From the Chair

8 March 2018

Megan Butler
Executive Director of Supervision - Investment, Wholesale and Specialist
Financial Conduct Authority
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London
E14 5HS

Dear Megan Butler

Defined benefit transfer advice

I am writing to inquire about an aspect of your ongoing examination of defined benefit transfer advice.

Rule 19.1.1 of the FCA’s Conduct of Business Sourcebook (COBS) requires that:

If an individual who is not a pension transfer specialist gives advice or a personal recommendation about a pension transfer, a pension conversion or pension opt-out on a firm’s behalf, the firm must ensure that the recommendation or advice is checked by a pension transfer specialist.¹

The FCA has previously alerted the financial advice market to the danger of unregulated introducers inappropriately influencing the advice process.²

¹ FCA COBS 19.1.1
² FCA (2 Aug 2016, updated 24 Jan 2017) Investment advisers’ and authorised firms’ responsibilities when accepting business from unauthorised introducers or lead generators
The aforementioned rule does however allow IFAs who are not specifically qualified to handle the intricacies of pension transfer advice to play a role in the provision of such advice, including making personal recommendations.

This raises the concern that unscrupulous IFAs who are intent on maximising transfer volumes for their own benefit may exploit their position to shape and influence the outcome of the advice process – both through their discussions with clients and the way in which they present client information for subsequent checking by pension transfer specialists.

In the light of the above, might I please ask the following:

1) As part of your review of defined benefit transfers, are you assessing the accuracy and completeness of client information sent by IFAs who are not pension transfer specialists for checking by pension transfer specialists as required by COBS 19.1.1?

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?

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 pension transfer specialist who checked the recommendation?

With best wishes,

Rt Hon Frank Field MP
Chair