TISA

leading on investments and savings

FINANCIAL CONDUCT AUTHORITY

CONSULTATION RESPONSE – CP14/24

CHARGES IN WORKPLACE PERSONAL PENSION SCHEMES

29th December 2014

INTRODUCTION

TISA is a not-for-profit membership association operating within the financial services industry.

TISA's membership comprises over 145 member firms involved in the supply and distribution of savings and investment products and services. These members represent many different sectors of the financial services industry, including banks, stockbrokers, asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, consultants and advisers, software providers, financial advisers and pension providers.

Having a legacy of focusing predominantly within the tax incentivised products area, TISA has in recent years moved into the broader savings and investment world, extending our status of 'trusted advisor' to the authorities over a much greater remit. This has been welcomed by our members and the authorities as a natural progression.

TISA has a highly successful track record in working cooperatively with government, regulators, HMT, DWP and HMRC to improve the performance of the industry and the outcomes for consumers. Policy and regulation continues to be the major focus for our members with regard to corporate responsibility.

TISA and its members' remit is evolving into a clearer focus on pro-active consultation in the regulatory world in order to influence policy and associated regulation before its creation, rather than reacting to issued policy directives. This will help to ensure a more considered policy creation from the authorities.

What makes TISA unique is that we cover the entire industry, incorporating cross sector policy, industry and technical expertise. Whilst we maintain a solid partnership with government, the regulators and wider industry, we remain independent and develop neutral views and opinions. This impartiality is reflected in our ability to drive development projects which improves industry performance and puts us in the unique position of being able to constantly challenge the status quo to bring about material improvement. At the forefront in all of our recommendations and actions is to consider national and consumer outcomes.

RESPONSE TO CONSULTATION

GENERAL COMMENTS:

TISA fully supports the FCA's plans to prevent firms from paying or receiving consultancy charges, from paying commission or other charges for advice which are not initiated by scheme members and to ban differential charges (e.g. active member discounts), as these changes will clearly be to the benefit of the consumer. Related to this we believe that the only way to achieve greater transparency of charges (that are consistent and comparable across all types of schemes) is through the implementation of a single disclosure regime across all workplace pensions. However, it is encouraging to see that the work currently underway at European level to improve transparency (through IORP II, MiFiD and PRIIPs) is being considered to ensure that the totality of the requirements work effectively together.

In terms of the charge cap, TISA remains fundamentally opposed to the concept of a charge cap and remain strongly of the view that alternative ways should be explored to introduce increased competition and improved outcomes for savers. We feel it is better to rely upon independent trustees exercising their fiduciary duties than the imposition of a charge cap, particularly where transactional costs are excluded from the cap. There are many industries outside of financial services where the market is healthy and competitive with the end consumer getting good value for money without that market being artificially controlled by a charge cap.

TISA would welcome the opportunity to discuss this important consultation with you further.

RESPONSE TO QUESTIONS

Q1.

We would welcome views on the likely equality and diversity impacts of the proposed rules.

No impacts.

Q2.

Do you agree that workplace personal pension scheme providers are best placed to ensure compliance with the charge cap?

TISA strongly opposes the concept of charge caps on principle. However, notwithstanding that, TISA agrees that in a charge cap world providers are best placed to ensure compliance with the cap for workplace personal pension schemes.

Q3.

Do you think our proposed methodology for deeming default funds appropriately captures members who have not made active investment choices?

Yes.

Q4.

Do you believe our proposals in relation to the period over which charges will be measured against the cap are proportionate?

TISA strongly opposes the concept of charge caps on principle. However, notwithstanding that, TISA agrees that the period over which charges will be measures against the cap are proportionate.

Q5.

Do you agree that our proposed calculation measurement of average funds under management during the course of the year is the most appropriate method? If not, what would be a fairer solution for consumers?

Yes, we are comfortable with this approach.

Q6.

Are there any other charges you believe should be excluded form the charge cap?

As we have previously stated, TISA strongly opposes the concept of charge caps on principle. Furthermore, the fact that not all charges are included in the cap, in itself renders the approach ineffective in our opinion and is unlikely to meet the transparent and simple test in the eyes of the consumer.

Q7.

Will clarifying the option of moving all their invested funds into a new default arrangement achieve the objective of moving consumers to lower charging options where suitable? If not, what other measures could be taken to achieve this?

Yes, we are comfortable with this approach.

Q8.

Do you agree that all members in Qualifying Schemes should be covered by the protections from differential charges?

Yes, but we would like to see it going further to protect members in all workplace arrangements, regardless or not of whether it's a Qualifying Scheme for the purposes of automatic enrolment.

Q9.

Do you think that moving from differential charging structures, based on whether members are paying contributions, will create any major difficulties for firms or employers?

We anticipate some challenges for employers with larger schemes having to re-negotiate and restructure the charges by the deadline, particularly where they plan to subsidise existing employees through additional contributions.

Furthermore, we are concerned that where providers do not have the flexibility to amend the charges in existing schemes and therefore inform employers that the schemes will no longer be available to be used as a Qualifying Scheme from April 2016, then there is a risk that employers may struggle to implement an alternative scheme by the deadline.

Q10.

Do you agree that members' funds should only be used to pay for advice where the member has explicitly agreed to the services provided by the adviser?

Yes.

Q11.

Do you agree that it is achievable for firms to remove consultancy charges from Qualifying Schemes by 6 April 2015?

Yes, there are only a very small number of schemes impacted.

Q12.

Do you agree commission and the remaining banned remuneration payments should be removed from Qualifying Schemes by 6 April 2016?

Yes.

Q13.

Do you agree that our proposed method of implementing the proposed changes in line with Government policy is proportionate?

Yes, although we would welcome ongoing dialogue with the FCA to deal with specific circumstances.

CLOSING COMMENTS:

As you will have seen from this response, TISA has very strong opinions in terms of the imposition of a charge cap. We believe that the focus should instead be on supporting a market already capable of providing low charges, through a better designed regime of consistent governance and disclosure that really works for employers and employees, regardless of the type of money purchase workplace pension scheme. We made the same representation in our response to the DWP's recent consultation (Better Workplace Pensions: Putting Savers' Interests First).

TISA would welcome the opportunity to discuss this further with FCA and DWP following the consultation period.

29th December 2014