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Dear Chief Executive

Thematic Review of Retirement Income Advice

We recently conducted a [review](#) of retirement income advice. I would like to share with you those findings, published today, and set out our next steps.

We recognise that the picture across different firms varies. Our review found examples of both good and poor practice across the market. Some firms showed they had considered their customers' needs and had designed their advice model in a way likely to lead to good outcomes. However, we saw that some firms may not be meeting the needs of their customers, potentially leading to poor outcomes.

Our findings relate to how firms provide retirement income advice. But they may also be relevant to firms providing personal recommendations on investments more broadly.

Pension reforms in 2015 introduced more flexibility about how and when consumers could draw defined contribution pensions. As you understand, decisions for consumers have become more complex and with the potential for more risks. They need to consider how to access their savings, what level of income to draw to meet immediate and longer-term needs and the underlying investments.

Advisers have an important role in helping consumers make the right decisions and secure good outcomes. We ask all firms to ensure their advice process complies with FCA requirements on information collection,

suitability and disclosures. They must also ensure they have adequate systems and controls and monitor customer outcomes.

Our strategy

This review forms part of our ongoing work to improve standards as set out in our [Consumer Investments Strategy](#) and [Preparing for the future of Consumer Investments](#). Maintaining high standards is important at a time when we are also looking to expand the market to new forms of advice and support as part of our [Advice Guidance Boundary](#) Review.

Our vision is that consumers can:

- get the help they want, at the time they need it, and at a cost that is affordable
- invest with confidence, understanding the risks they are taking, and the regulatory protections provided
- access and identify investments that suit their attitude to risk and circumstances
- be better protected from scams

The core features we want to see are:

- accessible support
- diverse products and services
- a realistic approach to risk (ensuring consumers can distinguish between legitimate investment risk and fraudulent products)
- useful information for consumers, and appropriate protections where something has gone wrong

Areas for improvement

Some of the key areas for improvement we identified are:

- the approach to determining **income withdrawals** was applied without taking account of individual circumstances, or based on methods and assumptions that were not justified or recorded
- **risk profiling** was not evidenced, was inconsistent with objectives and customer knowledge and experience, or lacked consideration of capacity for loss
- failure to get necessary information about customers to demonstrate **advice suitability**, including expenditure or other financial provision, or not exploring future objectives or circumstances, including income needs or lifestyle changes
- **periodic review of suitability**, where relevant, was not always delivered to customers that had paid for ongoing advice

- inaccurate or insufficient records held as the **control framework** to enable customer outcomes to be assessed and track whether periodic review services were delivered

Addressing the above areas will help raise standards and deliver good outcomes for customers. We ask you to carefully consider our review findings.

The Consumer Duty

This review did not consider files against the requirements of the Consumer Duty since it was not in force at the time. However, we note that it is unlikely that most firms would comply with some requirements of the Duty without taking appropriate action to address our concerns.

In particular, firms must assure themselves that they are complying with:

- Principle 12 which requires firms to act to deliver good outcomes for retail customers
- the cross-cutting obligations for firms to act in good faith towards retail customers, avoid causing foreseeable harm to retail customers, and enable and support retail customers to pursue their financial objectives
- the retail outcomes rules and guidance on firms' conduct in relation to products and services, price and value, consumer understanding and consumer support

Our report includes a section on the Duty, including some key considerations to help you comply with the Duty and deliver good customer outcomes.

What we ask you to do

1. Take steps to address the review's findings within your firm

You should consider our findings and take appropriate steps to meet our requirements on retirement income advice, including the Duty, and document how you have done so.

You should also refer to the questions in the [data survey](#) to identify what improvements could be made to your management information to monitor customer outcomes and respond to regulatory information requests.

Our report highlights examples of good and poor practice. You may find these useful to identify how your firm can support your customers to make informed decisions, avoid causing foreseeable harm and act to deliver good outcomes for retail customers.

2. The Retirement Income Advice Assessment Tool (RIAAT)

We have also published the [RIAAT](#) and accompanying [instructions](#), developed for the purpose of the review to assess the suitability of advice files. This tool will help firms providing retirement income advice understand our methodology.

3. Refer to our article on Cashflow modelling (CFM)

In addition to the review's findings, we have published an [article](#) which sets out how firms can improve the way they use CFM. It outlines points to consider when undertaking modelling to help firms deliver suitable advice and aid consumer understanding.

You should also refer to our [rules](#) for defined benefit transfers which set out requirements for how CFM should be used in similar scenarios.

In line with ongoing obligations under [Principle 11](#) and the notification requirements in [SUP 15](#) of our Handbook, please let us know if you identify any matters which you consider we would reasonably expect notice.

What we will do

Retirement income advice will remain an ongoing focus for us. We will be following up on the findings of the review more generally with firms involved in the retirement income advice market.

We will also be carrying out further supervisory work in this area to explore the scale of the issues identified and tackle any harms.

Contacts

If you have any queries, please contact your usual FCA supervisor. If you do not have a named supervisor, use the channels on our [contact page](#).

Yours faithfully

Lucy Castledine
Director for Consumer Investments