

Consultation Response

Pensions Dashboards: working together for the consumer Department for Work and Pensions

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About this consultation

This consultation accompanies the Department for Work and Pensions (DWP) feasibility study into the creation of pensions dashboards, which would allow people to view all their pension pots in one online place. It explores the DWP's proposals for creating dashboards and asks how to ensure they work in the consumer's interest.

Key points and recommendations

- Age UK continues to support the pensions dashboards project, and believes the proposals strike a sensible balance between consumer protection and ensuring that dashboards become a reality.
- The dashboard's ultimate priority must be to improve consumer pension outcomes in both the accumulation and decumulation phases. We support the three design principles as a means of helping achieve this aim.
- A further principle should be that dashboards must work well for people on low or very low incomes who have only modest pensions to look forward to.
- Dashboards have the potential to help inform and engage some savers about their pension, and we believe they could be useful for those planning their retirement and tracing lost pension pots.
- However, we urge the Government and industry to avoid over-reliance on dashboards as a means to improving consumer outcomes. They alone will not remove the fundamental barriers to savers making better decisions about their pensions – this requires a far wider range of protection and support.
- The State Pension is a vitally important part of most people's retirement income. This should be included in the dashboard from the outset. Defined benefit pensions should also be included via a phased approach.
- Providing a pension dashboard should be a regulated activity. The Financial Conduct Authority (FCA) should develop measures to ensure that dashboards meeting consumer need. The FCA must be able to respond quickly to any emerging issues.
- Dashboards may provide the facility for consumers to manage their pensions. We are concerned that not all decisions by the saver are in their own long-term interest, and that dashboards could enable people to take harmful financial actions, for example consolidating pensions into a scheme with a higher charge. The dashboards system must be able to mitigate or prevent such actions.
- We agree with the proposed governance structure, although it must be largely independent of commercial interests in particular. Consumer interests must be adequately represented and have real teeth to change the dashboards' design.
- The needs of people with health impairments or disability must be accommodated, and an offline solution should be provided. The DWP and Single Financial Guidance Body must fulfil their duties under the Public Sector Equality Duty.

1. Introduction

Over the past few years, the proposals for pensions dashboards have garnered support from across the pensions industry, technology and other financial services firms, as well as government and consumer groups. This broad support bodes well for the future of the project, and Age UK remains optimistic that a consumer-friendly dashboard will be operational in the near future.

The dashboard has the potential to help people understand, manage and engage with their pension savings. For example, it could help savers with multiple small defined contribution (DC) pension pots track them all down, while signposting to appropriate information and guidance services for support on what actions to take. This type of service could deliver significant improvements to retirement planning.

However, as a note of caution, we do not believe dashboards will remove the fundamental barriers to savers making better decisions about their pensions. This needs a far wider range of consumer protections and support – relying on providing information and engagement alone would be a serious mistake.

To deliver a truly meaningful service the project's ultimate priority must be to safeguard consumer interests while providing the maximum useful information. There are a series of challenges needing to be addressed, including in both the design and operation of the dashboard, if consumers' best interests are to be served. These include:

- **Integrating the State Pension.** The State Pension is the foundation of most people's retirement income – in 2016/17, 47 per cent of pensioner couples and 71 per cent of single pensioners received at least half their income from State sources – mainly from the State Pension.¹ Including this in the dashboard is essential. If users are unable to see their State Pension and DC pots together, it will be impossible to gain an accurate picture of overall retirement income. This will increase the difficulty of retirement planning and make it hard to understand how other factors affect consumers' decisions about accessing their private savings, for example paying tax on withdrawals.
- **Integrating defined benefit (DB) pensions.** This will ultimately be an important component of the dashboard. However, we recognise the difficulties for many DB schemes of providing data at an early stage, and believe they can be included at a later date. We recommend that in legislating, the Department for Work and Pensions sets out as clearly as possible the information that will be required and a timetable for integration. An interim measure could also be considered, for example providing contact details for schemes, based on users' work histories, which would help make people aware of what pensions they have even if a valuation is absent.
- **Coverage of smaller schemes.** We are unconvinced that smaller schemes should be excluded altogether. Instead, we believe the data requirements should be clearly specified and they should be given a longer period to comply, but that they ultimately should be part of the dashboards.

- **The regulation of private sector dashboards.** While many pension firms may choose to offer a dashboard as part of their general commercial proposition or as a loss-leader, others may view it as a commercial opportunity. We believe that providing a dashboard should be a regulated activity, and the Financial Conduct Authority (FCA) should set out clear rules about providers' behaviour, especially with regard to marketing and sales. For example, providers should not be allowed to cross-sell other products, such as life assurance, through a dashboard.
- **Consumer privacy and data protection issues.** There are significant risks associated with data sharing through the dashboard, which need to be closely monitored through the governance process. Having strong security for customers is imperative, through the login process and how any data arising from use is handled.
- **Governance.** We support the proposal set out in the consultation document. It is important that consumers' interests are adequately reflected, and that the Chair and a majority of the board are independent of commercial operators.
- **Visibility of charges.** If, as is possible, consumers use the dashboards to consolidate their pension pots, it is important that they understand the charges levied by different schemes, as there is a risk consolidation may not be in their best interest. It would be unacceptable if the dashboard led consumers to transfer their money into a scheme with a higher charge. Risk warnings are unlikely to be sufficient to prevent this, as demonstrated by FCA research showing they rarely work as an information prompt.ⁱⁱ The FCA and DWP must set sensible rules for allowing the consolidation of pension pots through the dashboard.

2. Consultation questions

Wider benefits of a dashboard

Q1. *What are the potential costs and benefits of dashboards for:*

- a) individuals or members?;*
- b) your business (or different elements within it)?*

There are various potential benefits of pensions dashboards for consumers, many of which broadly relate to engagement and facilitating interaction with an someone's pension pots. These can include:

- Ease of seeing total pension savings in one place
- Improved engagement
- Ease of taking decisions affecting pension savings

Engagement is often beneficial, but represents but a small part of the overall solution to improving consumer outcomes. It needs to be sustainable – short-term engagement alone can, in some situations, be damaging to consumer outcomes – and the dashboard must

be designed with that in mind.ⁱⁱⁱ Notwithstanding, its benefits could be significant and we believe could improve retirement planning and incentives to save in particular.

However, there are two significant issues that must be kept front and centre of the development process, and of the dashboards' governance once up and running. Firstly, engagement alone is not sufficient to drive good outcomes. It is important the dashboards do not become a tick-box exercise for the Government and providers, and that it is not assumed that they alone will drive positive change without further measures and consumer support.

Age UK has argued the case for retirement income product pathways (sometimes referred to as 'default pathways'), and dashboards will not affect the need for these. We also want the Government to commit to ensuring that as many consumers as possible receive appropriate guidance prior to accessing their pension, by making an appointment with Pension Wise a default prior to accessing a pension pot. This should be an opt-out system that is run independently of providers. Again, the dashboard does not affect this need. This is true for all other consumer protections that either are in place or should be.

Secondly, not all actions are good actions. As consumers interact with their pensions through their dashboard, there are likely to be opportunities to take actions that are not in their ultimate best interest, but that seem appealing (due to ease-of-use or behavioural bias). For example, a consumer who consolidates their pensions into one with a higher charge could lose a significant amount of money. DWP modelling shows that someone paying into a pension throughout their working life with a 0.5 per cent annual charge can expect to lose 13 per cent of their total pot in charges, compared to someone who pays a 1.5 per cent annual charge seeing a whopping 34 per cent of their savings eaten.^{iv}

Dashboards must be designed to mitigate the damage inappropriate actions can do, through both the infrastructure design and the governance/regulatory processes (e.g. forbidding cross-selling of inappropriate products). Savers should not take decisions when they are unaware of the full implications, even if it seems like a good idea at the time. How such consolidation and charges operate needs careful consideration from the regulators and the Government.

Architecture, data and security

Q2. Do you agree with:

a) our key findings on our proposed architectural elements; and

b) our proposed architectural design principles?

If not, please explain why.

We broadly support the proposed architectural design of the dashboard. We believe it is essential to include the State Pension as early as possible, and urge the Government to treat this as the top priority.

It should also be made clear that providing a dashboard will be a regulated activity.

The principles should ensure that the consumer is at the heart of the project, and seem sensible. Of course, these principles need to be put into practice through the development and governance processes, which emphasises the need for strong consumer-led oversight, in particular the involvement of the Single Financial Guidance Body.

Age UK would welcome a further principle being included: the dashboards should work well for people on low or very low incomes who have only modest pensions to look forward to.

Providing a complete picture

Q3. Is a legislative framework that compels pension providers to participate the best way to deliver dashboards within a reasonable timeframe?

Yes, we believe it will be difficult to force providers from outside the 'ready and willing' supporters to engage with the project without a statutory obligation, in particularly where pension schemes have little to gain commercially or have outdated records of members' pensions.

Q4. Do you agree that all Small Self-Administered Schemes (SSAS) and Executive Pension Plans (EPP) should be exempt from compulsion, although they should be allowed to participate on a voluntary basis?

Q5. Are there other categories of pension scheme that should be made exempt, and if so, why?

While we accept that SSAS will find it harder to comply with data requirements and to afford their contribution to the dashboards' running costs, we do not see an obvious case for excluding them altogether. We believe a reasonable solution would be to allow them more time to comply, as could be set out in a legislative timetable, while making expectations clear as early as possible.

Implementing dashboards

Q6. Our expectation is that schemes such as Master Trusts will be able to supply data from 2019/20. Is this achievable? Are other scheme types in a position to supply data in this timeframe?

Q7. Do you agree that 3-4 years from the introduction of the first public facing dashboards is a reasonable timeframe for the majority of eligible schemes to be supplying their data to dashboards?

Different types of pension scheme are likely to face different challenges, and that might require a more detailed phased approach.

Q8. Are there certain types of information that should not be allowed to feature on dashboards in order to safeguard consumers? If so, why? Are there any other similar risks surrounding information or functionality that should be taken account of by government?

We are not in a position to identify any specific customer data, this should be the responsibility of the industry-led delivery group. However, we are concerned that marketing opportunities for unrelated products are carefully regulated, if allowed at all – for example clicking through from a dashboard to a product website could present opportunities for data harvesting (not to mention working as an extra sales tactic).

Q9. Do you agree with a phased approach to building the dashboard service including, for example, that the project starts with a non-commercial dashboard and the service (information, functionality and multiple dashboards) is expanded over time?

Yes, we believe it is important to get the ball rolling, even if this means focussing on just DC schemes and the State Pension initially.

A non-commercial dashboard is likely to play a key role in the marketing and delivery of the project, and we agree this is the best starting point.

Protecting the consumer

Q11. Our assumption is that information and functionality will be covered by existing regulation. Do you agree and if not, what are the additional activities that are not covered?

To the best of our knowledge the activities contained with a dashboard should be covered by existing regulation. However, 'innovation' in the development and delivery of dashboards could also include the creation of new activities that are as yet unknown, and could fall outside the scope of regulation. As stated in our response to Question 2, delivering a dashboard should itself be a regulated activity, and the FCA must closely monitor how dashboards are used and be prepared to act swiftly (which unfortunately is often not the case with financial regulation) to remedy any ills.

Accessing dashboard services

Q12. Do people with protected characteristics, or any customers in vulnerable circumstances, have particular needs for accessing and using dashboard services that should be catered for?

Significant numbers of people do not have online access, so if the dashboards are to serve all consumers then an offline service is essential. This can be because of a lack of skills, the absence of the correct equipment (often because of affordability issues), or concerns for security.

In particular, those in and approaching retirement, who may particularly value the dashboard for the purpose of retirement planning, are less likely to be online. Six per cent

of 55-64 year olds, 16 per cent of 65-74 year olds and 49 per cent of those aged 75+ have never used internet.^v Among all age groups, those who are disabled, are less likely to use the internet than those without a disability.

We concur with the recommendation made by Which? in its report, that there should be an offline version of the dashboard:

“To enable people to use online versions of the pensions dashboard, they will need access to the internet, the skills to use it, motivation as to why it is a good thing and trust that nothing will go wrong. A significant number of people, particularly those who are older or vulnerable, may not have the access, skills, motivation or trust to use an online dashboard. If we are to maximise the potential of the dashboard then it is essential that offline access is available. Offline access is unlikely to be a priority for commercial providers of the dashboard, due to the additional cost involved so government should step in to guarantee a service that offers offline access.”^{vi}

Both the DWP and the Single Financial Guidance Body are covered by the Public Sector Equality Duty (PSED), and are therefore required by law to explain what consideration they have given to equalities and to justify the reasoning behind the decision-making.

This means that there is a legal duty to consider in detail the equalities implications of a policy, and also how this will work in practice. The Equality and Human Rights Commission provides helpful guidance on complying with and implementing the PSED^{vii} that should be followed by all public authorities, including in the development of the dashboards.

The DWP must conduct a proper assessment of the equality implications in line with its obligations under the PSED – to eliminate discrimination and promote equality – and retain an open mind about whether to pursue an offline version. As shown above, internet use is linked to the protected characteristics of age and disability, and we look forward to hearing how the Government intends to address this issue.

For the majority of people who are able to use the online system it will be important that the dashboards are designed in a way that are as user-friendly as possible and are easily accessible for those with particular needs, or who have more limited digital skills. All dashboards, including those run by the private sector, should be encouraged follow best design practice including meeting provisions set out in the new public sector website and app accessibility standards.^{viii} It is also important that there is extensive user testing.

Governance

Q13. The Department has proposed a governance structure which it believes will facilitate industry to develop and deliver a dashboard. Do you agree with this approach? If not, what, if anything, is missing or what workable alternative would you propose which meets the principles set out in this report?

We support the proposal for a single governance structure. Our primary concern is that consumer representation on the single delivery group is sufficient to challenge, hold the financial services firms, tech industry and Government to account, and to be able to create a positive change within the development process and operation of dashboards where appropriate.

The Chair and the majority of the board should be independent of commercial operators.

We also believe that pension dashboards could benefit from a 'Duty of Care', as recently proposed by the FCA. Such a duty would mean that firms have a responsibility to put consumer interest first, and we believe would positively impact on the development and design of dashboards and associated processes. Dashboards should be developed with a Duty of Care in mind. Please see the Age UK response to the FCA consultation for further information about our views on the Duty of Care.^{ix}

Costs and funding

Q14. What is the fairest way of ensuring that those organisations who stand to gain most from dashboard services pay and what is the best mechanism for achieving this?

All firms involved in providing dashboards should play a part in funding their continued existence.

General

Q15. Do you have any other comments on the proposed delivery model and consumer offer?

The pensions dashboards proposal seems to strike a sensible and pragmatic balance between the realities of developing a major infrastructure project on the one hand and meeting consumer need on the other. However it is essential that consumer protection remains the top priority and pressures to use the dashboard for inappropriate commercial gain are resisted, otherwise the public will be quick to lose trust in the project.

One further concern, although not one exclusive to dashboards, is the myth that simply providing information to consumers is sufficient to assume that people will automatically take good decisions. While information is clearly useful for those consumers who are already more actively engaged, and might also help those who have further support such as an IFA, it is well-documented that it will not alone help people become more engaged. There is an important point underlying this that we urge is remembered during the development phase and beyond – that just because dashboards exist, even consumers who use the dashboard will still require a range of further protections and support if they are to get the most value from their pension savings.

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- ⁱ Department for Work and Pensioners (2018) Pensioners income series,
- ⁱⁱ See FCA Occasional Paper 19 (July 2016), Attention, Search and Switching: Evidence on Mandated Disclosure from the Savings Market <https://www.fca.org.uk/publication/occasional-papers/occasional-paper-19.pdf>. For a brief overview of the evidence see the FCA blog, December 2018, <https://www.fca.org.uk/insight/dont-look-here-do-risk-warnings-really-work>
- ⁱⁱⁱ For example if someone moves money into investments that sit outside the default fund charge cap (0.75 per cent) and then disengages, this can leave them exposed to higher charges and invested inappropriately, potentially causing long-term damage
- ^{iv} Department for Work and Pensions (2013), Pensions Bill 2013, information pack for peers
- ^v ONS (2018) Internet Users.
- ^{vi} Which? (2018), The pensions dashboard: how can we make sure it works for consumers?
- ^{vii} The Essential Guide to the Public Sector Equality Duty: England and Non-Devolved Public Authorities in Scotland and Wales, Equality and Human Rights Commission
- ^{viii} <https://gds.blog.gov.uk/2018/09/24/how-were-helping-public-sector-websites-meet-accessibility-requirements/>
- ^{ix} https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/money-matters/age_uk_response_to_fca_duty_of_care_november2018.pdf