Pension
TRANSFER
Gold Standard

Pensions Advice
Taskforce

Introduction and principles

Helping financial advisers demonstrate good practice and ethical standards in the delivery of financial advice on Safeguarded and Defined Benefit Pension transfers.

This document should be read together with the Pension Transfer Gold Standard **Practitioners' Guide** which provides further insight.

Foreword

The Personal Finance Society has a central role in leading the financial advice profession in respect of ensuring good consumer outcomes.

The Pensions Advice Taskforce is aligned to this role, the objectives of which include:

- a forum to bring together all stakeholders across the pensions sector setting out principles that underpin good, ethical financial adviser behaviour that is more likely to deliver good consumer outcomes. The initial focus of the PAT is Safeguarded and Defined Benefit Transfers and has lead to the Pension Transfer Gold Standard
- to translate that Gold Standard into a consumer guide, so that the consumer is better able to appreciate and recognise good practice in respect of financial advice and how to access it
- to facilitate access via the creation of a registry of advisers who sign up to the Gold Standard
- to promote the consumer guide to the Gold Standard via those stakeholders who provide administration, information and guidance direct to consumers
- to engage with the PI market to support the ongoing availability of affordable cover to those adviser firms who are looking to deliver advice aligned to principles of best practice, beyond minimum legal and regulatory requirements.

Overarching Objectives

Firms that adopt the Pension Transfer Gold Standard (PTGS) will fully engage with their clients/potential clients to:

- help them understand the importance of pension transfer advice as just one component part of an overall retirement plan that incorporates clearly stated client objectives, needs and wants
- help them recognise that making an informed decision as to whether to transfer or not needs to be based on a set of assumptions including a client's income needs in retirement which may not yet be fully known
- ensure they understand their clients' objectives, needs and wants and ensure communications and analysis of the metrics of the proposed transfer are tailored to the client accordingly
- ensure the client/potential client has a clear understanding of the advice given, including how the advice meets their stated (and potentially competing) objectives, what risks there are and how any risks can be reduced
- ensure the suitability of advice not just in terms of the client's attitude to risk but also a realistic assessment of their ability to manage risk/s inherent in a transfer of benefits.

Introduction and principles to the Pension Transfer Gold Standard

Why create a Pensions Advice Taskforce?

In the aftermath of the British Steel Pension Scheme closure, much debate has taken place about the extent to which stakeholders involved operated in silos rather than in a co-ordinated and timely manner to prevent detriment to scheme members. This debate has highlighted a relative lack of sector co-ordinated approaches to market, advice standards and consumer protection, against a backdrop of increasingly complex pension legislation.

The Pensions Advice Taskforce is a direct response, bringing together financial advisers (both national and local), actuaries, scheme administrators, pension providers, PI insurers and compliance consultants with direct experience of both individual and workplace pensions to focus on developing sets of principles underpinning good financial adviser behaviour designed to deliver advice that adheres to high professional standards.

Why introduce a Pension Transfer Gold Standard (PTGS) now?

There has been a significant increase in interest in pensions ever since the concept of Freedom & Choice was introduced, with consumers more often considering their options in relation to safeguarded arrangements and the general movement of pensions monies increasing. At the same time, there has been significant reporting of consumers suffering at the hands of introducers, third parties and advisers, whether this be due to scams, or simply due to poor quality or unsuitable advice.

Many in our profession will remember the original pension mis selling scandal in the 1990s and will be concerned that a repeat of mistakes made will undermine further trust placed in the value of good financial advice.

The FCA has also made clear that in assessing advice they take account of good practice where advisers go beyond the rules and guidance in providing a service to consumers, taking particular account of effective application.

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Scope of the Gold Standard

The initial focus of these Principles and aligned consumer facing Pension Transfer Gold Standard will be Safeguarded and Defined Benefit Pension. The Pensions Advice Taskforce may look to develop further Principles underpinning additional Gold Standards in respect of other aspects of Pensions Advice in due course.

Introduction and principles to the Pension Transfer Gold Standard

Status of the Gold Standard

Adoption of the PTGS is voluntary, setting out good practice for advisers providing pensions transfer advice to consumers who have Safeguarded or Defined Benefit Pension Funds. Whilst voluntary, the Pensions Advice Taskforce anticipate that all supporters will evidence, to the Personal Finance Society and more importantly to consumers, that they follow the PTGS in full.

Should evidence be found which demonstrates a supporter has not applied the principles, or otherwise distorted the spirit or objectives of the PTGS, then any accreditation and placement on a register may be removed.

Existing Statute & Regulation

The PTGS does not replace or over-ride existing requirements and guidance of statute or regulation. It does not address the legal and other responsibilities of supporters, advisers or stakeholders. Adopters should consider the Principles in addition to all relevant legal and regulatory requirements including the FCA's requirements, the Financial Services Market Act 2000, Regulated Activity Orders, and Pension Schemes Act 2015.

High-level Objectives

There are two high-level objectives set by the Pensions Advice Taskforce:

1. **Raising advice standards** Pension Transfer Gold Standard - (PTGS) to be achieved by adherence to a set of Principles underpinned by specific requirements for firms who adopt the Gold Standard.
2. **Enhanced consumer protection**, to be achieved via firms adhering to the Gold Standard and its Principles, openly and proactively identifying themselves as such and duly promoting the Consumer Guide to the Gold Standard.

Introduction and principles to the Pension Transfer Gold Standard

Benefits to Consumers

Consumers need to be able to know they have access to advice and to advisers they can trust. They also need help in recognising professional standards and good practice and what they should expect by way of the advice process and outcomes.

The PTGS together with its consumer facing guide is designed to deliver:

- help to consumers in understanding when they need advice
- a way to more easily identify high quality financial advisers able to offer pension transfer advice
- a reduction in poor outcomes
- improved standards
- improved confidence
- informed choice.

In short, it will create access to advisers who evidentially support the Principles, adopt the PTGS, and who ultimately want to ensure there is greater public confidence in pensions generally.

Benefits to Advisers

For those adviser firms who adopt the PTGS it should provide:

- A means of differentiation:
  - Demonstrating to consumers (and market participants such as PI Insurers) a clear intent on behalf of a firm to go the extra mile in doing the right thing by consumers
  - Demonstrating the professionalism of financial advisers via evidencing a clear duty of care to protect consumer interests.
- Enhanced access to consumers who will be able to identify firms who sign up to the Gold Standard on a central register of advisers.

Registering as an "Adopter" of the Gold Standard

To register as a supporter of the PTGS, firms or individuals must, via submission to the Personal Finance Society, evidence:

- they have regulatory permissions for provision of pension transfer advice (authorisation as both a Pension Transfer Specialist and as an investment adviser – level 4 minimum)
- they have Professional Indemnity insurance which meets FCA threshold conditions and that the firm has adequate resources to cover any excesses (or exclusions) under the policy under the relevant sections of IPRU-INV13.0
- they have adopted all the principles of the PTGS.
- For firms who are appointed representatives
  - Their principal has regulatory permissions to provide pensions transfer advice and the agreement with the AR allows specified individuals within the AR firm to provide such advice under article 53e of the Regulated Activities Order
  - The PII of their principal meets the FCA threshold conditions
  - The AR firm have adopted all the principles of the PTGS and have informed their principle of this
- Registration will need to be renewed on an annual basis and adopters should be prepared to provide evidence that they have adopted the principles of the Gold Standard.
  - Evidence of the CPD requirement in Principle 4
  - Management information to support Principles 1 and 8
  - If requested adopters should be able to give examples supporting Principles 3, 5 and 6.

Principles

In addition, adopters of the PTGS will adhere to the following Principles at all times during the advice process. These Principles are outlined below; there is more detail together with examples of good practice to be found in the accompanying Practitioner Guide.

Principle 1

Helping clients understand when advice is appropriate.

Ensure that all clients/prospective clients have sufficient accessible information about safeguarded and flexible benefits, including the generic advantages and disadvantages of each, to enable them to consider their personal circumstances and in so doing, decide whether to take advice on the transfer or conversion of their pension benefits.

To be clear, this is an education process and not advice: provision of this information should be done 'at arms-length' from the adviser and in such a way that they do not stray inadvertently into undue influence or advice itself.

Principle 2

Ensuring advice given supports the client's overall wellbeing in the context of their stated objectives.

The adviser should not seek to provide a personal recommendation to a client or prospective client if the client cannot clearly demonstrate the logic of what they are trying to achieve in the context of their stated objectives and overall retirement plan.

Having clearly stated objectives, if a transfer would not meet these objectives, the adviser should not go on to facilitate a pension transfer against their own professional advice if it leads to arranging an unsuitable solution.

Principle 3

Ensuring client understanding and acceptance of all charges.

The client should be given, and subsequently asked to 'play back', a full understanding of exactly how much money will be charged if the advice is to transfer or not to transfer, any charges that relate to facilitating a transfer and any ongoing charges that will apply following a transfer (including any assumptions used).

As per current regulatory requirements, charges should of course be clear, transparent and unambiguous in terms of amount and timing.

Principles - continued

Principle 4

Ensuring the most appropriate and updated technical skills are applied.

All Pension Transfer Specialists (PTS) should be aware of the regulators "direction of travel" regarding this field of advice and should stay at the forefront of regulatory intent and best practice. Each Pension Transfer Specialist (PTS) should hold qualifications applicable to both a PTS and for advising on investments and be able to demonstrate a minimum of 4 hours every year of continuing professional development (CPD) in support of their expertise.

This CPD can be structured or unstructured or a mixture of both as is most suitable for the adviser.

This CPD can be within the minimum required 35 hours every year but needs to be specifically aimed at the pension transfer market and safeguarded benefits.

Principle 5

Transparent management of Conflicts of Interest.

Create and maintain a Conflict of Interest statement **specifically** in respect of Safeguarded Benefit transfers which identifies all the conflicts of interests to which the firm and adviser/s may be exposed (including any caused by charging structures), and how these are mitigated and/or remedied.

Principle 6

Helping clients understanding the cost of transferring benefits.

Give prominence to the Transfer Value Comparator within the suitability report, including a one-page statement to be signed by the client that confirms their understanding that based on the assumptions inherent within the TVC 'they are giving up £XX in exchange for the perceived benefits of a move to a more flexible pension environment.

Principles - continued

Principle 7

Avoiding unregulated investments and introducers.

The firm will always recommend mainstream investments from regulated investment companies (this may differ if a client is deemed an expert investor). Advisers will not accept introductions from unregulated firms that provide, facilitate or otherwise arrange unregulated investments.

Principle 8

Transparency in advice processes and outcomes.

The firm will make available any reasonable requests about internal advice processes and management information from consumers, professional indemnity insurers, pension providers affiliated to the Pensions Advice Taskforce (PAT) and to the Steering Group of PAT. The latter will include non-personalised details in respect of all client/prospective client engagement over the past 12-month period, those referred into a pre-advice education process, those who subsequently went on to take advice, those who subsequently received a recommendation to transfer and those who proceeded with a transfer on the basis of a contingent charge.

Principle 9

Promoting the Consumer Guide to PTGS.

Advisers must ensure that all prospective clients have received the Consumer Guide to the PTGS before entering the advice process.

Adopters of the Gold Standard will have the right to use the Gold Standard logo in their marketing material. They will also be identifiable within the Money Advice Service Retirement Adviser Directory as an adopter of the Gold Standard.

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