

Pensions Policy, FCA
12 Endeavour Square
London E20 1JN

By email

27 February 2025

Dear Sir/Madam,

DP24/3: Pensions: Adapting our requirements for a changing market

The Panel welcomes the opportunity to comment on the proposals set out in this discussion paper which are helpful in the context of wider pensions policy initiatives currently under way including AGBR and proposals to launch scale and consolidation of DC and LGPS. It is important to create an environment where consumers are more engaged and so more likely to take action which builds their financial resilience, which in turn could lead to greater mobilisation of capital for investment and growth in the economy. In our view the Consumer Duty should be the basis for any changes to the existing framework.

The review of the rules surrounding projections is timely given that online tools and calculators will play an important part in enabling more personalised customer communications and helping to build consumer understanding of the benefits of long-term financial planning and investing. It will be important to ensure that disclosure rules written for a pre-digital age don't hamper firms' ability to offer tools to deliver targeted support as set out in the AGBR proposals. The Consumer Duty should be the primary reliance for tools and modellers to maximise engagement. Over time, greater interaction will aid consumers' understanding of investment risk and return across pensions and investments including where cash fits into an individual's profile. Consumer Duty requirements and relevant guidance will enable firms to curate the user experience so that the consumer understands the nature of the support distinct from advice. The regime should also allow for more flexibility to allow greater use of stochastic models which can help individuals to understand their current position and its relative state to the future. With regards to consistent minimum standards, it may be helpful to require that all firms use the same returns assumption for the central model but then allow for flexibility in showing upside/downside investment risk. The approach will also need to be aligned with trust-based pensions as consumers could have pensions in both regimes.

With respect to DC pension transfers and consolidation, there is some concern in the sector that consumers who use consolidating services may do so without understanding the charges of the new scheme or even in some cases that their pension is being moved. In our view the focus needs to be on making sure consumers understand the charges and performance of the scheme they are transferring to, and the Consumer Duty principles and outcomes should form the basis for this.

Similarly, for SIPPs we agree that consumers should not inadvertently engage in more complex investments which are not suited to their circumstances or needs, but Consumer Duty requirements on distributors regarding the target market should protect against this. On the spectrum of SIPP products available, in addition to simple/ready-made and bespoke options, there should be recognition that a client may choose to self-allocate over time as their confidence and experience grows. It may also be helpful to consider from a consumer perspective what services should be provided by a SIPP e.g. accepting contributions and providing options at retirement, to build an understanding of how the principles of the Consumer Duty are being applied and whether the right outcomes are being delivered.

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

Yours faithfully,

[signed]

Matt Hammerstein
Chair, FCA Practitioner Panel