

August 2025 update:
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Non-advised drawdown pension sales review: summary of findings

March 2018

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1 Summary

- 1.1** There has been an increase in demand for drawdown¹ since the introduction of pension freedoms², with more decisions being taken on a non-advised basis. This means that the information firms provide to customers is of particular importance in helping them to make informed decisions on potentially complex issues which may affect their income in retirement.
- 1.2** We found that the firms in our sample provided the necessary information, in line with our requirements³, to help customers make informed decisions about accessing pension benefits without financial advice. Firms provided customers with written, oral and online information which was made available both at the point of accessing their retirement benefits, and afterwards, to help them make informed decisions.
- 1.3** However, despite information being provided to customers, our review also identified that with the advent of pension freedoms, some customers appear not to be fully engaging with the information and are therefore potentially putting themselves at risk of harm. They appear not to be fully engaged with the risks of drawdown, particularly when accessing the pension commencement lump sum (PCLS⁴) without considering what to do with the rest of their pension funds, and therefore potentially investing in unsuitable investments. This could result in potential harm in the future, such as running out of money in retirement.
- 1.4** These findings are closely aligned to the interim findings of our Retirement Outcomes Review (ROR).⁵ The findings will inform our wider review of the retirement income market through the ROR final report and the potential package of remedies it will set out.

1 Drawdown is also known as drawdown pension and income drawdown but is referred to as drawdown throughout this publication.

2 On 6 April 2015, the government introduced pension freedoms which means anyone aged 55 and over can access as much of their pension savings as they want. The first 25% is tax-free and the rest taxed as if it were a salary at their income tax rate.

3 Including (but not limited to) COBS 14.2, COBS 16.6, COBS 19.4, COBS 19.7, plus COBS 4.2.1R (clear, fair and not misleading) and COBS 2.1.1R (clients' best interests) alongside Principles for Businesses 6 and 7.

4 PCLS refers to the tax-free cash lump sum that can be taken when accessing pension savings from age 55 and is also referred to as tax-free cash.

5 Refer to the ROR at a glance report for further information regarding the interim report findings and proposed remedies: www.fca.org.uk/publication/market-studies/retirement-outcomes-review-summary.pdf



2 Background

- 2.1** Pension Freedoms legislation brought in significant changes, from April 2015, to the way in which retirement benefits can be taken. This has led to a considerable increase in customers choosing drawdown instead of an annuity. Some customers are also choosing to access their funds using an uncrystallised fund pension lump sum (UFPLS)⁶ or a cash lump sum. Before the freedoms, over 90% of pension savings were used to buy annuities and only 5% of the comparatively small number of drawdown sales were made without a customer receiving advice. However, drawdown sales are now twice that of annuity sales, with 37% of drawdown sales made without advice⁷.
- 2.2** Deciding whether to draw retirement income using drawdown is a complex decision for customers. Customers taking decisions without advice rely on the information from firms. This can result in a poor financial outcome for customers. They could be exposed to investments that are too risky for them, or which do not create enough investment return. They could also run out of money in retirement if they are poorly informed about the risks of drawdown.
- 2.3** We reviewed whether firms are providing necessary information, in line with our requirements. We checked that firms give customers information at the right time and in a way that helps them make informed decisions when accessing retirement benefits. We also wanted to understand whether customers receive enough ongoing information, in line with our requirements, to help them decide if drawdown continues to meet their retirement income needs.
- 2.4** We assessed a sample of non-advised drawdown sales for a number of firms from April 2015 to April 2017 (since the introduction of Pension Freedoms). The firms selected for the sample accounted for 74% of the total non-advised drawdown market for the period under review⁸. It comprised both Life Insurers and Self-Invested Personal Pension (SIPP) operators.

6 UFPLS refers to an option through which customers can access some or all of their pension pot without crystallising it. Customers' savings remain invested in the accumulation product. When making partial withdrawals, 25% of each withdrawal is tax free and the remaining 75% is taxed at the customers' marginal rate of income tax.

7 Source: Retirement Outcomes Review Interim Report July 2017 - www.fca.org.uk/publication/market-studies/retirement-outcomes-review-interim-report.pdf

8 Source: Retirement Income Quarterly Data Returns October 2015 to September 2016.

3 Our findings

- 3.1** When looking at the sales information provided, firms are broadly meeting their obligations to communicate in a clear, fair and not misleading way with customers.⁹ Written, oral and online information is in general comprehensive, and clearly set out. It provides customers with the necessary information, in line with our requirements, to help them make informed decisions about their retirement options.
- 3.2** Firms are exploring online solutions to give customers access to information to support their decision making. Firms are also, generally, offering telephone support to customers. Their call centres can respond to customer questions quickly and effectively.
- 3.3** Despite this, we found that some customers appear not to be fully engaging with the information and are therefore potentially putting themselves at risk of harm, particularly:
- i.** Many customers are now choosing to access their benefits ahead of their intended retirement date. They appear to have already made the decision to enter drawdown before contacting firms. This means that some customers appear not to be open to exploring the full range of options available to them. This includes shopping around for other decumulation options.
 - ii.** Customers have often not thought about the investment choices of drawdown. This is particularly the case when their main aim is to access their PCLS only, without taking any immediate income. As a result, we have seen some customers remain in low-risk assets after following lifestyling¹⁰ strategies. We have seen others stay in cash funds because they have had to enter into a new contract¹¹ to access drawdown. Both these options increase the risk of customers running out of money in retirement, or having less money than they were expecting.
- 3.4** These observations are closely aligned to those of the ROR. The ROR observed that pension freedoms have changed the way customers access their pension pots.¹² Early access has become much more common. Many customers who take drawdown without advice may need further protection to manage their drawdown effectively, particularly disengaged customers.
- 3.5** Since the pension freedoms we have seen considerable changes in firms' sales processes. These are evolving to meet customer needs. Firms are using more online processes to provide information to customers. They are also allowing them to transact online which makes it easier for customers to access their PCLS quickly. Firms are helping customers to make informed decisions by developing online tools and calculators. This allows customers to explore different options and determine the tax implications of each.

9 As required under COBS 4.2.1R (clear, fair and not misleading).

10 Lifestyling is an investment option designed to lock in investment growth as customers near retirement age. It involves moving from riskier assets into less risky investments as customers approach retirement.

11 Most customers of life companies transferred into a new product with the same provider to access pension savings, whereas SIPP customers either transferred to a new SIPP provider or accessed benefits via their existing SIPP.

12 This refers to the total amount of money that has been built up in a particular pension savings plan.



- 3.6** We identified some instances where firms did not comply fully with the FCA requirements¹³ for one or more parts of the customer journey. These can be summarised as follows.
- i.** Some firms did not provide an Open Market Options Statement (OMO)¹⁴ in good time¹⁵ before selling a pensions decumulation product to customers transferring in, or to customers accessing their benefits before their intended retirement date. However, this information was generally signposted elsewhere (such as online) or clearly highlighted during telephone calls before the sale.
 - ii.** Where firms provided an OMO or the Key Features Illustration (KFI)¹⁶ online, some did not provide it in a durable medium.¹⁷ However, the information provided is generally comprehensive and clearly set out online. Most firms did try to direct customers to the information before completing the sale.
- 3.7** Some firms sold drawdown contracts and variations online or over the phone but did not send a hard copy of the relevant product information at the right time.¹⁸ This creates some risk of customers not understanding the consequence of entering into drawdown or moving from capped to flexi-access drawdown. We found that distance communications, even if late, generally provided customers with enough information to make informed decisions at the point of accessing drawdown.
- 3.8** We identified other potential weaknesses as part of the review, including:
- i.** Where customers have taken PCLS only, and no immediate income, some firms did not provide comprehensive information about charges and investment returns (annually or otherwise). This means customers could not review their drawdown decision and determine whether it still meets their needs.
 - ii.** Charges are not always consistently highlighted. This is notable where customers access drawdown by a variation of their contract. This means that they will only have received detailed charges information at the start of the contract, and not on an ongoing basis.
- 3.9** As a general observation, firms provide customers with a large amount of information to help them make informed decisions. Customers do not always read this information when they access their pension savings.

13 FCA requirements at COBS 19.4, 14.1 and COBS 16.6.

14 OMO statement means the options available to a scheme member to access their pension savings on the open market as specified COBS 19.4.

15 As required under COBS 19.4.5R(2).

16 KFI includes information describing projected performance and the effect of charges prepared in accordance with the rules on preparing product information (COBS 13).

17 Durable medium is defined in the FCA Handbook Glossary and includes paper or any instrument allowing information to be stored in a way accessible for future reference.

18 See for example COBS 14.2.1R(3) and (3B) which specify the information to be provided, and the timing rules at 14.2.14R and 14.2.16R.



4 Disclosure of guarantees: additional findings

- 4.1** We observed a small number of instances related to the disclosure of guarantees. This poses a risk that affected customers are giving up valuable guarantees without fully understanding the value of their benefits. Firms must comply with legislation and the FCA's requirements if customers have valuable guarantees like guaranteed annuity rates (GARs) or other special features such as protected tax-free cash. When firms provide an open market options statement they must include information about the customer's pension scheme. They must show whether any guarantees apply, and if so, must include information about how they work.
- 4.2** The Department for Work & Pensions (DWP) regulations and guidance on the disclosure and valuation of guarantees comes into effect in April 2018. Firms should be aware of these new obligations and ensure they comply with them.



5 Next steps

- 5.1** We have provided feedback to all firms that participated in the review. Individual firms have been asked to review aspects of their non-advised sales processes. We have focused on areas where we have identified possible non-compliance with our requirements for one or more parts of the customer journey (as outlined in paragraphs 3.6 to 4.1 above).
- 5.2** Our findings will help to inform the ROR final report, due to be published during the first half of 2018. Our findings and the ROR final report will also inform the FCA and TPR's joint strategic approach to the pensions and retirement income sector, due to be published later this year.
- 5.3** In those instances where firms have not provided the required information, they are reminded about the FCA and DWP requirements in this area. More broadly, firms are encouraged to think about their customers' information needs, and how they can best be met in a rapidly evolving post-pension freedoms environment.



We have developed this Multi-firm review in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. 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 in the future.

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