

5 October 2020

Our ref: FOI7438

Freedom of Information: Right to know request

We write further to our email of 7 September 2020 about your request for information relating to the FCA's market-wide review into DB transfer advice.

Your request has been considered in line with the provisions of the Freedom of Information Act 2000 (FOIA) and we will respond to each point in turn. Please accept our apologies for the delay in responding to you.

Our decision on your request

In considering our response, please be aware of the following:

- The recording of the charging structure used would have depended on the information available on the file. Within a firm there may be variances in the charging structure as firms may have multiple charging structures or tiers of charges.
- The classification of the charging structure on the file was based on the judgement of the file reviewer. We have not taken any steps to verify this assessment.
- We rated files as contingent, non-contingent or semi-contingent. Some files could not be graded; for example, where there was insufficient information on the firm's charging structure on the file.

1. *As part of the FCA's market-wide review into DB transfer advice in 2019/20 - how many firms were found to be charging clients on a contingent basis for DB transfer business?*

During the latest phase of our review we assessed 85 firms and conducted file reviews on 55 of these. Of the files we reviewed for the 55 firms, 51 of the firms had at least one file where the adviser charge appeared to be contingent or partially contingent on the transfer being recommended and/or proceeding.

2. *Of those, what was the total percentage of DB transfers that went ahead when charged on a contingent basis?*

We do not hold aggregated data on which transfers proceeded, however of the files we identified as being charged on a contingent basis, 95.3% were recommended to transfer. As a reminder, this figure relates to those 51 firms where we found at least one instance of contingent charging – this figure is unlikely to be representative of the wider market or the wider transactions of the firms we reviewed; the number of transactions with contingent charging (or

partial contingent charging) would vary across those firms (e.g. some firms will have done more than others).

The figures we have provided for firms in our sample are not comparable with the figures used in the cost benefit analysis for our ban on contingent charging which were estimated on a market-wide basis.

3. *During the FCA's market-wide review in DB transfer business, how many firms were found to have inadequate/or no professional indemnity insurance cover in place?*

We recently reported on the number of firms that ceased providing DB transfer advice due to inadequate PII here:

<https://www.fca.org.uk/publications/multi-firm-reviews/defined-benefit-db-transfers-further-update-our-work>.

Your right to complain under FOIA

If you are unhappy with this response, you have the right to request an internal review. To do so, please contact us within 40 working days of the date of this response at FreedomofInformationAppeals@fca.org.uk.

If you are not content with the outcome of the internal review, you also have a right of appeal to the Information Commissioner by phone or on their website at:

Telephone: 0303 123 1113

Website: www.ico.org.uk

Yours sincerely

Information Disclosure Team
Financial Conduct Authority