FCA Consultation on Retirement Guidance: Key Recommendations

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Hargreaves Lansdown has submitted its response to the FCA's consultation on the Guidance Guarantee CP14/11 (which closes today 22.09.2014). This consultation raises a number of critical issues around the customer journey into retirement from 2015 onwards.

In recent years Hargreaves Lansdown has been at the forefront of work to improve the benefits investors receive from their money purchase pensions (see below).

Our key recommendations include:

- A single, well-governed directory of retirement income providers
- Abolition of the wake-up packs, to be replaced with a simple pensions passport
- Cost of Guidance Guarantee should be widely shared across industry
- Consistent regulation of all forms of retirement income withdrawal, including Uncrystallised Funds Pension Lump Sums

Tom McPhail 'For too long it has been too easy for investors to be led into buying uncompetitive or inappropriate retirement income solutions. This is a critical area of investor protection and one where right now politics and regulation are not necessarily pulling in the same direction. We have a window of opportunity to fix this problem ahead of 2015.'

'We have presented a package of measures which we believe will ensure that investors not only shop around for the best retirement income solutions for their needs, but do also actually then go on to buy a suitable and competitively priced product.'

Research shows that most people are aware of their right to shop around, however they find it confusing, difficult and in many cases believe it isn't worth pursuing.

The Pensions Passport has been designed to replace the pre-retirement wake-up packs. It is a simple statement of the value of an investor's pension pot and acts as a trigger to initiate the pre-retirement shopping around process.

Martin Wheatley, the Chief Executive of the FCA has spoken repeatedly about the need to stop sending investors lots of confusing information and to replace it shorter, clearer messages. Replacing the Wake-up packs with the Pensions Passport would be an excellent place to start.

Investor risks

If the wake up packs are not abolished and replaced with the Pensions Passport (a concept pioneered by the Pensions Income Choice Association), investors will not be given a fair chance to shop around.

If the industry and relevant public bodies cannot agree on a single, well-governed directory of suitable retirement income solution providers, consumers will not know where to turn for retirement income solutions.

If Uncrystallised Funds Pension Lump Sum withdrawals are not subject to the same regulatory controls as Drawdown, investors risk running out of money simply because they used 'the wrong kind of drawdown.'

Hargreaves Lansdown

We have lobbied for reform of the retirement income market since 2002 (in conjunction with the Pensions Income Choice Association since 2009).We remain engaged with a wide range of public and private sector stakeholders, actively working with policy makers, regulators and consumer groups to develop a market place which is designed to serve investors' best interests.

We are the UK's largest independent whole of market annuity broker.

We pioneered the use of direct to consumer non-advised low cost drawdown, as an alternative

mechanism for investors to access their retirement funds without having to buy an annuity or to pay prohibitive advisory costs.

If you want to discuss any of these issues in more depth, please get in touch.

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NOTES TO EDITORS

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The HL Vantage Service is the largest direct to consumer investment and pension supermarket in the UK and the only Which? Recommended Provider.

Hargreaves Lansdown administers over £44.2 billion of client assets through the Vantage Service directly on behalf of over 643,000 investors. In total, Hargreaves Lansdown has £46.9 billion of assets under administration and management (30 June 2014).

Founded in 1981 by Peter Hargreaves and Stephen Lansdown, Hargreaves Lansdown floated on the UK stock market in May 2007 and is currently listed in the FTSE 100.

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