



# Briefing: Financial Guidance and Claims Bill

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## **Objectives and functions**

We welcome the broad drafting of the 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.

Further clarity is needed on the following aspects:

- 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 information and guidance provided by other organisations and whether a gap in provision exists, the new body is unlikely to be duplicating information provided by firms, as this information is unlikely to be impartial
- 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

## **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.

## **Independence of advice**

The Bill marks a major change in governance for the money and debt advice functions of the new body.

Overall, we welcome the transparency in provision of directions from the Secretary of State – previous experience with the Money Advice Service suggests that although it was theoretically independent it was in fact significantly affected by governmental expectations.

However, government must recognise that changing the financial capability of the nation is a long term ambition and there is no clear blueprint for success, therefore measures and directions must reflect this. This means that whilst strong accountability is important, care must be taken in the kind of short term targets set.

## **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 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, but would like to stress that **TPAS is a vitally important function that should not be compromised as the Bill progresses.**

## **Pension scams**

Following consultation, the Government had previously suggested it would take forward legislation aimed at tackling pension scams. The measures proposed included:

- Banning cold calling in relation to pensions
- Limiting the statutory right to transfer
- Making it harder to open fraudulent schemes

With increasing numbers of people taking advantage of the pension flexibilities, these measures were fully supported by Age UK. We were disappointed that it was not included in the Government's legislative programme.

**This Bill could be amended so as to re-introduce these three measures to tackle fraud.**

## **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. It can help to ensure pensions flexibilities will be a success.

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.

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 are pleased that development of this is underway and the Government is committed to having it introduced by 2019. However, we do believe that there are questions that urgently need to be considered to ensure its success.

**We believe that to make the dashboard a success, and to be consumer-ready in a timely manner, legislation will be required. This is to ensure progress and that the whole industry is on-board. This Bill is an opportunity to include a provision to do this.**

### **Pensions flexibilities – tax**

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 also 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**

The Bill is also 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**

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.

**Age UK believes that a similar service should be rolled out nationally**, and we believe that there is also scope to include information on saving for a pension.

This is particularly important given the rising State Pension age, meaning people turning 50 are likely to need to keep working for another 17 years – and maybe more if the Government speeds up the rises.

We also believe that 50 is an idea time to receive a ‘nudge’ to increase pension contributions, and that this could be built into the Review at 50.