

Financial Advice Market Review September 19 2019

Altmann says providers see advice allowance as threat



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The poor promotion of the advice allowance could be due to providers seeing it as a threat which could drive clients away, according to Ros Altmann.

The advice allowance was introduced in 2017 and allows defined contribution pension scheme members to withdraw £500 a year tax-free from their pot, up to three times in their life, to pay for financial advice.

It was a recommendation of the

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orchestrated by the Financial Conduct Authority and HM Treasury - designed to help more people get access to advice who may not have been able to afford to pay for it from their disposable income.

But this initiative has had little promotion, with many providers choosing not to offer it.

Baroness Altmann, who was pensions minister from 2015 to 2016, told *FTAdviser*: “The promotion of the advice allowance has almost been non-existent.

“Unfortunately a number of providers are saying that because there is no demand for the allowance then they are not going to offer it. But if you don’t promote this incentive how will there ever be enough demand as people are unaware of its existence?”

According to Baroness Altmann, some providers may see the advice allowance as a threat as it could drive clients away if an adviser recommends they move to another provider.

She said: “It worries me that providers perhaps see the allowance as a threat.

“They may be worried that an adviser could point out to the clients that the providers’ pension or drawdown products are not the best value in the market and advises them to move their pension pot elsewhere.

“Therefore providers have a vested interest in keeping the advice allowance quiet.”

Many large providers - such as Aegon, Royal London, Prudential and Aviva - do not offer the allowance. And those that do - such as Standard Life and LV - have said take-up has been minimal.

Responsibility for marketing the allowance falls on providers and the rules which introduced the allowance contained no reporting requirement, which means the government has no idea how many times it has been used.

Baroness Altmann has called on the government and regulator to be tougher on providers who refuse to provide the advice allowance.

She said: “There is merit in the government and regulator being much tougher on providers who refuse to use or allow the advice allowance.”

She also called on the advice allowance to be extended to defined benefit schemes as individuals must receive advice before being able to complete a DB transfer.

“I would go so far as to say there is merit in DB schemes paying for advice, which could work in a similar way to scheme pays for tax charges.

“People may have a slightly low pension after taking money out to pay for advice but in the long run this could benefit consumers.”

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