

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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By email: pensionstatements.consultation@dwp.gov.uk

Dear Sir / Madam,

Financial Services Consumer Panel response to DWP: simpler annual benefit statements - draft regulations and statutory guidance.

The Financial Services Consumer Panel (FSCP) is an independent statutory body. We represent the interests of individual and small business consumers in the development of policy and regulation of financial services in the UK.

The Panel welcomes the approach to simplify annual statements and create a consistent approach across schemes. With an increasing number of consumers having more than one pension scheme we believe it is important to create a simple and consistent approach. This will enable consumers to easily compare and consolidate information from multiple providers, allowing them to understand their pension position and potential outcome, and therefore plan effectively for the future.

The Panel welcomes the FCA's consultation on a new consumer duty. A new consumer duty will help drive better, fairer and more effective disclosure of information from firms to consumers, helping protect consumers from harm.

Responses to the individual questions posed in the consultation are set out below.

Yours faithfully,

Wanda Goldwag
Chair, Financial Services Consumer Panel

Q1. Do you have any comments on whether the draft regulations achieve our policy intention in relation to requiring use of a statement of one double-sided sheet of A4 paper for use by certain defined contribution pension schemes used for automatic enrolment (as defined in the draft regulations)?

We believe that the draft regulations should achieve the policy intention, however as always, the detail of the actual implementation will be crucial here. We would therefore encourage the DWP to review a representative sample of statements and engage with consumers following the delivery of the first batch of annual statements. This will help measure whether the policy is achieving the desired outcomes, that consumers act where appropriate. The policy can be amended and adjusted as necessary if the desired outcomes are not being achieved.

Q2. Do you have any comments on the draft statutory guidance in terms of content or clarity?

The Panel feels the statutory guidance is clear and gives good direction. We would question, however, whether, as written, this may lead to a lack of innovation in how firms communicate pension scheme values and benefits to consumers. Whilst additional material is allowed to accompany the statement, we wonder if the guidance may discourage firms from creating additional content that may make it easier for consumers to understand their pension and the shape of their retirement. Whilst guidance on 'format' and 'content' is important we would hope that the guidance can define the impact and outcome on the recipient consumer and their level of understanding of, and engagement with, their pension.

With new technology that enables, for example, custom bespoke videos where each consumer could watch a short video with their own personal information and valuations inserted, we would prefer to see guidance that looked to understand how consumers prefer to be engaged with and delivers content in this medium and format rather than adopt a very one dimensional, paper based (albeit these can be online) broadcast approach. Whilst the guidelines give a clear backstop, minimum acceptable provision, position we would hope that the guidelines could also encourage all and any innovation that makes it easier for consumers to understand and engage with their pension savings and plans.

Q3. Do you have any comments on the illustrative statement template in terms of content or clarity?

The illustrative statement appears clear and includes the important information needed by consumers to understand their pensions savings and potential retirement income.

The Panel does wonder whether the section on future money ("That income could be worth £XX a month") should try to convey the likely real purchasing power of that sum of money in retirement - or signpost information or tools that would aid the consumer in understanding this.

The Panel also believes it is important for scheme members (where appropriate to the scheme) to have made an 'Expression of Wish' (EOW) to the pensions scheme to tell the scheme who the beneficiaries should be, should the member die before accessing their pension savings, and members should also regularly review this Expression. It must be very clear how much less than the full pension any beneficiaries receive.

The two-page illustrative statement should contain:

- An indicator of whether an EOW has been made
- How much less than the full pension any beneficiaries receive and when this expression was provided
- A brief explanation of what an EOW is.

We know, from conversations with firms and trustees, that securing a high percentage of EOWs across a scheme can be a challenge. The appropriate information has to be clearly provided to consumers to ensure good outcomes.

Finally, recent research shows the power of framing in pension communications¹. Consumers are more likely to respond to prevention-oriented messaging, such as 'check your retirement plan is on track' than to more exaggerated phrases such as 'you might run out of money'. The framing of the statement should be carefully considered to maximise the likelihood of consumer engagement.

¹ <https://www.sciencedirect.com/science/article/pii/S0167811620300938>

Q4. Do you have any comments on the timetable in which it is proposed the regulations will come into effect, including the transitional provisions in regulation 3?

We have no comment on the timetable.