HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Pensions freedom guidance and advice, HC 371

Monday 7 September 2015

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Watch the meeting

Members present: John Glen (Chair), Mhairi Black, Richard Graham, Mrs Emma Lewell Buck, Jeremy Quin, Craig Williams

Questions 1-56

Examination of Witnesses

Witnesses: **Michelle Cracknell**, Chief Executive, The Pensions Advisory Service, **Rachael Badger**, Head of Policy Research, Citizens Advice, **Teresa Fritz**, Financial Services Consumer Panel, and **Chris Curry**, Director, Pensions Policy Institute, gave evidence.

Q1 Chair: Good afternoon and welcome to this Work and Pensions Committee session on Pensions Freedom Guidance and Advice. We have two panels this afternoon, so we are quite tight for time. We hope to do the first one until 4.40 pm, and then we will ask you to swap with the individuals behind you. For the record, it would be helpful if you could introduce yourselves. Would you like to start?

Teresa Fritz: Yes. I am Teresa Fritz, and I am here representing the Financial Services Consumer Panel today.

Rachael Badger: Rachael Badger, I am representing Citizens Advice England and Wales.

Michelle Cracknell: I am Michelle Cracknell. I am Chief Executive of The Pensions Advisory Service.

Chris Curry: Good afternoon. I am Chris Curry, Director of the Pensions Policy Institute.

Q2 Chair: There will be a number of other colleagues joining us. Obviously, there is a statement in the Chamber this afternoon, which attracts a lot of attention, but we wanted to press ahead with this very important subject. It may be useful for the Committee, but also for those watching—obviously, we have a lot of written evidence—if you could, in answering this first question, say a bit about your organisation and what you do. The first question I would like to ask is: has take-up of your services and your experience of providing them been what you expected? If you could do that in the context of telling, for the record, what your organisation does, that would be really helpful. Who would like to start? Teresa, would you like to start?

Teresa Fritz: I will start—shall I?—although the Financial Services Consumer Panel does not deliver guidance or anything. The panel is one of the three statutory panels. Our main job is to advise and to challenge the Financial Conduct Authority, the regulator, in all policy matters where they relate to consumers, but we can also take other issues as well, and externally. We would respond to the consultations. We have responded to the Treasury consultation on guidance. We have been very involved in the development of guidance and all the pension reforms, and we continue to remain interested in that. In 2013, we did some research on the annuities market, so that was before the pension reforms came into play. So we have always had a big interest in this area, and continue to do so.

Rachael Badger: Citizens Advice is a network over the 300 local charities around England and Wales; you may be familiar with it in your constituency. We have given advice in communities and on a range of issues—tax credits, benefits, money, housing, debt, everything—for over 75 years. We are a delivery partner for Pension Wise. We are delivering the face-to-face element of the guidance. Our experience so far on Pension Wise has been positive. Our staff generally feel they are doing something very valuable around helping people to navigate complex choices, and we are seeing high satisfaction rates. On take-up, it has been steady so far, and we think there is probably more that we can do to increase awareness of and referral to the service.

Michelle Cracknell: The Pensions Advisory Service is an independent organisation. We are an arms-length body of the DWP, and we deliver a core helpline providing pensions guidance on any pension matters to the public. The service is free at the point of use. In addition, since April, we have been delivering the telephony channel for Pension Wise.

For both our core helpline and also our Pension Wise appointments for the year to date, from April through to 31 August 2015, we have looked after just over 70,000 customers on our core helpline on all pension matters. Of that, 9,180 were Pension Wise appointments, and in addition we had about 1,000 Pension Wise appointments that were booked but when we phoned the people were not available for those calls. They are excluded from the 70,000 in numbers. One thing we do think we have experienced is the impact of Pension Wise, if you like, the halo effect of Pension Wise and, of course, the new pension forms has been a massive growth area in calls to our helpline. We estimate out of the 70,000 customers that we have dealt with, probably 32,000 of them are the Pension Wise appointments plus the halo effect of people phoning our core helpline with questions about the pension reforms.

Q3 Chair: Okay. Thank you very much. Chris, my question does not quite apply to you in the same way, but if you could, for the record, tell us what your organisation does?

Chris Curry: Of course. The Pensions Policy Institute is an educational charity. We are an independent research institute, and our main remit is to provide an evidence base for pensions and retirement income analysis in the UK. We do not make policy recommendations, but we do analyse alternative policy options, as well as what is going on in state pensions and private pensions, and try to provide enough indecent evidence to allow the in-depth policy discussions to take place in an informed way. I might just touch on what has been happening so far. Obviously, we did not have many expectations of knowing what would happen when the freedoms were introduced. In terms of guidance, I think one thing we would say is so far it has been quite difficult to tell what is going on with the lack of information and available evidence for people outside of the organisations in delivery to be able to see what is happening.

Chair: Thank you. We will pass to the chair of the APPG on Pensions, Richard Graham.

Q4 Richard Graham: Thanks, Chair. Rachael, can you give us a bit of light on how the CAB is handling this? Because we all know your offices in our constituencies, and we all hugely value what you do and so on, but in terms of the consistency of delivery of Pensions Wise, how have you gone about this? Have you got someone in every office who is trained to deliver this for the face-to-face interviews? Or do you channel them to a small centralised body? You have different challenges from The Pensions Advisory Service, which is a centralised offering. How does it work in practice if we have a pensioner who wants to come and get Pensions Wise advice from the CAB?

Rachael Badger: Sure. So we have around 50 different delivery centres around the country, and about 240 full-time equivalent staff who are specifically focused on Pension Wise guidance. This is just England and Wales, I should say, to be clear. We offer face-to-face guidance in just over 500 different locations, which means that there always should be an appointment with a fully trained member of Pension Wise staff relatively close to where an individual consumer lives. We have a very structured approach to Pension Wise guidance sessions, which is the same across face-to-face and telephones, to talk people through their options, to explain the pensions issues, the tax issues and the options that they have. It has been designed by the Treasury and the FCA in that way.

Q5 Richard Graham: So if you have 50 delivery centres with 300 offices, that is roughly one in six are a delivery centre for Pension Wise. If you are in a constituency where there is not a Pension Wise delivery centre, effectively you go to the CAB there and you ask them to arrange for somebody to come and visit, do you? It seems quite inefficient. Would it be like having surgeries on certain times that you would then be advertising for people to come for Pension Wise face-to-faces?

Rachael Badger: We have not found any problems with appointment booking of that sort. The vast majority of people live within 30 minutes of a place where they can get guidance, so it is running well from that point of view.

Q6 Richard Graham: What are the trends you are seeing? Who is coming forward for the advice, and who is not, if you like?

Rachael Badger: It is really hard to narrow it down. We have seen a really wide range of people. We are seeing the most common pot size, in terms of the defined contribution pot that people want to talk about, is between 100,000 and 200,000. We are seeing people who have lots of savings and think they know what to do with them. Sometimes they do need a bit of extra guidance, and sometimes we are referring them to independent financial advice. At the other end, we are seeing people, perhaps, who have had a period of unemployment or some debts, who have lower pension savings and need to know what to do with them in the context of a range of money matters, and Citizens Advice can help with money advice more generally.

Q7 Richard Graham: I have heard it said that people with small pots—so perhaps below £30,000 or £35,000—are, on the whole, using them to pay off debts. Is that something the CAB has come across, and is that broadly the advice that you will be giving to people with small pots but outstanding debts?

Rachael Badger: In some cases, we might suggest they consider that option. I do not think there is a right answer here. It depends on what other pension savings they might have, what else is going on in their lives, and perhaps even why they have accrued those debts and what the other options are for paying them off.

Richard Graham: Thank you, Chair. I might come back later.

Chair: Of course, Richard. Yes. Jeremy.

Q8 Jeremy Quin: Thank you, Chairman. We were just hearing from Rachael about some of the complexities of people who are turning up. Although we, as a Committee, were keen to get out teeth into this early on, getting the right data and getting the statistics at this stage is not an easy task. I suppose anyone might have a comment, but, Teresa, to you, in your position advantage of giving advice on consumer issues to the FCA, are the stats out there? Are you comfortable that you are already getting a handle on the shape of this and what the pension freedoms mean? If I may go on, on an ongoing basis, what sort of stats should be collected? How can we test this?

Teresa Fritz: I think the short answer is no; until now there has been very little information coming out. I am not quite sure why that is, but for those of us outside looking in trying to see what is actually happening, there has not been a great deal that we have been able to get a handle on. I understand that is now going to change and that there are going to be more stats published. Recently the ABI have published some stats, literally in the last few days, which have been quite helpful. But it is absolutely crucial in these early days that we start to see the trends coming through, through both face-to-face and also the telephone advice, and also what is happening with providers. Because not everybody, sadly—in fact, a huge chunk of people—who are taking their money are not accessing Pension Wise. We need to very quickly understand why that is happening.

Pension Wise, the guidance service, was there in order to try to make consumers slow down and stop and think before they do this, and have access to experts who can take them through this. Now, if they are not accessing that service and going to their providers instead, that is not good for anyone. I think the key here is: what stats we have need to be out there publicly so that other bodies, like the Consumer Panel and others, can help analyse those and make comment on them so we can see what is going wrong. But until recently, as I say, that has been very little, and not very forthcoming.

Q9 Jeremy Quin: You mention the ABI. Which other bodies should be putting stats out and have not yet been putting stats out into the public domain, and what kind of information do we really need to see to be able to test whether this is a success or we have problems with it?

Teresa Fritz: Okay. I think, first, measuring whether the pension reforms are a success is quite difficult, because we do not know what "good" looks like as far the Government are concerned. Essentially, the reform said that people should be able to access their pensions, so in reality they are able to access their pension. But I think everybody wants to know more than that. In terms of actual data, there is very basic stuff that we need, which is size of pension pot, how many pension pots, crucially, if people are going to access their pension pot and take their pension pot, what does that mean for the rest of their retirement income? I think we really need to know whether the people taking the money at the moment have other retirement income. If that is the case, then we maybe do not need to worry as much, but we just do not know that.

Now, the ABI have issued their stats, which are really useful. I think what we can certainly see from that is that not as many people as we would like are shopping around. For annuities, there was 45% shopped around, 55% stayed with their provider. With drawdown products, it was the other way around, 45% and 55%. So we can see instantly that there is something going wrong in that whole shopping-around circle. That is the type of valuable information, if we can get that out there quickly, we can see why that is happening. Is it because people are not accessing independent financial advice and therefore understanding what they are losing by not shopping around?

Without all of that, there it is difficult to grasp and get a handle on how we can monitor it. They key thing for us, as well, is that the data collection from Pension Wise should be consistent between the telephone advice service and the face-to-face advice service as well, so that the same data is being pulled in from both delivery services and then analysed by the FCA, possibly. The FCA has a lot of expertise in this.

Q10 Jeremy Quin: It does sound to me that there is a long list, that there is a series of parameters you could set out in terms of these are the elements we do need to know to be able to appreciate the direction of travel.

Teresa Fritz: Definitely, yes.

Jeremy Quin: We may not know, necessarily, what "good" is, but we probably know what bad is instinctively.

Teresa Fritz: Yes, exactly. Yes.

Jeremy Quin: Okay.

Teresa Fritz: Crucially, we need to know of the people accessing Pension Wise: what are they going to do with their money? Where does that pension pot sit in their overall retirement income? Are they spending all of their retirement income, and if so, on what and why? For the people not accessing Pension Wise: why aren't they accessing Pension Wise? But the same questions, and that may have to be from the providers.

Q11 Richard Graham: Can I come in very briefly on that, please? Teresa, in terms of measurement, I think that debate is helpful, and there are always useful statistics that can be gathered. But in terms of outcomes, you said, and quite rightly, the Government have not defined what they mean by "good". Surely the whole object of the exercise is precisely that; the Government are not defining what is good. It is individuals who decide what is good for them.

The problem in the market place is that there are quite a lot of organisations who already have a preconceived idea, for example, that an annuity or income for life is the best solution and, therefore, everybody should go for that, and if they do not they are doing "perhaps the wrong thing". Then there are other people who would quite like to see everybody encouraged to go and spend and do something else. For the individual, it is about what is right for them. Therefore, the real measurement, and I am just asking you, really, is whether people are comfortable with what they have done, whether or not they have accessed Pension Wise, and if they have accessed Pension Wise that they feel they have been given helpful advice. Isn't that something that your panel could do some research on by identifying who has made decisions, who has been to Pension Wise, and then finding out what their views are?

Teresa Fritz: It is certainly research that could be done. I cannot necessarily commit the panel to be able to do that, but it is research that would be available to be done and needs to be done quickly. You are quite right; this is an individual decision. The whole point of Pension Wise, as I said, was to make people stop and think about that decision before just simply accessing their money, but also to think about the risks involved in what they were doing and to be able to make an informed decision. So, yes, we do not know. We need to be able to talk to the people who have accessed Pension Wise and gone ahead and made their decision in order to find out if they are happy.

Q12 Richard Graham: How are you going to do that?

Teresa Fritz: There would be various mechanisms of doing that. You would need to set up a fairly robust research programme. For instance, when you accessed Pension Wise, you would be asked, if you were contacted by a research study post your session, are you happy to be involved? Lots of people will say no, lots of people will say yes, but at least it is set up at outset. The questions are designed to try to establish that. I do not know, that may be something that is in the programme of work. I am not sure. But it is definitely something that should be done.

Q13 Richard Graham: Thank you. Chairman, if you are happy could we ask Michelle whether that is something that TPAS is doing already?

Chair: I think Mhairi is going to pick up on that in her next question.

Q14 Mhairi Black: This is more towards Rachael and yourself. Is there any evidence, from what you can see, of any scamming, or mis-selling, or mis-buying so far?

Rachael Badger: The worst case for consumers in this area is obviously to lose all of their savings to a scammer, and Citizens Advice works across a lot of different markets to try to raise consumer awareness and provide evidence to regulators. We have done research, both before April and afterwards, to understand what is going on around pension and investment scams. We have seen a bit more of a growth in problems with scams, particularly around people aged over 55, since April, and we have seen more consumers who are becoming repeat targets of scams. It is things like people are being asked by fraudsters to give access to their pension pots, or reinvestment, high-promise rates of return, options to invest in property abroad, or fine wine, or something. So we are seeing quite a lot of different kinds of scams, and it is top of our list in terms of the work that we are doing with consumers to raise awareness. I do not think any one organisation can solve this; it is a joint effort across Government regulators and TPAS, Citizens Advice and the industry.

***Michelle Cracknell*:** If I could just add to that, we are receiving more calls on our helpline about scams, but we are receiving more from people prior to the event rather than after the event, which was the trend last year. So that is good news, that the awareness has been raised. It is not the role of Pension Wise to deal with scams specifically, although within the Pension Wise appointment, we do make mention and make people aware of scams happening. But the whole piece of pension scams is something that is run by The Pensions Regulator, and there is a defined customer journey for people who have been scammed to report it to Action Fraud, or if they think they might be involved in a scam then they phone The Pensions Advisory Service.

Just picking up on Rachael's point, the one common thread that we have seen is that there are a lot of scammers that are linking their activity to the Government initiative and almost everyone has heard there is a Government initiative happening on pensions. I think there is a piece where we should do more to raise awareness that the Government service never contacts a person first, even on the Pension Wise appointment. We only call them after they have arranged the appointment. That is a very clear indicator: that if you get a phone call saying it is a Government initiative, it is not, and that is likely to be a scam.

Q15 Mhairi Black: Do you think that there is anything more that the Government or regulators could be doing to try to prevent these things happening?

Michelle Cracknell: I think it is really difficult, because scams are just like a balloon, and if you push down on one area they are only going to pop up elsewhere. We do believe that the strongest way of stopping scams is by raising customer awareness. The activity that we think the Government and the regulator can do is more of the same of what they are doing at the moment, but just increasing the volume of awareness over the fact that your pension is quite often your biggest or your second biggest asset, and there are a lot of scammers out there trying to get their hands on it.

Q16 Mhairi Black: I see the different organisations give out advice to different customers. Is there any protocol put in place for anybody who feels that the advice they have been given, or the guidance they have been given, is not appropriate? Is there anything put in place for complaints? Any organisation?

Chair: Either of you is fine.

Michelle Cracknell: Yes, there are complaints procedures in place and, yes, every pension provider, every pension scheme, has a complaints procedure. If that does not work, then we run a dispute mediation service, and ultimately there is recourse to a Pensions Ombudsman. For the pension scamming activity specifically, The Pensions Regulator has a clear journey in their website about where they go if they think they have been scammed in order to report it. But, of course, there are thousands of activities every day by marketing companies making these phone calls, so only a portion of those can be investigated. But there is a clear process that if somebody feels as though they have had a hard sell on a pension, there is a process that they can go through in reporting that to Action Fraud, and coming and taking guidance from us.

Q17 Chair: Rachael, did you want to something more on that?

Rachael Badger: Not really. Just to add that, in terms of Pension Wise, we found that complaints are really low when you have customer satisfaction rates over 90%.

Chair: Okay. Richard, did you want anything else on that?

Q18 Richard Graham: Just coming in a little bit on this measurement of what is satisfactory, what is good, and so on, and Teresa's comments about it would be good to try to have access to people who have had Pension Wise advice. Rachael, you have just said that you have a way of logging at the end of the interview whether people are happy or unhappy, whatever, with the advice and, Michelle, presumably the same with TPAS?

Michelle Cracknell: Yes. At the end of a call, the customer is asked to complete an exit poll on the telephone. That exit poll contains both operational questions about was the journey and the process satisfactory to them, but also the two key measures of do they know what they are going to do next—that is the next steps they are going to take, go back to the provider or go to an IFA—and do they feel confident as well. They are two measures that we use in our call business and are really the purpose of Pension Wise.

Q19 Richard Graham: Does that data get fed on to anybody else? Is it publicly available?

Rachael Badger: Not at the moment. It is shared with the Treasury.

Q20 Chair: We need to make progress. I am conscious, Chris, you put your hand up, and then we will move to Emma.

Chris Curry: Yes. Just very quickly, because obviously, as a research industry, we are very interested in the availability of information and data to allow us to do independent analysis of what is happening. I think what we have been talking about will be a good start and provide part of the information, but we need to bear in mind that when we are gathering information of people who have been through Pension Wise, that might not be the majority of people who have made a decision. We need to find ways of accessing people who have not been through the service.

If we are looking at whether people are happy with the decisions they have made, when we ask them is very important. They might be very happy this year, but in five years' time, they might not be very happy again. It is not going to be something we can just decide if it is a success now, or next year. It is something that we are going to have to monitor over a long period of time to see how the decisions made now pan out through people's retirements.

Q21 Mrs Emma Lewell-Buck: Just a quick question, Michelle, following on from the line of question we have just had: do you think the Government should have put safeguards in against scamming before these reforms came in, and if so, what kind of safeguards could they have put in? I know we are talking about awareness raising now, but that is after the fact. People are being scammed now. Should something not have been done before this?

Michelle Cracknell: It is very difficult because, of course, the ability for scammers to reinvent themselves and do it quite quickly is there now because of the internet, and through the telephone, and the text messages that they send, plus the fact that a lot of the organisations who make the initial contact with the customers are marketing organisations and are not regulated financial services firms. So it is incredibly difficult to know how they have done that. Pension scams have been going on for as long as I have been in the industry, which is almost 30 years. They just keep reinventing themselves and keep targeting different types of people. So I think it would have been very difficult because, like I said, if they had stopped one of them, because a pension asset is so valuable then the scammers probably would have found another way of reinventing themselves.

Q22 Mrs Emma Lewell-Buck: Thanks for that. My next question is to both Rachael and Michelle. It is just, could you both describe what remit Pension Wise has, and if you or the people that you are giving guidance to are finding this restrictive in any way?

Rachael Badger: I think Pension Wise is working well. It is not about recommending specific courses of action to people; it is about orientating them with their choices. That is what guidance is. We are not trying to give product advice here. There are certain things that we could do that would enable us to personalise the guidance service a bit more, and we have written about those in our written evidence. We would like to be able to link more to other money problems that people might be grappling with. We would like to do a bit more to help them understand the paperwork, for example. I think that there is some fine tuning, perhaps also options for people to have multiple appointments, but, in principle, it is working well and it does not feel restrictive.

Michelle Cracknell: It is probably useful for the Committee just very quickly to say what is in the content of the Pension Wise appointment. It is a guidance appointment just covering people who are about to access their defined contribution pot, so it is only a very narrow part of pensions guidance; it is not the whole remit of pensions guidance. The appointments are the same whether you go to Citizen's Advice or to The Pensions Advisory Service.

We have basically five sections that we cover. We cover all the legal and data protections in the first section. The second section is making people aware of the lengthy appointment and what will happen during the course of the appointment. The third section is really the meaty one, where we ask people about their retirement plans, and we do collect data about how many defined contribution pots they have, and the size of those defined contribution pots. In the fourth section, we describe all retirement options. There are five that we define in the process of the content, and we define all of those options to everybody very briefly, then we ask the customer particularly which ones do they want us to cover.

The way the appointment is personalised is he says which ones he wants to cover, but the guider, who has been trained and is a pensions expert, will also supplement that if he thinks the customer has missed out an option that he should be considering. Then, in the final section, we wrap it up and obviously tell them about the document that they will receive after the appointment, and we make them aware of scams that are happening.

The appointment is personalised for the individual's circumstance and, like I said, the pensions guider who does it makes sure that the customer does hear all of the options and then specifically details the options that are relevant to them. But what it does not do, at the end of it, is give a definitive course of action. It merely gives them all of the options, tells them the ones in detail that are relevant to them and signposts them to the next step.

Q23 Mrs Emma Lewell-Buck: Have you experienced anyone getting frustrated with that? That they are not able to have a definitive answer?

Michelle Cracknell: No, we do not get people frustrated with not getting a definitive answer. We do have people who only want one question answered. Now, when we have that, we do not register that as a Pension Wise appointment because, like I said, the Pension Wise appointment must be consistent, whether you go to us or whether you go to Citizen's Advice. How we handle those cases is we move those into our core helpline and then one of the jobs our core helpline is doing is trying to convince people that giving up 45 minutes of their time for a full appointment is really worth investing that amount of time. That is how we deal with people frustrated with only wanting to have one question answered, which we cannot do under Pension Wise.

Mrs Emma Lewell-Buck: Thank you.

Teresa Fritz: I wanted to just give you the panel's view of whether there were inconsistencies. So, we do feel that the actual scope of the Pension Wise service as such at the moment is limited. Now, with The Pensions Advisory Service, the telephone delivery, there is that sort of fall-back, really, that if they need to, first they have pension experts who have—I think I am right in saying, Michelle—five years' experience; they recruit people with at least five years' experience, who will probably have pension qualifications. There is that sort of fall-back for the telephone service. If somebody does not quite fit into the Pension Wise guidance session within that scope, there is somewhere for them to go. We are concerned that in the face-to-face delivery service there isn't that fall-back.

For us, it feels odd that if somebody demonstrates a need for debt advice or other types of advice—advice on benefits and how this might affect their means-tested benefits in particular—certainly CAB have those experts there, but it is not within—I believe I am right in saying—the pension guides' ability to do that and they have to be referred. As soon as you refer someone to another service, you have almost definitely lost them.

We would like to see the scope of Pension Wise very quickly extended, at a minimum to take account of debt and benefits issues, but really they should be looking at much wider issues as well. The effect of charges if you are going to leave your money invested at drawdown, definitely the effect of taxation and how that is going to affect you if you take your cash sum out—all of those things. You can still do all of this within guidance without crossing over into regulated advice, but it does need to be extended in our view.

Chair: Thank you. We will have to pick up the pace a bit. It is my fault, probably. Jeremy?

Q24 Jeremy Quin: To that point that Teresa just raised, is there a difference between guidance and advice, because I have heard from both consumers and providers that is blurred? That first.

Chris Curry: I think to most people, if you are talking to them as a consumer, they would not necessarily understand there was a difference between guidance and advice. It is a term that is used by people talking about policy and by professionals, and it is a regulatory difference rather than anything else. Many people would not make a distinction and would not appreciate there was much of a distinction, if that was what they were being told about.

Q25 Jeremy Quin: Quite dangerous. Going on from that, in your intervention earlier, you reminded us there were others also advising, other than Pension Wise. How is the market, in your view, going to evolve? Are there huge gaps out there, or is state and private provision gradually coming together and people can get the right kind of support?

Chris Curry: It is obviously an evolving situation. One thing we do need to bear in mind is what has happened in the past five months is going to be very different from what happens in the next five months, and the next five years. The sort of people who have been taking advantage of the freedom of choice they now have in the DC pension world, most of them have been waiting for a year to take advantage of those freedoms. They are not people who are just coming up to retirement. We know from research that people tend not to think too much about what they are going to do in retirement until maybe six months beforehand. They do not spend a lot of time planning ahead. So the people coming up through the services in the next 12 to 18 months will probably be very different from the people who have been through it already.

We do know also that there are certain parts of the population who are much more likely to take advice. People with pension pots over $100,000 are much more likely to describe themselves as being financially confident, as being financially literate, to already have used advisers or be willing to use advisers, and it is interesting, it sounds as if they are more likely to be using the guidance services as well. It seems as if those people are relatively well provided for.

We also know that there are strong behavioural reasons why people faced with a very difficult decision—and our research is showing what to do with a DC pot at retirement is one of the most difficult financial decisions and one of the most important financial decisions people will take—they tend to default to something that they know, or to not take any action at all; they tend to let things drift. There are plenty of barriers to people going out and finding out what they need to do. If it is too complicated, they tend to leave it; they will put it off. There is a real risk and, without full knowledge of the take-up figures for guidance but with an assumption there are a fair few people who are not getting guidance sessions either, there is a fair chunk of people who are not taking benefits from guidance, are not having advice and so are potentially using other sources of information that may or may not be useful for them in coming to any decisions, or they may just be drifting. Some of the figures that Teresa mentioned earlier, that 55% of people who have purchased an annuity since April and 45% of people going into an income drawdown product are staying with the same provider, suggests that there is a fair amount of inertia that is happening still within there. I think, in that case, what happens to the default, what happens to people when they do not make a decision, is very important.

Q26 Jeremy Quin: Understood. Just very simply—if that is possible—the question as to whether or not there is an evolution in the market. I know it is early days yet, but do you see private providers cutting their costs and making it easier for people to come to them for advice? Is there any sign that the market is throwing up new ways of doing business or not?

Chris Curry: No signs as yet that I have seen, but I think there are two trends that will help. One is people will eventually, as automatic enrolment beds in, have larger pension pots and will therefore potentially—depending on what other policies are in place—end up being more engaged and more interested in advice, and potentially see more benefit from advice. Also, as that group grows larger, that will attract people who will then see it is more of a market for advice, rather than the limited market that there may be at the moment.

Teresa Fritz: I know we are in a hurry, but I just did want to add something. I do need to declare an interest, though. While I am not working for the panel, I work for the Money Advice Service and I have been working on their Retirement Adviser Directory. That has been set up specifically to show firms who offer advice face-to-face, but also those who offer remotely, remote services. We have seen a huge increase in the number of firms coming forward offering a much more process-driven but fully regulated advice session. It is mostly telephone-based at the moment, some internet as well. They are cheaper. There is no question that that process is cheaper, because they are not sending advisers out to see people and running cars, and so on.

That is a very good trend that is beginning to come forward, and I think we need to be very careful about panicking that the advice gap is going to be too large—because we do not know that yet—and maybe lowering regulatory standards. What I just wanted to say was there are people out there giving good, regulated advice, but cheaper and willing to deal with people with small pots.

Q27 Chair: Thank you. We have a few questions now in the last part of the session, looking at possible policy measures. Teresa, you have said that your panel advocates a more holistic approach in your evidence. Chris, the Pensions Policy Institute talks of a Pensions Dashboard. When we think about refinements, the obvious reaction to these suggestions is, it is going to cost a lot. I am acutely aware that if we think about the 950,000 people that are accessing the service, 925,000 are through the website. Looking at that website, there seems to be some scope for refinement. How do we do all this in a way that is affordable and prioritises the right gaps?

Michelle Cracknell: Just picking up on the issue about visibility of pensions and the Pensions Dashboard that has been referred to, there is a gap in the wider pensions guidance market, which I think is outside the Pension Wise remit for there being access to information more readily available on pension arrangements. I would say that there is actually a burning platform with the introduction of the new state pension that people can access details about any pension entitlement they may have, be it private, be it trust-based, be it contract-based, and so on.

The ability to do that at a very simple level is quite low cost—i.e. I put my name into a website and it says I have something with Standard Life, with National Grid, and all the people that I may have a pension entitlement with. It would be quite low cost to do that, but a huge step forward. Because right now, for example, in the new state pension, if I had a contracted out deduction with a private pension, for me then to be able to follow through trying to find that private pension is very, very difficult. I think that is wider pension guidance, not Pension Wise.

Chair: Teresa, I saw you nodding to some of that.

Teresa Fritz: No, absolutely. The Pension Dashboard is essential. It has been essential for many, many years but I think there is a real momentum to get on with this now. The FCA, I know, are keen. They have been having workshops on this. Pension providers are keen. It will have to be owned and held within the Government, I think, but once it is built, once the thing is built and data gets fed into it, then it can be accessed through all sorts of websites. Ultimately, it will give consumers, at the touch of a button, the information they need to help them go forward.

Chair: Thank you. Chris?

Chris Curry: Just to echo some of what Michelle was saying, this is something that has been brought to the fore by the reforms around freedom of choice, but has a resonance right the way across pension saving and could be of value right the way through peoples' working and saving lives. Looking at international experience, it is obvious that there are a number of different things that you can do. We are all aware there is no single magic bullet solution that will make everything work well, but there is a range of small, incremental steps you can make to try and help people engage more with their pensions, to potentially save more or be incentivised to save more, and therefore have more of a decision and be more engaged with that decision when they get to the end of their working life. The Pensions Dashboard is one that has worked internationally. Sweden, for example, has a very good system of working there. The FCA has recommended it should happen in the UK. The technology exists for it to happen. As with all these things, it is a question of having the will and finding someone who is willing to pay for it.

Q28 Richard Graham: Chris, typically you would expect parts of the country here that have got high public sector employment and therefore defined benefit pensions to be less interested in issues that might broadly relate to pensions guidance, and that would also be typical of the world at large. Those countries that have moved away from defined benefit pension plans will have tended to develop these things earlier. Therefore, do you think that as DC continues to represent a much greater part of the future pensions world, that inevitably we will see new services and products of the type that Teresa referred to where brokers are doing more interesting things online, lower price, slightly more high tech, and that there will be more and more people who will gradually engage with that?

Chris Curry: There will be market development as the market grows; that is almost certain, and a lot of it will be driven by automatic enrolment. It is a feature of the automatic enrolment world, though, that it is going to be low cost, and so developing things on top of a basic service is going to be more difficult in the future than it may have been in the past. Some of the things we are talking about are the sorts of things that go across any particular commercial interest, so it is not clear that a single commercial organisation will be interested in pulling together all the information that people have for all of the other pension schemes. In fact, it may be the case that some companies do not want to give information where it could be used in a commercial way by other companies. I think it is a situation where you need to be very careful as to how it operates, in order to make sure that the social and public good that you are trying to bring about can be helped in some commercial circumstances, but you need to make sure the environment is there for that to work.

Q29 Craig Williams: In our written evidence, the Investment Association and the TUC were hugely critical in terms of Pension Wise and the one-off, particularly in relation to the guidance service. I suppose this is to Rachel and Michelle. Does this just reflect our modern retirement income decision-making, or should people be offered more guidance in terms of accumulation during retirement? I think Citizen's Advice, to be fair, did call for a second—just before you said it.

Rachael Badger: Yes, certainly in terms of the current service, we would like people to have more than one bite of the cherry. Particularly where people are choosing to keep some funds invested, they might need more guidance sessions later on in their retirement. More broadly, we just need a stronger overall journey for people to understand more about pensions through the accumulation and the decumulation phase as well. We supported the extension of Pension Wise to people in their early 50s, but I think there is a lot more that we can do.

Michelle Cracknell: Just to add to that, we are set up to provide guidance at any point in somebody's life. Pension Wise has a narrow remit, just dealing with people and their retirement options. I think the real issue is to get better signposting and more encouragement for people to seek the guidance, because there are guidance services available: us specifically for pensions, Money Advice service for wider financial issues, and then specific organisations like Citizen's Advice dealing with debt. The guidance is available, but I think there is a cultural and behavioural piece to try and encourage and nudge people into using the guidance services that are already there.

Q30 Craig Williams: Can I just very quickly ask about the integration of the wider guidance, Pension Wise and the signposting? I want to just tease out a bit more detail, because I think you were acknowledging it was not good enough.

Michelle Cracknell: Yes, sure, yes. You would not want more than a Pension Wise appointment because it is a very structured appointment covering the retirement options, but as a result of that we get a number of people who say, "I have also got a defined benefit scheme; can I talk about that?" and we refer those into our core business, and so we can pick up those issues outside.

Beyond that, obviously broader issues do emerge within Pension Wise appointments, such as paying off debt issues or wider financial and budgeting issues, and as part of Pension Wise, at the end of it we do signpost them to organisations that will be able to help them. Like I said, Pension Wise does have a narrow remit, but it is a very good platform where we can signpost people to other guidance organisations, including ourselves, for pensions.

Q31 Jeremy Quin: Chris, if I may ask you about Australia? You discussed 55/45 in the tendency towards default options. I understand that in Australia they are moving towards more sponsored, Government-backed default options. Is that something we should look to or is that inimical to freedom of choice and the whole purpose of these reforms?

Chris Curry: It is something that has been recommended in Australia, in an Australian context, by the Murray inquiry. As far as I am aware, the Australian Government have not accepted the recommendations as something that will happen, so it is still a proposal at the moment.

The Australian system is often held up as a model for the UK in the fact that it has had a DC system for much longer than the UK has done. It is much more mature and a much larger system, but there are some fundamental differences between the Australian system and the UK system as well. Australia is compulsory, individuals choose which schemes to go through, and at the point of retirement the regulatory system, the taxation systems are different, and there is no history of any annuity or life expectancy insurance in the Australian context. It is very different from the UK market.

I think what Australia have found is that there is a real mixture of outcomes in the Australian pension system. About a quarter of people who start to take their pension at age 65 have effectively run out of money by the time they get to 70. A lot of that might be driven by interactions with the state pension system, so that, again, is not necessarily something that would happen in the UK. You also find a large proportion of people in Australia actually take very, very little money out and so they have in Australia introduced a minimum drawdown amount, so people have to take a certain amount out so there is not lots and lots left at the end when people die to pass on to others. You can see there is a wide range of behaviours.

The thinking behind the Australian policy development is that the one thing that is missing from the Australian market is insurance against living too long, and so the idea is to add a small amount of insurance on a default basis that people can opt out of and they have to actively activate that part of the system. But what it means is, in effect, the first thing they are offered will have an element of that life expectancy cover to kick in at some point when they get older. That is still consistent with freedom of choice. People do not have to take that; people can opt out. It is more working with behavioural economics and the sorts of ideas and principles that influenced automatic enrolment and the design of that policy. It is working with the path of least resistance for people, to try and give them a pointer, "This is the sort of thing that might not be bad for you; this is the sort of thing other people might do; this is the sort of thing that will mean that you will never run out of money". But people still have the choice to do that or not.

Q32 Chair: Thank you very much indeed. Unfortunately, we will have to draw it to a close there. We may well, as a Committee, come back to you for—probably not Richard, because I think we need to get—

Richard Graham: It will require a one word answer.

Chair: If it is a one word answer, I will concede to my senior colleague.

Q33 Richard Graham: What I would love is a one word answer from each of our excellent colleagues—

Chair: A one word question, maybe?

Richard Graham: —as to how long they think we need to build, if you like, evidence from Pension Wise, before it can actually be studied satisfactorily and analysed—i.e. is this much too soon? Do we need a year, two years, three years? How long do we need in order to be able to get decent data and results to analyse?

Rachael Badger: Hardly in one word, but I would say that we should start soon.

Teresa Fritz: I think we should have started in April and we should be looking at it now.

Michelle Cracknell: I agree. It is continually evolving. We should be monitoring it from every moment forward.

Chris Curry: I would say continuous, but we need to have a look at the long-term, not just what is happening in the first few months.

Chair: Thank you very much indeed for your evidence. We may well come back to you and ask for some clarification if we may, in written evidence, but thank you very much for taking the trouble to join us this afternoon.

Examination of Witnesses

Witnesses: **Huw Evans,** Director General, Association of British Insurers, **Joanne Segars,** Chief Executive, National Association of Pension Funds, **Tom McPhail**, Head of Pensions Research, Hargreaves Lansdown, **Chris Hannant,** Director General, Association of Professional Advisers, gave evidence.

Q34 Chair: Welcome, formally, to the second panel this afternoon. It would be helpful if you could just introduce yourselves for the record. Perhaps if I could just ask you to react to anything you have heard, if there is anything you would like to agree or disagree with, or amplify from what you have heard? I think all of you were sat behind. Tom, would you like to start, please?

Tom McPhail: Thank you. I am Tom McPhail. I am Head of Pensions Research for Hargreaves Lansdown. We are a wealth management business based in Bristol. Very quickly, two things I wanted to pick up on from the evidence I heard earlier on. Teresa's points around the shopping around and the failure of the system there and the open market option, as it used to be known. I absolutely endorse those sentiments. I think there is still a very significant problem there.

I also just want to touch briefly on the question of scams, because I think more could have been done. I think the Government could have been more proactive in creating criminal offences for people who purport to be regulated businesses but are not, could have created a better distinction between the regulated and the unregulated businesses. One more: data tracking. I think there is a real need for an early warning system. I wrote to the Treasury last year; I wrote to the Pensions Minister. They were very dismissive of this issue at the time. I was very disappointed about that. I am encouraged to see that there are now steps being taken, but I do not think enough.

Huw Evans: My name is Huw Evans. I am the Director General of the Association of British Insurers, which is the leading trade body for the long-term savings pensions industry. We have been supportive of these reforms from day one, and we have worked very hard as an informal delivery partner, working with Government and with regulators and with some of the people you have heard from in the first session, to try and make these reforms work, both in terms of the early work we did with KPMG to establish how Pension Wise could be set up and work—which I think was successful—and more recently in putting forward an action plan to suggest ways in which some of the initial implementation problems could be tackled.

We have also, as has been already mentioned, played a role in providing some statistics and data into a field in which there has been perhaps a shortage of other information for everyone to consider. The points I would pick up on are, first, just to endorse the point about data. I do not think we need to dwell on it further, but to say I think this has been a successful first few months for the reforms.

Our data shows that people have used the freedoms, but they have also used them quite sensibly, as we always thought. People have not rushed off to buy Lamborghinis; they have been quite sensible in terms of what they have done, and some have taken the decision to take a small pot; others have used it to invest for their long-term. It has reinforced our view as providers that customers can take sensible decisions and what we want to see for the next stage is a series of further changes to ensure that the implementation challenges that have affected a minority of customers can be tackled effectively so that we can all be confident that all customers, whatever their wish, whatever their preference, can access the freedoms effectively and with the right advice and guidance.

Joanne Segars: Hello. My name is Joanne Segars. I am the Chief Executive of the National Association of Pension Funds. We represent workplace pension schemes here in the UK.

Like Huw's members, our members have worked very hard to make freedom of choice a success, and I think it has been a success in the early days, with the scare stories that we were worried about in early April, that people would have blown their pots, have not happened, and that has largely been as a result of the work that has gone on inside occupation pension schemes, inside workplace pension schemes.

In response to the issues that were raised in the first session, again, I very much endorse the points made around data. I think the more we can know about how people are using and accessing Pension Wise, and what they are then doing with the information they receive is important. Knowing the questions they are asking is one thing. What we then need to do is really get underneath those points and find out how people are using it. So how effective Pension Wise is being will be very important, but it is something, as Chris Curry said, that is not just an issue for the here and now. It is something we need to track over the long term.

Chris Hannant: My name is Chris Hannant. I am Director of the Association of Professional Financial Advisers. We represent financial advisers. I would just like to pick up on a point that was made in the previous session, in that Chris said that he had not seen evidence of people coming forward and developing new advice strategies and offerings.

We have seen a number of companies already start. It has been tentative. We also conducted some brief survey work in the early part of the summer and I must admit I was surprised by the number of people who had been approaching advisers. We think roughly 150,000 enquiries were made, and they are not unique enquiries, so there may be people phoning around a number of advisory firms. It is still a relatively small fraction, considering the 200,000 calls a week that initially went into pension providers, but I was encouraged that the volume of the people at least thinking about advice and thinking about approaching an adviser was higher than I initially thought it would be.

Q35 Mhairi Black: To what extent do you think that ordinary consumers are equipped to understand, assess, and act on what is in their best financial interests upon retirement?

Tom McPhail: I will take that. I think predominantly, as has been touched on, people are making good decisions. Certainly, the data we have seen so far in terms of the relatively small pots, which have limited utility in terms of a life-time income, are leaving the system. People are still buying annuities. In spite of all the bad press, they recognise the importance of a secure income. Talking to customers, as I have done, I find people do focus on their security of income, their state pension, their final salary pension, filling in the gaps with annuity purchase; they are not being reckless. I think there are a lot of good tools available to help them make good decisions.

By and large, I would agree; the pension freedoms are working well. There are some fairly fundamental, systemic problems that still need to be addressed, of which the failure to shop around at the point of retirement is really just the tip of the iceberg. But, are people getting access to good information? By and large, yes. Could we do more in terms of redefining what advice looks like to make it look more accessible, to give them access to useful guidance elsewhere? Yes, we could.

Chris Hannant: People are instinctively sensible and will take good decisions, but, I think, especially in such a complex area, they will often lack the technical knowledge—for example, on tax—that means that they unwittingly are making bad decisions. There is a need for people to have advice, guidance and support through this, because pensions is such a mind-blowingly complex area.

Tom McPhail: As a good example of that, we put a tax calculator on our website because we have recognised people would need to be able to access that kind of information. Unfortunately, emergency tax does not work the same way as ordinary tax, so we fairly quickly then had to put up an emergency tax calculator as well, because people were coming to us and saying, "Hang on, this tax calculation is wrong." No, it wasn't wrong, and in the long-term it will be right, but in the short term, they get a different amount of tax deducted. Those kinds of tools, that kind of information to help people understand what is happening to their money, I think is very important.

Joanne Segars: It is quite clear that there is lots of public support for the changes that have come in. Our survey seems to suggest that about 81% of people are very supportive of these changes. But that is caveated by quite a degree of caution and quite a degree of concern that people have, in particular the concern that they might actually run out of money, they will spend it too quickly, or it will just run out too quickly. But people are worried about rip-offs, and as you mentioned earlier about scams, so people are being quite sensible about it and quite cautious, as Chris has said. We should take some comfort from that because people are not rushing in; they are not buying their Lamborghinis; they are not blowing it all at once.

It is also quite clear, however, that people do find this very, very difficult. These are very, very tricky decisions. Again, our survey evidence from before freedom of choice, so from before things got really, really complicated, only 19% of people felt capable of making a decision on these issues by themselves, unaided. There are some significant barriers and there are issues that we do now need to think about how we overcome now we have got to phase 1, we have got freedom of choice bedded in, it has been successful and we have not seen the horror stories that many people predicted.

Some of those barriers are around misinformation. Again, according to our survey evidence, 53% of people thought that there were no risks whatsoever in drawdown, for example, which again is quite worrying. Advice from the Pension Wise service is, of course, generic, and we know again that people are very reluctant to pay for advice. We need to look at alternatives and we need to look at alternative and supplementary ways of helping people. One of the things that we are very keen to see develop are default pathways, so that trustees of workplace pension schemes can guide their scheme members through default pathways, just as we have got default investment options in the accumulation phase for people who do not, will not and will never make decisions, to start thinking about how we can put those same sort of pathways in at the decumulation phase, at the retirement phase; but also develop some quality standards around that, so that people know that they are being defaulted into a good retirement product and that the trustees can be sure in the knowledge that they are defaulting people into those good default retirement products. We have got stage 1 over, but now we need to think about how we develop those to take account of the issues that we raise.

Huw Evans: Perhaps if I can just add a couple of final points, without repeating what other people have said, given the time. The first is saying, yes, we do know—and this is not new—that there are behavioural biases that we all have as human beings that can work against sometimes taking sensible retirement income decisions. We often take bad decisions if we are faced with information overload; sometimes we can let small hassles get in the way of taking very important decisions.

Our ability to make judgments about our own mortality and our likelihood to need care in later life are flawed; we are all wired that way. We know this. I think, going forward, we have to use the insights that behavioural economics have given us to help frame a system that takes cognisance of that and provides a regulatory framework that plays in to tackle those specific issues, so we have got a more targeted regulatory environment, if you like. We do, still at the moment have a regulatory system that is largely geared around the old choices rather than the new ones, and that, for me, is a critical thing that needs to be developed over the coming period if we are not to see what, as we all agreed, has been early evidence of very sensible decision-making by people, over time morph into probably some more regrettable decisions.

Of course, the final point is that we will not know yet—it is too early to say—whether some of the decisions people have taken have turned out to be the rights ones. They may not have been taxed yet in terms of what they have taken in the short term, but also, if they run out of money in two or three years' time, will we say they took a good outcome then?

We simply do not know. All we know is that there is no evidence of people grabbing money and blowing it very quickly, which is a good start.

Q36 Mhairi Black: Following on from all of that and from what you have mentioned, is there any particular group of consumers that you have specific concerns around or that you think will reach more problems than other groups? Are there any representative scenarios that you could give of the type of consumer that you may have concerns about?

Huw Evans: Perhaps if I can start there? I do not think there is any one single group where all of the problems sit, and I think there is quite a lot of commonality across all the groups, particularly around the behavioural impulses. From longstanding evidence, we know that with people with smaller pension pots tend to be less engaged, for perfectly understandable reasons. One of the positive things of the freedoms may be that it makes people a bit more engaged in what they have got in the pension pot if they are not being forced to convert it into a very small annuity. But we certainly think that the focus has to be on those customers going forward who are reliant on DC pensions. We have got a lot of pensions in this current cohort, people in the pension retirement age, who have got very heavy DB pension reliance, but, going forward, we have to have a system that is fit for purpose for people who are much more reliant on those DC pensions, because if they get those decisions wrong they may have very little to fall back on.

Joanne Segars: I would certainly agree with that, and again all our evidence points to those with smaller pension pots being less equipped to make decisions, having fewer routes to access advice, in the fully regulated sense of advice, and who can least afford any downside risk. So I very much agree with the comments that Huw has made.

Q37 Chair: Can I just intervene, if I may, on this, Huw? You seem to be saying, all of you, that broadly, initially, reasonable decisions are being made, but, Huw, you have cited the risks around behavioural economics, too, and I am a bit unclear about specifically what things need to be done to ensure that there is not a shift in good behaviours and good practices to get to a position that you point to could happen, but has not yet. What, practically, are you saying needs to be done?

Huw Evans: I think the agenda, Chair, that the Committee has identified for this wider inquiry is the right one, which is to look at information, guidance and advice, and try and reach a view about how those can best work together for the new world, bearing in mind, as I say, that we have inherited a regulatory system and a market that is designed for the old world. The greater the clarity that can be reached on that as a matter of public policy and as a matter of regulatory policy, the better then the market will be able to respond, whether it is the pension providers I represent or advisers that Chris represents or the workplace trustees that Joanne represents.

We can all work better in an environment where there is regulatory certainty and where there is greater provision, as you have heard from your previous panel, of all those three areas: greater provision of advice that is targeted and that resonates with people; greater provision of guidance, possibly in a more tailored way as Pension Wise develops; and greater access to affordable advice, whether that is provided increasingly through IT portals or through the human beings that Chris represents, or a combination of the two. All those things are critical if we are to have a framework going forward that will help people avoid the pitfalls that otherwise may occur as these reforms develop.

Joanne Segars: It is also looking beyond purely advice and guidance and it is looking, as I mentioned earlier, about additional routes to good outcomes, which, for us, do include thinking about how we can introduce default pathways from your accumulation phase through to your decumulation phase, through your workplace pension scheme, so how trustees can really guide people more effectively to good outcomes.

Q38 Richard Graham: I would just like to try and throw a minor grenade into all of this, because before freedom of choice was introduced there were huge numbers of sirens out there telling us that it would all be a disaster and so on, and that has not proved to be the case, and it is very good to hear all of you saying that. In the same way, there are winners and losers in all of this. From Huw, your members' point of view, the fact that people's behaviour is fairly cautious and they tend not to move is probably good news. That concern that all the assets and annuities are suddenly going to disappear has not happened, so there is a little bit of relief for your members.

Tom, for you and companies like you, of course you want everybody to be encouraged to shop around and ideally they land up in Hargreaves Lansdown in Bristol, a great place to have a business, and who am I to criticise anything in the West of England? But nonetheless, the fact that it has not happened does not necessarily mean that everybody is doing the wrong thing or that the Government should suddenly, as you are implying, encourage people to do more shopping around on the off-chance that they might all come happily into your bosom.

Chris, from your members' point of view, this is a great opportunity to launch new advice products and some have been happening, as you indicated and some of us know. But there is probably more that could be done.

Joanne, half of the NAPF's members are really investment managers and, as you know, I have been fairly critical of my former colleagues for not coming up with new and imaginative solutions.

I would like to put the ball back into the panel's court and say, come on, broadly the policy side of it that—which, in a sense, is part of what the Select Committee is looking at—is working. You have all confirmed that. It is early days, there is more to come, and we will not know whether people are making the right decisions for a long time to come, and all the rest of it. But, broadly speaking, the disasters predicted have not happened. What can we do to make it all better in terms of outcomes that you and your different groups of members can do?

I would love to hear from Tom what people like Hargreaves Lansdown are going to do; from Chris, what more his members can do; from Joanne, what the investment managers can do; and, Huw, what your clients, who are investment managers and insurers, can really do in terms of new types of annuities that are going to be attractive and helpful for all our constituents.

Tom McPhail: Okay, I am going to start, if I may, by just quoting Becky Barrow, journalist from *The Sunday Times*, only yesterday, "If you asked me what was on my top five list for people and their money, a magic wand that made everybody shop around for an annuity would be very close to the top". Now, that is a financial journalist speaking, not me.

You have got a whole series of challenges that have been created by the pension freedoms and the move to the DC world. You've got challenges around shopping around: 90% of people could get better value by moving to a different annuity provider. I am pretty agnostic about which one they use; I just want them to use the best one. So 90% of people should be moving; less than half of them are. Most of who want to have moved on drawdown purchase probably only did so because their existing provider could not give them the services they wanted.

You have got a critical challenge with pension accumulation, with people not saving enough and how are you going to stimulate them to save more, because otherwise you are never going to fix the pension challenge? You need better engagement there. You have got a huge challenge now with the de-risking process on the run-in to retirement. The DWP set a framework that said you must de-risk people's pension pots. Now, that was predicated on the assumption they were all going to buy an annuity at 65. Some of them are taking cash at 55; some of them are buying an annuity at 70; some of them are buying a drawdown at 60; and some of them are doing all of those things. How are you going to fix the de-risking without encouraging them to engage, and even if they go to Pension Wise at the point of retirement, if half of them are buying a drawdown or using drawdown as appears to be the case at present, how do we ensure they are still making good decisions 10, 15, 20 years down the line? For all of these things, you need good engagement.

Q39 Richard Graham: Yes, but, Tom, what are you going to do? What you are going to do? You are offering now a £399 plus VAT enhanced guidance session that is about double what some others are providing. There are some annuity providers who are more expensive than others. You are talking about value, which is a combination of both. What are you going to do to try and provide really good value products for our constituents?

Tom McPhail: We took 64,000 phone calls from investors in the first two months alone on the pension freedoms, substantially more than Pension Wise. Now, we did not charge any of them for any of that support or information, so we are doing a lot of very good work to help investors. We are providing a regulated advice service as well as a non-advice service, but again, my challenge would be, I think, the regulatory question, as has been touched on elsewhere around what constitutes advice, probably needs re-examination. We would like to see a consideration of what advice should look like in this new world. In the meantime, yes, we will give them non-advice solutions, we will give them low-cost advisory solutions or we will give them full-fat advice if that is what they want. At the moment, most people do not want to pay and apparently do not need a full advisory process.

Q40 Chair: Thank you. Huw?

Huw Evans: I agree with you. A lot of people made panicky noises and overdid the panic. We were not one of them. What we did say in February was that not enough had been done to guarantee that the reforms could get off to a flying start, and in the light of the implementation problems that came to light following the reforms going live, I think that observation was justified. Certainly, our intervention in February did, at least, help get some of the clarity that was needed from HMRC and the FCA in those final days in the run-up to the reforms going live. I am pleased that we took a proportionate position and focused our energies on trying to get the best possible start to the reforms, rather than saying that the world would come to an end because people are given more choice over how they use their money.

In terms of where we go from here, a few points: first, if I could rub a lamp Aladdin-style and have a few wishes, then certainly one of them would be to ban anyone from referring to a pension as a "bank account". It is the most irresponsible thing that anyone can say. You cannot get a tax liability if you take money out of your bank or sign a direct debit; you can if you access pension liabilities. There is a piece around the customer expectations that has to be right in language.

We have to resolve the tension that came to light when the reforms were implemented between the safeguards that Parliament put in place to stop people taking decisions they felt would be unwise and the fact that customers deeply resent some of those safeguards and want to find a way around them. Those tensions have to be resolved and a decision has to be taken by policymakers to find a way forward. We have made a suggestion about how that could be done, but a resolution to that has to be sorted.

As part of that, we absolutely need to clarify what the advice requirements are. As it stands, providers are still not fully clear in what circumstances they have to insist that a customer gets advice. There is quite a bit that needs to be worked through there, in addition to the points that others will no doubt make about the availability of advice.

My final point: I suppose I ought to comment on the "shopping around" piece. We have heard quite a bit about shopping around. It is important to remember our own statistics demonstrate that over half of people who have accessed a drawdown did shop around and nearly half who are buying an annuity shopped around. These have been very longstanding issues with trying to get customers to shop around in this market, so it is not a new problem.

But we also have to respect that sometimes people do not choose to shop around. It is not because, in many cases, they have not engaged; it is because the value of difference between an annuity from Provider A and Provider B is not particularly great in an environment where interest rates are at rock bottom and they cannot be bothered with the hassle. I do think we have to be a bit more careful in our culture of respecting when people have gone through a considered decision and decided, as many of us do every day of the week, that we choose not to switch a provider rather than to do so. We need a bit more balance in this debate. Sometimes, if customers take a measured decision not to shop around, having engaged with the options, then we should respect that rather than decry them for it.

Q41 Chair: Thank you. Joanne?

Joanne Segars: Thank you very much. Perhaps I can talk about what we are doing and what more we would like to do, both on behalf of the asset managers who we represent but also the workplace pension schemes that we represent.

One of the things that we are currently doing is providing guidance services through our workplace pension scheme members to their members, like all-day guidance and retirement seminars. That is one of the new services that we are providing for our members as a result of their survey evidence to us and what we they are asking us to do on their behalf.

In policy terms, as I have said, one of the things that we feel is very important is the development of default so that trustees can start to effectively signpost. Now, that relies on a couple of things to happen. There is a debate to be had around some of the safeguards and some of the safe harbours that might exist for trustees in signposting. At the moment, that is one of the things that will put trustees off and that is something we are keen to have debates and discussions with Government and the FCA about.

It also relies on a product suite developing for that mass market, in particular a drawdown product suite. At the moment, there are quite significant barriers to developing those mass market products. These are not trivial products to develop; they are expensive products to develop. They are being developed, as somebody mentioned earlier, within a price-capped environment and we do not really have a good enough handle at the moment on what consumer demand might be. Again, we are engaged with Government, with regulators and with other parts of the industry to talk about how we can start to develop some of these products.

The other thing that I have said already is important is the development of some quality standards around these in-retirement products. Again, through our Pension Quality Mark Board we are currently looking to see whether it is possible to develop some quality standards, just as we have done for the accumulation stage, for decumulation and at-retirement products. That is something we are working on right now. We have some current practical initiatives under way, as well as some longer-term policy initiatives where we are in dialogue with Government and the regulators.

Q42 Chair: Thank you. Chris, do you have anything to add to respond to Richard's challenge?

Chris Hannant: Yes. First, just to maybe cast a slightly sour note, I think everyone is saying things have gone reasonably well or okay, things have not fallen over and so on. The biggest concern of most of my members is that they see a large population out there who take their money and spend it—that was always going to happen on a five or 10-year time horizon, rather than a five or 10-month time horizon—and that there might be problems further down the track. That is the big unknown, people running out.

Q43 Richard Graham: But, Chris, is that really happening? We heard from the CAB and TPAS that that is not happening.

Chris Hannant: What I am saying is we will not know until five or 10 years down the track.

Richard Graham: Is that what your members are seeing?

Chris Hannant: No, because most of the clients that my members look after have plans in place and they have a balanced strategy for navigating their requirement, and, not to put too fine a point on it, most of them have more substantial assets than the average so are more worried about planning for inheritance tax and that sort of thing, rather than just providing a basic income through their retirement.

To answer your question, "What can financial advisers do?", there is more that we as a profession could do to develop lower-cost offerings. There are a number of firms out there that are looking at developing services based on using a higher number of graduates and a higher number of paraplanners and having things telephone-based. The traditional financial advice model of seeing someone face-to-face, providing bespoke financial advice, is a costly service. It is the Savile Row of tailoring, where what we need is a Marks & Spencer type of offering. There are some firms that are developing that and that will take some time.

It is important to say, though, that one of the fundamental cost drivers for any sizeable firm trying to provide financial advice under the regulations required to be meeting a bespoke standard is the liability that attaches for getting it wrong. The number one thing in the uppermost minds of the people managing the larger firms who would be able to deliver a broader-based, lower-cost service is the liability, and that comes down to questions around the FSCS levies, the FOS, the lack of a longstop and so on. Now, these are questions that are being looked at. We are having discussions with the FCA, and obviously the Treasury has launched its financial advice market review about why there is no low-cost, mass-market solution. From my perspective, the number one thing it comes down to is the liability that attaches to advice.

Sorry, one other point because I think Huw and Tom have touched on it, the distinction between "guidance" and "advice". I very much agree with you, we have a system that still regulates on the sale of a product. It is designed and geared up to regulate the sale of a product, whereas what people want here and what a lot of advisers are doing is trying to provide advice as a service. The regulatory system does not quite fit that in all cases and maybe that is something that Treasury and the FCA will look at in the context of that review.

We do have a problem with distinctions between guidance and advice but also between different types of advice. Some of my members have had problems, for example—this is going slightly off-topic—where they set up a SIPP and investments have been made by the clients subsequently without any recourse or consultation with the adviser and then they have been held responsible for it. That focused advice, as opposed to holistic, needs to be clear, too.

Chair: Thank you, Chris. Before Craig takes us back to your perspective on Pension Wise, Jeremy has another follow-up for you, Chris.

Q44 Jeremy Quin: Thank you, Chair. Chris, this is directly to you and, again, developing this theme. You talked about advice versus guidance and it was a useful elaboration. Specifically, we want as many people as possible to have the Savile Row option—your words, not mine. You said the biggest problem is the liability that attaches to the advice. What are your thoughts as to how we can ensure that advice can be made more generally available to a larger number of people who do not have the large pension pot that you referred to a lot of your members advising in respect of?

Chris Hannant: For me, some of the issues are, for example, there is no time limit in which a complaint can be brought to the Ombudsman. We have a campaign for a longstop that we have pushed for for a number of years. If there is a tort claim in civil courts, the statute of limitations kicks in after 15 years. At the moment, there is absolutely no time limit under which a complaint can be brought to the FOS, so that is a long-tail liability. With regard to the FSCS levies and compensation, the FSCS is fine, but the way of funding the FSCS needs a fundamental, hard look at.

Q45 Jeremy Quin: Could we have safe harbours for various identikit bits of advice, not tailor-made but a more simple solution that can be more generally applied to pensioners?

Chris Hannant: It should be possible. I certainly think that, say, compensation at the FSCS should not be offered universally on every product but should have a more narrow focus on certain products that are safer—i.e. not unregulated collective investment schemes, which the FCA says should not be sold to retail clients anyway.

Yes, you should be able to have a focused piece of advice that is answering a specific question and that would support more transactional advice—so if people wanted to come in for just one piece of advice—whereas the current model is really geared up to having a long-term relationship with someone. That is where I come to the SIPP thing: part of the problem around liability is where advisers have been held accountable by the Ombudsman for things that happened before the SIPP was set up or afterwards that had nothing to do with them. We need to keep that focused bit protected from wider liability.

Jeremy Quin: Thank you. Thank you, Chair.

Q46 Chair: Tom, did you want to briefly come in?

Tom McPhail: Just quickly. Hargreaves Lansdown does provide advisory services as well. I absolutely endorse the liability issue, and also the bureaucracy. There is an interesting analogy here with someone contemplating buying a house. They want to be able to just buy a survey, engage a professional—"Give me some good information. I will choose whether or not to act on it." Our own experience is most people are quite happy taking responsibility for what they do, but they need to be well-informed. They need to be able to buy that information and it needs to be relevant information and the regulatory system does not currently accommodate that.

Q47 Craig Williams: If I could take you back to Pension Wise. I have two questions, but I think the first one will be answered quite easily; or quickly, perhaps, not easily. The take-up of face-to-face Pension Wise guidance has been lower than expected and—perhaps Huw, first of all—should we be concerned about that?

Huw Evans: I do not think we should get too hung up about which channel customers choose. It is far more important that customers engage with Pension Wise, get a good experience and that it informs a sensible decision. We live in a multi-channel world and for many people, particularly people in a younger cohort, operating online is as natural as operating face-to-face. I do not think we should try and impose a set of norms that do not necessarily correspond with customer preferences.

As you covered thoroughly and comprehensively in the earlier session, the importance really is to have more qualitative means of judging the outcomes. Some of those will be longitudinal—you are not going to be able to work out exactly the impact of the decisions for some people for many years—but some of them would come more around in-depth investigation of how Pension Wise service users found it.

Our sense as providers—and, as I said at the beginning, as providers who have worked hard to try to get Pension Wise set up in a way that worked and who have worked very hard to signpost to it—is that it is a high-quality service and it is being run well. That does not come as a surprise to us because TPAS has always had a very good reputation in terms of the advice it provides and CAB have clearly put a lot of effort into it. It is a start. However, if the focus of your inquiry is about, "How is this fit for the future?" and "What are the firm foundations on which to lay the second phase of the rollout of these reforms and ensure that the first few months do not turn into an unsatisfactory or weak set of outcomes in the longer term?" then looking at the central role of Pension Wise is definitely something we would support. We think there is scope for developing it further.

Q48 Craig Williams: Does anyone disagree with that?

Tom McPhail: Just to build on that, I absolutely agree, yes, we need to look to develop Pension Wise. We are always going to have to come back to the quality of the interaction individuals have with the pensions industry. Again, just using Hargreaves Lansdown's numbers, we had 43 million visits to our website in the first six months of the year and 13.5 million unique users. Now, that is just one organisation, with these organisations those numbers get multiplied many times. Pension Wise is never going to address the whole challenge, so a critical part of it is, can we ensure that people have good experiences and meet good minimum standards when they interact with the pensions industry? However good Pension Wise is, it is never going to get rid of that challenge so alongside Pension Wise, we need to be looking at good minimum standards from the industry.

Q49 Craig Williams: That leads nicely into my second question. It think it was your written evidence that said—and I think we have teased some of this out before—that consumers will tend to turn to their providers for support as the path of least resistance. Bearing that in mind, is there too much focus on the Pension Wise service?

Tom McPhail: Elsewhere, there is already work in train on the idea of a pensions passport. This is something James Coney at *The Daily Mail* has supported. It builds on work from people like Richard Thaler and *Shlomo Benartzi* on the behavioural economics that Huw touched on. We need to make the journey into retirement intuitive and simple for customers, and that makes means making shopping around the default. If we can get people to a place where, as a matter of course, they will take hold of that pension pot and go and see how best to apply it, part of that will involve them going to Pension Wise, but if they then come back to the industry, they will also get good outcomes from there.

Huw Evans: But we must not develop an unconscious bias that the idea that contacts between providers and their customers is somehow a bad thing. Of course it needs to be regulated and we would like as much regulatory certainty as possible, so that our providers know exactly where they can go and where they need to stop. That is in everyone's interest.

But if we look at this from a customer's point of view, if they have saved a pension with somebody for 25 or 30 years, there is a degree of trust between that provider and that customer, usually, and I can assure you those providers take very seriously their responsibility to that customer to help them and make sure they do not do either something in the short term—like a tax thing—that would be against their interests, or that they advise them or point them in a direction that is against their interests. If providers behaved in that way, that would be hugely detrimental to their commercial interests.

What the evidence is showing so far with the volume of calls that has gone into the industry—as well as to your website, Tom—is that customers want to talk, unsurprisingly, to the people who have looked after their money for 25 years and they have a role to play in that process. What we need is absolute clarity about how the regulation sits in that environment.

Sorry, Joanne.

Chair: Just briefly, if you could, because we need to make some progress.

Joanne Segars: I would certainly extend that to schemes as well. People are going back to their pension scheme because they have saved with that pension scheme and they do trust their pension scheme as their provider.

One point I would make, going back to your earlier question if I may, on the take-up of Pension Wise and face-to-face, is that certainly when we surveyed people at the very start of freedom of choice, when freedom of choice first came online, awareness of the service was low. Only 23% of people had heard of Pension Wise and understood what it was offering. There is a real issue to tackle in terms of levels of awareness and understanding of what the service is offering. Now, hopefully, with some experience under everyone's belt, those numbers will have improved, but I think there is a big job to do there.

It is good to see the Government adverts rolling out again. That hiatus during the election when it was not possible to advertise Pension Wise was not very helpful. Hopefully, now that has started again, people will have higher levels of awareness of both the face-to-face and the telephone channel.

Chair: Thank you. I will bring in Mhairi Black, who has a question to build on that.

Q50 Mhairi Black: Just one question. Should pension providers do more to encourage the use of Pension Wise in your opinion and, if so, how could we do that?

Joanne Segars: We certainly are encouraging our members to point their scheme members to Pension Wise. We have also changed the standards of our Pension Quality Mark, so that for any defined contribution scheme that wants to apply for and become accredited to the Pension Quality Mark, they have to point their scheme members to Pension Wise. We are certainly doing all that we can to encourage take-up of Pension Wise.

Chris Hannant: I feel that if it could be promoted more strongly and we could get better numbers through Pension Wise, it would be a positive, but I do also know that a lot of pension providers are providing a lot of good support to their clients that is filling some of that gap.

I just want to say something on the previous question about developing Pension Wise as well, though. Just a plea: we already have TPAS; we already have MAS; we do not want competing quasi-public sector bodies doing the same thing. If there is a role for something, then it needs to be a clear role. Let's not duplicate functions.

Huw Evans: From a provider perspective, we want to do everything we can to signpost people to Pension Wise. We do not see there being any competition or conflict whatsoever between the conversation that a provider would have with a customer and the service that

Pension Wise provides. Of course providers help pay for Pension Wise, so it is in their interests that customers use it and then the interaction they have with providers is more likely to better informed and a better outcome can be reached all around. I am not aware of any specific criticisms—and it has been quite a critical period for the industry from quite a lot of fronts—of providers for not signposting it. It is something they have all taken seriously.

Our frustration, actually—back in February, I alluded to the fact and I made some criticisms there—was that not enough had been done at the time to enable us to signpost more. We did not have a phone number for Pension Wise in February, for example, and we could see that it was going to be launched so late that it was going to hit the advertising restrictions because of the election. Some of our concerns have been around the fact it was proving more difficult to raise customer awareness of Pension Wise, and I hope that is something that will continue to grow over the coming months and years.

Tom McPhail: Yes. Final point: our experience is that awareness of Pension Wise and the incidence of customers coming to us who have talked to Pension Wise is improving. Given the challenges it faced at the outset, it is probably too early to judge those questions of, are enough people going to Pension Wise? It is gathering momentum and I think that will continue. Generally, the industry is doing a pretty good job at signposting it.

Q51 Chair: Could I ask you about the decumulation one-off service that Pension Wise provides? Is that synced up with the inherent flexibility and pattern of income in the way people retire? There is a lot of variability. Does that not need to be improved? Should there not be ongoing advice throughout retirement after the initial decisions are made?

Tom McPhail: There is a big challenge there, 15 years before the point at which you tap into your pension pot because of your investment strategy and your de-risking strategy, and the next 30 years after you have tapped into your pension pot. This is why I believe that in the long term, the only solution that will really work is to improve standards of engagement, customer understanding and financial capability. You cannot get around that. It will always come back to that. People need good information and support around that. Pension Wise, we could pour huge resources into it—it could expand—but we also need to look to the pensions industry and the resources available in the pensions industry to raise the standards there in parallel with what we do with Pension Wise.

Chair: Thank you, Tom. Joanne, then Chris.

Joanne Segars: Of course, Pension Wise will not be, for most people, the first interaction they have about pensions. People certainly, say, in many of my members' pension schemes, will have had lots of information about pensions as they have built up their pension pot. If I look back over my long career in pensions, one of the things that has been improving has been the communication that schemes have had with their scheme members. My members are putting a huge amount of effort—and were doing so right up until freedom of choice changes came in—to improve and huge investment into how they communicate with their scheme members on a whole range of retirement issues.

Chair: Thank you, Joanne. Chris, do you want to come in?

Chris Hannant: The language you used was quite telling because it highlights what Pension Wise is not. It is not there to provide a solution; it is there to provide a few things that you want to think about and to signpost the obvious pitfalls. Now, that communication is going to be broadly the same if you have the conversation at 55, at 60 and at 70, and you still will not have made a decision because they are still going to be talking to you about the tax, the risks about this, and that annuities will provide a secure—whatever.

If you want an actual solution then you do need advice because that is someone telling you what to do. You used the word "advice" rather than "guidance", which I thought was telling. It highlights the limits with Pension Wise and guidance and information; it does not give people an answer to the difficult question about what to do. There, the expansion of the advice solution is the only real thing that can help people and tell them what to do.

Chair: Okay. Before Richard asks the last question, Jeremy is going to ask the Australian question.

Q52 Jeremy Quin: Yes. We covered it in the earlier panel but in terms of the move towards default options, is this something that we should be encouraging? Huw, you have been talking about behavioural science. To all of you, really: is there something we should be putting in place? Should there be Government-sponsored options that people will fall into if all else fails or is it inimical to pension freedom?

Huw Evans: No, it is the right question to be asking. We did a report earlier in the year, *Retirement 2050*, which we will send in. The title came from saying, "If people are retiring in 2050, are they all going to be in default-type situations? What can we learn from Australia and what has happened in other countries, so that we are not just thinking about what is happening to the people who are taking decisions now; we are thinking about many of your constituents who will be in their 30s and 40s? How is this going to work out for them? What are they going to need?" Australia offers interesting examples, but, as ever with these things, there has to be a degree of caution about any one country's experience. I think Chris touched on some of the differences with Australia.

I would also say there is no such thing as a pure default. Well, the only pure default is that people do not touch their money at all and they die and they still have not touched it. Defaults—things that people refer to as "default"—usually involve a decision by the customer at some stage, even if it is the decision that they are going to go into a default. We have to be clear that there is no such thing as a decision around default that customers do not have to engage in.

In Australia, of course, what they are doing is basically having a bit of a mix of everything. They have a mix of DC; they have a mix of longevity insurance; and they have some flexibility, so customers there feel that they are not being excluded from any of the advantages. We will see how that works. That may or may not work here but I certainly think it is the right sort of question to be asking because, for many people, I think they will find, for the reasons we have discussed—however good the regulatory environment is, however good advice provision—there will still be people who find the decisions too scary or too difficult, or who just do not feel able to make a decision at this point and want the opportunity to defer until they feel better able. For some of them, that may never come.

Joanne Segars: That is why we see the development of defaults from pension schemes to particular products or solutions as being a very important part of the next phase of development of freedom of choice. Stage 1 was getting it up and running, getting it fit for purpose for April. Stage 2 is, "How do we help people with these guided choices? How do we help trustees help their scheme members make those guided choices?"

Tom McPhail: Defaults are generally the least worst option for the most number of people, but they are rarely the best answer for any one individual person. People's needs around the retirement process are pretty individual, pretty idiosyncratic, and I think you will always struggle to get away from the fact that some people, as Huw said, will have to engage to a degree. They are going to need some annuity, some drawdown or some cash at different times and in different ways. Building a default for that is challenging.

Chris Hannant: My observation is that we had a default. It was annuitisation. We have moved away from that.

Chair: Thank you. Richard, do you want to say anything before we finish it up?

Q53 Richard Graham: Thank you, Chair. We have covered a huge amount of ground. The Treasury and the FCA are doing this financial advice market review. The Government has a separate analysis of the statutory arrangements for the free financial guidance coming up in the autumn. I think what we are hearing from all four of you is that you have different views on the attractions of the default position in the decumulation stage, but you are not really looking for the Government to do anything hugely different to what it is doing at the moment, other than collecting data effectively and looking at ways of doing more advice outside the formal guidance. Is that correct? Are there any last words that any of you would like to leave us with?

Huw Evans: There are certainly some things we would like the Government to do to make sure that the intentions of freedom of choice are fully delivered and work for all customers, not the majority, which is the position we are in at the moment. For the minority of customers whose complaints fill the pages of many of the newspapers over the summer, we—either Parliament, the FCA, Ministers or a combination of all of them—need to resolve the tension. What happens for a customer who has a safeguarded benefit, who does not want to take advice or cannot access advice, but who wants access to their money? We do not have the answer to that question yet and it has to be resolved if we are going to find a way—

Q54 Richard Graham: Why can they not access advice?

Huw Evans: In some cases, they are finding it difficult, for the reasons that Chris outlined, to find advisers who are prepared to take on the liability of advising somebody for a course of action that they then choose not to follow. If you have safeguarded benefits from a pension scheme, it is highly likely that it is not in your best interests to cash those in, as most advisers in most circumstances will advise a client. If a client then goes ahead and insists on cashing them in, the problem that we saw over the summer was that many advisers were saying, "I do not want to advise somebody on that basis. It is not in their best interests and I am concerned," as Chris highlighted, "about the long-term liability."

Richard Graham: You will be feeding that into the FCA?

Huw Evans: We already have with the action plan that we published.

Q55 Richard Graham: Are there any other comments?

Chris Hannant: Sorry, just to build on that a little bit. If there is no safe harbour around advisers giving advice that is negative on safeguarded benefits and if it can come back to haunt them—I think there should be if they are saying, "Do not do it," and then they facilitate it—they will continue to refuse to provide that service. It is not the most attractive service.

Richard Graham: You would be feeding that—

Huw Evans: Just to add to my other point, which is greater clarity is needed on the other circumstances in which advice is required because providers are still not fully clear about all the circumstances in which they have to either insist that a customer takes advice or does not, for example, around some of the situations where money is transferred between different pension pots or out of a pension pot. There is still ambiguity and a lack of clarity around exactly the circumstances in which a provider has to insist on advice or not and we have asked for greater clarity on that. That is important for that minority of customers if they want to access these freedoms as the Government and Parliament intended.

Q56 Richard Graham: Joanne, is that the same for your providers?

Joanne Segars: Those issues around advice for those particular products are less of a concern for our members. However, it is about how we then make sure that freedom of choice can work for all savers and for those with all sizes of pension pots. That points to some of the issues that I was talking about around the development of defaults and around the development of quality standards. Much of that sits in our own hands and that is something that we need to take up.

Richard Graham: Tom.

Tom McPhail: In the longer term, there has to be a relentless focus on good customer engagement. This is people's money and we have to help them to use it. We have made a really good start, but there is a lot more work to be done there.

Chair: Thank you very much indeed. Thanks for your evidence. Thanks for sitting before as well and being with us all afternoon. I really appreciate it. We may, as I said at the end of the first panel, come back to you with some points of clarification, but I know you have all given written evidence as well. Thank you very much.