

BY EMAIL

23 August 2019

Dear Sirs,

Regulation of pre-paid funeral plans: Age UK response to HM Treasury consultation

I write to express Age UK's strong support for the proposal to bring pre-paid funeral plans, whether new or existing, within the ambit of FCA regulation (**Question 1**). We consider that the advantages of using an existing regulatory system, that already covers other financial products used for funeral planning, far outweigh the benefits of placing the Funeral Planning Association (FPA) on a statutory footing, which would take time, duplicate energy and maintain the present unhelpful division between different types of product.

While we do not object to the government's proposal to allow intermediaries to operate as Appointed Representatives of principal firms (**Question 2**), we note that this will not in itself reduce the level of commissions or risk of poor selling, and we hope the FCA will work with the principal to ensure effective monitoring of the quality of sales on an ongoing basis.

An effective method of dealing with complaints is a particularly important part of consumer protection and we therefore also support the proposal to bring all plans, including those in place before FCA regulation takes effect, into the jurisdiction of the Financial Ombudsman Service (**Question 5**). However, we do have some concerns about the proposal for FPA to continue to deal with existing complaints, given that after regulation the FPA is likely to be in run-off, raising questions over the quality of their complaint-handling. Our preference would be for the FPA to come to an arrangement with FOS to deal with these queries on an agency basis. We also have questions about how the FOS time limits for complaints would apply to pre-existing plans: the small number of complaints dealt with annually by the FCA, compared with the reported level of detriment, suggest wide-spread under-complaining and the introduction of regulation might lead a number of plan beneficiaries to complain some time after the death of the planholder.

While the application of the FSCS is a matter for the FCA, our strong view is that it should apply to all existing plans, including those in force at the time of regulation.

Without this protection, some very vulnerable consumers (for example spouses or partners of planholders) would be left with reduced protection, which would be likely to bring funeral plans and the regulatory system into disrepute. There is an analogy where such coverage has been applied 'retrospectively', when credit unions were brought with FCA regulation.

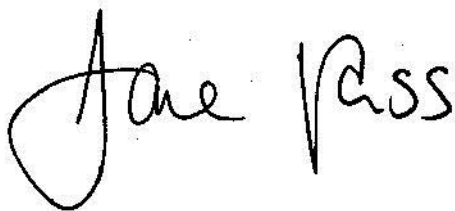
We are not in a position to answer Questions 11 to 13 directly (which consider what might happen if a provider decides to close down). However, we know that when insurance became regulated, many smaller or independent firms dropped out of the market instead of becoming regulated. Since many funeral plan providers currently aren't even registered with the FPA or offer no client money security, at the point of regulation consumers and their funds could be at great risk, particularly if the provider declines to follow the options presented under 5.5. We are keen to know what mitigations or provisions may be in place for such circumstances to prevent potential consumer detriment.

Similar concerns apply if a provider decides to transfer its assets to another business. If so, the Government and regulators will need to consider the impact on individual planholders whose plans are assigned to a new provider, and who will undoubtedly face some uncertainty. There might be a case for allowing them to withdraw their money from the plan without penalty.

Another factor to consider might be whether increased publicity about the new regulatory system increases the likelihood of claims – family members left behind are not always aware that a plan is in place and we understand that a large number of plans are cancelled at point of need for precisely this reason. With the introduction of regulation, would the FCA also consider the centralisation of data via a registration and request process to help address this issue, which currently also leads to banks of unclaimed client monies?

I hope this is helpful.

Yours faithfully,

A handwritten signature in black ink that reads "Jane Vass". The signature is written in a cursive, flowing style with a large loop at the beginning of the first name.

Jane Vass
Director of Policy and Research