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

22 May 2018

Dear Sandra and David,

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

The Panel has discussed the issue of transfer advice with the FCA and welcomes a public consultation on the subject.

We have some broad observations about the transfer market in general. The issue is currently in the public eye due to the ongoing problems with the British Steel Pension Scheme (BSPS), and the FCA has carried out a substantial amount of work to resolve actual and potential consumer detriment for customers who have not been given appropriate advice. We also wish to point out that the industry itself, including advisers from many smaller firms, has been contributing to the solution by offering advice and assistance to those who have been affected.

Charging for advice - questions 11, 12 and 13

The Panel is keen to ensure that the problems arising from the BSPS situation do not happen again, but we encourage the FCA to take an approach to transfer advice that keeps as many options open to customers as possible and does not shut down channels of advice which people value and need. This would be the outcome of an outright ban on contingent charging. There is a difference between the generality of at-retirement advice and a situation such as BSPS, in which a number of customers find themselves in an unfamiliar situation at short notice and vulnerable to poor practices. In regulating the area of transfers the FCA must take into account the broader picture and not reduce access to advice for the broader market on the basis of individual events.

In general, the Panel’s view is that advisers are pulling away from providing transfer advice because of the complexity involved and are instead passing to specialist firms. This reduces the supply of advice, especially as professional indemnity firms are not willing to cover DB business due to the risks involved. Our view is that a ban on contingent charging would reduce the supply of advice still further, which would be unhelpful to customers.

There are, however, further steps which could be taken around advice which could improve the process for consumers. Greater transparency would be helpful, for example, if a financial adviser fee agreement for contingent charging were to show two fixed fee figures, a lower figure based on advising they stay in the scheme and a higher figure based on advising to transfer out.

Suitability reports and advice confirmation – Q9

The Panel has also been made aware of clients who have gone through the contingent charging process and been advised not to transfer, but have not been provided with a report giving information on their benefits and transfer analysis, and have not been given an advice certificate. This costs them valuable time in their three month window and prevents them, for example, from taking a self-directed decision to transfer to a SIPP. We recommend the FCA takes steps to ensure that all transfer advice, whether fixed fee or contingent charging, results in a report and advice certificate where the advice is to stay in the scheme.

Whistleblowing

The Panel also recommends that the FCA and other regulators should give some thought to how they can facilitate whistleblowing by the administrators of final salary pension schemes concerning appropriate advice on pension transfers, possibly in the form of some kind of voluntary return they could provide periodically.

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

Kind regards,

Craig Errington
Chair, FCA Smaller Business Practitioner Panel