

# CP19/25 – How prepared are you?



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The start of the year can often be consumed by dealing with matters that were put on the back burner over the festive period. Regulatory change may not rank highly in your immediate agenda, but a quick thought; the FCA are soon to issue their policy statement in response to consultation paper 19/25. Whilst this policy statement is scheduled for Q1 2020, we must consider the potential for early release. How prepared are you and your business if this were to appear in January?

Issued in July 2019, CP19/25 proposes a package of measures to change how advisers manage and deliver DB pension transfer advice. The measures set out are significant in comparison to prior consultations in this advice area and aim to reduce the number of consumers transferring when it is not in their best interest.

What makes current action more pressing are the timescales involved. For example, the timetable for the proposed ban on contingent charging is within a week of the final instrument being made by the FCA board. This may be of less concern if you are an employee of a large firm, but for small businesses, you may ultimately be responsible for implementing any changes to your advice process.

## **Be clear, we know what the FCA's expectations are and we need to act now.**

Given the prescriptive and direct tone of CP19/25, the industry belief is that significant change to the proposed package of measures is unlikely. Only minor amendments are expected between consultation and the policy statement being published.

An interesting thought is that CP19/25 may also be an insight into future FCA regulation. There is speculation amongst professionals that some of the proposals could potentially reach other areas of financial advice. Take the proposed requirement to demonstrate that any DB transfer destination investment is "more suitable" than an available Workplace Pension. It would not

be unreasonable to believe that this expectation will filter through to pension switching at some point in the future. Client understanding checks and enhanced disclosure are also areas that would seem sensible and logical to carry through to other areas of financial advice.

Debate in the financial community over hot topics such as the ban on contingent charging may be polarised; whilst it's an obvious solution to an obvious conflict, we also have to consider that this proposal may restrict access to advice for some groups. What is clear, is the fact that CP19/25 sets out a package of pragmatic and common-sense proposals that should help reduce poor customer outcomes.

Robust triage education, managing conflicts of interest, improved disclosure and understanding checks are all examples of good practice that many firms embrace already. Firms currently supporting the PFS Pension Transfer Gold Standard are certainly likely to be meeting many of these measures through adherence to the good practice principles. As an industry, we should acknowledge and agree that these measures can only help shape pension transfer advice for the better.

## **The FCA's supervisory work continues to highlight concerns about the suitability of pension transfer advice.**

It's no surprise therefore, that CP19/25 proposes to improve the standard of advice given through education and maintenance of knowledge. After all, the competence of advisers is cited as one of the key potential drivers of unsuitable advice. Advising on pension transfers is complex and has evolved markedly since the pension freedoms were introduced in 2015. As pension transfer advice may be given infrequently and/or on the back of old qualifications, is it easy to understand how some advisers may begin to lose touch with the latest market thinking and regulator expectations.



CP19/25 proposes to raise the standard of transfer advice by “enabling advisers” through improving the knowledge and understanding of Pension Transfer Specialists (PTSs) who give or check advice in relation to pension transfers. This will require PTSs to undertake an additional 15 hours of pension transfer specific CPD, which must include at least 5 hours of learning provided through an external source. This secondary requirement ensures that the PTS is not just receiving a ‘house view’ of the market. The proposal doesn’t stipulate whether the pension transfer specific CPD should be structured learning, but as the expected outcome is “to raise standards by improving levels of knowledge and understanding of PTSs”, structured learning is implied. This additional 15 hours is of course on top of CPD requirements that the PTS may have for other types of advice.

The necessity to evidence improvement of knowledge is again a common-sense response to ongoing concerns around the suitability of advice and maintaining high skill levels. The old adage of “use it or lose it” rings true, unless you maintain and build on your pension transfer knowledge through keeping abreast of FCA handbook changes, market trends and current thinking, even the best of us will get rusty over time.

### **How can I achieve my additional CPD requirement?**

The additional CPD requirements are proposed to run in calendar years and the onus will be placed on PTSs to maintain their own records, which firms should also record centrally. You will therefore need to ensure that you have the means to evidence your own learning and ensuring that CPD earned meets the FCA requirement in terms of content and duration. The FCA recognise that employees of larger companies will achieve a significant part of their CPD requirement via in-house learning. Medium and small firms are likely to have an increasing reliance on external training, where little or no internal resource exists. This comes

at a cost both monetary and time, which will have the biggest impact on the smallest firms.

Expert Pensions recognise the need to act sooner rather than later in relation to CP19/25, and preparations are taking place to roll out a CPD portal in the new year. This new service will incorporate blended multimedia learning with a final knowledge test to enable PTSs to gain a full 15 hours of structured CPD. This is by no means a box ticking exercise to meet the FCA requirement and an evolving content, which reflects the latest industry news and FCA updates, but aims to help PTSs achieve the highest professional standard expected. As this content is all accessed online and in bite sized chunks, time impact to business is minimised and cost is a fraction of that associated with external training days.

