

Consultation Response

Which? response to DWP's Pensions Dashboards consultation on the draft Pensions Dashboards Regulations 2022

Summary

- **Which? welcomes the Government's consultation on draft pensions dashboard regulations.** DWP and Pensions Dashboard Programme (PDP) must continue to progress with proposals for dashboards and make headway in delivering on its commitment to consumers, especially given that DWP first committed to launching pensions dashboards by 2019.
- **We support the following proposals for pensions dashboards:**
 - For information on State Pensions to be included on dashboards from day one, as its inclusion will help provide a more comprehensive picture of an individual's potential income at retirement.
 - Attempts led by the Financial Reporting Council (FRC) to standardise Estimated Retirement Income (ERI) projections, as methodologies used to calculate projections are currently far too inconsistent across pension providers.
 - For the Financial Conduct Authority (FCA) to regulate and authorise Qualifying Pensions Dashboard Services (QPDS), and proposals for The Pensions Regulator (TPR) to gain new enforcement and compliance powers.More generally, we support DWP's staging principles and its encouragement of pension schemes who are able to respond to all find and view requests to connect to the digital architecture early, following approval from the Money and Pensions Service (MaPS).
- **However, we propose the following recommendations:**
 - **The Government and PDP must ensure that consumer outcomes are at the heart of the dashboards programme.** It should work to ensure that dashboards are functional and fit for purpose, providing users with complete, accurate and up-to-date information about their pension savings. Prioritising these outcomes for dashboards will increase consumer engagement with pensions and encourage informed decision-making.
 - **The Government should publicly set out its expectations for when dashboards will be launched to consumers following testing.** Outlining a launch date would provide all participants, particularly pension schemes, with a

clear steer in progressing with preparations for dashboards and help to avoid any unnecessary delays in the delivery of the service.

- **The Government should require schemes to return a user's pensions value information on request, rather than allowing schemes up to 10 days to do so.** The proposals for defined contribution (DC) schemes to have up to 3 days to return pensions value data and defined benefit (DB) schemes up to 10 days, could significantly undermine the primary purpose of pensions dashboards, which is to bring an individuals' pensions information together in one place. Whilst the Government may need to prescribe some exceptional circumstances where schemes are unable to provide value data, the current exceptions are drafted too broadly. It is also unclear how the Government expects users to be re-engaged after logging into an incomplete dashboard once their pensions value data is ready for each of their pension schemes. Moreover, any gaps and/or delays in response times must be clearly explained to the user.
- **The Government should ensure that data requirements on pension schemes allow for total figures across an individual's pensions to be displayed on dashboards.** Dashboards should include totals for current pot values for DC schemes, and totals for both annualised accrued and annualised projected retirement income figures.
- **Pensions dashboards should include a figure for costs and charges that have been paid for each pension scheme.** Greater transparency on charges would provide individuals with a clearer understanding of what they pay for their pensions, helping to inform challenging decisions about when and how they access their pensions savings.
- **Pensions in payments should be included on dashboards.** To provide a full picture of an individuals' pension savings, pensions that have been taken in payment, for example via full or partial income drawdown or a tax-free lump sum should be included on dashboards. This is especially important following 2015 Pension Freedoms reforms.
- **DWP and MaPS should, in time, allow for greater innovation in the presentation of dashboards to help drive consumer engagement.** Once dashboards are better established, dashboard providers should be able to make effective use of consumer feedback, user data and real-life consumer journeys to make informed changes to the service that will better suit the needs of consumers and facilitate further engagement.
- **When things go wrong, consumers should only have to make a single complaint to any part of the dashboard ecosystem they choose, for example their pension scheme or pensions dashboard provider.** The complaint and liability should then be resolved by the firms involved.
- **The FCA must publish its draft rules for pensions dashboard providers as soon as possible.** How dashboard providers are regulated by the FCA will play a

critical role in the success of the PDP's dashboards initiative, and is inextricably linked to DWP's draft regulations for dashboards and MaPS standards. It is difficult to anticipate how well consumers using dashboards will be protected without seeing these draft regulations.

Which? recommendations

The Government and PDP must ensure that consumer outcomes are at the heart of the dashboards programme

The UK pensions landscape has experienced significant change in recent years. The shift towards occupational DC schemes, Pension Freedoms reforms and the introduction of auto-enrolment have all placed greater responsibility on individuals to manage their multiple pensions and make complex decisions about their lifetime savings, whilst also bearing the investment costs and risks associated with pension schemes.

Despite this increased responsibility, there continues to be low levels of consumer understanding and engagement with pensions. Previous Which? research found that, although levels of engagement vary amongst individuals, nearly half (47%) of those aged over 50, employed and with a personal pension are not confident they know the total amount of money they have saved in their pension pot(s), and one-fifth (21%) say they have never checked how much they have saved in total in their pension pot(s).¹ Furthermore, research commissioned by the Association of British Insurers (ABI) saw half (51%) of their respondents agree that it can be challenging to access their pension information, with sentiment towards dashboards characterised by confusion and a lack of control.² With many consumers struggling to understand what pensions they have, where they are located and their value, there is an evident need for the bringing together of key information on pensions dashboards.

A well-functioning dashboard will play an integral role in driving consumer engagement with pensions and equipping users with the right information to make knowledgeable decisions about their retirement savings. Hence, the Government and PDP must ensure that dashboards are fit for purpose, providing consumers with complete, accurate and up-to-date information about their total pension income and state pension, whilst also reconnecting users with any missing pensions. It is crucial that in "prioritising pace and deliverability," the Government does not risk compromising the quality and functionality of the dashboards service as this would negatively impact the delivery of key outcomes for consumers.

¹ Which? (Feb 2018) The pensions dashboard: How can we make sure it works for consumers?, p.11. Available at: <https://www.which.co.uk/policy/money/2409/the-pensions-dashboard-how-can-we-make-sure-it-works-for-consumers>.

² Association of British Insurers (ABI) & BritainThinks (Dec 2021) Pensions Dashboards Consumer Research, p.10. Available at: <https://www.abi.org.uk/globalassets/files/publications/public/lts/2022/britain-things-pensions-dashboard-report-jan-2022.pdf>.

The Government should publicly set out its expectations for when dashboards will be launched to consumers following testing

DWP and PDP should seek to avoid any unnecessary delay in the progress of the dashboards programme, especially given that the government first committed to introducing a pensions dashboard by 2019 and a prototype was available as early as 2017. In the face of considerable challenges being put forward by many parts of the pensions industry to the proposed staging timetable, there needs to be clear leadership from the Government to ensure that progress is maintained. Hence, the Government should publicly set out its expectations for when dashboards will be launched to consumers following a period of testing, based on its proposed staging timetable: DWP already outlines its expectation for 99% of all active and deferred pension memberships in the UK to be connected to the dashboards digital architecture by the end of September 2024. Whilst we would not expect the Government to commit to a launch date in legislation, outlining its expectations would provide all participants, pension schemes in particular, with a clear steer in progressing with dashboard preparations and ensure that sufficient pace is maintained. Furthermore, providing a clear launch date would enable the PDP to mobilise consumers and increase awareness of pensions dashboards in the run up to the dashboards availability point, encouraging use of the service.

Pensions dashboards are due to be an innovative, sophisticated technology, and navigating this change will require further guidance from DWP, MaPS and regulators to pension scheme providers and the wider pensions industry. However, progress so far has been too slow, and although smaller schemes may need longer than others to provide data to dashboards, larger schemes have had sufficient time since the government committed to dashboards to prepare for onboarding and begin collating members' pensions data. For the necessary impetus to be maintained in delivering dashboards, the Government should ensure that any significant implementation issues raised by industry are mitigated, whilst avoiding unnecessary delays to the programme that are not in the consumers' best interests.

The Government should require schemes to return a user's pensions value information on request, rather than allowing schemes up to 10 days to do so

Research commissioned by the PDP shows that generally, consumers assume that the service will be fully functional when available to them to use, delivering their pensions information and values quickly, if not instantaneously.³ The ABI found that consumers strongly anticipate dashboards to be complete, accurate and up-to-date,⁴ and while MaPS respondents recognised that there is likely to be some "teething issues" in launching a dashboard, the findings highlighted that missing pensions data will cause frustration and

³ Pensions Dashboard Programme & Ipsos MORI (Jan 2022) Pensions Dashboards Programme: Qualitative Research with Potential Dashboard Users Summary Report, p.40. Available at: <https://www.pensionsdashboardsprogramme.org.uk/wp-content/uploads/2022/01/PDP-qualitative-summary-report-2022.pdf>

⁴ ABI & BritainThinks (Dec 2021) Pensions Dashboards Consumer Research, p.18.

disappointment to some users, especially those with fewer pension pots and in situations where a user's main and/or active pension pot is missing.⁵ Missing pension information is likely to be significantly detrimental to individuals approaching retirement or in later stages of their career, who may be looking to use the service to inform and guide difficult decision-making. Therefore, omissions in value data could lead to lower levels of engagement, deter people from returning to the dashboard, and hinder an individuals' decision-making abilities about their pensions; all greatly impacting the credibility of the dashboard service.

DWP proposes that where a relevant value has not been calculated or provided on a benefit statement in the last 12 months, all DC schemes will have up to 3 days to return value data, and all DB schemes up to 10 days. While we recognise that the Government may need to prescribe some exceptional circumstances where schemes are unable to provide value data, the current exceptions are drafted too broadly. These allowances could significantly undermine the core purpose of dashboards, which is to bring an individuals' pensions information together in one place. Hence, the Government should require pension schemes to return a user's value information on request - especially seeing as schemes only need to provide annual data to dashboards, so any missing figures could be calculated in advance.

DWP has not presented sufficient evidence on how many potential users will be affected by the 3 and 10 day delays in response times and the 12 month deferral period to individual schemes for their staging deadline. If the Government proceeds with these proposals and these delays are likely to impact a large number of potential users and impede the delivery of key consumer outcomes, the Government should reconsider its expectations for when dashboards will be available to consumers.

Any gaps and/or delays in return value information must be accompanied by simple messaging providing the user with a clear explanation as to why there are omissions in their pensions information, and when they can expect to view this information at a later point. This is vital in preventing consumer detriment, particularly instances where consumers have made important decisions about their retirement savings based on a misunderstanding of their pensions. Crucially, the Government and PDP must give greater consideration towards how it will re-engage users to return to dashboards once their pensions value data is ready for each of their pension schemes, after having logged on to an incomplete dashboard. This may be through the use of communications, future prompts and nudges via the dashboards interface.

The Government should ensure that data requirements on pension schemes allow for total figures across an individual's pensions to be displayed on dashboards

At present, proposals will require both DC and DB schemes to provide annualised accrued and annualised projected values on dashboards, though where calculations refer to AS TM1, it will not be mandatory to return a value until after October 2023. The inclusion of accrued and projected value information on dashboards is critical to long-term consumer

⁵ Money & Pensions Service (April 2021) Pensions Dashboard User Research, p.16.

engagement. These figures are widely expected by consumers and are perceived by many to be the “most essential” components of dashboards.⁶ Moreover, they play an intrinsic role in allowing people to better plan for later life by providing savers with an estimate to the amount of income each of their pensions may generate at retirement.

Providing an overall view of an individuals’ pensions is integral to the underlying purpose of pensions dashboards. Including total values for a user’s overall pension arrangements on dashboards has high appeal from both higher and lower-engaged savers - particularly for the former who may currently be having to check with their providers and calculate their total projected and accrued figures manually.⁷ This task can be made even more challenging for those with multiple pots from various providers as it can be difficult to identify comparable pensions information from various schemes. Hence, including standardised totals would remove this burden from individuals and prevent user miscalculations, facilitating consumers in making informed choices based on accurate total income estimates.

In the consultation, DWP proposes that income projections provided to dashboards will be based on a scheme’s normal retirement date. To ensure that dashboards can display total figures for income projections, the Government should require schemes to calculate projected income figures to the same future point; which would ideally be the individual’s targeted retirement age or, if not possible, default retirement age. Tailoring these projections to suit a user’s own needs will lead to dashboards displaying more relevant and usable information for consumers.

Dashboards should include a figure for costs and charges that have been paid for each pension scheme

In the longer term, dashboards should evolve alongside annual statements to provide better information and usability, with key pensions information mirrored across both. Which? has repeatedly called for a figure for costs and charges that have been paid for each DC scheme to be included on dashboards and annual statements. Some schemes voluntarily provide this information on annual statements already and all income drawdown providers are also required by the FCA to provide this information.

MaPS research found that across groups with different levels of pension engagement, users occasionally struggle to understand how their pension is being managed, with details around charges being a frequent source of confusion. Moreover, some find it frustrating if ongoing pension charges are not transparent or easily accessible.⁸ There is also some international evidence to suggest that transparency on charges has had a positive effect on consumer engagement and has helped foster trust in the pensions industry.⁹ Providing individuals with

⁶ PDP & Ipsos MORI (Jan 2022) Pensions Dashboards Programme: Qualitative Research with Potential Dashboard Users Summary Report, p.2.

⁷ MaPS (April 2021) Pensions Dashboard User Research, p.14.

⁸ MaPS (April 2021) Pensions Dashboard User Research, p.26.

⁹ Pensions Policy Institute (2018) Charges, returns and transparency in DC - what can we learn from other countries?. Available at:

<https://www.pensionspolicyinstitute.org.uk/media/2903/20181204-ppi-charges-returns-and-transparency-report-final.pdf>.

a clearer understanding of what they pay for their pensions is crucial when making challenging decisions about when and how they access their pension savings.

Pensions in payments should be included on dashboards

It is key to consumer outcomes that dashboards provide users with a full, comprehensive picture of their pension savings to aid decision-making, which means including pensions that have been taken in payment, for example via full or partial income drawdown or a tax-free lump sum. As of October 2020, over £37 billion of taxable flexible withdrawals have been made from DC pensions since the introduction of Pension Freedoms reforms in 2015, yet there is currently no guarantee in the Government's proposals that pensions where savers have taken out payment options will be displayed on dashboards.¹⁰ DWP should require all schemes to provide this information to dashboards, as the full or partial absence of pension schemes could mislead users on the value of their pensions.

DWP and MaPS should, in time, allow for greater innovation in the presentation of dashboards to help drive consumer engagement

DWP proposes that the way information is presented, most notably return values and the messaging which would accompany such values, should be in accordance with MaPS design standards, whose stated approach is for these standards to be highly prescriptive. Whilst these prescriptive design principles for dashboards might help to ensure that users are not confused or misled by the value information that they see on their dashboard, they could potentially stifle innovation from service providers down the line.

It is important to recognise that the Government's decision to allow commercial dashboard providers, rather than to permit only a MaPS dashboard, was to enable greater innovation and engagement and deliver a dashboard service that benefits pension savers with different needs and varying levels of understanding of pensions. However, DWP's current approach risks undermining this policy objective.

Once dashboards are better established and users are more acquainted with the service, dashboard providers should be able to make effective use of consumer feedback, user data and real-life consumer journeys to make informed, innovative changes to the presentation of dashboards. Providers should consider what values work best to show consumers, for example one overall figure or an assessment of their savings levels, and how to best present these values on dashboards, whether this may be via graphs and/or visualisations, to better suit the needs of consumers. Allowing for greater innovation in the presentation of dashboards could, in turn, encourage competition between providers and create better solutions for users, promoting further engagement with pensions savings.

¹⁰ Department of Work and Pensions (DWP) and NatCen Social Research (Oct 2020) Pension Freedoms: a qualitative research study of individuals' decumulation journeys. Available at: <https://www.gov.uk/government/publications/pension-freedoms-a-qualitative-research-study-of-individuals-decumulation-journeys/pension-freedoms-a-qualitative-research-study-of-individuals-decumulation-journeys>.

Linked to the issue of innovation is the regulation that sets out that dashboard services must be free at the point of use. This does raise the question of what DWP sees as the incentive for dashboard providers to enter the market, or what alternative opportunities providers may seek to make their product viable. DWP must convince itself that the current design guidance and obligations on a free service do not undermine the ultimate success of the project by deterring providers from entering the market.

When things go wrong, consumers should only have to make a single complaint to any part of the dashboard ecosystem they choose

In the consultation, DWP proposes to place a requirement on dashboards to provide individuals with a link to the central complaints process for MaPS, helping individuals to understand where to go when things go wrong and what available routes they can take to complain.

When making a complaint about any aspect of the pensions dashboard service, consumers should not be expected to identify which part of the ecosystem has caused the issue, nor have to navigate where to direct their complaints. Users should only have to make a single complaint to any part of the dashboards ecosystem, for example their pension scheme or dashboard provider, for the complaint to be effectively resolved between the firms involved and for the liability to be clearly set out. It is essential that consumers are able to access support when things go wrong, especially given that pensions information is highly sensitive and that there are considerable risks of detriment, including that from errors, data leaks and scams.

The FCA must publish its draft rules for pensions dashboard providers as soon as possible

The FCA states that it will consult on the regulatory framework for providers of qualifying pension dashboard services later this year. These draft regulations are likely to complement the Government's consultation on dashboards and MaPS standards as they will outline requirements for dashboard providers. Hence, how providers are regulated by the FCA will play a pivotal role in the overall success of the PDP's dashboards initiative, and how well potential users of dashboards will be protected. It is therefore crucial that the FCA publishes its draft rules for dashboard providers as soon as possible to not only provide more clarity on what regulations will look like, but to also maintain pace in the delivery of pensions dashboards. Without seeing these accompanying rules, it is difficult for us to fully assess how well protected consumers will be from potential harms.

About Which?

Which? is the UK's consumer champion. As an organisation we're not for profit - a powerful force for good, here to make life simpler, fairer and safer for everyone. We're the independent consumer voice that provides impartial advice, investigates, holds businesses to account and works with policymakers to make change happen. We fund our work mainly through member subscriptions, we're not influenced by third parties and we buy all the products that we test.

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March 2022