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Pension transfer advice: final rules

Since the introduction of the pension freedoms in 2015, significant numbers of defined benefit (DB) scheme members have transferred to defined contribution (DC) schemes. Despite this trend, the FCA believe that most consumers are best advised to stay in their DB schemes. They take the view that the proportion of consumers advised to transfer is too high.



69% of clients advised to transfer¹

In order to improve the quality of DB transfer advice, the regulator has issued Policy Statement PS 20/6 which lays down a number of new rules. In this document, we summarise the key points from PS 20/6, although firms should read the [full text](#) to see how they may be affected. Firms should also refer to the related [Guidance Consultation GC 20/1](#) (and in due course the finalised guidance), which lays out the FCA's expectations when advising on pension transfers and conversions. It also gives examples of good and poor practice.

1. Source: FCA GC 20/1, research conducted between April 2015 and September 2018.

A high-level
summary of the
FCA's Policy
Statement
PS 20/6

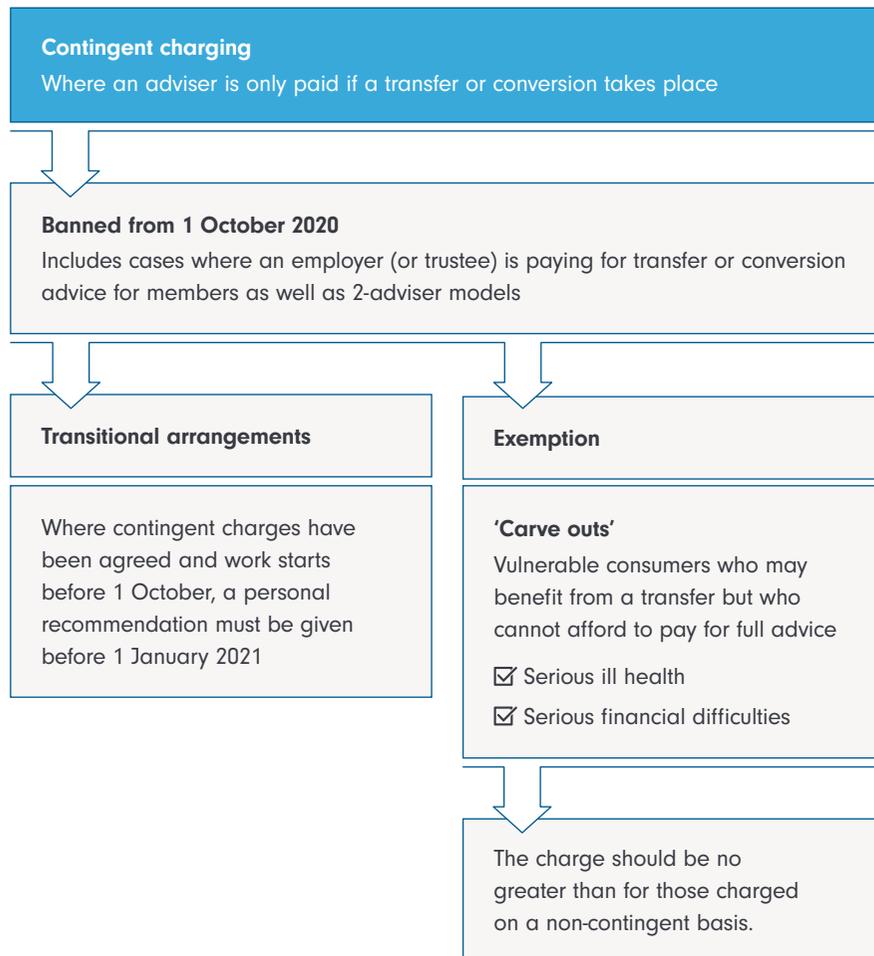
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Contingent charging

The practice of contingent charging will be banned from 1 October 2020. Advisers must charge the same amount whether or not they recommend a transfer.



Triage services

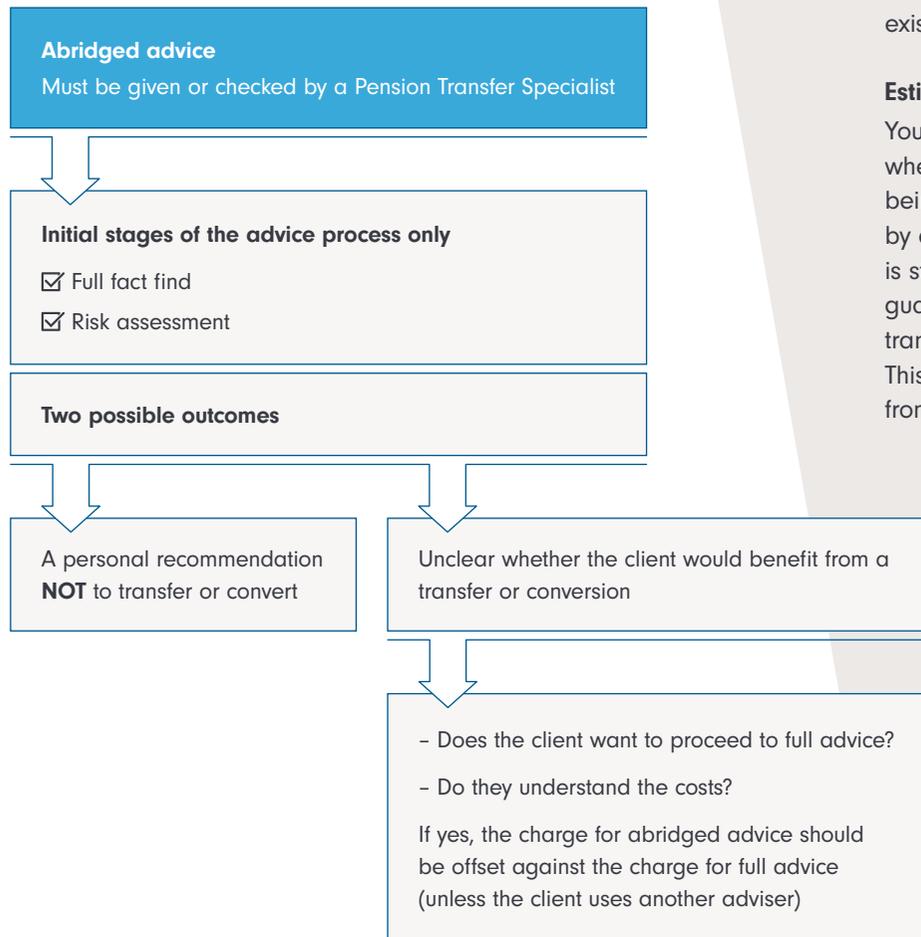
As a non-advised service, triage should be an educational process that gives consumers enough information on safeguarded and flexible benefits to enable them to decide whether to proceed to regulated advice.

Decision trees and Red Amber Green (RAG) rated questionnaires build up personal information tailored to an individual and the FCA believe these are likely to lead to advice and so shouldn't be used within a triage service. This guidance is effective from 15 June 2020.



Abridged advice

From 1 October 2020, firms can choose to give a new short form of advice known as 'abridged advice', although a recommendation to transfer or convert can only be given if the client goes on to take full advice.



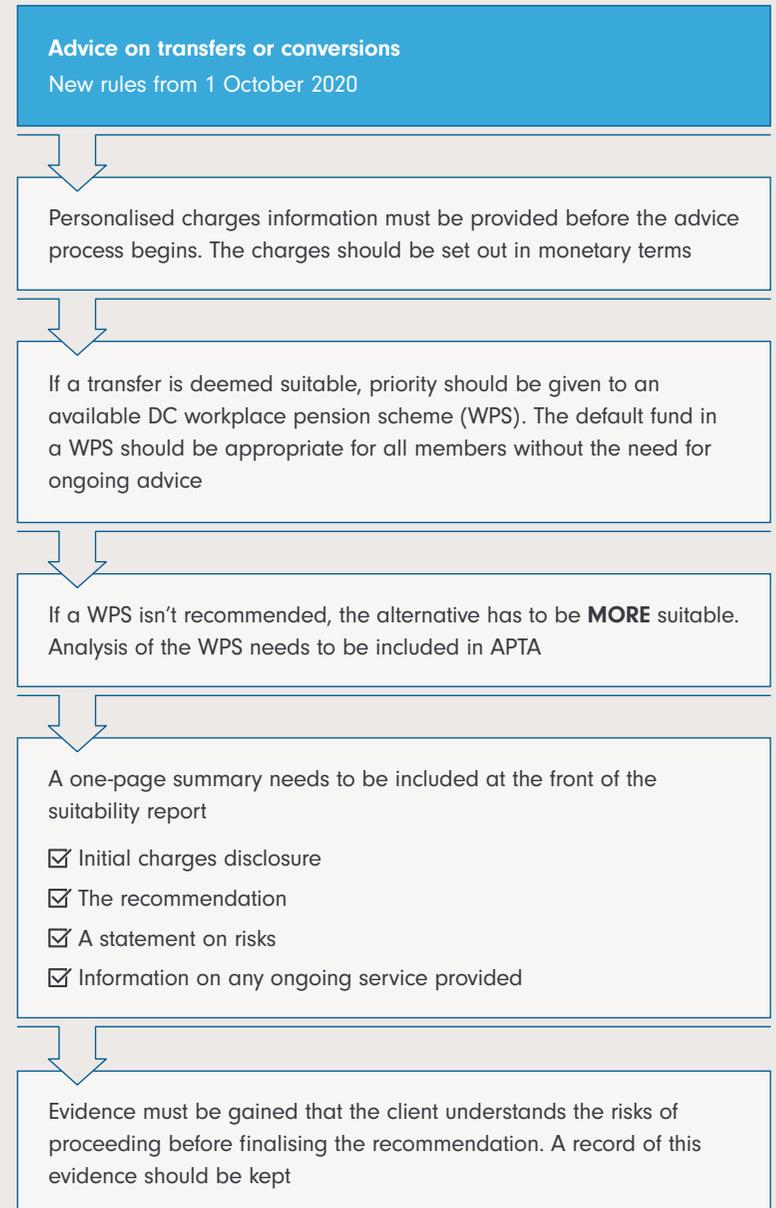
Other new rules relating to advice on transfers or conversions

Standards

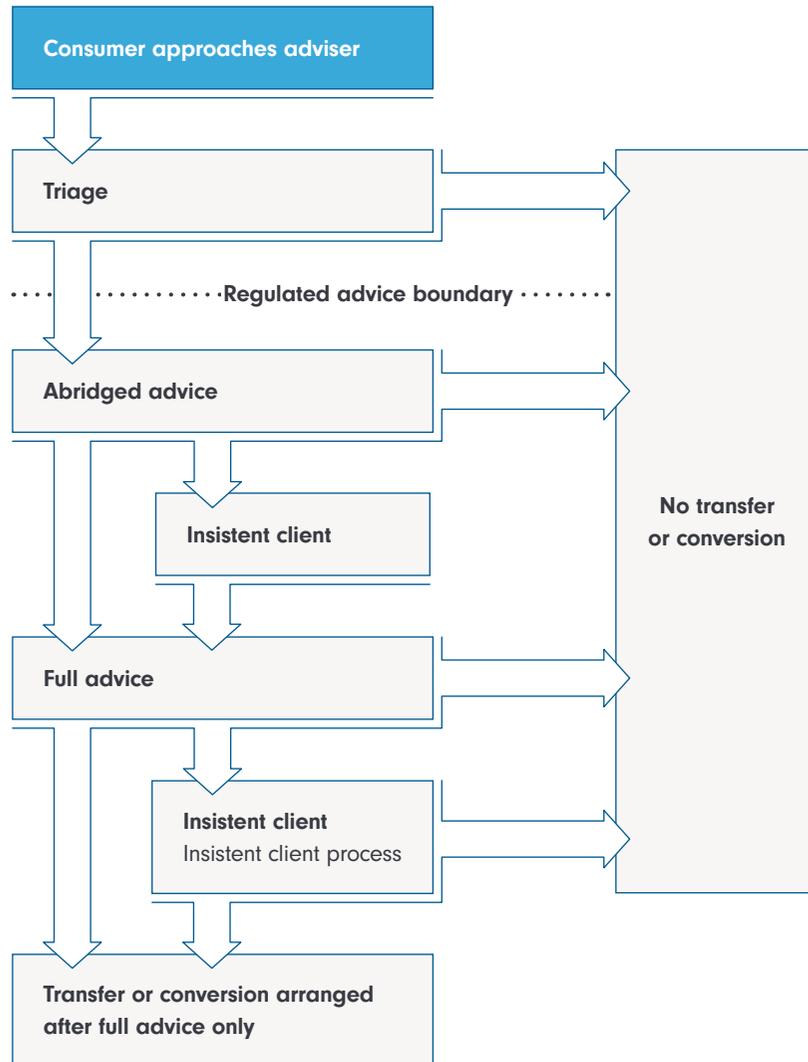
Pension Transfer Specialists must undertake at least 15 hours CPD each year, focused specifically on pension transfer advice. This is in addition to other existing CPD requirements.

Estimated transfer values

You can only use an ETV when ceding schemes are being changed or replaced by another scheme. Advice is still required on the guaranteed CETV before a transfer can be arranged. This guidance is effective from 15 June 2020.



The possible consumer journeys through guidance and advice under the FCA rules



FundsNetwork's reaction to the FCA's Policy Statement

The FCA have stated that the measures announced in PS 20/6 are designed to improve standards in the advice market. In particular, the ban on contingent charging in most circumstances will, in their view, remove a potential conflict of interest. We fully support any measures that boost standards – and the new rules will go some way to tackling some poor practices the FCA have observed in pockets of the market. However, we have a concern that access to good-quality advice will become even more restricted with DB transfers potentially becoming an option for just wealthy consumers. In our view, the lack of access to, or take-up of, financial advice needs to be addressed.

Important information

This document provides information and is only intended to provide an overview of the current law in this area and does not constitute financial advice, tax advice or legal advice, or provide any recommendations. This document represents a summary of our understanding of the relevant regulations at the date of its last review (July 2020). Regulations and guidance are often subject to change and may change in future. Individuals should check that rules and regulations have not changed.



For more insights and analysis relating to pensions and the wider retirement landscape, visit our 'Technical matters' area.

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