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Mr David Geale  
Director of Policy  
Financial Conduct Authority  
25 The North Colonnade  
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E14 5HS

31 October 2014

Dear David,

### **Future of ABI Code of Conduct on Retirement Choices**

As you know, how product providers communicate with their customers at retirement remains one of the most urgent open questions about how pension flexibility can be safely and successfully delivered. We welcome the constructive discussions we have had with the FCA since the Chancellor's Budget announcements and along with the nature of new regulation affecting provider communications, we have been considering with ABI members the future role of our Code of Conduct on Retirement Choices, or any other industry-led initiative.

Our analysis is that unsurprisingly the new retirement market will be broader and more complex than the one it replaces, with new entrants, for example from the banking and asset management industry, and a risk of scams by unregulated organisations. Our Code as it stands will therefore no longer be broad enough in its scope or coverage to adequately enable all customers to make informed decisions and will need to be replaced. While a further ABI-led initiative would be technically possible, the principles in it would need to apply across the new market which means only an intervention from Government or regulators will be effective in achieving this. Therefore, we do not believe the Code should continue to apply once effective replacements are in place and the industry, the FCA and Government will need to work together to ensure that there are effective replacement standards for written and interactive communications between all providers and their customers.

In terms of what this could look like, we agree with the emerging consensus that written communications must be standardised and high level in content. As you know, work is underway to develop templates to signpost customers to guidance, rewrite the Money Advice Service guide and update your rules about provider communications at 6 months and 6 weeks. These new templates and documents will replace elements of our Code, and the proposed FCA rules will bring other elements into regulation.

As we have begun to discuss, the Government and FCA will need to clarify your expectations of what providers are able to say when interacting with their customers and how far they should go in helping customers make informed decisions. Our Code sets out risks that annuity providers must highlight to customers in an annuity sales process, but these will be insufficient in the future given the much wider choice now available to customers.

We see it as essential that providers of all retirement products should highlight risks to customers in a consistent way, and two forthcoming outputs from the FCA can inform this effectively: firstly, examples of good and poor practice from the annuity thematic review should be capable of extension to sales of all retirement products; and secondly, the retirement market study should identify risks to customers which similarly can be extended to the new environment.

We hope and trust the FCA will want to use these opportunities to establish standards that can be applied to the new post Budget market, that can be adopted by trust-based schemes and evolve in the years to come as the market itself evolves and that the Government will be an active and helpful partner in this.

We look forward to discussing this further at the earliest opportunity and continuing to work with the FCA to ensure the reforms to the retirement market work effectively for customers.

I am writing in similar terms to Alison Cottrell, HMT and copying this letter to Andrew Warwick-Thompson at The Pensions Regulator and Charlotte Clark at DWP.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Huw Evans', with a long horizontal flourish extending from the end of the signature.

**Huw Evans**  
**Director of Policy and Deputy Director General**