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NEWS RELEASE

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FCA can help its chairman sleep well at night by introducing automatic guidance bookings for pension savers, says Just Group

- FCA chairman Charles Randell tells MPs that poor pension choices are top of his worry list
- He says consumer safeguards to be ‘as strong as they humanly can be’

Automatically booking impartial Pension Wise guidance sessions could deliver greater peace of mind to pension savers and also to the head of the financial regulator who has told MPs that poor pension savers are top of his worry list, says **Just Group**.

Financial Conduct Authority chairman Charles Randell told MPs on the Treasury Select Committee that concerns about pension savers making poor choices when exercising their pension freedoms “is probably the issue I worry about most of all” *(1 – full quotation in Notes to Editors)*.

Retirement specialist Just Group said it was pleased that Mr Randell is among key government and regulatory figures to recognise the importance of impartial pension guidance but said the decision-makers now needed to take stronger action to deliver the transformation in usage required.

“The government has announced plans for a ‘stronger nudge’ towards guidance for workplace schemes although, when trialled, the proposed nudge failed to encourage appointment usage among nine out of 10 of those it was tested on,” said **Stephen Lowe, group communications director at Just Group**.

“We are waiting to hear how the FCA plans to respond to the duty placed on it in 2018 by the Financial Guidance and Claims Act to increase guidance usage by members of contract-based schemes.

“If it wants to help pension savers – and its chairman – to sleep well at night, then the remedy needs to be more ambitious than a gentle nudge.”

He said that the FCA’s ambition should be to level up consumer protection for members of defined contribution (DC) schemes to bring them closer to the much stricter safeguards enjoyed by members of defined benefit (DB) schemes.

“When asked about consumer protection for pension savers, government and regulators often cite the advice requirement that applies to members of DB schemes seeking transfers of plans worth £30,000 or more and there is tight regulatory focus on making sure advisers are behaving.

“They miss the point that there is no advice or guidance requirement on members of DC schemes, however large the size of the pension.

“We are living in a pension apartheid world where one side must take advice but the other gets signposts and nudges. It is as if they believe it is more heart-breaking for a DB member to lose their life-savings than it is for a DC pension saver.”

Stephen Lowe said that one way to level up without placing undue demands on savers would be to emulate the success of automatic enrolment into workplace pensions by automatically booking Pension Wise appointments for pension savers.

“The 10 million extra savers into workplace pensions aren’t there due to signposting or nudges which would never have delivered the scale of transformation required,” he said.

“Instead they were streamed into a system designed to benefit them regardless of their levels of financial engagement or capability. Instead of having to find a reason to opt in, they have to find one to opt out and most just stick with it – and are glad they do.

“If the government and FCA are serious about encouraging more people to take up their entitlement to guidance, which is the prime consumer protection for members seeking to access DC pension money, automatically booking appointments is a move that both complements and augments the success of its pension saving policy.”

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Notes to Editors:

Footnotes

1 – Charles Randell, Chair of the FCA, in evidence to the Treasury Select Committee November 4th 2020. “This issue of people making poor choices when exercising the freedoms and responsibilities that have been put on them in the last ten years through a variety of different changes in government policy is probably the issue that I worry about most of all. I think it will be really important... that the safeguards that help to slow down decision-making in these areas and to really signpost people to the best sources of guidance that they can get are as strong as they humanly can be, because it’s heart-breaking... when people write with absolutely heart-tending stories of decisions they have made that have resulted in the loss of their life savings. One can’t ignore that and it has got to be at the centre of one’s worry list.”

About Just

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