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Archy Kirkwood MP, Chair
House of Commons Work and Pensions
Committee
7 Millbank
London SW1P 3JA

3rd October, 2002

Our ref:

Dear Mr Kirkwood

Inquiry into the future of UK pensions

I am writing to you on behalf of the Financial Services Consumer Panel regarding the Work and Pensions Committee's inquiry into the future of UK pensions. As you may know, the Panel is an independent body established by the Financial Services Authority (FSA) under the Financial Services and Markets Act 2000 to advise the FSA Board on the interest and concerns of consumers. In addition the Panel advises the government on the scope of financial services regulation and looks at the impact on consumers of activities outside but related to the FSA's remit.

The inquiry's remit is wide and I am writing to you with respect to one part: consumers' access to unbiased financial planning advice. Independent commercial financial advice is not currently accessible to the mass of consumers and the Panel has proposed a centrally funded general financial planning service which would review a consumer's overall financial situation and help them identify their financial needs. This is particularly important in the light of proposals in the Sandler report that a suite of simplified products could be sold without consideration of whether they are suitable or not. We believe that consumers need advice on what financial products are suitable for them - indeed, the consumer scandals in financial services have in most cases been due to unsuitable sales rather than inherently bad products. I attach a copy of our paper 'Financial planning advice: the need for a centrally funded general financial planning service' which gives a bit more detail about our proposals.

You pose a number of questions as part of your inquiry that are relevant.

What role should the DWP play in encouraging saving for retirement? Whose role is it to ensure that future pensioners have sufficient information, and access to impartial advice, in order to make the necessary decisions for their future?

We believe that both Government and firms stand to benefit from the provision of unbiased general financial planning advice. It will expand the market for retail savings products and some consumers will become less reliant on state provision in their retirement. As such, there is a case for some taxpayers' money to be spent on the provision of financial planning advice as well as a levy on industry.

What role should tax incentives play?

To date, taxpayers' money has been used to encourage savings and provision for retirement through tax relief on retail savings products. We believe that this is an ineffective method of promoting savings as those who benefit from the tax relief are often a different group from those whom the Government is trying to encourage to save. Furthermore, tax relief greatly increases the complexity of financial products. Taxpayers' money may be more effectively used, therefore, in the provision on a general financial planning service. We say more about this in our briefing, page 8.

I hope this is helpful. Please do not hesitate to get in touch if you want further clarification.

Yours sincerely,



Colin Brown
Chairman
FS Consumer Panel

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