PENSIONS AND LIFETIME SAVINGS ASSOCIATION

CP15/30: CONSULTATION RESPONSE BY THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION

"A NEW APPROACH IS REQUIRED TO ENSURE GOOD RETIREMENT OUTCOMES: ONE BASED ON SAFE HARBOUR SIGNPOSTING TO SOLUTIONS MEETING NEW QUALITY STANDARDS"

22 December 2015

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LIFETIME SAVINGS
ASSOCIATION

THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION

We're the Pensions and Lifetime Savings Association, the national association with a ninety year history of helping pension professionals run better pension schemes. With the support of over 1,300 pension schemes and over 400 supporting businesses, we are the voice for pensions and lifetime savings in Westminster, Whitehall and Brussels.

Our purpose is simple: to help everyone to achieve a better income in retirement. We work to get more money into retirement savings, to get more value out of those savings and to build the confidence and understanding of savers.

INTRODUCTION

The Association is very pleased to respond to this consultation. In the main, the consultation document contains sensible, well-argued responses to the challenges the FCA faces in regulating the "post freedoms" DC marketplace. This consultation forms part of a suite of documents being consulted upon at the moment. In responding, the Association has tried to put forward a coherent and consistent view of how the market could develop.

There is, though, a philosophical divide between the assumptions underpinning the market as it stands and the Association's suggested approach to the market in the future. Since the freedoms were first announced, the Association has stressed the need to examine the way in which individuals looking to access their pensions are presented with choices.

This response argues that the issue is twofold. On the one hand, there is the issue of the quality of decumulation products. The lesson of the accumulation phase is that it has taken a sustained policy effort to bring the quality and cost of accumulation phase products up to scratch. Demand side pressure is simply too weak to drive quality in the accumulation phase and something similar is probably true of the decumulation phase also.

On the other hand, there is the means by which people access products. The Association feels that the key here is a formulation which retains the spirit and the letter of the freedoms while at the same time allowing trustees to signpost decumulation products they think will be suitable for their membership.

Taken together, the Association believes that a new approach is required to ensure good retirement outcomes: one based on safe harbour signposting to solutions meeting new quality standards.

The response should be read in this light. The FCA has outlined a series of proposals that make sense within the context of a market based on supported choice. Right now, it is important that this is made to work effectively, even if the Association does not believe that this is the right end-point for the market.

This response outlines the Association's view of the decumulation market in the medium term. It then takes each of the sections of the consultation response in turn.

TOWARDS A FUNCTIONING MARKET AT RETIREMENT

The reforms announced in the 2014 Budget have given many new opportunities to savers and have prompted much activity in the pensions sector. There is now a lively debate about how to best meet customer needs and, indeed, what those needs are.

The Pensions and Lifetime Savings Association believes that the "at retirement" market needs a programme of reform in order to meet customer needs. As things stand the Association believes that the market is not well placed to meet customer needs. This issue will become more serious as DB winds down and people become more dependent on their DC assets to access the retirement income they say that they want.

We believe that the coming problem in the "at retirement" market is twofold. First, the criticisms of the accumulation phase made by the Office for Fair Trading apply in part to the "at retirement" market. True, the principal/agent problems described by the OFT do not apply in the "at retirement market. Their points about the weakness of the demand side caused by steep information asymmetry between purchaser and provider, seem largely transferable.

The demand side therefore seems too weak to drive the kind of product evolution that those reaching retirement need. In the accumulation phase it took concerted policy effort: principally the introduction of automatic enrolment and the Better Workplace Pensions agenda to drive change. Something similar will probably be required in the decumulation phase.

The second side of the problem is that the mechanism for accessing retirement products is weak. Policy, at the moment, places too much emphasis on the ability of individuals to make choices in a market. This approach was found wanting in the annuity market and the decisions being asked of retirees are now an order of magnitude more complex than the annuity purchase decision.

A solution is needed that allows people to access the freedoms but makes the line of least resistance the right thing for most people most of the time. In designing this it will be important to learn the lessons of the accumulation phase, while at the same time realising that the default approach in the accumulation phase cannot simply be ported over to decumulation. That would not allow savers sufficient freedom and would risk people being placed in a retirement product before they had thought through the consequences.

We believe that the right answer would be to allow trustees to clearly signpost to schemes or products that they (or others) assess to be generally good value and suitable for their membership as a whole but that preserve future choices for those choosing to use them. This would preserve savers' abilities to choose or do something else. It would also mean that those who are unwilling or unable to make a choice in the market for any reason would have their interests safeguarded.

This consultation contains many proposals that would be sensible if the intention were to develop a market powered by consumer demand. Indeed many would be valuable additions to the FCA's rulebook even if a different policy approach to the market were chosen. The theme running through this response is that the measures proposed here are sensible within the FCA's vision for the pensions market. The issue here is that we think that the decumulation market is in need of much more significant change.

For that reason this response puts philosophical differences about how the market should work to one side and tackles the proposals on their own merits. This seems the best and fairest way to respond where there is a difference of opinion about how the "at retirement" market should function. We have addressed some of the more philosophical issues in our responses to the call for input to the Financial Advice Market Review and the FCA's scoping questions for the forthcoming Retirement Outcomes Review.

MARKET EVOLUTION

We are now beginning to see the emergence of a further wave of mass market DC workplace pensions. There are several things that have driven this. In no particular order of importance, we think that they are as follows:

- Automatic enrolment has created a new market, driven lower business acquisition costs and an expectation that this market should be served at a reasonable cost. It has created the pre-conditions for the emergence of the master trust as a significant competitive force.
- NEST has acted as a quality benchmark – not only in terms of pricing but also in relation to investment strategy. NEST has forced a response from other market participants.
- The pensions quality mark has developed into a clear standard against which products can be benchmarked.
- The better workplace pensions agenda, including the charge cap has forced the industry to consider product quality and cost.

All of these factors relate to the policy environment or the interplay between the policy environment and the market. They do not relate to demand side pressure. This is not a surprise, the OFT found the demand side in workplace pensions to be one of the weakest they had ever encountered in any industry sector.

More generally, it is difficult to isolate exactly how demand side pressure has driven product features in pensions at anything other than the higher end of the market. Indeed part of the process over the last 30 or so years seems to have been the repurposing of contract based products intended for wealthy, advised, individuals into products aimed at the workplace. It has taken a once in a generation bout of policy making to interrupt this cycle and bring forward a different approach to the design of workplace pensions.

Something similar seems to be occurring in the "at retirement" market. As with the process in the accumulation phase, we seem to be seeing the repurposing of retail decumulation products for the mass market. We risk a situation in which consumers benefit from product level governance and institutional pricing in the accumulation phase and are then left to navigate the retail market in decumulation.

This is undesirable and we think that the insights applied to the accumulation phase should be applied to the decumulation phase. The desired direction of travel should be towards quality mass market products, capable of achieving scale and benefitting from institutional pricing. The NEST blueprint offers one possible direction for products here, although it should be seen as the starting point for a conversation rather than the destination.

Over time, the market should be steered in this direction, as it was in the accumulation phase. Decumulation products should benefit from the same sorts of governance arrangements seen in the accumulation phase. Either they should be overseen by a trustee or, alternatively, decumulation offers should fall within the ambit of an independent governance committee.

STRONG SIGNPOSTING

The second half of the equation is the joining mechanism. While the freedoms are welcome, they have made life much more complex. The policy logic of the accumulation phase and the decumulation phase do not link up. In the accumulation phase we have a mass market approach predicated and building on customers' inertia. Not only do some master trust products work well without user involvement, they may also be designed to gently steer customers away from behaviour that might harm them. In the decumulation phase we are now asking people to make much more complex decisions. People may arrive at decumulation without having engaged with their retirement savings at all.

In the future we may be expecting people to spread their capital across different products, each intended to do different things. An individual might choose a drawdown product in order to have ready access to tranches of cash and to provide an income while remaining invested. They may have the intention of subsequently purchasing an annuity in order to ensure that they are protected against longevity risk and that their partner is protected also.

That may become a common thing to do but would it require the ability to devise the retirement strategy taking into account all relevant risks and opportunities. It then also requires the ability to execute that strategy. Previously people might simply have taken full tax free cash and then bought an annuity with the remainder. That would mean that they needed to get the right type of annuity and then the right product at the right rate. Now, an individual would need to take a series of decisions about allocating capital to products and then actually buy the right products at the right price. That inserts an additional tier of complexity into the process. Without advice, something we know people are unwilling and often unable to access, that is simply going to be beyond many individuals.

We think that people will face difficulty for four sets of reasons:

- The experience of the open market option suggests that many struggled or actively decided not to shop around. As a result, many failed to secure the best deal on the one they actually purchased, as demonstrated in the FCA's thematic review[1].
- Levels of financial literacy are not high enough among the working population to support sophisticated decision making at the population level. Large groups of individuals may be sufficiently capable or may employ advisers but this is the exception rather than the rule. This does not mean that people are financially illiterate: many are highly skilled when it comes to everyday tasks like balancing a budget. Those skills do not extend to making complex financial decisions that they have not had to make before across multiple product offerings.[2]
- The impact of cognitive biases and heuristics is unclear in the decumulation phase. At the moment we can reasonably assume that the same behavioural biases that complicate the accumulation phase will affect the decumulation phase. This area needs further study and consideration.
- Cognitive ability tends to decline with age towards retirement. This is a complex story as older cohorts tend to be more able numerically than younger cohorts. The general trend, though, is downwards over time. In reality abstract reasoning ability begins to decline much earlier - from an individual's early 20s[3]. This is why some academic disciplines dependent on pure abstract reasoning ability see much higher levels of early achievement than others. Acquired intelligence in the form of experience tends to compensate for this loss of abstract reasoning skill throughout middle age. Psychologists tend to think that there is a tipping point in late middle age where both forms of intelligence begin to decline. This may be exacerbated later by serious cognitive decline in the form of dementia or other conditions.

We believe that the right answer here is to signpost people towards a scheme or product that will be right for most of the scheme membership most of the time. These should be subject to a standards regime and subscribe to commonly agreed

[1] FCA TR14/2 (2014) Thematic review of annuities https://www.fca.org.uk/news/tr14-02-thematic-review-of-annuities

[2] Money Advice Service (2015) Financial Capability in the UK 2015 http://comfy.moneyadviceservice.org.uk/system/comfy/cms/files/files/000/000/261/original/MAS_FinCap_UK_Survey_2015_AW.PDF

[3] Laibson D. (2011) The Age of Reason http://scholar.harvard.edu/files/laibson/files/ageofreason_pdf.pdf

independent principles. The Pensions Quality Mark is expected to shortly bring forwards a set of standards based upon open consultation[4]. This should provide a starting point for further discussion about a standards regime.

Solutions that meet quality standards should not be seen as a default. An accumulation phase style “hard default” is not the right option here. Scheme members should have to make a positive choice at retirement. This would be a major project for the pensions sector. It would, though, bring considerable benefits to the end consumer. It would preserve the spirit and the reality of the pension freedoms – allowing people to do what they want with their money. It would also directly connect people to the income in retirement they say they want and reduce the chances of them making irreversible, life-changing mistakes.

[4] PQM (2015) Developing a retirement quality mark http://www.pensionqualitymark.org.uk/documents/31_rqm-consultation-paper-on-developing-a-retirement-quality-mark-november-2015.pdf

PROMOTING COMPETITION

This section of the consultation paper contains proposed changes that are all consistent with the FCA's objectives for the pensions market. As outlined above, the Association feels that the market should evolve differently and that the decision making journey described by the FCA in this consultation is unlikely to deliver good outcomes at retirement for many people. In the same way that having too much investment choice can lead to inertia, having too many sources of information, guidance and advice may also lead to consumers taking the path of least resistance. Thus while the proposals in this section are likely to improve the situation for some, the Association does not feel that they are end point of the discussion about the "at retirement" market. The comments below should be read in that light.

Q1: Do you agree with the proposal to add these application and purpose provisions in COBS 19.4?

Informing pension savers about their options on retirement depends on much more than the information provided in the few months running up to retirement. Informing consumers of their rights at various stages of their journey towards retirement is appropriate but needs to be proportionate and shown to be effective. However, it remains unproven whether this approach will lead to further consumer engagement.

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

The proposals are sensible. The FCA and providers should however be mindful of the total amount of information sent to customers. More is not always better.

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

The first section of this response contains an argument for a system of "strong signposting" by which the trustee of a scheme could flag a decumulation route that they judge meets the needs of their membership and where the trustees have no commercial arrangement in place with the route or routes chosen. This route should meet certain product standards and should itself be subject to strong product level governance. This is not the same as simply inertia selling retail financial products. For this reason, the Association supports the FCA's proposals to limit the inclusion of application forms in wake up packs and reminders.

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

The Association supports this proposal, for the same reasons as given in the answer to Q3, although the FCA and industry should research and monitor whether not having an illustration sent changes behaviour and leads to more, not less, consumer detriment.If, for example, people become more likely to inappropriately decumulate in cash rather than purchase a product as a result of this change then it would be worth looking again at the situation.

Q5: Do you have any proposed alternatives?

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

The Association has no additional points to add on these questions

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?

Yes.

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

Yes.

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 Association's quantitative research with those able to access the freedoms found considerable interest in drawdown[5]. People like the possibility of remaining invested and taking an income at the same time. Unfortunately, almost half the research sample thought that drawdown would provide a guaranteed income for life.

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[5] NAPF (2015) Understanding Retirement Wave 2, Interim Report
http://www.plsa.co.uk/PolicyandResearch/DocumentLibrary/~/media/Policy/Documents/0442-Understanding-Retirement-Wave-2-Interim-Report%20v2.pdf
Q: How would you like to access your pension savings?
Base: with DC pensions not yet in payment, with a preferred option about how they planned to access their
pension pot (335)

This illustrates the scale of the communications challenge here. While customers are often highly financially skilled when it comes to managing a household budget, they are less likely to have the skills to balance longevity risk and investment risks particularly in the absence of financial advice.

For these reasons, the FCA's proposals make sense. Sustainability should be prominent in communications to affected customers. The potential scale of the issue, though, is enormous and while these proposals are sensible they are unlikely to mitigate anything close to the totality of the risk to savers.

The underlying problem here is that risk is inherent in freedom. As the freedoms allow a very wide range of possible actions to savers, they also increase the number of ways that savers can make poor decisions. Aside from risk warnings, guidance, advice, or various behavioural interventions discussed earlier, the only way to really reduce risk further is to limit savers freedom in some way.

Furthermore, there is the danger that risk warnings will persuade people that drawdown is worse than other decumulation options. If savers perceive drawdown as risky and subsequently decumulate in cash then the risk warnings will, arguably, have not succeeded.

As such, the freedoms ultimately allow people to choose not to have a sustainable income in retirement. There is a limit to what can be done about this. The suggestions in the consultation paper will partly but not wholly mitigate the risks to the consumer here. They should be adopted and the situation kept under review.

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. The Association agrees that where rules and guidance on suitability reports and the provision of personal recommendations refer to income withdrawals, they should be extended to include UFPLS.

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?

No response

ENSURING THE MARKET WORKS WELL

This section deals with the status of the rules governing providers' treatment of customers and the application of the retirement risk warnings (the second line of defence).

Q 12 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 current document "the Responsibilities of Providers and Distributors for the Fair Treatment of Customers" (RPPD) remains a reasonable set of rules to apply to the market as it stands. At the moment it makes sense for the RPPD to remain in its current form.

Our point in the introduction to this response is that the market itself needs significant change in order to better meet consumer need. As with the reform of the accumulation phase, this should be policy-led. Automatic enrolment and the better workplace pensions agenda have changed the accumulation phase in a way that demand side pressure did not manage and in our view the same insights should be applied to the decumulation phase. The aim here is to create an environment in which good value mass market decumulation products appear – in much the same way that automatic enrolment has forced a redevelopment of mass market DC.

This would be significant change and there is much work to do in sketching out what such an environment would look like. Suggesting what the RPPD or any successor document should look like in the medium term is to put the cart before the horse.

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

The rules in PS15/4 should be retained pending a review of their effectiveness in affecting consumer decision making.

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?

The Association's response to the consultation on PS15/4 suggested that the risk warnings should be subject to a £10,000 de minimis. This remains the position of the Association. Exempting smaller pots composed of purely flexible benefits from step two of the risk warnings makes sense. Over time, as individuals acquire more fragmented and larger DC savings, this limit may need to be monitored but for the moment, given that most individuals have only one pension pot and that tends to be relatively small, the limit seems proportionate.

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?

See answer to Q14.

PROTECTING CONSUMERS

This section contains a series of issues and remedial measures. They are not connected by any other theme other than that they describe and aim to counteract a consumer protection issue opened up or exacerbated by the freedoms.

The fundamental tension in many of these issues is between freedom and consumer protection. Ultimately, the freedoms allow people to make poor decisions with negative consequences. Those could lead people to run out of money sooner than they might otherwise would, or they could lead people to pay much more tax than they otherwise might. The bias at the moment seems to be towards accepting the consequences of individual freedom and that will necessarily curtail policy makers' ability to protect consumers.

The Association's response takes each item here on a case by case basis.

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?

The consultation paper correctly identifies that a consumer protection gap exists. At the moment there is the possibility of substantially different rights accruing to those who change products and go through a sale process in order to access the freedoms and those who do not.

This is a complex issue. The fact that differential treatment exists is usually more important and meaningful to consumers than the reasons why it exists. Those reasons may be pressing for those connected with the detail of the situation but this tends not to matter to those directly affected.

As things stand, the risk mitigations listed in paragraph 5.11 are necessary but not sufficient conditions to mitigate the risks faced by consumers. The Association does not believe that a market driven by supported choice is likely to mitigate all the risks to consumers effectively. Pension Wise and the other interventions described in 5.11 are essential but will not by themselves go far enough to reduce the risks to an acceptable level.

The main issue here is that there is a clear tension between freedom and consumer protection. As this response argued earlier, there are various behavioural approaches, like signposting, which might reduce risks to consumers without impacting the freedoms. Even these, though, will not reduce the risk of consumers making "poor" choices to zero. The hard truth of the situation is that if the freedoms are to be as expansive as they currently are then the pensions sector will have to be comfortable with a significant level of consumer detriment.

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?

Notwithstanding the comments made above monitoring the environment seems an appropriate response to the current market situation. This is something the Association has called for from the outset of the freedoms and it is welcome to see the FCA treat this issue so seriously.

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?

The Association has no response to this question.

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?

The Association has no response to this question.

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?

The Association has no response to this question.

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

A wider review of the rules would be timely. In the initial section of this document we made a case for the market to develop in a particular way and for a different way of accessing "at retirement" products. In the medium term this implies a much fuller review of the FCA's rules in the light of signposting and the development of quality standards for retirement products.

Prior to the general election, the Association also called for an independent retirement savings commission to oversee pensions policy. Such a body would be well placed to take a long term view of the sector and set objectives for any further review of distribution.

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 the conversion or transfer of pension benefits is a regulated activity?

The right balance here is between enabling individuals using pension savings to pay down debt and protecting them from inappropriate creditor pressure. As such, the proposals in the consultation paper seem a proportionate response to the issue.

There is a case for going further. It would be reasonable to expect prompt enforcement action taken against lenders breaching the perimeter guidance outlined in the consultation paper. It would also be reasonable for the FCA to evaluate its approach to detecting this sort of transgression.

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

The Association is in broad agreement with the proposals in the consultation paper.

The issues presented by the intersection of attachment orders and the pension freedoms run beyond the scope of the FCA rulebook and hence this consultation. It seems sensible to compel former spouses to contact one another prior to taking any benefits to which the court has applied an attachment order. It also seems sensible to review the process for varying an attachment order such that the process is less dependent upon the courts. It would be easy to see how the financial situation of persons subject to an attachment order might see their financial position eroded through a protracted legal process.

These issues, though, run beyond the scope of this consultation. A fuller response here should wait for the DWP's consideration of the issue.

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

The Association has no response.

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

The Association has no response to make.

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?

The Association has no response to make.

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

The Association has no response to make.

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

The Association has no response to make.

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?

The Association has no response to make.

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?

The Association has no response to make.

Q31: Should we be reviewing the starting assumption for those over minimum retirement age that a pension transfer will be unsuitable unless it is 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 Association continues to believe that the starting point when assessing the suitability of a DB to DC pension transfer is that it will not be suitable, unless it can be shown to be in the client's best interests. While we recognise that the aim behind the pension freedoms is that individuals are able to access their retirement savings in a way that works for them, DB scheme benefits continue to be a valuable benefit to the vast majority of members.

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?

We recognise that not all individuals looking to transfer from DB to DC will be looking to purchase an annuity and in fact many may be doing so explicitly in order to take their retirement income in a manner and at a time of their choosing. Therefore we think that it is right that the FCA consider extending the TVA methodology to include drawdown purchase. While we recognise this would not be a straightforward process and a number of assumptions would have to be made, we believe there is value in a regulated, common approach to the assessment value in moving to drawdown. Not only will this provide greater comfort and flexibility to DB scheme members, it would also greater certainty and regulatory clarity for financial advisers.

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?

The main barriers to insistent client business are commercial. Firms do not want the risk of dealing with insistent clients. There is also little commercial benefit to briefly warehousing a DB to DC transfer before it is taken as cash. It does not make sense to compel firms to deal with insistent clients. It might make sense for a single provider to be designated a provider of last resort with an obligation to accept a transfer from any insistent client. That obligation would need to be backed by an indemnity against any future claim by that client seeking redress for a transfer initiated against financial advice.

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?

We also agree with the proposals to review the COBS guidelines around TVA reporting in order to make them shorter and more meaningful to consumers. For example they could set a limit on the number of comparisons that can be included in any upfront report, potentially link to any changes in TVA methodology around drawdown.

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

We acknowledge the concerns raised by the FCA in terms of some employers providing only focused advice in the context of enhanced transfer value exercises. However we think that such an area is best addressed in the context of the Financial Advice Market Review. To make any knee-jerk changes to the advice that has to be provided in such instances risks vastly increasing the costs of such exercises without necessarily improving the quality and thoroughness of the advice.

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.

The Association feels that a wide ranging review of the product disclosure regime will likely be required. This document, as with other recent consultation responses has argued for a different view of the market over the medium term. Clearly a full review of the disclosure regime would be required by that.

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 Association has no evidence to offer in respect of this issue. Our qualitative research into the behaviour of consumers at retirement in the aftermath of April 2015 uncovered no evidence of consumers considering FSCS protection as an issue. It seems likely that FSCS protection is not widely understood or considered by consumers in making investment decisions and is unlikely to be swaying outcomes. If there is evidence elsewhere of potential detriment arising from inconsistencies in compensation limits and firm behaviour, the Association would support a review of policy options to address this.

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?

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?

The Association feels that a review of the FSCS is required and that this should take in the questions asked above.