

Sandra Graham and David Berenbaum
Financial Conduct Authority
25, The North Colonnade
Canary Wharf
London
E14 5HS

25 May 2018

Dear Sandra and David,

PRACTITIONER PANEL RESPONSE TO CP18/7: IMPROVING THE QUALITY OF PENSION TRANSFER ADVICE

The Practitioner Panel responded earlier to the FCA on the three recent consultations which focus on the area of pensions and retirement saving – the non-workplace pensions discussion paper, the call for input on the FCA’s strategic approach, and the consultation on pension transfer advice. The previous response made some general observations about the wider pensions landscape. The Panel believes the key risk in the pensions area is that consumers are not saving enough for their retirement, and it is our view that the situation can only be improved by a legislative framework with clear objectives and a long-term and sustainable perspective. We have recommended development of a high-level cross-party approach which would be a first step towards improving consumer confidence, and we have encouraged the FCA to continue engaging with government and other agencies to develop a clearer framework in this area.

Charging for advice

Specifically considering consultation CP18/7 on pension transfer advice, the Panel is mostly supportive of the proposals. We would, however, be concerned if the result of the consultation were to be a ban on contingent charging. There is very little evidence of potential consumer harm from this charging model, which is used by a very high percentage of the industry. Pension transfer advice is a long-term liability for a firm. For firms to give advice on a fixed-fee basis, they would need to charge a significant amount to reflect the higher risk involved, and this would still have to be charged if the transfer did not go ahead. We consider this to be a significant deterrent to many customers seeking advice.

We acknowledge that there is potential for conflicts of interest to arise where contingent charging is used. In order to mitigate this risk, we suggest that firms transacting DB transfer business must be able to evidence that they have appropriate controls in place and that responsibility for these controls is clearly accountable within the Senior Managers and Certification Regime.

We would be happy to discuss any of the points raised in the consultation further if required.

Yours sincerely

Anne Richards
Chair, FCA Practitioner Panel