Intergenerational differences: summary of responses and next steps

Feedback to DP19/2

Feedback Statement

FS20/12

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This relates to

Discussion Paper DP19/2

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Foreword

What we need and expect from financial services changes over time and the industry, social policy and regulation must keep pace with those changes.

Our initial analysis, outlined in last year's Discussion Paper (DP19/2), illustrated how entrenched the financial differences between generations have become over the last 30 years.

Since then, the coronavirus (Covid-19) pandemic has dramatically reshaped the lives of most people, including their financial lives. Some have described it as a great leveller for society; I disagree.

Going into the crisis, there was wide disparity in financial circumstances, reflected in our unique financial needs. This hasn't changed. Coronavirus may have changed our circumstances and needs, but it hasn't reduced our differences.

This is especially true when looking across generations. Many entering retirement face particularly complex choices at a time of market volatility. Meanwhile, younger people leaving school, college and university in Summer 2020 are entering an uncertain labour market, often while carrying significant debt.

At the FCA, we have taken short-term steps to support consumers through this uncertainty, including policy action on payment deferrals for unsecured lending and mortgages, as well as support for insurance policyholders. Evolving consumer needs during the crisis, and how this differs across generations, is a critical component of our development and evaluation of these measures.

It is too early to robustly interpret the long-term impact of the coronavirus pandemic. We are starting to see some data on how the initial phase of the pandemic has impacted our financial lives, and this broadly points to an amplification of the findings in this paper. But evolving socio-economic conditions mean that it is too soon to assume that this data provides a blueprint for the next phase of the pandemic.

As such, the analysis within this paper does not seek to evaluate the intergenerational impact of coronavirus. Instead, the analysis provides a benchmark, based on historic trends over the past 30 years, of how consumer needs across generations could be better met by the market.

We are taking two steps to bring our findings from this work into our wider regulatory approach. Firstly, earlier in 2020 we set medium-term business priorities that are tied to responding to many of the issues identified through this work. Secondly, we will use our findings to continuously monitor and re-evaluate the financial needs, circumstances and lives of different generations through future consumer and economic research.

We hope that by publishing this analysis now, it will be a useful tool for market participants during the recovery phase of the crisis, ensuring the long-term response is one that meets consumer needs across generations, and that ultimately allows us to build a better future.

Sheldon Mills
Interim Executive Director of Strategy and Competition

1 Summary

What this Feedback Statement is about

1.1 In May 2019, we published our Discussion Paper (DP19/2) on intergenerational differences. We wanted to:

- test publicly our understanding of the issues different generations face
- bring together stakeholders to pinpoint the issues which need a response
- identify where, if any, potential action could help the market meet changing consumer circumstances and needs across different generations

1.2 This Feedback Statement (FS) presents our approach following the Discussion Paper and sets out:

- why intergenerational difference is an important issue for us, the financial services sector, and for the users of financial services that we are here to serve (section 2)
- our key findings on areas where evolving consumer needs could be better met by financial services and our project conclusions (section 3)

Who this will be of interest to

1.3 This FS is likely to be of interest to, but not limited to, the following:

- consumer groups and individual consumers
- charities
- industry groups / trade bodies
- regulated firms
- policy-makers and regulatory bodies
- industry experts and commentators
- academics and think tanks

Why is this important

1.4 We have a strategic objective to ensure that financial markets function well. To deliver against this objective, and to serve the public interest, it is vital that we understand the circumstances and needs of consumers, and how these change.

1.5 Different generations have always lived different financial lives. However, a variety of socio-economic factors have coalesced in recent years, deepening the financial differences between generations. The combination of an ageing population, a prolonged period of low interest rates, a long-term rise in house prices over the last 30 years, a shift in the labour market towards self-employment, changes to student funding, technology and government policy changes have reshaped the financial lives of UK consumers. Each of these factors impacts generations in different ways.

1.6 As set out in our DP, long-term patterns of wealth accumulation and decumulation have changed in the last decade. Baby Boomers (born between 1946 and 1965), Generation X (born between 1966 and 1980) and Millennials (born between 1981 and 2000) face different challenges when compared to their predecessors, not only due to their current stages in life, but also because of the cumulative effects of strikingly different economic circumstances.

1.7 Intergenerational differences have also become apparent during the ongoing coronavirus pandemic. The lived experience of government restrictions relating to coronavirus raises different financial challenges for each generation, resulting in different needs and vulnerabilities. For example, older consumers, who are typically more reliant on physical cash, face health concerns related to the handling of physical cash. At the other extreme, many younger consumers who are attempting to enter, or have only recently joined, the labour market face uncertainty over employment, often while carrying significant debt.

1.8 We have taken a broad approach to this work, looking across retail sectors and at the interdependencies between them. Many of these issues are well understood in isolation, for example younger consumers struggling to get on the housing ladder and older consumers having to make complex choices regarding their pensions. However, our approach allows us to understand how retail financial services as a whole can adapt to better meet evolving financial needs.

Outcomes we want to enable

1.9 In the short-term, we want to ensure that our own interventions in response to coronavirus provide appropriate support to consumers, at a time of significant uncertainty, to meet the immediate financial circumstances and needs across different generations.

1.10 In the long-term, we want to ensure that our regulatory and policy approach accommodates changing consumer needs across different generations. Ultimately, we want to increase the provision of, and access to, products and services that offer fair value to consumers across all generations and that markets work well for them. We also want to provide firms with a framework that they can use to better meet the needs of consumers across generations.

Summary of feedback

1.11 We received 47 responses to our DP from a range of stakeholders, including regulated firms, trade bodies and think tanks. These responses, and insights gathered through our intergenerational differences conference and other stakeholder engagement. This feedback was provided before the outbreak of the coronavirus pandemic. We summarise it under 4 themes from the DP:

1. **Drivers of intergenerational differences and their impact on financial circumstances and needs.** Respondents broadly agreed with the 5 identified drivers and how we suggested these might impact circumstances and needs. The drivers were an ageing population, low interest rates, rising house prices, the

changing nature of employment and changes to student funding. Our updated view on the financial circumstances and needs of Baby Boomers, Generation X and Millennials is outlined in 3.3–3.8.

2. **Response of financial services providers to changing circumstances and needs.** Many respondents argued that financial services providers are developing products and services to meet changing needs, such as family assist mortgages, usage-based insurance and default retirement pathways. These respondents suggested there was a problem with a lack of consumer and adviser awareness of such products and a decline in the provision of financial support, including regulated advice and guidance. Others indicated the industry could go further in this regard, particularly when it comes to product distribution, for example by aligning attempts at engaging consumers through life events, such as gaining employment or property purchase, and by reducing the complexity of information provided to consumers.
3. **Barriers to development and access for consumers to improved financial products and market behaviour causing actual or potential harm.** Responses focused on low levels of financial capability and consumer engagement, lack of access to financial advice and products operating in silos. The lack of uptake of services to help consumers in making financial decisions was suggested as a key driver of harm given consumers are increasingly responsible for key financial choices. Respondents indicated that this increased responsibility exacerbates the negative consequences of the gap in support services potentially leaving consumers more vulnerable to poor outcomes as they are being required to make more decisions. Respondents also identified that certain consumer segments are being excluded from certain product types, for example because of insurance risk micro-segmentation.
4. **Actions the FCA, government and other public policy bodies could take to respond to intergenerational issues.** Respondents felt public policy should play a role in improving financial literacy and awareness. Respondents also argued that regulators should act to tackle unfair price discrimination in the market, particularly in relation to the loyalty penalty. Others suggested that our Handbook could be refreshed to better cater for the online experience and our regulatory approach could better align with consumer needs, which increasingly do not align neatly with specific financial sectors or regulated activities.

   With regards to government, anticipation of changes to the funding of long-term care was identified as a key challenge for financial services providers. Elsewhere respondents identified a range of social policy challenges that can affect intergenerational differences, such as housing supply, student funding, state pension funding and tax policy.

1.12 Full detail on stakeholder feedback and our response is in Annex 2.

Our findings

1.13 We have applied the feedback, as summarised in 1.11, in two ways. Firstly, using feedback from theme 1, we have tested and refined our core understanding of intergenerational financial circumstances and needs. This understanding is summarised in 3.3–3.8. Secondly, using feedback from themes 2, 3 and 4, we have identified areas where financial services, including industry and policymakers, can act to better meet these circumstances and needs of different generations. The areas reflect gaps between how the market is currently operating and how it could change to more effectively meet evolving needs:

1. **consumers need better support to manage increased responsibility and additional exposure to risk**
2. **consumers need more hybrid and flexible products to meet their evolving needs**
3. **certain consumer segments cannot access lending products needed for their financial goals**

1.14 In addition to these areas, we also identified 2 further areas where evolving consumer needs across different generations could be more effectively met by the market. However, these primarily relate to social policy issues which go beyond our remit, and are for government to lead on:

4. **consumers need access to better products to fund long-term care**
5. **consumers may not have sufficient savings levels to meet future financial needs**

1.15 Our findings represent analysis of long-term socio-economic trends. While the coronavirus pandemic has created significant short-term volatility in our financial and non-financial lives, it is too early to meaningfully interpret its longer-term impact on specific generations. However, our initial view is that the coronavirus pandemic will make these more acute.

Our conclusions

1.16 We will apply our project findings to the FCA's wider work in 2 ways:

- Firstly, we recently set 4 external priorities for our work over the next 1-3 years in our Business Plan 2020/21. Responding to these project findings will form an important success measure for our delivery of the work sitting underneath these priorities.
- Secondly, we will use future consumer and economic research to re-evaluate the financial circumstances and needs of different generations over time. Our findings will be used as a benchmark to reassess our understanding of intergenerational differences over time through consumer and economic research.

1.17 We do not think it would be appropriate or proportionate to pursue bespoke remedies, including rule changes, in response to these findings.

2 Why this is important

2.1 What we need and expect from financial services changes over time. Baby Boomers, Generation X and Millennials typically lead very different lives, have different expectations and different resources. They have different financial needs as a result. This was the case before the coronavirus pandemic, and continues to be the case today. Financial services markets will need to adapt and innovate to meet changing needs. This is not just a challenge for the financial industry. There is also an important role for public policy makers, including regulators.

2.2 We must also consider the specific challenges facing consumers that lack material wealth to accumulate or decumulate, and those with low financial resilience. Our DP analysis, conducted prior to the coronavirus pandemic, noted that wealth levels have not changed for consumers at the bottom of the wealth distribution. However, the intergenerational drivers we identified, such as changes to the labour market, present fresh challenges for consumers with limited wealth. For instance, the rise of zero hour contracts and the gig economy presents challenges around income volatility and job security that can make it difficult to access certain financial products. This issue correlates closely with the Millennial segment with research finding 56% of gig economy workers are aged 18-34 (The characteristics of those in the gig economy, Department for Business, Energy & Industrial Strategy). Beyond this project, our work on high-cost credit and its alternatives, vulnerability guidance and debt advice illustrate our commitment to address consumer harm for those at the bottom of the wealth distribution, across generations.

2.3 Clearly many of the key policymaking choices that influence intergenerational issues lie with other public policy bodies, particularly government. Where we have identified wider policy issues that are beyond our mandate, we will highlight them to relevant public bodies, especially where they have an impact on the markets we regulate.

Our role as a regulator

2.4 Intergenerational difference is a complex issue for a regulator to respond to. It is a subject that is broad and that can affect all consumers and retail sectors, but is also one that needs to be set against intragenerational difference within generations.

2.5 The broader issue of demographic change has been a business priority for the FCA, as outlined in our Business Plan 2019/20. Underneath this priority, the intergenerational differences project, our Financial Lives research and our work on the fair treatment of vulnerable customers all play a role in responding to changing consumer protection needs. Where the market is not meeting these needs, we need to understand any barriers preventing the market from doing so, and any consequential harm arising.

2.6 Through this project we want to advance our strategic objective to ensure that the relevant markets function well, as well as to advance 2 of our operational objectives:

- **To secure an appropriate degree of protection for consumers.** To protect consumers, we must first understand the financial lives and needs across different demographic segments. Now we have developed this understanding, we want to help bridge the gap between changing financial needs and the existing provision of financial services. Because financial lives and needs are constantly changing, our approach needs to develop to ensure we can continue to protect consumers effectively in the years to come.

- **Promoting effective competition in the interests of consumers.** Providing fair value for consumers is a critical component of a competitive market. To achieve fair value, digitisation should be applied in a way that provides consumer benefit to all generations. Our Innovate services, work on open finance and medium term business priorities all have a role in helping to facilitate this.

3 Our findings and conclusions

3.1 Our findings represent analysis of long-term socio-economic trends over the past 30 years. While the coronavirus pandemic has created significant short-term volatility in our financial and non-financial lives, it is too early to meaningfully interpret its longer-term impact at all, let alone on specific generations.

Intergenerational financial circumstances and needs

3.2 Our understanding of the financial circumstances and needs of each generation is outlined below, and is informed by the views of respondents expressed under the first DP feedback theme outlined in 1.11. Our observations are general, with age providing just one lens to analyse differentiation in financial circumstances and needs. We recognise that there is significant intragenerational variance in wealth, circumstances and financial needs within generations

Millennials

3.3 In many ways, Millennials face higher levels of uncertainty and insecurity compared to previous generations at a similar point in their life cycle. This is due to factors such as the long-term increase in the property price to earnings ratio (Housing affordability in England and Wales: 2019, Office for National Statistics (ONS)) over the last 20 years. Millennials are also likelier to rent and less likely to own a home than previous generations were at their age (DP19/2: Intergenerational differences).

3.4 High levels of student debt, the lack of real growth in post-crisis earnings, and the increasing cost of renting has restricted the disposable incomes of many (DP19/2: Intergenerational differences). This has exacerbated the tension between competing saving needs, such as saving for a housing deposit for longer, while also making pension contributions. Finally, while Millennials will benefit from auto enrolment, there may be a lack of awareness that for most individuals, this alone may be insufficient to fund retirement needs.

Generation X

3.5 Generation X could be categorised as the 'sandwich generation', with members facing simultaneous financial demands from supporting their children and ageing parents (DP19/2: Intergenerational differences). Many would benefit from increased support managing their potentially complex financial affairs – for some, a mixture of Defined Benefit (DB) and Defined Contribution (DC) pensions from multiple employers – and coping with the competing financial demands from children and parents (A new generational contract, Resolution Foundation) and (DP19/2: Intergenerational differences). They will likely inherit wealth later in life than their own parents, although products like equity release may make it easier to make wealth transfers earlier. Pension adequacy may also be an issue for some: this will be more acute for those who missed out on both DB pension schemes and auto enrolment.

3.6 Those in this cohort have the highest amount of unsecured debt, excluding student debt, of any generation (DP19/2: Intergenerational differences). Using short-term loans to manage sudden financial shocks, they have benefited from the low interest-rate environment, but will face hardship should rates rise. Increased resilience to financial shocks, potentially through easier short-term access to longer-term savings, may help manage this.

Baby Boomers

3.7 While there is significant variance in levels of wealth amongst Baby Boomers, many have benefited financially from the increase in housing prices over the last few decades, having accumulated significant housing wealth as a result (DP19/2: Intergenerational differences). Many Baby Boomers also hold DB pension wealth. However, while pension freedoms have brought greater flexibility of choice over retirement incomes, this has also resulted in a greater exposure to risk. Furthermore, as Baby Boomers are living for longer, many will need to delay or plan for a longer retirement.

3.8 Many Baby Boomers would benefit from increased access to more flexible later life lending and wealth decumulation products. However, where increased access to products is driven by new technological advances, Baby Boomers may be less well-placed to benefit from this than younger, tech-savvy Millennials and Generation X consumers. Some Baby Boomers may be excluded from these benefits entirely.

How financial services can better meet intergenerational financial circumstances and needs

3.9 Our findings below describe how financial services can act to better meet these evolving circumstances and needs. We have structured these findings around five issues which impact all generations, albeit often in different ways and to different degrees. These findings are informed by the views of respondents expressed under the second, third and fourth DP feedback themes outlined in 1.11.

1. **Consumers should be provided with better support to manage increased responsibility and additional exposure to risk**

The issue – increased consumer responsibility and risk exposure

3.10 Individual consumers are expected to make more complex financial decisions, partially because of changes in the pension and retirement income sector and changes to student funding. At the same time, consumers are experiencing fewer life events, particularly in early working life. This is driven by a combination of increasing levels of self-employment, delayed first-time property purchase and a long-standing trend of consumers entering marriages, civil partnerships and having children at an older age (DP19/2: Intergenerational differences).

3.11 This trend is delaying, or entirely removing, the potential for these life events to prompt consumers, both directly and indirectly via employers and mortgage brokers, to re-engage consumers with their financial circumstances, needs and goals. Research found that 89% of mortgage holders hold contents insurance compared to just 39% of consumers renting from private landlords (2013 Home protection study, YouGov).

3.12 Even when consumers are engaged, and seek financial advice or support, this can be confined to a particular product, such as a mortgage or long-term investment, rather than a consumer's wider circumstance. Under a historic, linear life cycle, where consumers check off financial objectives one by one, product specific advice is generally sufficient on its own. However, this is not always sufficient under the emerging, more fluid life cycle in which consumers prioritise more complex financial objectives simultaneously (English housing survey 2017 to 2018, Ministry of Housing, Communities and Local Government). The development of financial support services, which incorporate a simple user interface, may assist consumers with managing this.

The impact on generations

3.13 An emerging issue for Millennials is a reduction in early career engagement with financial services triggered by life events. Generation X are also impacted by this, albeit to a lesser degree, but also must manage a potentially complex mix of DB and DC pensions, being caught in the transition from DB to DC and only partially benefitting from auto-enrolment.

3.14 Despite existing regulatory rules, Baby Boomers exploring their options for financing later life can experience a consumer journey driven by both the market and the consumer being focussed on providing and taking out an equity release product, rather than the underlying need for additional funds. Findings from our exploratory supervisory work on later life lending found that consumers reasons for looking at equity release were not always challenged by firms.

The role of the FCA

3.15 For markets to work well, consumers need to be able to make well-informed decisions. At a strategic level, we have adopted two business priorities to help facilitate this. Firstly, we want to enable effective consumer investment decisions, recognising the importance of this within the context of increased responsibility and risk exposure being placed on consumers. Secondly, we are taking steps to ensure that financial products and services across retail sectors offer consumers fair value in the digital age. Digitisation, and open finance in particular, could have wide reaching implications for consumer engagement, the provision of financial support and the movement of capital between products.

2. **Consumers should have access to more hybrid and flexible products to help balance short and long-term needs**

The issue – more complex short and long-term needs

3.16 Consumers are taking on more responsibility for financial choices, pursuing less standardised working patterns and having to manage evolving and competing financial priorities, such as repaying student debt, paying into pensions and funding intergenerational transfers.

3.17 These changes have disrupted the linear life cycle which means traditional retail financial services products less neatly map to the needs of some consumers today. As such, consumers could benefit from flexible products to meet changing needs and hybrid products to meet competing needs. Hybrid products consist of multiple underlying products which can be used to meet multiple needs simultaneously and flexible products allow consumers to determine which need a product will be used for at a later date. These needs could include repaying student debt, building long-term savings, developing short-term savings and growing a deposit for property purchase.

3.18 While product versatility can bring complexity, it also better aligns with the complexity of some consumer circumstances and needs. So, for example, it can help consumers manage decumulation while mitigating longevity risk or build long-term savings without jeopardising short-term resilience.

The impact on generations

3.19 Millennials, particularly gig economy workers as noted in 2.2, might benefit from integrating income smoothing, rainy day savings and long-term savings to provide stability, financial resilience and access to lending.

3.20 Generation X are being squeezed financially and have the highest amount of unsecured debt, excluding student debt, of any generation (DP19/2: Intergenerational differences). They may benefit from more fluid long and short-term savings products to bolster financial resilience and encourage long-term saving without sacrificing short-term needs. The Pension Sidecar, developed and trialled by Nest Insight, is an example of this. It is a capped emergency savings pot which sits alongside a workplan pension, topped up by additional contributions.

3.21 Baby Boomers will enjoy prolonged retirement, relative to previous generations. This is because of the long running trend in increased life expectancy, but low interest rates also mean they are getting reduced returns on long-term savings. They could benefit from decumulation products that better account for changing circumstances during later life to manage the risk of savings shortfalls. One mechanism could be decumulation pathways that incorporate both drawdown and an annuity under a hybrid product. Once a consumer reaches very old age, an annuity would be purchased with the remaining pot to provide a secure income.

The role of the FCA

3.22 While it is for industry to develop innovative products, we have a role to play in identifying areas where such innovation would improve consumer outcomes. Specifically, we have a statutory objective to promote competition in the interests of consumers, and one mechanism to deliver this is through supporting innovation that could achieve this. Hybrid and flexible products can carry regulatory complexity given they typically cut across different regulated activities, requiring co-ordination of different regulatory regimes and requirements. Our Innovate services can help firms manage this complexity and, in turn, help foster market development.

3. Certain consumer segments would benefit from access to lending products needed for their financial goals

The issue – difficulty accessing lending to meet needs

3.23 Across different generations, particularly Millennials and Baby Boomers, some consumers are finding it difficult to access the credit products they need to meet their financial needs. In many cases this is due to 1 of 2 scenarios: either a lack of available credit information relating to a consumer, or volatility in the consumer's income and expenditure.

3.24 Both of these scenarios can impact lenders' creditworthiness assessments and risk appetites. Firms could be more effective in responding to recent socio-economic changes, including the rise in self-employment, such as zero hour and gig economy employment. They could do this by adapting their practices to ensure different consumer segments have appropriate access to affordable credit while continuing to comply with rules on creditworthiness assessments.

3.25 According to recent research by Demos, the self-employed are 50% more likely to be declined when applying for a mortgage than employees (The liquidity trap, Demos). Demos also found that the self-employed are nearly twice as likely as employees to turn to payday lenders to meet their credit needs.

3.26 Firms could make more effective use of existing and new data sources, acknowledging General Data Protection Regulation (GDPR) constraints. We do not view our rules as an impediment to this but encourage firms to engage with our Innovate services where they have queries or concerns.

The impact on generations

3.27 In the first scenario, the thin credit file issue is a material challenge for some Baby Boomers as, following the death of a partner, they may find themselves having to re-engage with financial services, despite having had no engagement, or active credit history, for decades.

3.28 This issue can also severely impact Millennials who, by default, have not had time to establish a credit record. In addition, recent migrants, who are disproportionately likely to be impacted by the thin file issue due to a lack of credit history and reduced ability to open accounts and rent property, are far more likely to be younger. Between 2008 and 2014, around 90% of immigrants to the UK were aged between 15 and 34 (Immigration by five-year age group, sex and citizenship, Eurostat).

3.29 In the second scenario, self-employment can drive increased income volatility. As noted previously, certain types of self-employment, such as zero-hour and gig economy work, is disproportionately conducted by Millennials. This segment may face greater income and expenditure volatility than salaried workers.

The role of the FCA

3.30 Consumer access to appropriate credit is an essential feature of a well-functioning retail lending market. We do not view our rules as a barrier to industry responding to issues identified above. Digital innovation has an important role in this area and we want to support firms in applying new data sources to inform lending decisions, where doing so allows them to provide fair value to consumers.

3.31 More broadly, our business priority on making consumer credit markets work better seeks to ensure consumers can find the products that meet their needs and that affordable credit is available. This is particularly important for those in less secure employment who may depend on credit to fund unexpected costs, smooth expenditure and make essential purchases.

4. Consumers would benefit from access to better products to fund long-term care

The issue – lack of preparation for funding long-term care

3.32 Industry and consumer groups would benefit from further clarity on the long-term public policy approach to the funding of social care. This would assist firms in designing robust and competitively priced long-term care insurance products, that can be taken out to help manage increased longevity.

The impact on generations

3.33 This is a pressing challenge for Baby Boomers, many of whom will need care in the short to medium term. The shift away from lifetime annuities, arising out of pension freedoms, has not been replaced with uptake of an alternative mechanism for managing increased life expectancy. Generation X and Millennials, who are likely to be less financially secure at retirement, may face even more acute challenges if they need to self-fund care costs. More systematic uptake of protection against these costs, such as immediate needs or deferred annuities, may become increasingly necessary for consumers that need to self-fund care.

How this is relevant for the FCA

3.34 This is mainly a question of social policy and for government to lead on. However, we will discuss feedback from respondents with the Department of Health and Social Care and the Treasury. We would be happy to engage with firms that are developing long-term care protection propositions.

5. Consumers may not have sufficient savings levels to meet future financial needs

The issue – potential future savings shortfalls

3.35 As noted in our DP, consumers under the age of 60 have significantly lower median wealth than those in same age bracket 10 years earlier (DP19/2: Intergenerational differences). Within the wider context of the shift from DB to DC pensions, increased life expectancy and reduced rates of investment return, some consumers face increased risk of savings shortfalls.

3.36 Auto-enrolment provides significant support for Millennials and Generation X, and existing opt-out rates are low. However, should opt-out rates continue to rise (Automatic enrolment evaluation report 2019, Department for Work and Pensions (DWP)), and minimum contributions remain low, auto-enrolment alone may not meet retirement income needs.

The impact on generations

3.37 The achievement of financial goals increasingly hinges on consumers receiving intergenerational wealth transfers. In particular, there is increased reliance amongst younger generations on such transfers to access the housing ladder, 29% of first time buyers used a gift or loan from family as a source of deposit in 2015-2016 compared to 22% in 1995-1996 (Intergenerational transfers: the distribution of inheritances, gifts and loans in 2014-2016, ONS). This is likely to increase inequality within generations and, at the same time, wider socio-economic conditions may result in Generation X and Millennials holding less wealth in retirement.

How this is relevant for the FCA

3.38 This issue is, in the main, a question of social policy. DWP, the Treasury and The Pensions Regulator (TPR) have taken important steps to tackle this issue, most notably through auto-enrolment. It is for them to evaluate these interventions and consider other remedies.

3.39 We recognise that the implications of insufficient savings levels may cause consumer harm, for instance consumers may be drawn to high-risk investment products that do not necessarily meet their needs. Our business priority on enabling effective consumer investment decisions seeks to ensure consumers have access to high-quality access and support. We also want to ensure that investment products are designed to meet consumers' needs, deliver value for money and are marketed in a way that is clear, fair and not misleading.

Our conclusions

3.40 Of these 5 areas where evolving consumer needs could be better met by financial services, we are focusing our attention on the first 3, as these are where we can add the most value given our mandate.

3.41 Earlier this year we launched 4 external medium term priorities in our Business Plan. Our findings on intergenerational differences have not only helped shape the scope and content of these priorities, but they also provide a benchmark to evaluate the success of these priorities in improving retail financial markets. These priorities cover:

- **enabling effective consumer investments decisions**
- **ensuring consumer credit markets work well**
- **making payments safe and accessible**
- **delivering fair value in a digital age**

3.42 Throughout this chapter we have highlighted how these priorities will respond to our project findings. Whilst this did not explicitly cover making payments safe and accessible, work underneath this priority will also play an important role in responding to the needs of Baby Boomers, as described in 3.8. In particular through ensuring consumers retain access to physical cash. This, alongside the priority on delivering fair value in a digital age, will be critical in ensuring the application of technology in financial services does not come at the cost of financial exclusion for the digitally disengaged.

3.43 Beyond this strategic response to our findings, we will also provide continual oversight and monitoring of intergenerational differences through our ongoing consumer research and engagement programme. In the short-term this will focus on analysing intergenerational differences in the experience of consumers in the initial phase of the coronavirus pandemic. In the longer term we will pursue this more systematically through the Financial Lives Survey, which will be updated approximately every 2 years, and through any future evaluation of our ageing population work.

Annex 1
DP19/2 questions

Q1: Are there other factors driving changes in the consumer needs of different generations that we should consider? What are these?

Q2: Are there other ways in which the factors we have identified as driving changes influence how individuals from across different age groups build up and access wealth?

Q3: To what extent are financial services providers currently meeting the changing needs across different age groups? How could innovation in product design help meet changing consumer needs of different age groups?

Q4: Are there any barriers (including FCA regulatory barriers or barriers to competition) that are adversely affecting access to, and use of, financial products that would meet new and changing consumer needs? Are these affecting particular age groups? If so, in what way? How should we address these while ensuring consumers still receive an appropriate degree of protection?

Q5: Is there anything more that we could do to encourage and enable positive innovation in these sectors, or to enhance competition in the interests of consumers?

Q6: Is there any market or firm behaviour that causes or may cause potential harm to consumers? For example, is industry failing to recognise varying needs of consumers from different age groups and as a consequence, of this:

a. offering products which may be unsuitable to certain age groups
b. excluding, discriminating against, or failing to advance equal opportunity between certain age groups for no legitimate and objectively justifiable commercial reason (or where the reason is potentially legitimate but the approach is not proportionate)
c. otherwise treating certain age groups unfairly

Q7: Are there areas related to intergenerational issues which fall more appropriately to government or another public body, but in which, in accordance with our objectives, we can play a role? If so, which ones and in what way?

Annex 2
Detailed summary of feedback and our response

In this Annex, we summarise the feedback received between May and August 2019, in response to analysis and commentary within our DP. The feedback is presented under the following themes:

1. Drivers of intergenerational differences and their impact on financial circumstances and needs (Q1, Q2)
2. Response of financial services providers to changing circumstances and needs (Q3)
3. Barriers impacting development of, and access to, improved financial products and relevant market behaviour causing actual or potential harm (Q4, Q6)
4. Actions the FCA, government and other public policy bodies could take to help the market respond to intergenerational issues (Q4, Q5, Q7)

Against each theme we have provided our response to the feedback received. This response is based on trends observed prior to the outbreak of the coronavirus pandemic. While it is too early to analyse the long-term socio-economic impact of coronavirus, our response is likely to remain relevant.

A full list of the questions we asked in the DP is set out in Annex 1. We received 47 responses from a range of stakeholders, including regulated firms, trade bodies and think tanks. We thank stakeholders for taking the time to respond. A list of non-confidential respondents is available in Annex 3.

1. Drivers of intergenerational differences and their impact on financial circumstances and needs

In our DP, we identified 5 factors changing the financial circumstances and needs of different generations: an ageing population, low interest rates, rising house prices, the changing nature of employment and student funding. We also set out how these could be changing financial circumstances and needs across different generations. We asked respondents if there were other ways these drivers are causing changes, and whether there were other factors we should consider.

Feedback received

Respondents broadly agreed that the 5 factors identified in the DP were causing changes in the financial circumstances and needs of consumers across different generations, and provided the following examples of their impact on these evolving circumstances and needs:

- **Ageing population:** A respondent noted that increased life expectancy has implications for pension adequacy and on whether individuals are saving sufficient amounts for their retirement. Another suggested that, as life expectancy continues

to increase, individuals can no longer rely on the state pension as the sole means of funding their retirement, and will need to utilise other assets such as property wealth.
- **Low interest rates:** Several respondents noted that low interest rates have made it more difficult for individuals to generate returns from savings. One respondent also noted that the compression in yields on lower-risk securities has suppressed the value of long-term savings. Respondents agreed with our analysis in the DP that the low-rate environment could be contributing to an increase in levels of personal debt.
- **House prices:** Several respondents highlighted that, due to sustained house price increases, intergenerational wealth transfers are becoming a necessary condition for many Millennials entering the property ladder. Respondents also highlighted that many Millennials saving for a deposit must balance this against other competing saving needs, especially contributing to a pension.
- **Labour market:** Respondents suggested that the transfer of risk to individuals will disproportionately impact the self-employed and, in particular, those on zero-hour contracts and working in the gig economy. Younger consumers are especially affected by this, and as a consequence, may be less likely to access employer-provided protection products including life insurance, critical illness and professional indemnity products. The rise in self-employment, coupled with the trend towards delayed first-time housing purchases, means that some consumers will see a reduction in early career financial touchpoints to reassess their financial circumstances and consider the need for protection products.
- **Student funding:** Respondents noted that rising levels of student debt have impacted individuals' wealth accumulation patterns. One respondent suggested that student loans can cause significant long-term strain on younger generations' financial wellbeing, reducing their ability to save into a pension or to afford life, critical illness and income protection cover.

Respondents highlighted several other factors which could be impacting financial circumstances and needs including technology, where several argued that technology is changing how consumers engage with financial services. Others highlighted the role of government policy, noting pension freedoms and auto-enrolment have fundamentally changed the pensions and retirement income sector. Other issues identified by respondents include gender, generational interdependence, the decline of the nuclear family and climate change.

Our response

We note both the feedback from respondents on how the five socio-economic drivers in our DP are impacting the financial circumstances and needs of different generations and the additional suggestions of drivers of intergenerational change. Many of these insights have been reflected in our project findings on the financial circumstances and needs of each generation, as described in chapter 3 of this Feedback Statement.

2. Response of financial services providers to changing circumstances and needs

We asked respondents how effectively evolving consumer circumstances and needs, across different generations, are being met by financial services providers, and how further product innovation could help with this.

Feedback received

Overall, respondents were divided. Some indicated that financial services are responding effectively to changing consumer circumstances and needs, others argued more could be done by providers. Many respondents, and conference attendees, emphasised looking beyond product and focussing on distribution, engagement and advice.

Current market response

Respondents gave specific examples of the market's existing response:

- **Pensions savings and retirement income:** Several respondents suggested that the market is adapting to changes in the labour market and the rise in self-employment, for example through self-invested personal pensions giving greater flexibility over the amount and timing of payments. However, other respondents indicated that providers could provide better support for the self-employed in accumulation.
- **General insurance and protection:** Respondents noted that insurers are increasingly offering protection products aimed at those with non-traditional working arrangements, such as flexible motor insurance for self-employed delivery drivers. Some providers are also offering monthly rolling contracts for contents insurance products for those living in rented accommodation. Respondents also noted that current awareness and engagement with such products is low. Demand-side issues were suggested as a reason for the low uptake of these products. Respondents indicated that this stems from a lack of consumer understanding of their own liability in funding long-term care.
- **Retail lending:** One mortgage lender argued that the market is effectively factoring generational needs into product design, for example by offering family assist mortgages which allow family members to provide access to funds or assets that give greater security to the lender. Another pointed to innovation in the equity release market, with new options allowing consumers to make regular interest payments, penalty-free partial repayments or downsizing protection, providing greater breadth in later life lending options.
- **Financial advice:** Many respondents argued that better and more widespread financial advice and guidance is needed, and that there is a need for easier access to general financial guidance. It was suggested that, ideally, this should be at both defined intervals and in anticipation of key life events. The Mid-Life MOT, currently being rolled out by some employers, is an example of such innovation.

Role of further innovation

Respondents provided feedback on the role of further innovation in meeting changing consumer needs. A few noted the value of hybrid (multiple products sitting underneath a 'master' product e.g. pension sidecar) and flexible (single product that can be used for multiple ends e.g. Lifetime Individual Savings Account (LISA)) products. It was suggested that these products could be more effective in meeting consumer needs (e.g. in the case of a LISA, long-term savings and building a deposit, in the case of the pension sidecar, short-term savings and long-term savings) across each generation.

Specifically, hybrid products can be used to meet competing needs while flexible products can be used to accommodate changing consumer needs over the period the product is held.

Respondents gave views on where further sector-specific product innovation could be beneficial:

- **Pensions savings and retirement income:** Several noted that as younger generations will rely increasingly on DC arrangements to fund their retirement, innovation to stimulate contributions in accumulation and mechanisms for managing longevity in decumulation will become increasingly important.
- **General insurance and protection:** A few suggested that the insurance market for care products is currently underdeveloped. They felt that once the government provides further clarity on the funding of social care, innovation is likely to play an important role in market development.
- **Retail lending:** Some indicated that there is scope for providers to develop more innovative lending criteria, to better accommodate consumers with inconsistent incomes and consumers who are not sufficiently represented by traditional credit information.
- **Financial advice:** One noted that technology could facilitate increased uptake of financial advice and guidance by Millennials and Generation X.

Our response

We agree that innovation can play a valuable role in ensuring that changing consumer needs continue to be met and in expanding financial inclusion for underserved populations. We note the examples provided of where greater product innovation would be helpful. More specifically:

- **Pensions savings and retirement income:** We agree that some consumers who are self-employed are at particular risk of facing inadequate income in retirement. Nest Insight and the DWP are conducting further research and trialling of solutions to help enable increased long-term savings among self-employed people.
- **General insurance and protection:** We recognise that further innovation in the long-term care market would be valuable in managing longevity risk and that it is difficult for firms to design and price such products whilst anticipating policy changes relating to long-term care funding.
- **Retail lending:** We acknowledge that some consumers with non-standard risk profiles may also face difficulties in accessing credit products, as may those who lack sufficient credit information.
- **Financial advice:** We agree that high-quality financial support can be useful in helping some consumers choose the financial services products most appropriate to their needs.

Looking beyond individual sectors, open finance could, in the longer term, lay the foundations for relevant product and distribution innovation across financial services, including through the provision of hybrid and flexible products.

3. Barriers impacting development of, and access to, improved financial products and relevant market behaviour causing actual or potential harm

We asked respondents to highlight barriers inhibiting the ability of the market to provide, and consumers to access, financial products that would better meet evolving circumstances and needs. We also asked whether there is any market or firm behaviour that may cause potential harm to consumers.

Feedback received

42 respondents highlighted potential barriers to improved financial products or relevant market behaviours causing consumer harm. These relate to a mix of regulation, social policy and market conditions.

Financial literacy and engagement

Many respondents noted a lack of financial capability and poor financial awareness amongst consumers. This was also a key theme from discussions at our conference. The barrier is made more acute by the fact that consumers have taken on more responsibility for complex financial decisions. Two respondents noted that increasingly consumers are having to trade-off competing savings needs, for example choosing between contributing to a pension and saving for a house deposit, an issue particularly acute for Millennials, or contributing to a pension and maintaining rainy day savings, an issue that particularly effects Generation X.

Access to products and services

Even where consumers are engaged, respondents noted that some consumers, particularly Baby Boomers and Millennials, might find it difficult to access some product types. For instance, those with pre-existing medical conditions can sometimes struggle to access affordable travel insurance that covers their conditions. On the other hand, it was suggested that Millennials can struggle to access car insurance for a premium they are willing to pay, partially as a result of increasingly granular risk pricing and the erosion of risk pools. A few respondents noted barriers relating to digital exclusion restricting access to certain financial products, which are more easily or only accessible online.

For those that are digitally active, some respondents highlighted key negative aspects of digitisation causing consumer harm. In particular, Baby Boomers are increasingly vulnerable to scams distributed via e-mail, text and the internet at a time in which they are making significant decisions about pension drawdown and retirement income. Conversely, for Millennials the sheer volume of social media advertising, and its disproportionate consumption by younger consumers, makes them more susceptive to inappropriate financial promotions through this medium.

Availability of financial support

Given this complexity in the financial services landscape, some respondents expressed a concern about an apparent lack of access to, and uptake of, regulated financial advice. This was suggested by participants at our conference. Responses argued this issue was a result of firms not understanding the distinction between financial advice and guidance.

Respondents also said there had been an increase in the cost of financial advice, as a consequence of policy measures arising out of the Retail Distribution Review (RDR). It was argued therefore by some that financial advice is predominantly accessible only to affluent consumers, who are disproportionately likely to be Baby Boomers. Finally, a small number of charities highlighted that they are struggling to support vulnerable consumers because of uncertainty over their regulatory liability.

Regulatory approach

Several respondents suggested that there is a lack of cohesion in our rulebook and that this was hampering the ability for the market to provide cross-sectoral products and services. For instance, some pointed to fragmentation in the mortgage market, challenging existing differentiation in regulatory requirements and advisor requirements for different products.

Loyalty penalty

Some respondents highlighted that longstanding consumers are paying more than new customers for the same services, as identified through Citizens Advice's super-complaint on the 'loyalty penalty'. Respondents suggested that the loyalty penalty disproportionately impacts older, often more vulnerable consumers given they have a greater propensity to stay loyal to a provider.

Retail lending

Concerns relating to mortgage lending rules were also identified by respondents. Many suggested that the Mortgage Market Review (MMR) and the Bank of England Financial Policy Committee (FPC) mortgage lending recommendations are a barrier to younger consumers getting on the housing ladder. Several respondents argued affordability requirements relating to specific lending products, such as Retirement Interest Only mortgages, are limiting uptake and that mortgage affordability rules should pay explicit regard to rental payments. Two respondents noted that regulatory interventions to tighten lending decision-making were brought in because of poor firm behaviour when the sector was less heavily regulated.

General insurance and protection

Respondents noted that there are gaps in the insurance product range, either with respect to products not accommodating consumer needs or having low uptake. For example, critical illness cover excludes many people with dementia or only those with dementia up to the age of 65.

Pensions savings and retirement income

Several respondents flagged well-known issues relating to DB transfers, pension fund charges and the impact of pension inadequacy for DC savers. One respondent raised potential harm arising as a result of older consumers entering retirement during an era of low interest rates and over-reaching into riskier assets to seek greater yield.

Our response

We note the range of barriers and drivers of harm raised by respondents and the general view that there are significant barriers adversely affecting access to, and use of, financial products that would meet new and changing consumer needs.

Financial literacy and engagement
We recognise the challenge relating to consumer engagement and financial literacy, and that this is compounded by increased consumer responsibility for complex decision-making, often having to balance short and long-term priorities. Low levels of consumer engagement can increase the risk of consumer harm and we would consider action where such harm is arising, as part of our statutory duty to provide consumers with an appropriate degree of consumer protection.

Technology has significant potential in this area. Our Call for Input (CfI) on open finance identified a number of relevant use cases of how open finance could improve consumer engagement. For instance, personal financial management platforms could help improve consumer understanding of their financial situation, make product recommendations or directly switch products and help consumers make decisions around how to allocate their savings across different product types.

Access to products and services
With regards to customer segments struggling to access specific products, we agree with some points raised. This is a challenge we have already sought to address with respect to insurance cover for those with pre-existing medical conditions through rules introduced earlier this year. More generally, big data has increased the ability of insurance providers to create individualised pricing. While this can allow insurers to price risk more effectively, we want to ensure consumers can still have confidence that they are getting fair value.

We agree that digital technology can be applied to help tackle financial exclusion, and it is positive that technology is being applied, for instance through voice or facial recognition and biometrics in banking, to support vulnerable and older consumers who are at risk of financial exclusion. It is critical that consumers continue to have access to a variety of payment services, across digital and non-digital channels.

Availability of financial support
We agree that consumers often need support to enable effective decision-making, although would challenge whether this always needs to come in the form of regulated advice. Our research found that 91% of consumers did not take regulated financial advice in 2018. 39% of those who did not take regulated financial advice held £10,000 or more in savings and / or investments (The changing shape of the consumer market for advice, Critical Research and Ignition House). Some consumers within this group might benefit from financial advice, although when asked why they did not seek it, almost two-fifths made a conscious choice not to seek advice as they felt able to decide what to do with their money on their own.

Where consumers do want some support in making decisions, this does not always need to come in the form of traditional regulated financial advice. For instance, Pension Wise offers free and impartial government-issued guidance in relation to accessing the pension freedoms for consumers aged 50 and over. Other alternatives include automated advice services and online guidance. We are supporting firms who are developing such propositions through our Advice Unit.

It is concerning that charities feel unable to fully support consumers, including potentially vulnerable consumers, and we would be happy to engage with them to explore the specific regulatory challenges they face.

Regulatory approach
With regards to our rulebook, we are keen to engage with stakeholders who see regulatory barriers or complexities as inhibiting the development of cross-sectoral advice. One barrier identified by respondents is differing advisor qualification requirements across our different regulatory regimes. Where firms have concerns around this, we will work with them to try and address their concerns, of course advisors are also able to acquire multiple qualifications.

More generally, we want to understand how firms use, interpret and interact with our regulatory standards, and understand where firms incur cost in this regard. We have commissioned research to understand how firms use the Handbook and any underlying issues they have with it.

Loyalty penalty
Following Citizens Advice's super-complaint, and the Competition and Markets Authority's (CMA) initial investigation, our own investigations of pricing practices across general insurance, cash savings and mortgages have shown markets to sometimes fail to achieve fair value for customers. Our Financial Lives Survey found that over 65s are disproportionately more likely to have held their current and savings accounts, mortgage, cash ISA, or home or motor insurance for 10 years or more with the same provider than the average UK adult.

With respect to general insurance, our market study has found that older consumers taking out home insurance are significantly more likely to suffer from the loyalty penalty than other segments.

Retail lending
While it is true that Millennials, particularly those in London and South East England, are struggling to access the property market, we disagree that this is primarily driven by the Mortgage Market Review, or by regulation more broadly. Instead, as noted in our DP, this is driven by house prices rising rapidly over the past 20 years. Far from resolving this issue, facilitating lending to those for whom a loan would be unaffordable would likely cause harm.

The decision to lend is a commercial judgement for firms. Our rules generally require firms to take "full account" of relevant income and expenditure when assessing affordability, but do not prescribe the data sources that must be used or how income and expenditure is to be evidenced. Firms can use new data sources in affordability assessments where this constitutes reasonable evidence, including to gain insights into proven history of paying rent where relevant.

With regards to credit information, alternative data sources, data analytics, open finance and Payment Services Directive (PSD2), all present opportunities to improve how creditworthiness is assessed for so-called thin file consumers and for those with inconsistent incomes.

General insurance and protection
In relation to comments about products not covering customer needs, we would expect firms to comply with product governance rules introduced in October 2018. These rules require firms bringing new products to the market, or making significant changes to existing products, to have an appropriate approval process in place which ensures product design considers the needs, characteristics and objectives of the target consumer market.

Pensions savings and retirement income
We are already taking a number of steps to mitigate harms associated with issues identified by respondents relating to DB transfers, pension fund chargers and a lack of support for consumer with pensions decision-making. Looking ahead, the risk of pension inadequacy presents significant potential for consumer harm, particularly given its potential impact on consumer attitudes to risk.

4. Actions the FCA, government and other public policy bodies could take to respond to intergenerational issues

We asked respondents to identify areas where the FCA, government and other public bodies could act to address intergenerational issues.

Feedback received

Many respondents identified a wide range of areas where the FCA or other public policy institutions could act in response to the intergenerational issues identified. A small number of respondents felt this is not an issue for the FCA to lead on and that government should provide a social policy response to the topic prior to any regulatory response.

Financial literacy and engagement
Many respondents saw a role for the FCA in improving financial literacy and consumer awareness, suggesting we work closely with Money and Pensions Service (MaPS) to help consumers make complex financial choices. There were also more radical suggestions made around restricting product offerings when advice is not taken by a consumer. Others emphasised the importance of ensuring signposting requirements are effective, and using key events to engage consumers.

Strengthen Innovate services
Some respondents argued that our Innovation division could provide additional support for propositions that respond to intergenerational issues. Others argued the regulatory sandbox should be expanded to accept more nascent business models. Some responses called for further opening up of data standards across financial services, with a view that this would help industry meet consumer needs.

Regulatory reform
Several respondents argued that our Handbook, as well as our broader regulatory approach, needs to be refreshed to cater for the online experience and better accommodate the inter-relationships between different retail sectors. A small number of respondents flagged the importance and value of the FCA creating a Duty of Care.

Tackling the loyalty penalty
In light of Citizens Advice's super-complaint on the loyalty penalty, respondents emphasised the importance of public policy responding to competition issues that mean new and existing customers are treated differently, particularly in relation to general insurance, cash savings and insurance.

Government policy
With regards to long-term savings products, some respondents called for legislation to allow for more flexibility in the design of long-term financial products such as ISAs. Specifically, calls were made for allowing penalty free early withdrawal from such products, when withdrawals are made for a pre-approved reason. Others felt the LISA was an overly complex product, arguing it should be better integrated with the pension savings framework.

Many respondents identified actions that could be taken by government to tackle intergenerational issues. In particular, on clarifying the government's long-term approach to funding social care, increasing housing supply, improving the interaction between the benefits system and financial services, changing inheritance tax, tweaking tax incentives to incentivise saving and uptake of protection products and expanding auto-enrolment to cover the self-employed. Some also noted that the FCA perimeter incorporates certain activities but excludes others, even when the different activities appear similar to consumers.

Respondents noted that government could further explore the provision of no-interest loans, increase its role as a guarantor for risk pooling, managing bank branch closures and improving the power of attorney regime to increase protection for older consumers.

Our response

We agree with many of the issues raised by respondents and are taking a range of actions in response. Where feedback better fits with the mandates of other public policy institutions, we will highlight these to relevant bodies.

Financial literacy and engagement
Respondents consistently argued for improvements to financial education to improve financial literacy. MaPS and government have broader responsibility for financial literacy and engagement. In particular, MaPS has a statutory objective to develop and co-ordinate a strategy to improve financial capabilities and, within this context, published their UK Strategy for Financial Wellbeing earlier this year. However, given our consumer protection mandate, close collaboration with MaPS is critical. For instance, we recently worked closely with MaPS to develop new public information for consumers dealing with financial difficulties during the coronavirus pandemic.

On restricting product offerings where consumers have not taken financial advice, in some areas, such as the equity release market, we already require firms to provide advice to consumers before selling certain products. However, we do not view it as proportionate to apply this across all retail products and sectors, given that different financial products do not carry the same level of complexity or potential impact on vulnerable consumers as, for example, equity release. For example, our remedies stemming from the recent Mortgage Market Study sought to better support some consumers who wish to pursue standard mortgages via execution only routes, without being diverted to advice.

We also see value in making better use of supply side remedies, such as default pathways, to help steer less engaged consumers towards lower risk choices. Like respondents, we view effective signposting as an essential mechanism for informing consumer choice. Where signposting is not effective, we will act.

Strengthen innovate services
Given our focus on product and distribution innovation in our DP, we are keen to ensure our firm-facing Innovate functions are offering a high-quality service to innovative firms. We continue to evaluate and innovate our offerings, and are keen to engage with firms looking to address intergenerational issues identified in this paper. One initiative we are currently assessing is the potential of a "digital sandbox" that could provide a platform and data for testing such propositions.

We see significant potential, as well as some risks, with open finance and the opening up of data standards. It could have wide reaching implications for consumer engagement, the provision of financial support, the movement of capital between products and access to lending products. However, it will likely take several years for any such benefits to materialise.

Regulatory reform
We recognise that our Handbook is a complex set of requirements that has been built up over many years and, as noted previously, we have commissioned research on the experience of firms using it. More broadly, we are working hard with our partners and stakeholders to plan for the future of financial regulation, including our Handbook, in a post-EU withdrawal, tech-enabled world.

Tackling the loyalty penalty
Our investigations of pricing practices in general insurance, cash savings and mortgage markets, found that these markets sometimes fail to achieve fair value for consumers. In response to this, we have set a business priority on ensuring consumers are offered fair value products in a digital age. With respect to general insurance pricing practices specifically, following interventions we have made in other retail sectors in response to the loyalty penalty, we will be publishing our final report and a consultation paper on any proposed remedies in due course.

Government policy
Where issues relate to government policy, we will highlight them to relevant government departments.

Annex 3
List of non-confidential respondents

Alzheimer's Society

Association of British Insurers

Association of Consulting Actuaries

Association of Mortgage Intermediaries

Aviva

Building Societies Association

Chartered Insurance Institute

Citizens Advice Scotland

Consumer Council of Northern Ireland

Equity Release Council

Finance and Leasing Association

Financial Services Consumer Panel

Hodge

Institute and Faculty of Actuaries

Institute of Chartered Accountants in England and Wales

Institute of Chartered Accountants of Scotland

Intergenerational Foundation

Investment and Life Assurance Group

Key Retirement Solutions

Money Advice Trust

Nationwide

PensionBee

Pensions and Lifetime Savings Association

Perenna

Phoenix Group

Quilter

Royal Bank of Scotland

Scottish Widows

ShareAction

Society of Pension Professionals

St James's Place

Swiss Re

The Finance Foundation

The Money Charity

UK Finance

University of Birmingham

Visible Capital

Yorkshire Building Society

Annex 4
Abbreviations used in this paper

CfI	Call for Input
DB	Defined Benefit
DC	Defined Contribution
DP	Discussion Paper
DWP	Department for Work and Pensions
EU	European Union
FCA	Financial Conduct Authority
FPC	Financial Policy Committee
FS	Feedback Statement
GDPR	General Data Protection Regulation
LISA	Lifetime Individual Savings Account
MMR	Mortgage Market Review
MaPS	Money and Pensions Services
ONS	Office for National Statistics
PSD2	Payment Services Directive 2
RDR	Retail Distribution Review
TPR	The Pensions Regulator
UK	United Kingdom

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