

Rt Hon Frank Field MP
Chair of the Work and Pensions Select Committee
House of Commons
London
SW1A 0AA

5 April 2018

Dear Mr Field,

Re: Defined benefit transfer advice

Thank you for your letter of 8 March 2018. I am replying in Megan's absence as your letter touches on areas that fall within my area of responsibility. Your letter asks a number of questions about our rule book and our continuing work on defined benefit (DB) pension transfers. I will answer each question in turn.

- 1. As part of your review of DB transfers, are you assessing the accuracy and completeness of client information sent by independent financial advisers (IFAs) who are not pension transfer specialists for checking by pension transfer specialists as required by COBS 19.1.1?*

All the firms we have assessed so far as part of our DB transfer advice work have had in-house pension transfer specialists who have either given the advice, or have checked the advice given by another adviser within the firm. Our assessment of the firms has included a consideration of the pension transfer specialist's checks and the information that the advice was based on. This includes the accuracy and completeness of the information from the client.

Firms can also use an external pension transfer specialist to check the advice. However, as I have set out, all the firms we have checked so far have had in-house specialists.

We have seen instances where advisory firms that do not hold the relevant qualifications have referred clients to qualified pensions transfer specialists, but the information that is provided by the advisory firm has not been adequate. In these cases we have taken action to protect consumers by visiting firms, reviewing files and, where appropriate, accepting voluntary restrictions to their permissions. This action was taken against the specialist firms as they remain responsible for the suitability of the advice. We also decided to provide feedback to the sector via our supervisory updates.

- 2. Are you assessing the appropriateness of continuing to allow IFAs who are not qualified pension transfer specialists to have any role in the provision or intermediation of defined benefit transfer advice?*

As your letter sets out, we have existing rules that require transfer advice given by a financial adviser to be checked by a pension transfer specialist. As I have explained in my answer to your first question, we are currently assessing firms and the advice they are giving as part of our continuing DB advice supervisory work. This includes the effectiveness of the checks carried out by pension transfer specialists.

In our recent Advising on Pension Transfers Policy Statement, published on 26 March 2018, we set out changes to our rules regarding the checking process. These further strengthen our existing standards. From 1 April 2018, pension transfer specialists will need to:

- check the entirety and completeness of the advice, both in the context of the act of transferring and the overall suitability of the outcome, given by another adviser,
- confirm that the personal recommendation was suitable for the client, and
- confirm in writing that they agree with the proposed advice before it is formally given to the client.

We also believe the time is right to consider the qualifications that pension transfer specialists are required to hold in order to reflect our rules and changes to the pensions market. In our consultation paper, published 26 March, on Improving the Quality of Pension Transfer Advice, we are consulting on a new requirement that pension transfer specialists should obtain the same qualification as investment advisers. We believe this will increase the standard and quality of advice for consumers.

We are also consulting on additional measures that we believe will help to improve the standard and quality of advice, including:

- proposed new guidance, which sets out our expectations where two firms work together to collect necessary information to inform both the transfer advice, and the associated investment advice, and
- a requirement for firms to provide a suitability report even where there is a recommendation not to transfer.

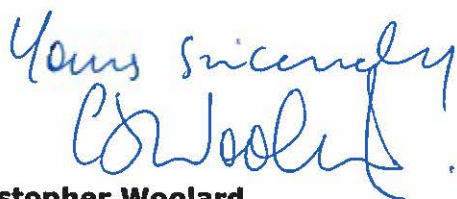
This consultation paper and the policy statement are both available on our website: <https://www.fca.org.uk/news/press-releases/fca-announces-changes-advice-pension-transfers>. We are asking for responses to our consultation by 25 May 2018.

- 3. Where a client is entitled to redress in respect of a transfer recommendation made by an IFA who is not a qualified pension transfer specialist, what is the basis for assessing the respective liabilities of the adviser providing the recommendation and the pensions transfer specialist who checked the recommendation?*

In most cases the adviser is responsible for the advice they give – even when it is checked by a pension transfer specialist. Where consumers have concerns over the advice they have received they are entitled to raise a complaint, first to the adviser, and if this does not get resolved to their satisfaction, the complaint can be referred to the Financial Ombudsman Service. This would not be affected by there being more than one adviser.

Where relevant, the Financial Ombudsman Service will assess the responsibilities of each party involved and will consider the respective work undertaken by each of them. This may include looking at any contracts in place between the parties. Based on this information, the Financial Ombudsman Service may assess a fair allocation of liabilities between the advisers involved, where redress is deemed appropriate. Alternatively, they may find against one of the advisers, and it will then be up to the adviser firm to seek redress from the other, if applicable.

I hope my letter answers your questions.



Christopher Woolard
Executive Director of Strategy and Competition