PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

PENSION SCHEMES BILL

First Sitting

Tuesday 21 October 2014

(Morning)

CONTENTS

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Saturday 25 October 2014

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY FACILITATE THE PROMPT PUBLICATION OF THE BOUND VOLUMES OF PROCEEDINGS IN GENERAL COMMITTEES

The Committee consisted of the following Members:

Chairs: †Mr Peter Bone, Mrs Linda Riordan

† Abrahams, Debbie *(Oldham East and Saddleworth)* (Lab)
† Blenkinsop, Tom *(Middlesbrough South and East Cleveland)* (Lab)
† Coffey, Dr Thérèse *(Suffolk Coastal)* (Con)
† Graham, Richard *(Gloucester)* (Con)
† Hammond, Stephen *(Wimbledon)* (Con)
† Hemming, John *(Birmingham, Yardley)* (LD)
† Kwarteng, Kwasi *(Spelthorne)* (Con)
† Latham, Pauline *(Mid Derbyshire)* (Con)
† Love, Mr Andrew *(Edmonton)* (Lab/Co-op)
† McCann, Mr Michael *(East Kilbride, Strathaven and Lesmahagow)* (Lab)
† McClymont, Gregg *(Cumbernauld, Kilsyth and Kirkintilloch East)* (Lab)
McFadden, Mr Pat *(Wolverhampton South East)* (Lab)
† Maynard, Paul *(Blackpool North and Cleveleys)* (Con)
Mills, Nigel *(Amber Valley)* (Con)
† Morris, James *(Halesowen and Rowley Regis)* (Con)
Paisley, Ian *(North Antrim)* (DUP)
† Watkinson, Dame Angela *(Hornchurch and Upminster)* (Con)
Watts, Mr Dave *(St Helens North)* (Lab)
† Webb, Steve *(Minister for Pensions)*

Kate Emms, *Committee Clerk*

† attended the Committee

Witnesses

Mark Boyle, Chair, The Pensions Regulator

Stephen Soper, Interim Chief Executive, The Pensions Regulator

Alan Rubenstein, Chief Executive, Pension Protection Fund

David Geale, Director of Policy, Financial Conduct Authority

Christopher Woolard, Director of Policy, Risk and Research and a member of the Executive Committee, Financial Conduct Authority

Michelle Cracknell, Chief Executive, Pensions Advisory Service

Caroline Rookes, Chief Executive Officer, Money Advice Service

Jackie Spencer, Propositions Manager, Money Advice Service

Public Bill Committee

Tuesday 21 October 2014

(Morning)

[MR PETER BONE *in the Chair*]

Pension Schemes Bill

8.55 am

The Chair: Before we begin, I shall make a few housekeeping announcements. Please switch electronic devices to silent. For my benefit, tea and coffee are not allowed during sittings.

The Committee will first be asked to consider the programme motion on the amendment paper. Debate is limited to a maximum of half an hour. We will then consider a motion to permit the Committee to deliberate in private in advance of oral evidence sessions and a motion to report written evidence.

In view of the time available, I hope that we may take those matters formally. Assuming agreement, we will move into private session to agree questions. Witnesses and members of the public will then be invited back into the room and our oral evidence will begin—so, ladies and gentlemen, do not make yourselves too comfortable, because you will be thrown out in a minute or so.

Motion made, and Question proposed,

That—

(1) the Committee shall (in addition to its first meeting at 8.55 a.m. on Tuesday 21 October) meet—

(a) at 2.00 pm on Tuesday 21 October;

(b) at 11.30 am and 2.00 pm on Thursday 23 October;

(c) at 9.25 am and 2.00 pm on Tuesday 28 October;

(d) at 11.30 am and 2.00 pm on Thursday 30 October;

(e) at 9.25 am and 2.00 pm on Tuesday 4 November;

(f) at 11.30 am and 2.00 pm on Thursday 6 November;

(2) the Committee shall hear oral evidence in accordance with the following Table:

Date	Time	Witness
Tuesday 21 October	Until no later than 9.30 am	The Pensions Regulator
Tuesday 21 October	Until no later than 10.15 am	Pension Protection Fund; Financial Conduct Authority
Tuesday 21 October	Until no later than 11.00 am	Pensions Advisory Service; Money Advice Service
Tuesday 21 October	Until no later than 3.00 pm	Royal Society of Arts; Cardano; First Actuarial; KPMG
Tuesday 21 October	Until no later than 4.00 pm	Aon Hewitt; Financial Services Consumer Panel; Confederation of British Industry
Thursday 23 October	Until no later than 12.15 pm	Mr Dominic Lindley; Which?; Trades Union Congress
Thursday 23 October	Until no later than 1.00 pm	Pensions Policy Institute; Dr Ros Altmann; Age UK
Thursday 23 October	Until no later than 3.00 pm	Association of British Insurers; Dr Debbie Harrison; National Association of Pension Funds
Thursday 23 October	Until no later than 4.00 pm	Mr John Greenwood; Strategic Society Centre; Towers Watson
Thursday 23 October	Until no later than 4.45 pm	Department for Work and Pensions

(3) proceedings on consideration of the Bill in Committee shall be taken in the following order: Clauses 1 to 8; Schedule 1; Clauses 9 to 12; Schedule 2; Clause 13; Schedule 3, Clauses 14 to 37, Schedule 4; Clauses 38 to 45; new Clauses; new Schedules; remaining proceedings on the Bill;

(4) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 p.m. on Thursday 6 November..—*(Steve Webb.)*

Dr Thérèse Coffey (Suffolk Coastal) (Con): I beg to move an amendment, for paragraph (3) to substitute—

"(3) proceedings on consideration of the Bill in Committee shall be taken in the following order: Clauses 1 to 8; Schedule 1; Clauses 9 to 12; Schedule 2; Clause 13; Schedule 3; Clauses 15 to 37; Schedule 4; Clauses 38 to 45; Clause 14; new Clauses; new Schedules; remaining proceedings on the Bill;"

I understand the amendment has been agreed with the hon. Member for Cumbernauld, Kilsyth and Kirkintilloch East. It moves discussion of clause 14 towards the end of consideration of the Bill, after clauses 38 to 45, so that we discuss the defined-ambition elements together, rather than splitting them up.

Amendment agreed to.

Main Question, as amended, put and agreed to.

Ordered,

That—

(1) the Committee shall (in addition to its first meeting at 8.55 a.m. on Tuesday 21 October) meet—

(a) at 2.00 pm on Tuesday 21 October;

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(c) at 9.25 am and 2.00 pm on Tuesday 28 October;

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(4) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 p.m. on Thursday 6 November.

The Chair: The deadline—this is important for members of the Committee—for amendments to be considered at the two sittings of the Committee on Tuesday 28 October is the rise of the House on Thursday 23 October.

Resolved,

That, at this and any subsequent meeting at which oral evidence is to be heard, the Committee shall sit in private until the witnesses are admitted.—*(Steve Webb.)*

Resolved,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—*(Steve Webb.)*

8.58 am

The Committee deliberated in private.

Examination of Witnesses

Mark Boyle and Stephen Soper gave evidence.

9.3 am

The Chair: For the benefit of the Committee, it is now in order for Members to take their jackets off.

We will now hear oral evidence from Mark Boyle and Stephen Soper, the chair and the interim chief executive of the Pensions Regulator. Before calling the first Member, I remind all Members that questions should be limited to matters within the scope of the Bill and that we must stick to the timings in the programme motion that the Committee has just agreed. For this panel, I am afraid we have only until 9.30 am. Will the witnesses introduce themselves for the record?

Mark Boyle: Good morning. I am Mark Boyle, the independent non-executive chairman of the Pensions Regulator. I have been in post since being appointed last April.

Stephen Soper: Good morning. I am Stephen Soper. I have worked at the Pensions Regulator since 2009, and since August 2013 I have held the post of interim chief executive.

Q1 Stephen Hammond (Wimbledon) (Con): I should like to ask two questions. The first is about the complexity of what you are being asked to do, and whether you think that increased complexity means there are likely to be issues. If there is joint regulation by your organisation and the Financial Conduct Authority, how will you ensure that there are no problems with the regulation?

The second question, to be slightly more blunt, is that as someone who has worked in the financial services world and experienced regulation of businesses, I know that the reality is usually that people at the top of regulatory businesses and regulators are of high quality. The people on the operational side are usually of significantly lower quality. I want to understand how you will make sure the people who are doing the regulation, as opposed to yourselves, will be of significant or sufficient quality to achieve what is necessary.

Mark Boyle: I will go first on that. Thank you, Mr Hammond. To take the first question first, the most important thing to say is that it is still very early days in understanding how the changes will work out in practice, particularly what that will mean for the regulatory framework. Clearly, we are as engaged as possible with all the parties, particularly through and with the Department for Work and Pensions, to understand how this will work in practice and the impact on regulation. As we work through that, clearly our understanding of what the impact will be will increase.

As to your point about there being joint regulatory responsibilities, the question whether there should be a single regulator or how two regulators work together is one that raises its head frequently and, not surprisingly, it has done so again in recent weeks. Our view on this is fairly simple. The regulatory landscape is primarily for Ministers, and it is for the Government to decide the most appropriate landscape. It is for us to make sure it works in practice. That means that although, clearly, we get our initial direction from DWP and legislation, we must work in quite a complex regulatory landscape not just with the FCA, but with other regulators. It is incumbent on us to work with all of them to understand where they are coming from to ensure that no gaps open up between us. We already have significantly strong relationships with the FCA, but in recent months—

The Chair: Sorry to interrupt, but we have only limited time and perhaps answers could be as short as possible. If hon. Members want to butt in, they should do so.

Mark Boyle: Sorry, Mr Bone. I appreciate that.

Q2 Stephen Hammond: May I ask a quick question? The thrust of my question—I understand the point for the Government—was about the two or three issues when you must make sure the gaps do not materialise.

Stephen Soper: In terms of the new legislation, clearly there will be differences in the way in which products and services are offered to members, either through the contract environment, which comes under the FCA, or the trust-based environment, which comes under us. The distinction between those two is very clear and they work very well together today, so this is augmenting what we already have and working with existing powers that we already have. There is no prima facie reason why we would not continue with the similar working relationships that we have at operational level. I feel quite confident at the moment, with the detail we have that this would work in the same way as it does now.

Shall I take the second question? On the quality of staff, the regulator has had a continued programme of bringing in external people on secondment from industry to keep our team fresh, and we have high standards for the people we employ. By way of example, we were able to dip into that resource pool and put in place an interim finance director, for example, so we have quite high-quality people in the area that you are talking about in assessing and working with businesses. The team is very well attuned to helping to make sure we fulfil the objective we were given earlier in the year of maintaining sustainable employer growth, but more broadly of how we act and have an economic effect on the businesses that are running schemes in our jurisdiction.

Mark Boyle: Finally, I have one postscript to that. I am only six months into the role. I have worked in central Government for six years and I have been extremely impressed by the quality of the people working within the Pensions Regulator. I think the organisation has done a very good job in attracting high-quality accountants, actuaries and lawyers. The calibre really is very high.

Q3 Gregg McClymont (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab): Good morning. May I ask, in the first instance, for your opinion of what the advantages and disadvantages are of collective defined contribution as opposed to individual defined contribution?

Stephen Soper: I am not sure, Gregg, whether I can answer on any advantages or disadvantages, but I think the challenges that need to be addressed are clearly going to be about communication to members and to firms of what in effect will be a set of new products, with different facets. The world is quite used to defined benefit and defined contribution, at the polar extremes. There is a big variety and a welcome variety, I think, of possibilities that come from this legislation. We need to see what forms that takes, but as a regulator we would be very keen to see that information about those products is communicated clearly, so that people understand what they are getting and, more importantly, they feel they are getting value for money.

Q4 Gregg McClymont: Thank you for that answer; I shall come back to that issue with other witnesses. Perhaps you will be more able to reflect on this question. The Bill does not specify the form of collective defined contribution that is to emerge. Would you be prepared to reflect on the issues about different forms of collective defined contribution and what they might be?

Stephen Soper: We have seen two or three models overseas where this system is run. There are those with very clear payment conditions or contribution conditions but more flexible outcomes. There are those with fixed outcomes but more flexible payment conditions. There are some—particularly Denmark, for example—that run a system whereby they purchase annuities on the way to maturity. There are even other permutations that one might bring about. Canada is experimenting with some of those as we speak. We have an open mind as to the choice and selection of those models. They all have pros and cons. I think that those setting up the schemes, bearing in mind the interests of the members that they will hopefully be including in those schemes, should be picking choices to fit those needs. As long as we can see that kind of mechanic operating, we are agnostic as to which model it is—at the moment.

Q5 Gregg McClymont: May I ask a final question? One of the issues about the different models of collective defined contribution, as far as I can see, surrounds the public's willingness to pay for guarantees. The DWP did research that suggested that people were keen on guarantees, but when the Institute for Public Policy Research added to that research by asking, "Are you prepared to pay the cost of those guarantees?", support plummeted. Have you a view—it may be a personal view, rather than a TPR view—on where that biting point lies between guarantees and the cost of those for savers?

Stephen Soper: I do not have a feel for that biting point at the moment. Absent any product proposals or further structure in the legislation, it is difficult for us to test where the market is likely to come out and therefore, for us, where the risks are that need managing, but there is an additional reflection I would add to your dynamic of the guarantee being free or being paid for. I think it is right that people like certainty, but a further dynamic of managing a portfolio is that a member does not need to look at it on a single-person basis. They are looking at it as a portfolio, and that typically makes it cheaper in terms of contribution, often offsetting some of the costs of the guarantee, so there is a way through, but until we see some proposals, it is difficult for us to comment further.

Q6 Richard Graham (Gloucester) (Con): May I come in on the question of guarantees and outcomes for people buying these pensions? A question is raised by the insurance sector in particular about the way regulators allow them to invest in certain investment products. An example is infrastructure. I understand that if an insurer running a pension scheme wanted to invest in a series of solar panels for primary schools, with guaranteed returns, currently at inflation plus three, that would be quite difficult from a regulatory point of view. Do you think that regulations need to be altered to allow for more interesting types of investment that have quasi-Government guarantees?

Stephen Soper: I should like to split that into two technical levels. I think regulation of itself, as it is drafted today, does not preclude trustees of pension schemes from investing in those kinds of infrastructure project if they wish. At the technical level in doing that, there is a question mark about how one values those investments and how one marks to market or does not mark to market. That could be worthy of some consideration. On the other hand, trustees of schemes in very few cases are actually forearmed with the right skills and the right experience to make those investments, and one of the challenges here is how to get critical mass into either a pension scheme or a group of pension schemes to assist trustees in making those investments. I know that, for example, the National Association of Pension Funds and the Pension Protection Fund have been working on a product called the pensions infrastructure platform, which helps schemes put small investment sums into something that becomes more diversified. That type of structure is helpful. As far as I am aware today, we have no barrier to making those investments from a regulatory perspective.

Mark Boyle: Just one further remark on that, if I may, which relates back to the previous point. We imagine that in the collective defined-contribution space as it evolves, there will not be single products at all; there will be a range of different products. Just as there will be a range of different products offering different guarantees or otherwise, so we think that that gives space for different investment strategies. We see that as part of the "choice" part of the agenda.

Q7 Richard Graham: The experience in continental Europe of collective defined-contribution schemes is, as Stephen hinted, mixed. There is evidence that in Holland it is declining. Many of the benefits of collective defined-contribution schemes have been weighed in terms of the reduced costs and admin, but what about the outcomes? What evidence have you got on outcomes improving things for members of the scheme?

Stephen Soper: At this point, we do not have evidence of outcomes improving things or making them worse. We have maintained an open watching brief until the legislation becomes a little more refined in terms of the sorts of structure and products it will allow. We would be quite happy to reflect on that when we get to that stage, but at this point I do not have those data to hand. We do not have them.

Q8 Richard Graham: It will give you more work to do, and you will basically have to deploy resources to study whatever comes up.

Stephen Soper: We will, as with any new model.

The Chair: We will now move on to some questions from Dame Angela on a different part of the Bill.

Q9 Dame Angela Watkinson (Hornchurch and Upminster) (Con): I wonder whether you have made an assessment of the likely take-up for shared-risk schemes and what impact you think that might have on the Pensions Regulator's resources. Secondly, how will regulatory responsibility be shared between the Pensions Regulator and the FCA? Will one of those organisations take the lead?

Stephen Soper: If I answer in reverse, it comes back to the basic premise of whether the scheme is set up as a contract scheme or a trust-based scheme. As in today's world, there are contract-based pension schemes that have been set up and are under the FCA's remit, and we have trust-based schemes that the Pensions Regulator looks at and ensures safe harbour of. We do not know how these new structures will take shape yet, so I do not know which of us will regulate more or less, and for that reason I certainly do not have any statistics at this point on what the take-up might be. I cannot be more helpful than that, I am afraid.

Mark Boyle: However, what I would say is that your question about resourcing is absolutely spot on, because we need to think through very carefully what the resourcing requirements will be as we come to understand this better. That is something that we at the board will take a lead on—making sure that our limited resources are properly prioritised.

Q10 Debbie Abrahams (Oldham East and Saddleworth) (Lab): I wonder whether you would like to comment on clause 17, which proposes to remove the requirement for you to maintain a register of independent trustees. Currently, one of the positive things about trustees is that they have a fiduciary interest, and they are there to represent scheme members, who are their prime interest. Will removing that affect accountability and transparency and, most importantly, the confidence of scheme members who want to invest in such schemes?

Stephen Soper: The basis of the register, and the primary intention when it was first put into legislation, was for the regulator to be able to use a select group of trustees to appoint in cases of need, or in cases where our enforcement action had removed trustees from schemes. It is not a register of all trustees; it is just a register of those whom we use. In essence, the impact to us on the ground is negligible. We will still make sure we have a list—a panel of trustees—from which we have selected beforehand to use in those situations. It removes some very onerous conditions around the management of that list, and it is a very helpful deregulation from our perspective.

Q11 Debbie Abrahams: What about my broader point on transparency?

Stephen Soper: We will still publish, as we do now, any details around that list or around prohibitions of trustees that we currently undertake. We will maintain the level of transparency that we currently have. There will be no deterioration. It simply helps us to operate slightly more efficiently.

Q12 Stephen Hammond: May I go back to Mr Boyle's point a moment ago in answer to Mr Graham's? You rightly said there will be a range of products. I think that that is inevitable because it will fill out with the market. There will necessarily be a range of investment strategies that will need to find how the product is structured. Over the weekend, I read a lot of the commentary from various people. Some of them suggest that you should play quite a close role in the supervision of investment strategies that trustees or scheme managers take up. Given there will be a range of products, that is surely an inappropriate role for you to take.

Mark Boyle: I am afraid I will give the same answer I gave earlier. It is very early days to see how this will work out in practice. We need to see how it evolves, to see where the dividing lines between ourselves and the FCA are and to judge our interventions accordingly.

Q13 Stephen Hammond: But philosophically does it not militate for light-touch regulation, given the range of products, as you described?

Mark Boyle: Our objective is to follow the regulatory steers that we receive from Ministers. Clearly, at the moment, we will adopt the light touch that is consistent with effective regulation in accordance with the objectives that we have been set.

Q14 Richard Graham: On that question—realistic targets for outcomes of products in collective defined-contribution schemes especially—how would you as a regulator set about assessing whether those targets are appropriate?

Stephen Soper: It is a complicated area. One has to conduct analysis similar to that which one conducts today when assessing whether technical provisions are correct for a defined-benefit scheme. There are different benefits being paid—different richness in the levels of benefit, if you like—but still the considerations are very similar. Where I think it becomes more—

Q15 Richard Graham: May I interrupt? Is that right? The thing about defined benefit is that you know exactly what you are going to get.

Stephen Soper: The member does.

Q16 Richard Graham: Yes, the member does, but the scheme itself does not set a specific target. With defined contribution you simply know what the inputs are.

Stephen Soper: That is right.

Q17 Richard Graham: But anything with a target is aspiring to achieve a result that depends on the investment strategy at the time and what markets are doing.

Stephen Soper: Absolutely.

Q18 Richard Graham: How do you assess whether those are accurate? The endowment mortgage scheme, of course, was a spectacular example of many companies getting it wildly wrong.

Stephen Soper: Indeed.

Q19 Richard Graham: And then coming back for regulatory fines later.

Stephen Soper: And this is where the presence of a trustee board or an independent governance committee is helpful in that journey of making sure there is some distance between the interests of the members and those who wish to make a profit from running those schemes.

Q20 Richard Graham: Do you think such schemes that have targets necessarily have an additional layer of risk attached to them from a regulator's point of view in assessing whether that target is realistic?

Stephen Soper: One needs to assess whether the contribution levels are correct. I agree that there is a level of risk. That is why I likened them to defined-benefit schemes. Although defined benefit is a much richer environment in terms of the benefits paid, any fixed-target scheme is similar in some of the considerations that one needs to make. There may be a smaller level of benefits, but the level is still fixed and there is still a promise that has been made. We need to work out how that member will get that promise, particularly where there is no further recourse to additional contributions.

Q21 Gregg McClymont: Three quarters of respondents to the Government's consultation on the Bill thought Government intervention would be necessary to achieve a scale such that guarantees could be offered by a scheme. We know that in other countries regulators have a role in promoting scale. Do you think that greater scale would be a benefit to UK pension savers?

Stephen Soper: In our view, scale is an advantage, depending on the genesis of some of these schemes: it may depend on whether they start small, are seeded in some way and can see a way of growing quickly to the requisite level. In other countries—Canada, for example—they have taken existing DB schemes and converted them, so they have bought scale by compromising existing benefits and switching across. There are many ways to get to the point where you have the right size of portfolio to get the sorts of benefit that can be achieved in collective and shared-risk schemes.

If you take it down to a very small number, it is difficult to see how a room of people such as this one could exist in a collective scheme: there is just not enough breadth in the age range, or any of the other factors that apply, to spread the risks or benefits across the pool of people. You need a large enough number of people to make it work, but without a product shape I would not want to put a number on that. However, scale generally is an advantage.

Q22 Dame Angela Watkinson: If a shared-risk scheme is exclusive to one very large employer, how is the level of viability for the success of the scheme arrived at? It will depend upon the number of employees who choose to contribute to that particular scheme. There must be a level below which there will not be viability.

Stephen Soper: I think that is probably right, although again I would not put a number on it. But that will promote the idea, which is not a new concept, of some form of multi-employer scheme. Without reinventing some of the ills and problems of the past with last-man-standing schemes that have existed, I can see that there are new ways of achieving a multi-employer scheme—a master-trust type scheme—where employers can come in with a smaller number of people to provide those benefits without needing to have the scale themselves.

Q23 Dame Angela Watkinson: Do you envisage having some schemes that are exclusive to a large organisation and others that attract savers from a range of employers?

Stephen Soper: In the absence of any further detail, I cannot see anything at the moment that would preclude that.

Q24 Kwasi Kwarteng (Spelthorne) (Con): In relation to oversight of the schemes, will you have any role in trying to work out which investment strategies are best—will you be providing that sort of support? Also, is return on investments something that you will be particularly focused on in terms of structure?

Stephen Soper: We have never been prescriptive with trustee boards about the investment strategy that they take. We are interested in it, because clearly there has to be a strategy and an approach that looks like it is going to succeed. We do due diligence over them, but mainly for those schemes that are struggling, as opposed to those that are clearly well funded. As I said, to date the only evidence that I can show you is what we have done in the defined-benefits base. They are similar methods, but we would need to see a product and a shape before I could talk in more detail about it. We would very much be interested in what is being offered there—again, in the absence of further detail saying that we should or should not be doing something.

Mark Boyle: We are primarily focused on the governance of the administration of schemes and on ensuring that that is correctly carried out for the benefit of members. Clearly, seeing that there are effective, appropriately capable trustees overseeing those investments is the line that we would take, rather than looking at the investments themselves.

Q25 Kwasi Kwarteng: May I just follow up on that? Clearly, there is a blurred line between governance, the actual quality of the investment managers and the strategy. You can get a situation in which there is no oversight of a scheme or a fund, and some very silly decisions can be made. If you are looking at trying to get pensions over a generation—40 years, perhaps—that could have devastating results. I am not sure that the level of comfort, in terms of oversight—

Stephen Soper: If I go to a level below where we just got to there—

The Chair: You will have to be very quick.

Stephen Soper: All trustee boards have to have a statement of investment principles. They have to set out what they are trying to achieve with their investments. We absolutely will look at that, understand what they are doing and be in a position to critique that if we feel it is wildly off beam. They will also have a review by an independent actuary, which will provide their view on whether those investments are performing to the relevant level; and we anticipate, although it is not defined here, some form of—

The Chair: Order. Time has beaten us. That is the end of this session. I thank the witnesses for their attendance and the Members for their questions. We will now move on to the next panel of witnesses.

Examination of Witnesses

Alan Rubenstein, David Geale and Christopher Woolard gave evidence.

9.30 am

Q26 The Chair: Good morning. We will now hear oral evidence from the Pension Protection Fund and the Financial Conduct Authority. For this session, we have until 10.15 am. Could the witnesses please introduce themselves for the record?

Alan Rubenstein: Good morning. I am Alan Rubenstein. I am the chief executive of the Pension Protection Fund, which was set up by Parliament under the Pensions Act 2004 to look after the pensions of those whose employers become insolvent and whose defined-benefit promise cannot be met from the scheme.

David Geale: I am David Geale, director of policy at the Financial Conduct Authority.

Christopher Woolard: I am Chris Woolard, director of policy, risk and research and a member of the executive committee at the FCA.

Q27 Gregg McClymont: May I ask first a question of the FCA? This is going to create significant challenges for regulators. What, in the FCA's view, are the key structural and behavioural barriers preventing individuals from obtaining the best retirement income for themselves?

David Geale: As you know, we have carried out a market study looking at the annuities market. The difficulty for many people is their level of financial capability—understanding the options that are available to them and then navigating their way through the fact that they might be able to achieve something different with a different provider, whereas perhaps the default is to go to the provider you have saved with throughout your working life.

Q28 Gregg McClymont: Is the FCA confident that it will be able to prevent savers from being overcharged with respect to draw-down products? I am asking specifically about the issues that CDC might create and, more widely, the Government's pension reforms in relation to regulating that more expansive draw-down space.

David Geale: Obviously, we are very interested in value for money. That was part of the reason for carrying out the market study in the first place, so we are looking at retirement options available to pension savers both now and post the Budget reforms coming into effect. It is something we will be monitoring over a period of time. There are also a number of steps that we are taking to ensure value for money, and that the Government are taking, as you know, in terms of the pot that is being saved up to reach that point. It is an ongoing story because there will be a number of changes as a result of these reforms: more people using draw-down, more people choosing alternative options. That is something we will have to keep a very close eye on, and we are doing that.

Q29 Gregg McClymont: May I ask finally, for the moment, a broader question about the FCA? It strikes me that the FCA and its predecessor, the Financial Services Authority, were and are focused on banks and financial services. Certainly my sense is that, in the past at least, the FSA was much less focused on pensions than on those other important areas. Can we be confident that the FCA has sufficient capacity and expertise in pensions to do the job it has been asked to do? Going on to the wider job around collective risk sharing, if the FCA has a significant role in that—perhaps you have a view on that role—can we be confident that the FCA has the capacity and expertise to deliver in those areas?

Christopher Woolard: I believe that it can. We can look at the early work the FCA has done in terms of, for example, our market study work, which is where we look at the operation of markets and whether they are working well. We have certainly launched work that is related to banking and to things such as cash savings.

One of our very earliest pieces of work is about retirement income—how retirement products are working and the sales processes around that. We are covering quite a broad waterfront. We are covering a range of products that interrelate and sometimes substitute for each other as well—so where people have long-term savings but not in a pension wrapper—and I think we have the coverage to do that. It is certainly within our planning to cover that waterfront.

David Geale: If I may add to that, in terms of our regulation, of course we do not just look at the pension provider; we look at the fund managers. We regulate, supervise and authorise the fund managers, whom those pension savings are being invested with. We also regulate the advisers, who are giving advice to individuals on what to do with their pension savings and how to build up their pension savings in the first place. As Chris said, we have quite a broad waterfront, but it is right through the value chain.

Gregg McClymont: I am tempted to ask a further question, Chair, but I will not.

Q30 Stephen Hammond: To follow on from the shadow Minister's question, I think what you are describing is the organisational task for you and you have made the point about your current regulation of fund managers. You will be responsible for setting the standards and regulating the guidance guarantee. Can you give us a feel for your approach to what the key things are for you in setting those standards and your approach to regulation of that guidance?

David Geale: As you know, we have consulted on some standards for the guidance guarantee. I think the key thing is that it is a robust framework that gives people the information they need. It is also intended to be guidance, so it needs to be guidance that helps people to understand their options and the implications of those options, and not regulated advice; but one key thing coming out of that is that people need to walk away from that conversation knowing where to go next and what to do next. For some people, that will be to seek regulated advice, whereas some people will know that they want to take the money, and others will know where to look in terms of comparing different options on annuities, draw-down or whatever it may be. Our focus was really to make sure that that process is able to be designed within a robust framework that delivery partners can use.

The Chair: At Committees, it is normal for the Minister to be grilled, but unusually, he has an opportunity at these Committees to grill witnesses.

Q31 The Minister for Pensions (Steve Webb): And to enjoy it to the full. Picking up on Stephen's questions about guidance and advice, I want to ask our colleagues from the FCA about two scenarios. First, where someone accesses guidance, there is an argument, in terms of regulated financial advice, that there is all-singing, all-dancing, customised, regulated, tailored, expensive stuff, and there is nothing in the middle—there is no cheap and cheerful advice. Could you give us your thoughts on whether that is wrong, and whether there is something that looks a bit like that already, or whether you are trying to foster that? Is there advice for people who have perhaps got a taste, following guidance, who would not necessarily pay the full cost of a full-blown advice session? Is there something in the middle?

David Geale: I think that at the moment, it is fair to say there is not a lot in the middle, but there is something there. There are firms who will give advice on a more focused set of needs for a reasonable cost, so that advice is available, but it is not widely used, I would suggest, either by firms or by people seeking advice. We have put out a consultation on some guidance aimed at helping firms to understand what they can do between execution only and full advice, because there are a whole range of options open to something more limited and more focused—so actually enabling firms to give something more cost-effective, in terms of people saying, "I just want to have a discussion about how to spend my pension pot." There are a number of firms and trade or professional bodies interested in looking at this sort of advice—there are suggestions, for example, of fixed-fee advice purely on your decumulation options. "Watch this space" would be my take. We are doing what we can to help firms understand the options available to them and we will be finalising our guidance on that very shortly.

Christopher Woolard: If you look at the independent financial adviser community, it is not one mass. There are different business models out there and a number of advisers who are saying that they would serve a market for people who have relatively low pension pots to invest, and they would be interested in that as a viable business model, so it is not a single picture and we have to be careful about that.

Q32 Steve Webb: On that point, before I come to the second question, do you think the regulatory framework needs to change at all to foster more of that something-in-the-middle type of advice, or do you think the rules are all there and we just need a market to develop?

David Geale: That is exactly what we have asked the industry through our consultation. I would suggest that the framework is flexible enough to allow that sort of advice, now, but that is what we have asked the industry. Do they understand that? Is there something that does need to change to enable that to happen within European constraints?

Our advice standards are largely driven by Europe, but actually our interpretation is that the firms can do these things; but if there is more we need to do to help them understand what is possible, then we will do that.

Q33 Steve Webb: The alternative scenario is someone does not access the guidance at all. So take-up will not be 100%; there will be a set of people who do not access it because they know what they are doing, but there will be some people, for whatever reason, who do not take it up. What thoughts have you had on safeguards? My provider does their bit, tells me that guidance is available, I do not take it up, and I then make a retirement choice. Do you think there is a need for any second defence—that I have to sign something that says, "I am married, and I realise my widow will get nothing." Do you think you need any safeguards?

David Geale: I think that is something we can look at as the guidance guarantee develops. If we take it as a set of building blocks, people making their own decisions now do not have that safeguard. They do not have the guidance guarantee. The guidance guarantee is giving them something extra and an opportunity to go and seek that. What we would expect is that the providers are very clear with people as to what this guidance guarantee service is, that they are being offered—that it is separate, impartial and free—to encourage take-up. Also, I do not think anybody is suggesting that providers cannot talk to their own customers through that process, provided they do so in a way that is consistent with not detracting from the guidance guarantee; and of course people can still take advice.

So there is a question, I guess, about how far we want to take people who have made a decision not to take the help that is available, and about saying "Are you really, really sure you did not want to take that help, since it is available?" That is a question that I think we will need to look at as the guidance guarantee comes into place, when we see how many people take it up, and what the decisions are that they are making. What we can and will track is those decisions that people are making, and the pattern of retirement options being taken up.

Q34 Mr Andrew Love (Edmonton) (Lab/Co-op): You have a definitive role in terms of regulated advice. There seems to be a much more nebulous area of a guidance guarantee. What is the FCA's role in ensuring the quality of the guidance guarantee?

David Geale: Our role has been to set the standards, so we are consulting on the standards now. We have had around 150 responses to that consultation, and we will publish the final standards later this year. Our role then will be to make sure that firms of delivery partners stick to the framework of the guidance guarantee; so they stick within that framework of just explaining to people the options available to them and the potential implications of those options, referring them to advice where needed—not straying into "Actually, this is what you should do," or "This is what I would suggest you do," and so on, which we would consider to be advice.

Then our role is to monitor that, so we are developing our monitoring strategy for how we will work with the delivery partners to ensure compliance with those standards and that they do not stray into advice. Where that does happen we have the power to make recommendations to the delivery partners to change their process and/or to the Treasury, to take action as necessary.

Q35 Mr Love: The biggest concern is take-up. Your thematic review of the annuities market was not a positive expression of consumer concerns. I wonder what role you think the FCA has in terms of ensuring high take-up for the guidance guarantee.

David Geale: The implementation of the guarantee is in the Treasury's hands. Our role is to make sure that providers give people the right information at the right times in the way they can access it, to understand their option to take up the guidance guarantee. It is also to ensure that through our monitoring the guidance guarantee process is robust—and, therefore, the quality of what people are receiving. It is really important, I think, just as much as the actual numbers of people going for it. I think if we look at the research, there is conflicting research in the market in terms of what the take-up will be, so Legal & General's pilot shows very low figures; Chartered Insurance Institute research shows very high figures. It is incumbent on all of us to help people understand what they are getting; but take-up will be a matter for public choice.

Q36 Mr Love: Correct me if I am wrong, but the optimists suggest 20% to 30% take-up; the pessimists think it will be less than 10%. Would you disagree with that? How do we ensure that we get to the top end rather than the bottom end, for those who take up the guidance guarantee?

David Geale: I think that the CII research suggested it was as high as 90%, which is obviously very much on the high side.

Q37 Mr Love: In the annuities market, the number of people taking up the option of looking across the market at the best annuity is very low. Based on your experience, would you say the optimists are being far too optimistic?

Christopher Woolard: There are a number of variable factors in this mix. The first is the communications coming from the existing provider—we will obviously have a view on that—that encourage people to access the guidance guarantee and understand exactly what it is. There will be lots of other things that sit within the Treasury's control in terms of running this process, the level of good public understanding, if the guidance guarantee is properly marketed and other questions that will affect the variability. In a world where there are not those kinds of prompts, we would expect a pretty high degree of inertia based on our experience elsewhere. Equally, with the right prompts in place, we will see quite a high level of consumer engagement. That is possible, but there are a lot of variables.

Q38 Debbie Abrahams: My question follows the Minister's earlier one. What you said about the circumstances in which you would provide additional advice or guarantees seemed a little vague. Using the Minister's example—if we had nothing to suggest that someone had signed away their rights and decided to go against it, based on advice—can you be more specific about those circumstances? How many people would have to go through that for you to be concerned?

David Geale: There are a number of options within the framework of advice. People can use an execution-only route, where they seek no advice and take responsibility for the decision they make. They can also seek full advice, where someone does a proper review of their full financial circumstances and produces a set of recommendations based on that full review. In the middle, there is a range of options available to firms to focus on a particular need, where that is what the customer wants. A good example is someone saying, "I just want to use this year's ISA allowance. I want to know where to invest. I don't want to talk about any of my other investments." That is a limited service. It provides people with a limited amount of advice and could ignore some very important needs but, if that is the service they want and the service they have agreed to take from the financial adviser, that is possible. Where that service is clearly defined and people can reasonably understand what they are getting and its limitations, I do not have concerns. That is a valuable thing for people in the market; it is an element of choice.

I would be more concerned if advisers narrowed that service without the customer understanding it, by just ticking a box that says, "Did not want to discuss this or that." That is a very different service. It is about the diversity of the advice services and providing people with a range of options. A lot of people do not want to go and spend three, four or five hours with a financial adviser. They want something specific for a particular need. Some people have very simple needs and others have more complex needs. It is about choice.

Q39 Debbie Abrahams: If, after a year, 50% of the people have signed away their rights and then die, leaving their widows without any pensions, is that the stage at which you would think there was an issue? I am trying to pin down the circumstances in which you would want to take further action.

David Geale: Less than 50% of people currently take advice on their retirement options. The guidance guarantee will not necessarily help those people who take advice, beyond giving them a bit more help with the questions they should ask their adviser, because they are already seeking advice. The remaining 55% who are not taking advice are currently getting nothing; they are not getting anything that helps them to understand that they should be thinking about how their retirement income will help to support their dependants in the event of their death. It is an additional step. I do not have a number for a sensible take-up in terms of the point at which we would get concerned, but this is not just about the numbers; it is about the quality of the service. If the quality is good and if the marketing—for want of a better word—from Government, regulators, firms and the delivery partners is good, we would hope to see significant take-up, but I do not have a number to put on that.

Q40 Debbie Abrahams: In relation to the FCA responsibility for setting standards and guidance, would that include the requirement to advise on comparable administration costs and charges?

David Geale: What I would expect the guidance guarantee to do is help people to understand their options and that they might get a better deal by shopping around. It will not actually go to the point of saying "Here's a product" and it would not be saying, "This product with this provider is cheaper than that one." What it should do is help people to understand the things they should look at when they are comparing different products.

Q41 Debbie Abrahams: Including admin costs and charges?

David Geale: It depends on what sort of service they are actually getting. With something like an annuity what matters to you is what you are going to get back. If you are into drawdown-type contracts then yes, absolutely; different providers offer different services that charge differently. It is also about the service levels; it is not just about cost. I would expect the guidance guarantee to help people understand the questions they should be asking to make the right decision for them.

Q42 Richard Graham: May we move now to the Pension Protection Fund? Alan, can you first confirm that the PPF will take on the liabilities of, effectively, any guaranteed element of shared-risk schemes, including collective DC? Have you the right resources to be able to assess the risks, and therefore the levies, of the guaranteed elements of shared-risk schemes that will come up? Overall, is it your assessment that this will increase the potential liabilities of the PPF or that the new shared-risk schemes will mostly be sourced by people exiting from currently open DB schemes, in which case your total liabilities will reduce?

Alan Rubenstein: Gosh, there is a lot in that. First, to the extent that there is a promise that is effectively a defined benefit promise, yes, those schemes will be covered. We have obviously yet to see how they all develop in that mid-ground. Currently, until we see how it develops, we believe we are adequately resourced, but we have obviously yet to see what the take-up is as we would have to reassess that if things moved sharply differently. In terms of levies, the work that we have done so far suggests that there would not be a major impact on our levy setting because it would be shifting from one form of provision, as you suggest, to another.

Q43 Richard Graham: Would it not in fact reduce your overall potential liabilities and therefore give you the opportunity to reduce levies to existing DB clients?

Alan Rubenstein: It depends on what the benefit structure is that is being replaced. It also depends on the liabilities that are being covered because if all you are really doing is shifting the future accrual marginally, the overall impact on the levy will be relatively small.

Q44 Richard Graham: So it depends really on the size of the guarantee and what percentage of the total pension promise that involves?

Alan Rubenstein: It depends on the size of the guarantee and how it changes the future path of liabilities.

Q45 Richard Graham: And the PPF? In terms of resources, how are you equipped to tackle all that?

Alan Rubenstein: Well, as I say, at the moment we believe we are adequately resourced, but clearly we will be keeping an eye on this as it develops.

Q46 Gregg McClymont: The PPF has been, in any fair observer's opinion, a success in providing an insurance policy for scheme members in schemes that could possibly go under. PPF has been a success in that respect.

Alan, can you reflect on how you believe this potential move to risk-sharing pensions will impact upon the PPF's role? Do you hope that in the long term it might reduce the pressures on the PPF to pay significant numbers of pensions?

Alan Rubenstein: Well, I think we have to remember that we are dealing with an established back book, as the insurers would call it, of around 12 million people who are covered by defined benefit schemes. I do not expect that to reduce very sharply in the short term.

In terms of the impact on the PPF, I am fairly comfortable that greater choice is going to be a benefit. It is clear that, if there is greater provision, the chances of people falling back on the PPF ought, in principle, to be reduced. However, it depends, where that happens, as

Mr Graham suggests, on a large shift out of DB schemes to DC schemes. In that case, there would certainly be a reduced call on the PPF. But I think that we have to wait to see at what pace that takes.

Q47 Gregg McClymont: May I move on to ask the questions that I was encouraged to ask by hearing the FCA representative's previous answers? David mentioned that the FCA has sight throughout the pensions chain. What are the transaction costs? In particular, we know that in the 2014 Pensions Bill, the 2000 Act was amended so that the FCA now has the ability to set general rules around the disclosure of transaction costs. Where are you in that process? Are you able to say at this stage what those roles will be and when they will be enforced?

David Geale: We are doing quite a lot of work at the moment looking at transaction costs, both in terms of what they are and what should fall within the definition of transaction costs. We are also looking at what and when should be disclosed and how. The two key deadlines are: April 2015, when the independent governance committees will need to be able to make an assessment of value for money and will need information on transaction costs, in order to be able to do that, and April 2016, by which point the intention is to have a standardised disclosure of those transaction costs.

We have done a lot of work with the DWP, the Pensions Regulator, and representatives of industry and consumer groups looking at what should fall into the category of transaction costs. Our intention is to publish a document in the first quarter of next year looking at what should be in that category for standardised disclosure. There will be a requirement for firms within the chain to report to IGCs in terms of what those costs are from April 2015, which is when they will be in a standardised format.

Q48 Gregg McClymont: Thank you. On a related point, you mentioned the independent governance committees—I know that your consultation has just closed on those. In the FCA's opinion, are there any potential conflicts of interest in the independent governance committees?

David Geale: The intention is that they will be independent of the firm, reporting to the firm's board on what they have found around value for money. In terms of the responses, some of the issues that have been identified are around the proposal that some of the executives from the firm could be members of an IGC, albeit that the chair and the majority would be independent.

The potential for a conflict there has come out of the responses and is something that we are aware of. We think that that conflict is manageable. Equally, there is a role for us in ensuring that the IGC has an appropriate voice and when it makes a recommendation to the board, the board acts on it. We propose some mechanisms through which that can be escalated if the board does not act.

Q49 Gregg McClymont: As envisaged, if, despite those forms of discussion, negotiation and mediation, it remains the case that the IGC and the insurer continue to disagree, will the IGC be able to continue to impose its view in the public interest?

David Geale: The IGC as proposed would have the option to publish its report and make public its concerns. They would also have the ability to report the fact that the board was not taking account of their concerns to the FCA. From our perspective, if there is a governance structure within the firm and it raises concerns that the board is not addressing in some way, we would obviously have concerns that we would have to take action with the individual firm.

Q50 Gregg McClymont: Just to observe finally, the notion of governance goes into some tension there, because it does not seem from the FCA's answer that the governance committee is able to govern in a very critical sense.

David Geale: There is an interesting thing around the terminology. The IGCs do not have power to act and make changes within the firm. They would make reports to the board, in terms of the changes they expect to be made and the issues they found around value for money. You are right—the committee is not a governance feature within a firm because it cannot physically make the changes; it would be asking the board to do it. If the board is not making those changes, it would be making that public or asking the FCA to take action with the firm. I see no reason why the assessment of value for money that they have been set up to do should not be effective. Whether it should be called a governance committee—I take the point.

Q51 Gregg McClymont: To be fair, it sounds like an advisory committee rather than a governance committee.

David Geale: I take the point. That is effectively what it is doing—giving advice to the firm. However, the firm has to take account of that advice and would be expected to take some form of action as a result of it. It is not a decision-making body in terms of requiring the firm to do something different.

Q52 Dame Angela Watkinson: May I go back to the previous questions on the PPF? On shared risk schemes, is it possible that in some cases only part of the scheme could fall under the ambit of the PPF? If that was the case, how easy would it be for savers and trustees to understand?

Alan Rubenstein: My expectation is that if there is a combination of benefits, but those benefits are a part of the benefit that is included in, for example, a pure DC—a money purchase—element, the expectation would be that that element would be bought out directly and the rest of the defined benefit scheme would be protected by the PPF.

Q53 Steve Webb: May I go back to the FCA and the issue of product regulation? Quite why I am doing this, I am not sure, but I am playing devil's advocate. Next April we may get new products—flexible drawdowny-type things; we do not know what they will look like yet. The FCA does not pre-approve products, so someone could try to sell a slight flaky drawdown product, things could go wrong and then you would clear up the mess. What pre-emptive things can you do to stop people being sold unsuitable, bad value for money products and so on? What are your product regulation powers and how far can you use them in advance of things going wrong?

Christopher Woolard: In general, we do not pre-approve products, as you said. We have a range of product intervention powers that allow us to take quite early action when we believe something is going wrong. That could mean moving to an immediate ban of the marketing or the complete sale of a particular product. We can do that on a permanent basis, and now, under the latest legislation, we have the ability to take a temporary banning power, which we can impose for up to a year while we work out whether something really has gone wrong and what the proportionate course of action would be.

David Geale: In addition, our supervision team is working with insurance companies now, looking at their post-April strategies and the products they are thinking of developing. We have a series of rules and expectations around product design and so on. I suspect it is not the larger firms in which we are going to see the problem in this instance; some of the smaller, more esoteric investments are probably the more scary things, but we have taken quite a range of action in that area already.

Q54 Steve Webb: Obviously, you cannot reveal the details of your conversations with providers but, based on those conversations in general, do you think we are going to see substantial product innovation on day one or will that evolve?

David Geale: My feeling is probably not on day one. At the moment, we are seeing that they are looking more to plug gaps in their own ranges. That is not to say that somebody will not stick their head above the parapet with something new and different, but we are certainly hearing a lot of talk about people considering different types of products. Obviously, there is an interaction with things such as long-term care and a whole range of opportunities, potentially, for new and different products to emerge.

The Chair: If there are no further questions from Members, I thank the witnesses for their evidence and we will move on to the next panel. Thank you very much. We will suspend the Committee.

10.5 am

Sitting suspended.

Examination of Witnesses

Michelle Cracknell, Caroline Rookes and Jackie Spencer gave evidence.

10.15 am

The Chair: We shall now hear evidence from the Pensions Advisory Service and the Money Advice Service. We have until 11am for this session. I welcome the witnesses. Will you please introduce themselves for the record?

Michelle Cracknell: I am Michelle Cracknell, chief executive of the Pensions Advisory Service.

Caroline Rookes: Caroline Rookes, chief executive of the Money Advice Service.

Jackie Spencer: Jackie Spencer, propositions manager, Money Advice Service.

The Chair: Thank you. I call the shadow Minister first.

Q55 Gregg McClymont: If guidance is a single event, as it appears to be in the Government's plans, how will that guidance assist an individual seeking the necessary way, perhaps 20 years later, to switch from a draw-down product to an annuity?

Caroline Rookes: Shall I start? One thing we are clear on is that retirement is no longer a one-off event. With the changes in the Budget, increased longevity and various other things, people are more and more approaching retirement in stages, and we at the Money Advice Service are clear that the guidance and support we provide has got to cover people through those stages. It has to start early, before people are even thinking about the point of retirement, to try to get people to ensure they are saving enough for retirement. We want to help people at the point when they consider retirement, and beyond that when their needs or circumstances change, up to the point where they may be considering extra costs.

The way we are developing our support and services is, in a sense, to provide people with the journey through from before retirement right up to the point that they are older and need to think about the extra costs of care, rather than a one-off. The way I see the guaranteed guidance working is that that will be the basic building block. It is a point in time when people will be thinking about retirement and they will get their guidance guarantee, but a lot of them will inevitably need help on top of that and we will be there to provide it for them.

Michelle Cracknell: I would like to answer the question in two parts, because we will have two roles. First, there is our role of delivering, on behalf of the Treasury, the guidance service at the point that it is triggered by either the provider or the scheme. We will be providing guidance at that point and getting people to think about their retirement plan.

The second service is that we are already the Pensions Advisory Service that can deliver guidance at any time. We share the ambition of the Money Advice Service to try to get people to plan earlier and more consistently. One of the tricks of the guidance, if you like, and to get it to have real resonance, will be for it to have a halo effect, not just for the delivery of the at-retirement service that is being run by the Treasury but of more people taking opportunity of the guidance that is already being provided by the Pensions Advisory Service and the Money Advice Service.

Q56 Gregg McClymont: Thank you. If you will allow, Chair, I would like to put a follow-up question to both organisations. We know that the annuities market, as things stood and stand until the changes, to an extent failed because individuals did not exercise the open market option and shop around. Why do we think that this offer of a form of open-market guidance will be more successful?

Caroline Rookes: My view is that we have got a lot to build on in terms of understanding how much consumers know and how much—more importantly—that they do not know. We have a lot of behavioural economics now to understand what will help people to engage and how we can approach people so they will engage. The changes to pensions that were announced in the Budget and last week have generated a lot more interest, so we are in a good place to engage people to take up the offer. We cannot guarantee that they will take it up, but I think there will be a lot of interest in taking it up. We have done a lot of consumer research that tells us that people are confused and will need guidance and support. We hope that the letters that will go out to tell people about the guidance guarantee will be simple and will try to get people to take advantage of it. As Michelle said, we need to ensure that even if people do not take up the guidance guarantee there is a lot of support that they can use instead of the guidance guarantee.

Michelle Cracknell: At the moment, 15% of our calls are from people at retirement age. The overwhelming evidence that we have about those calls is that people find the current retirement process, the volume of information they receive and the language in the packs impenetrable, so they put it on the too-hard pile. Alongside the guidance, we need to look at how strong the providers' call to action will be to ensure people take up the scheme. We must not overwhelm people with a huge amount of information about their pension scheme at the outset, because that will cause an adverse reaction and people will not act at all. In addition to the introduction of the guidance, we would like the information that people receive at retirement to be streamlined.

Q57 Gregg McClymont: Finally, is there a danger that if the pension providers' call to action is not strong enough, a substantial number of people will be rolled over in an inertia-based system into a product that looks a lot like an existing annuity?

Michelle Cracknell: I agree. If the call to action is not strong enough, not enough people will take up the guidance. The implication of that, I fear, is that more people will cash in their pension fund or make the wrong product decision. Therefore, we urge the FCA to have a strong call to action for the guidance service.

Q58 Dame Angela Watkinson: When you give advice about how to make best use of pension savings, does it include the comparative advisability of whether a person should continue to pay existing debt—mortgages, credit cards or other loans—or whether they should use capital from their pension pot to pay it off, and what impact that will have on their benefit entitlements in the future? I have a separate question about other forms of financial advice. I have a lot of constituents who had fairly modest incomes throughout their working lives, so have fairly modest pensions, but are classically asset rich, cash poor because their homes have increased in value beyond their wildest dreams, so they may be looking for schemes that will protect their children from inheritance tax. Some consider equity release schemes on the value of their properties. Does the package of advice you give to people include that sort of advice?

Caroline Rookes: The short answer is yes. We certainly look with the individual at their circumstances in the round, and it is critical that we look at their liabilities. A lot of older people take mortgages into retirement, which is an issue. We look at their debts and we get them to consider their assets. We help them to understand the options that are available to them and the pros and cons. We cannot recommend specific products to them, and with something such as equity release or income drawdown, there is usually a need for a product recommendation. So what we will do at the Money Advice Service is to give people information, or talk them through the information, and then refer them to regulated advice, where that is necessary, and it probably will be necessary for both equity release and income drawdown.

However, one of the things that we are doing, and we will have it in place in time for April, is that we are developing a new retirement adviser directory, which will be a single directory of regulated advisers who are prepared to offer regulated advice to people regardless of how modest their circumstances are. We are working with the advice community and many others now to put that directory together. So we hope that, going forward, we will make it very clear to people when they need to consult regulated advice, and we will make it much easier for them to do that.

Q59 Kwasi Kwarteng: With regard to the guidance guarantee, if people do not initially take it up, how will you reach out? What sort of methods will you use to reach out to those people who have not taken up the initial guidance?

Michelle Cracknell: I think that it is going to be the role of the FCA to decide on the standards that will apply to the providers and schemes to trigger the guidance sessions. For our business as usual, we will continue to promote the access to guidance that is available to members of the public, but it will need a concerted effort by the providers and schemes to push people into the guidance, because our experience is that people tend to act when an event is happening. That is why the providers and schemes play a very important role in putting people into the guidance system.

Q60 Kwasi Kwarteng: So you do not see reaching out to people who have not taken up the initial guidance as part of your role?

Michelle Cracknell: We do see that as part of our role under business as usual, but I also see it as part of the guidance service being delivered by the Treasury. It is part of the Treasury's role, in conjunction with the FCA, which will set the standards for the providers and the schemes to trigger the call to action.

Q61 Kwasi Kwarteng: So it is part of your role, but it is also someone else's role?

Michelle Cracknell: Correct.

Q62 Kwasi Kwarteng: But in terms of your bit—your responsibility—how will you engage with people? What sort of methods will you use? Will you ring them up? How are you going to do that?

Michelle Cracknell: What we do currently, under business as usual, is to promote our helpline, and through comments in the media and by appearing in industry packs, we will show we are available, as is the Money Advice Service, if they seek guidance. So we will continue to do that under business as usual.

Caroline Rookes: The other thing that we do, again as part of business as usual, is to partner with a lot of organisations that are dealing with the particular segment of the population that we want to work or engage with.

So we will work with Age UK, other charities dealing with older people and with local authorities, to try to ensure that people are absolutely aware of the help that is available.

Q63 Stephen Hammond: Twice during answers, I heard you say that setting the standards is clearly the responsibility of the FCA, and the Committee questioned the FCA about its philosophical approach. You are obviously responsible for delivering the guidance. Can we just be clear about what conversations you have had with the FCA about what you think should be in the guidance guarantee?

Michelle Cracknell: May I answer that in two ways? We are having two sets of conversations at the moment: one is with the Treasury, about the design and build of the guidance service that we will deliver; and the second is that we put our submission in to the FCA and spoke to its officials prior to our submission about the quality of the people delivering the guidance, the qualifications they would need and what should be in the content of the guidance. In addition, we referenced, as I talked about earlier, the necessary call to action to enforce schemes and providers to get their members and policyholders taking up the guidance.

Q64 Stephen Hammond: When was that written submission made? Has there been any subsequent conversation between you and the FCA about the content of that submission?

Michelle Cracknell: The submission went in on 22 September, and we have not spoken to the FCA since then.

Q65 Stephen Hammond: Given the potentially truncated time period, and given that you do have a role to play under business as usual, what are you doing to inform people who are giving guidance about what will be in the Bill and about their responsibilities prior to the guidance guarantee coming into place?

Michelle Cracknell: Sorry, could you repeat that question?

Q66 Stephen Hammond: You have spoken several times about business as usual, which is giving guidance. Clearly, that guidance will now have to extend to the limits or the entire remit of the Bill. I wonder what you are doing, in front of the guidance guarantee, to ensure that people who give guidance recognise that they will have to make sure they have the skills to take account of what is in the Bill.

Michelle Cracknell: Right. Under business as usual, we are picking up a lot of calls from people asking what they can do in April 2015 and about the implications. We are dealing with those with our current helpline, which is staffed by pensions specialists who typically have 10 years' worth of pensions experience. Those people are giving guidance on the issues relating to people's pension schemes, but also opening up people's minds to some of the other things they should think about.

In reference to one of the earlier questions, we are increasingly finding that people are talking to us about their retirement plans and the fact that they have continuing debt. We acknowledge that and we reference and signpost them to the people they need to talk to, either about rearranging their mortgage or, in extreme cases, getting debt counselling regarding their mortgage. We play a signposting role and look at the overall retirement position, and specifically answer questions about the new options that are available from April 2015.

Q67 Stephen Hammond: Thank you. I would like to ask one last question. In your submission to the FCA about the guidance guarantee, did you suggest that the guidance that was given out in future should also talk about non-pension options?

Michelle Cracknell: Yes, we did.

Q68 Richard Graham: Perhaps I may turn to the business of April 2015. I do not think that the phrase "business as usual" will apply in April 2015; it will be business as never before. There will be a combination of new pension flexibilities coming in, the Taxation of Pensions Bill coming out, and lots of providers referring individuals to you. What preparations have both your organisations made for what could be a perfect storm? It will be like a combination of passports in the summer and immigration at the Olympics, all heading your way. Are we going to see website crashes, telephone overloads, everybody arriving at once and—goodness knows—even politicians and the media in April 2015 possibly being keen to deploy the word "shambles"? What sort of discussions have you had among yourselves with the Department for Work and Pensions and others to ensure that it will not be possible for that word to be applied with accuracy?

Caroline Rookes: As you will have heard last week, we are not directly delivering the guidance guarantee. However, we certainly anticipate an upsurge in business. We are revising our website and building a number of new tools to help people with the retirement journey, and ensuring that it has extra capacity. The contracts for the face-to-face and telephone services are very flexible. We have had discussions with the providers about contingency arrangements, should we need to build in more capacity.

Michelle Cracknell: The Treasury is apparently trying to estimate what the volumes would be, and between now and April 2015 the Treasury will be running pilots to try to test what the volume and take-up will be. In addition, they are looking at people getting the guidance in advance of April 2015, if they are going to make the decision in April 2015 to take action on their pension fund. We have been working with the Treasury, both on the pilots and of course we are also picking up the budget calls anyway.

I think our concern is that people do have access to the guidance prior to acting in April 2015, because of course the decisions they could be taking in April 2015 may be irreversible. We are very keen that people call us in advance of that date, either under one of the pilots or under business as usual, before they rush to take action by contacting their provider and scheme in April 2015.

Q69 Richard Graham: May I recommend that you look really closely at stress testing every conceivable scenario? I think it is going to be much greater in those first few weeks than just beefing up the number of people on the telephones.

What sort of interface is there between your two organisations? What is to prevent somebody from ringing, first, the Money Advice Service and getting one lot of guidance and then, secondly, calling the Pensions Advisory Service and getting different advice, and then publicising the fact that they are getting different advice? How are you going to check whether people have received one lot of advice, two or possibly three, with one from a citizens advice bureau? What sort of interface is there?

Caroline Rookes: Michelle is probably better able to talk about working with the CAB but I would assure you that, at the moment, irrespective of the new changes, we work very closely together and have what we call a warm hand-off. So if somebody comes through to us by telephone and it is clear that what they need is a more technical discussion on pensions, we will deal with the general issues and then hand them straight across to the Pensions Advisory Service and vice versa.

Q70 Richard Graham: But when they ring in can you click on your computer and see that Mr Peter Smith, or whoever he or she is, has already had guidance from another place?

Caroline Rookes: That I do not know. I do not think the plans are so far developed to be able to answer that question yet.

Michelle Cracknell: I agree with Caroline. We do not know whether there is a going to be an integrated CRM system holding the details of the people who have specifically opted for the guidance service. We currently keep records of everybody that calls us, so we know whether they call us more than once. As Caroline said, when the query goes beyond pensions, we will try to signpost them to Money Advice Service and sometimes to CAB or other people that can help.

Q71 Richard Graham: Given what is coming down the line very fast and that we are in late October, do you think it would be helpful to have those discussions on whether there will be joint access to CRM?

Caroline Rookes: The decision about CRM will be a decision for Treasury. We are talking to Treasury and I have a team of people working there on this but the decision about the technical solutions is for Treasury. We are keeping closely in touch with each other and with Treasury.

Q72 Steve Webb: May we move on to the question of defaults? We have thought very hard about what happens when people make no active choices when they are accumulating their pension pot. I would be interested in your reflections on people who reach 55 or an age when they might reasonably think about doing something with their pension. Are you content that the situation is satisfactory as things stand if they do nothing, or do you think we need more protections in place for people who just do not act, who just leave their cash somewhere, so perhaps it is not being invested in a very useful way for them because their provider thinks they might take it out at any minute? Do we need to do any more on defaults at that point?

Caroline Rookes: My view would be yes, we need to look at it. We know that inertia governs a lot of what people do and do not do. A lot of people will be confused by the choices. Inevitably there will be people who do not use the support and guidance that is there and we need to ensure, as far as possible, that they do not end up in a very difficult place because they have not made an active choice.

Q73 Steve Webb: What might a default look like?

Caroline Rookes: I have not given it a huge amount of thought. I am afraid I cannot answer that question.

Michelle Cracknell: Providers of the schemes have a duty to communicate with their customers. They have talked a lot about that, relative to the guidance, and so their role in continually reminding people about the benefits they have available is important, to stop people not acting. However, at the moment, one of the things we see more often is that people get a retirement pack and think that they have to take the benefits, when, of course, their selected retirement date and their real retirement date are some way apart, the latter being later in their life span. Therefore it will be important that those people do not rush into actually taking benefits.

There is another issue that the industry needs to address about the investment options that people have in respect of their schemes. Particularly if you have been a deferred member in a scheme, when you reach your selected retirement date, you could find that your fund effectively is all in cash or fixed interest. If you are not taking the benefits, that scheme will need to communicate with you what options are available if you are extending and leaving the money invested.

Q74 Steve Webb: Briefly, if I may. Some people say that there are not enough people out there to provide guidance. Can you, perhaps particularly Michelle, give the Committee a feel for your view on capacity on the provision side? Are there enough people out there who can do the job?

Michelle Cracknell: We believe that there are enough pension specialists available to deliver the guidance. We have just started to recruit 16 new people to our helpline team in preparation. That is our first wave of recruitment and we have received a high number of applicants. I cannot tell you the exact number that has been available, but that was without advertising. Subsequently, we will go out and search for more people, so that we have sufficient numbers. Our feeling for the number of people that we would require to deliver our part of the guidance service is that there are enough pension specialists to recruit.

Q75 Debbie Abrahams: May I follow up the Minister's questions? What overall volume of people do you think you will be dealing with who will need advice? I appreciate that you say you have recruited 16 people. However, there are other schemes where there is a lack of capacity, but it was said that there was enough.

Michelle Cracknell: The Treasury is trying to reach a number as to what it thinks the take-up rate will be. Our ambition is that the take-up rate will be very high, with over 75% of people taking the guidance. However, we do not think that that will be the position from day one. We think that because of the nature of the calls we are receiving at the moment from people where the defined contribution pension is a very small element, who have other pension provision elsewhere. That suggests that there will be less interest in taking the guidance, because it is a smaller decision for the individual to take. Our initial estimate of the take-up rate of the guidance service is more likely to be around 25%. We will then need to work hard to drive it up, especially as defined contribution becomes a bigger element in people's pension provision.

Q76 Debbie Abrahams: May I ask 25% of what?

Michelle Cracknell: It is 25% of the number that the Treasury has been working on. It says that there are about 400,000 people retiring with defined-contribution pension pots each year.

Q77 Debbie Abrahams: May I ask another question? It is more general and related not just to the guidance guarantee. There is going to be additional risk for individual pension savers. In terms of all the measures available—guidance guarantee being one of them and your responsibility around that—do you all think that there are sufficient safeguards within the system? What else needs to happen in terms of regulation and the implications for the regulators and the industry as well?

Caroline Rookes: I will let you go first on that one.

Michelle Cracknell: You are right to highlight this. Certainly, since the Budget and even before then, we were increasingly getting people calling us who were suspicious because they had received cold calling about pension reviews and other pension scams. The issue we will have from April 2015 is of course that it is completely legal to cash in your pension fund and invest in an unregulated investment. Therefore, we will see individuals moving themselves unknowingly into an area where there is no protection and no regulator.

Our difficulty is that, however much regulation is put in place, it is a bit like a balloon being squeezed; something will pop out elsewhere. I believe there is a big duty ahead. We have been working with the pensions regulator in raising people's awareness about cold-caller approaches on reviews of pension schemes and about the investments being offered, particularly those that move people into an unregulated environment with no recourse if it goes wrong.

Caroline Rookes: To add to that, I agree with what Michelle has said. It is vital that we share intelligence across the industry, across regulators and across the Government, so that where scams or issues appear to emerge, we can all quickly and consistently get on top of them and ensure that people are signposted to the right help. I think we will need to be vigilant in the early days and monitor very closely what is happening.

Q78 Debbie Abrahams: I appreciate that we have a regulatory framework and so on, but what about the industry itself and how it is behaving ethically?

Caroline Rookes: At the moment, we are working very closely with the industry. As far as I can see—I do not know whether Michelle would agree with me—it is keen that we all work together to make a success of these reforms.

Michelle Cracknell: To add to that, the pensions industry is putting in a code of conduct, which is aimed at tackling pension liberation and the questions and due diligence that a scheme should do before transferring out to another scheme. The extension of that, in the new reforms that come in from April 2015, comes back to the point about the call to action for the guidance. We would look to the FCA to put in standards, so that the schemes and providers push people to get the guidance before they take the action, which could be irreversible and, worse still, could move them out of a regulated environment into an unregulated one.

Q79 Dame Angela Watkinson: We have heard about the fairly wide-scale recruitment of pension advisers to meet the anticipated demand. Could we hear a little bit about any training that is being given to ensure that there is consistency in the quality of advice that is given?

Michelle Cracknell: We already have plans in place from our existing business about how we train new pension specialists into our helpline service. We recruit people who typically have 10 years of pensions knowledge. We recruit them on the aptitude of being able to speak to the public. When they join us, they go through a programme of being trained about the skills of communication with the public, both in written format and verbally. For example, all the people on our helpline go through Samaritans training as part of their work, and that is refreshed on a regular basis. We will be doing the same thing for the staff that we recruit on the guidance. They will go through the same training programme. It usually takes about two months, and it goes from desk-based exercises to watching other people doing the job, close supervision and then mentoring. We think it takes about two months, once someone has joined us, to get them ready to answer telephone calls on the helpline.

Q80 Mr Love: May I come back to the issue of communication between the provider and the pensioner to signpost them to advice? What would be the minimum that you would require a provider to do to ensure that that is brought to people's attention? I think, Ms Cracknell, you mentioned that an individual should not be allowed to take their pension pot from a provider until the provider is satisfied that they have taken guidance. Could you elaborate on how we would achieve that?

Michelle Cracknell: We think that the provider in the scheme should have a responsibility to promote and encourage people to take guidance.

Q81 Mr Love: But what does that mean in concrete terms?

Michelle Cracknell: You alert them to the fact that the guidance is available, and if they say, "No, I just want to act," you again prompt them: "You should get guidance before you act." It works in a very similar way at the moment on pension transfers. If you do a pension transfer from a provider, a provider will talk to you at least twice and ask, "Have you taken advice prior to doing the pension transfer?" We would see something similar happening on the guidance.

The second part, which I referred to in the answer about the communication pack, is that we think the communication pack needs to be simplified. We think that one of the causes of inaction and default behaviour is the volume of information sent out at retirement. Individuals find it overwhelming and it has the adverse reaction of people either not acting in a prompt way, and therefore leaving it too late, or not acting at all.

Q82 Mr Love: What success are you having in convincing those who have the power to do these things that this is the correct way forward?

Michelle Cracknell: We put it in our submission to the FCA and we have been speaking to the Association of British Insurers about it. In fact, prior to the Budget, we talked to them about the volume of information sent out at retirement and how the experience on our helpline was that people were finding that overwhelming and not helpful.

Q83 Mr Love: You mentioned earlier that you estimate that 25% will take up the guidance. Has any work has been done on what type of guidance that 25% will take up? Will it be telephone guidance, face-to-face or internet-based? Has the Money Advice Service done any work on what type of guidance people are likely to take up?

Caroline Rookes: We have not done work specifically on the guaranteed guidance, because we are not specifically providing the guidance guarantee. In our view, in the normal course of events, the majority of people who come for support and advice on pensions come digitally, but it is for the Treasury, working with the delivery partners, to work out what assumptions they make about the number of people that want to use each channel. I believe that work has been done within the Treasury on customer preference—the number of people who say they would like face-to-face or telephone guidance. Can you elaborate, Michelle?

Q84 Mr Love: Was the 25% you talked about the number you expect to take telephone guidance?

Michelle Cracknell: No, it is 25% overall.

Q85 Mr Love: It is 25% overall. What is your estimate of the number that will come to you for telephone guidance?

Michelle Cracknell: It will depend upon the process that is put in place by the Treasury for the delivery of the guidance, because that will have an influence on the choice of channel that individuals will make. I have not got enough information; we have not seen enough of the design process to make an estimate of the different channels.

Q86 Mr Love: Do you have any estimate of how long an average telephone conversation to provide guidance would be, how long an average interview would be and whether these will be single interviews or collective discussions? Do we have any elaboration of the detail of how guidance will be delivered?

Michelle Cracknell: Yes. We have got, from our existing experience, an average length of phone call for the at-retirement calls, which tend to be the longest calls that we take on our helpline. The average length of call is 25 minutes, and during that time, we can cover all the major issues that an individual needs to think about. In our proposals to the Treasury, we estimated that, in total, a call, including the preparation time and the wind-up of producing an output document, will take about 45 minutes per customer. That is what we have put in our estimates for the delivery of the service.

Q87 Mr Love: Depending on how the proportions work out, the number doing telephone and individual interviews—because I expect that an interview would be even longer than a telephone conversation—we are talking about a significant additional resource. Has any work been done on how much the guidance guarantee will actually cost the industry?

Michelle Cracknell: We have worked out, based on the different levels of guidance conversations that the Treasury want us to do, how many people we will need and what the costs would be, and we have put those forward to the Treasury. Obviously, we are waiting to hear which of those assumptions they want us to run with, so that we can recruit and finalise the actual cost of delivery for the work we do. Just to put it into some form of proportion, during the financial year 2013-14, we dealt with 80,000 on a budget of £3.6 million.

The Chair: Three Members have indicated that they want to speak and we are running a little short of time, so we must move on to hear from the shadow Minister.

Q88 Gregg McClymont: I will be brief. I want to make an observation: so many of the answers that both organisations are giving understandably default back to the Treasury making a decision about things. It is therefore difficult for the Committee to get a sense of a number of factors, because the ghost in the machine, the elephant in the room, or whatever metaphor one wishes to use, is the Treasury.

Michelle, you suggested that you thought that 100,000 of the 400,000 savers coming up towards retirement would use the guidance guarantee—your estimate was a quarter. What does that suggest about the likelihood of good decisions being made by the other 300,000?

Michelle Cracknell: For a lot of people in the initial wave—the first tranche of people coming up to retirement post-2015—the defined-contribution pension is only a small element of their overall pension provision. It becomes a lot more critical as we move towards 2020, when the defined contribution will be for a lot of people the large or only part of their pension provision. We would love the guidance take-up rates to be higher than 25%, but that is our realistic proportion. Of the other 300,000, the level of implication for their retirement will not be as great, but we must get it right by 2020, when it will be very significant if only a few people take up the guidance.

Caroline Rookes: To add to that, we will not necessarily know the number of people who are not taking up guidance, or perhaps taking it up digitally through the new Treasury system, but who are seeking guidance and support elsewhere. If they are getting guidance and support—there is a lot out there—they should be able to make good decisions. Of course, some people will go straight for regulated advice; they are not all going to go through the guaranteed guidance solution.

Q89 Dame Angela Watkinson: Briefly, where an individual has received advice but is unable to make a decision and needs time to think about it, can they come back for further advice? Is there any limit to how much advice one person can access?

Caroline Rookes: My understanding of the guaranteed guidance is that it will be a one-off. People will come out of it with a range of options that they should consider, but also with some clear advice as to where to go to next if they need help. That will be to our services or back to the Pensions Advisory Service, or perhaps to regulated advice or elsewhere.

Q90 Dame Angela Watkinson: So to a range of sources of further information.

Caroline Rookes: Yes.

Q91 Mr Michael McCann (East Kilbride, Strathaven and Lesmahagow) (Lab): Ms Cracknell, in answer to a previous question, you explained that the pension advisers you are looking to hire will need 10 years' experience, and that there will be a two-month training programme. How many people do you expect to have to hire and what salary scale do you expect to have to pay to entice people into the job?

Michelle Cracknell: We currently have two levels of people who work on our helpline: what we describe as technical specialists and assistant technical specialists. The current pay range is that an assistant technical specialist earns somewhere between £25,000 and £35,000, and a technical specialist earns somewhere between £35,000 and £45,000. For the guidance service, we anticipate that we will recruit at the level of the assistant technical specialist, and we are looking at an average salary of £30,000. We have gone to some recruitment agencies and asked whether the volumes of people are available and whether that level of salary would be acceptable to people working on the helpline, and two recruitment agencies have answered in the affirmative—they think that our salary levels are right and that we should be able to find the right number of people.

Q92 Mr McCann: How many people would that be?

Michelle Cracknell: It will depend on the volume estimate given to us by the Treasury on the number of conversations that they want us to deliver during the course of 2015 and 2016.

Q93 Mr McCann: Can I ask you to extrapolate, perhaps based on the 25% proportion that you gave? What would that mean in terms of bodies?

Michelle Cracknell: Yes. If we were to—

The Chair: Order. I am very sorry, but you are not going to get an answer. I am afraid that that brings us to the end of the time allotted for the Committee to ask questions. On behalf of the Committee, I thank the witnesses for their evidence.

Ordered, That further consideration be now adjourned. —*(Dr Thérèse Coffey.)*

11 am

Adjourned till this day at Two o'clock.