Written evidence from Just (CSF0024)

ABOUT JUST

1. Just (Just Group plc) is a FTSE-listed specialist UK financial services company. A leader in the individual retirement income, care and defined benefit de-risking markets, Just has been trusted to manage over £15 billion of customers' retirement savings and has helped customers release over £3.5 billion from their properties.

2. Just provides the following wide range of products, advice and professional services to individual customers, financial intermediaries, corporate clients and pension scheme trustees:

Marketed products:

- De-risking solutions for pension scheme trustees who want to remove the financial uncertainty of operating defined benefit pension schemes;
- Individually underwritten retirement income products delivering a guaranteed income for life and flexible pension plans offering customers the options to blend secured and unsecured income;
- Long term care plans that provide those people moving into residential care with peace of mind by knowing a regular payment will be made to the care provider for the rest of their life;
- Lifetime mortgages for people who want to safely release some of the value from their home.

Professional services:

- Regulated financial advice and guidance services for individuals wanting help in using their pension savings and/or releasing some of the value from their home; and
- A range of business services tailored for our corporate clients, ranging from consultancy and software development to fully outsourced customer service delivery and marketing services;
- Through one of our subsidiary businesses, Corinthian Pension Consulting, we provide advice to trustees in how to design and mobilise trustee-led, defined benefit pension scheme bulk member option exercises. We also provide any regulated financial advice to individual members that results from these trustee-led exercises.

3. The companies within Just Group are authorised and regulated in the United Kingdom by the Financial Conduct Authority and/or the Prudential Regulation Authority.

INTRODUCTION

4. We welcome the Work and Pension Committee inquiry into the quality of pension transfer advice because we have concerns about the outcomes for members in the current environment. The Committee's focus on this area is very important given the scale of impact that bad advice can have on people's financial security and quality of life in retirement. The combination of bad advice with low levels of awareness and financial capability among consumers is a toxic one and we are concerned that – here and in other aspects of pension

policy – the regulatory framework does not go as far as it should to safeguard scheme members and DC pension savers.

5. Some measures have been taken by the Financial Conduct Authority to develop an improved environment for pension scheme members. Just supports the FCA's decision to raise qualification levels for advisers involved in pension transfers and the FCA's October 2020 deadline and the regulator's plans for "triage", i.e. the process whereby some advisory firms have an initial conversation with potential customers.

6. We are pleased that the FCA has progressed its rules for pension transfers in such a way that does not limit scope for businesses who provide value-adding services that help customers who want to explore the available options for re-configuring their pension benefits. This is important because of the increasing demand for these services by scheme members, and the encouragement of useful innovation that genuinely helps members should improve competition and expand supply-side capacity.

7. In May 2018 Just launched a new business called HUB Pension Solutions, responding to many of the challenges raised by the FCA in the pensions transfers sector. HUB Pension Solutions provides member education, information and guidance solutions only as part of robust, scheme-led options exercises. The business also provides a digital platform to radically change the way financial advisers access transfer value analysis and create personalised reports as part of these trustee-led member option exercises. Our solution creates more flexibility, is quicker and reduces the cost to trustees of undertaking option exercises. We cite this example because we believe that, in contrast to the bad practice and exploitation identified by the Committee and regulators, there is positive innovation taking place in the sector which aims to help scheme members understand the value of their existing defined pension scheme benefits and to explore alternatives.

8. Answers to the Committee's specific questions are set out below. We hope this information is useful.

Does contingent charging increase the likelihood of unsuitable advice?

9. Contingent charging is inherently biased and we do not support it. How could a firm operate in this market if the true cost of their advice is being waived? In our experience many firms charge up to 3 per cent of the CETV, often uncapped. If the true cost of advice on a £300,000 CETV is £9,000 how could a firm bear the financial strain of writing that amount off?

10. This either results in a cross subsidy in the style of commission, or a risk of bias towards a transfer being recommended. If not the firm in question would quickly become insolvent.

11. Where a pension scheme runs exercises for pension scheme members (e.g. bulk or at-retirement flexible retirement options), financial intermediaries operate successfully on a flat fixed fee model to provide advice. There are also a number of firms who deliver regulated advice to retail clients operating a fixed fee model. Improving access to education and guidance before engagement with a regulated financial adviser may help in equipping members to decide whether to incur the costs of purchasing advice.

12. Our preference for contingent charging would be to allow a flat-fee model with an initial charge for the advice and a second establishment charge. In as much as the establishment cost would be largely administrative, there could be no argument for that charge being larger than the advice fee.

Are there any alternative solutions that would remove conflicts of interest but avoid any possible negative impacts of an outright ban on contingent charging?

13. Triage has been proposed as an alternative but remains a problem in need of resolution. Transfer advice can routinely cost up to 3% of a Cash Equivalent Transfer Value ("CETV"). Other than working on a contingent basis, which we believe is inherently biased, how is a customer to assess if a transfer could be valuable for them? Whilst accepting that triage which infers an outcome is advice, there must be some mechanism to equip a member beyond generic education.

14. There are, for example, a range of key indicators which could make a recommendation to transfer unlikely. Allowing a member to "self-score" with suitable disclaimers could be one approach. "People like you" case studies, is another option. We have made these suggestions to the FCA.

15. As there are services which offer real value to scheme members in this regard, it is legitimate and important that the FCA's rules permit some flexibility to allow solutions to evolve. These services can make a material difference to members' ability to decide whether they wish to commit to receiving regulated advice outside of contingent charging.

What would be the impact of a ban on contingent charging on consumers and firms and how could any negative effects be minimised?

16. Better education and triage services would definitely fill a gap but we believe there are still fundamental issues in delivering advice at a cost that is affordable to customers.

17. Many financial intermediary firms operating retail services are ill equipped to deliver value for the mass market, as their models are typically geared towards high net worth individuals, with fees to match. They do not have scale processes which enable advice to be delivered at a cost that most "middle Britain" people can afford. They may also increasingly struggle to find professional indemnity cover as the market hardens.

18. We would suggest that in concert with The Pension Regulator the FCA should encourage pension schemes to put services in place using specialist advisers who operate at scale. This could be preceded by education at the scheme end. Many schemes are already adopting this approach. This is a proven model delivering good customer outcomes at a fraction of the cost of a high street adviser.

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