Dear Mr. Field

Work and Pensions Select Committee - Pension freedoms oral evidence session

Thank you for inviting me to give evidence to the Work and Pensions Select Committee on 1 November. Further to the hearing, I am writing to provide further clarity in response to Question 41 raised by Mr Brereton on the number of people who switch provider when they access their pension.

As stated in Figure 5 of the FCA's Retirement Outcomes Review interim report, 65% of advised drawdown customers and 85% of advised annuity customers switch at the point of choosing the product (in other words, are new customers of the provider). In the most recent quarter, this translates to 36% of new entrants to drawdown and 54% of annuity sales being external (in other words, new customers).

As I outlined during the hearing, switching providers at the point of accessing a pension should not however be used as a definitive benchmark to measure competition or outcomes.

The following examples further support this:

- Around half of customers that buy a guaranteed income from their current provider had a guaranteed rate incorporated into their pension, which typically beat rates available on the open market.
- From our data, 87,000 customers aged 55 or over transferred to another provider in 2016 Q4 and 2017 Q1 combined.
- Data from the Origo Options transfer service shows a growth in drawdown to drawdown transfers after the pension flexibility reforms, with between 1,000 and 2,000 transfers taking place per month.
- Customers who consolidate their pensions ahead of retirement, and then take a flexible income through drawdown, are likely to view their decision to enter drawdown as accessing a feature of a product they had already chosen, rather than choosing a product and shopping around for it.

Finally, I would also like to highlight that there is an important difference between switching and shopping around. The proportion of people shopping around is likely to be higher, as
some customers will shop around and choose to stay with their existing provider. Data on this could only be obtained by consumer research.

I hope this information is helpful, and I would be more than happy to assist if you have any further questions.

Yours sincerely,

Rob Yuille
Head of Retirement Policy, ABI

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i Written evidence from Association of British Insurers (PFC0062)

ii ABI's "The New Retirement Market" publication (May 2017)