

Chapter 19

Pensions supplementary provisions

19.6A Restrictions on early exit charges in personal pension schemes and stakeholder pension schemes

Application

- 19.6A.1 **R** This section applies to an *operator* of a *personal pension scheme* or a *stakeholder pension scheme*.

Purpose

- 19.6A.2 **G** The purpose of this section is to make *rules* prohibiting the imposition of, and provision for, certain *early exit charges* on members of *personal pension schemes* and *stakeholder pension schemes*. Section 137FBB of the *Act* requires the *FCA* to make such *rules*.

Exclusion

- 19.6A.3 **R** This section does not apply to any charge which is excluded from the scope of section 137FBB of the *Act* by the Financial Services and Markets Act 2000 (Early Exit Pensions Charges) Regulations 2016 (SI 2016/1079).

Prohibition on early exit charges on a member joining or incrementing benefits under a scheme on or after 31 March 2017

- 19.6A.4 **R**
- (1) A *firm* must not:
 - (a) impose; or
 - (b) include in the arrangements relating to a *personal pension scheme* or *stakeholder pension scheme* any provision for the imposition of:

an *early exit charge* on a member of the scheme.
 - (2) This *rule* applies in relation to a member who entered into a contract or other arrangement on or after 31 March 2017 providing for:
 - (a) a right to benefits resulting from contributions to the scheme; or
 - (b) an increment to benefits resulting from contributions to the scheme, but only in respect of the member's benefits under that contract or other arrangement.

Restriction on early exit charges on a member who joined or incremented a scheme before 31 March 2017

19.6A.5

R

- (1) A *firm* must not impose an *early exit charge* on a member of a *personal pension scheme* or *stakeholder pension scheme* that exceeds the lower of:
 - (a) 1% of the value of the member's benefits being taken, converted or transferred; or
 - (b) such lower amount as was provided for under the scheme arrangements as at 31 March 2017; or
 - (c) where no such provision was made, no charge.
- (2) A *firm* must not:
 - (a) include provision in such a scheme for an *early exit charge*, where such provision did not exist on 31 March 2017; or
 - (b) vary provision for an *early exit charge* in such a scheme to increase or potentially increase the charge.
- (3) The value of the member's benefits in (1)(a):
 - (a) is calculated at the point when the *firm* receives confirmation from the member of the instruction to take the action giving rise to the *early exit charge*;
 - (b) excludes an increment to member's benefits resulting from contributions to a scheme under a contract or other arrangement entered into by the member on or after 31 March 2017;
 - (c) excludes adjustments referred to, and satisfying the conditions in Regulation 3 of the Financial Services and Markets Act 2000 (Early Exit Pensions Charges) Regulations 2016 (SI 2016/1079); and
 - (d) does not exclude adjustments referred to in Regulation 4 of the Financial Services and Markets Act 2000 (Early Exit Pensions Charges) Regulations 2016 (SI 2016/1079).
- (4) This *rule* applies in relation to a member who entered into a contract or other arrangement (providing for a right to benefits resulting from contributions to the scheme) before 31 March 2017.