

Review of annuity sales practices

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

In October 2016 the FCA published the findings of its review of non-advised sales of annuities made by pension providers to their customers between May 2008 and April 2015. The review's intention was to establish whether firms provided their customers with sufficient information about enhanced annuities – in particular by making them aware that it is possible to shop around for better rates. The review found that a small number of firms regularly failed to do this, possibly resulting in losses to their customers. As a result, the FCA requested those firms to review their sales practices and implement any lessons learnt.

Impacts of the measure

The FCA explains that 28 firms were required to review their sales practices, consider the findings and put in place any necessary changes. It estimates that the average cost of completing a review was £10,000 and argues that practice changes would have negligible impacts on compliant firms, as the review analyses compliance with existing well-understood standards. The Assessment also notes that many costs of practice changes would count as firm-specific (case) work and thus fall outside the scope of the Assessment.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.0 million. This is a qualifying regulatory provision that will score under the Business Impact Target.

Quality of submission

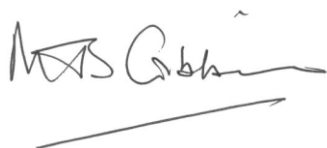
The FCA has provided sufficient evidence to support its estimate of the impact of the measure. The assessment provides a breakdown of the elements of the review cost. During the course of the work to undertake the review the FCA sought support for these estimates from a sample of the 28 firms.

Regulator assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.0 million
Business net present value	£0.0 million

RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated ¹	£0.0 million
Business Impact Target (BIT) Score ¹	£0.0 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.