

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Dear Sirs

Personal accounts: a new way to save

The Financial Services Consumer Panel ('the Panel') was established under the Financial Services and Markets Act 2000 by the Financial Services Authority to represent the interests of consumers. The Panel's main function is to provide advice to the Financial Services Authority on its policies and practices as they affect consumers, but it also looks at the impact on consumers of activities outside the FSA's remit.

Our response focuses on the issues of generic advice, governance of the personal accounts board, compliance and interaction with the Financial Ombudsman Service.

Generic Advice

As the responsibility for pensions planning and saving is increasingly placed on consumers, the Panel believes consumers will require support and education to make informed decisions about their pensions requirements. As a result, the Panel believes that an affordable generic advice service should be available to consumers. Whilst the Panel welcomed the Government's announcement of the Thoresen Review of generic financial advice, an independent feasibility study to research and design a national approach to generic financial advice, we believe that a generic financial advice service must be in place before consumers have to take decisions on personal accounts in 2012.

Consumers will require assistance to help them decide whether or not they should opt out of the system. In addition we believe that the generic advice should cover non standard circumstances such as employees aged 50 or over, those with impaired life expectancy or people planning to leave the UK for long or short periods of time. In addition consumers will require generic advice on the types of annuity available to them on retirement.

The Panel believes that the information targeted at the general public should be produced by an impartial body. Information on reasons to opt out, for example, should identify all those for whom being in the scheme is unlikely to be in their best interests. We suggest that consideration should be given to establishing such a body.

Governance of the personal accounts board and member representation

We are pleased that consideration is being given to how members' interests can be built into the structure of the personal accounts board. We suggest that this should be done in two stages. Firstly, the composition of the board should include non-executive directors with the responsibility of representing individual members and stakeholder groups. In addition there should be a stakeholder advisory body which the board would be required to consult about its work.

We believe that the stakeholder advisory body would have a similar role to that of the Panel with the FSA namely advising the personal accounts board on the interests and concerns of consumers and conducting its own research to inform its opinions. Due to the scale of work that this would entail we do not believe that it would be possible for non-executive directors to undertake such a role. The stakeholder advisory body would require statutory establishment with rights of access to the delivery authority and the personal accounts board. There should also be a statutory requirement for the personal accounts board to have a duty to consider representations made by the stakeholder advisor body similar to that imposed on the Financial Services Authority by section 11 of the Financial Services and Markets Act 2000.

Compliance and interaction with the Financial Ombudsman Service

We believe that strong regulation will be required to ensure employer compliance, particularly in the case of small employers. The experience of the introduction of stakeholder pensions demonstrates that a clear strategy is required to ensure that employers comply with personal accounts requirements. Research¹ conducted in 2005 showed that 16% of small employers did not provide their employees with a stakeholder pension despite the requirement to do so. In addition there should be some method of safeguarding and ensuring that contributions are actually made to the NPSS.

The Financial Ombudsman Service has a strong image with consumers in relation to complaints about financial services and also has robust systems in place. We suggest that it would be useful if the proposed complaints system interacted with the Financial Ombudsman Service.

We look forward to seeing the development of the personal accounts proposals.

Yours sincerely,



John Howard
Chairman

¹ Employers' Pension Provision 2005, Research Report No 329, Department for Work and Pensions