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Dear Donald / Emily

Handbook changes to reflect the introduction of the Lifetime ISA

This is the Financial Services Consumer Panel's response to CP16/32 on handbook changes to reflect the introduction of the Lifetime ISA (LISA).

We share the FCA's concerns in relation to the LISA. ISAs are generally straightforward and consumers understand them and trust the brand. The hybrid nature of the LISA risks causing confusion and the potential for consumers unwittingly ending up with a product that doesn't suit their circumstances.

Regulation needs to address this risk, in addition to the usual explanation of investment risks. In particular, availability of the LISA may lead to some people opting out of their employer's pension scheme and thereby missing out on employer contributions. The sales process will need to address this risk, and give people a clear idea of how the LISA compares to traditional pension investment vehicles.

With the withdrawal of the Help to Buy ISA in 2019, some firms may offer the LISA as an alternative product, and market it in a similar way. If used to save towards a house deposit, it could be an attractive product. However, consumers may not fully understand the consequences of withdrawing the funds for any other purpose before retirement. The sales process needs to pay close attention to this, given ISAs are such a well known brand.

Yours sincerely

Sue Lewis
Chair, Financial Services Consumer Panel