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## Defined benefit pension transfers – market-wide data results

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Collected data from firms on the size and value of the Defined Benefit (DB) pension advice market.

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### Raising the standards on DB pension transfer advice

Deciding whether to transfer a DB pension is one of the most complex financial decisions a person may have to make. It can also have far-reaching consequences, and it's for this reason that it's important that consumers get high quality advice.

Through our work we have repeatedly made clear our expectations of advisers, arranged training and events and undertaken policy work to strengthen the rules around pension transfer advice. Where our supervision work has identified consumer harm, we have taken action against firms and advisers.

Despite this, too much advice is not of an acceptable standard. When we published our last update on this in December 2018 we were clear that our targeted work had found advice was **suitable in fewer than 50% of cases**; this was not acceptable and standards must be improved. We said, as a result of these findings, **that every firm active in the market could expect to hear from us in 2019**.

Our ambition is for pension transfer advice to reach the same standard as the wider financial advice market where we found advice was **suitable in around 90%** of cases. While 90% suitability still gives scope for improvement, the disparity between the quality of advice on DB transfers and that on investments is of significant concern to us.

### Why we collected this data and how will we use it

To inform this latest stage of our work, we collected a considerable amount of data to understand the size and value of the entire DB pension advice market and which firms are most active. Gathered between April 2015 and September 2018, the data will help us identify where poor practice may be occurring.

Although the data cannot tell us directly about the suitability of advice, it does give us the information we need to focus our continuing supervision of firms and drive up the quality of advice. By focusing on firms where the risk of poor practice is highest, we can prevent consumer harm in future. We can do this by working with the firm, or stopping it carrying out activities until our concerns are resolved. It may also involve more formal action if that is required.

We will improve standards and protect consumers through continued supervision, including firm-specific interactions, market wide communications, industry seminars and engagement with wider stakeholders. We have already contacted the next tranche of financial advisers, starting with those which are most active in the market and have also begun carrying out visits to some firms. Our visits will allow us to use the data we have collected to complete a full assessment of firms' approach to DB transfer advice, focusing on key aspects of firms' business models and advice processes that could give rise to consumer harm.

### Next steps

We will be directly assessing the firms most active in this market throughout the remainder of 2019. We will also be writing to all firms where we have identified potential harm in their DB pension transfer advice from the data received, and we will set out our expectations and the actions firms should take.

Depending on the outcome of the assessments in 2019 we will consider extending our assessments to take in a wider range of firms in 2020. In 2020 we will also roll out a series of events aimed at raising standards in the industry and engaging with a wider range of stakeholders.

## What we found

Firm data:

- 3,042 firms held the DB transfer advice permission.
- 3,015 responded to our data request – this is over 99% of the market. The remaining 1% have been in discussions with us.

Market data:

- 2,426 of these firms had provided DB pension transfer advice between April 2015 and September 2018.
- 1,346 firms reported data on clients who had not proceeded after receiving initial guidance ('triage').
- The total number of clients not proceeding to advice was 59,086.
- 620 firms (26%) facilitate transfers for insistent clients.
- 234,951 DB scheme members received advice on whether to transfer between April 2015 and September 2018.
- Of those receiving advice 162,047 members (69%) had been recommended to transfer out, and 72,904 members (31%) had been recommended not to transfer.
- Of those advised not to transfer, 9,534 (13%) of those clients transferred as 'insistent clients'.
- Across recommendations for and against transfer, the average transfer value was £352,303 equivalent to a total value advised upon of £82.8bn. This compares to £1.57trn in DB schemes eligible for the Pension Protection Fund [3] as at 31 March 2018.
- At 30 September 2018, there were 6,509 Pension Transfer Specialists engaged in providing advice to DB scheme members across the 2,426 active firms.

Of the 171,581 clients who were recommended to transfer or who transferred as insistent clients, 120,735 (70%) signed up to ongoing advice from the firm recommending the transfer.

## Number of transfer recommendations

We expect advisers to start from the position that a pension transfer is unlikely to be suitable for their client. As such, we are concerned that 69% of the 234,951 total members seeking advice had been recommended to transfer. What is more concerning is that 1,454 firms of the total 2,426 firms providing transfer advice during this period (60%) had recommended 75% or more of their clients to transfer.

Some firms may have larger numbers of clients being recommended to transfer as they operate an effective triage service which filters out those not wishing to transfer as a result of the initial discussion. 1,346 firms reported data which showed that 59,086 clients decided not to transfer after the initial triage discussion. This means that when triage services are taken into account, 55% clients are recommended to transfer. We are also aware that before we issued guidance on triage, some firms were not recording the number of people approaching them for DB transfer advice who did not proceed beyond the initial discussion, and so the data returns may not always account for triage.

Another reason for the levels of transfer recommendations by firms is that there are clients seeking advice on transfers that may have some specific needs, objectives or circumstances that would tend to support a transfer. If scheme members are able to identify that their circumstances are more likely to result in a transfer, i.e. effective self-selection, this could mean that transfers are suitable for a higher proportion of clients seeking advice than for members of DB pension schemes generally.

## Unauthorised introducers

174 firms (fewer than 6% of firms) reported that they had accepted introductions from unauthorised introducers and 4,066 clients had been recommended to transfer following these introductions. While this figure is important it also shows introducers are not significantly active in this market. However, we remain of the view that regulated advisers should remain alive to the risks posed by unauthorised introducers. We have been clear on this publicly and continue to expect firms to remain vigilant.

## How this relates to the FCA's other work on DB pension transfer advice

This is a continuation of our ongoing supervisory work on DB pension transfers, which takes a proactive approach to protecting consumers. In recent years, we have published a number of alerts, supervisory updates, [consultations and policy statements](#) [4] to help firms providing DB pension transfer advice understand our expectations. Our most recent [supervisory update was published in December 2018](#) [5].

Alongside our supervision work, we continue to look at the rules governing pension transfer advice through our policy work, including the use of contingent charging. The data gathered during this exercise will inform this. We will say more on contingent charging in the summer.

**Source URL:** <https://www.fca.org.uk/publications/multi-firm-reviews/defined-benefit-pension-transfers>

Multi-firm reviews | First published: 19/06/2019 | Last updated: 19/06/2019

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## Links

- [1] <https://www.fca.org.uk/print/publications/multi-firm-reviews/defined-benefit-pension-transfers>
- [2] [https://www.ppf.co.uk/sites/default/files/file-2018-12/the\\_purple\\_book\\_web\\_dec\\_18\\_2.pdf](https://www.ppf.co.uk/sites/default/files/file-2018-12/the_purple_book_web_dec_18_2.pdf)
- [3] <https://www.fca.org.uk/publications/policy-statements/ps18-20-improving-quality-pension-transfer-advice>
- [4] <https://www.fca.org.uk/publications/multi-firm-reviews/key-findings-our-recent-work-pension-transfer-advice>