

Consultation Paper

CP16/22\*

# Pension Wise standards: changes for secondary annuity market guidance



September 2016



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We are asking for comments on this Consultation Paper by 4 October 2016.

You can send them to us using the form on our website at:  
[www.fca.org.uk/cp16-22-response-form](http://www.fca.org.uk/cp16-22-response-form).

**Or in writing to:**

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We have developed the policy in this Consultation Paper in the context of the existing UK and EU regulatory framework. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework, including as a result of any negotiations following the UK's vote to leave the EU.

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We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

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## Abbreviations used in this paper

<b>CBA</b>	Cost Benefit Analysis
<b>CP</b>	Consultation Paper
<b>DWP</b>	Department for Work and Pensions
<b>EU</b>	European Union
<b>FCA</b>	Financial Conduct Authority
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>MI</b>	Management Information
<b>UK</b>	United Kingdom

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# 1. Overview

## Introduction

- 1.1** This Consultation Paper (CP) seeks views on proposed changes to the standards applied to Pension Wise designated guidance providers. These changes are required as a result of the Government's decision to extend access to Pension Wise to individuals considering selling<sup>1</sup> their annuity income and to contingent beneficiaries<sup>2</sup> with an interest in these annuities.
- 1.2** This CP only covers proposed changes to the Pension Wise standards. It does not cover how providers should make consumers who are considering selling their annuity income aware of the guidance available through Pension Wise. This was covered by our consultation paper CP16/12.<sup>3</sup> It also does not cover the Pension Wise levy. We will consult on the Pension Wise levy for firms that will benefit from this market in our periodic fees consultation.

## Who does this consultation affect?

- 1.3** This consultation will be relevant to all those with an interest in pensions and retirement issues, including:
- providers of retirement income products and other financial services products that play a role in consumers' retirement planning
  - sponsors of occupational Defined Benefit and Defined Contribution schemes, both trust- and contract-based
  - individuals and firms providing advice and information in this area
  - distributors of financial products, in particular retirement income products
  - asset management firms
  - trade bodies representing financial services firms

<sup>1</sup> This paper will refer to individuals 'selling' their annuity income, unless otherwise indicated. The term 'selling' covers two scenarios. The first is one in which the seller's rights to the annuity income are assigned to a third party for a lump sum. The second is one in which the seller's rights to the annuity income are terminated in return for the annuity provider paying them a lump sum, which we will refer to as 'buy back'.

<sup>2</sup> Many annuity contracts provide for benefits to be paid to someone other than the main annuity holder in certain circumstances. For example, 'joint life' annuities will pay an income for life to the primary annuity holder, and assuming the primary holder dies first, will then pay all or a proportion of that income to another person until their death. The other person is therefore a beneficiary under the contract, but only if certain conditions are met. We refer to such persons as contingent beneficiaries. If an annuity income was to be sold, contingent beneficiaries could no longer benefit under the contract.

<sup>3</sup> CP16/12 is available at: [www.fca.org.uk/your-fca/documents/consultation-papers/cp16-12](http://www.fca.org.uk/your-fca/documents/consultation-papers/cp16-12).

- consumer bodies
- charities and other organisations with a particular interest in the ageing population and/or financial services more generally, and
- individual consumers including contingent beneficiaries with an interest in an annuity

### Is this of interest to consumers?

- 1.4** The changes proposed in this CP will affect consumers who hold, or will hold, annuities in their name and contingent beneficiaries with an interest in these annuities. We aim to help protect consumers using Pension Wise by setting and monitoring the standards for designated guidance providers. The proposals will play a key role in shaping the guidance that consumers will get from Pension Wise when they are considering selling their annuity income.

### Context

- 1.5** The Government has announced that from April 2017, changes to legislation will allow individuals to sell their annuity income without the tax restrictions that currently apply, as long as their annuity provider agrees. To help people who are considering selling their annuity income, the Government has given them, and their contingent beneficiaries, access to Pension Wise.
- 1.6** The Financial Conduct Authority (FCA) is responsible for setting, maintaining and monitoring the standards that Pension Wise's designated guidance providers must meet when providing guidance. In March 2015, we made and published the standards which apply to giving guidance to individuals who are considering how to access their pension savings.
- 1.7** In light of the Government's extension of Pension Wise's remit we have reviewed our standards and are proposing the changes to the standards outlined in this CP.
- 1.8** The proposals in this paper aim to secure an appropriate degree of consumer protection for individuals and contingent beneficiaries who seek guidance from Pension Wise about whether to sell, or the impact of selling, the income from an annuity.
- 1.9** As with the standards for guidance at retirement, the changes proposed in this paper aim to:
- ensure the guidance is impartial, consistent and of good quality across the range of delivery channels
  - create consumer trust and confidence in the designated guidance providers and in the content of the guidance, and
  - enable the designated guidance providers to deliver helpful guidance to individuals considering selling their annuity income and to their contingent beneficiaries
- 1.10** We are also taking the opportunity to make minor changes to some of the existing standards to reflect how consumers approaching retirement are using Pension Wise and how the service has evolved since it was established.



## Summary of our proposals

- 1.11** To allow for the extension of Pension Wise's remit, we are proposing to make the following changes to our existing standards:
- where relevant, make clear the standards apply when designated guidance providers give guidance to individuals and contingent beneficiaries about selling the annuity income on the secondary market
  - set out the knowledge requirements that we expect designated guidance providers to have before giving guidance about selling an annuity
  - set out the content that, as a minimum, we expect a designated guidance provider to go through in a guidance session about selling an annuity income
  - give examples of the type of information that we expect designated guidance provider to collect from individuals during the session to inform the guidance they give to the individual or their contingent beneficiary
- 1.12** To reflect how consumers are using Pension Wise and how the service has evolved since it was established, we also propose to make the following minor changes to the standards that will apply to both retirement guidance and guidance about selling an annuity income:
- remove the reference to HM Treasury and replace it with 'the Secretary of State'
  - clarify that the record of the guidance session need only include 'relevant' information provided by the consumer during the session
  - clarify that a Pension Wise 'session' can cover more than one appointment

## Equality and diversity considerations

- 1.13** Under the Equality Act 2010, we are required to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions.
- 1.14** We have conducted an assessment of relevant equality and diversity impacts. In this assessment, we noted that the population of those with annuities is inevitably older people, including some who are very elderly. Given the evidence that there is a higher incidence of mental capacity problems among older people<sup>4</sup>, ensuring designated guidance providers deliver guidance to agreed standards will support this population and help them to make an informed decision about whether to sell their annuity income.
- 1.15** We would welcome comments from interested parties.

<sup>4</sup> Analysing data from the English Longitudinal Study of Ageing (ELSA), Huppert F. et al (2004) were able to identify age-related reductions in a range of cognitive performance tests relating to memory (e.g. word recall) and executive functioning (e.g. numerical ability, visual search, mental speed). [strategicsociety.org.uk/wp-content/uploads/2015/03/Default-Reform-Preventing-low-incomes-with-an-automatic-income-plan.pdf](https://strategicsociety.org.uk/wp-content/uploads/2015/03/Default-Reform-Preventing-low-incomes-with-an-automatic-income-plan.pdf). Dementia affects 850,000 people in the UK; of this number, 773,500 are over 65. Age UK 2014/15, [www.ageuk.org.uk/health-wellbeing/conditions-illnesses/dementia/what-is-dementia/](https://www.ageuk.org.uk/health-wellbeing/conditions-illnesses/dementia/what-is-dementia/).

### Next steps

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#### **What do you need to do next?**

- 1.16** We want to know what you think of the proposals in this paper. Please send us your comments by 4 October 2016 by using the online response form on our website or the address on page 2 of this paper.

#### **What will we do?**

- 1.17** We will consider your feedback and publish our final standards in a Policy Statement in December 2016.

## 2.

# Standards for designated guidance providers delivering guidance about selling an annuity income

- 2.1** This chapter sets out the proposed changes to the existing Pension Wise standards which take account of Pension Wise's extended remit to deliver guidance to an individual considering selling their annuity income or to contingent beneficiaries with an interest in these annuities.
- 2.2** The purpose of the standards is to set out the framework within which designated guidance providers must deliver guidance; the standards are therefore high-level and principles-based. As when Pension Wise was established, the designated guidance providers must work together, and with the Department of Work and Pensions (DWP), on the operational detail of delivering guidance about selling an annuity income, and deliver the guidance according to the standards.

### Guidance about selling an annuity income

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- 2.3** We consider there are four key areas where the standards should be updated to reflect Pension Wise's extended remit. These are:
- standards that apply when designated guidance providers give guidance about selling an annuity income
  - the knowledge requirements of those giving guidance about selling an annuity income
  - the minimum content a designated guidance provider should cover in a guidance session about selling an annuity income, and
  - examples of the type of information we would expect designated guidance provider to collect from individuals during the session to inform the guidance they give to the individual or contingent beneficiary.

- 2.4** We discuss each area in more detail below.

### Reflecting Pension Wise's extended remit

- 2.5** The existing standards were drafted to reflect Pension Wise's role in providing guidance to help consumers make an informed decision about how to access their pension savings.
- 2.6** Pension Wise's remit has been extended in legislation to also cover the secondary annuity market. Given the updated definition of 'pensions guidance' in legislation, our definition has also been updated. We also propose to make minor changes to the standards to clarify that the standards cover both the delivery of guidance to consumers when accessing their pension

savings and the delivery of guidance to individuals and contingent beneficiaries about selling the annuity income on the secondary market.

### **Professional standards**

**2.7** Having competent individuals delivering Pension Wise guidance is critical to ensuring that good quality guidance is delivered and in creating consumer trust and confidence in the service. Given this, we propose to amend our requirements on professional standards. This sets out the type of knowledge we expect individuals delivering guidance about selling an annuity income to have and includes knowledge about:

- the options and steps for selling annuity income
- how the market operates generally, including the main players in the market and their roles and relevant regulatory responsibilities
- how to assess the value of the price offered and the impact of fees and charges
- the tax implications of selling an annuity income
- the details of when advice is required and other legislative or regulatory requirements
- the factors and risks relevant to selling the annuity income
- the circumstances when a consumer may require further specialist help
- other issues relevant to consumers considering selling their annuity income, such as long-term care needs, sustainability of income in retirement, life expectancy and eligibility for means tested benefits
- understanding of issues specific to consumers with vulnerability issues, including mental health issues and their guardians/carers, and
- a general understanding of the rights of contingent beneficiaries, the implications of those rights and giving them up.

**2.8** This is not an exhaustive list; designated guidance providers may consider their guide (the person giving the guidance) requires other knowledge to competently deliver guidance about selling an annuity income.

### **Content of the guidance session**

**2.9** To ensure quality and consistency across the delivery channels, the existing standards set out the content of a Pension Wise guidance session for consumers who are considering their options for accessing their pension savings. For the same reason, we consider the content of the guidance session about selling annuity income should also be set out in the standards and should:

- inform consumers about the scope, purpose and limitations of the session
- inform the consumer about the type of information that will be requested during the session
- request that information
- alert the consumer to other sources of information and advice

- identify and provide the consumer with appropriate information to help them make an informed decision about whether to sell their annuity income on the secondary market or give up a contingent right
- set out next steps for the consumer to take, and
- provide the consumer with a record of the guidance session.

### **Information requested from the individual**

**2.10** Part 3 of the existing standards sets out the type of information that we consider the designated guidance providers should request from a consumer during the guidance session to inform the guidance given. Currently, this information relates to a consumer's accumulated pension pots and their financial and personal circumstances.

**2.11** To reflect the different type of information needed from the consumer in order to deliver a guidance session on selling an annuity income, we have added a new section to Part 3 of the standards. This covers:

- information about the annuity, such as the amount and frequency of the annuity income, the structure of the annuity and relevant special features of conditions that apply
- information about any contingent beneficiary's right, and
- information about the consumer's financial and personal circumstances, including current and future sources of income, tax status, state of health, entitlement to state benefits, dependants, and potential long-term care needs.

**Q1: Do you have any comments on the proposed changes to the standards to reflect Pension Wise's extended remit?**

### 3.

## Changes to the standards to reflect how Pension Wise has evolved

- 3.1** This chapter sets out proposed changes to the standards to reflect how consumers are using Pension Wise and how the service has evolved since it was established.
- 3.2** We propose to make the following minor changes to the standards, which will apply to designated guidance providers whether they deliver retirement guidance or guidance about selling an annuity income:
- remove the reference to HM Treasury to reflect the change in responsibility for Pension Wise from HM Treasury to the DWP
  - clarify that only 'relevant' information from the consumer should be included in the record of the guidance session
  - clarify that a Pension Wise 'session' can cover more than one appointment.
- 3.3** We discuss each area in more detail below.
- Change in responsibility for Pension Wise**
- 3.4** In April 2016, responsibility for Pension Wise moved from HM Treasury to the DWP. To reflect this change in responsibility, we have made a minor amendment to the 'Background' section of the standards to replace 'HM Treasury' with 'the Secretary of State'.
- Record of the guidance session**
- 3.5** As a result of feedback we received when we originally consulted on the standards, we added the requirement that the record of the guidance session should include 'information provided by the consumer during the session'. To clarify our intention that this should only include the relevant information provided by the consumer, we have made a minor change to standard 24(a).
- Flexible appointments**
- 3.6** In its response to the Work and Pensions Select Committee's inquiry into Pensions Freedom guidance and advice, in December 2015 the Government committed to Pension Wise introducing 'flexible appointments'. Flexible appointments will help Pension Wise to offer more personalised support to consumers by better reflecting where each individual is in their decision-making process. To help people benefit from these changes, the Government also confirmed its intention to allow people to have more than one Pension Wise appointment.
- 3.7** Pension Wise has been working closely with individuals giving the guidance, as well as consumers, to identify how this would work in practice, and are proposing to introduce a 'stop the clock' model for appointments. This means that where a designated guidance provider

identifies that a consumer might benefit from getting further details or from having additional guidance from third parties, the guide will be able to stop the appointment and book another later. This will create a more personalised and holistic service.

- 3.8** We envisaged this type of flexibility when we originally drafted the standards and it is permitted within the existing framework. However, to clarify this intention we have made a change to the standards to make clear that a Pension Wise 'session' can cover more than one appointment.

**Q2: Do you have any comments on our proposed changes to reflect how consumers are using Pension Wise and how the service has evolved since it was established?**

## 4. Monitoring Pension Wise

- 4.1** In addition to setting and maintaining the standards, the FCA must also monitor designated guidance providers' compliance with the standards. Our approach to monitoring, as set out in CP 15/12: Pension Wise recommendation policy<sup>5</sup>, has not changed as a result of Pension Wise's extended remit.
- 4.2** Broadly, we will be asking providers to provide evidence that they are complying with the standards. This evidence will include the designated guidance provider's written documented processes, written quality controls and the data they use to monitor their compliance with quality controls.
- 4.3** While the monitoring process will be the same for all designated guidance providers, we may vary the self-assessment to allow for differences in operating models. Having analysed this information, we will arrange onsite visits, carry out file checks or call monitoring and possibly use mystery shopping as appropriate and necessary.
- 4.4** The Financial Services and Markets Act 2000 (FSMA) only requires us to monitor the designated guidance partners. However, given the cross-cutting nature of the standards, to support our monitoring role we also take account of other parts of Pension Wise including the website. We require this analysis to help us to understand how the areas of the service we do not monitor affect the ability of the designated guidance providers to meet the standards.
- 4.5** Once we have completed our analysis, we will discuss our findings with the designated guidance providers. We may also consider making a recommendation to the designated guidance provider and the DWP.
- 4.6** Each year, we will gather evidence on whether each of the standards is being met through, for example, regular Management Information (MI), direct self-assessment by the designated guidance providers, FCA-commissioned market research on users of the service, designated guidance provider assessments and discussions with stakeholders such as consumer organisations.
- 4.7** In order to assess and monitor whether designated guidance providers are complying with the standards, we have undertaken a number of activities since the launch of the Pension Wise service. These activities include regular MI reviews, desk-based reviews to consider designated guidance providers' systems and controls and on-site visits. To ensure ongoing compliance, we will repeat these activities where necessary.

<sup>5</sup> FCA, CP15/12: Pension Wise – recommendation policy, [fca.org.uk/static/documents/consultation-papers/cp15-12.pdf](https://www.fca.org.uk/static/documents/consultation-papers/cp15-12.pdf).



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# Annex 1

## List of questions

- Q1:** Do you have any comments on the proposed changes to the standard to reflect Pension Wise's extended remit?
- Q2:** Do you have any comments on our proposed changes to reflect how consumers are using Pension Wise and how the service has evolved since it was established?

## Annex 2

# Cost benefit analysis

1. Section 138I of the FSMA requires us to publish a cost benefit analysis (CBA) of proposed standards or changes to the standards. It also requires us to estimate these costs and benefits, unless these cannot reasonably be estimated or it is not reasonably practicable to produce an estimate. If we consider that, in making the appropriate comparison, there will be no increase in costs, or there will be an increase in costs but that it will be of minimal significance, we do not need to carry out a CBA under section 138L of the FSMA.

### Standards for designated guidance providers delivering guidance about selling an annuity income

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2. The changes to the remit of Pension Wise – to give guidance to individuals considering selling their annuity income and their contingent beneficiaries – are due to Government changes and not changes to the standards themselves.
3. The proposed amendments to the standards, set out in this CP, take account of Pension Wise's extended remit and create minimum expectations for the knowledge of personnel who will be giving the guidance. They also set out minimum expectations on the type of information the consumer will be given and asked for as part of the guidance session. These standards are similar in nature to the existing standards.
4. We have considered the likely costs to designated guidance providers created by the proposed changes to the standards. Given, under the extended remit of Pension Wise, designated guidance providers will need to be able to provide guidance on selling an annuity income on the secondary market, we consider the increase in cost, associated with ensuring personnel have the appropriate knowledge to undertake this role in line with the proposed standards, will be minimal.
5. Similarly, it is likely that the costs to designated guidance providers of setting a specific standard for the content of an annuity income guidance session – compared with leaving the content of the session to the discretion of the designated guidance providers – would be of minimal significance.

### Changes to the standards to reflect how Pension Wise has evolved

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6. Finally, the changes to the standards to reflect how Pension Wise has evolved since it was established may increase the costs to designated guidance providers, but these would be of minimal significance.
7. We have shared the proposed changes to the standards with the DWP, who agree with our assessment.

8. Therefore, after careful consideration, and an appropriate comparison, we have concluded that the proposed changes to the standards – to take account of Pension Wise’s extended remit and how the service has evolved – will result in an increase in costs, but that the increase will be of minimal significance. Consequently, the FCA is not required to undertake a CBA in accordance with section 138L of the FSMA.

## Annex 3

# Compatibility statement

### Compatibility with the FCA's general duties

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1. This annex explains our reasons for concluding that our proposals in this CP, on the Pension Wise standards, are compatible with certain requirements under the FSMA.
2. We are required by section 138I (2)(d) of the FSMA to explain why we believe our proposed standards are compatible with our strategic objective, advance one or more of our operational objectives, and have regard to the regulatory principles in section 3B of the FSMA.

### Compatibility with our objectives

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3. Our proposals are intended to ensure that Pension Wise's delivery of guidance works well within – and across – each delivery channel, and advances our operational objective of securing an appropriate degree of protection for consumers.

### Compatibility with our principles of regulation

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#### **The need to use our resources in the most efficient and economic way**

4. We have had regard to this principle and do not believe that our proposals will have a significant impact on our resources or the way in which we use them. Our Supervision department will continue to monitor designated guidance providers across all of the standards and all of the services provided.

#### **The principle that a burden or restriction should be proportionate to the expected benefits**

5. In Annex 2, we concluded that the proposed changes to the standards – to take account of Pension Wise's extended remit and how the service has evolved – will result in an increase in costs, but that the increase will be of minimal significance. Consequently, the FCA is not required to undertake a CBA in accordance with section 138L of the FSMA.

#### **The desirability of sustainable growth in the economy of the UK in the medium and long term**

6. We have had regard to this principle and do not believe our proposals undermine it.

#### **The general principle that consumers should take responsibility for their own decisions**

7. The introduction of a secondary annuity market means consumers will be able to sell their annuity income (if their provider agrees) without the tax restrictions that currently apply. Consumers considering selling their annuity income on the secondary market, and their

contingent beneficiaries, will have access to Pension Wise and, if appropriate or required, receive regulated financial advice to help them make an informed decision. However, whether to proceed with the sale is ultimately their choice. Our proposals will ensure the guidance they receive from Pension Wise will be consistent and of good quality, deliver helpful guidance to individuals and their contingent beneficiaries and help them to make an informed decision.

**The responsibility of senior management of persons subject to the requirements imposed by or under the FSMA, including those affecting consumers, in relation to compliance with those requirements**

8. We have had regard to this principle and consider it does not apply to our proposals.

**The desirability of the FCA exercising its functions in a way which recognises differences in the nature and objectives of businesses carried on by different persons**

9. We have had regard to this principle and consider it does not apply to our proposals.

**The desirability of publishing information in relation to persons**

10. We have had regard to this principle and do not believe our proposals undermine it.

**The principle that we should exercise our functions as transparently as possible**

11. We have had regard to this principle and do not believe our proposals undermine it.

**Compatibility with our competition duty**

12. The purpose of guidance about the sale of an annuity income is to help consumers make an informed decision about whether to sell their annuity income. The proposals in this paper ensure that the guidance delivered by Pension Wise is of good quality and helpful to these individuals. This will give consumers the confidence to understand their options, help them to shop around and enable them to make decisions while understanding their implications. Along with our proposals which we consulted on in CP16/12 Secondary annuity market – proposed rules and guidance<sup>6</sup>, the proposed changes in this CP should help encourage competition, in the interest of consumers, within the secondary annuity market.

<sup>6</sup> FCA, CP16/12: Secondary annuity market – proposed rules and guidance, [www.fca.org.uk/static/fca/documents/consultation-papers/cp16-12.pdf](http://www.fca.org.uk/static/fca/documents/consultation-papers/cp16-12.pdf).



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# Appendix 1

## Draft Handbook text

**STANDARDS FOR DESIGNATED GUIDANCE PROVIDERS (AMENDMENT)  
INSTRUMENT 2016**

**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of the power under section 333H (Standards for giving of pensions guidance by designated guidance providers) of the Financial Services and Markets Act 2000 (“the Act”).
- B. The standard-making power referred to above is specified for the purpose of section 138G(2) (Rule-making instruments) of the Act as modified by section 333H(6) of the Act.

**Commencement**

- C. This instrument comes into force on [*date*].

**Standards for designated guidance providers**

- D. The standards for giving of pensions guidance by designated guidance providers (as defined in section 333E of the Act) are amended in accordance with the Annex to this instrument.

**Citation**

- E. This instrument may be cited as the Standards for Designated Guidance Providers (Amendment) Instrument 2016.

By order of the Board  
[*date*]



## Annex

### Standards for Giving of Pensions Guidance by Designated Guidance Providers

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### Part 2

#### Background

- A These standards are set by the Financial Conduct Authority for the giving of pensions guidance by *designated guidance providers*.

The Financial Conduct Authority must set and monitor compliance with the standards and can make recommendations to ~~HM Treasury~~ the Secretary of State if it considers that a *designated guidance provider* has not complied with a standard.

...

#### The standards

...

#### Delivering the guidance

...

- 8 When providing a *consumer* with information about their retirement options, including selling annuity income, a *designated guidance provider* may:
- (a) provide the *consumer* with information about particular types of financial products or services that may be relevant to those retirement options, including selling annuity income, and the potential advantages and disadvantages of those options
  - (b) refer a *consumer* to a directory or other list of financial advisers or providers of financial services or products
  - (c) refer a *consumer* to their existing ~~pension~~ product provider where the *consumer* needs that provider to take action in order to implement one of the retirement options, including selling annuity income.

...

#### Professional standards

...

- 11 A *designated guidance provider* must ensure that the personnel who are referred to in standard 10 have knowledge of:
- (1) (in relation to accessing pension savings):

(a) ...

...

(h) the conduct that a *designated guidance provider* may or must not engage in under standards 8 and 9, respectively;

(2) (in relation to selling annuity income):

(a) the options and steps for selling annuity income

(b) the roles and requirements of the provider, intermediary and buyer, including any relevant regulatory requirements

(c) how to assess the value of the price offered and the impact of fees and charges

(d) the tax implications of selling an annuity income

(e) the details of when *appropriate advice* is required and other legislative or regulatory requirements

(f) the factors and risks relevant to selling annuity income

(g) the circumstances when a *consumer* may require further specialist help, for example debt advice, or *regulated advice*

(h) other issues that are relevant to *consumers* considering selling their annuity income, for example long-term care needs, sustainability of income in retirement, life expectancy and eligibility for means tested benefits

(i) what can be done with the monies received and what further information the *consumer* might need to help with that decision

(j) the issues specific to *consumers* with vulnerability issues, including mental health issues, and associated issues for their guardians/carers

(k) the rights of contingent beneficiaries, the implications of those rights and the act of giving them up, and

(l) the conduct that a *designated guidance provider* may or may not engage in under standards 8 and 9, respectively.

...

## Content of the guidance session

- 19     (a)     *Designated guidance providers* must work together to establish a consistent process for delivering the content of the guidance session, including the content specified in standard 20.
- (b)     A guidance session may consist of one or more appointments.
- 20     A guidance session must do the following:
- (1)     (in relation to accessing pension savings):
- (a)     ...
- ...
- (h)     provide *consumers* with a record of their guidance session in accordance with standard 23;
- (2)     (in relation to selling annuity income):
- (a)     inform *consumers* of the scope, purpose and limitations of the session
- (b)     inform *consumers* about the information on their annuity or rights as a contingent beneficiary, and other personal and financial information that the *designated guidance provider* may request from them during the session
- (c)     request information from the *consumer* about their annuity or rights as a contingent beneficiary, including the information specified in Part 3
- (d)     request information about the *consumer's* financial and personal circumstances that is relevant to the decision on whether to sell annuity income or give up rights as a contingent beneficiary, including the information specified in Part 3
- (e)     alert the *consumer* to other sources of information and advice (including informing them where *appropriate advice* is compulsory) as appropriate and at relevant points during the session
- (f)     identify for the *consumer* and provide them with information about:
- (i)     what an annuity is and the impact of selling annuity income arising from it
- (ii)     the options and steps for selling annuity income
- (iii)    the roles and requirements of the provider, intermediary and buyer including any relevant regulatory requirements
- (iv)    how to value the annuity including the impact of fees and charges and an explanation of comparators that could be used to help the *consumer* understand the value of the price they are being offered including any

comparator they may have received as part of the FCA regulated quotation process

- (v) to the extent that they are relevant to the *consumer*, the factors set out in standard 11(2)(f) and the other issues set out in standard 11(2)(h)
- (vi) the potential tax implications or debt obligations
- (vii) the effect the sale may have on eligibility for state benefits
- (viii) the rights of dependants associated with the contract and any requirements to get their agreement
- (ix) what can be done with the monies received including taking as cash, putting into drawdown, purchasing an alternative annuity and the risk of scams, and
- (x) the financial risks of selling an annuity, including the implications of a sale of annuity income on longer term financial position
- (g) set out the next steps for the *consumer* to take in accordance with standard 21; and
- (h) provide *consumers* with a record of their guidance session in accordance with standard 23;
- (3) (in relation to the rights of contingent beneficiaries):
  - (a) cover the matters in (2)(a) to (e), (g) and (h) above
  - (b) inform the contingent beneficiary about:
    - (i) the nature of their right to annuity income
    - (ii) the impact of that right on their personal and financial circumstances
    - (iii) the impact of giving up that right, and
    - (iv) steps to take to give up that right.

## Next steps

21 At the end of the guidance session a *designated guidance provider* must:

- (a) ...
- (b) draw the *consumer's* attention to the importance of shopping around when making decisions about retirement options, including selling annuity income, and

- (c) draw the *consumer's* attention to the potential tax implications or debt obligations in accordance with standard 20(1)(f)(iii) and standard 20(2)(f)(vi) and refer them to support services, as appropriate.

...

### **Record of guidance session**

...

- 24 *Designated guidance providers* must work together to agree a standard format for providing records of guidance sessions which includes the following:

- (a) information provided by the *consumer* during the session which is relevant to the service

...

- (e) information on how to shop around for any products that are relevant to the *consumer's* retirement options, including selling annuity income, and
- (f) a statement that the *consumer* is responsible for any decisions they make.

**Part 1: definitions within these standards**

<b><u>Term</u></b>	<b><u>Definition</u></b>
<i>Act</i>	...
<u><i>appropriate advice</i></u>	<u>in accordance with section 137FBA of the Act, advice specified (by reference to the person giving the advice or otherwise) as appropriate advice in regulations made by the Treasury.</u>
<i>consumer</i>	...
...	
<i>service</i>	the guidance service provided by <i>designated guidance providers</i> with the purpose of: <ul style="list-style-type: none"> <li>(a) helping a member of a pension scheme to make decisions about what to do with the flexible benefits that may be provided to the member, <u>and</u></li> <li>(b) <u>helping an individual who has a relevant interest in relation to a relevant annuity to make decisions in connection with transferring or otherwise dealing with the right to payments under that annuity.</u></li> </ul>

### Part 3

This Part relates to standard 20.

#### 1. Where the guidance session is in relation to accessing pension savings

...

#### **Personal circumstances**

...

- the *consumer's* plan and objectives for retirement, to identify retirement income needs

#### 2. Where the guidance session is in relation to selling annuity income

#### **Information about the annuity**

Relevant information from the *consumer* about their annuity including information about:

- the amount and frequency of the annuity
- the structure of the annuity including any escalation, guarantees on death and spouse's, partner's and dependants' benefits, and
- whether the annuity was purchased through an overseas provider and any other relevant special features, restrictions, or conditions that apply.

Relevant information about the *consumer's* financial and personal circumstances includes:

#### **Financial information**

- other pension pots or benefits and other income
- spouse /partner's pension pots or benefits and other income
- current and future sources of income
- tax status
- entitlement to state benefits (current and future)
- home owner or renting
- debt position

#### **Personal circumstances**

- dependants
- spouse/partner
- state of health

- potential long-term care needs
- the consumer's plan and objectives for retirement, to identify retirement income needs

### 3. Where the guidance session is in relation to rights of contingent beneficiaries

#### **Information about the right**

Relevant information from the consumer about their rights in the annuity including information about the circumstances in which the individual will benefit under the annuity and what the contingent beneficiary will be entitled to.

Relevant information about the consumer's financial and personal circumstances includes:

#### **Financial information**

- other pension pots or benefits and other income
- spouse /partner's pension pots or benefits and other income
- current and future sources of income
- tax status
- entitlement to state benefits (current and future)
- home owner or renting
- debt position

#### **Personal circumstances**

- dependants
- spouse/partner
- state of health
- potential long-term care needs
- the consumer's plan and objectives for retirement, to identify retirement income needs





**PUB REF: 005291**

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