

Chapter 19

Pensions supplementary provisions

19.9 Pension annuity comparison information

Definitions

19.9.1

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In this section:

- (-1) an “enhanced annuity” refers to a *pension annuity* that pays a higher level of income due to a *retail client’s* health or lifestyle;
- (1) “guaranteed minimum pension” has the meaning in section 8(2) of the Pension Schemes Act 1993;
- (2) a “guaranteed quote” is a quote that:
 - (a) is provided by a *firm* to a *retail client* for the purchase of a *pension annuity*; and
 - (b) is based on sufficient information to successfully underwrite the proposed *pension annuity*;
- (2A) an “income quote” is a guaranteed quote that offers at least the level of annual income requested by a *retail client*;
- (3) a “market-leading *pension annuity* quote” is a quote for a *pension annuity* that:
 - (a) is generated by a *firm* by searching for, obtaining and comparing, *pension annuities* that are available to the *retail client* from across all of the *pension annuity* market using:
 - (i) the same information as the *firm* has used to generate a guaranteed quote; or
 - (ii) answers obtained from the *retail client* which allow the *firm* to determine whether the *client* may be eligible for an enhanced annuity, where the *firm* itself cannot generate an enhanced annuity quote using those answers; and
 - (b) provides the *retail client* with either:
 - (i) the highest annual income from amongst all of the quotes generated under (a); or
 - (ii) (in the case of an income quote) at least the amount of annual income requested by the *retail client* at the lowest purchase price from amongst all of the quotes generated under (a).
- (4) “pension-related benefit” means one or more of the following:
 - (a) an existing or future entitlement to a *guaranteed annuity rate*;

- (b) an entitlement to a *pension commencement lump sum* that exceeds 25% of the value of the *retail client's* benefit under the *occupational pension scheme, personal pension scheme or stakeholder pension scheme* in which the *retail client* has an interest;
 - (c) an existing or future entitlement to a guaranteed minimum pension; or
 - (d) section 9(2B) rights;
- (5) "*pension annuity comparator information*" means the information that a *firm* must provide under this section; and
- (6) [deleted]
- (7) "*section 9(2B) rights*" has the same meaning as in regulation 2(1) of the Occupational Pension Schemes (Schemes that were Contracted-out) (No.2) Regulations 2015.

Application

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This section applies to a *firm* that:

- (1) provides a *retail client* with a guaranteed quote for a *pension annuity*; or
- (2) is asked by another *firm* ("*F*") for a quote for a *pension annuity* where *F* is seeking a quote for the purposes of generating a market-leading *pension annuity* quote.

Purpose

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This section specifies:

- (1) when a *firm* must provide:
 - (a) a *retail client* with *pension annuity comparator information*, including whether the *pension annuity* it is offering will provide:
 - (i) more or less annual income than the market-leading *pension annuity* quote; or
 - (ii) (in the case of an income quote) at least the amount of annual income requested by the *retail client* at the lowest purchase price; and
 - (b) a quote to another *firm* seeking a quote for the purposes of the other *firm* generating a market-leading *pension annuity* quote;
- (2) how a *firm* must compare a guaranteed quote and a market-leading *pension annuity* quote and how any applicable pension-related benefits should be factored into the comparison; and
- (3) the content and format of the *pension annuity comparator information* that must be provided in different circumstances; and
- (4) when a *firm* must ask questions about the *retail client's* eligibility for an enhanced annuity.

Content of pension annuity comparator information

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When providing a guaranteed quote to a *retail client* a *firm* must use the relevant template in ■ COBS 19 Annex 3R to provide:

- (1) the following information about the features of the *pension annuity* that is being offered:
 - (a) the cost of the *pension annuity* where the cost is expressed as a single sum in pounds sterling net of any *adviser charges*;
 - (b) if applicable, the amount and details of any *adviser charges* that the *firm* will be paying;
 - (c) if applicable, the amount of any *commission* that will be paid and to whom any such *commission* will be paid;
 - (d) the annual income the *pension annuity* will provide to the *retail client* expressed as a single sum in pounds sterling;
 - (e) whether the annual income referred to in ■ COBS 19.9.4R(1)(d) is guaranteed for any period of time and, if so, the duration of that period;
 - (f) the frequency of payments that will be made to the *retail client* and if such payments will be paid in advance or in arrears;
 - (g) whether the *pension annuity* will provide an annuity to only the *retail client* or to the *retail client* and another beneficiary; and
 - (h) whether the annual income offered by the *pension annuity* will increase in value over time and, if so, the basis upon which it will increase;
- (2) if applicable, information about:
 - (a) the *guaranteed annuity rate* that a *retail client* is already entitled to or will be entitled to in the future;
 - (b) the date from when the *guaranteed annuity rate* is payable; and
 - (c) the annual income that a *retail client* can reasonably expect to receive pursuant to the *guaranteed annuity rate*;
- (3) if applicable, information about:
 - (a) the annual income that a *retail client* is already, or in the future will be, entitled to pursuant to either or both a right to a guaranteed minimum pension or section 9(2B) rights; and
 - (b) the date from when that annual income is payable;
- (4) if applicable, information about the maximum *pension commencement lump sum* that the *retail client* is entitled to and whether that lump sum would represent more than 25% of the value of the *retail client's* benefit under the *occupational pension scheme*, *personal pension scheme* or *stakeholder pension scheme* in which the *retail client* has an interest;
- (5) the helpline phone number and the website address for *MoneyHelper* and an explanation that the phone number and website can be used to obtain *pension annuity* quotes from other *pension annuity* providers;

(6) if applicable, information about how a *retail client's* health or lifestyle may entitle the *retail client* to a *pension annuity* that pays a higher income (an enhanced annuity); and

(7) the comparison information required under ■ COBS 19.9.7R.

19.9.5 **G** A *firm* should consider ■ COBS 19.9.12R in cases where it is not clear whether a *retail client* is entitled to a pension-related benefit.

Exceptions from the requirement to provide the information required by COBS 19.9.4R

19.9.6 **R** (1) The requirement to provide the information required by ■ COBS 19.9.4R and the related requirement in ■ COBS 19.9.7R does not apply to a *firm*:

(a) if that *firm* ("F1") is reasonably satisfied that:

(i) the *retail client* has already received the information required by ■ COBS 19.9.4R from another *firm* ("F2"); and

(ii) the information provided by F2 to the *retail client* relates to the same guaranteed quote that F1 would otherwise use as the basis for providing the information required by ■ COBS 19.9.4R; or

(b) in any case where a *firm*, during the same telephone conversation, provides a *retail client* with more than one guaranteed quote.

(2) Where (1)(b) applies, a *firm* must comply with ■ COBS 19.9.4R if:

(a) the *retail client*, during the same telephone conversation, selects one of the guaranteed quotes to explore further; or

(b) the *retail client* subsequently contacts the *firm* to explore further one of the guaranteed quotes ("Q1") that the *firm* has previously provided where Q1 was not, at the time it was provided, accompanied by the information required by ■ COBS 19.9.4R.

Eligibility for enhanced annuities

19.9.6A **R** (1) When a *firm* generates a market-leading *pension annuity* quote it must take reasonable steps to obtain from the *retail client* answers to the questions that are required to determine whether the *client* is eligible for an enhanced annuity.

(2) If the *retail client* is eligible for an enhanced annuity the *firm* must generate a market-leading quote for an enhanced annuity.

(3) *Firms* may only use the information gathered in (1) for the purposes of:

(a) generating a guaranteed quote and a market-leading *pension annuity* quote;

(b) assisting another *firm*, on request, to generate a market-leading quote (■ COBS 19.9.9R); and

(c) underwriting, administering, and entering into a contract for an enhanced annuity;

unless the *retail client* consents to it being used for other purposes.

(4) If the *retail client* refuses to answer a *firm's* questions that are required to determine whether the *retail client* is eligible for an enhanced annuity, a *firm* must:

- (a) generate a market-leading *pension annuity* quote using the same information that it used to generate its guaranteed quote; and
- (b) compare the market-leading *pension annuity* quote referred to in (a) with its guaranteed quote.

19.9.6B

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For the purpose of ■ COBS 19.9.6AR, examples of the sorts of health and lifestyle circumstances which may indicate that a *retail client* is eligible for an enhanced annuity are:

- (1) whether the *client* is or was a smoker;
- (2) the *client's* height, weight and waist size and whether these are outside normal ranges;
- (3) the number of units of alcohol the *client* consumes per week;
- (4) whether the *client* is taking medication for high blood pressure or high cholesterol;
- (5) whether the *client* is taking medication for serious health conditions.

19.9.6C

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(1) The *guidance* in this section relates to a *firm's* obligations to provide a market-leading *pension annuity* quote in ■ COBS 19.9.6AR(4).

(2) A *firm* may consider it appropriate to include in the quote provided to the *retail client* a statement that the *client* may have health or lifestyle factors that could mean that they are eligible for a higher income. For example, the wording in the "Did you know?" box in the template in Part 3 of ■ COBS 19 Annex 3R could be adapted to reflect the fact that a *client* has refused to answer questions about their health or lifestyle.

Information comparing a guaranteed quote and a market-leading pension annuity quote

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A *firm* must:

- (1) generate a market-leading *pension annuity* quote before providing a guaranteed quote to a *retail client*;
- (2) unless (2A) applies, determine which of the following will, or is most likely to, offer a *retail client* the highest annual income:
 - (a) the *pension annuity* offered by the guaranteed quote ("A");
 - (b) the *pension annuity* offered by the market-leading *pension annuity* quote ("B");

- (c) if applicable, the pension that a *retail client* is entitled to, or will be entitled to, pursuant to the *retail client's* entitlement to a *guaranteed annuity rate ("C")*; or
- (d) if applicable, the minimum pension that a *retail client* is entitled to, or will be entitled to, pursuant to the *retail client's* entitlement to either or both a guaranteed minimum pension or section 9(2B) rights ("D");

in cases where a *retail client* has requested an income quote, determine which of the following will, or is most likely to, offer a *retail client* with at least the annual income that the *retail client* has requested at the lowest purchase price:

- (a) the *pension annuity* offered by the guaranteed quote ("A1");
 - (b) the *pension annuity* offered by the market-leading pension annuity quote ("B1"); or
 - (c) if applicable, the pension that the *retail client* is entitled to, or will be entitled to, pursuant to their entitlement to a *guaranteed annuity rate ("C1")*;
- (3) use the template in:
- (a) Part 1 of ■ COBS 19 Annex 3R where (2) applies and B offers a *retail client* the highest annual income;
 - (b) Part 2 of ■ COBS 19 Annex 3R where (2) applies and A, C or D offers a *retail client* the highest annual income;
 - (c) Part 4 of ■ COBS 19 Annex 3R where (2A) applies and B1 offers a *retail client* at least the annual income that the *retail client* has requested at the lowest purchase price; or
 - (d) Part 5 of ■ COBS 19 Annex 3R where (2A) applies and A1 or C1 offers a *retail client* at least the annual income that the *retail client* has requested at the lowest purchase price;
- (4) where (2) applies and B offers the highest annual income:
- (a) calculate as a single sum in pounds sterling the amount by which B provides a higher annual income than A;
 - (b) include that amount in the relevant place in the template; and
 - (c) include a statement making it clear that a *retail client* could obtain a higher annual income by searching the open market for a *pension annuity*;
- (4A) where (2A) applies and B1 offers at least the requested annual income at the lowest purchase price:
- (a) calculate as a single sum in pounds sterling the difference in purchase price between A1 and B1;
 - (b) include that amount in the relevant place in the template; and
 - (c) include a statement making it clear that the *retail client* could obtain at least the requested annual income at a lower purchase price by searching the open market for a *pension annuity*;
- (5) where (2) applies and A offers the highest annual income, include a statement that A will provide the *retail client* with the highest annual income; and

- (5A) where (2A) applies and A1 offers at least the requested annual income at the lowest purchase price, include a statement that A1 will provide the *retail client* with at least the requested annual income at the lowest purchase price;
- (6) if applicable, where (2) applies and C or D will, or is likely to, provide the highest annual income:
- (a) calculate as a single sum in pounds sterling the amount by which C or D, as applicable, will, or is likely to, provide a higher annual income than A;
 - (b) include that amount in the relevant place in the template; and
 - (c) warn the *retail client* that:
 - (i) the entitlement to, as applicable, C or D, will be extinguished if the *retail client* accepts A; and
 - (ii) accepting A will result in the *retail client* receiving a lower annual income than the *retail client* is entitled to pursuant to, as applicable, C or D.
- (7) where (2A) applies and C1 will, or is likely to, provide at least the requested annual income at the lowest purchase price:
- (a) calculate as a single sum in pounds sterling the difference in purchase price between A1 and C1;
 - (b) include the amount in (a) in the relevant place in the template; and
 - (c) warn the *retail client* that:
 - (i) the entitlement to C1 will be extinguished if the *retail client* accepts A1; and
 - (ii) accepting A1 will result in the *retail client* paying a higher purchase price than that payable if the *retail client* exercises their entitlement to C1;
- (8) where (2A) applies and either A1 or B1 offers the *retail client* at least the requested annual income at the lowest purchase price, a *firm* must determine whether the *retail client's* entitlement to a *guaranteed annuity rate* can be applied to offer a better value annuity compared to the lowest purchase price annuity on offer and, if so, warn the *retail client* accordingly.

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An example of where a *firm* may need to provide a warning of the kind referred to in ■ COBS 19.9.7R(8) is where a *retail client* ('R') is seeking an annuity of £5,000 and the lowest purchase price for such an annuity is £100,000. If R's entitlement to a *guaranteed annuity rate* can be used to provide R with an annuity of £15,000, albeit at a cost of £200,000, the *firm* should warn R of this possibility. Where applicable, such a warning should be included in the relevant template and may also be given orally.

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When a *firm* is required to generate a market-leading *pension annuity* quote it may use:

- (1) the facility on the *MoneyHelper* website available on <https://www.moneyhelper.org.uk/guaranteed-income>; or

- (2) software, or any other means, that will enable the *firm* to search for, obtain and compare *pension annuities* available to the *retail client* from across all of the *pension annuity* market.

Requirement to provide another firm with information pursuant to COBS 19.9.4R(7) and COBS 19.9.7R

- 19.9.9 **R** A *firm* ("F1") must take reasonable steps to provide any information requested of it by another *firm* ("F2") where such information is requested in order for F2 to comply with its obligations under ■ COBS 19.9.4R(7) and the related requirement in ■ COBS 19.9.7R.

- 19.9.10 **G** A *firm* is reminded that when complying with the requirement in ■ COBS 19.9.9R it should do so in a way that is consistent with its obligations under competition law.

Pension commencement lump sum

- 19.9.11 **R**
- (1) This *rule* applies if a *retail client* is entitled to a *pension commencement lump sum* that would amount to more than 25% of the value of the *retail client's* benefit under the *occupational pension scheme, personal pension scheme or stakeholder pension scheme* in which the *retail client* has an interest.
- (2) A *firm* must warn the *retail client* if the *pension annuity* offered by:
- the guaranteed quote; or
 - the market-leading *pension annuity* quote,
- will, if accepted, reduce the *pension commencement lump sum* that a *retail client* would otherwise be entitled to receive.

Information about pension-related benefits

- 19.9.12 **R**
- (1) This *rule* applies where a *retail client* is unable to confirm an entitlement to a pension-related benefit.
- (2) This *rule* does not apply if a *firm* is the *retail client's* current provider of a pension-related benefit.
- (3) A *firm* must take reasonable steps to assist a *retail client* ascertain whether the *retail client* is entitled to a pension-related benefit.
- (4) If, despite having taken reasonable steps under (3), it remains unclear whether a *retail client*:
- is entitled to a *guaranteed annuity rate*, a *firm* must proceed as if the requirement in ■ COBS 19.9.4R(2) is not applicable;
 - is entitled to a guaranteed minimum pension, a *firm* must proceed as if the requirement in ■ COBS 19.9.4R(3) relating to information about a guaranteed minimum pension is not applicable;

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- (c) has section 9(2B) rights, a *firm* must proceed as if the requirement in ■ COBS 19.9.4R(3) relating to information about section 9(2B) rights is not applicable; or
 - (d) is entitled to a *pension commencement lump sum*, a *firm* must proceed as if the requirement in ■ COBS 19.4.4R(4) is not applicable.
- (1) ■ COBS 19.9.12R is likely to apply where a *retail client* does not know, or cannot recall, if the *retail client* is entitled to a pension-related benefit.
 - (2) A *firm* may wish to consider doing any of the following as part of taking reasonable steps to assist a *retail client* ascertain whether the *retail client* is entitled to a pension-related benefit:
 - (a) suggesting the *retail client* locate any documentation which may contain relevant information about a pension-related benefit; and
 - (b) encouraging the *retail client* to contact their existing pension provider for relevant information relating to a pension-related benefit.
 - (3) ■ COBS 19.9.12R does not apply to a *firm* that is a *retail client's* current pension-related benefit provider because that *firm* will be in possession of information relevant to determining whether a *retail client* is entitled to a pension-related benefit.

Retail client's consent to generate a market-leading pension annuity quote

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Before generating a market-leading *pension annuity* quote a *firm* should consider whether it needs the consent of the *retail client* to use any personal data for the purposes of generating the quote.

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- (1) This *rule* applies to a *firm* where the *firm* requires the *retail client's* consent to the *firm* generating, on behalf of the *retail client*, a market-leading *pension annuity* quote and that consent is not obtained.
- (2) A *firm* must take reasonable steps to obtain a *retail client's* consent referred to in paragraph (1).
- (3) Where a *firm*, having complied with (2), has been unable to obtain the *client's* consent, this *rule* applies with the effect that:
 - (a) ■ COBS 19.9.4R(7), ■ COBS 19.9.7R and ■ COBS 19.9.6AR(4) do not apply;
 - (b) a *firm* must include information, as applicable, warning the *retail client* that:
 - (i) a higher annual income might be obtained; or
 - (ii) at least the requested annual income might be obtained for a lower purchase price;
 by searching the open market for a *pension annuity*; and

- (c) a *firm* must, as applicable, use the template in:
 - (i) unless (ii) applies, Part 3 of ■ COBS 19 Annex 3R; or
 - (ii) Part 6 of ■ COBS 19 Annex 3R where the *retail client* has requested an income quote,
 - to provide the applicable *pension annuity* comparator information.

Medium of disclosure

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- (1) A *firm* must provide the *pension annuity* comparator information in a *durable medium* or make the information available on a website (where that does not constitute a *durable medium*) that meets the *website conditions*.
- (2) If the requirement to provide the *pension annuity* comparator information arises during a telephone conversation with a *retail client*, a *firm* must:
 - (a) orally provide the *pension annuity* comparator information over the telephone;
 - (b) provide the *pension annuity* comparator information in a *durable medium* or make the information available on a website (where that does not constitute a *durable medium*) that meets the *website conditions*; and
 - (c) conclude a sale of a *pension annuity* only if the *retail client* agrees to receiving the *pension annuity* comparator information referred to in (b) after the sale has been concluded.
- (3) If a *firm* provides the *pension annuity* comparator information on paper, it must use a single sheet of A4 paper.
- (4) The requirement in (3) to use a single sheet of paper does not apply if a *retail client* asks for the *pension annuity* comparator information to be provided in an accessible format and the fulfilment of that request will necessitate the use of more than a single sheet of A4 paper.