
From:
Sent: 18 June 2015 17:34
To: Annuity Consultation 2015
Subject: Creating a secondary annuity market consultation
Categories: Red Category

Dear Sir/Madam,

I am responding to the secondary annuity market consultation on behalf of AJ Bell. AJ Bell is an investment platform operator providing services to over 111,000 retail customers with assets under administration valued in excess of £26 billion.

AJ Bell administers SIPP in each of the main parts of the market – direct to customer, advised and fully bespoke – and is recognised as one of the leading SIPP operators in the current market. SIPP, and SSAS, administered by AJ Bell have offered our customers full access to the new pensions freedoms since they became available on 6 April 2015, including both flexi-access drawdown and uncrystallised funds pension lump sums. AJ Bell does not have commercial links to any annuity providers, so is in a position to offer its customers unrestricted, and unbiased, access to the entire UK annuity market.

We have a number of concerns with the impact the secondary annuity market proposals may have on the consumers who choose to make use of them. In particular we are concerned about the risk that those wishing to sell their annuities will not obtain good value because of the potential number of parties looking to make a commercial return who will be involved in each transaction. However we wish to focus our response on one particular issue, in part because we believe our wider concerns regarding the poor value consumers may receive will be covered in some detail by other respondents to the consultation, and in part because, whilst we hope our concerns around value are resolved, we believe the proposals will proceed regardless of whether these potential consumer risks are fully addressed.

The one particular concern that we wish to highlight, because we hope there will be an appetite to address it, is to stress the importance that the mechanics of each assignment, where the annuitant has made the decision to move their funds into flexi-access drawdown, allow the former annuitant access to the whole flexi-access drawdown market.

We are concerned that we may end up with a market where consumers are either forced or encouraged to set up their flexi-access drawdown with the same firm that buys their annuity, or perhaps from a small panel of flexi-access drawdown providers with links to the annuity purchaser, rather than being able to benefit from a free choice of all flexi-access drawdown providers. We are concerned that this will result in consumers being forced into selecting a flexi-access drawdown provider with higher costs, a poorer range of investments, a more limited choice of retirement options and/or a lower standard of service.

If the flexi-access drawdown options of consumers are restricted, whether by legislation or the operation of the market, we will potentially end up in a position where consumers are suffering from failings equivalent to those seen in the operation of the Open Market Option, where many individuals were defaulted into a poorer value annuity than might have been available to them.

If you need anything further please do not hesitate to contact me.



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