

## Pensions industry

# Pensions industry making 'fat living' from charging savers, MPs claim

MPs call for greater scrutiny of pensions to prevent misinformation and overcharging

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▲ MPs say they are 'unconvinced' that the pensions industry will act voluntarily on providing transparent information about costs and charges. Photograph: Nick Ansell/PA

Parts of the pension industry are making a “fat living” from people’s savings and should come under tougher scrutiny, MPs have said.

In a damning Commons report, the work and pensions committee called for the government to take urgent action against pension funds that fail to disclose how much they charge savers, saying it is “unconvinced” that the industry will act voluntarily on providing transparent information about the costs and charges of investments.

MPs have called for providers behind the charges to face the “full force of the law”, accusing them of “misinforming, mischarging, overcharging” on the savings of pensioners. Such charges are “eroding the value of individuals’ savings,” they said.

Using the example of one pension fund which first reported it had £10m in management costs before being forced to revise the figure to £92m, MPs have said that many schemes are not aware of their costs.

The inquiry also found that of the **Financial Conduct Authority**’s staff of 3,700, the scams team consisted of around only 10 people.

The report calls for the government to bring forward legislation obliging



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the report said the government should bring out a regulation obliging funds to disclose the cost of investment in a uniform template. Frank Field, the independent MP who chairs the committee, said: "Ripping off pension savers could be eliminated."

It said the government should also publish a timetable by the end of this year for the roll-out of a non-commercial pensions dashboard.

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Lady Ros Altmann, a former pensions minister, compared the industry as it stands to "shoppers going into a supermarket and seeing similar-looking products on the shelves, but the prices are hidden".

"Displaying prices clearly for customers should be one of the most basic elements of a product sale, yet in pensions it seems to be an 'optional extra'," she said.

The committee said it is important for trustees and others managing pension schemes to demonstrate whether or not they are delivering value for money in a way which can be compared across the industry and is accessible to the scheme members.

Calls to make the cost of pension investment more transparent come after the inquiry found "worrying evidence" that some trustees are making investment decisions without a clear understanding of the costs.

A previous report on the British Steel pension scheme found that members were "shamelessly bamboozled" by advisers and unregulated introducers into signing up to ongoing adviser fees, unsuitable pension products and investments, characterised by high investment risk, high management charges and punitive exit fees.

A Department of Work and Pensions spokesman said: "We have taken decisive action to limit charges and make the costs of saving into a pension more transparent.

"We capped charges for millions of people saving through automatic enrolment at 0.75% and we legislated to ensure that all costs are set out to savers alongside their annual statements.

"We're backing pension dashboards and expect the first models to be ready for testing later this year."



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