

DB Transfers: CP19/25 becomes PS20/6...



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“ The FCA are encouraging firms to comply with the new requirements as soon as they can

Well I think it is safe to say that the year 2020 hasn't quite gone as planned! We have all been thrown into an uncertain time where we need to quickly adapt and change the way we operate, to keep up and move forward...

Then on the 5th June 2020 the FCA issued new rules and guidance on a variety of subjects directly related to defined benefit pension transfers advice and guidance and these will be effective from 1 October 2020. We need to adapt and change the way we operate, to keep up and move forward...

A brief summary of the key points:

- ❑ Ban on advisers using contingent charging for defined benefit (DB) pension transfer advice.
- ❑ Only exemption to the contingent charging ban is for certain groups of consumers who cannot afford to pay for advice but still may benefit from a DB transfer. This group will be a 'carve out'.
- ❑ The introduction of abridged advice. Empower consumers to make better decisions by improving how advisers disclose charges and requiring checks on consumers' understanding during the *advice* process.
- ❑ A requirement for advisers to disclose charges and to undertake checks to confirm the client's understanding during the advice process.
- ❑ triage should be an educational process so that consumers can decide whether to proceed to regulated advice. Education BEFORE Advice. Firms should not use decision trees and traffic-light RAG-rated questionnaires within a non-advised triage service
- ❑ Pension transfer specialists (PTS) to undertake an additional 15 hours CPD per year specific to pension transfer advice, in addition to their existing requirement. At least 5 of the 15 hours must be provided by an independent provider external to any firm that employs or contracts services from the

PTS. One area that the FCA have highlighted to achieve better client outcomes is by PTS's improving their levels of knowledge and understanding...it makes sense that an advisers competency is fresh, up to date and recorded. This would be in addition to any other existing CPD requirements that an adviser may need to meet for other types of advice.

- ❑ A requirement for advisers to consider the workplace pension (if available) as a destination for the transferred funds, and to demonstrate why any alternative solution is more suitable

The deadline for these changes is the 1st October 2020! Even quicker, are the changes to using triage in the advice process, which is effective NOW (from 15th June 2020).

Not only are the rules changing on the dates outlined, the FCA are encouraging firms to comply with the new requirements as soon as they can to help improve consumer outcomes as quickly as possible.

Welcome to the 'new' world of defined benefit transfer advice.

At Expert Pensions we are passionate about client and adviser education. This is not new for us. It is what we do and have been doing for many years. The FCA encourages firms to comply with the new requirements as soon as they can to improve consumer outcomes. The full policy brings many changes to the DB Transfer advice process and you can read it here:

<https://www.fca.org.uk/publication/policy/ps20-06.pdf>

There are many challenges ahead that we can face together as an industry and as financial professionals.

Here's to accepting change and moving forward.

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