



## *Response to the FCA's retirement income market study*

1. As the UK's financial capability charity, we welcome the opportunity to respond to this interim report.
2. 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.
3. 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.
4. 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)
5. The reforms to the decumulation of Defined Contribution pension pots announced in the 2014 Budget represent a major shift in the retirement income landscape in the UK. Customers will now face a far wider range of options than previously, but as the FCA's review of annuities has shown, even in this limited market firms have not acted in the best interests of customers. It is therefore imperative that the FCA moves swiftly to deal with potential issues arising in the new landscape from April 2015.
6. We welcome the proposed remedies, and believe that these, along with robust monitoring and enforcement of the Treating Customers Fairly regime, would go some way to preventing consumer detriment and helping consumers make good decisions. We have made comments on particular proposals below.

*Proposal: to require firms to make it clear to consumers how their quote compares relative to other providers' on the open market.*

7. We see the benefit to this proposal for consumers, particularly given the complexity of the annuity market and the fact that this is a one-off decision. Even if 'unwinding' an annuity becomes possible the consumer would not be in the same position as when they had originally bought it (as the pot would have had charges levied upon it upon annuitisation and unwinding). If this proposal is implemented we support differences in income being presented over a long period, as this is where the cumulative differences reach amounts that we expect would encourage customers to see exercising their open market option as worthwhile.
8. The FCA's rules should address the most serious instances of detriment, which come from customers who would be eligible for enhanced annuities being sold standard products that do not take into account their medical circumstances. We welcome the FCA's recent enforcement action in this area. It is important that annuity providers ask the right questions about a customer's health initially, and offer an enhanced annuity where appropriate. If a customer has a health condition that would qualify them for an enhanced annuity but the provider does not offer an enhanced annuity for that condition, the provider should explicitly recommend that they conduct a market search for enhanced annuities, because they do not sell the most appropriate product for the customer. If that provider instead sells the customer a standard annuity, we believe this is mis-selling, even if the product sold is the best within that provider's range for the customer, and would expect appropriate action to be taken.

*Proposal to recommend to both the pension guidance service and to firms to take into account framing effects and other biases when designing tools to support consumer decision-making.*

*Proposal to develop an alternative to the current wake-up pack.*

*Proposal to recommend the development of a 'Pensions Dashboard'.*

9. We fully support each of these proposals, particularly the use of behavioural trials to inform tools to support customer decision-making and an alternative to the current wake-up pack.

*Proposal to continue to monitor the market as it evolves using a combination of consumer research, market data and ongoing sector supervision.*

10. This is critical to the measures above, and needs to be complemented by robust enforcement if issues arise around competition, inappropriate products, distribution arrangements, or charging structures, as well as sales practices and treatment of customers. Particular focus should be placed on the promotion of 'quick access to cash' by firms, in line with the FCA's approach to payday lending, recognising that this has potential to lead to significantly negative consumer outcomes.