Briefing:
Financial Guidance and Claims Bill

Second Reading – January 2018

If you have any questions or would like future information please contact **Angela Kitching**, Head of External Affairs, at angela.kitching@ageuk.org.uk or 07825724296

The single financial guidance body

Age UK welcomes the Financial Guidance and Claims Bill and the resulting single financial guidance body (SFGB) as a way to improve the provision of advice available to older people.

We also welcome the broad drafting of the body's objectives and functions and in particular the recognition of provision of advice as well as guidance and the continuation of the vital role played by the Money Advice Service in support of the Financial Capability Strategy.

However, we think more clarity would be useful in the following areas:

- Information, advice and guidance must be of high quality, adequate detail and impartial, currently the Bill makes no reference to quality of information, other than the requirement for the new body to set standards for services it provides.
- When having regard to the cost effectiveness of provision, the new body must also take into account the needs of those who are not confident internet users, who may indeed be most in need of the services of the new body.
- Assessing those most in need will require further consideration, e.g. do we focus resources on those at risk of falling into problem debt in the short term, or those who with some more support could make their money go much further and so be more financially resilient in the longer term.

Independence and impartiality

While we agree that the SFGB should not duplicate existing good quality information or guidance, this material must be impartial, or it will not be trusted by consumers. There has been a view that the Money Advice Service should not duplicate material provided by the industry. We believe that the SFGB must be free to deliver services where existing provision does not meet adequate standards, including impartiality.

Age UK supported amendments in the House of Lords to clarify expectations about how the new body will seek to complement other sources of advice. We are pleased the minister gave assurance in response to these amendments and that the new body is designed to be both independent and impartial. We think that **amendment is needed to the legislation to ensure that the SFGB is not prevented from delivering information and advice where content exists elsewhere but does not meet adequate standards, including impartiality.**

Standards

The Bill provides for the new body to set standards for delivery of its own services. This continues an approach which already exists in some of the functions but will be new for others, including delivery of money guidance and information.

Although the standards are designed to be provided by the new body and by others delivering services on its behalf, they are likely to affect the wider sector and the new body should have regards to this as it develops standards for money guidance.

Funding the new body

The scale of funding is unclear.

It would be helpful to have some indication of the resources likely to be available in order to deliver the objectives and a commitment from the government to maintain a level of funding which permits high quality, impartial information and advice to be widely available to the public.

Public Policy role

The new body will be an important source of evidence and insight into how well financial services markets are working for consumers. It is therefore important that it has a mandate to engage appropriately in relevant public policy.

Some of this may take place as part of work on the Financial Capability Strategy, however the role needs to extend beyond the Strategy. Engagement in public policy should include research, evidence collection, responding to consultations, sharing market insight with relevant government departments and other bodies e.g. regulators and if necessary highlighting issues affecting its functions within public debate. The new body should be able to make public statements to this effect, where the current Bill appears to potentially limit this role to passing casework on to the FCA.

We would **support amendments to the Bill to clarify and strengthen this important public policy role.**

Pensions

Pensions scams and cold calling

We are pleased the Bill has been amended to strengthen provision in this area with a consumer protection function and role for the SFGB in advising the Secretary of State by conducting an annual assessment (Clause 4).

On 21 August the Government published its response to the consultation on pensions scams and we are pleased the Government has announced that a ban on all pensions calling will indeed go ahead – including approaches by text and email - and that there will be new restrictions on pension scheme transfers.

We think **the legislation and the ban itself should now be introduced as soon as possible** as any delay will lead to more people losing money.

The previous amendment will provide valuable protection for the future. However, we would like to see the Bill go further to plug the gap in protection sooner.

The Work and Pensions Committee published its report last month on pension scams and proposed a new clause requiring the Government to introduce a ban by June 2018. We would support such an amendment and agree with the Committee that details could be set by regulations at a later date, allowing future changes.

Pensions dashboard

We are pleased that the Government has committed to launching an easy-to-use, accessible pensions dashboard by 2019.

In order for it to be a success, it needs to ensure that it works for all savers, especially those with multiple small pots. We believe that legislation is needed to bring all providers on board. Without comprehensive coverage it may not provide a service that offers sufficient help with retirement planning.

It could be placed as a duty on the Secretary of State to bring forward regulation requiring the disclosure of customer information by providers of defined benefits schemes and defined contribution pensions schemes for the purpose of a public pensions dashboard. A similar duty on banks to provide 'open banking' already exists under the Competition and Markets Authority's 'Open banking remedy' and the European Payment Services Directive 2 (PSD2).

We think the dashboard should clearly show the current value of all savings, together with a simple projection of what they might be worth at a particular age, for example State Pension age.

We believe it should also include a State Pension summary; calculators to enable people to test what different decumulation options might mean for their income, including the impact on tax and benefit eligibility; information on charges; and information on any benefits such as guaranteed annuity rates that people might be tempted to give up.

We also think it would be more effective as a single 'white labelled' dashboard, rather than individual providers using their own versions.

While we accept that progress is ongoing, **we are concerned that legislation may be required to ensure adequate progress and involvement from the industry.**

We would welcome any opportunity the Bill's progress provides to clarify the Government's plans for how the dashboard will progress and what form it is expected to take

Pension freedoms and withdrawal of pension pots

The FCA recently published its interim findings of the retirement outcomes review. This analyses how the retirement income market has changed since the introduction of pension freedoms.

Over half (52%) of fully withdrawn pots were not spent but were moved into other savings or investments. This can result in consumers paying too much tax, missing out on investment growth or losing out on other benefits. Consumers are also increasingly accessing drawdown without taking advice and without 'shopping around'.

In light of these findings, **Age UK believes a saver withdrawing their pension pot should receive guidance by default.**

We were therefore pleased that the Work and Pensions Committee concluded last month that the Bill should be strengthened to ensure that an individual receives or expressly refuses guidance before being granted access to a pension pot.

We would welcome further amendments to this effect.

The Pensions Advisory Service (TPAS)

In addition to delivering the telephone element of Pension Wise, TPAS provides a function of supporting members of the public with general and technical inquiries about their pension schemes and provision. This service is delivered online and is used by over 1 million unique users, and over the telephone, receiving 200,000 calls in the last year.

We are pleased the Bill allows this service to continue and would to stress that TPAS is a vitally important function that should not be compromised as the Bill progresses.

Other topics not included in the Bill

Pensions flexibilities - Tax on lump sums

Since the introduction of the pensions flexibilities in 2015 many people have accessed their pension as cash. While this may be a sensible decision for some, it can also lead to unintended consequences for others. This includes people paying too much tax – HMRC figures reveal people paid a total of £1.5 billion in 2015/16 - £1.2 billion more than expected.

We are concerned that people are paying too much tax and not claiming it back.

For example, if someone takes a cash lump sum from their pension pot in April, as it is the first month of the tax year, HMRC will assume this payment will be repeated each month, and people will be taxed accordingly, often at the higher rate. People are only taxed accurately if their pension scheme provides HMRC with their tax code, which rarely happens in practice.

We would like to see a mechanism in place which will help HMRC tax people at the right level, for example by the pension scheme passing HMRC the tax code, or make it much easier to re-claim overpayments.

Pensions saving – Government contribution and net pay tax relief

The Bill could have been an opportunity to end the scandal of non-taxpayers under a net-pay payroll system not receiving tax relief.

Under a net pay system the employer deducts pension contributions before tax, meaning that if an employee doesn't pay tax then they are not benefiting from pensions tax relief, reducing the saving level of many lower earners.

This is very unfair and breaks the implicit contract set out under auto-enrolment – that the Government will help people save.

Career Review at 50 – A chance to boost savings

Mid Life Career Reviews were piloted by BIS in 2013/14. These were very successful, and provided a form of career, learning and future-planning guidance to people at approximately the age of 50.

We recently published a report on 'career MOTs at 50', highlighting the need for an intervention at this age in order to help prepare people for a longer working life, as well as ensuring they have saved enough money to retire.

It proved a popular idea, with around half (51%) of those surveyed in favour of taking part. Alongside in-depth career and retirement planning advice, the new research also highlights that many people want to receive guidance on how they can boost their savings.

The MOT could therefore include a 'nudge' to increase pension contributions and explore how they can put enough money aside for the future while there's still time to make a difference. This is particularly important if the State Pension Age continues to rise over the coming decades.

We are calling for the Government to create a 'career MOT' at 50 for all, including careers advice and guidance on boosting pension saving.

Duty of care

We share the concerns of the Consumer Panel and many other consumer organisations, including Macmillan, that the Treating Customers Fairly principle is not delivering the outcomes intended for consumers. To this end, we welcome debate on whether the introduction of a 'duty of care' on financial service providers would be more effective in achieving an appropriate balance between financial service providers and their customers.