

## **HM Treasury – freedom and choice in pensions**

### **response from the Financial Ombudsman Service**

29 May 2014

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The Financial Ombudsman Service welcomes the opportunity to respond to the current consultation.

#### **about the Financial Ombudsman Service**

The ombudsman service was set up by Parliament to sort out individual complaints that consumers and financial businesses aren't able to resolve themselves. It is an independent service for settling complaints fairly, reasonably, quickly and informally, which is free to consumers. The business must be given the chance to look into a problem first – and they have eight weeks to consider it. If the business does not respond within eight weeks, or does not respond to the consumer's satisfaction, the consumer can go to the ombudsman service.

#### **our response**

Based on our experience in investigating cases, we thought it would be helpful to comment on two particular questions from the consultation, set out below. In relation to the project as a whole, it may be useful to know that in our experience many consumers will not easily recognise the boundaries between guidance and (regulated) advice, so making that distinction clear is likely to be helpful.

#### **Q7. Should there be any difference between the requirements to offer guidance placed on contract-based pension providers and trust-based pension schemes?**

We make no recommendation on how any requirement should be formulated, but it is worth noting that in our experience, consumers may not necessarily know whether their pension is contract-based or trust-based and so may not understand why a distinction should be drawn in this way.

#### **Q8. What more can be done to ensure that guidance is available at key decision points during retirement?**

We know from our experience that many consumers do not engage with pension planning at the early stages, which can lead to problems later. As well as considering how guidance can be available at key decision points during retirement, it may be worth considering what could be done to encourage individuals to engage with the process of planning for their retirement.

Consumers often find the consideration of pensions very complex, so we would expect them to welcome an approach that keeps things as simple as possible. In our experience, consumers need to have access to information which is easy to understand. Information rich generic 'guidance' can quickly become very lengthy and difficult to follow as the provider tries to cover all the potential needs of the consumer.

We also feel it is worth pointing out the potential risks that could come with the new flexibilities. Those who opt to extract their pension savings as cash will have access to a pool of money that was not previously accessible to them. Unfortunately, there may be opportunists that seek to exploit this. We would encourage greater awareness around the consequences of taking unregulated advice.

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