

Defined Benefits - Pension Advice

The FCA & Adviser Insurance Position

In early 2018 the Financial Conduct Authority stated that they believe that in most client's case then the assumption should be that retaining their Defined Benefit scheme with guarantees, or those with "safeguarded" benefits, is the best advice solution.

The FCA believes that any starting point should be

1. The client outcome at retirement,
2. the objectives of the client overall, and
3. the DB scheme's potential in meeting those objectives or assisting in meeting the outcomes.

The FCA does not like the separation of advice of the 'transfer' from the transfer itself, including any 'investment' in the new pension, as they believe that this results in poor outcomes for clients.

In practice, "signing off" of Defined Benefit pension transfers has led to numerous claims against adviser firms, which has led to the largest Public Indemnity (PI) insurer going into liquidation, and also scrutiny by MPs at parliament throughout 2018 and early 2019.

The FCA has also changed the amount of compensation available through the FOS and implemented full reviews of firms in 2019. This has led to some adviser firms now being refused PI cover and going out of business, along with restrictions in the cover where it is provided.

Our Position

Aisa Financial Planning Ltd has the necessary FCA permissions to provide advice to clients with defined benefits (final salary) schemes and those with 'safeguarded' benefits in excess of £30,000.

We follow FCA Best Practice and always strive to achieve positive outcomes for all the clients that we work with. We have always believed that a 'Sign Off' is not in a client's best interests and as such, we do not provide 'Sign Offs'.

We are a Chartered Financial Planning firm and we see our role as assisting clients to be in the best position they can be through sound advice and long term planning. To achieve this, we work with our clients and guide them where they require our knowledge and expertise.

What we will do

- We will assess your overall position both now and at retirement.
- We will review all your pensions and any Defined Benefit pension and provide a comprehensive Project Report with a analysis, along with a personal recommendation, based on your unique circumstances
- If the advice is to transfer and you decide to follow our advice, we provide an Implementation Report and arrange for the transfer
- We then provide a tailored investment report, with the recommended funds
- We will provide bespoke ongoing investment advice up to and beyond retirement

What we will not do

- We will not do a 'Sign Off' for a client
- We will not 'Sign Off' reports for other adviser firms. We require direct contact with the client at all times.
- We will not recommend any transfer where the client then wishes to invest the funds themselves or appoint a third party to do so, as part of the transfer process * (see below)

- If the recommendation within the Project Report is not to transfer, Aisa Financial Planning will provide no further advice on the matter and will not be party to any subsequent transfer, although we can continue to provide advice on other areas that may be of assistance in meeting your objectives and goals.

Further Background and Information

The Defined Benefit Pension advice market is tightening up rapidly, after concerns about the ongoing provision of Professional Indemnity Insurance (PI) cover for adviser firms after experiences of poor pension transfer advice to British Steel Pension members and overseas transfers. Many transfers are being found to be unsuitable <https://www.ft.com/content/46ef41b4-fba3-11e7-a492-2c9be7f3120a> and the Financial Ombudsman has already taken on large numbers of complaints that, if upheld, will most likely all have to be covered by the PI insurers. The largest PI insurer has already gone into liquidation as a result of claims.

This has led to a dramatic 'tightening' in the PI market, with some insurers raising premiums substantially or not providing cover at all, even if a firm has previously had no complaints or claims. The Personal Finance Society, our professional body has raised concerns about the effect the lack of PI cover will have for those providing advice to members of DB schemes <https://www.moneymarketing.co.uk/pfs-advisers-struggling-get-pi-cover-pension-transfers/>

A prime example is here <https://corporate-adviser.com/lack-pi-kills-off-om-pension-advice-transfer-arm/>. The owner of this firm is a compliance expert, without any previous claims. If PI cover is not available, then the adviser firm can no longer carry on providing advice on pension transfers. If they do, they **are operating illegally**.

Our minimum engagement level and Fees

In the light of escalating PI premiums, (ours has increased 3-fold in 2019) the risk to ourselves and concerns over the volume of transfers being advised upon, we have reviewed our service. We will only provide advice on DB transfers if we:

- Have an overall view of client objectives, not just the DB pension transfer aspect.
- Have completed a full review and recommendation
- If appropriate where we have recommended it, implement any transfer

We believe that our service is only suitable to those people with serious intentions and with funds of at least £250,000. Our standard fee is £1,000 plus a sliding scale percentage of the transfer value if we recommend a transfer. Due to costs and risk of this business our minimum fee is £5,000.

Please note that our PII and the FCA are insisting that we ensure that any initial investments are in line with the risk spectrum of the client. Therefore, we would expect Aisa to be involved in the investment recommendations after implementation for which we charge an ongoing fee.*

*This does not affect clients statutory rights with regard to engagement. It does not stop the investor from disengaging from Aisa Financial Planning and choosing another investment adviser in the future

CONCLUSION

We believe that our service is what the FCA is insisting on in their latest review paper <https://www.fca.org.uk/news/press-releases/fca-announces-changes-advice-pension-transfers> and that it meets our PI requirements. As a professional company that cares about our clients, we believe this will enable us to continue to offer this valuable service. If you, or your colleagues, are interested in a professional service that has PII cover and future protection from a reputable company then, we would be pleased to assist you.