

The following outlines key regulatory and legislative activity impacting on the UK personal finance, pensions and financial planning industry in the coming month. AJ Bell Investcentre head of product, Mark Rendle, and AJ Bell head of retirement policy, Tom Selby, are available to discuss any of these topics.

Key things to look out for over the summer

- **31 July** – final implementation date for Consumer Duty
- **Summer** – government to consult on extending pensions cold-calling ban to all financial products
- **5 September** – responses due to DWP consultations, including on the framework for an automatic consolidator of small pension pots, as well as how defined contribution pension schemes can support their members in using their private pension savings at the point of access
- **12 September** – responses due to HMRC on draft legislation for the Finance Bill 2023-24, including on how the lifetime allowance is abolished

Consumer Duty goes live

- Consumer Duty deadline day today for the financial services industry
- To help them in their implementation, the FCA has published a list of ten key questions for firms to consider



Mark Rendle, AJ Bell Investcentre head of product, comments:

The introduction of the Consumer Duty represents the biggest overhaul of financial services regulation since the RDR and a step-up in expectations, with the FCA demanding firms to work to deliver 'good outcomes' for customers. The regulator wants to see these good outcomes in four key areas, all of which are relevant to financial advisers:

- Products and services
- Price and value
- Consumer understanding
- Consumer support

The Duty will also require all financial services firms, including advisers, to evidence how they are working to deliver good outcomes for customers, right across the value chain. There is a huge amount of new information being made available to advisers to consider as part of their recommendations to customers including value assessments and target market information, as well as trying to assess the service and support their customers can expect to receive pre- and post-sale.

Firms also need to think about embedment, the identification of potential customer harms, proving they have delivered adequate training to staff to support these aims and have considered any adaptations they may need to make in their businesses for vulnerable customers.

However, there is another element of the duty that will cast a much longer shadow, which is more familiar to the judicial system – the evidentiary standard. Looking at FCA's ten questions for firms on consumer preparedness, there are key themes that will need to be baked into your processes and easily evidenced in future:

- How have you tested your current approach and identified the changes to make?
- How are these changes expected to improve customer outcomes and how will you test this?
- What are the key risks to delivering good customer outcomes and what foreseeable harms have you identified – how will these be measured and mitigated?

While these questions might be more easily answered at a client level, evidencing that you have processes in place to monitor this for all customers on an ongoing basis is an important consideration. Repeating any testing on an ongoing basis is imperative and being able to evidence the testing of changes and improvements made should also be considered by firms if they wish to prove to the FCA that they are up to scratch.

Abolishing the lifetime allowance – and possibly creating a new 'death tax'

- The government on 18 July set out for consultation proposed new rules to replace the pensions lifetime allowance from 6 April 2024
- Two new lifetime limits would be created under the plans:
 - A 'Lump Sum Allowance' set at £268,275 – a quarter of the current £1,073,100 lifetime allowance
 - A 'Lump Sum and Death Benefit Allowance' set at £1,073,100 – incorporating both tax-free lump sums someone takes while alive and lump sums paid on death
- However, in the policy paper on the abolition of the lifetime allowance, the government said it also wants to tax income if an uncrystallised pension fund (where the pension hasn't yet been accessed) is used to buy income where someone dies before the age of 75



Tom Selby, head of retirement policy at AJ Bell, comments:

The decision to scrap the lifetime allowance had the potential to be a hugely positive step in making pensions simpler for millions of people and ditching a significant disincentive to save for their financial future. However, the government is at risk of tying itself in knots by creating two new lifetime limits for pensions.

But, bizarrely, not content with this confusion, the government is also considering going further and adding even more complexity to the new rules by creating a new pension 'death tax' where someone dies before age 75.

Creating a tax on death in this way makes little sense and may push more beneficiaries to take a lump sum when an income is more suitable for their needs. Or it could encourage the member to take their pension benefits earlier than planned to avoid their loved ones paying income tax.

Introducing a tax on death also risks causing a political firestorm for the government and undoes much of the simplification benefits associated with ditching the lifetime allowance.



Regulatory Outlook diary:

This is a summary of key policy and regulatory developments expected this year and beyond. Dates are correct at the time of publishing but are subject to change according to updates issued by regulators, government departments and other relevant bodies.

What	When	Who	AJ Bell View
August - September 2023			
FCA Consumer Duty implementation date for new and existing products or services	31 July	FCA	
Government to consult on extending cold-calling ban to all financial products	Summer	Home Office	Government to ban cold calling on all financial products
Pensions Dashboards Programme (PDP) and Department for Work and Pensions (DWP) informally collaborate with industry to set new guideline for connection dates	Summer	DWP/PDP	Pensions dashboards kicked into the long grass just months before key delivery deadlines
CLOSES: DWP consultation on new automatic consolidator framework for small pots	5 September	DWP	Government sets out plans to tackle £27 billion 'lost' pension pots problem
CLOSES: DWP consultation paper on 'Helping savers understand their pension choices' covering principles-based decumulation communication for occupational pension schemes	5 September	DWP	
CLOSES: DWP consultation on 'Pension trustee skills, capability and culture'	5 September	DWP	
CLOSES: DWP consultation on DB Options, the development of policy options to increase protection for DB members while supporting wider economic initiatives	5 September	DWP	
CLOSES: HMRC consultation on the new pensions tax framework following abolishment of lifetime allowance	12 September	DWP	Government urged to clarify new pension tax rules as new 'death tax' for pensions proposed
CLOSES: HMRC consultation on moving to the digitalisation of the administration of the relief at source pension tax system	12 September	HMRC	
CLOSES: FCA CP23/15 'The Framework for a UK Consolidated Tape'	15 September	FCA	
Autumn/Winter 2023			
New SMPI requirements come into effect – AS TM1 version 5.0	1 October	FRC	
CLOSES: Government consultation on 'Local Government Pension Scheme: next steps on investment'	2 October	Government	
FCA publish Policy Statement on sustainability disclosure requirements (SDR) and investment product labels	Q3	FCA	
FCA consult on new Smart Regulation disclosure framework	Possibly Q3/Q4 2023	FCA	
FCA consult on proposed changes to compensation rules 2023/24	Probably Q3/Q4 2023	FCA	
HMT to publish a discussion paper on how to close the 'help gap' and the advice/guidance boundary	Autumn	HMT	
DWP consult on extension of automatic enrolment to younger ages and for all of salary	Autumn	DWP	Government confirms £45 billion automatic enrolment expansion plan...six years after accepting review recommendations
DWP consult on lifetime pension ('stapling')	Autumn	DWP	
Implementation date for FCA new rules on default funds and cash warnings for non-workplace pensions	1 December	FCA	FCA confirms plans to introduce defaults and cash warnings for non-workplace pensions but backs away from mandatory 'lifestyling'
FCA: Consultation on proposed changes to rules to develop a value for money (VFM) framework	Possibly Autumn	FCA	Pension league tables expected as regulators given power to relegate poor performers
DWP: Consultation on proposed changes to regulations to develop a VFM framework	Possibly Autumn	DWP	Pension league tables expected as regulators given power to relegate poor performers
DWP to consult on amending 'collective defined contribution (CDC) regulations	Later in 2023	DWP	
DWP to continue its work on developing legislative framework for multi-employer CDC schemes and exploring how decumulation CDC schemes could work	2023-24	DWP	
2024			
FCA's policy statement expected on changes to compensation rules	By April 2024	FCA	
Treasury to pass statutory instrument (SI) which will enable FCA to deliver the new smarter financial services regulatory framework and then repeal the Packaged Retail and Insurance-based Investment Products (PRIIPS) regulations	By 2024	HMT	
Reduction in the dividend tax free allowance to £500	6 April 2024	HMRC	Tax bills set to spiral as Chancellor confirms deep freeze on personal taxation
Reduction in the capital gains allowance to £3,000	6 April 2024	HMRC	Tax bills set to spiral as Chancellor confirms deep freeze on personal taxation
Later			
Stamp duty tax cut ends – doubles to £250,000	March 2025	HMRC	Six things Jeremy Hunt should address at this month's Budget
State pension age (SPA) to increase to 67	Between 6 April 2026 – 5 April 28	DWP	State pension age rise decision to be pushed beyond general election
Freezing of income tax thresholds set to end	5 April 2028	HMRC	Income Tax threshold freeze for middle earners
Freezing of IHT nil rate band set to end	5 April 2028	HMRC	Families face extra £170,000 inheritance tax bill because of tax threshold freeze
Normal minimum pension age (NMPA) rises to 57 (unless protected)	6 April 2028	HMRC	Think thank calls for tax-free cash cap and hike in minimum access age to tackle labour market challenges

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