

Consultation Response

FCA consultation: Implementing information prompts in the annuity market

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About Age UK

Age UK is the leading charity supporting older people in later life. The Age UK network comprises around 150 local Age UKs reaching most of England. We provide information and advice to around 5.9 million people each year, through web-ba

opportunity to finally drive real competition in the annuity market, by requiring firms to take on more of the burden for consumers in searching the open market.
We recognise that there may a difficult cost/benefit balance for the FCA to strike in

improved pricing transparency and ease of shopping around . is instrumental to achieving this.

2. Consultation questions

Q1. Do you agree with our proposal to require firms to disclose this content?

We are currently unable to shop around for annuities.

However, because the FCA is seeking only to *prompt* consumers to shop around, and is not taking the opportunity to facilitate the process of doing so, we consider the effect of the proposals on competition is seriously reduced.

The lack of any requirement for firms to seek market-wide quotes or even quotes based on a common set of questions is likely to result in consumers receiving imprecise illustrations which give a false sense that they are already being offered the best value for money, or close to it, when that may not be the case. Further, it does little or nothing to address the complexity of the open market process, which acts as a barrier to shopping around.

It is far less effective merely to *encourage* shopping around without also seeking to *facilitate* it. The process of scouring the open market must be made simpler in order for consumers actually to embark on it once prompted, and if that facilitation does not come from industry, in whose favour the information and skills asymmetry obviously lies, it is unlikely to come at all. We think that facilitation should come in the form of firms having to search further and wider than the current like-for-like comparison proposal.

We recognise that the FCA has undertaken a great deal of work and shown commitment over the last three years to addressing low levels of competition in the annuity market. Given the urgency and complexity of the new policy questions emerging post-reforms, it seems likely that future opportunities to make a real difference to competition in this market will be few and far between. We urge the FCA to extend the current proposals and take this

Q4. Do you agree with our approach of requiring each firm to provide the proposed information prompt on the basis of a comparison of guaranteed quotes available to the consumer, using the underwriting information that was used by the firm?

False assurance of best value

The FCA has recognised that an over-simplified underwriting process might lead to imprecise quotes for some consumers, but takes the view that, in order to act as a prompt only, comparisons need not be comprehensive, and for this reason the additional complication to consumers involved in a higher level of underwriting would not be justified. We see the risk here to be greater than just imprecision, but false assurance and consequently active discouragement of some consumers to shop around further. This is of particular concern to us in terms of small pot holders and those who are unaware of their eligibility for an enhanced annuity . especially where they may include potentially vulnerable consumers.

Seizing the opportunity to support consumers: requiring firms to search more widely using a common quotation approach

As an annuity decision is an important one which may get lost. We urge the FCA to take this chance to address the complexity barrier to shopping around on the open market, so that the prompt can have real effect.

If consumers do not feel willing and able to take on the lengthy and complex process of shopping around on the open market, then the prompt merely encourages consumers to explore the limited part of the market the provs

