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FSA's pension switching teeth do not deter advisers

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By Sophie Baker

The Financial Services Authority's (FSA) recent crackdown on pension switching has not had much effect on financial advisers, with over 70 per cent claiming to be unconcerned about the impact of the Thematic Review on their pension switching business, says IFASurveys.co.uk.

Following high profile fines for Financial Limited and Tenon, the results, IFASurveys.co.uk said, found that the vast majority of those who were worried had reviewed their procedures and had plans to deal with the FSA's requirements. However, five per cent were not sure what action they should take to avoid receiving similar fines.

Forty-nine per cent of advisers are writing a similar level of pension switching business to last year, and 26 per cent are writing less business than 12 months ago. The remaining 24 per cent have increased their pension switching activity.

"We have to question whether advisers really have reviewed their procedures adequately or are just burying their heads in the sand," explained managing director, Paul Cadde, who carried out the research. "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."

Only seven per cent of respondents said that changes were the main factor they looked at when advising on pension switching, and the vast majority take broader factors, such as fund choice, product flexibility and the quality of administration offered by different providers, into account. A complete pension switching process is in place for 41 per cent of advisers, and 49 per cent use a series of different processes when advising a switch. Ten per cent have no formal process in place, and simply create bespoke reports whenever they give switching advice, a worrying trend, Cadde said.

"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."

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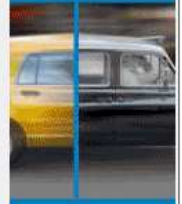
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