

# HM Treasury Consultation: Public financial guidance review: consultation on a single body

## 1. Introduction

B&CE is the provider of The People's Pension. The People's Pension is a master trust serving 2.4 million savers in the auto-enrolment market. We provide low cost, high quality pensions to low and moderate income earners. We are an efficient, private sector alternative to the government-funded state intervention of NEST. We are not reliant on state subsidy of any kind. We are run under a trust in the interest of our members. B&CE Holdings has been providing welfare and employee financial benefits for the construction sector since 1942 (B&CE also provides a stakeholder pension for the construction industry, which serves a further 476,000 members).

## 2. General comment

Advice and education are useful ways of augmenting the ability of customers to engage with market providers. However, the asymmetry of ability and information in this area overwhelmingly favours providers. This means that there needs to be strong forces impelling providers to provide quality products despite the lack of market power on the buyer side. The vast majority of pension savers make no active choices and purchase products on a default basis. Our research shows that even provided with much more information and advice than the single financial guidance body (SFGB) will be able to provide people, the vast majority at retirement are unable to act as the engaged, informed rational consumers that classical economics relies upon. The forces which can ensure high quality defaults include regulatory requirements to meet quality standards and revising the legal duties of providers. The latter should require that the governance of default products is overseen by trustees. Trustees have a legal duty to ensure that savers interests are prioritised over all other interests, including shareholders.

## 3. Responses to Questions

**Q1: Do people with protected characteristics under the Equalities Act 2010, or any consumers in vulnerable circumstances, have particular needs for public financial guidance or difficulty finding and obtaining that guidance?**

This will depend on the particular protected characteristics. The age, linguistic and disability characteristics are more likely to give rise to particular needs and difficulty in accessing guidance.

**Q2. Do you agree that these areas capture what the broad role of the SFGB should cover?**

Yes. In particular we welcome that the SFGB will continue to build upon the good work of TPAS, Pension Wise and the MAS have done in promoting information and guidance for people who need help with pension issues, saving into a pension and planning for their retirement.

**Q3. Do you agree that the FGB's financial capability initiatives should focus on the "squeezed" and the "struggling"?**

Yes, but more information on how these concepts will be operationalised would be useful. But we think it is important to emphasize that supply-side initiatives are also critical in ensuring good outcomes for the squeezed and the struggling. Until all providers that serve these sectors of the population are subject to a legal fiduciary duty, they are legally required to prioritise shareholder interests over those of these categories of the population. Increasing demand-side capability is a laudable objective but it cannot realistically overcome the asymmetry of information, know how, and applied resource that an industry can apply (no one ever proposed that the most cost-effective way of ensuring car safety was to train the entire population as mechanics instead of mandating car safety regulations).

**Q4. Do you agree that the SFGB should have a strategic role, working with the financial services and pensions industry and third sector organisations of the guidance sector?**

Yes, but as per answer 3, reforming the finance industry so that it pursues pro-consumer outcomes is likely to be more feasible and more rapid than reforming the population. While we agree that SFGB should have a strategic role, we think it should continue to also have a delivery role. The Treasury is currently consulting on the pension advice allowance. Our view is that individuals should only be able to access money for that purpose after a mandatory engagement with SFGB

and where the latter recommend that access should occur. Otherwise, there is a risk that a small minority of actors may seek to maximise profits by selling what is in fact guidance at excess prices. Such an outcome would damage confidence more widely.

**Q5. How might the SFGB develop its understanding of what works and usefully contribute to sector wide research?**

Like the FCA, the SFGB could usefully set up a consumer panel with its own dedicated research budget. The FCA consumer panel has proven to lead the way of a number of issues. An independent consumer panel can pursue lines of inquiry that the strategic delivery partners of the SFGB proper might consider run contrary to their short term interests and such considerations might constrain the lines of inquiry which the SFGB might undertake.

**Q6. In what ways could the SFGB co-ordinate and add value to the provision of financial education?**

The focus on children's education proposed in the consultation would seem relatively efficient.

**Q7. Are there other delivery channels that the SFGB should consider that would be effective for delivering to consumers?**

The Treasury is currently encouraging the pension industry to collaborate on providing a pension dashboard. As well as the technical dimension, its success will depend very much on whether savers' believe that it is a trustworthy instrument. Governance and the setting of rules around data access, the inclusion of all the information relevant to consumers and presented in a way that is accessible to them will be key to its success. It would be sensible if the pension dashboard was overseen on a not-for-profit basis by an organisation which is wholly devoted to the consumer interest. The SFGB is an obvious candidate for this role.

Integrating access to the SFGB via the Government Gateway as well as the pension dashboard would simplify further and generate a standard and consistent password protected entry point which aligns with the current available state pension and NHS pension projection information.

As far as workplace pensions are concerned, facilitating the provision of mass workplace guidance is also likely to be a highly cost-effective form of engagement.

**Q8. How should the SFGB ensure that it engages consumers at the right time for them?**

Doing so through the workplace is likely to be a highly effective channel. SFGB should not duplicate what large companies may be doing anyway, but there may well be a role for it doing so with respect to smaller SMEs.

**Q9. Do you agree that the SFGB should be able to exercise some flexibility in the way funding is directed?**

Yes.

**Q10. Would these proposals have any impact on the delivery of public financial guidance in Scotland, Wales or Northern Ireland?**

No further comment.

**Q11. Do you have any other comments about the proposed delivery model and consumer offer?**

No.



**More information**

For further information on this response, or the work of B&CE and The People's Pension, please contact: **Andy Tarrant, Head of Policy & Government Relations at [andytarrant@bandce.co.uk](mailto:andytarrant@bandce.co.uk) or 07515 121204.**