



## **Press Release**

### **ROYAL LONDON RESPONDS TO HM TREASURY CONSULTATION 'FREEDOM AND CHOICE IN PENSIONS'**

Thursday, 12 June 2014

In its response to the HM Treasury (HMT) consultation *'Freedom and Choice in Pensions'*, **Royal London** has set out its commitment to working with Government to make sure its customers get the best outcomes at retirement.

Commenting on the consultation, **Phil Loney, Group CEO of Royal London** said:

*"We want a Guidance service that does three things: is freely available to all customers, is delivered independently and which encourages customers to use a financial advisor when this brings added value. The Guarantee has a critical role to play in helping customers understand and navigate the fast-changing retirement marketplace. Whilst we welcome the increased flexibility which reform will bring, we recognise how increased freedom and choice brings complexity for customers, as they struggle to navigate the modernised market."*

The UK's largest mutual life and pensions company - with 5.3m customers – points to key areas of concern including the potential for 'pension polarisation'.

Loney continued:

*"While wealthier customers will typically be well-served by regulated financial advisers, others outside this wealthy bracket are at risk of poor decisions without clear impartial guidance. There is a real danger that poor decisions will be made, resulting in two detrimental outcomes."*

*"Firstly a population of retired customers who have converted their pension savings to cash but then find themselves without enough income for retirement; and another group who invested in products with high levels of charges, and find their retirement income is being significantly eroded."*

In its response to the Consultation, the mutual stresses the need to engage with customers in the right way at the right time, and sets out eight key points which it urges Government to take into account.

Loney added:

*"There will be critical points when Government must engage with customers but this engagement should dovetail with a wider strategy run by industry: providers and advisers. We encourage Government to consider earlier intervention (at say at the age of 50) to both emphasise the importance of savings during the final phase of working life, and to introduce the Guidance offer."*

*"Although the Guidance will help customers understand their options and the range of potentially suitable decisions, it will not be a substitute for regulated advice. Indeed, we believe the Guidance Guarantee will drive customer demand for regulated advice. But currently the cost of regulated advice excludes many customers. There is a real need for the FCA to help the industry simplify the current regulated advice model, to enable professional advisers to provide robust, regulated advice to customers at a lower cost with a reduced liability risk."*

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## Key points for Government to take into account on the 'Guidance Guarantee'

1. The key priority now is to define a clear set of expected outcomes and success criteria to measure the Guidance service against.
2. We are strongly supportive of the development of an impartial utility service to help deliver Guidance. The Pensions Advisory Service guidance model is a good starting point in deciding what Guidance should look like.
3. Most customers would benefit from receiving individual advice from a financial adviser. Guidance will highlight this need. There is a need for a simplified advice model to make advice more accessible to more customers.
4. The Government could help drive better customer outcomes by initially contacting customers at an earlier age (say at age 50) to reinforce the importance of saving for retirement and to introduce them to the Guidance service. Providers can help raise awareness of the availability of Guidance in their regular customer communications.
5. There is a real risk that if the guidance process is not fully joined up, it will not help customers achieve the desired outcomes. To be successful, at the end of the Guidance process:
  - a) *there must be a smooth process for handing off customers requiring advice to a financial adviser;*
  - b) *self-serve customers (including existing 'roll over' customers) must understand how they can find and compare good products;*
  - c) *providers should be prevented from approaching customers with their own retirement income products for a fixed period after the provision of guidance.*
6. Customers should have access to an industry level list of advisers who are willing to give retirement advice, the services they offer and typical fees.
7. Self-serve customers could be confused by the use of products names (for example a Variable Annuity is not an annuity) and pensions terminology. Guidance should refer to products in terms of what they offer customers (such as certainty of income or income flexibility) and the language used should be straightforward to avoid further customer confusion.
8. There should be constraints placed on product providers which prevent them from hard selling their own products to existing customers immediately following Guidance. Providers should offer 'whole of market' solutions or be forced to wait before marketing to their customers.

**-ENDS-**

### NOTES TO EDITORS

1. Read our full consultation response [www.royallondon.com/about/media/news/](http://www.royallondon.com/about/media/news/)

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About Royal London:

Royal London is the largest mutual life and pensions company in the UK with Group funds under management of £73.6bn. Group businesses serve around 5.3m customers and employ 2,880 people. (Figures quoted are as at 31 December 2013). The Group is moving to operate all of its UK life, pension and investment business under a new version of the Royal London brand. Royal London Asset Management is now under the new master-brand, and the Scottish Life, Scottish Provident and Bright Grey brands will migrate by the end of 2015.

