

Response to HM Treasury Consultation: Pension transfers and early exit charges

Submission by Prospect

October 2015

www.prospect.org.uk

Introduction

1. This is the submission from Prospect to HMT's consultation document 'Pension transfers and early exit charges'.
2. Prospect is an independent trade union representing over 113,000 members in the public and private sectors. Our members work in a range of jobs in both the public and private sectors in a variety of different areas including in aviation, agriculture, defence, education, energy, environment, heritage, industry, scientific research, and telecommunications.

Prospect's position in respect of the consultation

3. Many of our members have defined contribution pension savings. As such we aim to ensure that members have access to good quality pension schemes which do not seek to over-charge or restrict member behaviour.
4. Prospect has previously welcomed government initiatives to increase the scope of workplace pension saving through automatic enrolment, and to protect savers by introducing caps on charges applied to savings.
5. As has been previously noted, the scope of automatic enrolment needs to be improved, affording equal rights to all workers regardless of income or age. Minimum contribution levels also need to be improved through increased minimum rates and by removing the banding on qualifying earnings.
6. We further note that many people with defined contribution savings will value the new freedoms that have been granted in how these are used.
7. We therefore agree that it is important to ensure that interested workers with defined contribution savings can access those freedoms without undue penalty. Such an aim is welcomed by Prospect as an unfortunate necessity arising from an unchecked market.
8. As such we would welcome a cap levied on exit fees applicable to all existing arrangements and on all future default arrangements. We would invite providers to produce a compelling case stating why a levy on transfers is a necessary charge to cover the explicit administrative charge associated with that transfer. There is a perceived widescale opacity in relation to these charges, as evidenced in the recent OFT report on the pensions marketplace, and providers have much work to do to alleviate this. Prospect do not believe that the terms contained in the 'fine print' of a contract provide sufficient justification for the continuation of practices that are detrimental to consumers and simply act as an easy money generator for providers.
9. We recognise the need to protect people from ill-advised decisions and from potential scams. For this reason we support the current requirements for taking financial advice.

10. We also support work conducted by pension schemes to ensure that members are not transferring savings to questionable arrangements. We would not wish the transfer process to be 'deregulated' in any way that would weaken this layer of protection for savers. The current regulated process should therefore not be weakened in this respect.
11. Prospect continue to welcome policies and initiatives that put working people's needs at the forefront and make the pensions industry work in the best interests of their customers. To this end we would support the inclusion of a fiduciary duty placed on all pension providers.