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Response by: Which?

Supplementary note from Which? - Work and Pensions Select Committee inquiry on pension freedom and choice

We welcomed the opportunity to submit both written and oral evidence to the committee's inquiry into the pension freedoms. However, while the scope of the inquiry was extremely broad and wide-ranging, Which? is concerned that the focus of the oral evidence session on 1 November was too narrowly directed at scams and pensions guidance.

We recognise that these are both important areas for discussion. However, it is disappointing that the committee did not give sufficient attention to the information that pension schemes currently provide, or not, to their members, nor to the lack of development of suitable products to meet consumers' needs in retirement.

The pensions dashboard

Access to impartial, independent guidance is important, as evidence shows that consumers struggle to understand their pension decumulation options. However, in order for this guidance to be effective, consumers need to have a clear understanding of how many pension pots they have, how much is in them and what their value will be at retirement.

Only by being shown all the necessary information about their pensions will consumers be able to make the most of a guidance session and ultimately make more informed decisions about their retirement choices. If a person with eight pension pots is only given information about four of them, then the guidance they receive will be incomplete at best. While the committee has rightly identified the importance of ensuring everyone has access to pensions guidance, the value of that guidance will depend on how much information the individual is able to obtain about their pension savings. The first step towards helping consumers make the right decision, therefore, is to provide them with clear, accessible and comprehensive information about all their pensions savings.

Which? is greatly concerned by views that suggest a number of pension schemes are still unable to quickly identify consumers' pension pots and provide information about their value on a consistent basis. The committee should not simply accept that it is too difficult for certain pension schemes to provide this information. While legacy schemes and some DB schemes might find it harder than others to provide information to the dashboard, this should not be a reason to accept progress cannot be made. It is for precisely this reason that the Government should legislate to require all schemes to provide information to the dashboard, and consider how it might support those who are currently not in a position to be able to do this. The Government has committed to make the dashboard available in 2019, and key to ensuring its effectiveness is to reach comprehensive coverage as soon as possible. While it might be unreasonable to expect all schemes to be in a position to provide this information online in 2019, the committee should challenge the industry as to why they cannot provide such critical

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information to their members, and press the Government to set out a timetable for when these schemes will be required to do so, to ensure universal coverage as swiftly as possible.

The committee should also not accept that progress should stop with a “pensions passport”. While a standardised one page summary of key information would be a step forward from the current situation, receiving multiple pieces of paper from different providers, at different times in the year, is still not an ideal scenario. While offline access to the pensions dashboard must be considered, the Government needs to focus on delivering the pensions dashboard, essentially an online, combined pensions passport, as effectively and swiftly as possible.

Product innovation

It is equally important that people have access to good value products that meet consumers’ needs in retirement. If the retirement income products available are not appropriate to serve consumers’ differing needs in retirement, then no matter how good the guidance received, the overall consumer outcome will still not be good.

The pensions industry has failed to develop better-value, transparent products that work for consumers. The lamentable lack of innovation in the market since the pension freedom reforms should be a key area of concern to the committee, and providers should be held to account for the high costs and charges too often charged to consumers.

We want to see the introduction of new measures to protect savers from poor-quality products. As the committee continues its inquiry, we would welcome a greater focus on the role of the industry and the steps that they need to take to ensure that consumers are getting a fair deal from their provider.

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