

Defined Benefit January 19 2021

Altmann lambasts 'shocking' FCA findings



Ros Altmann, former pensions minister

By **Amy Austin**

Former pensions minister Ros Altmann has criticised the regulator for being slow to ban contingent charging on defined benefit transfer advice, and allowing advice firms to operate without relevant PI cover.



Baroness Altmann said waiting until October 2020 to ban contingent charging, in which a client only pays for the advice if they go ahead with a transfer, had put consumers at greater risk.

She said: "Tens of thousands of customers were advised to transfer out and may live to regret their

decision. Contingent charging seems hard to justify.

"Commission on financial products, which was a root cause of so many financial scandals which rewarded salespeople for selling products regardless of suitability, was banned long ago.

"It is clear that paying an adviser only if the transfer goes ahead must skew incentives, but what can customers do if they have been wrongly advised?"

Her comments come after the Financial Conduct Authority published data yesterday (January 18) about DB transfers from October 2018 to March 2020, showing that the majority (60 per cent) of advice firms used a contingent charging fee structure.

Baroness Altmann said advice should always be charged like other professions and savers should pay for the time of having an expert.

She also said if people were unwilling to pay for advice, then they should stay put within their scheme.

"Requiring people to pay some thousands of pounds for a detailed analysis of the risks and benefits of transferring, in light of their own individual circumstances, may put many people off, but then the worst that happens is that they do not transfer - a lower risk outcome for all concerned," Baroness Altmann said.

'Shocking' PI findings

The FCA's data also looked at professional indemnity insurance, finding 1,191 firms (91 per cent of firms with permission) held PII and of these, 364 firms (28 per cent) had an active PII policy with exclusions.

But worryingly this also meant 119 firms (9 per cent) did not hold the relevant PII cover.

Baroness Altmann warned this could leave many clients unprotected against mis-selling.

According to Baroness Altmann, regulators need to be more proactive and act faster to prevent obvious consumer detriment.

She added: "I do hope the regulators will move towards a more proactive approach to protecting consumers, rather than the current tendency to be only reactive.

"Acting long after thousands of people have been put at risk is not in the public interest."

Overall, the FCA found the DB advice market has started to show signs of improvement with the number of transfers, including those from insistent clients, dropping.

However, the number of advice firms operating in this area has also continued to fall as insurance costs and regulatory changes have taken their toll.

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