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Savers could be nudged more strongly to take up pension guidance, says FCA

Savers could have an appointment with Pension Wise booked for them by their provider when they are looking to access their money.



Pension savers could have an appointment with Pension Wise booked for them by their provider when they are looking to access their money, the Financial Conduct Authority said (Nick Ansell/PA)

By Vicky Shaw, PA Personal Finance Correspondent

May 04 2021 09:50 AM



Pension savers could have an appointment with Pension Wise booked for them by their provider when they are looking to access their money, the regulator has said.



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New rules proposed by the Financial Conduct Authority (FCA) would give people a stronger “nudge” towards Pension Wise, a free and impartial Government-backed guidance service for over-50s who have a workplace pension.

Currently, pension providers are required to signpost consumers to Pension Wise guidance and encourage them to seek appropriate pension guidance or advice to help them understand their options.

But the FCA said take-up of Pension Wise guidance remains low.

The guidance helps people make informed decisions for what to do with their defined contribution (DC) pension after they turn 55.

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 **Financial Conduct Authority** ✓
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We'd like your feedback on our consultation paper for personal and stakeholder pension providers, where we propose customers receive a stronger nudge to take up Pension Wise guidance when accessing their pension benefits. Respond here:



Read and respond to our
Consultation Paper

CP21/11: The stronger nudge to pensions guidance
We are exploring what we can do to increase the take-up of Pension Wise guidance, a free and impartial guidance service for defined contribution...
fca.org.uk

10:16 AM · May 4, 2021



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People could find themselves exposed to investment risks that they are not well placed to bear if they make ill-informed decisions.

Some recent surveys have suggested the coronavirus pandemic may be encouraging some pension savers to consider riskier investments in the hope of higher returns. Pension savers may also risk losing their life savings to scams.

Under the FCA's proposals, when a consumer has decided, in principle, how to access their savings, a provider must refer them to Pension Wise guidance, explain what it is and offer to book the appointment or provide the consumer with sufficient information to book their own appointment.

Providers would also be required to confirm and record whether the consumer "opted out" of the offer to receive Pension Wise guidance, received the guidance, or received regulated advice.

The FCA is also inviting additional ideas on how to increase the use of Pension Wise beyond this nudge at the point of access.

It is asking for comments on its consultation paper by June 29 2021.

Sheldon Mills, executive director, consumers and competition at the FCA, said: "Pension Wise is a great service which helps people to understand their options when accessing their pension savings.

"We know that when people use Pension Wise they are happy with the service and find it helpful. However, few people are choosing to attend a guidance appointment.

"Our proposals will help to ensure that consumers get more information about the service, are further encouraged to use it and can have an appointment booked for them there and then."

“ Clearly this service is doing a great job, but not enough people know about it ”

Baroness Altmann

Ros Altmann, a former pensions minister, said: "Major reforms in 2015, which enabled pension customers to use their pension fund in the way that best suits them, rather than most people having to buy an annuity which was irreversible, often poor value and might not reflect their needs, were always intended to be accompanied by independent, officially established guidance that would explain the risks of taking money out too soon, or of transferring into a scam scheme."

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Baroness Altmann said that, sadly, take-up of Pension Wise has been “woefully low”, despite high satisfaction ratings among those who had used the service.

She added: “Clearly this service is doing a great job, but not enough people know about it.”

Baroness Altmann said providers’ staff should help customers understand that using the free Pension Wise guidance service “can save them huge sums, whether by ensuring they do not pay too much tax, or do not lose valuable guaranteed benefits, or do not fall victim to scams or fraud.

“Once such problems have arisen, they cannot be undone.”

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