'Immediate Change' in the Annuities Market Demanded by Financial Services Consumer Panel

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Millions of pensioners are receiving far less income than they should during their retirement due to the 'exploitative' and highly complex process of purchasing annuities in the UK, so says the Financial Services Consumer Panel.

The panel have called for immediate and definite reform to the process to ensure that such a system doesn't leave our future pensioners out of pocket.

In their latest annual report focused on how the price of annuities is determined, the FSCP has highlighted how the vast majority of consumers that have purchased annuities from insurance companies have been subject to 'exploitative pricing' which artificially increases the cost of the annuity, but reduces their overall level of income within the product.

It has shown that there has been a considerable increase in the number of consumers who are turning to 'non-advice' routes to purchase their annuity which has ultimately led them to procuring an annuity unsuitable for their requirements, with decreased levels of income generated from it.

The Financial Service Consumer Panel have stated that they feel it is the responsibility of the Financial Conduct Authority to highlight to the consumer the benefits of the **'Open Market Option'** for buying annuities which enables the individual to seek independent advice and gain the right product for them. This is an action which could enable many future pensioners to significantly improve their income during retirement, enabling them to enjoy a much better quality of life.

Sue Lewis, the Chair of the Financial Services Consumer Panel, highlighted that the current trend of purchasing annuities through the 'non-advice' route is leaving many consumers dangerously exposed.

She stated 'We are seeing a shift towards purchasing annuities via "non-advice" routes, which means reduced consumer protection if things go wrong.'

Ms Lewis went on to demand immediate reform of the annuity purchasing process to enable even those with small pension pots, to be able to seek the advice they require to get the right financial product for their retirement.

Furthermore, the panel has stated that the Money Advice Service should create an 'Annuity Advisor' website which clearly lays out a code of conduct for all its members.

The Government should then encourage all employers and trustees to set up their own non-advice purchasing option that adheres to this code of conduct and ensures that each employee gets the support they need when making a decision that has such a fundamental impact on their financial future.

In a direct response to the panel's findings Steven Keogh, founder of the independent financial advice website www.ThinkIFA.com commented 'It is important that all pensioners should have access to affordable independent advice when shopping around for their pension annuity to help ensure they choose the most suitable retirement income option'.

He also added 'Purchasing an annuity on a 'none advised' basis to help save costs is a very risky strategy and may ultimately end up costing the consumer more in the long run'.

In 2013 more than 400,000 pension annuities were purchased in the UK and this figure is set to rise over coming years as the new auto enrolment system from the Pension Regulator increases the number of people who will hold a pension. Any such change, says the FSCP, will 'make choosing the right annuity much more straightforward'. Something new pension holders across the UK are sure to welcome.

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