

**CONDUCT OF BUSINESS SOURCEBOOK (PENSION ANNUITY COMPARATOR)
INSTRUMENT 2017**

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 139A (Power of the FCA to give guidance).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 March 2018.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Conduct of Business sourcebook (COBS) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Conduct of Business Sourcebook (Pension Annuity Comparator) Instrument 2017.

By order of the Board
25 May 2017

Annex A**Amendments to the Glossary of definitions**

In this Annex, underlining indicates new text and striking through indicates deleted text.

Amend the following definition as shown.

pension annuity ~~an investment purchased with the sums derived from the vesting (partial or full) of a pension policy or pension contract, for the purposes of securing the beneficiary's entitlement to immediate or future benefits~~ means a policy which is a contract to pay an annuity on human life purchased by a retail client (wholly or partially) out of the funds of an occupational pension scheme, a personal pension scheme or a stakeholder pension scheme in which the retail client has an interest and includes a short-term annuity.

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

14.2 Providing product information to clients

...

Exception: key features illustrations

14.2.6 R ...

14.2.6A R A firm is not required to provide a key features illustration in relation to a pension annuity if the firm provides the information required by COBS 19.9 (Pension annuity comparison information).

...

After COBS 19.8 (Disclosure of transaction costs and administration charges information in connection with pension schemes) insert the following new section. The text is not underlined.

19.9 Pension annuity comparison information

Definitions

19.9.1 R In this section:

- (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*;
- (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 the

same information as the *firm* has used to generate a guaranteed quote; and

- (b) provides the *retail client* with the highest annual income 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;
- (6) “pension commencement lump sum” has the meaning as in Part 1 of Schedule 29 to the Finance Act 2004; and
- (7) “section 9(2B) rights” has the same meaning as in regulation 2(1) of the Occupational Pension Schemes (Schemes that were Contracted-out) Regulations 2015.

Application

- 19.9.2 R 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

- 19.9.3 G 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 more or less annual income than the market-leading *pension annuity* quote; 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.

Content of pension annuity comparator information

- 19.9.4 R 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 the *Money Advice Service* and an explanation that the phone number and website can be used to obtain *pension annuity* quotes from other *pension annuity* providers;
- (6) 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 19.9.11R* 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.

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

19.9.7 R A *firm* must:

- (1) generate a market-leading *pension annuity* quote before providing a guaranteed quote to a *retail client*;
- (2) 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”);
- (3) use the template in:
 - (a) Part 1 of *COBS* 19 Annex 3R where B offers a *retail client* the highest annual income; or
 - (b) Part 2 of *COBS* 19 Annex 3R where A, C or D offers a *retail client* the highest annual income;
- (4) where 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*;
- (5) where A offers the highest annual income, include a statement that A will provide the *retail client* with the highest annual income; and
- (6) if applicable, where 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.

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

- (1) the facility on the *Money Advice Service* website; 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.

[*Editor's note*: the facility in (1) is at www.moneyadvice.service.org.uk/annuitiesquotes .]

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:
- (a) the guaranteed quote; or
 - (b) 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*:
- (a) is entitled to a *guaranteed annuity rate*, a *firm* must proceed as if the requirement in *COBS 19.9.4R(2)* is not applicable;
 - (b) 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;
 - (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.
- 19.9.13 G (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

- 19.9.14 G 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.
- 19.9.15 R (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.
- (3) Where this *rule* applies:
- (a) *COBS* 19.9.4R(7) and *COBS* 19.9.7R do not apply;
 - (b) a *firm* must include information warning the *retail client* that a higher annual income might be obtained by searching the open market for a *pension annuity*; and
 - (c) a *firm* must use the template in Part 3 of *COBS* 19 Annex 3R to provide the applicable *pension annuity* comparator information.

Medium of disclosure

- 19.9.16 R (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.

After COBS 19 Annex 2 (Communications about options to access pension savings) insert the following new Annex. The text is not underlined.

19 Annex 3R Format for annuity information

This annex belongs to *COBS* 19.9.7R(3) and *COBS* 19.9.15R(3)(c).

- 1 Format of bar graph in the Part 1 template
- 1.1 Format of bar graph
- 1.1.1 When a *firm* is creating the two bar graphs as set out in Part 1, the *firm* must ensure:
 - (1) the annual income offered by the *pension annuity* in the guaranteed quote is presented on the left hand side of the two bar graphs;
 - (2) The y-axis must:
 - (a) start with a monetary value which is £20 below the annual income of the *pension annuity* being offered by the *firm* in the guaranteed quote;
 - (b) use a scale which clearly and fairly depicts the difference in annual income that a *retail client* will obtain if a market-leading *pension annuity* quote is accepted; and
 - (c) not include any numbers or details which are not required by the *rules* in *COBS* 19.9 or the provisions of this annex.

Part 1: Template for cases where the guaranteed quote does not provide highest annual income

Where the guaranteed quote does not provide the highest annual income

<i>Firm Logo</i>	keyfacts [®]
Annuity features	
Purchase price £XX,XXX	No guarantee period
Paid quarterly in advance	Payments increase by 2% per year
Dependents income	<i>[Other key features of annuity]</i>

If relevant, include key information here such as:

You are entitled to a [guaranteed annuity rate][minimum level of guaranteed pension] from [date/customer's age] paying an [estimated] annual income of £X,XXX.

You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.

For arranging this policy, your intermediary will receive £ZZZ commission from your provider.

You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].

Our quote

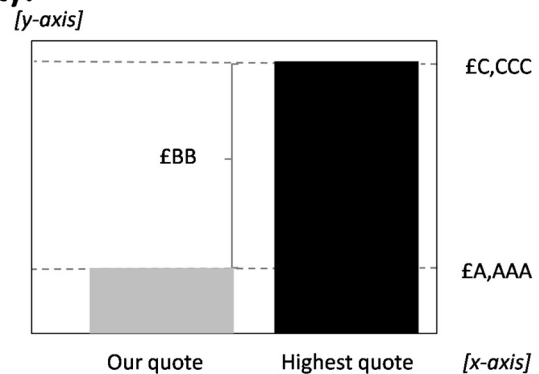
This annuity will provide you with an annual income of:

£A,AAA

Can you get a better income from your annuity?

Based on your key information, there are quotes available from other providers offering higher rates. If you select our product, you would be **losing out on £BB per year.**

And, if applicable: You are entitled to a [guaranteed annuity rate from your current pension provider][minimum level of guaranteed pension] from [date/customer's age] paying an [estimated] annual income of £X,XXX. If you select our product, you could be **losing out on £DD per year.**



The Financial Conduct Authority is a financial services regulator. It requires us to inform you that you can shop around if you want to. If you want to see what other options are available from other providers please visit moneyadvice.service.org.uk/annuitiesquotes or call 0800 138 7777.

Did you know?

If you've not already been asked questions about your health or lifestyle, answering these could get you even more income.

For example - if you've smoked tobacco, been advised by a medical professional to adjust your lifestyle to improve your health or had a medical condition requiring prescribed medication or hospital treatment - you may be entitled to more income than is quoted above.

Visit moneyadvice.service.org.uk/annuitiesquotes or call 0800 1387777 to find out more.

Company contact details and other key information

Part 2: Template for cases where the guaranteed quote, the guaranteed annuity rate, a guaranteed minimum pension or section 9(2B) rights offer the highest annual income

Where a guaranteed quote, a guaranteed annuity rate, a guaranteed minimum pension or section 9(2B) rights offers the highest annual income

<i>Firm Logo</i>	keyfacts ®
Annuity features	
Purchase price £XX,XXX	No guarantee period
Paid quarterly in advance	Payments increase by 2% per year
Dependents income	<i>[Other key features of annuity]</i>

If relevant, include key information here such as:

You are entitled to a [guaranteed annuity rate][minimum level of guaranteed pension] from [date/customer's age] paying an [estimated] annual income of £X,XXX.

You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.

For arranging this policy, your intermediary will receive £ZZZ commission.

You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].

Our quote

This annuity would provide you with an annual income of:

£A,AAA

Can you get a better income from your annuity?

Based on your key information, our quote is the highest available to you.

Or in the event that the consumer is entitled to a guaranteed annuity rate or minimum level of guaranteed pension which is higher:

You are entitled to a [guaranteed annuity rate from your current pension provider] [minimum level of guaranteed pension] from [date/customer's age] paying an [estimated] annual income of £X,XXX. If you select our product, you could be **losing out on £DD per year.**

The Financial Conduct Authority is a financial services regulator. It requires us to inform you that you can shop around if you want to. If you want to see what other options are available from other providers please visit moneyadvice.service.org.uk/annuitiesquotes or call 0800 138 7777.

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Visit moneyadvice.service.org.uk/annuitiesquotes or call 0800 1387777 to find out more.

Company contact details and other key information

Part 3: Template for cases where the a retail client does not consent to a market-leading quote being generated

Where appropriate consent has not been given to allow a firm to generate a market-leading quote

<i>Firm Logo</i>	keyfacts [®]
Annuity features	
Purchase price £XX,XXX	No guarantee period
Paid quarterly in advance	Payments increase by 2% per year
Dependants income	<i>[Other key features of annuity]</i>
<p>If relevant, include key information here such as:</p> <p>You are entitled to a [guaranteed annuity rate][minimum level of guaranteed pension] from [date/customer's age] paying an [estimated] annual income of £X,XXX.</p> <p>You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.</p> <p>For arranging this policy, your intermediary will receive £ZZZ commission from your provider. You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].</p>	

Our quote

This annuity would provide you with an annual income of:

£A,AAA

Can you get a better income from your annuity?

You may be able to get a higher income by shopping around.

If you want to see what other options are available from other providers please visit moneyadvice.service.org.uk/annuitiesquotes or call 0800 138 7777.

Did you know?

If you've not already been asked questions about your health or lifestyle, answering these could get you even more income.

For example - if you've smoked tobacco, been advised by a medical professional to adjust your lifestyle to improve your health or had a medical condition requiring prescribed medication or hospital treatment - you may be entitled to more income than is quoted above.

Visit moneyadvice.service.org.uk/annuitiesquotes or call 0800 1387777 to find out more.

Company contact details and other key information