Jai Shah
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

FCA
Smaller Business
Practitioner Panel

21 June 2021

Dear Mr Shah,

SBPP RESPONSE TO CP21/11: THE STRONGER NUDGE TO PENSIONS GUIDANCE

The Panel welcomes the opportunity to respond to this consultation. Many of the initiatives are valid and do add some value to the consumer journey. However, we believe there are issues which relate to the way in which pension vesting decisions may be implemented by the consumer that can arise as a result of what is a very product-based approach. We also have concerns about the fact that a nudge can actually lead to a poorer outcome if the participation of a regulated adviser is not acknowledged or known about.

One of the key issues is that customers will often have more than one pension via Group Personal Pension or Defined Contribution/auto-enrolled scheme. These schemes may have differing Selected/Normal Retirement Ages, which trigger the intervention, so nudges come at different times. However, the nudge and guidance will relate to one specific plan at a particular point in time.

Key issues of concern:

- Nudges/wake up letters are linked to specific products.
- Consumers often feel that SRA is a 'maturity' and that an action has to be taken at that point, on that product, which is often not the case or best advice.
- Whilst research suggests satisfaction with the service, our anecdotal experience is that consumers know a bit more about options but are often still confused and want someone to tell them what to do (e.g. advice) not what the options are. In certain circumstances regulated advice can be cost prohibitive.
- Clients often have more than one product, but the current process and Pension Wise guidance does not seem to encourage clients to take a holistic view.
- Typically, pension scheme members get a handbook when they start a job and put it in the drawer until they retire. Auto-enrolment actually potentially exacerbates this problem because it takes any decision making away from the member and in some cases, the automatic deductions might seem like a tax. Schemes need to find way to engage much more actively with members all the way through their pensions investing journey – to build up understanding of the need to fund – not just the options at the end. This would include making it clear that there may be an ESG alternative to the default fund.
- We have concerns that some providers may see the need to refer a transfer to Pension Wise as an opportunity to 'protect'/delay in some way their pension with the client and lead to retentions. It can potentially inhibit a perfectly valid and well-

considered transfer advice piece of work. There should be an opt-out form if this client has been advised by a regulated adviser.

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

Yours sincerely,

[Signed]

Marlene Shiels
Chair, FCA Smaller Business Practitioner Panel