Financial Services Consumer Panel
AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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17 January 2013

Dear Sandra and Alan

CP12/29 Personal pensions – feedback to CP12/5 and final rules on disclosures by SIPP operators, and consultation on inflation-adjusted illustrations**

This is the Financial Services Consumer Panel's response to CP12/29** Personal pensions.

Overview

The impact of inflation on future income is an important issue and one which consumers need practical help to integrate into their financial planning. We support the proposals set out in the Paper which are based on the findings of comprehensive research and we are also urging the FSA/FCA to go further and make changes now to ensure that inflation is also allowed for in transfer value analysis and annuity quotations. Consistency of terms and approach whenever possible is important for consumers and over time, helps to build understanding.

Although we are pleased that the FSA is consulting on additional – and hopefully better - guidance to help firms to design and draft product information, it is disappointing that such basic guidance is necessary. We would like the FSA/FCA to monitor the quality of KFIs closely and to take robust action where firms fail to meet their obligations. We would also like to see firms routinely assessing the effectiveness of their own disclosure documentation.

Finally, both industry and the regulator need to take account of the fact that consumers are living in a digital age and reflect this in their communications strategy.

Q1: Do you agree with our proposals for presenting projections in real terms? If not, please explain what alternative approach you think is more appropriate.

Yes, we agree with the proposals. Presenting projections in real terms will be more meaningful for consumers and will bring a helpful level of consistency with Statutory Money Purchase Illustrations.

Q2*: Do you agree with our proposals for changing the text relating to the effect of charges table? If not, please explain what alternative approach you think is more appropriate.*

We agree. This is a further area where consistency is important for consumers.

Q3: Do you agree that illustrations for drawdown pensions should remain in nominal terms? If not, please explain what alternative approach you think is more appropriate.

No. There should be consistency across the board and illustrations for drawdown pensions should be expressed in real terms.

Q4: Do you agree that a maximum age of 99 is reasonable for drawdown analyses? If not, what age limit would you suggest and why?

Yes, we agree.

Q5: Do you agree that we should only permit generic illustrations in real terms? If not, please explain what alternative approach you think is appropriate.

We agree.

Q6: Do you agree with our proposals for alternative projections?

We strongly support these proposals. If an individual consumer would find a stochastic projection helpful, it should be provided with the differences between this and the standard projections explained clearly.

Q7: Do you agree that we should now remove the exemption allowing the intermediate growth rate to be omitted for in-force projections?

Yes, we see no argument for retaining the exemption.

Q8: Do you think we should allow for inflation in transfer value analysis reports? Please give your reasons and provide evidence for your views, where possible.

and

Q9: Do you think we should allow for inflation in annuity quotations? If so, please explain how and give your reasons.

Yes. Allowing for inflation in transfer value analysis reports and annuity quotations will ensure consistency across the piece and help consumers to understand the need to allow for the effect of inflation on their financial planning.

Q10: Do you agree that the proposed change to the wording of COBS 13.6.1R will make this rule clearer?

The proposed clarification seems helpful and entirely sensible.

Q11: Do you have any comments on the cost benefit analysis for Chapter 3?

We have no comments on the cost benefit analysis for Chapter 3.

Q12: Do you have any comments on our proposals to introduce additional guidance on preparing product information?

We are pleased that the FSA is responding to the poor quality of product information provided by firms by introducing better guidance, even if the guidance itself largely states what should be obvious and a matter of common sense. As is stated in the Consultation Paper, the FSA's views have been made clear to the industry on numerous occasions and it is disappointing but not surprising that firms have failed to respond more effectively to messages delivered over such a long period of time. This is an area in which we think the FSA/FCA should continue to take a close interest, with a view to pursuing supervisory or enforcement action in cases of continued non-compliance. We would also like to see the regulator encouraging firms to assess the effectiveness of their own documentation (and respond accordingly), as a matter of good practice.

Q13: Do you have any comments on the cost benefit analysis for the proposed new guidance on preparing product information in Chapter 4?

We have no comments on the cost benefit analysis for Chapter 4.

Yours sincerely

Adam Phillips
Chair
Financial Services Consumer Panel