Re: Advice on Defined Benefit Transfers

Thank you for your letter of 21 November 2017. This follows my appearance at the Work and Pensions Committee on 15 November, and our written submission to the Committee’s call for evidence.

You have asked for some clarification on a number of points relating to the situation with the British Steel Pensions Scheme (BSPS). I will respond to each point in turn but before doing so it might be helpful to explain what the FCA’s remit is in relation to the BSPS.

**FCA’s remit in relation to BSPS**

The FCA does not regulate defined benefit pension schemes, such as the BSPS, this is the role of the Pensions Regulator. As such, we are not able to intervene or speak on the specifics of the BSPS, or the decisions for members. We are, however, responsible for the regulation of advisers and we have already taken steps to address some pressing concerns in this area.

As I set out briefly during my evidence to the Committee we were due to hold a seminar in Swansea aimed at regulated pension transfer advisers. I can confirm we have now held two seminars in South Wales and a further two seminars in Doncaster. Around 200 local regulated advisers attended these sessions. Despite the high turnout, we also decided to write to all regulated advisers in the local areas to reaffirm our expectations of them.

We have clear rules and requirements of regulated advisers providing advice on pension transfers and we are taking action now to ensure firms are aware of their obligations.

**Your questions**

1. "Evidence submitted to our inquiry suggests that this is not an issue confined to the particular case of Tata Steel. Is the FCA aware of other instances where advisers have been aggressively targeting defined benefit schemes and do you have similar programmes in place to deal with those?"

As you know, defined benefit schemes offer safeguarded benefits, including a guaranteed pension income, to consumers. To be clear, our position is that transferring a pension out of a defined benefit scheme is unlikely to be in a consumer’s best interests. Any regulated adviser providing such advice needs to ensure they have sufficient, well-evidenced reasons for doing so that meet our rules and requirements.
We have been made aware of reports that some regulated advisers have been targeting BSPS members and providing poor advice on transferring from their defined benefit scheme into a defined contribution scheme or other investment. As such, we have sought to intervene to remind all regulated advisers of our clear and firm expectations of them by holding seminars and writing to all regulated pension transfer advisers in the affected areas. We are taking these steps to mitigate any potential harm.

Advice on defined benefit to defined contribution transfers remains a priority for the FCA; as it has done for the last few years. We have identified firms who are particularly active in this area and have requested details of their business models. We have also visited 16 firms to review their client files. Where we found failings in the advice provided we have taken action, including asking firms to stop providing further advice until they make changes to their business models. In addition to this, we have also issued a number of alerts to advisers and we are consulting on new rules for advisers who provide advice on pension transfers. We have also continued our work on scams, particularly those that target consumers’ pensions.

We are not aware of any other instances where advisers are targeting members of a particular scheme. However if the Committee, or any other body, has received information to the contrary we would be most interested to see this.

We would also encourage anyone working for a regulated firm who is concerned over its practices to contact us confidentially via our dedicated whistleblowing team. More information for whistleblowers can be found on our website: www.fca.org.uk/firms/whistleblowing.

2. "Does the FCA have any evidence on whether, of the approximately 1,700 members of the [BSPS] who have opted to transfer their benefits, any of those have been subjected to mis-selling by financial advisers?"

Our focus so far has centred on three areas: reminding advisers of our expectations and their obligations, encouraging firms and individuals to tell us of any information they have which could identify specific firms who are active in this space and then using this intelligence (and that gathered through other sources) to spot where we need to intervene. As I’ve already mentioned, where we have identified firms who have given unsuitable advice we have taken the appropriate action to prevent them from continuing to provide advice in this area.

As part of this wider supervisory work we are engaging with firms known to have advised BSPS members. We will review files to check the advice provided is suitable and meets the client’s aims and objectives. Where we find firms have provided unsuitable advice we will consider the most appropriate intervention which may include requiring firms to provide redress to clients where they have suffered financial loss.

I should add that much of our work with specific firms is confidential and we are not always able to share what specific action we may have taken or intend to take. I am, however, able to confirm that a number of firms have (publicly) restricted their regulatory permissions to provide pension advice (called a VREQ or voluntary requirement), most recently Active Wealth (UK) Limited. VREQs are published against a firm’s entry on our publically available Financial Services Register – https://register.fca.org.uk.

3. "Will the FCA work with the Pensions Regulator to consider what additional safeguards should be applied in the future to members of distressed schemes to ensure they are given access to sufficient information to make an informed decision?"

As I have set out above, the FCA’s role in relation to the BSPS is restricted to the advice provided by regulated advisers. The remaining issues, including the agreement on the Scheme itself, the regulation of defined benefit schemes as a whole and the advice and information
provided to BSPS members by the scheme trustees is outside of our remit and are all points better addressed by the Pensions Regulator. We are, however, being kept up to date with developments by the Pensions Regulator as they relate to our work.

On the work we have been doing with regulated advisers, we will keep this under review. As mentioned above, we have taken steps to ensure regulated advisers are aware of our expectations by holding seminars in affected areas. We have also liaised with The Pensions Advisory Service (TPAS) who have now set up a dedicated phone number for BSPS members to call for free, impartial guidance from TPAS.

We would recommend any BSPS members to speak with TPAS to discuss their pension and to get guidance. BSPS members can contact TPAS on 020 7932 9522 daily between 9am and 5pm. Further information on TPAS can be found at www.pensionsadvisoryservice.org.uk.

I hope my response to the Committee is useful in setting out what we are doing to help BSPS members. We are taking proactive steps to ensure we mitigate harm to consumers and I want to provide reassurance that this is an issue we are watching very closely. We will continue to take action on the areas within our remit as is appropriate.

Yours sincerely

Christopher Woolard
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