2nd February 2015

David Cheesman
Finance Division – Fees Policy
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Dear Mr Cheesman,

Response to Consultation on 'Regulatory fees and levies: policy proposals for 2015/16'

I am pleased to attach TISA's response to this important Consultation. TISA has been actively engaged with FCA and HMT in respect of the forthcoming pension freedoms, particularly the establishment and operation of the guidance service and as such we are limiting our response to the issue of the guidance levy only, leaving the industry's trade associations to address the other aspects of the consultation.

About TISA

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.

What makes TISA unique is that its membership covers 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.

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Our response

In our response to question 2 of CP14/11 (Retirement Reforms and the Guidance Guarantee) we stated that we remain to be convinced that the use of FCA periodic fees is the most appropriate or efficient way to fund the Guidance Service levy and set out an alternative to be considered.

It was therefore surprising to see FCA's comment in CP14/26 which said that 'Excluding individual financial adviser firms, all other 39 respondents who commented agreed that (the use of the periodic fees framework) would be using FCA resources in the most efficient and economical way and that the five pensions guidance fee-blocks were appropriate.'

We note that you are proposing to continue using this approach, albeit with a change to the percentage weightings across the blocks. TISA still remains unconvinced that this is the most appropriate method and set out our alternative again below, for your consideration.

We believe that the levy will eventually be paid for by customers as firms in the fee blocks will inevitably add the amounts raised to their costs of doing business.

We consider it anomalous that through the Retail Distribution Review the Regulator has sought to increase transparency and give consumers the opportunity to understand the cost (and presumably judge the value) of the services they can get in making financial decisions whilst these proposals would appear to reverse that principle.

We think it is more transparent to explicitly show customers that there is a cost to providing this Guidance and this is shared by those taking benefits from Pension Schemes. This is consistent with the way that Regulated Advice services are disclosed as having a specific charge. To pretend that firms benefiting from the new freedoms will in some way bear the cost is creating an unrealistic illusion with the levy proposals as they stand.

There are also many compromises to the current proposals which the consultation paper acknowledges, for example, the difficulty of deciding the split among the fee-blocks and the broad brush of the fee-block categories that will capture some firms not involved in the retirement business.

Our alternative suggestion is to make a small deduction from the capital value of all the monies crystallised to provide benefits to fund the Guidance Guarantee. HMRC can then collect the amounts through the Pension Scheme tax receipt processes already in existence with each registered approved scheme.

The basic calculations would suggest that a charge of 0.1% on the approximate £10bn of crystallised benefits each year from DC pension schemes would raise £10m p.a. This would mean a consumer with a £50,000 pension pot would have £50 deducted.

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This method would pass the test of being free at the point of use of the Guidance Service and use existing processes and infrastructure for collection avoiding any costly implementation issues. It would also be agnostic from the income choices consumers make as the amount would be deducted at point of crystallisation.

There will be details to resolve, such as predicting in advance the appropriate fee level to be deducted from crystallising pots, separating DB and DC monies at crystallisation, the inherent cross subsidisation from large pots to small pots and from those who don't avail themselves of the service to those that use it multiple times, however, we consider in the round these to be minor considerations when set against the avoidance of issues of lack of transparency and unfairness of allocation of levies among firms.

We would welcome the opportunity to discuss this with you further.

If you have any questions on this response, or more generally, please let me or my colleague Jeremy Lee know.

Yours sincerely,

Jeffrey Mushens
Technical Director

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