

Transcript for DBAAT video

Approach and rules

Screen 1:

DBAAT training

The assessment tool's approach and the relevant rules

Screen 2:

This video gives you an overview of the steps to take to assess the suitability of advice using the assessment tool. It also summarises the relevant regulatory requirements in COBS.

Screen 3:

There are three separate steps to assess the suitability of the firm's advice:

Step 1 – has the firm obtained the necessary information to advise the consumer?

Step 2 – has the firm given suitable pension transfer advice?

Step 3 (where relevant) – has the firm given suitable investment advice on the proposed investment?

Screen 4:

Step 1

The first step considers whether the firm has obtained the necessary information to advise the client. The relevant regulatory requirements are COBS 9.2.1R, 9.2.2R and COBS 19.1.6G.

Screen 5:

Step 1

Collecting necessary information is essential to give both transfer and investment advice.

If a firm does not collect this, they must not make a personal recommendation. And in most circumstances you won't be able to assess the suitability of the recommendation. This requirement is in COBS 9.2.6R.

Screen 6:

Step 1

The firm must get the 'necessary information' about the client's and, where relevant, their partner's:

Knowledge and experience in the relevant investment field

Financial situation; and

Investment objectives

The firm must also collect information about the ceding DB pension scheme and the proposed arrangement.

Screen 7:

Step 2

The second step is to consider the suitability of the advice relating to the DB pension (the transfer advice).

The relevant regulatory requirements are found in COBS 9.2.1R and 9.2.2R and in COBS 19.1.

Screen 8:

Step 2

A firm must take reasonable steps to ensure that a personal recommendation is suitable for its client. A suitable recommendation to keep or transfer out of the DB pension will have the following characteristics:

It will meet the client's objectives

The client will be able to financially beat the related investment risks to achieve their objectives

The client will have the necessary experience and knowledge to understand the risks involved

Screen 9:

Step 2

The starting point for pension transfer advice is the presumption against transfer in COBS 19.1.6G that a firm should only consider a transfer, conversion or opt-out to be suitable if it can clearly demonstrate, on contemporary evidence, that the transfer, conversion or opt-out is in the client's best interests.

Screen 10:

Step 2

The assessor's role is to conclude whether, based on the evidence on the client file, the firm has given a suitable recommendation.

See the instructions for more information on identifying relevant factors and how to apply the presumption against transfer.

Screen 11:

Step 3

The third step only applies when the same firm recommends the proposed arrangement which the client will transfer into (the investment advice).

Where the firm gives the investment advice, the assessor should consider whether the proposed arrangement is suitable.

Screen 12:

Step 3

The investment advice is completely separate to the assessment of the transfer advice. How the assessor rates the transfer advice should have no bearing on how the assessor rates the investment advice.

Screen 13:

Step 3

Just because the transfer advice is suitable, this does not automatically make the investment advice unsuitable, and vice versa.

The information collected in the 'information tab' can be used for your assessment of the investment advice.

Screen 14:

Step 3

The same overarching rule in COBS 9.2.1R applies.

Firms must take reasonable steps to ensure the personal recommendation for the proposed arrangement is suitable.

The presumption of unsuitability in COBS 19.1.6G does not apply.

Screen 15:

This video has summarised the assessment tool's general approach and the key suitability rules. The next video will introduce the assessment tool and demonstrate how to complete it.

Screen 16:

There is further information in section 2 of the instructions.

Screen 17:

FCA

Financial Conduct Authority