TISA

Response by TISA to:
The stronger nudge to pensions guidance

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About TISA

The Investing and Saving Alliance (TISA) is a unique, rapidly growing membership organisation for UK financial services.

Our ambition is to improve the financial wellbeing of all UK consumers. We do this by focusing the convening the power of our broad industry membership base around the key issues to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

TISA membership is representative of **all sectors of the financial services industry.** We have **over 200-member firms involved in the supply and distribution of savings, investment products and associated services**, including the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

As consumers, the financial services industry and the economy react to and recover from the effects of the pandemic, the importance of the three key pillars of work that TISA prioritises has never been more apparent:

- **Strategic policy initiatives that influence policymakers** regarding the financial wellbeing of UK consumers & thereby enhancing the environment within which the industry operates in the key areas of **consumer guidance, retirement planning, later lifetime lending, vulnerable customers, financial education, savings and investments**.
- TISA is recognised for the **expert technical support provided to members** on a range of operational and regulatory issues targeted at improving infrastructure and processes, establishing standards of good practice and the interpretation and implementation of new rules and regulations covering **MiFID II, CASS, ESG/RSI, operational resilience, Cyber Risk, SM&CR** and a range of other areas.
- **Digital transformation initiatives** that are driving ground-breaking innovation and the development of industry infrastructure for greater operational effectiveness and revenue promoting opportunity for firms. TISA has become a major industry delivery organisation for consumer focused, digital industry infrastructure initiatives – **TISAtech** (a digital marketplace that brings together financial institutions and FinTechs for greater collaboration and innovation) and **TURN** (TISA Universal Reporting Network – a digital platform providing a secure data exchange for financial services using blockchain technology) – alongside projects **Digital ID** and **Open Savings & Investment**. This reflects TISA's commitment to open standards and independent governance.

Executive Summary

TISA welcomes the opportunity to respond to the FCA consultation – The stronger nudge to pensions guidance.

We recognise the significant importance of consumers accessing impartial guidance or regulated advice prior to making retirement decisions and strongly support ways in which we can enhance the support framework to achieve better consumer outcomes.

Given the stronger nudge is proposed to apply at a specific point in the retirement journey, we need to be mindful of unintended consequences. These are magnified in some instances as the decision to access may have already been made, and additional process steps extending the journey will be perceived negatively in many instances. Similarly using a proxy age of 50 for the transfer nudge does not necessarily mean retirement decisions have been made or even considered, however a delay is likely to also be perceived negatively as it removes perceived control over funds.

The proposals contained within this consultation do overlap with the proposals surrounding the restriction of the statutory right to transfer and the combination of the two have the potential to convolute the transfer process, confuse consumers and add operational challenges. It would be beneficial to understand how these overlaps are managed when creating draft proposals.

It is encouraging to see that the trials increased the take-up of guidance from 3% to 11%. However, we recognise this is still far too low, when considering only 8% of adults receive regulated advice and in 2019/20, only 50% of those who accessed their pension for the first time received regulated advice or Pension Wide guidance.

Given the shortage of financial advisers in the country, we believe product providers have the biggest role to play in providing guidance to consumers, but a degree of personalisation is required to secure engagement. At the moment, the FCA's Advice regulations act as a deterrent to firms offering personalised guidance services to consumers. We are liaising with our members and FCA to review the boundaries that exist between guidance and advice, with an objective of creating a regulatory framework which enables providers and advisers to develop streamlined/simplified advice propositions.

Lastly as the pensions landscape continues to evolve with digital technology improving consumer journeys and communications, this provides the opportunity to increase the opportunities to increase the take-up of Pension Wise guidance.

We would be happy to discuss any aspects of our response with you.

Question responses

Q1: Do you agree with our proposed approach on the trigger for the nudge?

Although we recognise that a nudge earlier in the retirement journey could be more effective, we agree that if it needs to take place at this juncture, the triggers seem appropriate.

Currently the proposal for the transfer nudge means the obligation rests with the party which is first contacted. Some of our membership have conducted research and it is typical for the receiving scheme to be contacted in the first instance to initiate the transfer – up to 90% of the time. Given these statistics, it would make sense for responsibility to rest with a single party for consistency and for that party to be the receiving scheme. Where a consolidation exercise is taking place, this also removes the potential for the member to be contacted by several ceding schemes which would not be a good member experience.

Whilst this is a nudge towards a session which provides guidance on retirement options to facilitate better decision making, when it is triggered by a transfer, there is a likelihood that in some cases this will also place an obligation on the member to receive scams guidance. The communication of different guidance sessions, optional and mandatory being carried out by the same entity and requested from potentially different providers at the same time is likely to lead to widespread member confusion. We would be interested to understand how it is envisaged the separate requirements which stem from consultations running concurrently can be effectively managed.

Could it be confirmed how the transfer trigger should work when the member holds a protected retirement age if they are not eligible for Pension Wise guidance (i.e. under 50).

Similarly, we believe the proxy age of 50 can be used for transfers as this is within 5 years of NMPA. When this increases to 57, will the trigger age be pushed back for those who transition to the new NMPA and remain at 55 for those who retain an NMPA of 55 through the protection regime (assuming this is brought in)?

Consideration need to be given as to how this interacts with the ‘small pots’ initiative as any automated solution would be impacted with the transfer nudge requirement.

We believe that to align to the requirement for Retirement Risk Warnings, where a regulated adviser initiates the contact to take benefits or request a transfer, the requirement for a nudge is removed. We believe that this could extended and if it is evidenced on initial contact that the member has received regulated advice for their intended course of action, the requirement for the nudge should be removed.

Q2: Do you agree with our proposals to incorporate the delivery of the nudge into step 1 of our existing retirement risk warning rules?

Yes, this is an appropriate place for inclusion.

Q3: Do you agree the explanation of the nature and purpose of guidance does not need to be prescribed?

We agree with the non-prescriptive nature but would appreciate some further guidance around acceptable phraseology or content. This would specifically be of help when positioning the take-up of guidance, as we want to encourage scheme members to consider this as the responsible thing to do and for it to almost be seen as the social norm.

Follow up questions or comments from the member may be challenging to respond to without breaching COBS 19.7.5 G (2) (a) and (b). If a member responds to confirm they have had advice but also say it sounds like guidance is really good, how does a firm say it is not required without breaching this COBS rule?
The challenge will also apply if there is a delay in being able to book the appointment, due to member availability constraints or Pension Wise resourcing. As an example, being only available to attend a guidance session outside of normal office hours currently adds circa two weeks onto the earliest available appointment.

We propose that the wording to COBS 19.7.8A R (1) (b) is changed to provide more information on the benefit that regulated advice can provide. Currently the proposed wording is:

(a) explain to the retail client the nature and purpose of pensions guidance, and that they can access the guidance for free;
(b) explain to the retail client that they can take regulated advice at their own cost

Positioned in this way provides the member with two seemingly equal options, one which they pay for and one which is free. Additional wording is required to explain the nature and benefits of advice. Suggested wording would include stating that regulated advice takes all of your personal circumstances into account and provides a personal recommendation.

Q4: Do you agree with proposed approach to appointment bookings and opt-outs?

We agree with the proposed approach.

Q5: Do you agree that where a consumer has previously been nudged and has confirmed receiving Pension Wise guidance, they do not need to be nudged again, unless the provider has reasonable grounds to believe that the consumer could benefit from receiving guidance again?

We agree with the principle that a consumer does not need to be nudged if they have already received retirement guidance. The proposals around changes in personal circumstances and fund value creates challenges as these are subjective. Furthermore, as guidance does not include any form of personal recommendation, it should not be relevant i.e. the guidance content is standard and should not be influenced by personal circumstances. To simplify the journey, we propose that the nudge requirement is removed if the member can confirm they have received retirement guidance in the last 12 months.

Additionally, and aligned to our suggestion in Q1, we do not believe the nudge is required where the course of action chosen has involved a regulated adviser.

Q6: We welcome views on what would be the most relevant data for us to gather, and the most effective and proportionate way for providers to gather and submit this information.

We believe that the data should be collected and submitted in the same way as it is undertaken for Retirement Risk warnings. The additional fields would simply be regulated advice, pensions guidance, and opted out.

The proposed journey does provide the opportunity for useful data to be collected which could be used in future policymaking. Where the nudge is triggered by an access request, it would be useful to identify the correlation between the take-up of guidance and the chosen method of access. This could identify trends e.g. do consumers who attend a guidance session tend to enter drawdown and do consumers who opt out tend to make full encashment?

We recognise the increased burden of regulatory reporting on firms and are not recommending that these form additional reporting requirements. However, it is worth exploring the additional data available from the proposed revised journey and how it can be obtained.

Q7: Taking into consideration the issues discussed in paragraphs 4.4 to 4.6, we would welcome views and any supporting evidence on whether allowing consumers additional time to consider the opportunity to take-up guidance could further increase/incentivise the take-up of guidance in a way that encourages them to engage with their pension access decision?

We have no evidence to support that additional time to consider would increase the take-up of guidance and strongly disagree with this approach. The Ignition House Retirement Outcomes Review research showed that only a very small number felt that the existing safeguards in place would make then think twice. Given the proposed stronger nudge will extend the journey from what it is now, any additional enforced and specific time delays are likely to be perceived negatively. Lack of perceived control is a known issue for consumers, and this would add to the mistrust that currently exists in the UK pension framework. Furthermore, additional enforced delays may cause a consumer who was only partially withdrawing, to reconsider and take a full withdrawal so they do not need to go through the process again.

It is common for withdrawal requests to be made towards the end of a tax year, where unused allowances are used up. Withdrawal activity for some member firms almost triple at this time and introducing further delays in the process could impact on the tax year in which the withdrawal is made and have detrimental tax consequences.

It is worth pointing out that when a member accesses their pension for the first time, a cooling off period does apply so it is possible for the withdrawal to be repaid and the transaction reversed if they change their mind within this period.

Q8: If you think it would increase the take-up of Pension Wise guidance, we would welcome views on how an opt-opt process could operate to further incentivise the take-up of Pension Wise guidance in a positive way?

Please see response to Q7.

Q9: What would be the implementation challenges or unintended consequences with this approach and how could they be overcome?

Please see response to Q7.

Q10: We would welcome views on whether and how an additional earlier nudge to guidance could be introduced. Please include comments and evidence relevant to the factors listed in paragraph 4.11, as well as an indication of the likely costs and benefits.

We believe that an earlier nudge where a decision has not been made would be viewed much more positively by a consumer. Scheme members can be overwhelmed with communications as they approach NMPA and their selected retirement age and these already contain signposting to guidance and regulated advice.

As pensions continue to progress to more digital solutions and communications, which are now used almost exclusively by younger members and increasingly by retirees, there is an opportunity here to include it in the member journey. Pension Wise booking for instance could be embedded within providers' own websites.

Q11: We would welcome views and any supporting evidence on how else we might do to increase the take-up of Pension Wise.

Continuing the digital theme, when Pension Dashboards go live, there is an opportunity to embed guidance signposting and booking services into the experience.

Government websites such as 'check your state pension' could also include the option to book guidance sessions.

Digital encompasses a variety of options such as PC, laptop, tablet, and mobile phone – different communications and options will need to be adapted to suit the method of access.

Q12: In this context, we would welcome views and any supporting evidence on what more we can do to support consumers to access the right information and guidance they need to help them make well informed decisions about accessing their pensions.

We believe consumers need better quality support from their pension providers that is personalised in nature, something product providers are largely restricted from offering given financial advice rules. TISA has recently completed a primary research exercise where we have asked consumer's their attitude towards their savings & investments (including their pensions) and tested their interest in support that was more personalised to them. The research has found significant consumer interest in more personalised services, with consumers saying this would give them greater confidence in making the right financial decisions. We would be happy to share and discuss the findings with the FCA team dealing with this consultation.