

Written evidence from AJ Bell (APS0067)

Dear Committee members

It was a pleasure to recently give evidence to the Work and Pensions Committee session on protecting pension savers: accessing pension savings. I felt the session covered a lot of ground, resulting in an interesting discussion.

As you finalise your report, I wanted to take this opportunity to touch on a few points AJ Bell believes are important:

- **An inappropriate emphasis should not be placed on Pension Wise.** Pension Wise offers an important and valuable avenue for people to get help and support on the decisions they need to take when accessing their benefits. However, there is a risk that policy developed by Government and regulators places an inappropriate emphasis on the number of Pension Wise appointments made. Simply monitoring the number of Pensions Wise appointments does not take any account of support offered to people from other sources, especially the extent of support offered to people before they have made a decision (and after they have taken benefits). Instead, it only focuses on support at point of access and from only one source. Adopting a more holistic approach would lead to better customer outcomes. Focusing solely on Pension Wise as the only source of guidance risks ignoring all the other ways people currently do – and could – get help and guidance. The discussion should be more far-reaching. Otherwise, we risk taking a narrow view ignoring how people truly make decisions, and instead risk turning this into a tick-box exercise.
- **Instead, we need to recognise a trident approach to support,** there are three ways people can get and should be encouraged to seek support:
 - regulated advice
 - pension wise guidance
 - good quality provider support

The success of people accessing guidance cannot be measured by Pension Wise alone. We need to widen out the discussion to take account of all the ways people could get help. Provider support should be rightly recognised as offering excellent value to their customers. Providers are in a more immediate position to provide good quality support because a relationship already exists between them and the pension saver. Whereas there is no prior relationship between them and Pension Wise, and they have to seek support from a new and distant source.

Whilst we understand the concerns of some commentators that provider support has historically been associated with a sales/business retention led agenda, we don't accept that this is the current situation, and believe most providers are already providing non-sales-driven support of a high quality to their customers. Rather than discouraging the provision of support in this manner because of a perception that historic issues will be repeated, we believe in encouraging the provision of this support alongside regulated advice and Pension Wise.

Providers and FCA need to continue working together to develop enhanced guidance – information more tailored to customers to help them sort through the material they receive to make it more relevant for them and more helpful.

- **The FCA's approach to stronger nudges is flawed. We need a trident approach to timing of support:**

- Before
- At the time of deciding
- After they choose their options

Your call for evidence – and the FCA's proposals for a stronger nudge to guidance – focusses only on the second of these points in time. We believe it makes sense to encourage some individuals to seek support at this point, but for most people, this offer of support will be delivered too late to influence their decision making. Instead, the FCA could take a similar approach to the DWP and widen the point of application to a less-specific point in the process. In the evidence session, we heard that where people were nudged on initial inquiry about accessing their benefits, before they had made a firm decision, more people made Pension Wise appointments

Given retirements now potentially could span decades, decision-making after the initial point of access is at least – if not more – important than at point of access. Greater focus should be devoted to how post-access support is given.

- **We need to develop processes that suit our customers:** We are facing an active time of new regulations surrounding accessing benefits and the decisions made at this time. More care needs to be taken when introducing these regulations to make sure they are going to achieve the policy intent. Personal pension or SIPP customers are not all the same. To introduce new regulations creates costs – both resources and time. There is the risk the stronger nudge regulations will only create costs for little benefit for our customers, and possibly even create financial harm if there are delays for them in getting access to their benefits.

Many of our customers do not need this stronger nudge – they are already engaged with their pension saving. Since February this year when investment pathways was introduced, 1,700 of our customers have accessed benefits and only **four** have invested in a pathway investment. This emphatically shows different types of customer need different types of help and guidance.

At the very least new regulations should not be introduced until we have analysed and understood the effect of previously introduced ones or potential different solutions. For example, exploring whether if the nudge to guidance was given at a different time would this lead to more interest in Pension Wise appointments; or whether enhanced guidance from providers would result in more engagement with retirement decisions.

If you would like to discuss any of these points further then please do not hesitate to get in touch with me.

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