FCA delays DB transfer rules update by up to 6 months

By Sophie Smith 26/03/2020

The Financial Conduct Authority (FCA) has delayed the implementation of its proposed changes to defined benefit (DB) pension transfers by up to six months.

The implementation of proposals to reform DB transfer advice, including plans to ban contingent charging and introduce abridged advice, had been expected "in the first quarter of 2020" following an industry-wide consultation.

However, the regulator has now stated: "We will publish our finalised handbook text in a policy statement in the second quarter or third quarter of 2020".

The proposals and initial consultation received a mixed industry reaction, as has the news of a delay to the implementation of the proposals.

Commenting on the delay, Aegon pensions director, Steven Cameron, said: "We welcome the FCA's decision to defer its policy statement on the proposed ban on contingent charging and other future interventions on advice on defined benefit transfers.

"In these unprecedented times, people need advice more than ever and a contingent charge ban, leaving individuals no choice but to pay upfront for advice, would have made it more difficult for some individuals to access advice on DB transfers.

"The FCA had proposed a carve out from the ban for those in significant financial hardship, but in the current climate it would have been even harder to objectively assess whether an individual met that definition."

However, Lane Clark and Peacock partner, Clive Harrison, highlighted the mixed quality of advice available to members.

He explained: "The DB advice market is very diverse with a mix of high quality advice sitting alongside cases where the FCA finds that members have clearly been given unsuitable advice.

"If the FCA believes that the consumer detriment from poor quality advice runs into billions of pounds, it is very disappointing that measures designed to improve the advice market have been delayed."

The FCA published research earlier this year, which revealed as much as 76 per cent of firms with DB transfer advice permission could be giving harmful advice.

Furthermore, industry experts have warned that the COVID-19 pandemic has provided the "perfect conditions" for scammers, with a 400 per cent increase in coronavirus related scams reported to Action Fraud in March.

Harrison highlighted that given these conditions, it is "vital" that member protections are maintained as far as possible, despite the current crisis.

This also follows calls from former Pensions Minister Ros Altmann for a complete hold on pension transfers for 6 months, stating that this would protect members from the rise in scams and help stabilise schemes.