

Philip Moon  
Clerk to the Work and Pensions Committee  
7 Millbank  
London  
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8 January 2003

Dear Mr Moon

**The Future of UK Pensions Inquiry  
Response to the DWP's Green Paper and Inland Revenue Review**

We wrote to the Work and Pensions Committee on 3 October 2002 about the need to expand the provision of generic financial advice. In my letter, I referred to the Panel's call for a centrally funded general financial planning service, which would review a consumer's overall financial situation and help them identify their financial needs.

Also, in our response to the *Modernising Annuities* Consultative Document, we raised specific concerns about consumers' advice needs when they convert their pension savings into an annuity. The Panel proposed that all pension savers should receive free independent financial advice before they make any decisions about turning their pension savings into pension income, and suggested that it could be financed by a levy on pension providers, who already charge commission on annuities. We also suggested that, if necessary, the Government should be prepared to make a contribution with a view to ensuring that its earlier income tax subsidies are of maximum benefit to consumers (rather than ending up in the hands of insurance companies).

The DWP Green Paper has several comments and proposals on both these matters.

On generic advice, we welcome the plans to make new information tools available to people – e.g. the telephone and website information service (p48), interactive digital TV service. We agree that aiming messages at life events would be a good idea and look forward to hearing practical proposals from the Government. The Green Paper mentions the FSA interactive tool under development – we are already in discussion with FSA about this and welcome it. However, page 91 of the Green Paper states the Government's belief '*that the FSA's planned reform of polarisation and the*

*recommendations of the Sandler review create an opportunity for producers and distributors to develop a market for generic financial advice to help those on moderate incomes to identify their financial priorities and to save where it seems sensible for them to do so'. In contrast, the Panel is sceptical about the market's capacity to deliver generic advice services to people on middle and lower incomes, and we reaffirm our belief that it can only be delivered by a centrally funded national service.*

On annuity advice, the Green Paper rejects the idea that advice should be 'compulsory' (page 96). We disagree. The Panel continues to hold the view that all pension savers should receive free independent financial advice before they make any decisions about turning their pension savings into pension income.

In due course we shall respond to the DWP Green Paper at greater length.

Yours sincerely



**Colin Brown**  
Chairman

cc. John Tiner (FSA)  
Anna Bradley (FSA)  
Michael Folger (FSA)

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