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NEWS RELEASE

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Thousands still falling victim to retirement income ‘loyalty sting’ despite rules to encourage shopping around and switching, FCA figures show

- Thousands are missing out on extra retirement cash despite recent regulatory moves to encourage shopping around.
- Watchdog’s latest figures show 53% of Guaranteed Income for Life plans – more than 30,000 a year – are from an existing pension provider rather than on the open market.
- Just Group says misplaced loyalty and inertia is still costing many retirees thousands of pounds over the course of retirement.

Retirees are still missing out on thousands of pounds of retirement income despite rules introduced in 2019 to encourage more shopping around and switching in the £4bn Guaranteed Income for Life (“GifL”) market.

Latest figures from the Financial Conduct Authority¹ suggest misplaced loyalty and inertia may be eclipsing extra cash, with 53% of GifL plans purchased in 2020/21 sold by pension companies to their existing customers.

“The new rules won’t work unless providers help their customers to secure the extra income,” said **Stephen Lowe, group communications director at retirement specialist Just Group**. “Providers who do the minimum are more likely to keep the customer’s business and the FCA’s figures show the numbers switching has barely improved.

“Industry quotes² show that a 65-year-old in reasonable health with an average GifL purchase (£68,000) would miss out on £490 a year extra income by accepting the lowest offer (£3,324 a year) compared to the best (£3,814 a year), equal to £12,250 over 25 years. However, health history and lifestyle information could push that much higher.

“Since 2019 your existing pension provider has been obliged to show you how its own Guaranteed Income for Life quote compares with the best on the market. The idea being that seeing the difference will encourage people to switch but the FCA’s figures show this doesn’t seem to be happening,” said **Stephen Lowe**.

“Customer decisions are heavily influenced by the level of support they are offered. Forward-thinking providers are actively helping their customers by providing modern broking services that make it easy for their customers to compare and switch.

Sources of business for annuity providers	2016/17	17/18	18/19	19/20	20/21
Annuities sold to existing customers	43,664	38,667	40,084	39,739	31,949
% of all sold to existing customers	58%	55%	54%	57%	53%
% sold to new customers (not via 3 rd party)	34%	35%	34%	30%	33%

“Many providers are still dragging their feet, knowing if their customers don’t get that level of support, they are more likely to stay put and accept less competitive offers.”

FCA Retirement Income Market figures show that more than half (53%) of the GIFLs sold are by providers to their own clients:

“The message for customers is to check if your provider offers a broking service to help you get that better rate. If they don’t then take a moment to consider how much that extra income will add up to over 20 or 30 years of retirement, then decide whether you want to take the first deal on offer.”

He said people using a pension fund to buy a Guaranteed Income for Life product should:

- Understand your own provider may well not offer you the best deal on the market.
- Take up their entitlement to a free appointment with the independent and impartial guidance service Pension Wise to help understand how to make the most of their pension.
- Where providers do not offer a broking service, consider using an independent service or a regulated financial adviser who will work on your behalf to find the most suitable solution for your circumstances and compare costs with the fees your provider would charge.
- Ensure that medical and lifestyle information is taken into account so that the income offered reflects their unique personal circumstances.

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Notes to Editors:

About the research

1: FCA, Retirement income market data 2020/21: <https://www.fca.org.uk/data/retirement-income-market-data-2020-21>

2: The quote is from Iris on 14/2/2022 and is based on a 65-year-old man in S66 9BJ postcode in ‘reasonable’ health (married, admin clerk, 5ft8”/11st 11lbs, 7 units of alcohol per week, ex-smoker, Type 2 diabetes diagnosed 9 years ago, takes 1 med daily, no complications).

About Just

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A leader in the individual retirement income, care and defined benefit de-risking markets, Just has been trusted to manage over £23 billion of customers’ retirement savings and has helped customers release £5.8 billion from their properties.

Just provides the following wide range of products, advice and professional services to individual customers, financial intermediaries, corporate clients and pension scheme trustees:

Marketed Products

- De-risking solutions for pension scheme trustees who want to remove the financial uncertainty of operating defined benefit pension schemes;
- Individually underwritten retirement income products delivering a guaranteed income for life;
- Long term care plans that provide those people moving into residential care with peace of mind by knowing a regular payment will be made to the care provider for the rest of their life;
- Lifetime mortgages for people who want to safely release some of the value from their home.

Professional services

- Regulated financial advice and guidance services for individuals wanting help in using their pension savings and/or releasing some of the value from their home; and
- A range of business services tailored for our corporate clients, ranging from consultancy and software development to fully outsourced customer service delivery and marketing services.

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