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Advisers Not Worried By Pension Switching Fines

The majority of financial advisers are not worried by the recent crackdown by the FSA on pension switching according to a new online survey. The survey found that of those advisers active in the pension switching market, over 70% claimed to be unconcerned about the impact of the Thematic Review on their pension switching business. This comes after high profile FSA fines in past weeks for the likes of Financial Limited and Tenon.

The survey carried out by IFASurveys.co.uk found that less than 30% of respondents were concerned about their pensions switching procedures. The vast majority of these claimed to have reviewed their procedures and had plans to deal with the FSAs requirements, but a small proportion (5%) said they were not sure what action to take to avoid similar fines being directed at them.

In other findings, advisers appear to be largely undeterred by recent pension switching fines with around half (49%) of respondents writing around the same level of pension switching business as this time last year. Around a quarter (26%) are writing less business than 12 months ago with the remaining quarter (24%) upping their pension switching activity.

Managing Director of IFASurveys.co.uk, Paul Cadde, who carried out the research said, "We have to question whether advisers really have reviewed their procedures adequately or are just burying their heads in the sand. My own experience is that all too often, very little seems to have changed following the Thematic Review and I foresee more high profile fines and fallout from this before advisers get the message that they need a robust and repeatable pension switching process in place."

In other findings, just 7% of respondents stated that charges were the main factor they considered when advising on pension switching with the vast majority taking broader factors into account such as fund choice, product flexibility and the quality of administration offered by different providers. 41% of advisers now have a complete pension switching process in place while around half (49%) of respondents use a series of different processes when advising a switch. 10% have no formal process in place and reply on creating bespoke one-off suitability reports each time they give switching advice.

This finding worries Mr Cadde. "How any adviser can have no formal pension switching process after recent events is alarming. The FSA have come down hard on advisers whose processes are inadequate and require that every adviser has a robust and repeatable process in place to give consistent and high quality reporting to each client where a switch is advised. We created our 'Pension Performance Review' software to provide a complete pension switching process for advisers wishing to use wraps. I would strongly urge all advisers to ensure their systems are up to the job".

The survey also found advisers split on the use of wraps for their clients' existing pensions. Around a third of respondents (30%) claimed rarely to recommend pensions were switched to wraps with a near equal number (31%) using wraps 'where possible' for this purpose. A further 27% recommend some pensions are switched onto wraps but claim to have difficulty justifying the additional costs often incurred by such switches. The remaining 12% of advisers engaged in pension transfers claim rarely or never to recommend the use of wrap accounts to their clients when it comes to pension switching.

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