

FG21/3: The future of retirement advice?



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“ It is old school: treat others the way you’d want to be treated yourself. Call out the best value.

In March 2021, the FCA issued FG21/3: guidance on advising pension transfers.

You may note that the title did not say, final guidance on defined benefit pension transfers.

It says guidance on pension transfers, and I think there is a hint to the future in that title.

Just as important, the FCA also issued notice of a consultation CP21/13 in May 2021 - and that makes interesting reading:

“ Many firms are already delivering the right outcomes for consumers, but we want all firms to put themselves in the shoes of consumers and get it right the first time, asking themselves, “Would I be happy to be treated in the way I treat my customers?”.

We want an environment where good firms can thrive and consumers are able to make good decisions to pursue their financial needs. This requires firms to provide information consumers can understand, products and services that are fit for purpose and offer fair value, and customer service that helps not hinders.

Both these papers are seminal papers from the FCA: our profession continues to evolve with the help of the FCA.

Both these papers highlight very clearly the direction of travel and expectations of firms (and their people) by the FCA.

Both these papers will shake and shape the business over the next 10 years....

Let me start with FG21/3...

And let’s start with defined benefit transfers (but, while you are reading this, I want you to imagine this applies to ALL retirement advice) and a typical advice process for defined benefit transfers:

- Initial meeting
- Online education and triage videos and quiz

Online, educational, unbiased informed decision to seek advice

- Explanation of process and non-contingent fees/ToB/client agreement

- KYC

Colour and detail of objectives and KYC: MIGs and will be a cause for unsuitability

- Attitude to transfer risk, tolerance and affordability

Risk assessment is holistic, includes appetite, tolerance and affordability

All of the above = abridged advice

- Cashflow modelling and establishing most suitable plan for the client

- Comparative/appropriate analysis/TVC

Be a critical friend: Critical analysis of the comparative positions...

- Investment options vs WPS

All (a)-(g) = full advice

I have chosen my words carefully in these descriptions -

Now, have you had a look at CP 21/13 yet?

Read the words from the FCA: “Would I be happy to be treated in the way I treat my customers?”. This is the minimum standard going forward.

It is old school: treat others the way you’d want to be treated yourself. Call out the best value. Call out the best option and act in the best interests of your clients.


The FCA’s transformational program: “Duty of care”

1. Cost/fees [Price/value: VFM];
2. Performance and risk; and
3. Service package

FG21/3 might be focused on DB TV, but it should be read in parallel with CP21/13, both are aimed at those who truly are looking for a win-win solution for clients.

I would go so far as to say that this is a re-statement of the fiduciary responsibility of regulated and authorised financial planning advisers in the UK, regulated under the current regime: the role of a financial planning adviser is a critical role in people’s lives.

Getting the right advice can make a huge positive difference to their well-being.

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The FCA want us all to deliver “good products and services at fair prices, supported by high standards of customer service and clear communications”....and with that “clearer and higher standards for the culture of firms and the conduct we expect of them”.

That could easily be a summary of the guidance in FG21/3: the FG21/3 outlines the highest standards expected, which is further expanded by CP21/13.

If I were to summarise the CP21/13 paper, it would encompass three things:

- a. The duty of care that a firm has to its clients: it’s a fuditial care. Would you sign-up to the cost/service proposition you are offering?
- b. Offer a service which clearly describes how you meet the four outcomes described in CP21/13: are you able to evidence your proposition against the four key outcomes?

These papers are a must read as our profession continues to evolve with the help of the FCA. For further guidance on PTS processes and Triage services please visit our website hello@expertpensions.co.uk

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