

**Pension  
TRANSFER**  
Gold Standard

Pensions Advice  
Taskforce

# Practitioner guide

**The Pension Transfer Gold Standard is based around nine Principles designed to deliver advice that adheres to high professional standards.**

Although the principles are self-explanatory and should enable advisers to structure their advice process in a compliant manner, this Practitioner Guide give examples of how each principle can be put into practice.

This guide should not be seen as prescriptive but instead intends to be illustrative.

# The Principles

The nine principles are as follows:



## Principle 1

Helping clients understand when advice is appropriate



## Principle 2

Ensuring advice given supports the client's overall wellbeing in the context of their stated objectives



## Principle 3

Ensuring client understanding and acceptance of all charges



## Principle 4

Ensuring the most appropriate and updated technical skills are applied



## Principle 5

Transparent management of Conflicts of Interest



## Principle 6

Helping clients understand the cost of transferring benefits



## Principle 7

Avoiding unregulated investments and introducers



## Principle 8

Transparency in advice processes and outcomes



## Principle 9

Promoting the Consumer Guide to the Pension Transfer Gold Standard

## Putting the Principles into Practice.

Advisers wishing to adopt the Pension Transfer Gold Standard are required to adopt and apply all the nine principles into their business processes however, advisers are free to interpret the principles in ways that are most appropriate for their practice.

The following examples are illustrative only and are intended to help the adviser to adopt the principles easily into their business process.





## Principle 1

### Helping clients understand when advice is appropriate.

All clients or prospective clients who are interested in looking at their safeguarded benefits must be issued either the short or longer consumer guide to the Pension Transfer Gold Standard as well as go through a basic and entirely generic education process before they receive advice. This is to manage their expectations in respect of the advice process and potential for a recommendation to retain pension benefits within their DB scheme and, if appropriate, to rule themselves out and decide that further advice is not necessary for them.

This will not only reduce the number of clients unnecessarily entering a potentially expensive advice process, but it will also save advisers time and ensure that their skills are targeted towards those clients who genuinely feel that they want advice on their safeguarded benefits.

In regulatory parlance this is a **triage** process. The FCA have raised concerns over some of the triage processes that they have looked at. In PS 18/20 they specifically commented on the risk that triage services can inadvertently drift into the sphere of regulated advice.

Advisers are free to design their own education process or to use one offered by a third party but should be conscious of the regulator's concerns raised in PS 18/20. Alternatively, the Pensions Advice Taskforce has and will continue to seek to put forward educational material which it believes addresses the concerns of the regulator and would effectively discharge this Principle. Adopters are free to use these at no cost and they can be found here [www.thepfs.org/ptgsconsumer](http://www.thepfs.org/ptgsconsumer).

Advisers are free to incorporate these resources in their initial engagement with clients but it is imperative that they remain on the PFS website and are not downloaded by advisers and distributed by them.

Following the education process clients, generally, should be able to put themselves into one of the following three broad categories.

1. I do not want to receive regulated advice as I don't think a transfer of my safeguarded benefits would be beneficial to me.
2. I do want to receive regulated advice as I believe that there may be some benefit in my considering moving my safeguarded benefits, I understand that this may incur costs for which I will be liable.
3. I am still not sure and would like more educational material to help me decide.

The education process offered to support this principle is necessarily fairly basic and some clients may want more information before deciding whether or not they want to move on to regulated advice.

Firms should therefore have available more detailed education material, this will need to be either created by the adviser firm themselves or acquired from a third party. Firms may also choose to refer these clients to The Pensions Advisory Service.

Alternatively, as a default, firms may conclude that if a client is unsure, that the safest course of action is to leave their safeguarded benefits where they are and not move on to regulated advice.

Advisers should ensure that all clients have received the Consumer Guide, this may have been sent to them by the Single Financial Guidance Body or by their pension scheme administrator. If this has not happened they can find a copy of it on the Consumer page of the Gold Standard website, together with the educational material [www.thepfs.org/ptgsconsumer](http://www.thepfs.org/ptgsconsumer).

### How might this work in practice?

1. Client (existing or prospective) approaches adviser about a safeguarded benefit.
2. Adviser sends PTGS consumer guide and link to educational material (video, written document and statement).
3. Client confirms back when they have read and understood the educational material.
4. Client confirms whether or not they want to proceed to regulated advice.

Advisers should collect all MI associated with this process in order to inform Principle 8 (see below).

1. Total number of people sent educational material (starting figure for all clients seeking information).
2. Total number completing educational material (may be less than 1 as the very presence of the material may put some clients off).
3. Total number choosing not to take regulated advice.
4. Total number wanting to move on to regulated advice.
5. Total number wanting further educational material.



## Principle 2

Ensuring advice given supports the client’s overall wellbeing in the context of their stated objectives.

A key objective of the Pension Transfer Gold Standard is to ensure consumers make informed decisions. In this regard firms should not only meet the Financial Conduct Authority’s rules but consider how these can be met in a good practice way. For example, ensuring all documents are geared to be clear and helpful, using language the consumer can understand and relate to, and that the adviser has evidenced a full and deep discussion with that consumer about their objectives, ensuring the recommendation is suitable for their circumstances.

Advice on safeguarded benefits cannot be given without reference to the client’s wider objectives and specifically their retirement plans. At the start of the advice process the adviser should ask a client to express, in their own words, what they are wanting to achieve – their retirement objectives – and to record the detail of these on file.

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The adviser should be comfortable that these objectives are compatible with the client’s overall values and wellbeing and should then consider their advice in the context of these stated objectives, needs and wants.

Advisers should note COBS 9.2.6 “If a *firm* does not obtain the necessary information to assess suitability, it must not make a *personal recommendation* to the *client* or take a decision to trade for him.” In the context of retirement advice an understanding of income needs in retirement

is needed in order to make a personal recommendation and this is less likely to be possible the further the client is from their expected retirement.

Care needs to be taken to ensure that analysis of the merits or otherwise of transferring is in terms and language relevant to the client and understandable to them. Analysis that relies solely on numerical metrics may not be easily understood by the client and may not be relevant to their stated objectives.

For example, if a client has a realistic belief that their life expectation is significantly below average, they will not be overly concerned about the difference between the CETV and the replacement value in the TVC as the calculations are based on normal life expectancy.

Where a transfer does not meet the client’s own clearly stated objectives, the adviser should not go on to facilitate a transfer against their own professional advice if it leads to arranging an unsuitable solution.



## Principle 3

### Ensuring client understanding and acceptance of all charges.

In Policy Statement 20/6 the FCA made two significant changes to fees charged for defined benefit advice.

- Firstly, they introduced a ban on Contingent Charging at any stage in the advice process around defined benefits including all of the following areas:
  - Fact finding and background Investment Advice requirements
  - The Transfer Advice itself
  - Any facilitation or implementation costs, should the recommendation be to transfer.

This applies across a two adviser model as well so both the introducing adviser and the pension transfer specialist need to avoid contingent charging on any element that they are involved with.

- Secondly, they introduced a new regime of charge disclosure before a client enters regulated advice that requires a Pension Transfer Specialist. This disclosure is to cover Abridged Advice (if offered), full transfer or conversion advice and any on-going advice options, if more than one then all options are to be disclosed.

Charges are to be personalised to the client, should be disclosed as monetary amounts, and should assume that all funds are invested.

Clients should be asked to confirm their understanding of these charges and it would be good practice to keep on file a copy of the disclosure document signed by the client

As per current regulatory requirements, charges should of course be clear, transparent and unambiguous in terms of amount and timing.

It is important for advisers to ensure the widest possible access to financial advice for those who need it. Where clients can afford to cover the first cost (transfer advice) from their own means, this may be the preferred route to take so that each of the four elements of advice are paid for at the time the advice is given.



## Principle 4

Ensuring the most appropriate and updated technical skills are applied.

The area of advice on safeguarded benefits is one of great concern to the FCA and one where we can expect further scrutiny, clarification, and change. In PS 19/20 the regulator introduced the requirement for Pension Transfer Specialists to also hold a minimum level 4 qualification as an Investment Adviser.

This was initially intended to apply from 1st October 2020 but have been deferred to 1st October 2021 due to the impact of COVID 19 on the availability of examinations offered by accredited bodies.

In PS 20/6 the FCA introduced the requirement for a PTS to undertake a minimum of 15 hours of targeted CPD each year to maintain their PTS status. We are wholly supportive of this move.

We believe that adopters of the Pension Transfer Gold Standard should be at the forefront of best practice and therefore we expect PTS qualified advisers adopting the Gold Standard to ensure the following:

1. Pension Transfer Specialists must already hold qualifications as an investment adviser (min level 4).
2. Pension Transfer Specialists must be able to demonstrate a minimum of 15 hours of CPD specific to the Pensions Transfer or Safeguarded Benefits markets.
3. Pension Transfer Specialists should be aware of the regulators "direction of travel" regarding this field of advice and should stay at the forefront of regulatory intent and best practice.

The early adoption of new regulatory requirements should be an overarching principle of adopters of this standard and should be a core element of the adviser's DNA.

Firms with at least one Gold Standard qualified adviser may also use the PTGS logo but only if enquiries about safeguarded pension transfer advice, received centrally, are only passed to those advisers holding the Gold Standard. If such systems are not in place we do not expect the firm to use the PTGS logo although individual qualifying advisers can.

This does not disqualify the use of a two adviser model either within one firm or between two firms. Where a two-adviser model is used we expect the PTS adviser holding the Gold Standard to receive a written undertaking from the adviser/firm who may advise on the investment of a transfer, to honour Principle 7.



## Principle 5

### Transparent management of Conflicts of Interest.

Create and maintain a Conflict of Interest statement **specifically** in respect of advice on Safeguarded Benefit transfers which identifies all the conflicts of interests to which the firm and adviser/s may be exposed, and how these are mitigated and/or remedied.

This is additional to the regulatory requirement to hold a general Conflict of Interest statement. In PS20/6 the FCA raised particular concern over the conflict of interest in on-going charges and remuneration that might be expected if a recommendation is made to transfer benefits from a safeguarded environment.

Your Conflict of Interest Statement should specifically address this issue making it clear how you manage this conflict of interest.

This statement should be in language that is accessible to clients and at all times avoids industry jargon or technical language. This statement should always be offered to clients.



## Principle 6

Helping clients understand the cost of transferring benefits.

For many clients the transfer of a safeguarded pension benefit will be the largest single financial decision that they will take in their life. The size of a CETV may be very attractive to a client without them really understanding the **value** of the safeguarded benefits being surrendered.

The Transfer Value Comparator figure, based on its inherent assumptions, gives an alternative value for the benefits being surrendered. We believe that a comparison of the CETV with the replacement value in the TVC gives the client a meaningful opportunity to consider the cost of the transfer in the light of any benefits they may be receiving by being in the flexible benefits environment.

We would suggest that a single page document is drafted which shows the client the apparent cost (CETV minus replacement value, taken from the TVC) being paid in order to access the perceived benefit of being in the flexible pension regime.

Principle 6 and Principle 2 are closely linked and need to be considered together so that a client is able to make a truly informed decision.

Is the apparent cost (Principle 6) clearly in the client's best interests in the context of the stated objectives being achieved (Principle 2)?





## **Principle 7**

### Avoiding unregulated investments and introducers.

Firms should normally recommend mainstream investments from reputable investment companies and not recommend non-mainstream pooled investments (NMPs, including unregulated collective investment schemes - UCIS) nor unregulated investments. This restriction does not apply to investments in commercial property connected with the client (for example, buying the offices of the client's own firm).

Firms should not accept introductions from unregulated firms that provide, facilitate or otherwise arrange unregulated investments. Firms should remember that they are responsible for the suitability of the investment within the SIPP or other pension when the transfer is arranged, and that the destination of the funds is known, even when the firm does not arrange the investment itself.

These restrictions apply to retail clients as defined by the Financial Conduct Authority and not to other types of client such as certified professional investors. Reference to 'expert investor' in the principle is a catch-all expression for types of client that are not retail clients.



## Principle 8

### Transparency in advice processes and outcomes.

At the heart of the Pension Transfer Gold Standard is the ability to demonstrate best practice to clients as well as to the regulator. A clearly defined advice process together with management information showing client outcomes underpins this best practice.

The FCA recognised this in PS 18/20 3.15 when they were commenting on triage services.

**“3.15** We also said we consider it would be good practice for firms to keep records where they have provided triage. This may help in resolving any future complaints.”

We suggest that the following management information be kept as a minimum:

1. Number of clients enquiring about safeguarded transfers.
2. Total number returning completing the education material (may be less than 1 as the very presence of the material may put some clients off).
3. Total number choosing not to take regulated advice.
4. Total number wanting to move on to regulated advice.
  - a. Of those moving on to regulated advice how many were offered one or other of the contingent charging carve outs?
5. Total number receiving Abridged Advice:
  - a. Number where a recommendation to transfer was made, in whole or part.
  - b. Number where the recommendation is to remain in the current environment.

6. For those receiving full advice:
  - a. Number where a recommendation to transfer was made, in whole or part.
  - b. Number where the recommendation is to remain in the current environment.
  - c. Number within b (above) that asked to be dealt with as an ‘insistent client’.
  - d. Number within c (above) who were processed as an ‘insistent client’.
7. Number of clients who transferred their benefits (a + d).

This information should be recorded for 12-month periods and held on file by the adviser. Where possible this data should be back filled so that there is meaningful information from the start. This should not be seen as an exhaustive list. It would be prudent to keep data on other questions asked by PI insurers and the FCA, such as the number of cases where the recommended solution costs (all costs except adviser charges) exceed 1.5% pa.

With the high-level objectives to “raise advice standards” and to “enhance consumer protection”, firms who adopt the Gold Standard and embed it in their business processes should experience fewer complaints from clients and should be considered lower risk by the regulator. These are significant benefits in themselves.

However, these benefits may take a while to come through. The maintenance of a comprehensive suite of management information, its regular analysis and interpretation will enable the firm to monitor progress and if necessary, tweak their processes.

This management information should also be made available to the Pension Advice Taskforce to help them monitor those firms who adopt the Gold Standard and may be of interest to other commercial partners, PI insurers, product providers etc.



## **Principle 9**

### Promoting the Consumer Guide to the Pension Transfer Gold Standard.

From the very start of creating the Pension Transfer Gold Standard the Pensions Advice Taskforce has sought to make this a fully inclusive process and has, from outset, included representatives of consumer groups as well as financial services professionals.

The Gold Standard is far more meaningful for all if it is recognised by consumers as much as it is by financial advisers. The Pensions Advice Taskforce is working closely with organisations such as the Single Financial Guidance Body to ensure that it is relevant to consumers as much as it is to financial services professionals.

We therefore ask all adviser firms that adopt the Gold Standard to ensure that they give it prominence in their business and draw clients' attention to it. We have produced two versions of a Consumer Guide to the Pension Transfer Gold Standard (short and longer version) to help with this - the shorter version has been specifically written in language that we believe consumers will find accessible.

The Gold Standard is voluntary, but we expect all firms who adopt it to adhere to all the principles, at all times, and to fully embed its disciplines in their businesses.

All firms who adopt the Gold Standard are authorised to use the Pension Transfer Gold Standard logo in their promotional material as well as printed and digital communication.


**Personal Finance Society**

42-48 High Road  
South Woodford  
London, E18 2JP

tel: +44 (0)20 8530 0852

[customer.serv@thepfs.org](mailto:customer.serv@thepfs.org)

[thepfs.org](http://thepfs.org)

 [Personal Finance Society](#)

 [@pfsconf](#)

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