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Proposal for a retirement adviser directory

This is the Financial Services Consumer Panel's response to the Money Advice Service (MAS) consultation paper 'proposal for a retirement adviser directory'.

We highlighted the problems faced by consumers in our report on the annuities market last December¹ and recommended that MAS should set up an independent adviser directory. So we are very pleased to see this proposal. It is of course even more necessary in light of the far-reaching pension reforms proposed by the government in its March Budget.

The Panel believes that MAS should ensure that the information provided by the site, and by the individual firms of advisers, is objective, transparent and builds in the necessary quality controls.

Site

The directory should clearly and prominently differentiate between advice and so-called non-advice and the implications of the different regulatory rules that apply in each case:

- Full (fee-based) regulated advice, which confers the protection of the Financial Services Compensation Scheme and Financial Ombudsman Service.
- Non-advice (commission-based), which the Financial Conduct Authority (FCA) treats as execution-only, and which does not confer the above protection.

It should also set out the level of qualifications required for full and non-advice channels.

The site should also:

- Provide clear details on pricing and charges, together with simple examples of what consumers with different pot sizes might expect to pay as a fee or commission. This section should stress that the cost of non-advice can exceed the cost of commission – important because consumers might reasonably assume that a DIY option will be cheaper than fee-based advice.
- Provide simple descriptions of the most important features of annuities e.g level vs inflation-linked, single vs spouse's pension or standard vs enhanced.

¹ Financial Services Consumer Panel, Annuities: Time for Regulatory Change, December 2013.

- MAS should set out a clear code of conduct for firms, to which they must sign up before they can be represented on the site. There should also be clear information about how consumers can make a complaint about a service provider.
- Describe the role of “introducers”, noting and highlighting their regulatory status. Consumers often do not appreciate that an actual purchase would be with another firm with which they have had no contact.

Member firms

The site should provide a clear and consistent format for firms’ details so that the information they present can be easily compared, including:

- The number of specialists they employ and their level of qualifications.
- The proportion of retirement business they conduct annually relative to the business as a whole.
- The different types of service level, eg fully advised, guided ‘non-advice’ (which might include a help line), and pure execution-only (where the consumer makes all the decisions without any assistance).
- Indicative fee and commission rates.

Flexibility and continuous improvement Review

The Panel is of the view that the directory needs to be sufficiently flexible to adapt to regulatory change. We also believe that MAS should build a review process into the operation of the directory. We suggest there should be a small working group charged with reviewing the site’s operation, with the aim of using the intelligence and experience gathered to improve the site.

Answer to consultation questions

1. Do you agree there is a need to improve the customer journey towards regulated financial advice?

Of course. The complicated decumulation landscape is about to get more so, and consumers need help to navigate it. While the Panel supports consumers’ choice to go it alone with guidance, if they wish, we strongly believe that should also be a clear and transparent mechanism towards regulated financial advice.

2. Do you agree any new directory should also include details of advisers who specialise in the post retirement advice market

Yes. Advice will often need to take into account significant post retirement changes such as the death of a partner or long term care planning.

3. Do you agree that a new retirement adviser directory might provide a solution for consumers needing regulated retirement advice?

A good quality directory is part of the solution. It needs to be backed by effective regulation.

4. Do you agree that information regarding fees should be included in the directory

Yes. Fee details are an important part of making an informed choice. However, care needs to be taken to avoid the directory being manipulated on the basis of headline price, as we see with comparison websites. Consumers need to be able to compare the price of the product or service which is right for them, not just price alone.

5. If so, do you have any views as to how this might be presented to consumers? For example should there be a menu or list of services with average or approximate costs given for each service?

We believe that there should be a list of services with the average or approximate costs given for each service, as well as one or two real life case studies illustrating the real life charges paid by consumers.

6. As well as contact details, qualifications and expertise, type of service offered and fees charged, is there any other information you think the directory should include on the adviser firm or individual advisers?

Yes. We believe the directory should include the ratio of retirement business the firm or adviser conducts annually, relative to the business as a whole.

7. Do you agree that an independent panel should decide upon the entry criteria for the adviser directory?

Yes. It is not enough for the site to include 'Authorised firms'. Considerable thought needs to be given to the type of firm and their specialism.

8. Do you agree that the main consumer and adviser professional bodies should be invited to join the independent Panel? If so, can you suggest the particular bodies you feel should be invited to be members of the Panel?

The Panel agrees that the main consumer and adviser professional bodies with the requisite skills and expertise should be invited to join the independent Panel.

9. Do you agree that the Money Advice Service should host the directory

Yes. MAS is well equipped to provide wider information to consumers and draw attention to the key considerations before entry to the site, as well as during their journey through the site's guidance. MAS also has a recognisable brand which will be important for this directory.

10.If not, is there another organisation you feel should host the directory?

11.Do you agree that the data management and verification plus on-going maintenance should be outsourced to a suitable organisation and paid for by the host organisation.

We have no particular view on this. The most important thing is for MAS to be in control of the words on the site and the user experience.

12.Do you have any suggestions as to which organisations should be invited to tender for the data management and verification services?

No.