

## Chapter 19

# Pensions supplementary provisions

## 19.1A Abridged advice on pension transfers and pension conversions

[**Note:** The FCA has also issued non-Handbook guidance for firms who advise on pension transfers. See <https://www.fca.org.uk/publication/finalised-guidance/fg21-3.pdf>]

### Application

- 19.1A.1** **R** This section applies to a *firm* which gives *abridged advice* in relation to a *pension transfer* or *pension conversion* to a *retail client*.
- 19.1A.2** **R** A *firm* may not give *abridged advice* to the extent that the *safeguarded benefits* involved are *guaranteed annuity rates*.

### Options when providing abridged advice

- 19.1A.3** **R** A *firm* giving a *retail client* *abridged advice* must either:
- (1) make a *personal recommendation* that the *client* remains in their *ceding arrangement*; or
  - (2) do all of the following:
    - (a) inform the *client* that they are unable to take a view on whether it is in the *client's* best interests to transfer or convert without undertaking *full pension transfer or conversion advice*, even when the *firm* considers that it may be in the *client's* best interests;
    - (b) check if the *client* wants the *firm* to provide *full pension transfer or conversion advice* and check that the *client* understands the associated cost; and
    - (c) (if the *firm* has reason to believe that the *client* is suffering from *serious ill-health* or experiencing *serious financial difficulty*) make the *client* aware of the implications for the level of *adviser charges* if the *client* proceeded to *full pension transfer or conversion advice*.

### Guidance about proceeding from abridged advice to full pension transfer or conversion advice

- 19.1A.4** **G** This *guidance* applies where a *firm* has given *abridged advice* to a *retail client* and the *client* wishes to proceed to *full pension transfer or conversion advice*.

- (1) Where the outcome of the *abridged advice* was a *personal recommendation* that the *client* remains in their *ceding arrangement*, the FCA's expectation is that in most cases the outcome of *full pension transfer or conversion advice* will be a *personal recommendation* that the *client* remains in their *ceding arrangement*.
- (2) Where the outcome was a statement that the *firm* was unable to take a view on whether it would be in the *client's* best interests to transfer or convert without undertaking *full pension transfer or conversion advice*, the FCA's expectation is that the outcome of *full pension transfer or conversion advice* could still be a *personal recommendation* that the *client* remains in their *ceding arrangement*.

### Inability to provide confirmation for the purposes of section 48 of the Pension Schemes Act 2015

- 19.1A.5 **R** A *firm* must not provide a confirmation for the purposes of section 48 of the Pension Schemes Act 2015 unless it has provided *full pension transfer or conversion advice*.

### Prohibition

- 19.1A.6 **R** A *firm* must not carry out *appropriate pension transfer analysis* and/or prepare a *transfer value comparator* and/or consider the *proposed arrangement* when providing *abridged advice* to a *retail client*.

### Requirement to use a pension transfer specialist

- 19.1A.7 **R** A *firm* must ensure that *abridged advice* is given or checked by a *pension transfer specialist*.

- 19.1A.8 **G** Where a *firm* uses a *pension transfer specialist* to check its proposed *abridged advice* it should have regard to the *guidance* in ■ COBS 19.1.1BG.

### Relevant guidance about assessing suitability

- 19.1A.9 **G** If a *firm* provides a suitability report to a *retail client* in accordance with ■ COBS 9.4.2AR it should include (in addition to the requirements in ■ COBS 9.4):
- (1) a summary of the advantages and disadvantages of its *personal recommendation*; and
  - (2) a summary of any other material information that would assist the client in understanding the basis of the advice.
- 19.1A.10 **R** A *firm* must not arrange a transaction for a *client* where only *abridged advice* has been given.

- 19.1A.11 **G** (1) This *guidance* relates to a *firm's* obligations to assess suitability in accordance with ■ COBS 9.2.1R to ■ 9.2.3R.

- (2) A *firm* should start by assuming that a *pension transfer* or *pension conversion* will not be suitable.
- (3) For the purposes of the provision of *abridged advice*, the factors a *firm* should take into account include:
  - (a) the *retail client's* intentions for accessing pension benefits;
  - (b) the *retail client's* attitude to, and understanding of the risk of, giving up *safeguarded benefits* for *flexible benefits*, taking into account the following factors:
    - (i) the risks and benefits of staying in the *ceding arrangement*;
    - (ii) the risks and benefits of transferring from the *ceding arrangement* into an arrangement with *flexible benefits*;
    - (iii) the *retail client's* attitude to certainty of income in retirement;
    - (iv) whether the *retail client* would be likely to access funds in an arrangement with *flexible benefits* in an unplanned way;
    - (v) the likely impact of (iv) on the sustainability of the funds over time;
    - (vi) the *retail client's* attitude to, and experience of, managing *investments* or paying for *advice on investments* so long as the funds last; and
    - (vii) the *retail client's* attitude to any restrictions on their ability to access funds in the *ceding arrangement*;
  - (c) the *retail client's* realistic retirement income needs including:
    - (i) how they can be achieved;
    - (ii) the role played by *safeguarded benefits* in achieving them; and
    - (iii) the consequent impact on those needs of a *pension transfer* or *pension conversion*, including any trade-offs in broad terms;
  - (d) alternative ways to achieve the *retail client's* objectives instead of the *pension transfer* or *pension conversion*;
  - (e) the *retail client's* attitude to, and understanding of, investment risk;
- (4) If a *firm* uses a risk profiling tool or software to assess a *retail client's* attitude to the risk in (3)(b) it should:
  - (a) check whether the tool or software is capable of taking into account at least those factors listed in (3)(b)(i) to (vii); and
  - (b) ensure that those factors which are not included are factored into the *firm's* assessment of the *client's* attitude to risk.
- (5) When a *firm* asks questions about a *retail client's* attitude to the risk in 3(b) it should ensure they are fair, clear and not misleading in accordance with ■ COBS 4.

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**Guidance about charging for abridged advice**

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**19.1A.12** **G**

- (1) A *firm* may provide *abridged advice* to a *retail client* free of charge. However, if they do, and the conclusion is that they are unable to give a *personal recommendation* without carrying out *full advice on pension transfers or conversions*, a *firm* will need to ensure it is able to demonstrate how it still complies with *Principle 8* (Conflicts of interest), and the rules on contingent charging (■ COBS 19.1B).
- (2) A *firm* that charges a *client* twice for what is, in essence, the same service is likely to be acting inconsistently with *Principle 2*, *Principle 6* and *Principle 8*. As a result, a *firm* will be expected to offset the *adviser charges* paid by a *retail client* for the provision of *abridged advice* from the amount it would have otherwise charged that *retail client* for the provision of *full pension transfer or conversion advice*.