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DBAAT training

The DBAAT approach and the relevant rules

Screen 2:

This video provides an overview of the steps to take to assess the suitability of advice using the DBAAT. It also provides a brief summary of the relevant regulatory requirements in COBS.

Screen 3:

There are four 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 – (where relevant) has the firm given compliant/suitable abridged advice

Step 3 – has the firm given suitable pension transfer advice?

Step 4 (where relevant) has the firm given suitable investment advice on the proposed investment?

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Step 1

The first step is to consider 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.

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Step 1

Collecting necessary information is essential to giving abridged, transfer and investment advice.

If a firm does not collect the necessary information, they must not provide abridged advice or make a personal recommendation and in most circumstances you will not be able to assess the suitability of the recommendation. This requirement is in COBS 9.2.6R.

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Step 1

The firm must obtain the “necessary information” regarding the client’s, and where relevant, their partner’s:

knowledge and experience in the investment field relevant to the specific type of designated investment or service;

financial situation; and

investment objectives.

Step 1

When providing transfer advice, the firm must also collect information about the ceding scheme and proposed arrangement.

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Step 2

The second step is to consider the suitability/compliance of any abridged advice relating to the DB pension. The relevant regulatory requirements are in COBS 9.2.1R and 9.2.2R and in COBS 19.1A.

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Step 3

The third step is to consider the suitability of the transfer advice relating to the DB pension ("the transfer advice"). The relevant regulatory requirements are in COBS 9.2.1R and 9.2.2R and in COBS 19.1.

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Step 3

There is an overarching requirement for a firm to 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 bear the related investment risks to achieve their objectives;

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

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Step 3

The starting point for pension transfer advice is the guidance in COBS 19.1.6 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.

Assessors are reminded of this starting point in the instructions at paragraph 3.6.

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Step 3

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

The instructions contain further information about identifying relevant factors and how to apply the presumption against transfer.

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Step 4

The fourth step only applies when the same firm recommends the proposed arrangement which the client will transfer in to (“the investment advice”).

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

Screen 13:

Step 4

This assessment 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 14:

Step 4

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 against transfer in COBS 19.1 does not apply when you are assessing the investment advice.

The proposed arrangement must be suitable for the client’s objectives, willingness and ability to bear investment risk and their knowledge and experience.

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This video has summarised the general approach and key suitability rules considered by the DBAAT. The next video will introduce the DBAAT toolkit and demonstrate how to complete it.

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FCA

Financial Conduct Authority