, such as a decumulation only collective defined contribution (CDC) arrangement, or an annuity. This could result in real and foreseeable harm to some scheme members which would be entirely inappropriate.

From the Panel's perspective there are a number of important questions to be answered before a decumulation-only CDC product is brought to market, and CDCs should not be promoted as the ultimate goal unless those questions can be answered. There is also a need to resolve the potential conflict between the proposal to point savers towards specific decumulation products and the requirement to promote shopping around.

It is important to consider these proposals in the context of the Advice Guidance Boundary Review work under way, focussing on arriving at a guidance framework that works for savers, while not straying into regulated advice. As the DC market matures, we will soon reach a position where most people are retiring with significant pension wealth (likely greater than £200,000 for an average wage worker by the 2050s). Policy should be aimed at ensuring that the majority of those people are making active decisions about decumulation which is supported by professional advice and guidance services that work for this new market. The scheme offer, whether it is a default or a nudge, should be seen as a 'safety net' rather than the end goal for the majority.

We would be happy to discuss any of these points further.

Yours faithfully,

[signed]

Matt Hammerstein
Chair, FCA Practitioner Panel