

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

PENSION SCHEMES BILL

Ninth Sitting

Tuesday 4 November 2014

(Morning)

CONTENTS

CLAUSES 44 and 45 agreed to, one with an amendment.
Adjourned till this day at Two o'clock.

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Saturday 8 November 2014

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The Committee consisted of the following Members:

Chairs: †MR PETER BONE, MRS LINDA RIORDAN

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

Public Bill Committee

Tuesday 4 November 2014

(Morning)

[MR PETER BONE *in the Chair*]

Pension Schemes Bill

9.25 am

The Chair: I remind members of the Committee to turn their electronic devices to silent. If they wish to take their jackets off, that sounds good.

Clause 44

COMMENCEMENT

The Minister for Pensions (Steve Webb): I beg to move amendment 58, in clause 44, page 17, line 12, after “3” insert

“and section (Pensions guidance) and Schedule (Pensions guidance)”.

This amendment provides for the commencement of NC12 and NS2 by regulations made by the Secretary of State.

The Chair: With this it will be convenient to discuss the following:

Government new clause 12—*Pensions Guidance*.

Government new schedule 2—*Pensions Guidance*—

1 The Financial Services and Markets Act 2000 is amended as follows.

2 After section 333 insert—

“PART 20A

PENSIONS GUIDANCE

333A Introduction and definitions

- (1) This Part is about the giving of pensions guidance.
- (2) “Pensions guidance” means guidance given for the purpose of helping a member of a pension scheme to make decisions about what to do with the cash balance benefits or other money purchase benefits that may be provided to the member.
- (3) In this Part—
 - “cash balance benefits” has the meaning given by section 152(5) of the Finance Act 2004;
 - “money purchase benefits” has the meaning given by section 152(4) of the Finance Act 2004;
 - “pensions guidance” has the meaning given by subsection (2);
 - “pension scheme” has the meaning given by section 150(1) of the Finance Act 2004.

Giving of pensions guidance

333B Treasury’s role in relation to pensions guidance

- (1) The Treasury must take such steps as they consider appropriate to ensure that people have access to pensions guidance.
- (2) The Treasury may—
 - (a) seek to increase awareness of the availability of the guidance;

- (b) undertake or commission research relating to the giving of the guidance.

333C Giving of pensions guidance

- (1) The bodies listed in subsection (2) are to give pensions guidance in accordance with arrangements made with the Treasury.
- (2) Those bodies are—
 - (a) the Pensions Advisory Service Limited;
 - (b) the National Association of Citizens Advice Bureaux;
 - (c) the Scottish Association of Citizens Advice Bureaux;
 - (d) the Northern Ireland Association of Citizens Advice Bureaux.
- (3) The bodies listed in subsection (2) may give pensions guidance by arranging for it to be given by another person (including another listed body).
- (4) The National Association of Citizens Advice Bureaux, the Scottish Association of Citizens Advice Bureaux and the Northern Ireland Association of Citizens Advice Bureaux may jointly carry out their functions of giving pensions guidance.
- (5) The Treasury may by regulations repeal one or more of paragraphs (a) to (d) of subsection (2).
- (6) Regulations under subsection (5) may make consequential amendments of this Act.

333D Financial assistance to bodies involved in giving pensions guidance

- (1) The Treasury may make grants or loans or give any other form of financial assistance to—
 - (a) the Pensions Advisory Service Limited;
 - (b) the Northern Ireland Association of Citizens Advice Bureaux.
 (For the power to make grants to the National Association of Citizens Advice Bureaux and the Scottish Association of Citizens Advice Bureaux see section 40A of the Consumers, Estate Agents and Redress Act 2007.)
- (2) Any grant, loan or other form of financial assistance under subsection (1)—
 - (a) is to be made or given for the purpose of enabling the body to carry out its functions under section 333C(1), and
 - (b) may be made or given subject to such other terms as the Treasury consider appropriate.
- (3) Any expenses incurred by the Treasury under this section are to be met out of money provided by Parliament.

Designation of guidance providers

333E Designation of providers of pensions guidance

- (1) In this Part “designated guidance provider” means—
 - (a) the Pensions Advisory Service Limited,
 - (b) the National Association of Citizens Advice Bureaux,
 - (c) the Scottish Association of Citizens Advice Bureaux,
 - (d) the Northern Ireland Association of Citizens Advice Bureaux, or
 - (e) a person designated by the Treasury as someone who must, in giving pensions guidance, comply with standards set by the FCA under section 333G.
- (2) Before designating a person under subsection (1)(e), the Treasury must—
 - (a) consult the FCA,
 - (b) notify the person to be designated, and

- (c) consider any representations made.
- (3) The Treasury may revoke a designation under subsection (1)(e).
- (4) The Treasury must give notice in writing of a designation under subsection (1)(e) or the revocation of a designation under subsection (3) to the person designated or (as the case may be) the person whose designation has been revoked.
- (5) The Treasury must send a copy of a notice given under subsection (4) to—
- all other designated guidance providers, and
 - the FCA.
- (6) The Treasury must from time to time publish, in such manner as they consider appropriate, a list of the persons who are designated under subsection (1)(e).

False claims when giving pensions guidance

333F Offence of falsely claiming to be giving pensions guidance under Treasury arrangements

- (1) It is an offence for a person who is not giving pensions guidance under arrangements made with the Treasury—
- to describe himself (in whatever terms) as a person who is doing so, or
 - to behave, or otherwise hold himself out, in a manner which indicates (or which is reasonably likely to be understood as indicating) that he is doing so.
- (2) For the purposes of subsection (1), pensions guidance given by a designated guidance provider is given under arrangements made with the Treasury.
- (3) In proceedings for an offence under this section it is a defence for the accused to show that the accused took all reasonable precautions and exercised all due diligence to avoid committing the offence.
- (4) A person guilty of an offence under this section is liable on summary conviction—
- in England and Wales, to imprisonment for a term not exceeding 51 weeks or a fine, or both;
 - in Scotland, to imprisonment for a term not exceeding 12 months or a fine not exceeding level 5 on the standard scale, or both;
 - in Northern Ireland, to imprisonment for a term not exceeding 6 months or a fine not exceeding level 5 on the standard scale, or both.
- (5) In relation to an offence committed before section 281(5) of the Criminal Justice Act 2003 comes into force, the reference in subsection (4)(a) to 51 weeks is to be read as a reference to 6 months.
- (6) In relation to an offence committed before section 85(1) of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 comes into force, the reference in subsection (4)(a) to a fine is to be read as a reference to a fine not exceeding level 5 on the standard scale.

Standards for giving of pensions guidance by designated guidance providers

333G Standards for giving of pensions guidance by designated guidance providers

- (1) The FCA must from time to time set standards for the giving of pensions guidance by designated guidance providers.
- (2) A failure by a designated guidance provider to comply with a standard set under this section is actionable at the suit of a private person who suffers loss as a result of the failure, subject to the defences and other incidents applying to actions for breach of statutory duty.
- (3) In subsection (2) “private person” has the same meaning as in section 138D.

- (4) Standards set under this section may provide for subsection (2) not to apply to a failure to comply with a specified provision of the standards.
- (5) The procedural provisions of this Act in the first column of the table apply to the setting of standards under this section as if references in those provisions to the making of rules (however expressed) were references to the setting of standards and with the additional modifications in the second column.

Procedural provisions of this Act

Additional modifications

<i>Procedural provisions of this Act</i>	<i>Additional modifications</i>
Sections 138G and 138H	Treat the references to a rule-making instrument as references to a standard-making instrument.
Section 138I	Treat— (a) subsection (1)(a) as if it were omitted; (b) subsection (2)(d) as if it referred to an explanation of the FCA's reasons for believing that setting the proposed standards would secure an appropriate degree of protection for recipients of pensions guidance from designated guidance providers.
Section 138L	Treat the reference in subsection (1) to consumers (as defined in section 425A) as a reference to recipients of pensions guidance from designated guidance providers.

333H Monitoring of compliance with standards by designated guidance providers

- (1) The FCA must maintain arrangements for monitoring compliance by designated guidance providers with the standards set under section 333G.
- (2) Sections 165 and 167 apply for the purpose of enabling the FCA to monitor compliance but as if—
- references to an authorised person or a former authorised person were references to a designated guidance provider or a former designated guidance provider;
 - section 165(7)(b) to (d) were omitted;
 - the reference in section 167(5A)(b) to the FCA or the PRA were a reference to the FCA.
- (3) Section 175 applies as if a power that the FCA or an investigator has by virtue of subsection (2) were a power under Part 11.
- (4) Section 177 applies as if a requirement imposed by virtue of subsection (2) were a requirement imposed under Part 11.
- (5) References in a provision of Part 11 to section 165, 167, 175 or 177 include the relevant section as applied with modifications by this section.

333I Failure by designated guidance providers to comply with standards: FCA recommendations

- (1) If the FCA considers that a designated guidance provider has failed to comply with a standard set under section 333G the FCA may—
- recommend steps that the designated guidance provider might take to prevent the continuance or recurrence of the failure or to make redress to those affected by the failure, and
 - having made such a recommendation, recommend that the Treasury give a direction under section 333L.
- (2) The FCA must publish a recommendation made under subsection (1)(b) unless the FCA considers that to do so—
- would be against the public interest, or
 - would be inappropriate for some other reason.

- (3) If the condition in subsection (2)(a) or (b) is satisfied in relation to a recommendation but would not be satisfied if the FCA published part only of the recommendation, the FCA may publish that part.

333J FCA policy on making recommendations under section 333I

- (1) The FCA must prepare and issue a statement of its policy with respect to the making of recommendations under section 333I.
- (2) The FCA may at any time alter or replace a statement issued under this section.
- (3) If a statement issued under this section is altered or replaced, the FCA must issue the altered or replaced statement.
- (4) The FCA may issue a statement under this section only with the consent of the Treasury.
- (5) A statement issued under this section must be published by the FCA in the way appearing to the FCA to be best calculated to bring it to the attention of the public.
- (6) The FCA may charge a reasonable fee for providing a person with a copy of the statement.

333K FCA policy on making recommendations under section 333I: procedure

- (1) Before issuing a statement under section 333J, the FCA must—
 - (a) consult the Treasury, and
 - (b) publish a draft of the proposed statement in the way appearing to the FCA to be best calculated to bring it to the attention of the public.
- (2) The draft must be accompanied by notice that representations about the proposal may be made to the FCA within a specified time.
- (3) Before issuing the proposed statement, the FCA must have regard to any representations made to it within the specified time.
- (4) If the FCA issues the proposed statement it must publish an account, in general terms, of—
 - (a) the representations made to it within the specified time, and
 - (b) its response to them.
- (5) If the statement differs from the draft published under subsection (1)(b) in a way which is, in the opinion of the FCA, significant, the FCA must (in addition to complying with subsection (4)) publish details of the difference.
- (6) The FCA may charge a reasonable fee for providing a person with a copy of a draft published under subsection (1)(b).
- (7) This section also applies to a proposal to alter or replace a statement.

333L Failure by designated guidance providers to comply with standards: Treasury directions

- (1) If the Treasury consider that a designated guidance provider has failed to comply with a standard set under section 333G the Treasury may direct the provider to take such steps as the Treasury consider appropriate—
 - (a) to prevent the continuance or recurrence of the failure;
 - (b) to make redress to those affected by the failure.
- (2) The Treasury may give a direction under subsection (1) only if the FCA has made a recommendation under section 333I(1)(b) (although the terms of the direction need not be the same as that recommended by the FCA).
- (3) The Treasury must—

- (a) give notice in writing of a direction under subsection (1), and

- (b) send a copy of the notice to the FCA.

- (4) The notice must inform the designated guidance provider that representations about why the direction should not be published may be made to the Treasury within a specified time.
- (5) Once the time specified under subsection (4) has elapsed, the Treasury must publish the direction unless—
 - (a) the Treasury consider that to do so would be against the public interest;
 - (b) having considered representations made by the designated guidance provider within the specified time, the Treasury consider that it would be inappropriate to do so for some other reason.
- (6) If the condition in subsection (5)(a) or (b) is satisfied in relation to a direction but would not be satisfied if the Treasury published part only of the direction, the Treasury may publish that part.
- (7) A direction under subsection (1) is enforceable, on an application made by the Treasury, by injunction or, in Scotland, by an order for specific performance under section 45 of the Court of Session Act 1988.

333M Directions to designated guidance providers under section 333L: relationship with power to revoke a designation

- (1) The power conferred by section 333L(1) is exercisable in addition to, or instead of, the power conferred by section 333E(3) to revoke a designation.
- (2) If the power in section 333E(3) is exercised before the power in section 333L(1) the reference in section 333L(1) to a designated guidance provider is to be read as a reference to a person who, at the time of the failure to comply, was a designated guidance provider.
- (3) Subsection (1) does not limit the grounds on which the power in section 333E(3) may be exercised.

FCA's duties and power to give guidance

333N FCA's duties

- (1) The FCA must discharge its general pensions guidance functions with a view to securing an appropriate degree of protection for recipients of pensions guidance from designated guidance providers.
- (2) In discharging its general pensions guidance functions the FCA must have regard to—
 - (a) its strategic and operational objectives in section 1B(2) and (3), and
 - (b) the regulatory principles in section 3B.
- (3) In this section the FCA's "general pensions guidance functions" means its functions of—
 - (a) setting standards under section 333G,
 - (b) issuing statements under section 333J,
 - (c) giving general guidance under section 333O (see section 333O(9)),
 - (d) making rules under section 333P, and
 - (e) determining the general policy and principles by reference to which it performs particular functions under this Part.

333O Power of the FCA to give guidance

- (1) The FCA may give guidance consisting of such information and advice relating to its functions under sections 333G, 333H, 333I, 333J and 333P as it considers appropriate.
- (2) Subsection (3) applies where the FCA proposes to give guidance to designated guidance providers generally, or to a class of designated guidance providers, in relation to standards set under section 333G or rules made under section 333P.

- (3) Where this subsection applies, subsections (1)(b), (2)(e) and (3) of section 138I apply to the proposed guidance as they apply to proposed rules, unless the FCA considers that the delay in complying with those provisions would be prejudicial to the interests of recipients of pensions guidance from designated guidance providers.
- (4) The FCA may—
 - (a) publish its guidance,
 - (b) offer copies of its published guidance for sale at a reasonable price, and
 - (c) if it gives guidance in response to a request made by any person, make a reasonable charge for that guidance.
- (5) On giving any general guidance, the FCA must give written notice to the Treasury without delay.
- (6) If the FCA alters any of its general guidance, it must give written notice to the Treasury without delay.
- (7) The notice under subsection (6) must include details of the alteration.
- (8) If the FCA revokes any of its general guidance, it must give written notice to the Treasury without delay.
- (9) In this section “general guidance” means guidance given by the FCA under this section which is—
 - (a) given to persons generally, to designated guidance providers generally or to a class of designated guidance provider,
 - (b) intended to have continuing effect, and
 - (c) given in writing or other legible form.

Funding of pensions guidance

333P Funding of FCA’s pensions guidance costs

- (1) For the purpose of meeting the FCA’s pensions guidance costs the FCA must make rules requiring designated guidance providers, or any specified class of designated guidance provider, to pay to the FCA specified amounts or amounts calculated in a specified way.
- (2) Before the FCA publishes a draft of the rules it must consult the Treasury.
- (3) The amounts to be paid under the rules may include a component—
 - (a) to cover the expenses of the FCA in collecting the payments;
 - (b) to enable the FCA to maintain an adequate reserve.
- (4) In this section the “FCA’s pensions guidance costs” means the expenses incurred, or expected to be incurred, by the FCA in connection with the carrying out of the functions conferred on it by this Part other than by section 333Q.

333Q Funding of Treasury’s pensions guidance costs

- (1) The Treasury must, from time to time, notify the FCA of the amount of the Treasury’s pensions guidance costs.
- (2) Having been so notified, the FCA must make rules requiring authorised persons, or any specified class of authorised person, to pay to the FCA specified amounts or amounts calculated in a specified way with a view to recovering the amount notified under subsection (1).
- (3) The amounts to be paid under the rules may include a component to cover the expenses of the FCA in collecting the payments (“collection costs”).
- (4) Before the FCA publishes a draft of the rules it must consult the Treasury.
- (5) The rules may be made only with the consent of the Treasury.
- (6) The Treasury may notify the FCA of matters that they will take into account when deciding whether or not to give consent for the purposes of subsection (5).

- (7) The FCA must have regard to any matters notified under subsection (6) before publishing a draft of rules to be made under this section.
- (8) The FCA must pay to the Treasury the amounts that it receives under rules made under this section apart from amounts in respect of its collection costs (which it may keep).
- (9) The Treasury must pay into the Consolidated Fund the amounts received by them under subsection (8).
- (10) In this section the “Treasury’s pensions guidance costs” means the expenses incurred, or expected to be incurred, by the Treasury—
 - (a) in giving pensions guidance or arranging for it to be given by designated guidance providers,
 - (b) in meeting the expenses of designated guidance providers incurred in connection with the giving of the guidance (including expenses incurred by virtue of sections 333G(2), 333L and 333P), whether by means of the power conferred by section 333D or otherwise,
 - (c) in providing services to designated guidance providers to support them in giving the guidance,
 - (d) in increasing awareness of the availability of the guidance,
 - (e) in undertaking or commissioning research relating to the giving of the guidance, and
 - (f) otherwise in connection with the carrying out of its functions under section 333B.
- (11) The Treasury may by regulations amend the definition of the “Treasury’s pensions guidance costs” in subsection (10).”

3 In section 1B (the FCA’s general duties), after subsection (7) insert—

“(7A) The FCA’s general functions do not include its general pensions guidance functions (see section 333N(3)).”

4 After section 137FA insert—

“137FB FCA general rules: disclosure of information about the availability of pensions guidance

- (1) The FCA must make general rules requiring information about the availability of pensions guidance to be given by the trustees or managers of a relevant pension scheme to members of the scheme with a right or entitlement to cash balance benefits or other money purchase benefits.
- (2) Before the FCA publishes a draft of any rules to be made by virtue of this section, it must consult—
 - (a) the Secretary of State, and
 - (b) the Treasury.
- (3) In determining what provision to include in the rules, the FCA must have regard to any regulations that are for the time being in force under section 113 of the Pension Schemes Act 1993 concerning the giving of information about the availability of pensions guidance to members of pension schemes with a right or entitlement to cash balance benefits or other money purchase benefits.
- (4) In this section—

“cash balance benefits” has the meaning given by section 152(5) of the Finance Act 2004;

“money purchase benefits” has the meaning given by section 152(4) of the Finance Act 2004;

“pensions guidance” means pensions guidance given by virtue of Part 20A;

“relevant pension scheme” means a pension scheme set up by a person with permission under this Act to establish—

 - (a) a personal pension scheme within the meaning of an order under section 22, or

(b) a stakeholder pension scheme within the meaning of such an order.”

5 In section 138I (rules: consultation by the FCA)—

(a) in subsection (6) (exemption from requirement to carry out a cost benefit analysis), after paragraph (a) insert—

“(aa) section 137FB;”;

(b) in that subsection, after paragraph (c) insert—

“(ca) section 333P;

(cb) section 333Q;”;

(c) in subsection (10) (rules to which requirement to consult the PRA does not apply), after “apply to” insert “—

(a) rules made by the FCA under section 137FB, 333P or 333Q, or

(b) ”.

6 In section 139A (power of the FCA to give guidance), after subsection (1) insert—

“(1A) The FCA may not give guidance under this section relating to its functions under sections 333G, 333H, 333I, 333J and 333P (see section 333O for provision about the giving of guidance relating to these functions).”

7 In section 140A (competition scrutiny: interpretation), in subsection (1), in paragraph (a) of the definition of “regulating provisions”—

(a) in sub-paragraph (ii), after “section 139B(5)” insert “or 333O(9)”;

(b) after sub-paragraph (iv) insert—

“(v) standards set under section 333G;

(vi) statement issued by the FCA under 333J;”.

8 In section 168 (appointment of persons to carry out investigations in particular cases), in subsection (2)(a), after “section 24(1)” insert “or 333F”.

9 In section 429 (Parliamentary control of statutory instruments), in subsection (2) (regulations subject to the affirmative resolution procedure), for “or 262” substitute “, 262, 333C or 333Q”.

10 In Schedule 1ZA (the FCA), in paragraph 8 (arrangements for discharging functions)—

(a) in sub-paragraph (3) (legislative functions that must be exercised by the FCA acting through its governing body), in paragraph (c)(i), for “or 312J” substitute “, 312J or 333J”;

(b) in sub-paragraph (3), after paragraph (d) insert—

“(e) setting standards under section 333G.”

(c) in sub-paragraph (4), after “section 139B(5)” insert “or 333O(9)”.

11 In that Schedule, in paragraph 11 (annual report), in sub-paragraph (1) (matters to be covered in the report), after paragraph (ha) insert—

“(hb) how, in its opinion, it has complied with its duties in section 333N.”.

12 In that Schedule, in paragraph 23 (fees)—

(a) in sub-paragraph (1), in the opening words, after “of this Act” insert “other than sections 333P and 333Q”;

(b) in sub-paragraph (1)(a), after “functions” insert “, other than its excepted functions;”;

(c) in sub-paragraph (2)(a), after “(ca)” insert “but not its excepted functions”;

(d) after sub-paragraph (2) insert—

“(2ZA) The “excepted functions” of the FCA are—

(a) its functions under sections 333E to 333P, and

(b) its functions under section 333Q so far as relating to the collection of payments.”

13 In section 85 of the Financial Services Act 2012 (relevant functions in relation to scheme for investigating complaints against FCA and other regulators), in subsection (4) (legislative functions of the FCA that are excluded)—

(a) in paragraph (c)(i), for “or 312J” substitute “, 312J or 333J”;

(b) in paragraph (e), after “139B(5)” insert “or 333O(9)”;

(c) after paragraph (e) insert—

“(f) setting standards under section 333G of FSMA 2000.”

14 (1) For the purpose of the exercise of a function conferred by a provision listed in the first column of the table, a consultation requirement listed in the corresponding entry in the second column may be satisfied by things done before the day on which this Act is passed.

<i>Provision conferring function</i>	<i>Consultation requirement</i>
Section 137FB of FSMA	Sections 137FB(2) and 138I(1) of FSMA
Section 333E(1)(e) of FSMA	Section 333E(2) of FSMA
Section 333G(1) of FSMA	Section 138I(1) of FSMA as applied with modifications by section 333G(5) of FSMA
Section 333J(1) of FSMA	Section 333K(1) of FSMA
Section 333O(1) of FSMA	Section 138(1)(b) of FSMA as applied by section 333O(3) of FSMA
Section 333P(1) of FSMA	Sections 138I(1) and 333P(2) of FSMA.
Section 333Q(2) of FSMA	Sections 138I(1) and 333Q(4) of FSMA

(2) Where before the day on which this Act is passed the Financial Conduct Authority publishes a draft of proposed standards for the giving of pensions guidance by designated guidance providers—

(a) the consultation requirement in section 138I of FSMA may be treated as satisfied by virtue of sub-paragraph (1) even if the draft is not accompanied by—

(i) a cost benefit analysis, or

(ii) an explanation of the Financial Conduct Authority’s reasons for believing that setting the proposed standards would secure an appropriate degree of protection for recipients of pensions guidance from designated guidance providers, and

(b) if it is, any resulting standards published under section 138G(4) of FSMA must be accompanied by—

(i) a cost benefit analysis within the meaning of section 138I of that Act even if the conditions in subsection (5) of section 138I are not satisfied, and

(ii) an explanation of the Financial Conduct Authority’s reasons for believing that setting the standards will secure an appropriate degree of protection for recipients of pensions guidance from designated guidance providers.

(3) References in sub-paragraph (2) to provisions of sections 138G and 138I of FSMA are to those provisions as applied with modifications by section 333G(5) of that Act.

(4) Where before the day on which this Act is passed the Financial Conduct Authority publishes a draft of proposed rules requiring information about the availability of pensions guidance to be given by the trustees or managers of a relevant pension scheme to members of the scheme with a right or entitlement to cash balance benefits or other money purchase benefits, the consultation requirement in section 137FB(2) of FSMA may be treated as satisfied by virtue of sub-paragraph (1) even if the only consultation before publication was with the Treasury.

(5) In this paragraph—

“consultation requirement” includes—

(a) a requirement to publish a draft;

(b) a requirement under section 333E(2)(b) or (c) of FSMA;

“FSMA” means the Financial Services and Markets Act 2000.

15 Expenses incurred by the Financial Conduct Authority before the day on which this Act is passed in anticipation of the conferral of functions on it by virtue of the amendments made by this Schedule are to be treated as if they had been incurred on or after that day.’

The Schedule inserted by this amendment sets out the legislative framework for the giving of pensions guidance to pension scheme members with a right or entitlement to cash balance benefits or other money purchase benefits by inserting a new Part 20A into the Financial Services and Markets Act 2000 and making consequential amendments.

Amendment (a) to Government new schedule 2, in proposed new section 333B, after “Treasury’s”, insert “and the Department for Work and Pensions”.

Amendment (b) to Government new schedule 2, in proposed new section 333B(1) after “Treasury”, insert “and the Department for Work and Pensions”.

Amendment (c), in proposed new section 333B(2) after “Treasury”, insert “and the Department for Work and Pensions”.

Amendment (d) to Government new schedule 2, in proposed new section 333C after “(3)”, insert “subject to the condition in subsection (3A)”.

Amendment (e) to Government new schedule 2, in proposed new section 333C(3) at end insert—

“(3A) The following people may not give pension guidance—

- (a) persons set out in section 154(1) of the Finance Act 2004;
- (b) persons whose main business is the operation or management of pension schemes;
- (c) persons whose main business is the provision of products or other arrangements that provide or are capable of providing income for persons in retirement;

(3B) A person shall not be excluded by subsection (3A) solely for the reason of providing a Pension Scheme for the employees of that Person.”

Amendment (f) to Government new schedule 2, in proposed new section 333E(1) after “(e)”, insert “Subject to the condition in subsection (1A)”.

Amendment (g) to Government new schedule 2, in proposed new section 333E insert—

“(1A) The following persons may not be designated under section (1)(e)—

- (a) persons set out in section 154(1) of the Finance Act 2004;
- (b) persons whose main business is the operation or management of Pension Schemes;
- (c) persons whose main business is the provision of products or other arrangements that provide or are capable of providing income for persons in retirement;

(1B) A person shall not be excluded by subsection (1A) solely for the reason of providing a Pension Scheme for the employees of that person.”

Amendment (h) to Government new schedule 2, in proposed new section 333E(2) at end insert—

“(1A) The standards in subsection (1) must include—

- (a) a guidance session provided by a designated guidance provider should in general be planned to have a duration of at least 30 minutes;
- (b) individuals in receipt of guidance should be provided with joining instructions at least 14 days prior to the guidance session which sets out the information needed to make the session effective, including the preparation by the individual of a statement of their financial affairs and sources of income in retirement.”

Steve Webb: Good morning, Mr Bone. We now move on to consideration of new provisions and amendments relating to the guidance guarantee, as it has become known, with regard to the Budget freedoms. Government new schedule 2 includes the whole framework for the guidance guarantee and so, as the Committee will appreciate, it is one big slug rather than a set of different amendments that we could debate separately. I apologise in advance, but this will be the longest contribution I will make to our debate. However, I hope the Committee will find it helpful.

I will go through what the new schedule does as well as the content of the guidance guarantee. I am grateful—well, relatively grateful—to my hon. Friend the Member for Amber Valley for his amendments (a) to (h) to the new schedule. I will not deal with those as we go through, but I am sure he will seek to catch your eye, Mr Bone, and if so I will be happy to respond to the issues that he raises.

I am delighted to introduce this group of provisions—it says that in my brief, but I am—and in particular new clause 12, which paves the way for new schedule 2; the schedule sets out the legislative framework for the guidance guarantee. At the Budget we announced what we call freedom and choice in pensions—in our view, the most far-reaching changes for nearly a century to how defined-contribution pensions savings can be taken in retirement. Colleagues at the Treasury have introduced parallel legislation, also currently before the House, to implement the tax changes that permit the new flexibility.

Under the measures, people will have the freedom to access their hard-earned pensions savings in a range of ways. Crucially, however, people may need help to navigate the wider range of choices they will have and work out the right path for themselves. Deciding how to put one’s pensions savings to best use to fund one’s retirement is one of the most significant financial decisions an individual will make, which is why at the Budget we committed to a guidance guarantee, meaning that everyone with a defined-contribution pension will be able to access free and impartial guidance on the available options as they approach retirement. That is set out in some detail in new schedule 2.

Many of the provisions in the new schedule amend the Financial Services and Markets Act 2000, and I will refer repeatedly to proposed new sections 333A and so on, inserted in that Act by the new schedule, which set out the framework. I will start with proposed new section 333A. It defines pensions guidance and articulates the central objective, namely helping people to make decisions about how they use their pension savings in retirement. The responsibilities of the Financial Conduct Authority and the Treasury on financial services currently sit in that area.

Going through the schedule, we set out the role of the Treasury, the FCA and the delivery partners, the Pensions Advisory Service and Citizens Advice. It was announced in July that the Treasury would retain overall responsibility for the guidance service to make sure that it is up and running in good time for next April, and that it would do so not alone, but in partnership with organisations with track records in delivering expert, trusted guidance on pensions and wider personal financial issues. Proposed new section 333B of the 2000 Act puts a duty on the Treasury to put in place the guidance service and ensures the Treasury is accountable for delivering for

[*Steve Webb*]

the commitment made at the Budget to a guidance guarantee. That means that the Treasury can deliver aspects of the guidance itself or make arrangements with other bodies to do so. In fact, the web channel—that is nothing to do with me—of the guidance service is being delivered on the gov.uk website by a Treasury-based team of experts drawn from the Government Digital Service and the Money Advice Service.

In July, the Government gave a clear commitment in their response to the consultation on the Budget flexibilities that organisations providing guidance must be genuinely impartial and not subject to any conflicts of interest that could affect consumers' trust or cause them to question their motives, such as a commercial interest in selling financial products or services. The overwhelming majority of respondents to the consultation were of that view. We want to ensure that the measure works effectively, so we have involved not-for-profit consumer organisations such as Citizens Advice and the Pensions Advisory Service. Those are trusted brands that we want to involve in the process.

There are scammers out there, and the FCA has set up a campaign called “Scam Smart”—difficult to say, but you know it when you see it—to alert people to the risk that someone will come along and say, “I’m from the Government and I’m here to give you the guidance that the Chancellor told you about. Why don’t you put your pension money where I tell you to?”. That is unacceptable, so the new schedules introduce a power to make it a criminal offence for somebody to impersonate the guidance services.

In the interests of giving the Committee all the information it needs, I will just say that I have been given a single-sided copy of my notes, so I am missing alternate pages. At the moment, I am busking the even-numbered pages. Nobody had spotted that so far, but I should mention it just in case the even-numbered pages happen to appear.

The FCA has a crucial role to play in putting in place a robust regime and equipping it to ensure that the guidance is high quality and consistent across our delivery partners. Proposed new section 333E introduces the concept of a designated guidance provider, which signifies that the delivery partners and, importantly, any subcontractor providing pensions guidance to consumers, will be subject to the FCA’s new standards regime. The standards regime is similar to but not the same as the FCA’s regulatory regime, because guidance will not give recommendations and is therefore quite distinct from regulated financial advice.

The Government believe, however, that the FCA has an important role to play in overseeing how guidance is delivered. It is important to be clear to the Committee what guidance is and is not. Guidance will discuss the pros and cons of different types of financial products and services, and many consumers will engage with the regulated financial services market, whether taking financial advice or buying a product, after taking guidance. I want to stress, and I am pleased to do so on an even-numbered page, that guidance and advice will not be in conflict with one another. I have likened it, in the past, to wine tasting and fine wine. I gather—I do not do it myself—that one samples the wine, thinks “Yes, I fancy a bit of that,” and buys a case or whatever it is called.

Mr Michael McCann (East Kilbride, Strathaven and Lesmahagow) (Lab): A box.

Steve Webb: Yes, a box—working-class Tories, I think. The idea is that people receive guidance and they realise they have choices, but they do not feel sufficiently equipped to make those choices; they want to pay for some regulated financial advice. We see guidance and advice as complementary. That is reflected in the levy to pay for the guidance.

FCA standards will help to ensure a high-quality and consistent service across different delivery partners, just as in regulated markets, where the FCA sets rules and supervises firms’ compliance. Many respondents to the Government’s consultation after the Budget agreed that the FCA should have a role.

Proposed new section 333N binds together the FCA’s functions in relation to pensions guidance under a focused new duty to ensure that consumers using the guidance service are appropriately protected. However, the FCA must also have regard to its wider objectives—protecting consumers of financial services, and promoting competition in consumers’ interests and market integrity—as the regulator responsible for the conduct of the financial services industry, ensuring that in setting standards for guidance, it takes into account developments in the market and any wider regulatory interventions.

The Government plan to introduce secondary legislation to clarify the fact that guidance providers are not subject to FCA regulation, which is why, instead, the Bill proposes to make them subject to a new, bespoke FCA standards regime. The Bill designates the delivery partners recently announced by the Treasury and gives the Treasury the power to designate others, and indeed withdraw designation by notice in writing, after consultation with the designee and the FCA. The Treasury must make the list of designated bodies public.

Proposed new section 333G places a duty on the FCA to put in place standards with which designated guidance providers must comply. Standards are, to all intents and purposes, equivalent to FCA rules for regulated markets. Like FCA rules, subsection (2) of proposed new section 333G provides that failure to comply is actionable by a private person—that is, individuals can take designated guidance providers to court for breaching the standards whereby they have incurred a loss as a result. The FCA can specify where any standards are not actionable, where, for example, a standard is high level. I should stress that we do not expect consumers to be bringing lengthy and costly court cases. Like the Financial Ombudsman Service, which helps individuals resolve complaints against financial services firms, there will be robust arrangements for handling complaints about the guidance service, with recourse to an independent adjudicator and ultimately to the Parliamentary and Health Service Ombudsman.

Proposed new section 333O allows the FCA to issue guidance to complement or explain standards, in the same way that it does with rules for regulated markets. Proposed new section 333H places a duty on the FCA to monitor compliance with standards and gives it powers to monitor compliance, broadly similar to the powers it has to supervise regulated firms. It can request information, conduct interviews, obtain evidence and, in extreme circumstances, could obtain a warrant to

enter designated delivery partners' premises if that were necessary. We hope that we will not be raiding the offices of TPAS any time soon, but we have that reserve power.

It is worth explaining at this point how the roles of the FCA and the Treasury complement each other in ensuring the guidance service works effectively—a belt-and-braces approach in other words. The Treasury is responsible for choosing and designating delivery partners and holds the funding levers over them. The FCA will be equipped to set the standards, bringing to bear its insight as the regulator responsible for the conduct of the financial services industry, and to monitor them. That is why the Bill gives the FCA and Treasury a dual-key approach to ensuring delivery partners comply with the FCA's standards. The FCA will be able to make recommendations to delivery partners to remedy any non-compliance and, in the interests of transparency, it will make this public, as in proposed new section 333I, with limited exceptions. It must set out its policy on recommendations, with the consent of the Treasury under proposed new section 333J. It must consult on this policy statement in draft under proposed new section 333K.

While it is difficult to imagine that delivery partners will not respond to such a recommendation, the FCA can, if necessary, recommend to the Treasury that it should issue a direction in writing, copied to the FCA, to designated guidance providers. The Treasury's powers in that respect are set out at proposed new section 333L, and non-compliance with a direction can be enforced through the courts. Like FCA recommendations, directions will, with limited exceptions, be published by the Treasury, after it has considered any representations by the designated guidance provider regarding publication. Proposed new section 333M sets it out that revocation of designation is also an option in cases of non-compliance with FCA recommendations. I apologise for the exhaustive nature of those remarks, Mr Bone, but the new schedule is very long.

Part 4 deals with funding and the levies. Proposed new sections 333P and Q concern funding. Taking 333Q first, this provides for the mechanism for funding the running of the guidance service in future. While set-up costs are being met by the development fund of up to £20 million allocated at the Budget, the Government announced in July that this service will be funded by a levy on the financial services industry. The Government believe that those firms that stand to benefit from better-informed consumers, who are more inclined and better equipped to engage with the financial services industry, should pay their fair share towards the costs of the guidance service. Proposed new section 333Q allows the Treasury to ask the FCA to collect a certain amount to cover the costs of delivering the guidance service. The FCA must then propose, and consult on, how it plans to allocate the levy among regulated firms.

The FCA has already proposed some initial models for allocating the levy, weighted in different ways, and proposed that small firms should pay nothing at all. It is considering the responses to the consultation. Finally, the FCA must seek the Treasury's approval before making the rules for the levy. Once collected, the FCA will pass the funds to the Treasury, net of its collection expenses, which will in turn pay the funds into the Consolidated Fund. Funding for the costs of the guidance service will then be voted by Parliament to the Treasury's budgets

as part of the usual arrangements for departmental budgets. Proposed new section 333Q allows the Treasury to tell the FCA which factors will inform its consent to the allocation, and that the FCA must have regard to those factors.

Proposed new section 333Q defines the Treasury's guidance costs in doing so. It is clear that those costs include cover to fund the delivery partners' costs, its own costs of delivery, awareness raising, research and evaluation, and other relevant costs.

Proposed new section 333P provides for a separate levy to cover the FCA's costs of setting and monitoring against standards and its other pensions guidance functions. That will be paid by guidance providers as a fee to the FCA, in the same way that regulated firms pay. That ensures that the costs of the FCA's monitoring of designated guidance providers are transparent. Proposed new section 333Q provides that the costs of the fee can be met out of the grant given to delivery partners by the Treasury.

Nigel Mills (Amber Valley) (Con): Last week, the Minister said he was targeting some time in March for Royal Assent. Is he confident that these provisions can be in place by then and that there will be enough money in the pot to pay for the guidance, or will that be sorted out through the general fund?

Steve Webb: I am grateful to my hon. Friend for that intervention. We are very focused on the April delivery date. The £20 million for start-up funding is already being spent. We are already working with TPAS and Citizens Advice groups, and money is being spent on preparing the websites. There is a lot going on already, including the spending out of that £20 million to get the system in place for April.

Obviously, the levy will be collected in the new financial year and will pay for provision of the guidance during that financial year. Prior to our discussions, the FCA has already launched a consultation on the structure of the levy. It already collects a levy, so the mechanism is in place. Once the FCA has heard the response to the consultation and reached a decision that is approved by the Treasury, the levy can be collected in the new financial year.

Moving on to part 5, which concerns the crucial issue of signposting, making people aware of guidance and prompting them to engage with it will be key to the success of the service. Historically, consumers have not engaged with decisions about what to do with their pensions at retirement: even though an increasing number of people are aware of the benefits of shopping around, most people still do not do that. Instead, they stick with their current provider and lose out on the best deal.

The pensions flexibilities give individuals a reason to engage and a chance to make a meaningful decision. Interest in pension saving and engagement with retirement decisions have increased since the Budget announcement. The Government want to ensure that providers, as part of their engagement with customers, must tell people about their right to guidance: an impartial source of information and support on their options as they approach retirement, which complements the information they will get from their provider. That is the purpose of proposed new section 137FB.

[Steve Webb]

Rather than prescribe the signposting requirements in statute, the Government have decided to place a duty on the FCA to impose signposting requirements on pension providers through their rules. The FCA, as regulator of contract-based pension schemes, is well placed to specify the detail of—and to monitor compliance with—rules requiring signposting, and to consider how that sits alongside its other rules and requirements on firms to ensure consumers are being treated fairly.

The FCA's rules are flexible and can be updated much more easily than statute. That is clearly important. The FCA has proposed that signposts be included in wake-up packs that are sent out four to six months before the intended retirement date, or when a customer makes contact indicating that they wish to access their pension funds. However, if it becomes clear that different timing or a different approach is necessary to maximise engagement, the FCA can change its signposting rules or make them more or less prescriptive.

As the FCA's recent consultation makes clear, signposting is about more than simply referring to the existence of the guidance service. Signposting should include reference to the fact that the guidance is free and impartial and that it is designed to help consumers with defined-contribution pots approaching retirement to understand and navigate their choices in the new retirement landscape. It should show how guidance can be accessed and provide contact details and the basic information that customers will need to make an informed decision about their pension pot.

Proposed new section 137FB also requires the FCA to consult the Treasury before publishing its draft rules that will apply to FCA-regulated pensions, which are usually referred to by the shorthand of contract-based schemes, as it will be important to ensure that they align with the Treasury's implementation of the service.

My hon. Friend the Member for Amber Valley may be interested to know that the FCA will also be required to consult the Secretary of State for Work and Pensions and to have regard to existing regulations to ensure coherence with requirements on trust-based pension schemes and any proposals to change those requirements. My Department will amend its disclosure of information regulations for schemes regulated by the Pensions Regulator, usually referred to as trust-based, to align with signposting requirements for contract-based schemes set by the FCA.

Finally, part 6 deals with consequential, transitional and commencement issues. Paragraphs 5 to 15 of proposed new section 137FB make consequential amendments to ensure the new provisions fit as part of the 2000 Act. In particular, they allow the FCA's consultation on standards and on rules on signposting and on fees, published earlier this year, to be regarded as fulfilling the consultation requirements in the Bill. That means that the FCA rules and standards will be in place in good time for April, which comes back to my hon. Friend's point, and will allow firms and delivery partners to prepare appropriately to be compliant by April. The Government are considering tabling amendments in due course to commence the guidance guarantee provisions on Royal Assent, so that the legal framework is in place in advance of April.

I hope that that gives the Committee an exhaustive, if not exhausting, account of new schedule 2. I commend Government amendment 58 to the Committee and look forward to the Committee's comments.

9.45 am

Gregg McClymont (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab): It is a pleasure to serve under your chairmanship, Mr Bone.

We now come to the issue that has captured most interest outside this place, and there are good reasons why that interest was piqued. I shall begin with the Minister's remarks on guidance during his exhaustive run, as he described it, through the new schedule. The length of the schedule speaks to the complexity of the legislation that the Government are seeking to implement through it, and through amendment 58 and new clause 12.

If we step back for a moment, it becomes clear that, given the Government's emphasis on guidance, they recognise the complexity and difficulty of the decisions being placed into the hands of individual savers as a result of the Budget reforms. The Government thought that deciding what to do with one's pension pot, at age 55 and onwards, was simple and straightforward. However, the decisions that are going to have to be made are difficult and complex; the Government would not be putting so much emphasis on guidance otherwise.

The question is whether the guidance, as the Minister set it out, appears robust enough to the Committee—and, indeed, to the House and the public. That is an open question. I will go through some of the issues that emerge from the Government's approach to guidance.

First, the retirement income market needs to be reformed; there is no doubt about that. The annuities system was not working effectively for substantial numbers of people. Members on this side of the Committee think that greater options are necessary for people at the point of retirement. What emerges very quickly is the rapidity with which the Government have undertaken these measures. The hon. Member for Amber Valley raised the issue of how confident the Government are that the levy will be raised and in place by April. The Government have set themselves an extraordinarily rapid timetable; one would not want to be awfully cynical and suggest that that timetable is linked to that of the next general election. However, the rapid timing raises questions, given the importance of getting the guidance right, which the Government insist is absolutely critical to making the reforms work for savers.

There has been confusion and a lack of clarity since the Chancellor announced the reforms in his Budget, but that is not surprising. He told the House that people would get advice, but, as everyone in Committee knows, advice and guidance are very different things. From that moment on, there has been ambiguity and a lack of clarity at times around the Government's approach. The Minister has done a manful job of trying to sweep up some of the detritus; the day after the Budget, he was making the distinction between advice and guidance, but that speaks to a larger issue.

As the change comes very fast, there will be a multiplicity of new products emerging on the market. The Government know that. They place such emphasis on guidance because of the memory of the mis-selling scandals that surrounded the pension reforms undertaken in 1986. A

lot of their rhetoric around the reforms is similar to that in 1986. The Government recognise what they missed 30 years ago and are trying to fill that gap through guidance, which is to be welcomed.

Impartial, face-to-face guidance was originally promised by the Minister post the Chancellor's emphasis on advice, and now there are to be different options for people. The guidance will not necessarily be face to face; it could be on the phone or via the internet. That raises questions about whether multi-platform approaches are equally credible and equally likely to deliver high quality guidance. There is a question mark about that. I do not have a crystal ball, but it seems obvious that face-to-face guidance is likely to be the most substantial, although the Minister might have a different view.

When the Minister and the Chancellor introduced the reforms, the Opposition set three tests to gauge the likelihood of the reforms delivering for savers. First, how good will the guidance be and will it deliver? Secondly, there is the fairness test, about the impact that the reforms to the retirement income system have on the building up of the pension pot part of saving—to use the jargon, the linkage is between accumulation and decumulation—and particularly the potential impact on investment strategies that pension funds have to undertake.

For example, one criticism of individual defined contribution is that the pension scheme is managing an individual's pot and does not have the scale of assets through which one can take greater risks and hedge against those risks. Managing an individual's pot 10 years from that individual's retirement date, the pension fund has to move that individual's assets into low-yielding, low-risk assets, usually Government bonds, therefore reducing the pension pot that an individual might otherwise have had. One of the great claims made for collective defined contribution is that it allows the pooling of asset risk to the benefit of scheme members.

If pension schemes now have to work on the assumption that an individual is going to exit at 55, does that have an impact on the investment strategy? Will the same thing, often called "lifestyling of assets", now happen at an individual's pension scheme progression at the age of 45? If someone joins a pension scheme at 25, they have only 20 years of growing their assets in the most beneficial way possible, and then they have 10 years of low-risk, low-return assets. That is what we mean by the fairness test. What does all this mean for the pension pots of middle and lower-income savers? What is the connection between the fees for building up the pot and turning it into a pension income?

We added a third test, which we call the cost test. That is about trying to dig into the potential impact of these changes—the ability to cash a pension pot at 55—on eligibility down the line for means-tested benefits. To draw on the Minister's infamous Lamborghini comment, somebody might be in the scenario of having spent their money and then finding they did not have sufficient income to live on in retirement.

I think it is less likely that people would be imprudent in the use of their savings and more likely that they would simply outlive what they had bargained for. What do such cases mean for eligibility for means-tested benefits, and the potential extra cost to the state? Flowing from that is the issue of social care. Does being able to cash out at 55 impact the relationship with local authorities,

which might insist that an individual pays for social care from that pension pot? Since the pot can now be accessed at 55, down the line it is no longer a pension in the same sense.

Those are important tests. So far the Government have struggled to meet those challenges. That might be due partly to the rapidity with which the reforms are taking place and partly to the Treasury's not being keen to share its modelling on the behavioural impact of the reforms. In that context, I thank the Treasury for providing the memorandum that you, Mr Bone, had said would be useful following the evidence provided to the Committee by the journalist John Greenwood.

In the context of the long-term costs and benefits to the public purse, the absence of evidence from the Treasury showing how the policy had been developed makes it difficult for either side of the Committee to judge the potential risks and rewards. I want to develop the area of risks further. What did the Minister tell us in his run through of new schedule 2? First, that there is to be a multiplicity of guidance options. Online guidance will be available on the Government website and through MAS. Face-to-face guidance will be delivered by Citizens Advice, CAB Scotland and CAB Northern Ireland.

Steve Webb: For the avoidance of doubt, I should say that the role of the Money Advice Service is within the Treasury, working with the Government Digital Service to produce the website for the guidance guarantee, so it is not a MAS-provided website.

Gregg McClymont: I thank the Minister for that useful clarification. Telephone guidance will be provided by the Pensions Advisory Service. The Minister described those as trusted brands. Certainly, CAB has a widespread reputation. TPAS has a good reputation among those who know about it. We have to recognise that most people will never have heard of TPAS. The reputation of MAS is a bit more mixed but, as the Minister said, it will work inside Government rather than provide guidance.

10 am

I take the point about trusted brands but I think it is more complicated than that. Citizens Advice does a very good job but historically has not undertaken this sort of guidance role in such a complex area. We must also be honest and bear in mind the pressure that Citizens Advice is under to deliver a whole range of advisory services across a range of benefits and other legal matters. That raises the issue of capacity. The potential for a capacity crunch will depend on the take-up of pensions guidance. That is a critical point. I said at the outset that the Government recognise, through their emphasis on guidance, how absolutely critical it is that savers have the ability to seek guidance on these difficult and complex decisions. Put most bluntly, how is one meant to estimate one's own longevity? Giving guidance is so important. The fact that take-up could be far lower than 100%—it could be much, much lower—raises its own issues.

A number of witnesses at the evidence sessions were concerned that the FCA has no plans for the second line of defence, as it was called, for those—up to 75% according to at least one witness—who might not take guidance. That is a really difficult issue for the Government.

The Minister made great play of how the Government are absolutely committed to ensuring that those taking guidance—we do not know how many people that will be—are signposted towards advice. He used the analogy of wine tasting and wine consuming. There is a big difference, which is the cost of advice. The guidance is free. What is the current annual cost of advice? A saver goes to a financial adviser to ask about the best annuity under the current system. The National Association of Pension Funds has estimated that the average flat-rate cost is £681. That is a hell of an expensive bottle of wine. My hon. Friend the Member for East Kilbride, Strathaven and Lesmahagow would be looking for dozens of cases of wine for £681.

Steve Webb: Just to pick a random colleague.

Gregg McClymont: It is not random at all. My hon. Friend was the Member who, from a sedentary position, suggested that it was not about a bottle but a case. That is the big difference in that analogy. The cost of advice is significant. We should not be naive about the resistance of savers to paying that kind of money for advice even if it might be in their interests in the long run. That is another issue we cannot ignore. It is worth remembering that the Government initially said that the advice would be face to face. First it was advice; then it was guidance, face to face; and now it is guidance face to face, on the phone or online. One has to ask why.

I mentioned the take-up of guidance. Legal & General undertook a pilot in conjunction with TPAS and others. It offered guidance to 9,000 individuals reaching the point of retirement. Only 225 took up the offer, a princely total of 2.5%. Legal & General's director of retirement solutions, Tim Gosden said subsequently:

"It will difficult to get around consumer apathy without making [guidance] compulsory. The choices are far more complicated and there are so many more opportunities to make big mistakes such as people cashing in their pots, which could have a significant effect."

It is hard to argue with that statement.

The substance of the guidance will be absolutely critical, as I hope my remarks so far have indicated. On the issue of what guidance amounts to, the Minister has described it as giving a saver the pros and cons of various options with signposting towards advice, but there have been significant concerns about whether guidance as currently constituted under the Government's plans will do the job. The Trades Union Congress noted:

"Independent guidance is clearly better than that provided by company sales teams"—

of course it is—

"but half an hour of the best...advice will not equip people for what could be thirty years of managing their pension pot...The annuities market was broken, but what we need is the same careful consideration of policy, consumer preference and evidence that led to pensions auto-enrolment."

The TUC allude to two issues, the first of which is managing a pension pot for 30 years. Guidance is a one-off 30-minute conversation face to face on the web or by phone. It is unlikely to equip a saver for a retirement lasting 30 years. It is easy to imagine circumstances in which it will subsequently make sense for a saver to take out an annuity. It might not make sense at the age of 55, but it might make sense at 75. The

notion that guidance will provide all the answers for savers is unlikely. I reiterate that, since no one can predict their own longevity, there is a fundamental issue to start with—one that annuities were meant to solve by providing an income until death. Of course, the annuities market has not been working effectively in recent years.

The Pensions Minister talked to the Work and Pensions Committee in April about the nature of guidance. Looking at it, it is not actually devastating, but the issue is the substance of the guidance. The Minister and the FCA have made their views clear, but I will quote what the Minister said in April and compare that with what the FCA said in its consultation. The Minister said:

"The thing we are talking about is free to the customer. There is no charge for it. It is what we call 'guidance', rather than independent financial advice, so it is not formal, detailed, or product-specific; you can go and buy that if you want to, but this is familiarising people with the options they have and some of the concepts, even. Most people do not know what an annuity is."

That is similar to what the Minister has said this morning. In its consultation on retirement reforms and the guidance guarantee, the FCA stated that, although it will not be product-specific,

"to be effective the guidance will need to be tailored, providing consumers with sufficient personalised information, so that they can understand their options and make confident, informed decisions about their retirement choices."

It also states that the guidance should ensure that consumers are aware of

"the relevant options, and key facts and consequences of each, including financial consequences, e.g. tax implications."

There was some dubiety during the evidence sessions about the breadth of the guidance to be provided. Will it simply be about someone's pension pot, abstracted from their other assets and liabilities? That is critical. If the guidance is to meet the challenge set by both the Minister and the FCA, it has to be about more than the pension pot. How can an individual make a wise decision about what to do with their pension pot, or pots, if a broader view of their assets and liabilities is not included in the guidance conversation? That is very important.

The FCA is clear that the conversation should include tax implications, but working out the tax implications depends on a broad perspective of an individual's assets and liabilities. That tension can be summed up by asking whether guidance is a portal towards advice or something more substantial. Are individuals making the right decisions about their pension pots, given their assets and liabilities more widely? Will that be part of the guidance conversation, or will that conversation only take place if someone pays for advice? Those questions are critical. Nothing the Minister has said this morning would convince one that it will be a guidance conversation that takes into account an individual's widest financial circumstances.

Debbie Abrahams (Oldham East and Saddleworth) (Lab): My hon. Friend is making a powerful speech about the risks still associated with the implementation of the guidance guarantee. Is he concerned, as I am, that the impact assessment does not refer to an assessment of the risk and to what it could mean for the future incomes of people who do not take informed advice and that the Department has not published a risk assessment?

Gregg McClymont: My hon. Friend makes an important point about the Government's failure to provide concrete evidence about the risks and rewards of the policy direction. It is somewhat inherent for Governments to talk more about rewards. In saying that, this is a particularly obvious example of the upside being promoted, and trying to make a balanced judgment is difficult owing to the absence of the publication of the risk assessment and the behavioural estimates made therein. That speaks to a wider issue to which I alluded earlier: pension policy, for the past decade and a bit, has tended to proceed on the basis of consensus. The auto-enrolment policy, which the previous Government legislated for and the current Government have taken forward, is the product of a decade-long process of dialogue, evidence-based discussion and independent commissioning—no rabbits out of the hat, but sustained discussion.

Richard Graham (Gloucester) (Con): The hon. Gentleman is right to raise the general cross-party consensus on the philosophy of auto-enrolment, but does he accept that, during 13 years, the previous Government unfortunately failed to produce auto-enrolment? It has taken this Government, in a much shorter time, to implement the legislation and ensure that large numbers of people all over the country are saving for the first time. Does he accept that it is not good enough just endlessly to talk about things? We need action.

Gregg McClymont: To be honest, I think the hon. Gentleman is being rather unfair. Auto-enrolment emerged from the Turner commission, which was a successful example of evidence-based analysis by an independent body. The previous Government legislated for auto-enrolment. If he wants me to congratulate the Government on implementing it, I am happy to do so. Surely, a sensible, balanced and fair approach would be to say that one Government put the framework in place and, following a general election at which that Government were ejected from office, the subsequent Government took it on.

Although this is not for this Committee, many other things happened in pensions policy under the previous Government, not least something that I always try to mention when challenged by opponents: the remarkable differences that pension credit made to the poorest pensioners. Some £75 billion has been redistributed to the poorest pensioners so far. I see that Mr Bone is getting antsy, so I will move off that subject, having been beguiled by the hon. Member for Gloucester to go off my main point. I have put on record the fact that the importance of pension credit for the poorest pensioners in this country, who suffered most when the previous Conservative Government abolished the earnings link, should never be forgotten.

10.15 am

Back to the issues at hand: how is consistency of provision to be maintained between these providers and platforms? That is an obvious question. In the evidence sessions, I, and the hon. Member for Gloucester or another Government Member, asked at least one of the representatives of the guidance providers whether there would be an IT system for the sharing of information. How will the Government ensure that capacity is not

stretched further by the same individual going to different guidance providers? The Government have not yet addressed that obvious and basic point.

Stephen Hammond (Wimbledon) (Con): The hon. Gentleman is not undermining the concept of the guidance guarantee; he is just laying out the risks. I do not think that he is suggesting that the Government provide advice of the costs, whatever those costs might be. We have seen similar circumstances where best practice or frameline guidance is put in place later by the regulatory authorities. Is it not likely that that is how the guidance guarantee will proceed?

Gregg McClymont: The hon. Gentleman makes a good point, which takes us on to the regulator. The Financial Services Authority and, so far, the FCA, do not have a wonderful track record on pensions, and we can see why: they have so many other things to regulate. The FSA was simply not equipped, in my opinion, to deal with pensions. The obvious rejoinder is to say that that has been going on a long time and is not just a product of the current Government. That is absolutely true. In my judgment, the FSA was not equipped to do the job on contract pensions and the jury is still out on the FCA's ability to regulate contract pensions and the guidance therein. So the hon. Gentleman makes a good point—that has to be the answer—but there are still questions about the FCA's ability to do that effectively. It has beefed up its pensions team somewhat, but I think it is fair to say that their track record is not great.

The hon. Member for Amber Valley asks how confident the Minister is that the collection of the costs of the guidance guarantee through the levy and then via the guidance providers paying the regulator will proceed smoothly and on time. The Minister said that we will collect in the new financial year, but we simply do not know how much the guidance will cost. The Government have allocated £20 million per year to fund the launch of the guidance guarantee and the rest will be raised by an industry levy, but, unless I am wrong, the Government have not set the level—I think the Minister confirmed that because he has handed it over to the FCA—or stated how much they expect to raise. That remains unclear in the Bill.

More precisely, to be effective, the guidance presumably needs to include a discussion of draw-down and an individual's tax situation. That point goes to the substance of the guidance. I am loth to say, "holistic", which is a word that has emerged out of cultural studies. However, in the round, will the guidance cover an individual's financial situation? I have noted already the issue of the assets and liabilities held by an individual; more widely, there is the draw-down issue. It seems clear that we are moving to a draw-down world. It is worth remembering that the average pension pot in the UK is not at all large. The median is somewhere between £10,000 and £20,000. Savers in that situation will probably take cash, but who can predict that? Above that median, draw-down will become crucial, especially in the long term.

One answer that the Minister might give is, "Well, one step at a time. We will consider draw-down and the regulation behind that as we go forward." However, there is a further issue with the guidance. Will it include the pros and cons of drawing down, relative to an individual's tax situation, when the possibility of a saver making a bad decision might be increased? This goes

[Gregg McClymont]

back to my earlier point that the Government are doing this very quickly and are not providing as much detail as one would expect. The training of the guidance givers will be a significant task in itself and gives rise to questions. We often talk about how complex pensions are; turning a pension into a retirement income is equally complex.

The document “Freedom and choice in pensions: government response to the consultation” indicates that draw-down is likely to be treated similarly to annuities—that is, income is assessed, not capital. In a 30-minute conversation, one can see the tension. How can the Government insist that an individual’s assets and liabilities, both of wealth and income, are included in that 30-minute conversation? So far, it is difficult to have overwhelming confidence that that will happen.

At the moment, the landscape appears to be that the Government have proceeded rapidly to abolish the necessity of taking an annuity. One can see absolutely why that decision has been taken. It would be difficult for me to complain about that, given that I spent so long arguing against the inefficiencies of the annuities market. However, in introducing this reform so rapidly and putting so much weight on the guidance guarantee to deal with the complexities and difficulties of assessing one’s financial situation at the point of retirement, there are significant questions to which we seek answers.

I will lay down some questions to which I hope the Minister can provide answers. First, in response to the hon. Member for Amber Valley, the Minister said that the Government are very focused on getting things in place. The hon. Gentleman did not ask precisely the question that I am about to ask but was concerned about ensuring that the money was in the pot. Can the Minister turn the expression “very focused” into a guarantee that the guidance will be available across the country by April 2015? Is he comfortable that the timetable will be met?

Secondly, to make a familiar request, will the Treasury publish its risk assessment of the delivery of the project, which so far it has refused to do? Thirdly, what are the uncertainties about the amount of tax that will be received by the Exchequer following these changes? Will the Treasury publish its assessment?

I note in the penultimate paragraph of the Treasury memorandum, which was provided under your auspices, Mr Bone, that the Government believe that Mr Greenwood’s figures are a significant overestimation of the risk to the Exchequer. That confirms that there is a risk, but we have no way to judge either it in the narrow sense of the loophole that Mr Greenwood raised or the wider risks of this project. Will the Treasury publish its assessment of this project’s value and the taxation that it expects to receive? Related to that and fourthly, will the Treasury publish any analysis that it has prepared of the distributional and behavioural impact of the Bill?

It might seem odd to ask the Treasury for those things for this Committee, but I operate on the principle of joined-up government that is effective and cross-departmental. It would seem odd if the Minister was unable to insist that the Treasury publish these papers in the interests of transparency.

Fifthly, on a different point not yet covered, will the Minister tell the Committee what safeguards are in place to prevent pension providers from enrolling savers

who fail to shop around into poor-value products? Those who do not exercise a choice might be just defaulted into their current pension provider’s product, whether an annuity or otherwise. We have not discussed that.

The reason why the annuities market did not work was largely that savers did not shop around. Savers tended to accept a default option of their pension provider, so there was no competitive pressure on annuities providers to offer best value for money. If a provider had someone saving in its pension scheme, it could be pretty sure they would default into whatever the provider offered.

Not exercising a choice has obvious implications for the Government’s reforms. If the problem with the previous market was that individuals did not exercise a choice, how can the Government be confident that they will exercise a choice in the new environment? That is a wider question, but specifically what safeguards are in place to ensure that those who do not take guidance and do not exercise a choice are not defaulted into poor-value products by their current provider?

Sixthly, will the Minister provide more information about the Government’s expectation, as stated in the tax impact and information note accompanying the Bill, that around 130,000 people a year will expect to access their pensions flexibly? Bluntly, how did the Government arrive at that estimate? That point also came up in the evidence sessions.

Seventhly, does the Minister think that one-off guidance will be enough to prepare someone for more than 20 years of retirement? I have already made that point. Eighthly, to elaborate on something I raised earlier, will there be a second line of defence for the 75% of individuals some people estimate say will not take up guidance? That is a huge question.

10.30 am

Ninthly, and I hope lastly, what will be the qualifying requirements for Citizens Advice staff in order to dispense the guidance? That goes to the point about training, which is so important to making the reforms work.

In summary, the Government have placed huge weight on the guidance guarantee meeting the challenges that will arise from the complex decisions that they are encouraging individuals to make on retirement, or even before retirement at the age of 55. Given that, it is incumbent on them to provide clarity about the risks as well as the potential rewards—the downsides as well as the upsides—including the expected behavioural impact from April onwards and the effect that the Treasury believe it will have on tax take. The Government must clarify the substance of the guidance guarantee and the extent to which it will be an in-the-round conversation about an individual’s assets and income rather than simply about their pension pot, and the content of the training regime that will be undertaken by the guidance-guarantee givers.

I hope that the Minister will be able to provide some clarity on those questions. If he cannot do so, I think that that suggests, at the very least, that the rapidity with which the reforms have been undertaken presents a series of challenges. We have to get the reforms right. The annuities market did not work as previously constituted, although some specialist annuity providers did very well

because they met an unmet need in the market. The Government have decided that the annuities market did not work, so they have ended the compulsory annuitisation of pension pots and placed huge weight on individuals making the right decision about their retirement. As the Government's emphasis on it suggests, the guidance guarantee is absolutely critical to that, and we must hope that the Government get it right.

Nigel Mills: I will not follow the hon. Member for Cumbernauld, Kilsyth and Kirkintilloch East with a general canter around the changes and why we need guidance. I want to focus on how we ensure that the Government's proposed guidance is the right product and service, because people who reach retirement age will desperately need such guidance.

There are various things that we need the guidance to be. It must be of the right quality; it must be tailored to individual circumstances and needs; it must be provided at the right time; it must be impartial; and, perhaps most critically, it must be taken up. The guidance must make a difference to an individual's decision, and it must be followed up to ensure that people understand the information and change their behaviour. We need a back-stop protection to prevent those who have not taken guidance or who have not understood the guidance they are given from being ripped off by an unscrupulous seller. Those are the criteria by which I try to judge the Government's proposals.

I do not agree that the changes are being rushed. The Government took the right decision to end compulsory annuitisation, because it was wrong to force people into something that was not right for many and was not working for even more. After we announced that, we could not have said, "In three years' time we are going to take away that compulsion." In those three years, some people would have tried to self-draw down, or to defer or avoid making a decision. Those who had been badly advised might have tried to do strange things. Others might have been forced into doing something that they knew they did not want to do, in the knowledge that if they had reached retirement age three years later, they would have been all right. That would have been wrong, so the changes had to be made quite quickly.

The guidance must be available to help people who now have a choice to make, which they did not have to make in the past. It must help them to understand that choice and how to get the best outcome. I agree that it must be guidance rather than actual advice, because the cost of providing advice would be incredibly high and would fall on savers, members of pension schemes and people who buy such products. If someone has a £10,000 pension pot, making them pay several hundred pounds for advice that they do not really need and that does not tell them much would be incredibly unfair. Those who want to spend hundreds or thousands of pounds on advice can and should still go and do that. We need to find something that stops people with small pots doing the wrong thing but does not wipe out a large chunk of their pot.

It is right that the guidance is impartial. It could never have been delivered by people in the industry. We could not have even the most innocent and well intentioned pension schemes trying to give their customers general guidance. Who would have had faith that the guidance was impartial and was giving people the right answers?

It is right that it comes from outside the industry. Clearly, finding not-for-profit people to give it was the right answer. Every Member here would recognise that the CAB is an incredible organisation that gives quality advice on many complex issues and has a national presence in many communities. It looks to be the ideal partner. It needs to get up to speed with the pensions industry and the various ramifications of the changes, but if it can understand and advise people on the welfare system I am sure it can deal with pensions as well.

My only reason for tabling amendments (d) to (g) was that the new schedule specifies the CAB and the Pensions Advisory Service as guidance providers but allows them to delegate to anybody. It also allows the Government to appoint new providers at some point in the future. I thought it would be better to say in the legislation that we do not want people in the industry being allowed to give the guidance. We do not want the CAB to get into the middle of next year and think, "God, this is really quite hard. We can't train the people. Let's find somebody else to do it for us. Oh look, here is Legal & General;"—as an example—"perhaps it might take this over." That would be a terrible situation. I am sure the CAB does not intend to do that—I suspect no one would want that to happen—but we ought to say somewhere in the rules that nobody with an interest in selling pension schemes or retirement products can be involved in the guidance process. That was what I was trying to achieve with amendments (d) to (g).

I accept that the way in which I drafted the amendments may have included the whole world, so that perhaps no one could give guidance, so I may have gone a little too far. However, I urge the Government to think before Report about how we get into the Bill the idea that we want the guidance to be impartial by law, so that we do not accidentally end up with people giving it who should not be doing so, or with a situation in which a future Government establish a new provider that is not impartial. If we wrote into the Bill that a guidance provider has to be somebody who does not make a profit from selling pensions, that would be the right position.

I have always said that the time when people get the advice will be key. People will have to think about the sort of pension scheme they want to join right at the start. They will have to understand what the investment decisions are, and other issues of that kind, quite early on—when they get their letter asking, "What target retirement date do you want? Will you want a lump sum? How risky do you want to be and for how long?"—to get a pension scheme that does what they want.

I accept that we cannot give people pensions guidance every six months throughout their working lives, so I agree with having some kind of web portal or well produced website where people will be able to see most of the guidance content. It will not be tailored to them, but they will at least have somewhere impartial that they can trust and that sets out advice on the various decisions. That will be of some assistance to people. But the question is exactly when they should get the guidance. Ought it to be before they think of taking a lump sum to pay off a mortgage or some other debt, perhaps at the age of 55? Ought it to be when they are just about to retire, at about 65 and a half, or whatever the pension

[Nigel Mills]

age will be by then? Could people do both, or if they get advice at 55, will that be it—will they not be able to have it when they come to retire? We need to think about what we are offering people. Someone might need advice at the age of 75 if they had chosen to live off savings or do a bit of draw-down, but then decided a year or two later that they would like certainty for the rest of their lives and so needed some advice about what to buy. How many times can people dip in and out of the guidance?

If there is no tailoring of advice, the discussion will be only theoretical. I can picture the phone call: “Hello, I’ve been told to apply for my guidance. Can I have it?” “Yes, you can. Pensions are very complex. Make sure you shop around. You have a choice: annuity draw-down or just take the cash. There are lots of other things out there. Please be careful and take up advice if you want it.” That is largely useless to people. They will forget that within five minutes of putting the phone down or leaving the room.

We need to get people in a position where they have thought about their own financial affairs. They have worked out what assets and income they have. They have thought about what they want to do in their retirement. Have they got any debts to pay off? Are they keen on a Lamborghini, or perhaps a cruise? Have they got grandchildren whose tuition fees they want to pay? Whatever else they have, they can make a choice about how much fixed income they want to take them through to when they die and how much they want as a bit of luxury in the early years. Without that, the conversation will become highly theoretical.

Amendment (h) outlines what people need to produce before they get that guidance. Let us say that people get their instruction about having guidance. They ring up to make the appointment and are told, “Here is a standard spreadsheet you should fill in”, or “Here is some pack you should work through before the appointment”. As set out in the amendment, that appointment would be at least two weeks later, so people would have time to do that. I probably would prefer it if the guidance provider said, “Have you worked through that information?” If the reply was, “Oh, no, I’ve forgotten to do that,” they would say, “Let’s cancel this now and come back another time when we can get this right.” If we do not do that, I sense that this will end up being a largely theoretical exercise that will not help people.

I can accept that there is a good question about how much we should put in law, how much we should leave to the regulator and how much we should leave to the contract between the Treasury, the CAB and TPAS, but there is a role for us here. If we agree to these reforms and think they are the right thing to do as long as we provide the right kind of guidance, we should be able to set out the standards that have to be met for that guidance to be worthwhile. It needs to look at people’s entire financial affairs, and people need to be prepared at least to understand their own situation when they are given guidance rather than it being completely abstract.

Amendment (h) would also require that guidance sessions last about half an hour. I tried to make it an average and aimed at half an hour. Clearly there is not much point in a phone conversation with someone who

does not need half an hour being dragged out for an extra 20 minutes just for the sheer hell of it, but I cannot see how it can be done properly in less than half an hour. We probably do not want guidance providers to be so cost-constrained and target-driven that they try to work people through in 15 minutes, as in a call centre system. I accept that that is not what we are aiming at. We should have an expectation that the conversation will be reasonably lengthy, so that people have a chance to talk through their own circumstances, ask follow-up questions and ensure they have understood everything. Perhaps half an hour is woefully short for that, but we need to understand how long we are targeting for the sessions to last.

Talk about the levy, but the cost of providing advice depends broadly on how many people take the guidance and how long it lasts. When we do the models, what is the assumption? Is it half an hour? Is it 15 minutes? Is it an hour? That must have been thought through. We have seen previous Department for Work and Pensions contracts for which people have been able to carry out medical assessments much faster.

Mr Andrew Love (Edmonton) (Lab/Co-op): I am following the hon. Gentleman’s line of argument carefully. TPAS suggested during the evidence session that a minimum of half an hour would be required for a telephone conversation. There is an assumption that face-to-face guidance would take even longer. Although I accept his argument that personal information needs to be included in the guidance, to what extent will that be limited by the time available?

Nigel Mills: Clearly, if someone had a fiendishly complicated financial situation with multiple pension pots and other assets, other income and a load of debt, that would be a horribly complicated conversation that could not be held in half an hour. We are not trying to get recommendations or advice. We are trying to give people an understanding of what issues they have and what options are available. I agree that if people really have no understanding of any of this, trying to bring them to any kind of understanding in half an hour would be impossible. But equally, there may be some people who have a £5,000 pension pot who do not have many choices and do not need to understand all the potential things that are out there for them. In that situation, they might not need half an hour.

10.45 am

If we think that in general at least half an hour is the right answer, is that something we should set out in the Bill? I take the point that it might be going into a little too much detail, but is that the expectation that we are setting the regulator? Is that the expectation we are setting in the contract with the CAB and with TPAS—that they will be resourced and funded and the levy will be set so that there will be half an hour for each person who wants it? Perhaps the Minister will answer that.

On ensuring the guidance is taken up, the Bill rightly includes duties on pension funds to market the guidance at the right time and in the right way. I instinctively think we should have a regulatory-approved flyer, letter or e-mail, so that the provider sends out something with approved content that is in the right format and easy to understand, and plays up how important the issue is, rather than something in the middle of a pre-retirement

pack where, on page 37 in the bottom right-hand corner, it says, "By the way, you can seek independent guidance if you have the time." It must be flagged up in a high-profile and positive way that explains that the guidance is impartial and will be of real use to people, and not simply one of the many regulatory things that we get in the back of a pack and never get round to seeing.

We have a DWP Minister here setting out a lot of Treasury duties. We appear to have none for his own Department. When people come up to their retirement age, not only do they get a pack from a pensions scheme, but they get correspondence from DWP telling them they are about to come to retirement age and can draw their state pension: "This is what it will be, and you can defer it if you want." Deferment is an important decision, because the returns are quite generous.

It strikes me that the DWP communication is really where we should promote the guidance. It comes at the right time, it is from a trusted source, and it is clearly relevant because it tells someone what their state pension will be. Should not the DWP flag up the availability of the guidance in its communication as well? That is why I want a duty on DWP to promote the guidance, as suggested in amendments (a) to (c). It seems eminently sensible that we spread the love around and have joined-up government in this situation, so that all the Departments that engage with people as they approach retirement really make the guidance work.

Finally, how do we follow up and protect those who have not taken the guidance or have not understood it? There is only one way to do that. When the industry is selling products and making final decisions, it could ask people whether they have had the guidance. It could flag up that they ought to have done and could ask whether they are sure they want to waive their right to it before signing up for a product. We need to get such questions asked in a fair and clear manner.

Clearly, if I am selling something and I am about to meet my monthly sales target, I will not want someone to hang up the phone and go and take their guidance and not come back. We need the regulator to be quite strong with providers. People need to understand what they are doing. We do not want mis-selling and aggressive selling of the new super-whizzy scheme that has been drawn up to meet people's alleged needs. We do not want to repeat the mistakes of the annuity market, where people were buying things that simply were not suitable, so we need a caveat—have people thought about what will happen to their spouse if they predecease them, or about their general financial position and their health situation? Do they have health conditions that mean that buying an annuity is still not the right thing for them to do? They need to think it through carefully.

It is important to get the regulator to take real action from the start so that we do not have a load of mis-selling before we get protections in place. We do not want the first cohort of people in 2015 and 2016 to be guinea pigs. We do not want mistakes and mis-selling to happen so that we then start to beef it up and sort it out in 2016 and 2017. The guidance needs to be of the right quality and in the right place from the start. I therefore commend amendments (a) to (h) to new schedule 2 to the Committee.

Steve Webb: This has been a thoughtful and constructive discussion. It is good to be freed from the shackles of explaining what proposed new section 333L and so on

mean, so that I can discuss the substance of the important issues raised. I will start with the hon. Member for Cumbernauld, Kilsyth and Kirkintilloch East, who listed nine questions but I counted them as he spoke and I think he should have said "Twenty-seventhly" at the end. However, I will try to address his points as best I can. I agree with him that these are complex decisions. Some people, particularly those with a decent pension pot, may have many choices and thanks to the Budget may have choices that they did not before, which is why guidance and, where appropriate, regulated financial advice will be important; I will not demur.

However, the hon. Gentleman said that there has been confusion since the Budget. We were criticised on Budget day for being decisive, and asked why there was no consultation. There was no consultation because we decided that something was right, said so, and consulted for three months, which is the proper length for a decent consultation. Of course, throughout the consultation people said, "Tell us what's going to happen. We need to know." We told them that we were consulting, and that then we would think about what people said and make decisions. Although the Government are consulting—listening, thinking and evolving the practicalities of a decision—in principle it is easy to say that there is terrible uncertainty. There is not. The new freedoms cannot be accessed until next April and, quite properly, we are taking time to listen to the feedback and refine the proposition.

We are undertaking ongoing research, and talking to people in the target market, providers and TPAS. We are refining what we are doing and testing different approaches to see what works, so there is an awful lot of ongoing work. There is a clamour for, "Give us the figures. Tell us how many people—what will the take-up be? What will it cost?" Our estimates are being refined as we proceed, quite properly. For example, a few months ago we did not have in place the guidance providers referred to in new schedule 2, but now we do. We are working with them and talking to them about the people they deal with. This is an ongoing process of refinement, which is why there are no hard figures. By the end of the year, we will publish an update—updated estimates and a progress report—which will be of interest to the Committee.

The hon. Gentleman said that there would be a multiplicity of new products. Although I am repeatedly advised not to make forecasts, I would be surprised if April looks radically different in terms of products. Providers are thinking about the measures now and will modify existing products, but I have heard the phrase "a decade of innovation", which probably better captures the spirit of where we are heading. For providers, getting their systems in place just to cope with the changes we have made will be an issue. Over time, they will look at how the market develops and develop new products, but I do not think there will be a massive sea change. Draw-down products already exist, and one could imagine that they will be refined. I think that the development of products will be more evolutionary, but I am only speculating on the basis of previous conversations.

The hon. Gentleman raised the issue of there being multiple channels such as face to face, over the phone and the internet. My answer is, "Why wouldn't you?" People like to consume their guidance in different ways. There is a set of people who are comfortable with the

[*Steve Webb*]

internet and do everything on the web. That is what they expect, so we want a quality website in place. There is a set of people who want or need to do things on the phone, such as housebound people, people in remote rural areas, and those who do not particularly want to talk to a stranger in a strange place and would rather get guidance sitting on the sofa with a mug of tea and all their paperwork beside them, so we are offering a phone option as well as face to face, as the Chancellor promised. There is no real problem with that.

The hon. Gentleman is right to say that all three channels need to be credible. The standards will apply to all of them and we will be seeking consistency. He overplays the issue of someone having a guidance phone call who then tries to see someone face to face or go on the internet. Everything will be branded. I cannot reveal the brand today but there will be a brand and a logo, which will be on all the correspondence. It will be apparent and will be accompanied by awareness raising and publicising that this is the Government's guidance guarantee. There will be consistent branding, messaging and standards across all the different channels.

Mr Love: Can the Minister confirm whether the face-to-face interview will be on an individual level, collectively or a combination of both?

Steve Webb: I have every reason to expect that people will be able to see someone individually, face to face. It may be that we can complement that with other patterns of delivery, but I have no reason to think that where we end up will not be someone sitting down face to face with one other person, not a group.

The hon. Member for Cumbernauld, Kilsyth and Kirkintilloch East asked the cosmic question of whether the guidance is just a portal to advice or whether it covers an individual's financial circumstances. We are clear that it is more than just a portal. The FCA's consultation set out that the guidance must cover factors relevant to an individual's financial situation, including their motivations, and it will certainly include things such as tax, so it will not be simply a route to somewhere else. To come back to the point made by my hon. Friend the Member for Amber Valley, it will not simply say, "You have got this money and there are things you can do with it. There is a website you can look at—hope it goes all right." It will be much more tailored than that.

The hon. Member for Cumbernauld, Kilsyth and Kirkintilloch East asked whether people will run out of money. I have a couple of observations on life expectancy. One reason why the guidance service is there is to help people understand how their pension saving can provide an income in retirement, and part of that will be addressing how long their money needs to last.

Longevity can be a sensitive issue. At some point I think I suggested that we give people their estimated dates of death, which was regarded as controversial in some quarters. However, we are trying to test how we can make the guidance effective and engaging and fit longevity into that, using insight from behavioural economics to inform the framing of such issues. For example, we might say to people, "Someone like you might reasonably expect a 20-year retirement, but you need to think that it might be 30 years or 10 years." One can imagine such a conversation.

It is important not to be black and white about this. We are not moving to a world in which nobody will buy an annuity. Some people will buy annuities exactly as before, but there is a groundswell of opinion that some will lock into them later in life. For example, a good outcome for people would be that, early on in their retirement, their money goes on growing their investment. Perhaps they will have to be willing to take an element of the downside of such risk for the benefit of investment growth, but then, at 75 or a later age, they will lock into an annuity. People recognise and accept the uncertainty of longevity, and products will still be available to deal with that. However, to lock in at 55 to a product that insures against living to 90-odd may not be such a good thing, so there is a balance to be struck.

The hon. Gentleman said that one issue was that people might run out of money and another was that they might blow the lot. I do not know whether he envisages queues of Lamborghinis outside the housing benefit departments of North Lanarkshire—I think that is one of his local authorities—but that seems implausible. The overlap between people who have very large pension pots and those in the scope of means-tested benefits is small. For example, having a big pension pot does not correlate well with being a renter.

There is a potential impact on the Exchequer, but it is worth saying that the Office for Budget Responsibility's latest projections, published in the 2014 fiscal sustainability report, assume no increase in income-related pensioner benefits as a result of the wider freedoms in the use of pension pots. I suspect that zero is pushing it, but, in the scale of some of the changes we have made to state pensions, we do not believe that the numbers involved in this process will be terribly eye-watering.

The hon. Gentleman referred to a fairness test and asked whether pension providers will start lifestyling at 45. As someone who is 49, I find that quite an alarming thought. He will be aware that the National Employment Savings Trust is rethinking its lifestyling and target date fund approach in light of the new freedoms.

My sense of the mood out there is that people will not start lifestyling earlier. If anything, they will go on investing in risk-seeking assets for longer because, at the point of turning their retirement pot into a retirement income, they will have more choice to go on investing. It would be very odd to lock into low-risk assets before that point and then suddenly say, "I've got 30-odd years to live; I am now going into risk-seeking assets". The idea that we will all have our money in gilts is implausible, but we expect that schemes and providers will adapt their approaches in this more flexible world.

The hon. Gentleman asked an important question about defaults: what happens to people who do nothing? Our impression from looking at providers and so on at the moment is that there are restrictions on simply being defaulted into a product. There are already protections in the system, so schemes cannot default members unless their membership has been deferred for at least a year and they have provided written notice of at least 30 days. Many schemes will have other defaults—for example, cash accounts, bonds or lower risk investments that allow members to exercise all options under the flexibilities, if and when they later engage. The Association of British Insurers advises us that this is common practice when a member does not engage. This issue came up in the oral evidence sessions. Forcing people

into a default such as an own-brand annuity would be exceptional and there are already protections in place, but obviously we will continue to monitor that.

11 am

Another issue raised by my hon. Friend the Member for Amber Valley and the hon. Member for Cumbernauld, Kilsyth and Kirkintilloch East was multiple access. One of the refrains that I have heard is, what happens if people want a second bite? Is one shot of guidance good enough? Compared with a hypothetical world where people are getting free and independent guidance all the way through their adult life and well through retirement, it is not as good. Compared with where we are coming from, it is an awful lot better. So many people, at the moment, are defaulted into poor-value annuities, stay with their provider or do not have an impaired life annuity.

Moving into a world where the concept of free and impartial advice is in place is a big step forward. Do we think that that is the end of the journey? Clearly not. Even if one has—roll of drums—the guidance moment with TPAS face to face, we are not going to ban people from phoning TPAS. They will still be able to ring someone up and chat things through. They will still be able to go to a website.

There is an issue about what happens on day one and what the steady state will be. On day one, we will have not just the people coming up to pension age in April 2015, but the whole carry-over group of people who have been on hold for a year. There is an issue about being sensible about capacity on day one, but in the steady state we are continuing to think about how best we meet the needs of people who would benefit from repeat visits to the service. I do not think that as someone leaves we will say, “Never darken our doorstep again.”

My hon. Friend the Member for Amber Valley raised the important point about what happens before and afterwards. We certainly envisage that if someone rings up—there will be centralised phone number—and says, “I want to access my guidance,” there will be a period of probably weeks between making the phone call and having the guidance session. At the initial call, that person will be told that the best use of the guidance conversation is to gather relevant information about their state pension and other pension rights, and other assets such as housing equity, in some sort of standardised format. If someone walks through the door and they have not done that, we are not going to send them away, but we will make it clear to people that if they gather the evidence their session with the guidance provider will be much better and more effective.

We also envisage a written output of the session, summarising what has been said and providing pointers to further sources of guidance where people can find independent financial advice and so on. Even within the model of a single guidance conversation, there is a preparatory phase and a follow-up phase, which is a process we can develop over time.

While full-blown, regulated and highly tailored independent financial advice can be relatively expensive, although it can also be very cost-effective, we are continuing to look at more streamlined and simplified advice. The FCA is continuing to encourage the development of affordable models of advice for retail investment products.

The hon. Member for Cumbernauld, Kilsyth and Kirkintilloch East asked about the 130,000 number, though he also says that we have not published any numbers. We have, and that number is in the technical impact assessment. It relates to the number of people projected to draw down pots faster than if they had bought an annuity. If they draw the income earlier, we get the tax earlier. That has to be the basis for the estimate of the fiscal impact of the changes, which is why we have published that number. The data come from the Office for National Statistics and Her Majesty's Revenue and Customs' analysis of the wealth and assets survey. It is an estimate and all these things are being refined.

The hon. Gentleman asked whether I can guarantee availability across the country. That is, of course, our plan and it is why we are partnering with citizens advice bureaux, which cover England and Wales, Scotland, and Northern Ireland. TPAS is an existing body and it will be expanded. We will also ensure that the website is in place. We are therefore confident that, wherever people are in the country, they will be able to access the service.

The hon. Gentleman asked about risk assessments, which is exactly what I would do if I were sitting in his place. He knows that Governments do not routinely publish risk assessments. In all these cases, we seek candid advice from officials on a range of scenarios, and that advice will be all the more candid if it is not about to be published on the internet. Obviously, we carefully model all the different assumptions and how things might come out.

The hon. Gentleman says there are uncertainties about the tax impact. Clearly, in this brave new world, every number we produce has to be signed off by the OBR. We are refining our estimates and talking to people about their likely choices.

The hon. Gentleman mentioned the take-up of the guidance guarantee, which, as my hon. Friend the Member for Amber Valley said, will largely determine the cost. Although the hon. Gentleman cited the 2.5% figure from Legal & General, he did not cite the 90% figure from the Chartered Insurance Institute, and I know he has seen its report, because we saw it in his hand the other day. Now, the Chartered Insurance Institute does not say that 90% is its forecast, but it is fair to say that the 2.5% is not a forecast either. Clearly, the more we talk to people and test the market, the more sense we will get of the likely demand. Frankly, however, we will not know for certain until next April; indeed, we will not know steady state until beyond then. However, at the point at which we set the levy, we will clearly have to have an assumption as the basis on which to do so, and we will need to be in that position before next April.

The hon. Gentleman asked about the qualifications of the people providing the guidance. We are not saying, “You have to have a GCSE in pensions guidance.” That is not the way we are going to do it. We will have an arrangement, and we will give grants to TPAS and the Citizens Advice groups. They will have a duty to provide guidance of a specified standard and content. Essentially, we are telling them, “You need to make sure the people providing this guidance are up to the job.”

My hon. Friend the Member for Amber Valley put his finger on the point: clearly, TPAS is very familiar with this territory, and although Citizens Advice is less

familiar with it, it has an infrastructure not only of national offices, but of training and updating, and I am always impressed by that. As my hon. Friend rightly said, the social security system is constantly changing, and front-line CAB advisers need to know the latest law and changes. There is an infrastructure and a culture of continuous professional development—one might use that term in another context—and of training and updating, and I am sure it will be put to good use as the CAB network provides face-to-face guidance.

The hon. Member for Cumberland, Kilsyth and Kirkintilloch East said the CAB is a bit stretched already. Actually, we are paying it. It will get extra money, which we would probably all agree is good news. I think most of us rate the CAB network highly, and we would probably all welcome the fact that millions of pounds—I do not think that is a state secret—are going into it to give it enhanced capacity. That will help the viability of the CAB network in general terms, and I am sure we would all welcome that.

The hon. Gentleman asked about the so-called second line of defence, and it is worth saying that protections and rules are already in place. If I go to a product provider, there are the Treating Customers Fairly rules, and the FCA has product regulatory powers. However, the FCA continues to look at the issue as part of its ongoing thematic review of annuity sales practices and the retirement income market study, both of which will be completed before we start the new process.

Mr Love: May I press the Minister on take-up? Almost everyone in the industry is, I suspect, a little less optimistic than he is. Let us say that take-up is not as high as 90%, which is one suggestion, but not as low as the Legal & General figure. A second line of defence is one mechanism that could be used to try to improve take-up. Why is he not more sympathetic to that idea?

Steve Webb: I am grateful to the hon. Gentleman. Just to be clear, he probably is right that we are somewhere between 2.5% and 90%—there is a reasonable chance of that. As I tried to say in my oral evidence, there will be an awful lot of people out there, particularly in the early days, who have tiny pension pots. They will have been auto-enrolled in the past few years, close to pension age, and have ended up with a few hundred or few thousand quid. They are just going to cash it out. We know that. They are welcome to take guidance if they want to, but it is pretty obvious what most of those people will do. Quite a lot of the early pension pots—those in the early days of auto-enrolment—will be like that.

I am not going to get too hung up on the percentage. The key for me is that the right people take guidance. As I also mentioned in my oral evidence, there is a set of people at the top who will probably bypass guidance and go straight to regulated financial advice. They know that is what they are going to need so they might as well just get on with it. Many of the people right at the top will pay for advice straight away and the people at the bottom will probably bypass guidance. We will make it available to them, but many of them will just say, “Why do I need to do that? I’ve got 500 or 700 quid; I’m just going to take the cash.” There is not a target, but if there was it would not be 100%.

Our principal focus is on driving up take-up of the guidance, which we want to maximise. The concept of a second line of defence says that there is a set of people

who probably should have taken guidance and did not, so how do we ensure that they are properly provided for? They get the wake-up pack and the flag, but bear in mind that we will not necessarily know who has visited the website. Our figures might not show that someone made a choice having found out about it and thought about it, and who might well have gone to our website, gone through it in some detail and made an informed choice based on that guidance. I am not going to get too hung up on the percentages, but I agree with the hon. Gentleman that we want to maximise take-up of the guidance.

Mr Love: Is the Minister not attracted by the proposition that when someone comes to take their pension pot, if they have not formally taken guidance through the right provider, they should be directed—not compelled—to take some guidance?

Steve Webb: I understand the point that the hon. Gentleman makes, but I think that as he was speaking he realised the problem with what he was saying. Seeing the CAB cannot be a condition of someone accessing their own money. The providers have to flag it and, as I said in my opening remarks, not just say “There’s this guidance thing over there,” but explain that it is independent, the Government are behind it and the sort of thing it will contain. We will expect the providers to do that. We have to treat people as adults eventually and we cannot insist on those things.

We want to avoid a tick-box mentality. If all we said to providers was, “Before they can take their money, someone has to sign a piece of paper to say that they knew there was guidance and they didn’t take it,” we all know what would happen. They would sit with a salesman or someone like that who would say, “Here’s another piece of paper you have to sign.” We have to ensure that there is content in it, which is what we are doing with the behavioural testing we are carrying out now. I agree with the spirit of what the hon. Gentleman says: we want to maximise take-up of the guidance by the people who should be taking it up.

Richard Graham (Gloucester) (Con): I am grateful to the Minister for clarifying the second line of defence. As he knows, that has been flagged up by a number of pensions experts as being of concern, particularly for those retiring with defined-contribution pensions in April next year. The FCA has a duty to secure appropriate protection for those who use guidance, but there is not a great deal available at the moment for consumers who choose not to. A survey by the Chartered Insurance Institute found that 92% of consumers would definitely or probably use guidance, which was encouraging. None the less, for those who do not, there is not much of a second line of defence. What can be done to help those who choose not to take up the guidance?

Steve Webb: I am grateful to my hon. Friend. To be clear on what is already in place, firms are required to treat their customers fairly and to act in their client’s best interests. The FCA has on-going work looking at annuity sales through its thematic review and its retirement income market study. It is not a static situation. The FCA is looking closely at what happens when people buy retirement products and, through that work, at providers’ behaviour in that area, which continues to be a priority as the market develops. Again, we clearly have

structures in place for April, but it will be an on-going regulatory process that the FCA will continue to be involved in.

Gregg McClymont: The hon. Member for Gloucester makes an important point. The obligation to treat the customer fairly has not worked effectively enough. The Minister does not need to take my word for it; he need only look at the Office of Fair Trading study of contract-based pensions and the current investigation into legacy pension schemes. There is strong evidence indeed that the obligation to treat the customer fairly is not strong enough in the context of a pensions market in which the saver is not able to exert sufficient pressure on providers to deliver value for money.

11.15 am

Steve Webb: To be clear, if we thought everything was fine in the world of retirement income choices the FCA would not be doing a thematic review of annuity sales practices or a retirement income market study. We entirely accept that there are problems. The regulatory regime a decade or two ago, when the legacy schemes that the hon. Gentleman referred to were set up, was very different from the one we have now.

Gregg McClymont: A decade ago?

Steve Webb: Well, it varies.

Provisions are in place, but the FCA is doing ongoing work. It is not saying, “We will get round to it some time—in three or four years”. That work is happening now, and it will be concluded before the new freedoms come into force in April. If further changes need to be made in the light of the review of annuity sales and the retirement income market study, they will be made.

Richard Graham: I am, in part, with the shadow Minister on this issue. There is evidence of clear breaches of the treating customers fairly regime by certain providers. As my right hon. Friend the Minister knows, some contributors in the pensions market have suggested that a way round that problem is for the FCA to oblige providers to ask a series of mandatory questions to prompt customers about issues likely to affect their retirement benefits. They said we should not continue with the status quo, and accept the customer’s instructions without active intervention. I guess the question is whether the Minister really believes that the FCA’s review will consider that option before it comes into force in April next year.

Steve Webb: Obviously, I cannot pre-empt the outcome of the FCA’s studies and reviews, but as I said a moment ago, those studies are being undertaken because we are aware that there have been problems in this market. We are prepared to introduce further measures, if that is what the studies suggest.

Finally, I want to respond to my hon. Friend the Member for Amber Valley, who made a number of points in discussing his amendments to new schedule 1. I am gratified that he wants to share the love, as he put it, and wants DWP and the Treasury to be equally responsible for all this. He will appreciate that making two separate Government Departments responsible for the same thing creates challenges. The discussions that he, as a member of the Work and Pensions Committee, has been having about having two regulators highlight

the challenges of involving different Departments with different roles and different regulators. We are clear that it is right to make a single Department responsible in legislation, but I assure my hon. Friend that our two Departments are working very closely—I was going to say uncharacteristically closely. I have met the Chancellor and other Treasury Ministers on a number of occasions to discuss this issue and—I have been dying to say this all my political life—I shall have further such meetings later this week. That is about as close as I will ever get. The two Departments are joined at the hip on this issue, because we both want to see success.

I am grateful for my hon. Friend’s practical suggestion that DWP’s pensions information at state pension age should refer to this issue. We are developing an approach that will signpost the guidance in our state pension forecast information.

Nigel Mills: I can understand the Minister’s view that two Departments doing things will not work, but the tax changes broadly make the tax system neutral on pensions and leave the Treasury with much less real interest or involvement in the pension world day to day. Is it not sensible at some point for the guidance to become a DWP duty or scheme, rather than a Treasury one?

Steve Webb: Clearly, what we are doing at the moment is setting up a framework for April 2015. The schedule allows a lot of flexibility as to how things might be done in future, including who the designated providers might be. At the moment, “Treasury” is everywhere, because the change is being tightly and properly controlled from the centre, with a unit in the Treasury setting up the website, the brand and so on. In the medium term, if the project becomes in essence one of operational delivery, it is not inconceivable that a delivery Department would have responsibility, but at the moment it is a case of one step at a time.

On my hon. Friend’s point about impartiality, we entirely agree. The consultation was clear about impartiality and that is how we envisage it. I cannot conceive that one of the independent guidance providers—TPAS and CAB—we have identified in the Bill would throw their hands up in horror and go to a commercial provider. Quite apart from anything else, the sums would not add up. As he hinted at, if we stop pension providers providing guidance, we stop some good stuff as well, which we do not want to do. Let us consider the example of a member of a trust-based pension scheme. The trustees might already provide at-retirement and other guidance for scheme members. We do not want to ban that. Clearly, we do not want the schemes to neuter the guidance or undermine people’s independent choice, but we do not want to stifle pensions guidance in general. That is the balance we are trying to strike.

I can therefore assure my hon. Friend that there are no plans to have the guidance provided by anyone who has a financial interest. Obviously, we cannot bind future Governments anyway, so even if we put such a measure in the Bill, a future Government could simply take it out if they changed their mind. We certainly do not envisage that and we do not want to stifle the good stuff that schemes might do already.

Finally, on a couple of practicalities, my hon. Friend suggested a session duration of 30 minutes but as we agreed, the arrangement would have to be person specific. Clearly, a worthwhile amount of time needs to be spent

[Steve Webb]

with people. We are doing ongoing testing of opinions, attitudes and expectations, so we do not want to hardwire any such provision into legislation. Likewise with the 14-day period, we envisage some weeks between the call and the session, but on occasion someone might for urgent reasons want to get the pension—the cash—in seven days, so we would not want a provision on the statute book to prevent that. I entirely accept the spirit of what my hon. Friend was saying—there should be a worthwhile, substantive conversation, with preparation. We are working out the practicalities, rather than hardwiring anything into law.

I am grateful for what I believe are probing amendments from my hon. Friend. I urge the Committee not to accept them, and I hope that we can make progress on the basis of my assurances.

Amendment 58 agreed to.

Clause 44, as amended, ordered to stand part of the Bill.

Clause 45

SHORT TITLE

Question proposed, That the clause stand part of the Bill.

Steve Webb: The clause enables the Bill, when passed, to be cited as the Pension Schemes Act 2014.

Question put and agreed to.

Clause 45 accordingly ordered to stand part of the Bill.

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

11.23 am

Adjourned till this day at Two o'clock.