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Dear Nicholas,

CP16/36 – Regulatory reporting: retirement income data

This is the Financial Services Consumer Panel's response to CP16/36.

We welcome the proposals and only have two points.

The FCA could consider how the data reporting requirements might be extended to include asset managers, fund supermarkets, platforms, online investment services and other channels in order to build a better understanding of the investment decisions being made by people using their pension cash to invest directly.

We welcome the proposed data items in question 2, particularly that covering new entrants to drawdown, given our long-held concerns over the risks of entering drawdown without advice. It would also be useful to collect data showing how many of those entering drawdown without advice do so through their existing pension provider, and how many of those sought guidance from Pension Wise. The same breakdown would be useful in the annuity purchase set.

Finally, the Panel has for some time been concerned at the lack of data being collected on the reasons why consumers encash the whole of their pension pot(s) and what percentage the pot being encashed represents of their overall provision for retirement. We feel this information is vital to flag up any unintended consequences of the pension freedoms, such as a high proportion of consumers using their pension pots to pay off debt – including mortgage debt – and potentially being left with little or no private pension provision. We are not suggesting this information is collected through the regulatory return as it would require providers to ask consumers questions that may appear intrusive and onerous.

However, we suggest this information could be collected through surveys. Ideally, the impact of pension freedoms should be measured longitudinally over at least 5-10 years. Only then can we understand the longer term consequences for consumers of the decision to cash in their pension pot. Alternatively, Pension Wise could ask for this information during the Pension Wise session or when they recontact customers for feedback after the session. If not, is this research the FCA would consider undertaking?

We will also raise this question again with HMT and DWP to see if they have given this further consideration.

Yours sincerely

Sue Lewis
Chair
Financial Services Consumer Panel