

A new Single Financial Guidance Body

The Financial Guidance and Claims Act 2018 has recently received Royal Assent which means that there is to be only one financial guidance body to replace the Pensions Advisory Service, the Money Advice Service, and Pensions Wise.

The new body, which is not likely to be in operation until the end of 2018, will cover a broad spectrum of functions. These functions include:

- the provision of free, impartial information and guidance on pensions, personal debt, money matters and consumer protection;
- to consider the effect of unsolicited direct marketing of financial products and services; and
- to develop and coordinate a national strategy to improve the ability of the public to make informed financial decisions. This strategy will include the financial education of children and young people.

The objectives of the new body are:

- to improve the ability of members of the public to make informed financial decisions and manage their own affairs.
- to support the provision of information, guidance and advice in relation to occupational and personal pensions, and personal debt
 - in areas where it is lacking
 - in the clearest and most cost effective way
 - to those most in need of it (particularly those in vulnerable circumstances)
- to work closely with government authorities in England, Scotland, Wales and Northern Ireland and the financial services industry in relation to the provision of information, guidance and advice.

Key areas covered by the new financial guidance body

Pensions guidance function

The body will provide information and guidance for the purposes of helping scheme members or their survivors to make decisions regarding their pension benefits, including what to do with money purchase benefits (i.e. their flexible benefits).

Debt advice function

The body will provide free and impartial information, guidance and advice to individuals on debt.

Debt respite scheme

The body will set up a new debt respite scheme to protect individuals in debt from the accrual of further interest or charges, and from enforcement action from their creditors, and to help them and their creditors to devise a realistic plan for the repayment of some or all of the debts. The exact details of this scheme and how it should be implemented will be subject to further regulation.

Money guidance function

The body will provide free and impartial information, guidance and advice to individuals designed to enhance their understanding and knowledge of financial matters

Cold calling ban

The Financial Guidance and Claims Act 2018 also introduced provisions for a ban on unsolicited calls for the purposes of direct marketing, “pension cold calling”. The final regulations are still to be put before parliament and further consultations regarding “technicalities” relating to the ban are being undertaken. It is unlikely therefore that any regulation will be in place before the autumn.

Comment

These changes are welcomed as we believe it is important that scheme members and the general public alike have a greater understanding of financial matters. Financial information, guidance and advice should be freely available to all in order that informed decisions may be made.

Any legislation enacted which better protects individuals against scams and losing their life savings can only be positive. Having only one body to which we all refer can only assist in this process.

The issue that the cold calling regulations are being delayed is not of major importance as the Data Protection Act 2018 now protects individual’s personal data being used for marketing purposes without the explicit consent of the data subject. This alleviates the urgency for explicit legislation.

What can Cartwright do to help?

The trustees and managers of occupational pension schemes are required to ensure that, before members transfer accrued flexible benefit rights out of a scheme or start receiving benefits from a scheme, they have been provided with an explanation of the nature and purpose of guidance, have either actually received appropriate pensions guidance, or have opted out of receiving guidance.

We already have robustly worded standard letters highlighting the areas scheme members should look out for in relation to pension scams. We strongly recommend that scheme members take independent financial advice from a FCA registered financial adviser before making any decisions regarding transferring their benefits to another arrangement, drawing benefits, or commuting their benefits. Our letters currently also direct members to Pensions Wise for guidance, and request information from the members relating to whether or not they have received financial advice or guidance.

Communications will be reviewed to comply with any changes required when the new financial guidance body is put in place towards the end of 2018.

If you would like to discuss any of these matters further, please get in touch with your usual contact at Cartwright.