HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Pension freedom and choice, HC 404

Wednesday 15 November 2017

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Watch the meeting

Members present: Frank Field (Chair); Heidi Allen; Andrew Bowie; Jack Brereton; Alex Burghart; Neil Coyle; Emma Dent Coad; Ruth George; Chris Green; Steve McCabe; Chris Stephens.

Questions 69 - 177

Witnesses

I: Nicola Parish, Executive Director of Frontline Regulation, The Pensions Regulator and Christopher Woolard, Director of Strategy and Competition, Financial Conduct Authority.

II: Stephen Barclay MP, Economic Secretary to the Treasury, Guy Opperman MP, Parliamentary Under Secretary of State for Pensions and Financial Inclusion, Department for Work and Pensions, and Charlotte Clark, Director, Private Pensions and Arm's Length Bodies, Department for Work and Pensions.

Written evidence from witnesses:

– The Pensions Regulator
- Financial Conduct Authority
- Department for Work and Pensions

Examination of witnesses

Nicola Parish, Executive Director of Frontline Regulation, The Pensions Regulator and Christopher Woolard, Director of Strategy and Competition, Financial Conduct Authority.

Chair: Welcome to our Committee hearing. Thank you very much for coming. Will you identify yourself for the record, Christopher? We will then ask Nicola to do the same before going over to our first question from Emma.

Christopher Woolard: Thank you very much, Chair. I am Christopher Woolard. I am director of strategy and competition at the Financial Conduct Authority.

Nicola Parish: Good morning. I am Nicola Parish. I am executive director of frontline regulation at the Pensions Regulator.

Q69 **Emma Dent Coad:** This is a question for Nicola. Would you say that Project Bloom has been a failure in tackling online scams of all kinds?

Nicola Parish: Project Bloom is a multi-agency group set up to protect and disrupt pension scams, and to help people to spot and avoid them. It has had a number of successes over recent years. One I would pull out is working with HMRC to tighten up the requirements for the registration of pension schemes. As a result of that, there was a 74% drop in applications for registering new pension schemes. Just by way of context, the reason that is important is that at that time the way pension scams were being run was that sham pension scams were being used, so preventing the registration of pension scams was important.

A second success has been recently working with industry through the Pensions Liberation Industry Group, working on a voluntary code of conduct to help trustees and providers, when they are in receipt of a request for a transfer for a scam, to help them spot a scam and to help them point that potential out to the person who wants to transfer their money, again helping people avoid and prevent being scammed.

We have also recently had some success influencing Government. I particularly would note the ban on cold calling, which is something that we really welcome and would like to see come in as soon as possible.

Then of course there is the scorpion campaign, where we have worked with our Bloom partners to raise awareness of trustees, administrators and of members about how to spot a scam. There are five steps as to how to spot a scam and that has been successful as well.

I would say they were the successes. There is some enforcement work as well, particularly the SFO, where they have imprisoned a number of people, one of them for 13 years and a confiscation order of £1.34

million. We have been working with the City of London Police. We were involved in some raids on a call centre. That investigation carries on, but we have prohibited seven trustees in the course of that case.

Of course, looking forward, we are working with Project Bloom partners, and particularly the FSA, on our single comms campaign, trying to bring all of the messages around scams into one strong, coherent place, so that we can get out a very strong prevention message to both trustees and of course consumers.

Q70 **Emma Dent Coad:** To follow up on that, why do you think the Pensions Regulator should lead on Project Bloom when most scams relate to contract-based pensions regulated by the FCA? The calculation on how much has been lost by the various scams varies hugely, so have we come to grips with this?

Nicola Parish: I would say the group is a group of different agencies, but who leads it is a co-ordination and facilitation role. All of the parties around the table in Project Bloom have an interest in preventing scams, so there is no real magic in who is leading Project Bloom.

One of the objectives of Project Bloom is to try to get this single figure on pension scams, which is hugely challenging. There are lots of agencies around the table. All have an interest in pension scams and all get pension scams reported into them. They get reports in lots of different formats, so differently categorised, covering different periods of time. Trying to bring all of that together so that we can compare apples and apples and get an idea of the scale of the issue is really challenging, but we recognise it is something that would be a good thing to do, really helpful to do.

Q71 **Andrew Bowie:** Coming back to something you talked about, the voluntary code of conduct, I just wondered how successful that had been and what the take-up had been in terms of a voluntary code of conduct.

Nicola Parish: Successful in the sense that it is there. It is a voluntary code, so I cannot give you any numbers around take-up, but it is certainly something that is there and available for trustees and administrators to refer to, particularly helping them around due diligence, for example, and the due diligence that they should carry out in order to understand the nature of the scheme that the individuals are requesting their transfer be put into.

Q72 **Andrew Bowie:** It is not a case of people signing up to a code of conduct?

Nicola Parish: No, exactly that, but it is widely circulated.

Q73 **Andrew Bowie:** It is to be referred to by people?

Nicola Parish: To be referred to, exactly.

Q74 **Chair:** Nicola, before we go on, when you refer matters to the City of

London Police, I am one of these poor old things who have a long memory. I suppose it was about 20 years ago, a charity that I chaired, somebody stole our chequebook and presented cheques for £1.2 million, which would have finished us off, and the City of London Police said, "For goodness sake, we don't bother ourselves with those sorts of sums". That was, what, 20 years ago. Do they have a threshold now before they start to take a scam seriously—like I found—or do they act more like a police force now?

Nicola Parish: There is not a cut-off point at which the City of London Police will not be interested. It all depends on a number of factors that might pique their interest; possibly it is the modus operandi that would be of particular interest to them. I cannot say to you that there is a cut-off point. I know what you are referring to, but I cannot say there is a cut-off point at which below that they are not going to be interested.

Q75 **Chair:** I am not sure what that answer means. I am not trying to be difficult on this, but are you saying that they are masterminding and looking, like you are, for patterns of fraud of which they then might take action and even if the sum initially involved is small, they will still go after the criminal?

Nicola Parish: I am saying I do not think the size is the determinative factor. It will be one of the things that they take into account. As you say, it may be the individuals that are behind it that might also be a reason why they would pick up a case. I do not think the size of the scam would be the only factor they would take into account.

Q76 **Chair:** Did you tell us—and I hope I am not treading on anybody else's toes—how many prosecutions have resulted directly from your work?

Nicola Parish: From the work of Project Bloom?

Chair: Yes.

Nicola Parish: It is difficult to put a figure on that because there is everybody around the table who is supporting each other, so it is not possible to say, "That prosecution is directly as a result of Project Bloom" but what you can say is that Project Bloom partners will have worked together. For example, one of the investigations that was being carried out by one of the police forces, the Pensions Regulator provided a lot of technical input in order to help the police understand what had gone on and they then went on to investigate and consider whether to prosecute. I do not think you can put a definitive, "That was only as a result of Project Bloom" but Project Bloom is there providing that support to help those investigations.

Chair: We will come back to you on that.

Q77 **Alex Burghart:** How many prosecutions would you say you have been involved in in some way?

Nicola Parish: When you say "you" you mean Project Bloom overall?

Alex Burghart: Yes.

Nicola Parish: I cannot give you a precise figure. I could probably write to the Committee with a figure.

Chair: If you could do that. We will get the global figure off you as well, if we may.

Q78 **Chris Stephens:** My question is for Christopher. We have spent a lot of time in the Committee considering this issue, and the theme that keeps coming up is guidance, access to guidance and when people get that guidance. Isn't it time to introduce guidance appointments by default prior to individuals accessing savings?

Christopher Woolard: Yes. As the Committee will probably be aware, in the House of Lords there was an amendment made to the Financial Guidance and Claims Bill, which was passed by the Lords, which would effectively introduce some degree of compulsion around the giving of guidance sessions. From our perspective as a regulator, obviously we follow those kinds of developments very, very closely. If that amendment stays as part of the Bill or some version of that amendment stays part of the Bill when it becomes an Act, then we would obviously have to introduce rules to give effect to that. Given that it is a live political issue, I do not think I can give you an absolutely straight answer to the question that says, "Is it time to introduce it?" in the sense that it is there at the moment in a live Bill.

I suppose there are a couple of things I would say though. First, our current rules require providers to draw attention to Pension Wise and to the availability of guidance. We have reviewed that and we think that is working reasonably well at the moment in terms of that prompt is being given well by firms. There is clearly then a significant difference between the actual take-up and the use of that kind of guidance that is available there at the moment. As I said, we will monitor the Bill closely. If it does become law, then clearly it will be down to us to introduce rules that give effect to that.

Q79 **Chris Stephens:** Is there not an issue of ensuring that people get continuous guidance, because it will depend when they retire? If someone is accessing savings in their 50s, by the time they get to their 70s they are in a different position and situation.

Christopher Woolard: Yes. There is a wider separate question. First of all, when do people start to get the first approach about the fact that retirement is coming? One of the things that we have explored through some of the work we have done is the fact that 55 may be too late, effectively, for that first wake-up pack from your pension provider. We think it is probably more effective for that to happen around 50. At the moment we are working through the process of is there a good way we could change our requirements on firms around that question?

There is then a second question, which is as people have a more potentially complex retirement journey, if they are in a drawdown product and they are going through into their 70s, their needs may change. Is it possible at that point to get further access to guidance rather than it being a one-off moment? It is well worth thinking through the implications of that.

Q80 **Andrew Bowie:** In a way related to that last question, most people—I think the vast majority of people—are not in any way engaged with their pension decisions. In fact, for most people it could not be further from their minds most of the time. The FCA are proposing to introduce a default investment pathway. I wondered what problems you thought this might resolve and why you think pension providers are offering this as a matter of course just now.

Christopher Woolard: To perhaps start with the last part of that, at the moment, in order to move someone into a pension vehicle, you need a positive decision from the customer. Given that our rules do not really create the idea of a default at the moment, I am not surprised that pension providers are not offering that, in the sense that the system does not facilitate that happening.

In our work around the Retirement Outcomes Review, what we have seen is a low level of engagement by people with pensions on the whole. Of those who are auto-enrolled, 99% go into the default and use the default in the accumulation values. In the decumulation phase, we know one of the biggest points of engagement is the 25% tax-free cash sum. Consumers will engage with that quite actively, but then what they will not do is actively engage with what happens with the other 75%. We have set out a number of possible options, which at the moment we are working through and will come to a final view on next year, which say, "Are there ways in which you could end up with a potential default that at least takes care of the non-engagement with the 75% of value that consumers have and places them in what should be a sensible vehicle for most people?" It will not obviously deal with all people, but at least it could be a sensible default option for most people.

The other question we have—and we have put it on the table, but we have not reached a final view on yet—is much of what motivates people coming out of their existing savings vehicle is getting that 25% tax-free cash. Are there options around people remaining in that same investment vehicle, particularly if, for example, they are 55 and they still plan to work to maybe 65 or 70, rather than being forced into a position where they have to leave that in order to claim that tax-free cash? That is obviously a matter for the Government rather than us.

Q81 **Andrew Bowie:** Do you think more people are getting involved in their pension decisions now as a result of all these things that are going on?

Christopher Woolard: There is some greater degree of involvement and engagement. If we look at other countries where very considerable pots have built up over time—if we look at the Australian model, for example—if you fast forward 15-plus years when people are going to have significant pots of money at stake, we can see a pattern of the more money that is there, the more engagement you would get, which is pretty obvious. At the moment we are in a situation where often there are quite small sums in those pots, so we should not perhaps be surprised that people are engaging with that question less.

Q82 **Chair:** The idea of encouraging pension savings was to ensure that people would not be on welfare when they retire. Even small pots, Christopher, take you above eligibility levels. Do you not see a problem for Governments in the future that one is just stoking up public expenditure because we have encouraged people by bribing them with tax concessions, they then blow it—the previous Pensions Minister told them to blow it if they wanted to—and that we then pick up the bill again?

Christopher Woolard: The heart of that question is probably for Government Ministers to answer.

Q83 **Chair:** They are sitting there, so I am warming them up. Is that all right?

Christopher Woolard: That is always lovely to know. The thing I would say is that if we look at what has happened in practice in terms of the evidence we have of how people have responded to the reforms, of those who have chosen to fully encash a pot, 94% have a principal source of pension income other than the pot they have encashed. Undoubtedly we can find examples of people blowing it, but on the whole the pattern we are seeing from most people in response to this is they are tending to cash in secondary or even tertiary pots and they have a main income vehicle elsewhere. Even those that do encash, the majority then take that money and invest it elsewhere rather than spending it, so it is a complex picture in terms of what is emerging there.

Q84 **Chair:** It is just that if you are giving advice, one of the bits of advice is, "Do not worry about all of this because the safety net will pick you up". Presumably you do not give them that advice. It is coming back to, first, what the limitations of advice are when you are thinking about public finances; and secondly, what lessons we draw from this before we extend these pension freedoms—which they clearly are—to greater numbers of people. I have always proposed this, but I have always said you cannot do it unless you have a capital sum, which makes sure you are not going to come back on welfare. Is there a danger there, Christopher, of these pension freedoms so expanding that we will get a big public expenditure consequence from it?

Christopher Woolard: Again, I think that is a question for the Minister to answer—

Chair: Yes, I know. I am giving him notice.

Christopher Woolard: —which I think you are giving him notice of. The only observation I would make is at the moment we have a situation where between a quarter and a third of those who are retiring are reliant on the state pension as their only source of income anyway.

Q85 **Chair:** I am trying to get from you, Christopher, what is the limitation of advice in this area?

Christopher Woolard: Yes. The limitation of advice clearly is ultimately someone who seeks financial advice will usually be planning around how do they secure an income for their future retirement? What I do not think an adviser can ever do is manage an insistent client who literally says, "I want to draw all the cash now. I do not care about the tax hit I take now and I have some reason why I want to spend the lot in one go". But I suspect those cases are very, very rare.

Chair: I hope so.

Q86 **Steve McCabe:** My question is for Mr Woolard as well. I wanted to ask you, it appears that the DB transfer request is surging in a way that was not originally envisaged and the evidence seems to be that a lot of these people get very poor or inadequate advice, if they get any advice at all. I wonder what you are doing about that particular impact.

Christopher Woolard: Yes, thank you. This operates for us on two levels: what we are doing around our policy and our rules and then also what we do around our day-to-day supervision of the industry. In terms of the policy piece, we have had to slightly amend our own rules to reflect the Government's reforms and we are consulting on the final changes to those at the moment. Nevertheless, it is our view and our default starting point that for many people keeping the safeguarded benefits of an income for life will be in their best interests. When advisers approach this question, they have to approach it from that particular angle.

In terms of supervision, we have looked quite closely at the firms who are most active in this space. There are about 13 advisory firms that account for the majority of the activity that is occurring here. Of those, when we reviewed their files, we found that 47% of advice that was given was appropriate, 36% of that advice was unclear in the sense that there was something possibly missing from the file that we would have expected to see, then 17% of that advice was inappropriate for the client. On 3 October we published a supervisory alert around this, which goes out to all the firms we regulate, setting out what we found. In terms of the major firms that we were looking at as a result of our work, four out of the 13 have decided to give us a voluntary undertaking not to advise on the defined benefit transfers for now.

One of the key failings that we found here is a failure to take into account—if you are taking the money out and you are transferring it to an alternative form of investment—the charges and costs that the consumer would face of being in that investment. This is an area where we are going to keep returning to the market around this one. We are going to continue to follow the firms very, very closely in terms of what practice is happening here.

Q87 **Steve McCabe:** I saw in your written evidence you said that only 20% of people generally were availing themselves of any guidance in the process. That seems an incredibly low figure to me. Do you think a commitment to review it is enough or do you think you should be a bit more proactive? I am not trying to be unkind, but you sound a tad complacent about it, if that is all that is happening at the moment.

Christopher Woolard: I think that blends together two things. There is the issue around defined benefit transfers that we have just been talking about.

Steve McCabe: Yes, I accept that.

Christopher Woolard: Then there is the wider question about those who choose to encash pots of money around the wider pensions freedoms that are there. In terms of that wider group of people who are choosing to take advice or not, there is clearly a very large number of people who choose to encash a pension pot without taking advice or guidance. In many cases we can see from the numbers that that is often dealing with quite a small pot of money, relatively, and for 94% of people it is absolutely not their principal source of pension. I do not think it is a leap of imagination to say that for a lot of those people it will probably be perhaps an employer they worked for for very short period of time or a pension they paid into for a short period of time, and there is a decision that says, "We will just take that as cash now rather than it being the principal pension I rely on". In those circumstances, one might understand that those individuals do not take guidance.

What is more of a concern—from our point of view and pointed up in our work around retirement outcomes—is that where people are choosing to take their principal pension and they are moving into a drawdown scheme, those that do not take guidance tend to default simply to the person they have saved with. That may mean they are not frankly getting the best value for money they can for their retirement, their outcomes.

Q88 **Jack Brereton:** I want to ask about the Pensions Dashboard and this is particularly to Nicola. What action are you taking specifically to address the problems of inaccurate and incomplete data?

Nicola Parish: I guess the first thing to say is that we expect trustees to have all of their data up-to-date now and accurate data. That is the expectation, in any event. We have been working with trustees for some considerable time to support them in terms of being able to get their data up to the quality that we expect. We have certainly seen some improvement there over recent years, although most recently our information shows that the improvement has plateaued a bit. We have about 66% of members in schemes that score 95% or more on their data quality.

We have some very detailed guidance for trustees, but recently, in recognition of the fact that more improvement is needed, more needs to be done. The fact we have Pensions Dashboard coming along, two things: first of all, quick guides that have been published this year that are very straightforward, simple, holding the trustee's hand through what they need to do to get their quality up to the expected standard. That is the first thing. Secondly, from 2018 there is a new requirement in our scheme return for all schemes, for trustees to send back to us a measure of their data quality. That is both about whether they have all of information we expect them to have and whether that information, that data, is accurate.

What we plan to do with that is to divide up the landscape and work out where to target our efforts, to target particular sectors, for example, or even particular pension schemes who are struggling to get their data up to the right quality. In the end though we are also prepared—in line with TPR's move to be clearer, quicker and tougher—to take enforcement action where we need to, where we find that trustees simply cannot or will not get their data up to the right quality.

Q89 **Jack Brereton:** When you say some form of compulsion is necessary, what do you mean by that? Do you think that it should be industry who is taking this role or Government? What sort of compulsion do you mean is necessary to bring forward the dashboard?

Nicola Parish: We expect that it might be necessary to mandate that pension schemes have to provide the information to the dashboard, to be collated in the dashboard. There is a feasibility study on foot at the moment and that is one of the things that a feasibility study will look at. We will await the outcome of that. We will look at the pros and cons both ways.

Q90 **Jack Brereton:** Do you think it would be an advantage to have a single or a multiple system or what are your views on that?

Nicola Parish: These are all big questions about what will make the dashboard successful or not. Certainly we welcome the dashboard, but we also welcome the feasibility study, because there are some big challenges and some big questions that will need to be looked at and analysed in some detail in order to work out how to make it as successful as possible.

Q91 **Jack Brereton:** I think you are skirting around that. You have not really answered whether you feel that single or multiple systems would be—

Nicola Parish: That is because I do not want to pre-empt the outcome of the feasibility study, where all of the analysis will be done on the pros and cons.

Q92 **Andrew Bowie:** Just very quickly, when do you expect the results of the feasibility study to be available?

Nicola Parish: I do not think we have had an announcement quite yet on whether that will happen, or at least I do not know about it if there has been one, sorry.

Q93 **Andrew Bowie:** Someone behind you might know.

Nicola Parish: Yes, possibly.

Chair: But will they tell us?

Q94 **Chris Green:** To Mr Woolard, what evidence is there to show that the industry is getting better at helping people get the right pension product for them?

Christopher Woolard: There is some evidence on the positive side of the scales, which is that if we look at the initial industry approach to pension freedoms—and we have said this on the record a number of times now—I think they did a pretty good job of responding to the challenge of giving people their options and setting them out reasonably clearly.

When we look at what people are doing in practice in terms of retirement outcomes, we observe the outcomes that the public get to, as I said, 94% of those who are encashing at the moment are doing so with other principal vehicles still with them for their pensions. In general, we can also see on the plus side there is some appropriate signposting of things like Pension Wise.

Q95 **Chris Green:** Isn't it true to say that at the moment there are significant levels of criticism for poor value of money and it is also very difficult to compare products? If you cannot compare a product, how can you know you have good value for money?

Christopher Woolard: I was going to come on to that point. There are, however, a number of things we have highlighted in terms of the work we have done around retirement outcomes. First, it is around when you receive a wake-up pack, how should that be presented to you as a member of the public? Should you be able to see that there are other offers out there in the market that might give you a better set of value for money in terms of what your pension pot can buy you? We are introducing rules to make sure that firms do that.

The second piece is we have said already within our work that now the market has had a chance to adjust and react to the overall reforms, we are not seeing an enormous amount of innovation in drawdown products. That is something where we would probably expect to see more innovation over time from firms, so different offers coming forward that match the needs that a mass market set of consumers might have.

Then there are a number of questions here about how do you think about value for money over the lifetime of pensions and along the whole value chain? One of the major pieces of work we have finally published this year is around the study that we have done on asset management, so in the accumulation phase how do people get good value for money all the way up and down the level of their investments?

Q96 **Chris Green:** Isn't one man's innovation another man's complexity or difficulty or hurdle to really understand the product? Don't people often take the line of least resistance, if there is a huge amount of innovation—and therefore a huge amount of complexity in the system—and hasn't a non-advised drawdown increased from 5%, as it was initially, to about 30% of the market?

Christopher Woolard: Yes.

Q97 **Chris Green:** That shows that people are taking that line of least resistance and therefore are not getting the advice they need.

Christopher Woolard: Yes. One of the conclusions of our interim report on retirement outcomes was that the line of least resistance is often chosen. That is absolutely true. The point I would make though—and we have found this in many, many other sectors of financial services—is that innovation does not have to equal complexity. Indeed, innovation is often about trying to make life easier for the consumer and easier to understand and it is those kinds of innovations we are looking for. People just building on extra layers of complexity, confusion, whatever it might be, is not what our innovation work has been about. It is about encouraging clearer, simpler outcomes, even if what is having to be done technically under the surface is often quite complex.

Q98 **Chris Green:** It has taken a period of time for the market to generate the new products that people need. Should there be more Government intervention in this? If we take the Government's perspective on the energy market, where someone has an annual energy bill and if they make a bad decision one year, the next year they can fix it. If they make a bad decision on their pensions, that has problems for the rest of your life and there is no redress on that, there is no comeback on that. Shouldn't the Government be far more activist in setting the standards for the market?

Christopher Woolard: In terms of the standards that we have there at the moment, certainly post the pension freedoms that have been introduced, the reality is we have pretty high standards that we expect of firms in terms of however they are dealing with consumers. There are certain decisions that clearly people make, particularly a decision to take an annuity or a lifetime drawdown product. Clearly that does have the kind of consequences you have just described. Other routes do have a bit more flexibility now than existed in the past in terms of being able to correct if you find that you are in the wrong vehicle for you as a consumer.

A lot of this really pivots around what is the standard advice, what is the standard guidance that people get when they are making their original choices. Anything we can do to prompt all of that is potentially valuable. Also, as we have said and we have set out, we think that the value in this space of potential default products, which will at least put people in something that is reasonably good for them if they do not engage with the choices they have, may be one of the most valuable things we can do to protect the most vulnerable consumers.

Q99 **Alex Burghart:** I am pleased to hear that you are in favour of a ban on cold calling. As we understand it, the vast majority of scams are perpetrated through cold calling. Do you think this is an issue that the Government should address with some urgency?

Nicola Parish: Certainly, as I said, we welcome the ban on cold calling and we are keen for any measures there to be introduced as soon as the legislative timetable allows. That is the issue at the moment. You probably know better than I do that time is limited.

Q100 **Alex Burghart:** You would like to see it happen as soon as possible?

Nicola Parish: Yes.

Q101 **Chair:** Christopher, if I were the Minister sitting there, which I am not, and I was pressed on this point, I would say, "You have just heard from Christopher these are very small sums of money. What are you all worrying about? The Government will, in its own good time, get around to a proper reform here". It is the exceptions, which probably are growing, that worry me. There are a number of big firms with occupational schemes under pressure because both the employers and work people are worried about the future of the firm. I imagine these workforces are being hit by cold calls to get them out of the scheme, giving them scare stories and then advising them where quite substantial sums of money might or might not be sensibly invested.

Therefore aren't your answers complacent when you keep stressing to us that in fact these are all small sums of money, people have other money, we do not have to worry very much? In fact, I think we might see a trend in the figures that suggests that there is also a deliberate operation going on against those funds, which are protecting a large amount of money for the future income and wellbeing of members present and past, which will be dismantled by these heinous people if they get their way.

Christopher Woolard: There are a few things to say to that. First, if you think there is a hint of complacency in my answers I would not want you to take away that impression. To give you a sense of the scale of activity, Nicola obviously spoke about Project Bloom and the kinds of things that are going on within that. That involves a number of agencies and a number of partners. For our part, when we look across scams as a whole—so this is not just pension scams, but this goes into wider investment scams involving other forms of looking at people's long-term savings and trying to defraud them—in the last year alone we have looked at inquiries involving 431 unauthorised firms and over 100 individuals linked to those firms. This is an issue we take incredibly seriously in terms of the potential threat to consumers and the detriment to consumers.

When we come on to the specific question, I think we have all seen the press reports about a number of very high-profile cases here—one in particular—of firms or individuals acting on behalf of firms approaching the employees of companies that have pension schemes that may or may not be under some kind of threat. We are very clear in terms of our expectations of how an adviser should act in those circumstances. Indeed, there are a number of firms in particular parts of the UK where we have ongoing visits to those firms to be very clear what we expect of those advisers.

Q102 **Chair:** Could I just put it more specifically, because I did not totally follow that answer, Christopher? Nicola, if I was a member of the pension scheme for steelworkers, I bet I am under a lot of pressure from outside forces about drawing my capital out. What worries me about your system in the City of London Police, as I told you, 20 years ago they did not think £1 million was worth their worry and I should stop wasting their time and I should just go away. I might not have £1 million in my scheme, but I might have near that sum of money. How many scams do you have to have targeted on one scheme before you gird up your loins and the police get hold of these people?

Nicola Parish: There isn't a quota that I could say to you.

Q103 **Chair:** Let me put it another way. You keep saying there is no quota. I am the first person that you come across who is in the British Steel Pension Scheme. I have a large amount of money at stake. I have had a cold call, I have had a very attractive offer and then my mate says, "Be cautious there" and we get it referred to you by some mysterious method. When do you start thinking, "God, this is a mega scheme. This might be the beginnings of a trend. We must act before it even reaches the tenth person"?

Nicola Parish: Your point there is about prevention, that prevention is really important. That is absolutely what we focus on. In relation to any pension scam, we are looking at prevention, to get to the point where it is turned into a mammoth problem. The trustees are the first line of defence there in relation to preventing and ensuring that both they can spot the scam and that the member can spot the scam. We have a scorpion campaign that sets it out, very easy to understand, "Here are five things to look for that could indicate a scam" and that is sent out if any member requests a transfer from their DB scheme.

Q104 **Chair:** Let me put it another way. Are you taking special care of schemes like the British Steel Pension Fund, because that is such a honeypot for these crooks?

Nicola Parish: Yes, in the sense that we are in close contact with the trustees and ensuring that they are making sure that all of the information is getting out to members, to help those members spot and avoid a scam, so yes, to that extent.

What I wanted to go on to say was there is lots of information that goes to the members to ensure that they are able to understand and make an informed decision about if they want to take their money out of a DB scheme. That is not just about the £1 million or just under. It is not just about the sum of money that is available, it is about the potential for all the other things that you lose when you take your money out of the DB, like a spouse's pension. All of these things need to be taken into account and pointed out to the members so that they are not blinded by that big number.

Q105 **Chair:** We have a proposal that hopefully we should not have cold calling coming from the Government a bit later on when we question them, or Alex does, but you rely on sending leaflets and stuff to pension trustees, who send leaflets out. Do we have any warm calling to members of a pension scheme that we know will be under attack by these people? We could name you half a dozen.

Nicola Parish: Sure. It works the other way around in the sense of members being encouraged either to go to Pension Wise, to contact TPAS, to look at the information that is provided, as we have discussed, through the leaflets and so on, to take advice from an FCA authorised adviser if the pot is more than £30,000. It works that way around in terms of encouraging and doing our utmost to ensure that members look at all that information. It is not just about a leaflet. There are many different mediums through which we are pushing the information out to members as well.

Q106 **Chair:** How do you know it is a genuine warm call? It is all fraught with difficulty.

Nicola Parish: Exactly, if we are talking about a ban on cold calling.

Christopher Woolard: Chairman, I might just add, because this might unpack my previous answer a little bit more for you, in terms of specifically thinking about British Steel and those kinds of questions, clearly if someone wants to access their DB scheme through a legitimate registered adviser—and that is the principal route by which people might wish to do that—one of the things we are doing is we have a programme ongoing of visiting advisers in the Swansea area and the Port Talbot area, reminding them of their requirements, basically.

Chair: That is great, thank you both very much. Grateful to you.

Examination of witnesses

Stephen Barclay MP, Economic Secretary to the Treasury, Guy Opperman MP, Parliamentary Under Secretary of State for Pensions and Financial Inclusion, Department for Work and Pensions, and Charlotte Clark, Director, Private Pensions and Arm's Length Bodies, Department for Work and Pensions.

Q107 **Chair:** Stephen, you have appeared before this Committee in another guise before, so for me it is welcome back. Could you introduce the team that is before us today or at least go down the line?

Stephen Barclay: Thank you, Chair, it is a pleasure to join you. We have the Minister for Pensions, Guy Opperman, and a senior official from the Department for Work and Pensions, Charlotte Clark, to assist the Committee today.

Q108 **Chair:** Charlotte, you have been in this role for some time, haven't you?

Charlotte Clark: Yes, I have been in my current role for about three and a half years. I am the Director of Private Pensions at DWP.

Chair: Thank you very much. Andrew.

Q109 **Andrew Bowie:** Good morning. The previous Committee have heard, and there has been subsequently quite a lot of evidence gathered to suggest that there has been a significant rise in pension scamming since pension freedom was introduced. How large do you think the problem is?

Stephen Barclay: The FCA does not address there has been a rise. The point is for those that are affected, it is hugely significant, both emotionally and in terms of often the sums at issue. The reality is some of the scams may take some time to emerge, so quantifying the exact amount of the problem is difficult because obviously there is an issue of reporting—often people are embarrassed to report if they have been scammed—and sometimes the fraud takes time to emerge. The point is regardless of how much scamming there is, what action can we take as a Government to address it? There are a whole series of actions. The Committee has taken evidence on this, not just the work from Project Bloom, but the work in terms of draft legislation that we intend to bring forward next year on banning cold calling, empowering consumers in terms of the information they get through the single financial guidance body and how we work with that to building on the lessons that have come out from Pension Wise.

Q110 **Andrew Bowie:** Between HM Treasury and the DWP, there is no general consensus about how large this problem is?

Guy Opperman: I can help you there, Mr Bowie, because we can send you the details from Action Fraud, who have the actual statistical analysis per month of how many reports there have been. I will give a few very quick statistics, but we will write to you with all the definitive details. Between 2014 and 2015 there were 1,918 reports of pension fraud. That went down to 650 between 2015 and 2016 and down to 326 in 2016-17. My first point would be there is a decline.

The second is that clearly one can cherry-pick statistics, we all understand that, but I think there is a general decline of reports, without any shadow of a doubt. If I give you one example, in August 2014 there were 297 reports, whereas in April of 2017 there were three, May 2017 there were 12 and March 2017 there were 24. Steve is dead right, for the individual, for the individual circumstances, this is still a personal tragedy, this is still very, very serious. I have spent 10 years prosecuting people in the City on fraud cases, when I had a proper job, before I came here. The reality of the situation is though they may individually be very serious, they have declined significantly from the 2014 levels. We can send you the details of that. That is from Action Fraud.

Q111 **Andrew Bowie:** You put it down to the actions of the DWP, Pension Wise and HM Treasury? You think that is why?

Guy Opperman: I would love to claim all the credit for the two Departments, but I think that would be unfair, with respect. It is not just a cross-departmental approach, but it is also the various agencies of Government, whether it is the Serious Fraud Office. The point that Chair was making in relation to the City of London Police, that is entirely relevant to make the point that they are the lead police agency, but to be fair, this also then spins out to individual local forces who have individual training. I was with TPAS and Pension Wise yesterday. They were making the point that they had recently had a visit from a particular force—I think it was West Mercia—who had come in and specifically taken the training arising out of this particular point. It is not just one force, it is a multitude of other forces.

Q112 **Chair:** Guy, can I just question you about those figures? You say £40 million-odd—a large sum—and the Pensions Regulator says £1 billion. Even if she has her decimal point in the wrong place, there is still quite a divergence there, isn't there? Why should we rely on any of these figures?

Guy Opperman: The figures I have given you come from the National Fraud Intelligence Bureau, which collects the data on the scams arising out of the specific reports. I can certainly acknowledge this point, that all of us would understand that the reality of crime is necessarily greater than those who get caught or have reported it. I suspect the disparity in the figures is allied to that, but I could not be definitive as to the higher figure. The only thing we can say is those that have been reported and that go to the National Fraud Intelligence Bureau. The statistics that we have in relation to that matter are on a monthly basis, so we can give you those individual stats.

Q113 **Chair:** If you take the Pensions Regulator figure, it is a very urgent problem this, isn't it?

Guy Opperman: I do not think anybody disputes that, not least why the Government have chosen to act in pursuing the various avenues that they are choosing, whether it is in relation to the cold calling ban, whether it is in relation to HMRC matters or whether it is in relation to the work the DWP is doing.

Q114 **Alex Burghart:** On cold calling, obviously I think I can speak for the Committee when I say we are very pleased that the Government has said they will take action on this. By when would you hope to have that ban on the statute books?

Stephen Barclay: The intention is to bring forward draft legislation early next year. It is a question of understanding the complexity around it and getting that legislation right. That is one of the advantages of the Committee's session in helping inform that, as the evidence from Baroness Altmann and others to the Committee has shown. Addressing all cold calling is difficult, nigh impossible. Often it is from offshore. The question is what are the steps that we are taking? For example, the Information Commissioner has legislation to take action on unsolicited direct marketing calls. The fines that have been imposed have increased, so £2 million fines imposed by the Information Commissioner; significant powers to fine up to £500,000 in individual cases. The powers are there and the powers are being used.

The legislation is a part of that, but one needs to differentiate between legitimate businesses that may want to market directly from those that are illegitimate. That is what the draft legislation will tease out.

Q115 **Chair:** Steve, why is it so difficult when you have done it for mortgages?

Stephen Barclay: Mortgages are different because mortgages will pass through the Financial Conduct Authority rules rather than through legislation. The mechanism is different of itself, so one cannot just read one across from the other.

Q116 **Alex Burghart:** Do you have a specific legislative vehicle ready and waiting for the first part of next year?

Stephen Barclay: What we have said is we will have draft legislation next year. That will be an opportunity to look at some of the detail, because the devil is in the detail in an area like this in terms of the policy. As I say, there is a range of ways that people are being contacted, but what we have given a commitment to, we gave a commitment in the autumn statement in 2016 of our intention here. We reaffirmed that commitment in response to the consultation this summer and we made it clear we will bring forward draft legislation informed by the Committee's session in terms of the legislation that will come through in draft next year.

Guy Opperman: Can I add this point? The House of Lords have been considering the single financial guidance body as part of the Financial Guidance and Claims Bill. That has its Third Reading next week. They specifically considered this particular part of legislation and the single financial guidance body we hope will be the overarching body that will provide proper advice on this matter. You will be aware that literally a matter of 10 days ago, pending this Committee's consideration of this, there was an amendment to section 2 and it is now subsections 4 to 6 of the new Bill that we will be considering in this House.

It provides the single financial guidance body with the capability of requiring bans on cold calling, having considered the exact points that Steve is setting out. The principle we can all be agreed upon, we all do not want our parents and our friends to be assailed with this, but there is the extent to which this applies in relation to consumer protection and what restrictions there should be, whether a pre-existing provider should be able to telephone somebody on an ongoing basis. The nuts and bolts of it are relatively complex.

The point that I am trying to make is that can be passed by way of a statutory instrument following the creation of the single financial guidance body. There are effectively two strings to the Government's bow. On the one hand you can do direct legislation, which is the proposal in any event, but the House of Lords have also provided for secondary legislation by reason of section 2(4) to (6), which could be passed in theory in the autumn of next year following the creation of the single financial guidance body.

Q117 **Alex Burghart:** Am I right in thinking that the amendment that passed in the Lords the other day would give the Secretary of State the power to ban cold calling, but not the power to enforce that ban?

Guy Opperman: No, it gives him regulations to introduce a ban. The commercial use of any data obtained and the nature of specific regulations are a matter that we consider in this House. I make the serious point, which is I am going to be the Minister that will be guiding—provided it passes the Third Reading in the Lords of course, I do not want to prejudge their Lordships—this piece of legislation through the Commons probably at some stage either before or after Christmas for Second Reading.

Q118 **Chair:** Are you going to leave it in?

Guy Opperman: We are in a position that whatever comes from the Lords we then consider.

Q119 **Chair:** Yes or no, Minister? Just put us out of our misery. Are you going to support it or not?

Guy Opperman: The intention at the present stage is not to fundamentally amend anything that emerges from their Lordships. We will come to other passages of the Bill, for example—

Q120 **Chair:** What do you define as "fundamentally"?

Guy Opperman: I am not totally sure—much as Alex is making the point just now—that is exactly the right terminology, that we feel is the right terminology going forward. I can help you, Mr Chairman. Their Lordships have spoken both on this and on other points that we will come to in relation to pensions guidance. We are considering those on an ongoing basis. If one speaks to the Members of the other place who put forward these matters, there is still ongoing debate as to whether the specific amendments, whether it is on this or in relation to section 3(2) on pensions guidance, are the final versions that are ultimately appropriate.

Q121 **Chair:** The answer is no?

Stephen Barclay: If it helps, Mr Field, what is within the question is how do we do this as quickly as possible. The concern with the amendment in the Lords is what it does is it says that the single financial guidance body can bring forward an annual report. On the basis of that annual report, legislation can be brought forward. The potential flaw in that is that means 2020. I would have thought within the question from the Committee is the question of how do we do this more quickly than 2020. To some extent, if one followed that amendment through to conclusion, you would have an earliest date of 2020. The reason we are bringing forward the draft legislation early next year is because we have an ambition to try to act before 2020, but it gives the Committee some confidence in terms of a backstop.

Q122 **Alex Burghart:** Obviously a follow-up question to that is why not, instead of waiting for legislative opportunity next year, use the legislation before you now to bring what you would bring in next year?

Stephen Barclay: That is what I am saying. The Lords amendment does not deliver that.

Q123 **Alex Burghart:** But I am asking why doesn't the Government bring forward its own amendments in order to allow it to do what it is currently waiting to do next year?

Stephen Barclay: That is because of the point I set out earlier. Within the draft of the amendment, one needs to look at things such as how does one balance it against the legitimate direct marketing.

Q124 **Alex Burghart:** The Government is not quite ready to do it yet?

Stephen Barclay: That detail needs to be consulted on, which is why you need the draft legislation.

Chair: Waiting for our report, like the Government are waiting for our report on Universal Credit before announcing its changes.

Q125 **Heidi Allen:** Alex just asked most of the questions I was going to ask. If I could just ask one tiny little one, it is finding the right vehicle, isn't it, to do it as quickly as possible? Can you give us some hope what date you think we will—by whatever mechanism you choose—have this in place, because it is really quite urgent?

Stephen Barclay: I understand the desire. I am not going to give a commitment because I think in politics people give commitments that sometimes are not met if they give a firm date. What I am saying is I hope the Committee can take some reassurance from the direction of travel here, which is a firm commitment in the autumn statement in 2016. That commitment was reaffirmed this summer in response to the consultation. We made a commitment to bring forward draft legislation. We want to get the legislation right because there is some complexity within it. That is just the reality of it. There is a commonality of interest across parties, between the Committee and the Government, that no one wants to see people being ripped off of their life savings.

The question is not a lack of desire to address scams, the question is how do we land the legislation in the right way and that is where we are. It is not about giving a firm date, it is about saying how do we get the policy right and respond to the Committee's report with draft legislation early next year?

Q126 **Heidi Allen:** Might we hope sometime in 2018?

Stephen Barclay: You can try to tease out a date, Ms Allen, but I do not want to commit to it.

Q127 **Chair:** I have to say, Heidi, some of us were trying to get a date from the Government last night and you were voting against it. Leaving that side, isn't one bit of advice just to tell people when it is a cold call to put down the receiver or hang up?

Guy Opperman: To be fair, that piece of advice is repeatedly made by every single person in every single organisation, putting the receiver down, and secondly, calling Pension Wise or TPAS is the absolute advice that we would want to go out all the time.

Chair: Thank you. We will test that one.

Q128 **Alex Burghart:** A brief one. Is the Government considering ways of introducing default guidance to increase the take-up of Pension Wise?

Guy Opperman: If I could answer that. There are three points to make, I suppose. The first is that there is already guidance by reason of the notification that does appear on the situation whereby you are given advice. Secondly, we do not believe that mandation is the appropriate way forward. We acknowledge and accept that there is a legitimate and correct debate as to how we can improve the quality of guidance in these circumstances. Again, I would refer back to the Bill. You will be aware on 31 October the Sharkey amendment was passed by the Commons. I make the same point I made previously, which is that that amendment, which is set out at subparagraph 2 of section 3, is a detailed amendment that we are considering.

To be fair to the FCA, whose evidence you have just heard, they are also considering that evidence and that proposed amendment. It is not our proposal to reject that, to try to answer the Chair's point, but it is definitely our proposal to consider it, sit down with the FCA and consider with Parliament, because we are not totally convinced that the wording is ultimately as it should be. The reality is we have gone from what could be described as a soft nudge at the present situation to a slightly harder nudge by reason of the Sharkey amendment at section 3(2). We accept that principle, we are just working on the fine detail.

Q129 **Alex Burghart:** It seems that the Government has a good product and that 90% plus of people who use Pension Wise talk about it very favourably, but take-up is low at 20%. Are there any other things that the Government are looking at to improve that level of take-up?

Guy Opperman: The key point surely is this. Government, on a cross-party basis, have agreed that a situation where we have the Money Advice Service, Pension Wise and TPAS existing—however well they co-operate—in silos is not the appropriate way forward. After much consideration, many reports, many such Select Committees, the decision was made to create the single financial guidance body. It is entirely right that we should be addressing better ways to give guidance. We do think that the hybrid version, as proposed by Sharkey and as accepted by the Government, subject to us fine-tuning it, is the right way forward.

That having been said, we can improve massively if we have one single body providing this advice, trying to provide a holistic one-stop shop for this guidance going forward. The single best thing that we are doing is to create the single financial guidance body, which, to be fair, has received cross-party support in the other place. While I am certain that there will be fine-tuning, tweaks and amendments that will come our way, in broad terms it has received cross-party support in this place as well, as a long-overdue creation of an amalgam of these three bodies.

Q130 **Steve McCabe:** On the back of that, I assume the Minister would accept that the take-up is abysmal. That is really the problem. If you are against the mandatory approach, what is the "guarantee" element of the guidance guarantee? What is it you are guaranteeing?

Guy Opperman: I do not think the take-up has been abysmal. I do not want to get into statistics either way.

Q131 **Steve McCabe:** It is not good, is it?

Guy Opperman: From a standing start, Pension Wise has done very well. The percentage increase—I can give you the detailed percentages.

Q132 **Chair:** Minister, just the figures now. Do not give us a percentage. You say you have this data every week. What is your latest data, please, for Steve's question?

Guy Opperman: In relation to Pension Wise, if you bear with me I will try to give you that in a second. Certainly Charlotte may be able—

Stephen Barclay: A million people visited the website, which is three to four times more than are accessing the defined benefit product. In a sense, what speaks to—

Q133 **Chair:** What does that mean in real figures?

Stephen Barclay: It means that a lot of people are accessing the website that Pension Wise offers. In terms of how this has improved moving forward, I would make a few points. First of all, the guidance for the Financial Conduct Authority will require firms to refer to the new single financial guidance body. There will be a new rule that will apply to regulated firms that will drive traffic.

Secondly, one of the big concerns that firms have is where the line sits between what is advice, what is guidance and the concern in passing from guidance into advice. Under the legislation, MiFID, Markets in Financial Instruments Directive, there is now greater clarity to firms so that they can give guidance without straying into advice. It will now be easier for firms to offer guidance to customers than it was in the past. All of that then speaks to how we empower consumers in terms of what options they take. Charlotte.

Q134 **Chair:** Charlotte, are you going to ride to the rescue of your two male colleagues?

Charlotte Clark: In terms of appointments, we had 61,000 appointments in 2015-16, we had 66,000 appointments in 2016-17 and in the first six months of this year we have had 40,000. The take-up is increasing, particularly when you think about that 2015-16 year, where a lot of people had delayed taking out because of the changes in the rules and waiting for the changes in the rules. We are seeing an increase in the use of the service and we are running a number of different pilots to look at how we can get more people involved in taking up the guidance service.

Q135 **Steve McCabe:** Is that 66,000 against this 1 million figure? What is that?

Charlotte Clark: No, 1 million people are using the website. There are three possible channels—

Q136 **Steve McCabe:** No, the phrasing was "access to". That does not mean they are using the—

Guy Opperman: It is 66,000 appointments. The 66,000 is specific Pension Wise appointments.

Q137 **Steve McCabe:** Yes. Out of a potential what? That is what I am trying to establish.

Chair: Yes. That is the figure, Charlotte. Do you have it?

Charlotte Clark: There are around 500,000 people accessing—

Q138 **Chair:** But you said 66,000.

Charlotte Clark: You are asking—

Q139 **Steve McCabe:** What I am trying to establish is 66,000 out of how many? What is the total figure that could be using the system?

Charlotte Clark: In terms of how many people can use the system, it is anybody between the ages of 50 and—that number is not a straightforward number.

Q140 **Steve McCabe:** How do you know that 66,000 is a good figure then? I am not trying to be difficult, I am trying to understand. Everything I read tells me the take-up is poor. You are telling me, "No, that is not true. The take-up is really good". I am asking, "How do you know that?"

Charlotte Clark: There are three ways you can access Pension Wise. You can do it online, you can do it on the telephone or you can do it face-to-face. In terms of the appointments, that 66,000—or 40,000 in the first six months of this year—is telephone or face-to-face. There are 1 million hits on the website. A lot of people obviously are using the online service as well. In terms of that total number, that is more than the number of people who are accessing their pensions. Obviously people use our websites in different ways. I access the Pension Wise website. It is difficult to give you an absolute estimate of how many people are getting the information that they need.

What I am saying is that we are trying to drive people to use the site and to realise that it is a very good service. The feedback we are getting is very high on customer service and that is what will drive people to use it, if they think it is going to be useful.

Q141 **Chair:** Charlotte, we are not disputing any of this. We think it is a wonderful service. But if we compare your figure with what Christopher told us in the first part, Christopher said 500,000 are accessing it. You are saying a tiny number—was it 66,000?—are seeking advice.

Charlotte Clark: Guidance.

Q142 **Chair:** There are these terrible scams going on. All of us are engaged in trying to help you improve that figure. We are not attacking you. We do not think it is a crap service. We think it is a good service. We are just worried about the numbers of people who are out there, exposed to some very nasty people.

Guy Opperman: Can I help you, Mr Chairman?

Chair: I wish you would, yes.

Guy Opperman: The Pension Wise service evaluation report specifically asked a question about the main reasons the non-users of the service gave for not making a specific appointment, in other words, the disparity between the online hits and not having that. 25% said that they were going to an independent financial adviser, which with respect would take that out of the game. 30% stated that they knew enough already. That may be after they have gone to the website as well, so they would not necessarily need an appointment. 19% said, "Haven't got around to it. Will do it later". 13% said, "I will get what I need from the pension provider" and 10% were saying, "My pension is not large enough". You will be aware also that up to £30,000 there is a requirement to get the appropriate assistance.

Of course there is a disparity between the number of instances of someone accessing the Pension Wise website and the actual number of appointments, but to be fair to Pension Wise, who I saw yesterday when I sat down with their chairman, they would say, "We started a couple of years ago. There is a dramatic increase, a 43% increase in the take-up of appointments over the last period of time, six months to a year, and those appointments are clearly getting more".

All of us would agree that having considered Pension Wise, TPAS and the Money Advice Service, the best way forward is to merge those three organisations specifically to increase take-up. If I can summarise about two months of debate in the other House, there were copious numbers of experts, particularly on the Labour side, making the point that there is widespread support for the merging of those three organisations specifically to address the point that you genuinely raise.

Q143 **Chair:** I am still puzzled about all of this. We welcome the merging. It is where we were a couple of years ago as a Committee. Steve, why can we not have a piece of advice going out that if you do not know the person who is ringing up, you should put the phone down and you should then ring Pension Wise or contact them? I would get confused with all this stuff that is going around, these different pieces of advice and all the rest of it. I think we want one simple message. I know we want the message to be true, accurate and all the rest of it, but it would help me if I was under bombardment to know my pension trustees and every source officially was telling me, "Do not answer cold calls, but ring this number".

Stephen Barclay: To some extent that will be part of the effect of the ban on cold calling. That will send a signal of itself. What we are teasing out is just any complexity within that. That is what the draft legislation will seek to tease out around, for example, legitimate direct marketing where there are firms wanting to contact customers and how we address that. Within the ban on cold calling, it will send a signal and that was reflected in the evidence that the Committee was given on the 1st of the month. I think Baroness Altmann made that point.

There is a wider question within this, which is, "How do we empower consumers?" There are a number of ways. First, there is the single financial guidance and getting people to that. It is avoiding people being pushed to something so that they feel it is a tick-box exercise, which is why just saying people must take Pension Wise guidance of itself is not a panacea. It is also looking at how we make better use of technology and automation. There is a lot of work going on with the Financial Conduct Authority, with our advice unit, which is working now with 17 firms, particularly large firms like HSBC, to deliver scale in terms of the automation of guidance. That will be one of the main ways. Again, it is not a solution of itself, but it will be one of the ways we get better guidance and advice out there to people.

Q144 **Chair:** Your advice to the Committee, Steve, is the sooner we get your report the more helpful that will be, in answer to Heidi's question, for you being able to bring legislation?

Stephen Barclay: The Committee's report will certainly help. That is something we are interested in and looking at the evidence the Committee has already taken. Also, the reality, as the Committee has recognised, is that criminals evolve. They move. It is not a static issue. I know that from my time in the industry dealing with financial crime. Cold calling will continue. You get it offshore. There is no magic bullet on this.

The question is how do we get as much information as possible to consumers at the right time in a format that they are happy to take, without losing sight of where we start with this? That is with pension freedoms that are extremely popular, that are about delivering freedom and choice to people and that have been welcomed by both savers and the industry. As the Financial Conduct Authority's own review showed, the vast majority of people accessing their funds are not squandering the money. The freedoms are working effectively. The question is how do we close down where there are abuses? That is where I think there is a common interest and it is a question of getting the legislation right.

Chair: Let us leave that aside, if we may.

Q145 **Andrew Bowie:** Sorry, I was just going to jump in on the back of it and politely suggest that when we are talking about statistics and looking at the number of people taking up or using Pension Wise, we do not use the million hits on the website in future. There is a huge difference between going to a website, maybe stumbling upon it by accident, and using the information on that website and clicking on it. There is a huge disparity in the amount of people, for example, who will look at Amazon every day but do not buy anything on the Amazon website. I think it really does muddy the waters and makes it more complex to work out how many people are using the services that they have.

Charlotte Clark: That is fair, but there is a very good customer journey online if you want to work through the issues that you can work through face-to-face. You know some people just prefer to use an online service.

Andrew Bowie: Yes, I know that, yes.

Q146 **Heidi Allen:** A couple of things. Sorry to labour the point. Would there be harm—cost presumably, yes—in just a fast little marketing campaign on TV or radio aimed at pensioners saying, "If you are about to draw your pension and you get a cold call, do not take it"? Would there be harm in doing that while we are working through the legislation, legally? I do not know.

Guy Opperman: That message is already going out. Charlotte can give us the statistics on the advertising that Pension Wise are already doing.

Chair: Heidi asked a specific point about one message.

Q147 **Heidi Allen:** I am just worried about the number of vulnerable people out there, that is all.

Guy Opperman: There is absolutely no doubt that the overwhelming message is, "Put the phone down and then if in any doubt contact Pension Wise". If that message was put out in a better way, we would all appreciate it. That is the simple answer to your question.

Q148 **Heidi Allen:** Presumably the DWP can control that, can they?

Charlotte Clark: I do not know if there is a legal specific issue about having something. At the moment we say it is very likely—

Q149 **Heidi Allen:** That is what I am trying to get at. I appreciate there would be a cost if we launched a marketing campaign. I get that.

Charlotte Clark: If somebody is ringing you up, then put the phone down. Until that legislation is passed, I do not know how firm we can be about saying—

Q150 **Heidi Allen:** That is the point I am trying to understand. It seems so simple, but—

Charlotte Clark: —"In all cases, put the phone down." It is something that we can look at to see whether or not it is an option.

Q151 **Chair:** We have a difference here, do we not? Guy, you say that is the theme that is overwhelmingly going out. Charlotte said, "Actually, we are not doing that".

Guy Opperman: To help Charlotte, the difficulty is this—

Chair: I thought Charlotte was helping you.

Guy Opperman: That is normally the case, I can assure you, Mr Chairman.

Chair: I know. I have worked with her. I know how good she is.

Guy Opperman: There is a definite complication, that if your pre-existing provider contacts you, then the presumption is going to be that your pre-existing provider is the exception to the cold calling rule. That makes it difficult. If you wanted to refine the nuanced message, it is, "If it is someone unknown to you".

Charlotte Clark: Yes, something like that.

Guy Opperman: That is something that we would be very keen to ensure, that people do put the phone down. Where it gets complicated, without getting into future legislation—Steve can come in on this as well—is what you define as a pre-existing provider. If your bank wishes to contact you in relation to something else—there are genuine issues on this. I accept that everybody is very keen to address this, but there are genuine complications as to the definition of who can and who cannot then access this information and make these calls.

Q152 **Heidi Allen:** It is whether you are making it worse or not, is it not? More complicated for people.

Stephen Barclay: To give an example from a non-pensions area that gives an indication, a lot of banks now find that if they contact their customer regarding a fraud issue, the customer does not want to respond.

Q153 **Heidi Allen:** I have done that. I told them to go away.

Stephen Barclay: Such is the concern that it may be a scam, even where there is a legitimate contact. That is why we have the draft legislation. That is the sort of issue we are trying to tease out. There is a common desire here to address it, but it is how you separate the legitimate from the scam. That is the danger of just having a sweeping statement.

Q154 **Heidi Allen:** I would like to very quickly ask about take-up of Pension Wise and advice, and you can have a debate about these wake-up packs and this idea of whether they are too late or whatnot. Given we are keen to see the take-up of pension advice increased, whether it is on the internet, verbally or at an appointment, specifically for those people who have a mid-sized pot, not the low ones and not the high ones, because they are probably paying for advice anyway, what would be the harm—again, harm—in having a default appointment in your wake-up pack or however we first correspond with people? "You have an appointment to talk to Pension Wise on blah blah. If you want to cancel it, let us know." What would be the harm in doing that, in pre-empting and giving people appointments?

Guy Opperman: I can help you there. That is the hybrid version that is being considered by reason of the amendment that Lord Sharkey put forward, which is then being considered and discussed between my officials on the Bill team and the FCA. If I try to summarise quite a complex amendment, it is effectively saying everyone will get asked, "Have you had guidance?" Once that specific point is put to them, a default attendance is not what is proposed in those particular circumstances. We do not do that in relation to the £30,000 DB at the present stage. That debate and discussion is ongoing. It will be coming back to the Commons. We will be debating that at Second Reading, Committee, Report and so on. It is a genuine consideration of how far we go to make sure we have the appropriate nudge that gets the maximum possible take-up.

Q155 **Heidi Allen:** Brilliant. It fixes two problems potentially, making sure people get the right advice and also that our advice is from the right people, not the cold callers.

Q156 **Chair:** Before you move on, Heidi, by comparison, I have this brilliant doctor in Birkenhead, Dr Mantgani, thank God. We all get texts about our appointments. As a result—this obviously does not apply to me—he serves one of the poorest areas in the country and we have the highest rate of take-up of inoculations for children. Clearly that is a way of communicating with people, is it not, by text on their phone? Developing on Heidi's point, it could be in the pack, could it not, saying, "We are going to text you with appointments"? It has worked in an area where it has been very difficult to get poorer mothers to get their babies along for inoculations.

Guy Opperman: There is no doubt that the NHS is absolutely leading the way, whether it is in getting the text about your attendance at your GP appointment and reminding you how much it costs if you fail to attend, whether it is the alerts that you are reaching a certain age where you really should have a check-up or whether it is the alerts in relation to your annual check-up that is available to you.

We are considering in the Department the concept of the midlife MOT, which I know other witnesses to this Committee have considered. We very much think that this is something that is the brave new world. It touches on the dashboard and other things we will discuss later. There is the concept of receiving assistance on an ongoing basis, ultimately culminating in a midlife MOT, whether we define our midlife at 45, 50 or some stage between those two particular times. The evidence shows, particularly from Australia, that it is approximately 47 that everybody genuinely starts to address, to take Andrew's point, their pensions and the future. The idea is that at that particular time, there should be an assessment.

To be fair, on that exact point, in the private sector there are number of companies—one I do know particularly, Aviva—who are already doing this sort of consideration. As part of their HR in the private sector, they are providing this sort of assistance. I visited, for example, a business in Stoke in Ruth Smeeth's consistency. It was a pottery business providing hundreds of jobs and they had an IFA who attended that business on a regular basis, providing advice on exactly these particular points to anybody who wished to have it. There are examples already out there. I think that is the direction of travel that we are going in.

Chair: Bit far from my texts, but anyway, over to you again, Heidi.

Q157 **Heidi Allen:** Brilliant. A slightly different subject now, just looking at what people spend their money on if they draw it down. If it is a Ferrari, then personally I say good luck to them, but then I am probably a bad example.

Stephen Barclay: I think it was the previous Pensions Minster who talked about a Lamborghini at the time.

Q158 **Heidi Allen:** Yes. Aston Martin every time, for the record. Just getting that out there. Does the Government have any plans to monitor how people are spending their money and whether they are thinking about spending it on the right things? I get there is a balance between state and freedom, but ultimately if people are ending up having to claim benefits later on that suggests perhaps they have not made the right decisions. Do we have any plans to monitor it? I know the FCA collects quarterly data already from some providers. Is that in our plans?

Stephen Barclay: First, in answer to your question, no, we do not believe it is right to be monitoring at an individual level. This is about freedom and choice for individuals. It is being monitored at a collective level. HMRC publish quarterly statistics on individuals accessing their pension flexibility and that is made available on GovTech.

What perhaps bridges both this question and the previous question is that the UK has the highest adoption rate of FinTech, financial technology. We are all familiar with that in terms of tap and go and scanners paying for coffee on a phone and that sort of thing. The UK is a world leader both in the development of FinTech, where the Ernst & Young census showed that the UK was the leader for that industry, and also in the adoption of FinTech.

What goes to the heart of the question is, "Why would we be monitoring at an individual level?" We do not think it is right to, but if we were, it would be to see if people were using the money wisely. What we are seeing already, with the work the FCA is doing through its advice unit with firms as they build scale on automation, is linking—as I suspect it will on open banking—with client data so that you can start to advise people on what they should be doing, giving them guidance rather than advice, steering people and encouraging them with the data they have. We will start to see firms managing people's data more effectively, using FinTech to do so, rather than just sending them a big pack and expecting them to go through that. It is not about sending people more information, it is the quality of the information and how the information is used. FinTech will offer another opportunity.

Q159 **Heidi Allen:** How close to that are we though? The Pensions Dashboard is not even anywhere near ready.

Guy Opperman: Do you want me to address that now?

Heidi Allen: I guess it is vaguely the same thing.

Stephen Barclay: Open Banking becomes effective from January of this year. We should start to see a whole range of consumer empowerment products coming through fairly quickly from there, beyond pensions, in other areas as well.

Q160 **Chair:** Let us come back to that, because we want to probe you further, Steve, on the dashboard and its non-appearance in a moment. On the answer you have given to Heidi, you say you are collecting data on a collective level. We do not want people's private lives and all that, which is totally proper. In the previous session, Christopher said to us that we know all these drawdowns were tiny sums that really make no difference because people have other substantial assets that they will draw on so that they will not be back on drawing welfare payments. Are the data showing you that or not? That is the key thing from the Treasury's point of view, is it not?

Stephen Barclay: Absolutely. Again, there is a common desire. We do not want to see the taxpayer having to pick up a liability in the future if money has been squandered. The data does not suggest that. The Financial Conduct Authority review that was conducted, the Retirement

Outcomes Review in July of this year, showed that people were not squandering the money. I think the figure was that 94%—

Q161 **Chair:** I am not talking about squandering. Who decides what squandering is? Somebody else different to Heidi might want to spend their money on something else. My issue is different from that. It is that whatever they spend the money on, whatever we think about them spending their money, what is the possible consequence on future public finance? We were totally reassured by Christopher, "Do not worry. Whatever they spend their money on, all these people have other substantial assets they are not squandering" whatever anybody means by squandering. Do the data that you have, Stephen, tell you that is the message the Treasury can pick up?

Charlotte Clark: I think the evidence that Chris was referring to is that essentially the people who are returning at the moment are largely a DB generation. If they have DC pots, which are the ones that you can access through freedom of choice, it is likely that they have another DB pension. That is why often these pots are relatively small. They are not their whole lifetime retirement savings. They may be due to—

Q162 **Chair:** It is not a very good guide to the future, are you saying, Charlotte?

Charlotte Clark: Absolutely. That is one of the issues. How does this develop as DB works through the system? We have at least 10 years before that bulge of DB provision really starts to work out of people's retirement.

Q163 **Chair:** Can we just make a plea? I totally sympathise with you. We do not put our sticky fingers into people's private lives. Will the Treasury think seriously about collecting data that shows a trend is beginning to develop where taxpayers will have both on the one hand been given tax concessions to build up money and then be coming back on to welfare and therefore on to taxpayers' resources again later on?

Stephen Barclay: Certainly we will take on board those representations. In a sense that was also reflected, was it not, in the TUC's paper to the Committee, where they were worried about whether a culture might develop or had already developed in terms of drawdown? We will consider this clearly when we get the full report because we have only had the interim report from the Financial Conduct Authority on that.

The data currently presented shows that in 94% of the cases, it is being used effectively. People are using it for logical decisions. On an individual level, part of the complexity will be around whether people, for example, are married and the consideration of the partner's financial circumstances. They might have a second income. They may have paid off their home. It may be logical for them to clear debt. 14% were paying off debts. It may be logical for someone to invest in their heating as a cost that is acute for them. There are often very logical reasons why people are drawing it down. In 90% of cases people were drawing down relatively modest sums, below £30,000 in quantum. At the moment, that is what the evidence shows. It is absolutely valid to say, "How do we monitor this going forward?"

Q164 **Chair:** I still want, Steve, for you to get away from saying, "It is all being spent very well" and all the rest of it. It is none of our business how it is being spent. My worry is that people who have taxpayer support to build up money then come back. Welfare is an incredibly precious part of our culture in this country. People who genuinely need help get it and maybe a few others besides. If one gets this culture developing, as you suggest there is a danger, then we threaten something great about welfare. People will say, "We know this is another thing that people are on to". Therefore you threaten everybody with their safety.

Stephen Barclay: First, just to clarify, I was not suggesting that. I was saying that was in the TUC's evidence to the Committee.

Q165 **Chair:** No, I know, but you were coming back to saying what good behaviour is. I am not interested in that.

Charlotte Clark: The other point I was going to make is that to me, in my head, in terms of pension reform, I had linked the freedom and choice reforms very much with the introduction of the new state pension. The new state pension does provide a higher level that should mean that more people are not falling back on to means-tested support. The question is whether or not it is our business how they spend their money as long as they have that very clear support from the new state pension.

Q166 **Chair:** But there is going to be what, a 20-year period before that is fully operative?

Charlotte Clark: If you think about who does not get a full new state pension, it is largely people who are contracted out. It is largely people in DB schemes. I realise this is a very complex picture.

Q167 **Chair:** Largely people who will be vulnerable to good or bad expenditure.

Q168 **Emma Dent Coad:** Given the success of auto-enrolment during accumulation, should the Government encourage providers to introduce similar default enrolments at decumulation, as suggested by the FCA and NEST?

Stephen Barclay: It is a valid issue. I was very interested in the evidence that NEST gave to the Committee and that is something we are going to be looking at, as to whether that is the right way forward. Clearly it has worked very well for auto-enrolment at the front end and so there are some lessons to draw from that. The issue we need to be conscious of is the danger of defaulting individuals into unsuitable products, which would obviously go against the very heart of introducing freedoms on pensions in the first place. It is something that we are going to look at.

Q169 **Emma Dent Coad:** I am not sure you have really answered my question.

Stephen Barclay: Your question, as I understood it, was, "Is this something we would consider?"

Emma Dent Coad: Yes.

Stephen Barclay: The answer is yes, we are considering. We are awaiting the FCA's final report, but it is something we will consider.

Guy Opperman: The other point is that, as Stephen says, until you have the FCA's final spring 2018 "Retirement Outcomes" report, that would be a premature decision.

Q170 **Chair:** Although you are taking into account Emma's point that she is making about auto-enrolment. It has probably surprised quite a few people by its success.

Guy Opperman: There is absolutely no doubt that there would not have been a single person who would have predicted the outstanding success of 8.8 million people and the extent to which it has been a success. Clearly the review is ongoing. I will be making an announcement in relation to the review in December and we will be addressing a variety of matters on the subject of the review going forward.

Q171 **Jack Brereton:** My question leads on from what I was asking the panel previously. As we have heard, there are some points that remain unanswered about the dashboard, particularly around what the Government is going to do and whether it will mandate providers to put in all of their schemes and participate within the dashboard. What is the Government going to do to ensure that providers do participate within the dashboard?

Guy Opperman: There is a longer answer that I am going to try to give you, but I will try to give you the short answer first. Can I contextualise it? We are trying to get everybody on board. That is the simple point. How we do that is determined by a number of things. Clearly the ABI report from this October is the founding base of that, something that is a cross-industry approach. We have taken that on board. We have confirmed that we are going to do that. DWP have formed a specific team that are then carrying out a feasibility study. That feasibility study will report back within approximately 12 weeks from now.

As part of that, we are having—I hate the expression "stakeholders"—a large number of stakeholder events. Members of Parliament are welcome to come the morning of 11 December. There is one specifically in London to address these particular issues and I would urge any interested members of the Committee to come along to that because there is discussion of the half a dozen key issues as part of the dashboard that do need to be considered. Following that we will obviously consider the advice of this particular Committee and its recommendations going forward.

The final thing that we are considering in a lot of detail is the international experience. Self-evidently, whether it is Sweden, whether it is the Netherlands, whether it is Australia, we are trying to look at what they have done and whether their systems are similar. Frankly, have they piloted dashboards that we can then say, "They made this mistake and we do not want to make those mistakes?" Can we learn lessons from them? All of that, I hope, produces a result.

You asked for a specific date when we will make all those decisions and outline what our plans are. In March of this next year, myself and the Secretary of State need to make those final decisions about the way forward on the particular half a dozen key issues, whether that is data, compulsion or specific issues of one portal or a variety of portals. Those five sources of evidence will be taken on board as part of the feasibility study and part of the work we are doing in the next 12 weeks. It is absolutely something we are considering in copious detail.

That is my long answer. A couple of quick points I will make—

Chair: What about our short answer, Guy?

Guy Opperman: I gave the short answer first.

Q172 **Chair:** Can I just ask you a question for a short time? Do you think in your lifetime you will see the Pensions Dashboard?

Guy Opperman: My belief is we will see it very, very soon. Certainly before 2020, without any shadow of a doubt. The objective is to aim for May 2019.

Q173 **Jack Brereton:** You mentioned that you are not going to make this decision until March. Is there nothing that you can do to make that decision earlier? As we have seen from submissions that have been made from previous panels, the industry wants certainty around this. As we have heard, numerous amounts of data are still on paper reports. Some data has been lost. There needs to be some certainty so that industry can have the time to bring that data in line. Is there nothing that can be done to make those decisions sooner?

Guy Opperman: That is a matter that is being considered by the Department. The fair point that I can make is delivery of the data is clearly important by all providers. It is whether that is something that is going to be done voluntarily. If I can give you the Swedish example, in Sweden they invited all parties to provide the data and threatened legislation if they did not. That was pretty effective. It was over a slightly longer time period, but there was not the requirement to pass legislation in this House and the other House, to go through that process, which can delay matters. You can give the indication that the data is required. Self-evidently, for the dashboard to work the maximum amount of data needs to be on it. There is no doubt whatsoever. Approximately every 10 days to two weeks, I do a pensions conference in some shape or form. I am doing one tomorrow morning. I did PLSA just about two weeks ago.

There is absolutely no doubt that all parts of the industry know that the dashboard is something we intend to do as a Government that has cross-party support. The only way it works is that the data to be available. To be fair, whether it is Government or whether it is individual private providers, they are all attempting to get their data in an accessible format. I accept that a definitive statement of, "You must do this by then" would be of assistance to a degree. I hope to be able to do that in the spring. But at the same stage, the idea that the industry does not know that the data needs to be accessible on an ongoing basis is not the impression I have from the 1,000 people who were at the PLSA, for example.

Q174 **Jack Brereton:** In terms of that dashboard, are you looking at what additional potential capabilities could be provided through that? We have also heard about the fact that very few people are shopping around, very few people are changing providers. Are you looking at what ways the dashboard could help to enable that?

Guy Opperman: There are two versions of a dashboard, the first a Government portal, possibly run, as many people would seem to suggest, by the single financial guidance body when it comes into existence, the second with private providers having their own dashboards. There is evidence again from other countries where dashboards are on individual providers' sites that them having an accessible approach, call it a "red button approach" or whatever, the opportunity to access that definitely increases take-up and definitely makes it more accessible and more available to a large number of people. That makes it more complicated, obviously.

It is chicken and egg. You want a system that works and the inclination that I would have from all Government is that you start relatively simple and build upon it. The evidence from all of our experience of Government of whichever shape or form is that the big bang theory of inventing something all singing and dancing straight away on day one has not necessarily, in respect of every single Government, been the way ahead.

Q175 **Chair:** Guy, I know you are saying, "Let us start simple" and I totally agree with that approach. We could not agree this morning to get you to say that we would give a bit of advice to put the phone down. If we cannot get agreement over that, what sort of chance do we have to get advice on slightly more complicated issues? That is why I genuinely asked not whether I will see a Pensions Dashboard—I do not believe I will see it—but whether you would see it. Are we not really going after the end of the rainbow with this whole concept?

Guy Opperman: No. No disrespect, Mr Chairman. On two issues I manifestly disagree. First of all, this is the future and I utterly believe a dashboard is the right thing. We are both old enough that we used to go to travel agents. No one in reality goes to a travel agent now. You buy your plane tickets online.

Guy Opperman: The accessibility of pension pots online, the greater ability to trace, the greater ability to access, bear in mind the average number of pension pots that the average person now has is something the region of 11. To get access to that, the evidence shows that this is something that is very much the way ahead. It also computerises in data forms traditional providers and brings them up to speed. On a multitude of levels, this is the right way forward.

I do not want the Committee to be in any doubt. We are passionately committed to providing this. I would like to be able to say that we will definitely have it up and running a lot sooner than your or my lifetime has ended.

Q176 **Chair:** Can I just end? I think this was the responsibility of the Treasury and they moved it to you. Just be cautious about how well your time is being spent on this. I do not doubt your enthusiasm.

Guy Opperman: I am glad you do not doubt the enthusiasm.

Q177 **Chair:** When the Treasury presents you with a gift you have to look at it very carefully.

Guy Opperman: I accept that, but as you know, we are a completely joined-up Government, Mr Chairman. The serious point is this. The logical place for the dashboard to be is with the DWP and we are utterly committed to having this. I consider this as part of an ongoing narrative, of which the midlife MOT is something else to be discussed on another day.

Chair: Brilliant. Because we had difficulty last time with our previous witnesses, may I say you can stand up and go out? Thank you very much.