

28 August 2019

Our Ref: FOI6656

Freedom of Information: Right to know request

We refer to your request under the Freedom of Information Act 2000 ("the Act"), dated 30 July 2019, for information relating to the FCA proposed changes to defined benefit transfer advice.

Your request has now been considered and we will address each point in turn.

(1) Whether the FCA has conducted an estimate of the impact of the proposed changes on the price of PI cover for financial advisers.

We can confirm the FCA did not conduct an estimate of the impact of the proposed changes on the price of PI cover for financial advisers.

While we did not set out an estimate of changes to PI cover in [CP19/25](#), we noted that as part of our work on consumer protection, we raised the Financial Ombudsman Service (FOS) award limit from £150,000 to £350,000 for acts or omissions by firms from 1 April 2019. As a result, the PII market has taken a tougher stance: some advisory firms are now only able to obtain cover for limited numbers of DB transfers and some are unable to obtain PII cover at all. This may mean that the number of firms offering DB transfer advice may reduce in future. If our proposed measures in CP19/25 are successful in reducing the proportion of unsuitable advice, this may be expected to reduce insurers' risks and premiums over time.

We recognised that the proposals in [CP19/25](#) would be likely to reduce the number of advisory firms active in the market, as well as access to advice, at least in the short-term. We hope that PI insurers, through their underwriting processes, will become better able to identify firms that may be at lower or higher risk of providing unsuitable advice. By reducing the potential for harm, as well as improving the professionalism of the industry, all firms remaining in the market should benefit from lower PII costs which, in the long term, should improve competition.

We also noted that firms that can consistently give good advice should be able to secure PII at rates that do not result in excessive charges.

(2) If yes, please provide the details of the estimate(s). If possible, please separate and present these as in the table on p67 of the consultation – i.e. the impact of each element of the proposed changes individually on PI costs.

Not applicable, however as set out in our response to question 1, we acknowledged the impact of the proposals on the price of and availability of PI cover for financial advisers, but did not conduct an estimate of the impact of the proposed changes.

(3) Whether the FCA has conducted an estimate of the impact of the proposed changes on the availability of PI cover for financial advisers – i.e. the percentage increase/decrease in providers willing to offer cover for DB transfer advice.

We can confirm the FCA did not conduct an estimate of the impact of the proposed changes on the availability of PI cover for financial advisers.

(4) If yes, please provide details of the estimate(s). If possible, please separate and present these as in the table on p67 of the consultation – i.e. the impact of each element of the proposed changes individually on PI availability.

Not applicable, however as set out in our response to question 1, we acknowledged the impact of the proposals on the price of and availability of PI cover for financial advisers, but did not conduct an estimate of the impact of the proposed changes.

(5) Please provide any and all estimates the FCA has conducted with regard to how many advice firms could exit the DB transfer market under the proposed changes.

This is considered in section 107 of the cost benefit analysis in CP19/25 (page 77), which can be found on our website [here](#).

(6) Please provide any and all estimates of what the FCA considers to be a "sufficient" number of firms to service DB transfer advice demand and how this conclusion has been arrived at.

We can confirm that no estimates were produced of what the FCA considers to be a sufficient number of firms to service DB transfer advice demand.

If you are unhappy with the decision made in relation to your request, you have the right to request an internal review. If you wish to exercise this right you should contact us within 40 working days of the date of this response.

If you are not content with the outcome of the internal review, you also have a right of appeal to the Information Commissioner at Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF. Telephone: 01625 545 700. Website: www.ico.org.uk

Yours sincerely

Information Disclosure Team / Cyber and Information Resilience Department /
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