

Work and Pensions Committee

Oral evidence: Pension costs and transparency, HC 1476

Wednesday 3 April 2019

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[Watch the meeting](#)

Members present: Frank Field (Chair); Heidi Allen; Ruth George; Steve McCabe; Nigel Mills; Chris Stephens; Derek Thomas.

Questions 224 - 337

Witnesses

I: Guy Opperman MP, Parliamentary Under Secretary of State, Department for Work and Pensions, Charlotte Clark, Strategy Director for Private Pensions, Department for Work and Pensions, and John Glen MP, Economic Secretary, HM Treasury.

Written evidence from witnesses:

[Department for Work and Pensions](#)

Examination of Witnesses

Witnesses: Guy Opperman, Charlotte Clark and John Glen.

Q224 **Chair:** Welcome. Please introduce yourselves: Guy and then John and then Charlotte.

Guy Opperman: I am Guy Opperman, Minister for Pensions and Financial Inclusion.

John Glen: John Glen, Economic Secretary to the Treasury and City Minister.

Charlotte Clark: Charlotte Clark, Director of Private Pensions at DWP.

Q225 **Nigel Mills:** I suppose we can start with an opening question. You know the reason for the inquiry on pension costs and transparency. How do you both assess how the industry is performing and what the Government's priorities are for making improvements in this area?

John Glen: There are many ways of looking at this. One of the issues is around the costs to the consumer and the transparency of the costs, how standardised they should be. Then of course there is the whole issue of the protections available and are they adequate.

If I get into the CMA study and the area that affects me in terms of the Treasury responsibility with respect to asset managers, one recommendation there is that investment consultants should come under the regulatory parameter of the FCA. That is something that we are preparing to consult on, but I think that the Institutional Disclosure Working Group looking at templates and charges is a very interesting area. They have looked at a voluntary approach of how to get a template working in the industry that delivers the transparency that is required.

I am conscious that in other jurisdictions, for example in the Netherlands, there is a standard template for costs and charges. They looked at it and said that obligating them to have a single, standard template is not where they wish to go. There is a lot of work being done to increase the understanding of the fees and charges. The trouble with the whole issue of pensions is that people are investing in different instruments, different funds, for different reasons, at different points in their accumulation and de-accumulation and there are different costs and charges around that.

Q226 **Nigel Mills:** If I asked you to give a mark out of 10 for how the industry is performing on transparency is it below five out of 10, or are you a bit happier than that?

John Glen: Comparing with what, Nigel?

Q227 **Nigel Mills:** I am asking you to assess an industry that you are the Minister responsible for.



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John Glen: I am not going to give it a low score. I am not complacent, either. I think there are always things that can be done, but I think it is doing reasonably well.

Q228 **Nigel Mills:** Do you think “reasonably well”? I thought you were going to give it a low score.

John Glen: I would give it seven out of 10.

Guy Opperman: I would fundamentally agree with what John says. I think Charlotte can give you the history of the charge cap and where we have been down the last five years, whereby the Work and Pensions and Treasury Select Committees have looked at these matters, that these have been matters that Government have legislated on. This is a fairly detailed examination over a period of time.

I start from the written ministerial statement that I was asked to sign up to on 16 November 2017 on when we would review the charge cap in 2020. By and large, I think the charge cap at 0.75% is the appropriate way forward at the present stage. We are in a situation, are we not, where we are trying to increase transparency? I am sure we will speak more about things like the dashboard in a second. I talk about things like the simpler statement. There are a variety of ways that we are trying to increase enhanced understanding by individual members of what it is that their pension is.

Those two things—the simpler statement and the dashboard—are key to that. Obviously you are going to tell us to press on with those and get a move on, in the usual way. We are happy to discuss progress on those. At the same stage, we also have to look at the nature of the individual investment and I think you have done that in this examination over a period of time. I want to stress that one size does not necessarily fit all in terms of the way the investment is being made. For example, in February of this year—which seems quite a long time ago but is only about six weeks—we launched a consultation in relation to illiquid investments, housing and infrastructure and things like that. If you look at examples where that has been done elsewhere, there is quite a sizeable investment that requires a great deal more management; therefore, there is an argument that you look at a different type of fee structure for that.

The bottom line is that there is no anticipation of changing the charge cap until 2020 and, as auto-enrolment increases—we go to 8% later this week—and we are in a position where there is a greater consolidation, I think the consolidation will also drive down the costs generally.

Q229 **Nigel Mills:** Do you want to give me a rating out of 10 for how the industry is performing on transparency? I would hate you to miss out.

Guy Opperman: I would say eight out of 10.

Nigel Mills: Eight?



Guy Opperman: But with potential to do more.

Q230 **Nigel Mills:** It is a bit strange. Most of the evidence we have had suggests that this is a bit of a cowboy area for the industry and there is a whole load of work to be done. I think the CMA study you referred to, John, did find that many trustees do not have sufficient information on the fees, or the quality of the investment consultancy in fiduciary management, and that they are contracting for it before they know if they are even getting a good deal.

It seems to be a bit of a mockery to have a pension charge cap without the industry having any idea what charges they are being charged, how much they are and whether they are really a good deal. Does that sound like a great situation to be in? Do we know that trustees even understand what on earth they are agreeing to in many of these situations? John?

John Glen: The trustees will be Guy's area. What I would say is that, if I look across the asset management—which is the area of the City we are dealing with here—and look at all the different interventions that have taken place, in terms of information packs and legislation in different areas, we have to be quite clear that we can create more and more regulatory burdens and we do not necessarily improve efficiency. The interaction between trustees—and information is a really important one—and ensuring that trustees are capable of scrutinising that is definitely something that needs to be looked at.

From my perspective, what we need is investment managers to be able to present what they are doing clearly in order that trustees can then take decisions over performance and make judgments as to whether there needs to be movement in that. From the Treasury's point of view, this issue of the recommendation in the report—which I think is the one that is relevant—is on this investment management coming under the regulatory parameter.

Obviously, they are dealing with significant sums of money, a range of financial instruments and products referring to trustees. We are not talking about interactions with consumers, so it is a very different situation. We have to deal with that in the context of a large number of regulations that many people would say are onerous and not particularly helpful. Also, inaccurate when it comes to, for example, PRIPs, so it is in that context that I think about the changes that we might make.

Guy Opperman: It is a fair point to say that Government and FCA have legislated to require schemes to report annually on the value of the money that members receive. That would surely be a starting point.

Secondly, there are occupational schemes as well as workplace pension schemes that have to publish their value for money assessment. DC schemes are also required to publish costs and charges, and tell members where that information is available and, as I understand it, the FCA is consulting on corresponding measures for workplace pensions. It



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is up to the trustees to work out where they are in terms of the value for money assessment. Parliament has legislated on this matter and required a trustee to have a legal duty to carry out and report on their value for money assessment.

I welcome the Committee's focus on this issue, but Parliament has already legislated on the charge cap and has already legislated on the report for value for money assessment. We welcome the areas that you feel we should be going further with but, at the same stage, this is not a vacuum that exists in the present situation.

Q231 Nigel Mills: They have a reporting duty on trustees. What proportion of them do you think are in a position where they can make an accurate report on them?

Guy Opperman: I will let Charlotte go through that. She is the one who has dealt with them on most of the detail. Do you want to start on that?

Charlotte Clark: For very large schemes, it is not far away from 100%. It is about 95% of people who report that they are able to make a decision on this. In those small—

Q232 Nigel Mills: Do you believe them, though?

Charlotte Clark: Self-reporting, if you ask somebody if they can do something, what other measures do you think we should have? We could test them but I am not sure that is going to be particularly effective.

Q233 Nigel Mills: Do you think they have the information to know all the costs that they are incurring?

Charlotte Clark: I think in the large schemes they generally do. What they are saying is that in the large schemes there are a high proportion of trustees who are saying that they have the right information to make the decisions. What is difficult is comparing the information between investment managers. That is a slightly different issue, but I think they are saying they are getting the right information about performance.

I think there is an issue in smaller schemes but you are looking at probably 60% self-reporting, getting the right information on investment. It is not for us to be complacent but there are less than 1% of people in the schemes of less than 100 people. The issues around consolidation, and what is the right size of a scheme so that they can fulfil these functions in the right way for consumers, is an important discussion.

Q234 Nigel Mills: The evidence we received from the LGA pension scheme—who I think we all recognise has tried very hard on this issue—was that it was much harder than it had thought. It took a lot longer and took quite a lot of effort to work out what costs were being incurred and were being charged for right the way down the chain. I don't think we have seen a great deal of evidence that even other large pension schemes are doing anything quite like that level of work, so how can we be confident that



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they really know what costs are being incurred on their behalf and know whether they are good value or not if they have not gone through that very extensive exercise?

Charlotte Clark: I would not know specifics about the LGA pension scheme. The local government pension schemes and the consolidation of local government pension schemes—

Q235 **Nigel Mills:** I am saying the evidence that LGA gave us was that, even for LGA, which is a very large scheme that has tried over a number of years and iterated the process to keep finding out more, even with all that work, it was finding it quite difficult to be really sure it knew. We do not think we heard any evidence that most other schemes—even large schemes—have done a great deal of work at all on this. You seem pretty confident that, when they declare they are achieving value for money, we should believe that they have done all the work they should do.

Charlotte Clark: I do not think those two things are necessarily contradictory. I am not suggesting it is easy. This is the point of trustees, to look at investment performance and to make sure that it is the right thing. I am not suggesting that that is not a reasonable part of their responsibilities. I think it is a reasonable part of their responsibilities. This is difficult, complex stuff.

Q236 **Nigel Mills:** Parliament has given them a duty. You tell us that 95% of them are making some level of declaration. You are not telling us that you are still worried that maybe that declaration is not very well-informed and perhaps there is a whole load more work that needs doing to make sure those declarations are right. You seem quite relaxed that the duty we have given these schemes is being achieved, and I am saying that we are not perhaps quite as convinced that there is not a lot more work that needs doing in this area.

Charlotte Clark: I suppose I look at this from a slightly longer perspective. First, the schemes that you are talking about, you are talking about DB schemes. While I do not want to be dismissive of it, there is no member detriment if they get it wrong. There is if they get the investment wrong, but not the charges because ultimately those are borne by the employer.

Q237 **Nigel Mills:** Assuming that the sponsor is capable of bearing that, yes. It is widely true.

Charlotte Clark: That is a different issue. Where our focus has largely been on charges and costs over the last 10 years has been in the auto-enrolment sector, looking and seeing, because those are borne by the member. A lot of the focus has been on the charge cap, on ensuring that the right sorts of charges are being borne and that there is pressure downwards, because that makes a difference to somebody's pension income. Again, I do not want to be dismissive about the issues in the DB sector but ultimately they do not affect what somebody takes home at the end of the day.



Nigel Mills: Assuming your schemes are fully funded, yes. I think we have probably laboured that as far as we can.

Q238 **Chris Stephens:** Thank you very much. I apologise to all three of you that I cannot stay for the whole session, so when I walk out it is nothing to do with anything you are saying at that particular point.

If I can start with you, Guy? One of the things we are looking at is the voluntary disclosure templates. What do you think the market coverage should be and what kind of market coverage should be achieved in order for that policy to be a success?

Guy Opperman: I will let Charlotte start on that, as to the journey that we came on. Then I will come in on whether that is a fair point. Do you want to start?

Charlotte Clark: Yes. Where we are at the moment is there is a good industry group looking at the template.

Chair: We have met them.

Charlotte Clark: Yes. That is chaired by Mel Duffield. I think where they are is trying to come up with something that works for most schemes. The difficulty about us stepping into the space is generally we will get it wrong. If we decide that this is the thing that is going to work for all schemes, it is probably not going to be as effective as getting the industry to work together to find out what information is held and what information is useful to trustees. The information that the trustees find useful probably is not best decided in Caxton House or the Treasury.

At the moment, the work that they are doing seems to be pretty effective. I don't think it is compulsory in the Netherlands but I think it is generally used, and that is the model that we are looking at. If we can get something that is generally best practice across the industry, most people will use it and most trustees will ask their investment managers to use that template.

Guy Opperman: There is the perennial difficulty in this place and in Government civil servant-led Departments, as to the extent to which Government bashes industry and says, "This is what you must do" and Government saying to industry, "You are best placed to understand how to do this process and work with us to try to come up with a realistic, feasible way forward". We have taken the latter route at the moment. We can have a discussion about delivery of dashboard; we can have a discussion about simpler statements on a pension going forward. There is always that conflict. I do believe it is the right thing.

John Glen: Can I just come in there? Chris, I understand that there is always going to be an apparent tension there between a mandate and thinking that people are getting away with something if they cook it up themselves. In financial services, in terms of City regulation, in terms of what the FCA do, they work collaboratively with the industry to come up



with something that works. As I have mentioned, where we had instances in other domains with MiFID and PRIIPs, which imposed an obligation or a certain requirement to report information in certain ways, there has been massive pushback. Not because of the burden of it but because it had not been effective in giving the information that people required, because it was done from outside. It is not an attempt to avoid scrutiny. It is an attempt to make sure it works properly.

Q239 Chris Stephens: Picking that up, John, one of the concerns would be that if voluntary disclosures are not made, whether trustees will, therefore, be persuaded to break what we would deem to be bad relationships. As the Treasury Department, how would you monitor that sort of behaviour?

John Glen: The working group is a reliable and authoritative group that are working with industry to develop this. They would provide feedback and would be saying if this was not going down the right track. They understand what they are trying to do is give reasonable, comparable information that would be in a form that trustees can use. We are in quite early days of doing this but they would be able to feed back if that was not happening. There is no resistance to doing it. It is a question of how you do it well.

Q240 Chris Stephens: They would report to you if there were concerns about bad practice with some trustees not breaking bad relationships with companies who are not doing the voluntary disclosures? Is that what you are saying?

John Glen: Yes. If there are gaps there, that is what would happen.

Q241 Chris Stephens: Guy, would there be anything from the DWP in terms of monitoring and having a look at those issues?

Guy Opperman: Ultimately, it is a Treasury policy in this space, but I think we would work collectively to ensure that the vast majority of firms start to use the template and make progress in this space.

Q242 Chris Stephens: Charlotte touched on the Netherlands and the process they use. We understand it is compulsory, so to ask both Guy and John: why is there a slightly different approach in the UK? Is it because the UK systems are different?

John Glen: I look at this in the context of all the churn of regulation that is coming through across financial services, and it is significant. I am lobbied all the time, not just by industry but in terms of regulators working together all trying to do different things. There is the question of the proportionate impact of mandating more and more regulation.

If we can get to a point where this is seen as effective—delivering the right information on a voluntary basis—that seems to me a preferable outcome than moving to a situation where we create more from the top down and then put more cost burdens on to industry.



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Guy Opperman: I would love to say I am an expert on Dutch compulsory template law, but the note I have—which is very much a note I am provided—says that the Netherlands did not use compulsory templates to start with at the beginning. They started on a voluntary basis. In a triumph of Civil Service good language, they teased out the issues and secured good compliance before legislating. I think that is the process that we are in. We are working on a voluntary basis, attempting to get everybody on board and progressing, and if they do not, clearly Government can step in.

John Glen: The FCA is not reticent to step in, in these areas, and there is a creative tension all the time between how much this should be driving forward more obligations.

Q243 **Chris Stephens:** In Civil Service language it would have been a brave decision, Minister. It sets alarm bells going, is what you are suggesting?

Guy Opperman: The bottom line is: if you like the Dutch model I think that is what we are copying. We are working on a voluntary basis. We have a very effective regulator monitoring this, and there is the capability—suitably nudged by Select Committees and otherwise—to legislate if we are required to do so.

Q244 **Chris Stephens:** We have had some mixed views from people who have given evidence so far. One of the concerns is that if the data is too complex to provide, should that not set off alarm bells that asset managers do not know what assets they are managing or, by implication, there are some costs that they face? Is that something that you have looked at?

John Glen: That goes to the heart of the problem. If you mandate too much information, in all categories and all financial instruments, that is not appropriate, you will end up with gaps. You will end up with more questions being asked. What you need is something that is actionable from the point of view of the trustees. It is not a question of consciously trying to go light touch. It is about trying to find the appropriate way of presenting performance and value in the context of a range of financial instruments and investments, which perform in different ways over time and are part of a balanced portfolio where you would expect them to do so.

Yesterday I was at a conference on sustainable investment, which is a massive new category looking at social impact investment as well. We hope that they will become more and more portions of the way that fund managers invest. If that happens, you would want to see a different way of presenting those, in a way that is appropriate for that category that in a very crude comparison with European equities would not look very good, so we have to make sure that we get this right.

Guy Opperman: I would make a couple of points. Clearly, very large schemes by and large have lower costs. Therefore, consolidation should



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drive down a lower price and cost in the longer term. I utterly endorse what John says because, whether it is the Patient Capital Review, or a consultation that we are doing in relation to illiquid investments, or housing infrastructure, we are also trying to nudge organisations to look at other types of investment.

Other types of investment can mean these are higher cost as such. Hypothetically, if you manage to persuade a Welsh water pension fund to invest in Welsh housing stock as part of their pension fund, you and I may think that a very good thing that you have that as a very long-term investment in that particular way. But there is no doubt that the investment in infrastructure—if you look at the overseas examples—is slightly more expensive than if I simply put it as a very large investment with one manager in the City of London where it is unmanaged in any way.

Clearly, we are all interested in getting the best value for members—I think everybody in this room would agree with that—but at the same stage, the nature of the investment will impact on the cost of that investment and the cost ultimately borne by the member.

Q245 **Chair:** Guy, do you see part of your function to encourage amalgamation?

Guy Opperman: Consolidation, yes. There is no doubt that we are not legislating for it but we are definitely encouraging consolidation. On any interpretation, that is something that we have tried to facilitate.

Q246 **Chair:** How do you go about it?

Guy Opperman: I will let Charlotte—who has done 10 years of this, over a long period of time—tell you how she has nudged and nurdled the industry to head that way and then I will come in with a couple of comments.

Charlotte Clark: The obvious example is the master trusts regime, where we have decided that under auto-enrolment specifically we need to have certain standards, and if you do not meet those standards then we would expect the scheme to be consolidated.

We are just going through the process at the moment. When we started there were probably about 80 or 90 firms in that sector. My guess is there would probably be about half of that by the end of this year.

Q247 **Chair:** It is the same as the Government approach to schools? If they are failing—

Charlotte Clark: I do not know anything about schools. I only know about pensions.

Chair: —they could be academised. I am not against the process for one moment, but the Government are very active on the schools front with those sectors or schools or groups of schools that they think are failing,



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and continue to fail, to get good returns for their pupils. They forcibly then make them combine with successful groups of schools.

Charlotte Clark: I do not think that is quite the approach with pensions. It is more in terms of: you have to meet these standards. If you cannot meet these standards, if you do not have the right business plan, you cannot be authorised to be in that sector.

There are some very good small schemes out there that are very well-run. It is trying to get that balance right between where there are good schemes and allowing them to flourish, at the same time as supporting those where a bit of scale would probably make them more efficient and effective.

Guy Opperman: Mr Chairman, I was sitting in the library this morning at 7.30 am with Nick Gibb, who is presently doing the Education Select Committee, and I clearly should have brought him along with me. I agree with what Charlotte is saying about us setting a series of standards. If the individual organisations cannot meet those standards effectively, the inevitable consequence is that they merge and consolidate. That is the process that is being done.

There is not a legislation that mandates consolidation in that respect, but particularly in the DC master trust space the inevitable direction of travel is that these organisations will get bigger. Everything that we are discussing today in the DC space has to be borne in mind. You have taken a very nascent beginning industry—starting in 2012, effectively—that has grown massively, but it is going to be much larger with the 8% coming in and the consolidation is going to follow that as well, without a shadow of a doubt.

Q248 **Chair:** Has the sector working party, which is trying to do this on a voluntary basis, encouraged you to go down the Netherlands route or are they totally silent on asking you to mandate?

John Glen: At the moment I think it is progressing well. They don't want to go down the mandatory route because it is working effectively, but I think that is under constant review.

Q249 **Heidi Allen:** Much of what we are talking about is about transparency and the market opening up a little bit so that it is not quite the black box that it used to be for investors. Talking about value for money, what is value for money in your view? It is not just about running the scheme the cheapest way. It is risk. It is return. Who should be the best judge of that? The trustees? The customers? What is your view on value for money?

John Glen: It depends whether you are talking about a DB scheme or a DC scheme and it depends on who the customer is. You are right to say that different categories—

Q250 **Heidi Allen:** That is the point. There are different customers.



John Glen: Yes. We have a basic cap in place. We allow combination charges, so as not to depress the market when auto-enrolment was starting and ramping up. We are seeing more and more different financial instruments and products coming in to be investable propositions. We cannot from Government assert what value for money is at a single point of time, category by category, because there is also market performance and I am conscious that in the last 10 years we have had reasonably good performance in the markets.

Then there is the issue of active or passive investments. We have seen some evidence that shows that having active investors—people picking stocks and making interventions, rather than tracking a market—has not been providing value for money, because it is more straightforward, in the market that we have had over the last 10 years, to track performance.

Your question is a good one, but it is very difficult to give you a single answer because it depends on so many factors and it also depends on the maturity of an individual's pension pot.

Q251 **Heidi Allen:** There are exceptions, I am sure, but none of that is generally within the gift of the pensioner, the person at the other end. How do they navigate that and who should be the custodian of that?

John Glen: From the point of view of somebody who has reached a stage of their life where they are able to access their pension pot at 55, and they, say, take 25% tax free and then the question is what they do with the rest of it. Over the last few years we have looked at the performance and what people have been doing.

We are consulting on different pathways for people to choose, so that when they are given that advice, when they access that money, they then do something other than just leave it in a high—which will be very low—interest rate in cash, because that would be an unwise thing to do for 20 years.

Q252 **Heidi Allen:** That is at the point of retirement. This question could be across their entire lifetime. If we get the dashboard we are going to have this access to information. I am not sure that I understand—despite all the best intentions—who are watching this to make sure that there is value for money there. Also costs: what is an appropriate cost? Who should benefit from or have a view on the costs? Is it the trustees? Is it the employer? Is it the employee?

Charlotte Clark: In the trust-based system, it is clearly the trustees. The trustees have a responsibility and have a fiduciary duty to their members, so you would expect them to look at the risks they were taking and the returns that they were getting for that and, in making investment decisions, balancing those things on behalf of their members.

In the contract-based schemes under auto-enrolment, it would be the IGCs, the independent governance committees, who have that



responsibility to try to do it on behalf of members. That is partly understanding that most members probably would not want to do it themselves or would find it difficult and challenging to do it themselves.

Q253 **Heidi Allen:** Do they need some information regularly, would you say?

Charlotte Clark: They do get some information, but it is how you present that information and what is useful information to individuals. If you look at pension systems around the world where the individuals are making decisions—so if you look at Australia or the US—the costs do tend to be higher, but that is largely driven by consumer behaviour. It is consumers doing things that may not be in their best interest. Having the role of the trustees, having the role of the IGCs, is important. At the same time, there may be some individuals who feel personally that they want to take responsibility and they want to make certain investment decisions.

Guy Opperman: I am aware that I do not think any of our answers will give you the specificity that you would like.

Q254 **Heidi Allen:** The problem is there are so many layers.

Guy Opperman: Of course. Beware the Minister or the civil servant who comes and says, “We will write to you”, but there is a serious point that I think we could do, which is we could take each and every type of individual situation that we are dealing with, provide you with who the statutory authority is in relation to that, and who the intervention is in relation to that. That is a pretty complex document, but we could give you in a two-pager where exactly every single person sits and who is responsible between John and myself as to where those levels are. Then all pressure can be applied.

If I can add to what Charlotte was saying, it seems to me there is a balance here between a comprehension and understanding of what you have and the product you have—an understanding of your pension—and the degree of information that the individual member needs about the cost of that. The simpler statement to my mind is what this is all about. Traditionally, with a pension statement, you receive a document that could be as many as 45 pages, which you need several degrees to understand.

Q255 **Heidi Allen:** I just file mine.

Guy Opperman: Exactly. You have hit the nail on the head. You are totally the perfect target user for our focus group. The truth is that you, a highly intelligent and articulate person, are not going through the information that you are being given because it is just too much.

We are trying to come up with a two-page simple statement that tries to explain to you—and this is industry-led, going back to Chris’s point—exactly what it is that is in your pension, so that all pensions would have a two-page simpler statement. I have seen the focus group. The



comprehension that followed from that was off the charts compared to having received dozens of pages, because people genuinely had a comprehension of what they received.

The criticism with that is that you are not giving enough information on your costs and your charges. Therefore, we are trying to work out if there is a signposting of that. If that is something that you are interested in you can go to either a website or specific accompanying document, which sets out the specific charges in relation to those.

To be fair to the industry, PLSA, ABI and all the industry bodies are working very hard to try to drill down: how do we simplify this and how do we aid comprehension? It seems to me that there are two ways forward with this. The first is you will always have some degree of paper-based information, and the simpler statement in my view has to be the way forward. I would like all industry to do the same version to the best of their ability, so that I can then go to the pub and speak to X or Y and we all have the same document. It looks the same, even though it may be from a different provider.

The second is try to make it digital, because everything is going to be coming on our mobile phone or laptop in the longer term and the millennial generation is not interested in paper. Like you, they would file such things or they would want to receive it in a digital format. Therefore, dashboard again: aid comprehension first and foremost, get a document online that enables you to be empowered—it is a digital democratiser, so that the individual has a comprehension of what it is they have. You have a separate issue in relation to costs and charges as well.

Q256 Heidi Allen: That is helpful. Thank you. Your offer to give us a two-pager about all the different structures and who monitors what at what level, could you incorporate in that—because some of those structures have been created by legislation, like the IGCs that we just touched on—some comfort for us to know what Government or what DWP's actual role is in checking, "Yes, that is a statute we put in place. Is that delivering value for money"? What evidence are you gathering to show that some of these interventions that you have put in place are working?

John Glen: On the IGCs, they are quite a new phenomenon. The FCA did a review two and a half years ago and said that they were generally effective in reducing costs. There is some work going on this year by the FCA to review them in the context of ESG reporting, but I can certainly look to see what more information we can give you on that.

Heidi Allen: Putting in new structures is great, but you have to assess them and monitor them and take a view to see whether they are working as intended. Thank you.

Q257 Steve McCabe: I want to try to ask a couple of things about where we are in terms of Government action at the moment. You will know that the Competition and Markets Authority recommended some legislation to



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strengthen both the FCA and the TPR. Is there legislation pending?

John Glen: With respect to the CMA recommendation on investment consultants, that is something that we will be looking to consult on later this year.

Q258 **Steve McCabe:** It is not pending? There is going to be a consultation?

John Glen: Yes.

Q259 **Steve McCabe:** When do you think after the consultation something might happen? Do you have a timescale?

John Glen: I do not have a timescale on it at the moment, no.

Q260 **Steve McCabe:** That is out there, but there is a consultation?

John Glen: We noted it, and we know we have to address it, but that is something—

Q261 **Steve McCabe:** Is the consultation this year?

Charlotte Clark: The CMA has already consulted on its recommendations, so that should be coming into force in December this year. The CMA order to oversee this is due this year. Longer term—

Q262 **Steve McCabe:** Yes, but the CMA recommendations were for Government concerning TPR and FCA, yes.

Charlotte Clark: We will do that next year.

Q263 **Steve McCabe:** Hang on, the issue around investment consultants and the FCA has gone out to consultation this year? What is happening about the TPR and fiduciary management?

Charlotte Clark: Specifically?

Q264 **Steve McCabe:** I think they recommended that there should be a competitive tender process, didn't they?

Charlotte Clark: For trustees?

Q265 **Steve McCabe:** Yes. Did they not say that you would have to legislate to oversee that as well?

Charlotte Clark: To oversee it? I think there are two things.

Steve McCabe: Well, you explain it to me.

Charlotte Clark: The CMA order about the fiduciary management is due this year. For TPR to take on that responsibility requires giving them additional legislative requirements, so that oversight of fiduciary management will be in place this year.

Q266 **Steve McCabe:** That will happen this year?

Charlotte Clark: Yes.



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Q267 **Steve McCabe:** Then they will have to have some power to deal with people who do not comply, which is why you need to legislate. When is that going to happen?

Charlotte Clark: That will be next year.

Q268 **Steve McCabe:** Right, so let me just make sure that I have understood this, Chair, because it is complicated. In terms of the bit about investment consultants, that is really down to the Treasury and there will be a consultation?

John Glen: Yes, that is a Treasury recommendation.

Q269 **Steve McCabe:** There will be a consultation on that this year. The TPR will have the powers before the end of this year to require trustees to go out to competitive tender regarding fiduciary management contracts and the power they will have to enforce people who fail to comply with that. So the teeth that makes that a reality, you are going to consult on that this year or you are going to implement the legislation this year?

Charlotte Clark: At the moment the CMA has the power to do that. Longer term, it will move to the TPR, so there will not be a break in that oversight; it is just a question of who will be doing it.

Q270 **Steve McCabe:** You need to legislate for that to happen, don't you?

Charlotte Clark: Yes.

Q271 **Steve McCabe:** That is my question: when do you legislate?

Charlotte Clark: At the moment, the CMA's order is due in June and comes into force in December. CMA will have oversight. That will then be passed on to the FCA and TPR, which is what the additional legislation is for.

Q272 **Steve McCabe:** That is going to happen?

Charlotte Clark: That happens in 2020.

Q273 **Steve McCabe:** Next year?

Charlotte Clark: Yes.

Q274 **Steve McCabe:** At the beginning of the year or the end?

Charlotte Clark: I am not sure. I think it will probably depend on the work plan. It is about passing over responsibility. It is not that there is a gap.

Q275 **Steve McCabe:** There is a gap.

Charlotte Clark: No, there is not a gap because CMA will be the enforcer in the meantime. It is transferring that to the TPR and FCA, which is the job that needs to be done, so I think it is a question about when that will work best with all of those three organisations.



Q276 **Steve McCabe:** The answer at the moment is sometime next year?

Charlotte Clark: Sometime in 2020.

Q277 **Steve McCabe:** Is that going to be part of an overall pensions Bill or is that going to be something separate?

Charlotte Clark: That only requires secondary legislation. It does not need to be primary legislation.

Q278 **Steve McCabe:** Where are we with the pensions Bill?

Guy Opperman: The legislation that Charlotte was talking about I think is scheduled for June, and I endorse her comment about the CMA and the overlap going towards TPR. There are a variety of aspects of the pensions Bill. You will be aware that we have had consultations out in relation to CDCs. We have responded to that. You will be aware that we have a consultation out in relation to the pensions dashboard. We are due to respond to that very shortly, and we will be responding imminently—as they say—in parliamentary terms, but until I have that response out I cannot proceed on that aspect.

In relation to the DB White Paper, the TPR powers, those are matters that we have responded to and we are again looking to progress as well. In relation to the pensions Bill, the reality is that we are waiting for a new Queen's Speech, because that would be the logical and next stage forward on a pensions Bill. There are a variety of matters that one would seek to put into that. Clearly size is an issue, but the three clear parts that I have identified, which I would like to have above all others, would be in relation to the dashboard, the DB White Paper and the TPR powers and in relation to CDCs. Those are the three key elements. There are a variety of other small elements, as everybody always knows with a Christmas tree Bill that people always want to put their bit on top of those particular things. That is where we are headed.

To be fair, I am not divulging any state secrets when I say that I meet with Jack Dromey, my opposite number, virtually on a two-week basis to discuss the progress of the Bill, what we are trying to do to keep him updated. My suggestion is you sit down with Jack and go through it because I certainly discuss with him in a great deal more detail on a confidential basis than I can here, and I know that you two know each other well enough that you can discuss it with him. I also met with the Labour Peers who lead on pensions as well, to try to give them a preliminary briefing on where we are trying to go.

Q279 **Chair:** Have you made application for the next Queen's Speech to put your Bill in?

Guy Opperman: That was done last year, so there is a process, as you know, with your experience of Government, that you have to go through what is called PBL. We did the basic PBL in autumn last year and that has gone through the process. There is a variety of other things that you



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need to do, as you will know. To give a simple explanation, you have to do a second PBL in front of a whole bunch of the leaders of the Lords, the Commons and various other people. That process has to go through and then, ultimately, Cabinet has to sign off what goes into the final Queen's Speech.

However, if I can make a few positive points, ultimately these are matters that I cannot totally give assurances on, but we are the only Bill that has been sought to be prepared by the Department for Work and Pensions. We are at a great state of readiness, I believe, because all the things that you and I know, that depend on a Bill being ready are, "Have you consulted?" That is a good start and on almost all of these things we have consulted. Dashboard is the only major thing outstanding and that is pending literally within days/weeks. "Are you in a position that you have started the PBL process?" We have. "Was that some considerable time ago?" It is. "Are these matters that are in the manifesto of the governing party?" They are. Is there cross-party agreement with myself and Select Committees but, more particularly, the Labour party and other political parties that these are a priority and that they regard them as a priority, not that they agree with every I and T in the particular Bill, but that they—

Q280 **Chair:** Have you agreed this with Heidi and her party?

Guy Opperman: I will of course sit down with Heidi. To be fair, I am also sitting down with Scottish Nationalists and other parties to try to walk them through. There is a process, though, and we are at a very far stage forward in that process.

Q281 **Steve McCabe:** If this Government deliver another Queen's Speech, you are optimistic that a pensions Bill will be part of it, and in the meantime you have discussed it with your opposite number?

Guy Opperman: Absolutely, 110%.

Q282 **Steve McCabe:** That is where we are?

Guy Opperman: Yes, absolutely.

Q283 **Steve McCabe:** This is something that people quite often ask me and I am never quite sure what the answer is, and I think about this when we take evidence from the FCA and the TPR. Who really is driving the pensions' agenda at the moment? Is it the Government, is it industry, is it the trustees or is it the consumers? Who would you say is really setting the pace on it at the moment?

Chair: You do not have to put us on the list.

John Glen: Steve, it is a necessarily quite complicated process because, in terms of the regulation of the City and oversight of that, we made significant changes between the Bank of England, the FCA and the Treasury in 2012-13, so the FCA have significant responsibilities in that domain. Then you have the Pensions Regulator, which obviously has



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another set of responsibilities. We work as closely together as we can on various projects where they work together, but there are quite clear delineations based on the functional expertise. I know you have had the FCA before you with respect to the British Steel situation and its oversight on that, which is appropriate—

Chair: We are bringing that up later.

John Glen: Okay. I am always sympathetic to the thought of bringing it all together and creating a single person to be responsible for everything, but Guy would not want to get into the world of the FCA.

Q284 **Steve McCabe:** I asked that because when the FCA and the TPR come before us, I think it would be fair to say the message we get is: yes, we will do that if that is what the Government really wants. So I am asking, are they clear what the Government really wants? Are they absolutely clear about competitive tendering for fiduciary management contracts? Are they absolutely clear about investment consultants? There is no doubt in their mind that both you and Guy are saying, "This is what we are after"?

John Glen: Absolutely. We interact with our respective regulators. I speak to the FCA on a very regular basis. I issued directions to the FCA on Monday of this week. The FCA comes to many of the forums that we work on together, for example financial inclusion. We see the FCA a lot but it is not responsible for everything, so we work for it discretely in whatever areas it is responsible for in this part of government.

Q285 **Steve McCabe:** What do you rely on for evidence at the present time, so that you are absolutely aware of what is going on in the industry and absolutely aware of how consumers' interests are being protected? What is the major source of evidence that you draw on at the present time?

Chair: Some witnesses say it is the *FT* rather than ministerial briefs.

John Glen: The FCA is proactively undertaking reviews on market practices. Then of course events happen and then there is a responsiveness where it is essentially policing. It has 35,000 IFAs and then it has a set of responsibilities of regulating those on an ongoing basis, and then there is a dialogue between Government and the FCA based on prevailing concerns that have arisen.

Guy Opperman: Can I try to answer? Your first question is: who is in charge? I think it is a partnership, is the bottom line.

Q286 **Steve McCabe:** Even in a partnership somebody has to be in charge, otherwise the other person thought it was his responsibility.

Guy Opperman: Ultimately Government in Parliament sets the law, which then the regulators have to enforce. If you want a buck and where it stops it has to come back, ultimately, to Government of any shape or form and Parliament in the way it is set up.



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Then you set up a regulator and then they run it. You asked a specific question. I would recommend, he says, holding up a prop, which you are not supposed to do in Parliament, I am always told—

Q287 **Steve McCabe:** We will let you off.

Guy Opperman: The FCA and the TPR sat down at both of our urgings, to be fair, and in October last year did their “Regulating the pensions and retirement income sector: our joint regulatory strategy”. It is a meaty document. Do not ask me to quote from it word for word, but if you want an argument as to who it is that is bringing all the evidence together and then presenting it to Government and, also, as regulators taking things forward, it seems to me where we have really pushed very hard as Ministers—and I think, to be fair, civil servants as well—for some time is trying to get the various organisations to work together.

That is particularly the FCA and the TPR, and making sure that those two organisations are joined at the hip, that they work collaboratively—we are going to come for example to British Steel in a second—and that they are genuinely enforcing their approaches, so it is not a situation where one goes, “Well, that is their problem and we are not involved in it”, so that there is genuine collaborative working.

It is one of the reasons that the two of us are trying so hard to work together through different Government Departments. You are asking the two of us to come here because there is a difference, and we are trying—it is not easy—to make that join-up of two Government Departments work well, exactly like the FCA and the TPR, who have different regulatory rules.

You and I are old enough to remember multi-agency partnerships in local authority areas, where basically everybody got into a room and tried to fix the problem as a collective rather than everyone saying, “Well, that is not my problem” and that is what we are trying to do.

Q288 **Steve McCabe:** Can I ask a little bit about the cost transparency initiative? One of the criticisms I read of it was that if you compare it to its predecessor—the Institutional Disclosure Working Group—it is rather narrowly focused and looks a bit more like it is focused on the industry rather than the broader interests of the sector. How would you respond to that criticism?

John Glen: I am not familiar with that criticism and I think that the—

Q289 **Steve McCabe:** If you look at the membership, one membership is much broader than the other, so I suppose that would be a clue.

John Glen: I am happy to look into that. That is not a criticism I have heard before. At the end of the day, what we want with that is a representative group to be effective in terms of the outcome, but I am very happy to look into it.



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Q290 **Steve McCabe:** I have a list of the memberships here and the membership of one group looks remarkably narrow when compared to its predecessor, so it would be good if you would.

Charlotte Clark: I think to be fair to the CTI, it is very focused on getting this template sorted and it is having the right people in the room.

John Glen: It is technical expertise.

Charlotte Clark: It is not a wide discursive discussion. There is a point for that, but this is about how you sort out the template.

Q291 **Steve McCabe:** I want to ask a very simple thing that I think you referred to when you were answering Chris earlier, which is this issue about higher cost investments and the return. You gave the example of Welsh water and housing where you might quite happily say it would be good to invest in housing, and you acknowledge that that would be a higher cost that need not necessarily result in a significantly better return. If that is the case, why did you tell the TUC that you wanted pension schemes to find contribution schemes to make those investments?

Guy Opperman: I was lucky enough to be invited twice to the TUC. Lord knows whether I will be asked back, but I am massively supportive, I really am, of the significant tranche of money that exists out here, which is in pension funds, being invested in infrastructure on a longer term basis. I will dispute one thing that you just put to me there that I said it would not necessarily produce higher returns. In my view, it is about a diversified portfolio.

The simple version is to have this in gilts or in with a fund manager and just basically park and forget a fund. That is what lots of people do and all credit to them. They are perfectly entitled to do that, but if you want to get greater member engagement, invest in something that members are interested in. Secondly, if trustees wish to invest in something for the long-term future of this country and wish to make a positive investment, particularly if they could localise it to Devon and Cornwall or Wales or to the West Midlands or wherever, such that I am a member of that organisation and I know that my pension fund is invested in that social housing project built there on a 30 to 50-year basis, I personally think that is a good thing.

Q292 **Chair:** You have not been very successful in getting pension funds to do this, have you? They have been poor in responding to your enthusiasm.

Guy Opperman: That is a little harsh, in that I have only just launched a consultation and we have not even closed the consultation.

Q293 **Chair:** For years there has been a platform, asking them to sign up, and they have not done it, have they?

Guy Opperman: Successive Governments have failed to get—and I take responsibility here—individual pension funds of any shape or form to



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invest in UK infrastructure, whatever you describe that to be. I think that is wrong. I think it is also part of, and here is my point going back to why, when I say it does not necessarily give a better outcome, a diversified—

Q294 **Chair:** It gives a certain outcome, though, doesn't it?

Guy Opperman: I have held meetings, round tables, and you ask us where we get our information. I have probably done about 45 round tables, breakfasts, events, as part of the wider pensions Bill outreach and also information gathering processes. I have done three in the last 10 days.

I have held one just on housing, for example, where a whole bunch of pension funds were saying to me, "If you create the structures whereby we could potentially invest in long-term housing and infrastructure we would like to try to do so" but there will be consequences to that. It is probable—not certain, but it is probable based upon what other countries have experienced—that you are going to create a different type of investment. Such an investment might cost a bit more.

However, there has to be an understanding—and I think it is really relevant to this Committee that is looking at costs and charges—that if such an organisation chooses to do that it should not be punished by a Select Committee or by the Government. Because the wider altruistic purpose of that is, first, something good for the national economy. Secondly, if social housing in the West Midlands is something that everybody is passionate about and there is a guaranteed return that is not massive, but a good, guaranteed, 30-year return, that is something that is very much to be lauded. Thirdly, trying to change the way in which the pension funds look at this process is something we should be encouraging.

Q295 **Steve McCabe:** You think it is a good idea?

Guy Opperman: I do.

Q296 **Steve McCabe:** I can see why you say that. The FCN in their report, which John says he relies on for evidence, are slightly more sceptical in terms of the return versus the higher cost. That is evidence you would expect people to pay attention to. You say that if they decide to do this socially useful thing, they should not be punished by Committees like this. I understand that. Why do the Government not take some step to encourage or incentivise them to do it? If you think it is such a good idea, why do you not offer them an incentive?

Guy Opperman: The great advantage for you is that if you read the consultation on illiquid investments that I published on about 10 February, which specifically looks at asking the question about what incentives, what rules, and what positions need to be changed to make this easier to do, we are exactly asking that question.



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Q297 **Steve McCabe:** Do us a favour; read it into the record. What is the incentive you are offering them?

Nigel Mills: We do not have all day to hear the whole thing.

Steve McCabe: We do not need it all; I just need to know what it is you are offering people.

Guy Opperman: The bottom line is this: is it something that is going to cost more and, therefore, is there a change in the cost? What is the provision to allow trustees to invest in a slightly different way, and do we need to change the rules such that they are able to do that? Putting it bluntly, what is holding you back? The Chairman's point is dead right. I remember when Tony Blair used to talk about this; successive Governments have tried to get the pension funds to do this.

The reason they fundamentally do it is because it is so much easier to invest it in a highly passive investment. I would not mind that as much, but the highly passive investment, in my view, is not achieving that higher return in this particular market. I believe in a balanced portfolio that has a greater good for this particular country, and we are certainly doing everything possible to try to take regulators and industry in a more positive way towards this. Of course, support from the Select Committee would be very helpful.

Q298 **Chair:** Andrew Forsey in my office has persuaded, or worked with, footballers who are interested in investing in the longer term to build houses in Birkenhead, thank God, and that is greater than all the pension funds put together.

I am just re-emphasising your point, Guy; it is very poor that Governments of different parties are trying to get the pension funds to view infrastructure investment as a serious part of their portfolios that will help balance the need for looking at quicker gains as against the age structure of their pension fund, and, therefore, the security that gilts used to give. Both parties have failed, yet other groups that are interested in very long-term security for their families are doing it. I cannot understand why there is this reticence on pension funds.

Guy Opperman: No disrespect to the Work and Pensions Select Committee, there is an understandable timidity on the part of trustees to go outside the traditional approach, whether that is because they fear regulatory, or Government, or Select Committee criticism, or because everything has been based upon secure performance and steady return on behalf of members. I believe that there is a way ahead whereby you can still achieve secure performance and steady return for members, but you can diversify your portfolio.

Q299 **Chair:** It is really a plea to you, isn't it, Guy, that the members now ought to be pushing their trustees on this front?

Guy Opperman: There is a very significant change in the approach of members to what it is their individual funds are investing in. We saw that



in relation to the ethical investment changes from last year. There are definite changes. Can I make one final point? It goes to Steve's request for me to read the entire document, which I do now have in front of me. My serious point is: were the Work and Pension Select Committee to do a response to said consultation, which has not closed, that would be very helpful.

Q300 Derek Thomas: On that note, Guy, there is a model, Rentplus, which uses the very thing you are suggesting, pensions to build houses for people to live in and then purchase at a later date. I have been trying to get this going for some time, as have other MPs, but we need a bit more encouragement from the Treasury. We also need local government to force counsels to accept it. They do not accept it because they see it as direct competition to social landlords. It could be done quite quickly.

There are already billions of pounds sitting in the rent-to-buy model, but it just does not seem to get off the ground. It needs a bit of help from the Government to free it up. We have had several meetings both with the Chancellor and local government to try to get that going. The answer is there, and the money is there, and one of the organisations is based in Plymouth and has an awful lot of money to spend.

Guy Opperman: I would be delighted to meet with them and delighted to try to facilitate them.

Q301 Derek Thomas: I will do that, because it has been a frustrating process. Pensions dashboard, which I think is a fantastic, good initiative, when is that going to happen?

Guy Opperman: There is a consultation—I have a copy here—that is out for response. We have had all the responses. There were dozens of responses. I have to respond back to the House and to publish the Government's response very shortly. I can say that that will definitely be before the end of the term, but I cannot give you a precise date. I certainly will be giving embargoed copies in advance.

My hope is that the dashboard itself will then feature as part of the pensions Bill. There are a number of things that are happening. I met only yesterday with the Single Financial Guidance Body and with Imran and his team from Open Banking, and with the CMA to try to work out what lessons we can learn from Open Banking and what understanding there is of what they do. They have taken a very similar process; they are just a couple of years ahead of us. There is a real desire among industry and among consumers and the consumer groups like Which? to progress this.

I am certain there is cross-party support. I have gone through it with leaders of the Labour party, in relation to the dashboard, as to whether there is any criticism or otherwise. None exists whatsoever; none with the minor parties. I accept I have not consulted with The Independent Group, or Change, or whatever you are now. However, there is a cross-party consensus that dashboard is the way forward. You should not



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underestimate the size and complexity of the project, but we are making progress.

It is worth noting—I put it on the record again—there is a very strong desire to compel providers to provide their data. They should be under no illusions that that process is coming. I have met some of the providers who say, “Until you legislate for this matter we are not going to start getting our data in order”. I absolutely deprecate that and have no time for such an approach. They should be starting to produce their data at the present stage, come what may.

Q302 Derek Thomas: It depends on the Bill, does it?

Guy Opperman: No. It does and it does not. There are parts of dashboard that require primary legislation, the main bit of which is compulsion to provide data. The reality is that the Chairman and others will be aware that we have been trying to encourage provision and sharing of data to get better outcomes for members and for pensioners for years, and the industry has failed to do it.

The only way we will be able to do this is to compel them to provide the data and set up a governance body that is run by an arm’s-length organisation. Then we have a position that we can take that forward. Government have to do the compulsion and the primary legislation.

I will not say how big that is in terms of clauses, because that has bit me in the past when I have said, “X number of clauses”, but it is not that large a part of a Bill. That process requires me to finish the response to consultation and publish that, because I cannot really proceed with the Bill until I have finished my consultation response. That is the compulsion.

Separately, we set up the organisation to run the delivery of it, which is the Single Financial Guidance Body. We passed that into legislation last year and took that through the House of Commons. We then have consulted that they should be the organisation that should run this. Clearly, I have to wait for the final consultation, but we have already started that process, pending, obviously, the Government’s formal response.

Q303 Derek Thomas: When it is up and running and working well, we will know what pensions we have? Everyone will know what pensions they have?

Guy Opperman: Yes. Without a shadow of a doubt, the purpose is that you should be able to turn on your laptop or your iPhone and have access to your information in relation to your pensions on a long-term basis.

Q304 Derek Thomas: How do you see a natural progression to the transparency around a device, and costs, and choices that people have? Also, how will guidance and advice interact with the dashboard? Is it just a bland, cold piece of information that I then have, or will the dashboard



enable and facilitate me to be empowered to make choices, to know what I am getting into, and to see what else there is, like a supermarket.com type of thing?

Guy Opperman: I will let Charlotte come in in a second, but I am going to give a politician's answer, I am afraid, partly because I have a pending consultation that I cannot prejudice, but also because there is a serious point. If you set up a delivery organisation to deal with the nuts and bolts of said delivery, it is not for me then to demand what they do. It is for the delivery organisation to take this forward. What I can say is that the key objective is to get this up and running. By its very nature, that will be relatively simple to start with. To pretend that this is going to be all singing and all dancing from the word go would be naive and wrong. However, we must make progress, and we must get something up and running.

There is then a separate discussion to be driven forward by the delivery organisation as to what the additional elements will be as part of a dashboard as it develops and it requires functionality. Then there is a separate discussion to be had as to whether that is integrated with other types of data-information devices that give you information. Most people will now have a banking app that gives you understanding of your finances to your mobile phone. Lots of people now have a savings app that will give you understanding of your savings. You will have a pensions app in reality that will give you that information. At some stage, in 10-years' time plus, will you then have those things becoming more integrated? I suspect we will, but that is a very long way down the track.

In terms of advice and guidance, Charlotte has been more intimately involved in dealing with the delivery group, so I will hand over to her in a second. The information comes to the individual first. We are going to great efforts to ensure that there is not a data-storage device that can be hacked by anybody; that you, the individual, request the data, it comes to you direct, so that it empowers you, the individual. You then would go and get advice separate to that. Is that a fair description of it?

Charlotte Clark: Yes, I think so. There is not very much else to add. What we have been doing while setting up the governance for the delivery, going forward, is just making sure that the consumer is at the heart of it. We can all pretend we know what consumers want on their phones and what they want to look at, but until you have actually done the research and you have talked with people about, "What is useful information, what is it you need to know?", trying to design it without them is never going to be successful.

Guy Opperman: I have made the point that when we did the launch here of this in December—to which some of the Committee came along—for example, we made it absolutely crucial that sat literally next to me was the representative from Which?, the number-one consumer-based organisation looking at consumer's interests in this. It is at the heart of



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what we are trying to do. Which? did a report on dashboard, and we are making sure that this is a consumer-driven dashboard, basically.

- Q305 **Derek Thomas:** John, in terms of consumer interests and what they have or get, what data is the Treasury collecting to assess if pension customers get value for money from financial advisers? Is there any actual, tangible work that Treasury is doing to make sure that we understand what benefit consumers are getting?

John Glen: Treasury would not be collecting data on consumers. The FCA would be doing a series of market studies looking at different experiences. That is where that work goes on. In my opening remarks, I mentioned some work that is very important to look at in the context of the experience of the freedoms over the last three or four years: how we can optimise the choices that people default to when they release some of their money.

We have gone over quite a lot in terms of the need for greater transparency in terms of charging, and we have talked about the issues around different categories and how that is quite challenging to get a single point in time. The main interests that the Treasury has, in terms of the asset-management industry generally, is around the fees and structures, and how that works. We have gone over that, but we do not, in the Treasury, collect data on consumers.

- Q306 **Derek Thomas:** Is it your general view that, with what information does exist in the public domain available to you, people are better off using a financial adviser than not, taking into account the charges?

John Glen: It does depend fully on the size of the pots they have. We have mandated that if people have a pot over £30,000 with a DB scheme, they would have to have advice. There is a challenge too around people who have low pots in terms of guidance and advice, and one of the things that Guy and I have worked on with legislation through last spring is the Single Financial Guidance problem. They are in this shadow year at the moment, looking at how they will develop a set of services, essentially, for people of all age groups, to help them in terms of giving guidance and some of those choices.

- Q307 **Derek Thomas:** That would be good, because we were hearing recently that some people were losing all of their pension savings through the charges because their pension pots were so small.

John Glen: Yes. That is a serious area of concern, and that is why it is very important that we work with consumer organisations and the existing advisory bodies to make sure that we offer services that deal with that.

- Q308 **Heidi Allen:** Guy, I want to pick up on something that you mentioned on a slightly unrelated topic: Open Banking. Where is the DWP up to on Open Banking? We are obviously talking about pensions today, but I am interested on the Universal Credit payment timeliness RTI point of view.



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Where are we up to with Open Banking?

Guy Opperman: Bless you; I will sadly decline to answer, not because I am not trying to help, but because I just do not know the answer. I will tell you why I do not know the answer. Open Banking is massively a Treasury-CMA portfolio matter. The reason I met with Imran and his team yesterday was to get their degree of understanding of how they did a highly technical project to automate and digitalise all the banking information and then share it with a wider organisation. That is the very discrete and single issue that I have engaged with him in relation to. I can get Alok Sharma to try to give you an answer to that, or Civil Service to try to address that.

Q309 **Heidi Allen:** Yes. It is a technical solution that could work right across the Government in different Departments. It is all just about fast and direct access to that information.

Guy Opperman: I know that there are various organisations—and CUTO is one—who are providing a digital service linking into credit unions. The credit union I am helping with it in Northumberland is very much involved with that. There is a digital system that you can tie into, you see, and in relation to your credit union, and also your banking system.

Q310 **Heidi Allen:** Yes. If there is any progress that has been made, or questions, or just awareness, really, in DWP that would be great.

Guy Opperman: We can get that. I will ensure that we get back to you.

Q311 **Nigel Mills:** We had a brief mention of the Single Financial Guidance Body, or is it the Money and Pensions Service? I am trying to keep up with all these names for it.

John Glen: It is in transition.

Q312 **Nigel Mills:** I need to ask you about Pension Wise. It as a service has hugely good feedback from the survey you did in November.

John Glen: Yes, very successful.

Q313 **Nigel Mills:** When we had the FCA in—I do not know whether you read the transcript—I was a little nervous that it was talking about seeing the guidance at the point at which you are about to take on your pension as being a final nudge. My feeling was that that is not where most of our constituents' understanding of what their savings are, and what they mean, really is. We need to have a slightly greater intervention, ideally before they access their money, than that. Is that still the Government's feeling, that Pension Wise is a great service and we want everyone who possibly can to use it before they make any real decisions about their retirement?

Guy Opperman: I think so. Charlotte has done more of the day to day management of this, so I will come to her in the second. The broad and short answer is, yes. There is no doubt that the numbers going to Pension Wise have massively increased. It is a very trusted, respected



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body, and it is doing a very, very good job. Do you want to give the broader interactions that you have had with them?

Charlotte Clark: Yes. Pension Wise was my responsibility, so we head hunted it over to SFGB. I think you are right, it is a really quality service. One of the focuses we had—and SFGB has taken on—is driving up usage of the service: who is not using the service, and can we get more appointments through? We are particularly looking to see whether we can engage with people a little bit earlier.

Too often, if you listen to the phone calls, somebody has decided what they want to do, and this is almost a tick-in-the-box exercise for them. How do we engage with them early? There are a number of pilots going on with different providers to think about how can we get people to think about their pensions a little bit earlier before it is just a question of, “I have decided what I want to do, and I just need the money”.

Guy Opperman: Clearly dashboard makes a massive change on that, and when we bring that in that is the digital answer to that. I cannot overstate the Mid-life MOT. It is a ground-breaking project that is being private-sector led, but DWP now have a version, so civil servants in Caxton House have access to this if they want to. I urge you to look at the Aviva pilot, and Hargreaves Lansdown is now doing it.

The Aviva pilot is taking people at their midlife and encouraging them to look at wealth, work and wellbeing, and changing their perceptions of what their retirement looks like, what money they would have, and how they thought they would work on a long-term basis, whether it would be flexible working or changing and retraining.

That pilot is fascinating in the way it triggers behaviour change by the individual, but also how good it is for the business and that it genuinely changes the way in which people are behaving and interacting with other things. We are encouraging that. I do not go to any institution without saying, “What are you doing for financial inclusion for your individual employees? What are you doing to try to make your employees aware?” It is all very well having a pension scheme as part of this, but what is the understanding of their financial wellbeing as well?

Q314 **Chair:** John, would you come in on that as well?

John Glen: I want to add one extra dimension, because there is also what we do earlier on. The quality of financial education is also in need of significant enhancement. I hope that the Single Financial Guidance Body will be working with UK Finance to develop a better range of products that are more accessible to children and young people. That is where you want to influence savings and pension awareness much earlier, so that there is a pot even in midlife to then think about what to do with.

Q315 **Nigel Mills:** A couple of questions: would you expect the SFGB, or MAPS, whatever I should refer to them as, to conduct another evaluation report



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each year, or is that something the Department will keep doing? We would not want to see the service quality or take-up drop off now it has been handed over.

Charlotte Clark: I would imagine it would be part of their KPIs. We are still in discussion about what their KPIs will be, but I cannot imagine why we would not want to continue to evaluate the service.

Guy Opperman: Absolutely. Both organisations work.

Q316 **Nigel Mills:** Default pathways or default guidance, are you still happy that the regulator can ensure that enough people are taking up the guidance option, or is that something we should perhaps have another look at?

John Glen: They are looking at four investment pathways, and I think that they hope to operationalise that by July next year. That would give broad lines to go down, essentially, when that decision is made to release some of the tax-free element.

Q317 **Nigel Mills:** For people who do not know what drawdown or annuity are, having it in the guidance before you end up on a default pathway is still pretty important, is it not?

John Glen: At the point where you engage and make a decision about what you are going to do with your pot you would be presented with those options, with a description of them, so that you would be able to make an informed decision at that point. At the moment, I think there is not even the guidance towards those different avenues.

Q318 **Nigel Mills:** There is a big difference between being presented with four options by your incumbent provider and having impartial, independent guidance as to what options exist, and what other providers might offer, either differently, or at different rates, isn't there? You would not say that having some default pathways only from one incumbent provider is the ideal outcome, would you?

John Glen: The point is, if you have been saving with one individual for a long time you have a pot consolidated into one. At the point you decide what to do, you have a number of choices. I do not think the pathways are about the category of products and what you are trying to achieve in terms of an income or continuing to save. Where this point is relevant is on the size of the pots available and how you get guidance or advice when that becomes more important and economically sustainable beyond a certain level. You have a problem at the moment; we obviously have a category of people who have a sum of money, but getting conventional, upfront, paid-for financial advice is not going to be a realistic proposition. The work that the FCA is doing to describe the genres of choices that people have is the first step. Then we have to look at how the SFGB relates to people with those smaller pots with respect to guidance.

Q319 **Nigel Mills:** We have had a long-running debate or argument on the



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previous Bill about whether taking guidance should be mandatory or practically mandatory, unless you really, really did want to opt out, or just advisory in a looser sense of the word. I want to check that you do not think the default pathways are an alternative over having guidance so that people know what their choices are and can shop around, rather than just pick one of a couple of things that their provider is offering them that they still do not really understand.

Charlotte Clark: On the default guidance issue specifically, there are currently pilots in the SFGB looking to see whether or not that works. You will know from the previous Bill the debate about: is this just going to push costs? Are people just not going to turn up? Are we just going to make this a hurdle that people find annoying rather than a system that people want to engage with? We are continuing to work on it, and it is part of that work to try to push up usage of the system.

Q320 **Nigel Mills:** We do see significant detriment from people that just default to their existing provider, do we not? It is not necessarily a great route for people to take, just to trust their money with them.

John Glen: It does come down to a basic philosophical point here. If you give people freedom, they have that choice. Yes, there needs to be interaction with advice and appropriate descriptions of the different categories of products, but it seems to me you have tension here if you have given people that freedom and then you say, "But you have to do X, Y and Z, and we have decided that for you". It seems to me to overwhelm that principle. What we have to say is, "Different categories of wealth, what is the appropriate and cost-effective set of advice and guidance that is available, that is accessible, and that gives people what they need?" That—across what the FCA is doing and what the SFGB is doing—will give us that outcome.

Q321 **Nigel Mills:** Yes. I guess we do not want to tell people what to do; we just want to try to give them the information and the understanding before they make a decision. For many, many of our constituents, this will often be their house, if they have one. This is their savings. These are the only savings that they have. If they mess this decision up, when they get to 68, or whenever, it will have a big detriment on their life. I do not want to tell them what to do, I just want to try to make sure that they understand, first, that they can shop around and, secondly, what these options that they are offered really mean before they decide. I do not think that is overstating it.

John Glen: Your aspirations align to those of the Government, and I think across these two bodies we will be able to go somewhere to achieve all that.

Q322 **Chair:** Most people who have their own home and are selling it automatically go to an estate agent. It is whether one gets people in the frame of mind that one might want to seek advice. A few people do sell their homes on their own, but most of us use agents.



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John Glen: What is your point?

Q323 **Chair:** The point is: we have a culture now where people's great asset is their own home. They do not think they can sell it by themselves; they go and ask somebody advice about price and so on. I know there is a fee for that, and most people pay the fee because they think that is the most efficient way of dealing with their asset. We do not have that with pension pots.

John Glen: At a high level you have, in terms of people who have bigger pots, because then there will be a conversation around a holistic, financial planning, with a fee paid. You are quite right to say that the challenge is: what do you do with people who paying £500 to have advice on what to do with a £50,000 pot, which is not a very good, on the face of it, transaction? That is why we have to make sure that the Single Financial Guidance Body can fill that space, and also the FCA can encourage people to offer descriptions of categories of choices that they can make at that point. However, ultimately it will be down to the individual to make that choice, because that is what freedom means.

Q324 **Steve McCabe:** I want to ask a quick point about Pension Wise, Guy. Do you know how many people have face-to-face appointments through Pension Wise? When the FCA produces those figures, are they also adding in people who visit the website?

Guy Opperman: The answer is: yes, we do know, but I do not know the answer. Charlotte might.

Charlotte Clark: I cannot remember the latest numbers.

Q325 **Steve McCabe:** You do distinguish between them?

Charlotte Clark: We do split that, yes. You can see how many people are getting advice on the phone and how many face-to-face.

Guy Opperman: I know that it is going up massively. We will send those numbers to you.

Q326 **Ruth George:** Looking at cases of mis-selling now, we know that at least 872 members of the British Steel Pension Scheme had transfers arranged by firms who were ordered to stop advising them by the FCA, and possibly an even higher number. How are the Government engaging the FCA to do more to identify cases of poor advice and to take stronger action?

John Glen: I know you have taken advice from the FCA. We have taken a close interest in what has happened following this. One of the things that came out of it, which has been directly implemented—to answer you directly—is put an obligation on the IFAs to do a qualification around advising on transfers. They will have to pass that qualification. I think that will be in place by October next year, so that people are specifically qualified in that area.



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What happened with that situation was exceptional, but it was appalling for those individuals. It was very unusual to have a high concentration of people under a six-month period of time, essentially, make that decision to transfer out. The Rookes review made 18 recommendations. I think 6%, about 8,000 people out of 122,000, made that decision. There are some challenges for trustees there in terms of their responsibilities, in terms of making available the sort of advice that was necessary. There was a lack of good information around where those pots were and what those individuals' status was.

In respect of your question specifically to the FCA and interacting, it is working on a system. It cannot police every single adviser. The issue has been raised around phoenixing, which has come up with this, which is an appalling situation. What it has done with that is it has tightened up the authorisation process significantly, and it has basically made it very, very difficult for somebody now not to be able to explain the whole of their past life. It can also restrict people in terms of what they can do in terms of financial advice or not, and ban people. Last year it banned 50% more than it had done previously. The FCA does have quite a lot of power. Do you want to come back?

Q327 Ruth George: Yes, absolutely. It is not just the British Steel situation—which as you say was obviously an unusual situation—we saw 10.9 million cold calls about pensions in the last year. This is something that is going on at scale.

John Glen: We have banned pension cold calling.

Q328 Ruth George: Not from overseas, and it is still happening, unfortunately. Advisers are very clever in that they will phone up about, purportedly, something else, but then arrange to make a visit and go see people to give them financial advice not specifically about pensions. This happened to one of my constituents, who was persuaded to put his entire life savings into a SIP, which crashed three months later. That financial adviser carried on and had absolutely no dealings with the FCA whatsoever, although he had advised other clients similarly. He only had to stop carrying on in his current business because he could not get professional indemnity insurance anymore.

It was that bad that the insurers would no longer insure him. However, he is operating as of last month. He shut down in January and started up again in February under a different name; completely phoenixing. We heard from the FCA that advising people on high-risk investments is a job of work it is going to look at next year. This is going on now, and I wonder whether you think that is good enough.

John Glen: There are two things here. One is criminal activity, because if somebody is not registered with the FCA and they are conducting a scam, that is criminal activity. If somebody is regulated by the FCA then, as I said, there were 23 lifetime bans last year, and they have a wide range of powers to deal with people who are giving suboptimal advice.



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It did look into what happened with the Steel case. It was quite a small number of advisers. It has acknowledged in its evidence to you that it needs to look at how it can work better in the future in those unusual circumstances. We are not ever going to be in a situation where the FCA will be able to guarantee that every single one of their advisers will be completely giving perfect advice all the time.

When we implemented the ban on pension cold calling, we also said we would look at other categories later on. We did not say that this was a final decision. When introducers are working to introduce to the IFA, if the IFA is subsequently giving suboptimal advice that is a matter where they are subject to compensation, the ombudsman, and then also the regulatory oversight of the FCA. It is not that the FCA or the Government are complacent on this, but we have to recognise that we need to have a regime that allows IFAs to be accessible, while at the same time protecting the consumers.

I accept that there were some tragic cases here, and lessons must be learnt from that. As I have set out, there have been some changes to the regulations of the FCA as a direct consequence of that experience.

Q329 **Ruth George:** Do either you or Guy know how many people were involved in pension scams last year?

John Glen: In pension scams last year, in terms of what?

Q330 **Ruth George:** Mis-selling.

John Glen: I do not have that number accessible to me.

Guy Opperman: There is some evidence in what is called Project Bloom, which is the police investigation into that. Certainly, the recommendations arising out of that, the banning of cold calling that John introduced relatively recently—there is certain work that is done—we can give you the stats specific to what the police force says are the numbers involved, and the recommendations they have made, and the things that we have acted on.

Q331 **Ruth George:** There are only police numbers on that? The FCA told us it has just 10 people sitting on this.

John Glen: The FCA subsequently clarified in its letter that it had an additional six people, and it also works across departmentally. It flexes its 3,000 individuals who work there. Project Bloom, which Guy just referred to, is a cross-regulatory activity involving the police, Pensions Regulator, and the FCA. That figure—although it attracted some coverage in that session—did not really do justice to the range of activities that take place. I wrote a letter and directed the FCA on Monday to investigate the issue of these mini bonds with London Capital Finance. I am not sat as a Treasury Minister passively waiting for the FCA to tell me what to do. The point is that I will make those judgments, intervene and speak to the FCA and keep on top of these matters.



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Q332 **Ruth George:** Do you think it is good enough that the FCA is not planning on doing anything about high-risk investments being sold to ordinary people with ordinary pension pots, which it admitted was a serious issue, until sometime next year?

John Glen: The FCA has a series of pieces of work ongoing doing these sorts of reviews on a routine basis. I am not aware of the schedule of that. I will look into the relative size of that problem, and I will raise that in my next conversation with Andrew Bailey.

Q333 **Nigel Mills:** Can I take you to the issue of the way pension schemes collect tax relief on behalf of savers, and the problem with net-pay schemes compared to relief at source, especially for low-paid workers? Have you managed to come up with a solution that will ensure those low-paid workers in net-pay schemes are not losing out?

John Glen: Yes, I have spoken to Steve Webb about this, and we have had an assortment of representations over a long time on this. Essentially, the fact that some people do not get tax relief is driven primarily because the tax threshold has gone above annual earnings. We have two systems of paying pension tax relief from contributions for workers earning below the personal allowance. The dilemma we have is that if you look at the total amount of money we are talking about here, which is about £100 million, it would cost about £10 million to administer that.

I am told that the average cost that is being missed out by those individuals, who I recognise are the poorest workers, is about £35 in this current year. There is a challenge there in terms of how to spend money to deliver something that is less than £3 a month for those individuals in this year—it will rise next year. I have not yet seen a proposal from anyone who is raising this issue of how to do this in a way that would be efficient in terms of the cost of delivering it. That is the rub of it. I would love to be able to do something about it. I do not know how to do it in a way that is cost effective.

Q334 **Chair:** Can I suggest a scheme to you then?

John Glen: Yes, you can, certainly, Chair.

Q335 **Chair:** Given the cost of pension tax relief, why can that not be divided among all those who are undertaking pension savings? Those who will claim it through the tax system will claim it and others will have it credited to their pension accounts. It would be highly favourable to the poor.

John Glen: Chair, I always take your suggestions very seriously, and I will be very happy to examine that, but I am not going to respond to it now, recognising the responsibility I have.

Q336 **Nigel Mills:** Could you explain how many people are affected?



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John Glen: I do not know the number of people. I do not have that figure at hand.

Q337 **Nigel Mills:** Could you write to us?

John Glen: Yes, of course I can.

Chair: Thank you very much for taking us over a number of areas. We are grateful to all three of you. Thank you very much.