

13 October 2005

FSA 05/8: Suitability standards for advice on personal pensions

The Legislation and Related Issues Committee of the National Consumer Federation welcomes the opportunity to respond to the above Consultation Paper.

We must state at the outset our considerable concerns at your proposal to remove COB 5.3.16R(3). It would appear from the hedging round of many of your arguments deployed in the paper with “ifs” and “apparently” that this pressure is entirely industry driven and that there are many factors which may have contributed to a contraction in the personal pension market but that you are not entirely persuaded that this can be directly laid at the door of the above rule.

It is worth saying that as consumers we find it difficult to believe that anyone who sets out seriously to acquire a personal pension may be unable to find one, given the volume of advertising for such products that one sees every day.

What interests us particularly is the argument you put forward in paragraph 1.12 on the recent rise in the SHP charge cap and your assessment of the likely impact on the personal pension charge levels. If you have read the situation correctly, then there would appear to be a strong case for not deregulating this aspect of the market at this point but to wait and carry out an analysis of the actual impact, once sufficient time has elapsed for any trend to become measurable. We are very concerned that if you deregulate now there will be a significant and detrimental rise in charges and as you yourselves say, given the long term nature of pension investment, “they are particularly sensitive to the cumulative effect of charges”.

We therefore ask you to reconsider this proposal and not to proceed until there is far clearer evidence that consumers are being disadvantaged by the rule which does not appear to be the case at the present time.

Yours sincerely

Lindsey Squire  
Chairman