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Ms Bianca Garwood  
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Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

6 January 2016

Dear Ms Garwood,

## **CP 15/30: Pension reforms – proposed changes to our rules and guidance**

This is the response of the Financial Services Consumer Panel to the FCA's consultation: Pension reforms – proposed changes to our rules and guidance.

The Panel supports the FCA's proposals to clarify and make changes to its rules and guidance in light of the pension freedoms. However, we believe these changes could go further.

The regulator and firms need to do more to encourage consumers to shop around for products before making a purchase. However, there is a fine balance to be struck between providing enough information to consumers for them to make an informed choice, but not so much that it overloads them.

We urge the FCA to ensure its rules provide for standardised disclosure, applicable to all delivery channels, so that information is presented to consumers in a consistent way. This is particularly important now, with new and products developing all the time.

Amending its rules and guidance is an opportunity for the FCA to assess whether current rules provide adequate consumer protection. The Panel has previously recommended that the FCA should implement a code of conduct for firms selling regulated products without advice to make clear to consumers what protections they could lose if they purchase a product execution only. We would urge the FCA to look again at this now.

Yours sincerely,



Sue Lewis  
Chair  
Financial Services Consumer Panel

### **Q1: Do you agree with the proposal to add these application and purpose provisions in COBS 19.4<sup>1</sup>?**

The pension reforms made even more urgent the need to ensure that all retirement income options work in the best interests of consumers. Annuities account for a shrinking share of the market, but the issues highlighted by FCA studies, including the annuities sales review and retirement income market study published in December 2014,<sup>2</sup> still need tackling. That work, and the Panel's own report (published in December 2013),<sup>3</sup> underlined continuing failures in the market, including the industry's ineffective communication with customers about their options at retirement. Such shortcomings are endemic across other retirement products and services, and undermine consumer confidence in the sector.

The Panel agrees with the proposed amendments to COBS 19.4, particularly the additional guidance clarifying the application and purpose of these rules to the full range of options available to consumers in the new pensions environment.

The timing of communications with customers about their retirement options needs to be reviewed. Under COBS 19.4.3, *'if a firm does not receive such a request (for a retirement quotation), it must provide retail client with an open market option statement between four and six months before the client's intended retirement date'*.

Decision making will now be far more complex for many people reaching retirement. We believe the FCA should consider requiring firms to communicate with customers about their retirement options earlier on, and encourage them to seek guidance. It is likely that firms will need to communicate several times in the run up to retirement for the messages to get through. We would suggest that the FCA does some behavioural research on the most effective approach.

Consumers would also benefit from clear independent information setting out the questions they need to ask when comparing retirement options and drawdown providers (including costs, fees and fund options). Whilst the Money Advice Service (MAS) has created a retirement income options tool<sup>4</sup>, there is further work MAS and the FCA could do.

### **Q2: Do you agree with our proposal to add guidance on communications about retirement options?**

Yes. Ensuring those firms that use their own factsheet provide materially the same information as the MAS factsheet would ensure consistency. At present, there are disparities in the depth of the information and many providers fail to communicate with customers in simple, easy-to-understand language and formats. It is too easy for firms to 'frame' choices in a way that influences consumers' decision making to their advantage.

The Panel believes that the requirement to 'prominently highlight the message that a customer can shop around when accessing their retirement income' should be more prescriptive, both in the placing and the wording. Previous attempts to make this message more prominent in provider literature have proved ineffective.

### **Q3: Do you agree with our proposed rule to prevent application forms being sent in wake-up packs and reminders?**

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<sup>1</sup> Open Market Options: <https://www.handbook.fca.org.uk/handbook/COBS/19/4.html>

<sup>2</sup> [www.fca.org.uk/your-fca/documents/market-studies/ms14-03-3](http://www.fca.org.uk/your-fca/documents/market-studies/ms14-03-3)

<sup>3</sup> [https://www.fs-cp.org.uk/sites/default/files/annuities\\_position\\_paper\\_20131203.pdf](https://www.fs-cp.org.uk/sites/default/files/annuities_position_paper_20131203.pdf)

<sup>4</sup> <https://www.moneyadvice.service.org.uk/en/retirement-income-options/retirement-options>

The Panel strongly supports this proposal. The wake-up pack should inform customers, not facilitate a product sale. This would help ensure that consumers aren't ticking a box to stay with their existing provider just because it seems the easiest (or even only) option open to them. The rule should include a stipulation that providers do not use wake-up packs and reminders to trigger a customer request for an application pack.

**Q4: Do you agree with our proposal to restrict when firms can send illustrations?**

The consultation paper is right to highlight the risk of firms using illustrations that are not required or requested by consumers to nudge consumers into making decisions without exploring the full range of options open to them.

On the face of it, the proposed requirement that an illustration provided for one product (typically an annuity) is accompanied by illustrations for other available options seems a sensible one. However, we do not believe it is workable, and could even be counterproductive. The proposal is based on the assumption that illustrations would only be produced 'where they are more cost-effective for the firm'. This would create the risk that, instead of improving clarity and helping consumers understand their options, many would get vast amounts of paperwork. Some providers could send out illustrations on all their options and others publish none, making it even harder for consumers to compare across the market.

**Q5: Do you have any proposed alternatives?**

To ensure consistency for customers there should either be a requirement that firms don't provide any illustrations, or one stipulating that they must provide representative illustrations on all options. The former is preferable, given the vast range of options now available.

A more helpful alternative, and one referred to in the consultation paper, is the development of independent comparison tools that can be tailored to consumer needs and circumstances.

**Q6: In what ways would the alternative be more beneficial for firms and consumers?**

Independent, well-designed comparison tools can be empowering for consumers while limiting the extent to which providers can direct or encourage consumers towards particular products. The caveat is that they could only function effectively for comparing drawdown products if costs and charges were transparent and consistently reported.

All quote comparison information should be provided in a standardised, plain English format.

The Money Advice Service annuity comparison tables<sup>5</sup> could be extended to cover other income generating products. The information should be delivered alongside signposting to further advice and information on the options available.

**Q7: Do you agree with our proposal to require firms to make customers aware of key factors relevant to the product the customer is seeking information for?**

The Panel welcomes this proposal, albeit with some concern about the potential for overloading consumers with information. The difficulty here lies in deciding what

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<sup>5</sup> <https://comparison.moneyadviceservice.org.uk/en/Annuity/FindAnnuity/YourDetails>

constitutes a key factor and how much information should be given at the time customers request further information about a product. When annuities, drawdown and uncrystallised funds pension lump sum (UFPLS) are all accounted for, the features to consider are extensive.

Some key factors are complex. The way in which providers explain and demonstrate sustainability of income is particularly crucial. Communication on this must be 'clear, fair and not misleading'<sup>6</sup>.

More consistent, jargon-free terminology would be welcome. As it stands, different providers have different labels for UFPLS (including Partial Pension Encashment, for example), which add to the difficulty of comparing options.

The FCA needs to develop, and the industry needs to adopt, a single, simple, term for the product currently known as UFPLS to help distinguish it from drawdown and ensure the customer understands that it's a separate product with different advantages and disadvantages.

This should apply also to the tools and calculators that many providers now offer online. There are clear implications for bias here and the FCA should consider issuing guidance in this area. The FCA should also consumer test developments in this area.

**Q8: Do you agree with the factors we propose these are likely to be in relation to this rule?**

The consultation paper identifies some of the most relevant factors relating to drawdown and UFPLS. All of these are important, but others could be seen as equally relevant, such as costs and charges (including drawdown fees and charges and those on the underlying funds), deprivation of assets rules and the different types of products available.

**Q9: Do you agree with our proposals for providing product disclosures and information when accessing pensions flexibly? If not, what alternatives would you suggest?**

The consultation paper proposes removing the requirement for firms to show in key features illustrations (KFIs) the projected amount of an annuity that could be purchased in future. The reasoning behind this is the sharp fall in annuity sales. The Panel believes strongly that annuity projections should remain a mandatory element of KFIs. Annuities will continue to play a significant role in retirement planning for many people. The appetite for spending and for actively managing portfolios tends to reduce in later retirement and the guaranteed income provided by annuities becomes more appealing. It will be some time before we understand the extent to which consumers are deferring annuity purchase, rather than deciding against it entirely.

We welcome the proposal to show the expected date when funds will run out according to each of the assumed projection rates. Managing longevity risk is one of the most serious threats to consumers under pensions freedoms. Showing consumers when their money is likely to run out would help them understand the impact of regular income withdrawals on the sustainability of their fund.

Further guidance to firms on providing information to consumers on sustainability of income would be welcome. Consumers unable or unwilling to take professional advice may not understand the dangers of longevity risk and sequencing risk.

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<sup>6</sup> FCA Handbook COBS 4.2

Sequencing risk means the volatility of returns have a bigger impact in drawdown than in accumulation, making it potentially disastrous if a significant market event occurs in the early years of retirement. Firms need to explain this properly to consumers. The complexities of UFPLS and drawdown cannot be satisfactorily addressed by generic guidance services, so the onus is on providers to give consumers using these products clear, easily understood, information that helps them make a decision.

**Q10: Do you agree with our proposals for extending the rules and guidance in COBS 9 to UFPLS? If not, please explain why you consider this is not appropriate.**

Yes. Drawdown and UFPLS allow consumers to achieve broadly similar outcomes while facing similar risks.

**Q11: Do you agree with our proposal to clarify that SIPP retained interest charges should be included in projections and charges information? If not, how would you suggest we level the playing field for disclosing charges between SIPP and other pensions?**

Yes. Cash accounts are a key component of SIPPs, used by virtually all consumers that hold one. The consultation paper estimates that the SIPP industry earns some £60m a year from retained interest charges that are not included in projections. This raises the question as to why the FCA, as a conduct regulator, has not taken action against firms that do not include the retained interest charge in SIPP projections and charges information. This lack of transparency incentivises SIPP providers to hold large amounts of cash for reasons that are not aligned with the interests of the customer.

It also underlines why this information should be disclosed in a KFI. Not all customers will read it, but the act of having to disclose it would force SIPP providers to take a much-needed step towards greater transparency.

**Q12: Do you agree with our proposal not to add guidance at this stage to support firms in meeting their obligations to review the operation and distribution of their products over time?**

The Responsibilities of Providers and Distributors for the Fair Treatment of Customers (RPPD)<sup>7</sup> covers the main principles. The proposal not to add further guidance or rules specific to pension and retirement products within COBS 19 seems reasonable on the face of it.

However, there is a case for making amendments or additions to reflect the need for changes to lifestyling arrangements that, for a significant number of people, will no longer be suitable in the wake of the reforms. COBS 19 does not appear to account for the need to communicate at an earlier stage with customers about their investment options and the implications of pensions reform as they approach retirement.

The consultation paper also suggests non-advised sales are an area to consider. The Panel has called previously for a robust code of conduct for non-advised sales<sup>8</sup> and believes this has become more urgent as the pensions reforms mean more consumers buy more complex products without taking regulated advice. We believe the FCA should embody a code through regulatory rules and mandatory standards, which should emphasise the need for high professional standards, the transparent disclosure of charges, and a clear explanation of the implications of non-advice for consumer protection.

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<sup>7</sup> <https://www.handbook.fca.org.uk/handbook/RPPD.pdf>

<sup>8</sup> [https://www.fs-cp.org.uk/sites/default/files/annuities\\_position\\_paper\\_20131203.pdf](https://www.fs-cp.org.uk/sites/default/files/annuities_position_paper_20131203.pdf)

The Panel agrees that this may not be the appropriate point to make changes to rules and guidance in relation to specific products.

**Q13: Do you agree that the rules in PS 15/4<sup>9</sup> should be retained? If not, please explain what change you would propose and why?**

Yes, but we believe there are areas in which the rules could be strengthened. The triggers given for issuing a risk warning should be widened to cover instances where a customer might need to make changes to their pension arrangement, such as taking more income. This does not appear to be satisfactorily addressed at present.

Firms should be encouraged to use the risk warnings to raise awareness of the potential loss of recourse to the Financial Ombudsman Service (FOS) and the Financial Services Financial Compensation Scheme (FSCS) when consumers buy execution only, or become an 'insistent client' (i.e. ignore regulated advice they have received).

The content of the risk warnings may be less of a concern than a lack of consistency in how firms apply the rules (for example, in terms of frequency, and detail and length of conversation).

The Panel urges the FCA to follow up work on identifying good, poor and non-compliant practices in the delivery of risk warnings, and to encourage greater consistency across the industry.

**Q14: Do you agree with our proposal to remove the requirement on firms to go through step 2 of the risk warning process where the consumer's pension pot is below a minimum level and where there are no safeguarded benefits but that firms should still give the consumer relevant risk warnings? If not, why not and what alternative would you propose?**

No. Step two will be of little or no relevance to most people cashing in small pots, provided it is made clear to firms that the other steps must still be followed, and that step two is taken where the individual customer's circumstances merit it.

**Q15: Do you agree that the minimum level should be set at £10,000 or less? If not, what level do you think the minimum should be set at and why?**

Yes, with the stipulation that customers in contracts containing guarantees should still go through step two, due to the greater value.

**Q16: Do you consider our cancellation rules expose some consumers to a risk that is not mitigated by any other measures? In what other ways might we reduce that risk and improve consumer outcomes?**

There is a clear risk of consumer detriment where people taking advantage of increased pension flexibilities to withdraw lump sums may not have a contractual right to cancel.

Signposting to advice and guidance may not always be sufficient. People do not make much use of Pension Wise<sup>10</sup>, they are also reluctant to take regulated advice: research

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<sup>9</sup> <https://www.fca.org.uk/news/ps15-14-restrictions-retail-distribution-regulatory-capital-instruments>

<sup>10</sup> HM Treasury figures from April to November 2015 show there were over 20,000 appointments completed face to face and 9,000 appointments completed over the telephone:  
<http://researchbriefings.files.parliament.uk/documents/SN07042/SN07042.pdf>

by Money.co.uk found that just one in five people aged over 55 are willing to pay for financial advice when they make a withdrawal from their pension.<sup>11</sup>

There is a clear consumer protection case for introducing cooling-off periods. Some providers already offer these, although there is a big variation in the time: between two weeks and 30 days. The Panel believes there should be consistency across all firms. A 30-day cooling-off period on making lump sum withdrawals from pension funds would add a valuable safeguard for consumers, not least against fraudsters encouraging them to access their benefits quickly.

**Q17: Do you agree that monitoring the evolving environment is an appropriate and proportionate FCA response in the pursuit of consumer protection? If not, what action do you think we should take and how would this alter consumer outcomes?**

Not entirely. Continuous monitoring is essential as new products and strategies come to the market and non-traditional advice channels become more prominent in the at-retirement market. Product development since the new flexibilities were introduced has consisted almost entirely of repackaging and restructuring existing offerings, not always on the basis of demand-side research and often with higher costs for no clear additional benefits. We believe that there is a continuing risk that the industry will develop inappropriate products as it seeks to replace the revenue stream lost from annuity sales. In this environment it is all the more important for the FCA to introduce a code of conduct for firms selling regulated products without advice.

**Q18: Do you agree that amendments to HNWI and RI certification statements are necessary to provide appropriate protection to consumers who access their pension savings?**

As we have said before, the existing criteria for HNWI are inadequate and outdated. Following the pensions reforms more consumers will be classified as high net worth for investment business purposes and so be targeted by firms promoting non-mainstream investments.

We therefore agree with the proposal to exclude lump sum pension withdrawals from the HNWI and to stop consumers from using funds for restricted investments that are typically high risk and illiquid. While a relatively small number of consumers might be affected, the level of detriment they face is potentially significant.

**Q19: Do you agree that our proposals provide an appropriate initial safeguard for consumers accessing their pension funds? If not, what other measures could we consider?**

With the exceptions we have noted, yes, but the proposals don't address the wider issue. The consultation paper makes it clear that the definitions set out in legislation are inadequate. We support the FCA's intention to work with the Treasury in addressing the issue.

**Q20: Should payments from pension savings only be excluded from the HNWI and RI criteria if they were accessed within a set period of time before the date on which the statement is signed? If so, what period of time would deliver the appropriate consumer protection?**

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<sup>11</sup> <http://www.money.co.uk/press/half-of-those-making-pension-freedom-withdrawals-will-not-pay-for-advice.htm>

No. There is little justification for a time limit after which pension fund payments take consumers into the HNWI bracket.

**Q21: Do you agree that we should undertake a wider review of the promotion and distribution restrictions in our rules?**

Yes.

**Q22: Do you agree with our proposal to add guidance to make explicit the application of existing rules on debt collection in relation to pension savings and remind both debt collection and advice firms that advising on conversion or transfer of pension benefits is a regulated activity?**

The risk of creditors pressurising people to access their pension funds to repay debts is very real. Further guidance is an important and necessary step to protect consumers from one of the unintended consequences of the reforms, but it won't solve the problem of how consumers get advice on whether or not to use pension savings to repay debt. We have referred to this in our response to the Financial Advice Market Review<sup>12</sup>.

It also remains unclear whether pension savings can be used as an asset in bankruptcy cases and it seems there is a similar lack of clarity among consumers, providers and debt management firms as to the rules on the treatment of pension savings.

The Panel supports the Money Advice Trust's call for "clear guidance on how the debt advice sector should advise clients approaching 55"<sup>13</sup> and encourages the FCA to work with the Treasury to find a way for qualified debt advisers to provide the advice consumers need.

**Q23: Do you agree with our proposed guidance for providers and advisers on attachment orders? If not, what would you suggest and why?**

Yes. While pension reforms could have far-reaching implications for the application of attachment orders, these orders have become increasingly rare since Pension Sharing was introduced.

**Q24: Do you agree that we should clarify the methodology as described? If not, what alternative would you propose which achieves similar outcomes?**

Yes, otherwise firms could use higher projections to secure an unfair advantage and distort expectations of returns. Requiring firms to use the underlying investments for projection rates goes some way to addressing this.

A more standardised approach would help ensure that projections have some value to consumers. But while full disclosure of total costs and charges remains elusive there is a limit to which projection rates can help consumers compare options and understand the total projected return on their investment.

**Q25: Do you agree with our proposals to show contractually obligated future values in projections, including GARs? If not, how could we amend it?**

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<sup>12</sup> [https://www.fs-cp.org.uk/sites/default/files/financial\\_services\\_consumer\\_panels\\_response\\_to\\_famr\\_24122015.pdf](https://www.fs-cp.org.uk/sites/default/files/financial_services_consumer_panels_response_to_famr_24122015.pdf)

<sup>13</sup> <http://www.moneyadvicetrust.org/media/news/Pages/Pension%20freedom%20%E2%80%98clarity%20needed%E2%80%99.aspx>



Yes. At present, people get projections informing them that they don't take guaranteed rates into account, which is not helpful.

**Q26: Do you agree with our proposal to update the mortality table and timing of the improvement factors? If not, how could we amend it?**

Yes.

**Q27: Do you agree with our proposals to amend the definitions?**

Yes. The existing FCA glossary definition of 'drawdown pension'<sup>14</sup> is particularly outdated and inaccurate in the wake of the reforms.

**Q28: Do you agree with the analysis of the issue? If not, what is your assessment of the situation?**

Broadly, yes. The growth in annuity purchase through 'non-advised' channels is now being mirrored in that of more complex products, most notably drawdown. Commission on non-advised sales carries a risk of bias, is opaque and may result in the consumer paying the same or more as they would if buying through an advice service.

The analysis suggests there would be benefit in looking more deeply into commission rates on non-advised sales, a measure that the Panel would strongly support. We would go further and suggest that firms selling products without advice should be made to charge fees, in the same manner as firms offering advice. If a firm is selling products covered by the Retail Distribution Review (with or without advice) it should charge for its services in exactly the same way.

The inherent complexity of drawdown makes it particularly unsuitable for purchase without advice. The simplified drawdown arrangements developed by some life offices in recent months do little to reduce the complexity and the risks that come with remaining invested during retirement without periodic review by a qualified adviser.

The analysis omits the important issue of the implications for consumer redress through the FOS and FSCS of 'non-advice' and the extent to which firms ensure that non-advised customers are aware of this.

As mentioned earlier, the Panel believes it is more important than ever for the FCA to introduce a robust code of conduct for non-advised sales that would focus on high professional standards, transparent disclosure of charges, and clear explanations of the implications of non-advice for consumer protection.

**Q29: Of the options above, which do you think is likely to be the most effective in dealing with the issue identified and why is that? Are there any alternatives that we should consider?**

Disclosure of commission does not go far enough in improving transparency and consumer protection in non-advised sales. A ban on commission for non-advised sales of both annuities and drawdown would be more effective, and on the former is overdue. As the consultation paper acknowledges, there are clear competition consequences to imposing a commission ban on one retirement income product and not others.

A cap would have limited value and could easily be offset by raising other costs and charges, potentially reducing transparency even further.

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<sup>14</sup> <https://handbook.fca.org.uk/handbook/glossary/G2896.html?date=2019-09-05>

**Q30: What else do you think the FCA can and should do to make firms aware of their responsibilities in relation to lifestyling investment strategies?**

Lifestyle strategies are designed for the 'cliff-edge' of annuitisation and for many pension savers will no longer be fit for purpose.

The reforms mean that a large number of pension investors have had to review their investment mix to ensure that they still work for drawdown. There is also the risk that those approaching retirement will do nothing and leave their pension fund mostly invested in cash. Being in the wrong profile at retirement is likely to have a significant impact on income.

The rules and guidance in this area are inadequate for this challenge. The FCA could take a more proactive approach with firms to encourage them to communicate the importance of investment mix in relation to their customers' desired retirement options.

In addition, rather than suggest a firm should review their lifestyle funds, the FCA could direct firms to review and take action for lifestyle funds by a certain date.

**Q31: Should we be reviewing the starting assumption for those over minimum retirement age that a pension transfer will be unsuitable unless it can be proven to be in the client's best interests? How, if at all, does pension freedom change the interpretation of client's best interests in respect of pension transfers?**

The Panel believes the starting assumption remains appropriate. A transfer is rarely in the member's interests and while there will be valid reasons for some consumers aged 55 or over to shift to a DC scheme in order to access their pension savings, that alone doesn't merit a review of the basic starting assumption.

**Q32: How should the pension freedoms be reflected in TVA in a way which results in good outcomes for consumers? Is there a need for change and if so, how?**

What is vital is that the consumer understands the value of what is being given up and that should not be undermined in any way. The Panel suggests that the FCA should carry out further analysis on how the current TVA methodology can be extended to incorporate purchasing an annuity, income drawdown or UPFLS.

The FCA could learn from the initial work on the secondary annuity market here. Those giving up DB benefits to transfer to a DC scheme are effectively 'selling' a guaranteed lifetime income, suggesting a comparison could be made.

In any event the Panel believes this issue to be too important to make a rushed decision and we urge the FCA to put together a working group specifically looking at this issue. In the meantime, the existing TVA methodology should prevail.

**Q33: Given that the main barriers to transacting insistent client business are external to the FCA, how do you consider that regulation could be amended in a way which facilitates such transactions more easily but still provides a satisfactory level of consumer protection?**

Achieving a balance between giving consumers freedom to do as they like with their savings while still protecting them against mistakes, poor decisions and scams is a complex challenge, and one embodied in the issue of insistent clients.

Demand for DB transfers has increased rapidly. Despite advice for these transactions being compulsory, relatively few advisers are qualified to advise in this highly specialist area due to the perceived risks of liability. These circumstances leave many people unable to benefit from pensions freedoms.

In a submission to the Work and Pensions Committee<sup>15</sup> the Panel noted that “the only way members of DB schemes can access their pension funds flexibly is by becoming an “insistent client”, which entails taking sole responsibility for the decision and thereby foregoing recourse to the Financial Ombudsman Service and the Financial Services Compensation Scheme.”

The FCA and the FOS could do more to ensure that consumers are aware of the loss of protection that comes with taking certain actions against or without advice. It would help too if the FCA register made it easier for consumers to search for firms that have permissions to advise on transfers. This doesn't appear to be possible at present.

Ultimately, we believe it is preferable for the 'insistent' client to transact through a reputable and regulated financial adviser, and yet advice firms remain concerned about liability despite the FCA's clear guidance on this issue. We believe this is more to do with Professional Indemnity Insurers and we believe a review of this market is long overdue. We have suggested this in our response to the Financial Advice Market Review.

**Q34: How can TVA comparisons to members be improved to make them shorter, more meaningful and more likely to engage members in the TVA process? What changes, if any, are necessary to FCA rules to ensure that TVA comparisons are fit for purpose?**

The Panel suggests that the presentation of TVA comparisons should be looked at as part of a review of TVA methodology. This should include consumer testing. Comparisons need to be simplified, but it is pointless tackling this until the methodology has been agreed and updated and further work has been carried out on the whole area of customer communication. In any case, comparisons need to be consistent so the FCA should require providers to follow a single template.

**Q35: What advice options should we be considering to ensure that members receive good outcomes when considering a pension transfer?**

The consultation paper notes that TR14/12<sup>16</sup> found that limited budgets provided by employers meant advice was often 'process driven' and of 'limited scope'. Focused advice is being considered as part of the Financial Advice Market Review, implying that it could be an option for ETVs transfers.

However, TR14/12 found that in a third of the ETV cases it looked at, the advice given to consumers was not suitable. Accordingly the Panel believes that, as with any pension transfer, the complexity of ETV exercises should mean that advice should be given only by regulated advisers with pension transfer advice permissions.

**Q36: Do you have any comments on possible future changes to our product disclosure regime? If there are any specific areas which you consider should be reviewed now, please include details of the changes you feel the FCA should introduce and those where firms should bring about improvements.**

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<sup>15</sup> [https://www.fs-cp.org.uk/sites/default/files/fscp\\_response\\_-\\_wpssc\\_call\\_for\\_evidence\\_on\\_pension\\_flexibility.pdf](https://www.fs-cp.org.uk/sites/default/files/fscp_response_-_wpssc_call_for_evidence_on_pension_flexibility.pdf)

<sup>16</sup> <http://www.fca.org.uk/news/results-of-thematic-reviews-into-enhanced-transfer-values-and-sipp-operators>

We welcome the FCA's proposals to simplify its product disclosure regime.

The consultation paper refers to European initiatives that may have an impact on product disclosure, such as PRIIPs. Although pensions will initially be excluded from the scope of PRIIPs, we believe that at least the same standard as PRIIPs should apply to pensions, without the need to wait until four years after PRIIPs implementation to review the position.

**Q37: Do you have any evidence or analysis to offer in relation to the impact on firm or consumer behaviour, or possible consumer outcomes, of the current difference in compensation limits for investment and insurance provision in relation to pensions?**

The Panel believes the FCA should review the difference in the FSCS limits for holdings in non-insurance investments and those in long-term insurance products, subject to restrictions imposed by European legislation.

The consultation paper notes that there is little evidence or data on consumer or firm behaviour on the degree to which the difference in limits between insurance and investment provision distorts choices. This is clearly a concern, given the potential for poor outcomes in this area, and we think the FCA should gather the necessary evidence.

**Q38: Do you have any views on whether compensation limits should reflect the objectives of the consumer in making the investments? For example, regardless of the type of investment, if it is for the purposes of pension accumulation or decumulation, then the FSCS limit should be consistent between investment and insurance provision?**

The Panel does not have a position on this, and would welcome clarification from the FCA on this issue, including how costs and benefits would be covered.

**Q39: Would you support an increase in the limit for some or all investment provision, and if so, do you have any views on what the new limit should be, which types of claim or business it should apply to, and how any increase should be funded?**

As above, we would need further information before we could comment on this.

**Q40: Do you have any comments on the cost benefit analysis?**

No comment.