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Dear Sir, Madam,

ABI Consultation on simplifying language on retirement options

This is the response of the Financial Services Consumer Panel (the Panel) to the ABI's consultation on simplifying language on retirement options.

We welcome the creation of a common language for providers following the pension freedoms. This will help consumers to make effective comparisons and informed choices.

However, there is a risk that, by using simple language, providers assume consumers understand the basics when it comes to retirement options. Before consumers can even begin a discussion about retirement income options, they need to understand what pension pots they have, whether each pot is defined benefit or defined contribution, what their retirement date is and how their total pension relates to their state retirement age/entitlement to a state pension.

It is helpful that the guide sets out where people can go for further guidance or advice. However, it does not always differentiate between free and paid for sources of help. Pension Wise should always be listed as the first port of call for consumers as it is a free and impartial source of guidance.

Yours sincerely,

Sue Lewis
Chair
Financial Services Consumer Panel

Consultation questions

Q1: Do you agree with the supporting principles of the Guide?

Yes.

Q2: Does the Guide provide an appropriate explanation of the retirement options introduced on 6 April 2015?

Bearing in mind the purpose of this document, we believe the options at retirement have generally been explained clearly. Although it is possible to add further detail to each option, there is a risk that doing so would stray into providing financial guidance.

The use of the word 'delay' in the first option implies that age 55 is the natural point at which to begin taking money from a pension pot, rather than the earliest age legally. The implication that people are 'delaying' if they don't access their pot at this age is unhelpful. It could be reworded as 'you don't have to take money from your pension pot from age 55 and may wish to seek guidance or advice before doing so'. For many consumers, it may be preferable not to access their pension pot to allow it to grow further.

We would also add that it is important for the ABI to review and update the options listed in this Guide as and when providers develop new retirement products.

Q3: Are there any other essential terms or phrases not already included in the Guide that should be?

Appendix 1

- It would be helpful for the tax section to set out a few examples of how tax could work in practice;
- The fees section should also refer to investment and annuity charges and the impact these could have on the size of the fund;
- The section on *comparing flexible income and lump sums* says consumers do not need to take any income, but does not explain what happens if a consumer doesn't do this;
- The section on seeking help (and all other sections suggesting consumers seek help – e.g. tax) should differentiate between free and paid for sources of help and always list Pension Wise first before any other option.

Appendix 2

- The glossary should include annuities, secondary annuities and Uncrystallised Pension Fund Lump Sum (UPFLS). The glossary should also be kept under review and added to as and when new retirement products are created.

Q4: Should this Guide set out words or phrases that should not be used when communicating with customers?

Although we have said above that annuities and UPFLS should be included in the glossary, we don't believe these terms should be used when communicating with consumers as these can be explained using clearer language.

Q5: Do you envisage any challenges with the adoption and implementation of the Guide? If so, how could these be overcome?

As this guide is voluntary, there is a risk that firms will not all agree to use the same language, particularly those who are not ABI members. It would be helpful for the FCA to agree to use the same terminology. The FCA should also monitor the use of the guide, and be prepared to make the wording compulsory for firms to use if the voluntary approach doesn't work.