



The Money Charity response to pension reforms - proposed changes to rules and guidance

The Money Charity is the UK's leading financial capability charity.

We believe that being on top of your money means you are more in control of your life, your finances and your debts, reducing stress and hardship. And that being on top of your money increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.

Our vision is for everyone to be on top of their money as a part of everyday life. So, we empower people across the UK to build the skills, knowledge, attitudes and behaviours, to make the most of their money throughout their lives.

We believe financially capable people are on top of and make the most of their money in five key areas:

- Planning (including budgeting)
- Saving
- Debt
- Financial services products
- Everyday money (including wages, cash, bank accounts)

The **MONEY** *Charity*

Introduction

1. The Money Charity welcomes this review of rules and guidance. As set out in the consultation, the pensions system has undergone huge changes in the last few years, shifting towards a world where consumers are required to make complex decisions about retirement income throughout their working, and retired, lives. With reforms such as automatic enrolment and pension freedoms in place and with the secondary annuity market and changes to the taxation of pension saving on the way, existing rules and guidance will become obsolete and new rules may prove ineffective. Consequently, the process of this CP will have to be repeated as further changes take place and new evidence of effectiveness is available.
2. We do not have comment on every proposed change. Nearly all the proposals appear to be sensible and well justified. Overall, we believe the correct balance has been struck between ensuring consumers have access to the most useful information without being overloaded at the wrong times with overlong or confusing disclosures.

Comments on questions

3. In paragraph 4.51, the CP states that ‘the individual consumer is in the best position to know the impact their pension savings will have on their wider financial and in some cases benefit position’. Sadly, for many this optimism about the financial capability of pension savers is not a reality. Half of all UK adults focus on current financial needs over providing for the future and understanding of relatively simple features of financial products such as bank statements are not understood by more than a fifth of adults¹.
4. This is why we have argued in our response to the recent financial advice market review² and public financial guidance consultation³ that financial advice and guidance services need to be strengthened with a strengthened statutory body and clearer rules to allow non-regulated advisors to go further in helping clients.
5. Q22 recognises the very real possibility that the greater freedom savers have with pension pots mean that they are vulnerable to being pressured to repay debts with retirement savings. It is right that firms must have regard the best interest of the consumer when making a suggestion of this course of action.
6. We would also welcome the provision of regulated advice for consumers making such a decision. However, the current advice provision structure and regulation will not allow this aim to be met. Pension advisers do not have the expertise or regulation to allow them to deliver debt advice and debt advisors are in the same position with regards to pensions. If a consumer wishes to seek advice on whether they should pay off some or all of their debt out of their pension pots, a debt advisor will be reminded that pension advice is a regulated activity and will refuse provision. Likewise a pension adviser will be reminded that debt advice is a regulated activity.
7. Advice providers, both regulated and unregulated, must be given the regulatory clarity that allows them to provide holistic advice, defining positively what they can

¹ https://prismic-io.s3.amazonaws.com/fincap-two%2F061eb6c6-2a5f-4b02-a01b-08de8bfc4750_uk+financial+capability+strategy.pdf

² <http://themoneycharity.org.uk/media/The-Money-Charity-response-to-financial-advice-market-review.pdf>

³ <http://themoneycharity.org.uk/media/The-Money-Charity-response-to-public-financial-guidance-consultation.pdf>

say to consumers as well as telling them what they can't. More on this can be found in our responses to the FAMR and PFGC.

8. Due to further large changes in the pensions landscape, we encourage a repeat of this process within the next two or three years.