REGULATORY OUTLOOK

October 2023

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 head of policy development**, **Rachel Vahey**, and **AJ Bell head of retirement policy**, **Tom Selby**, are available to discuss any of these topics.

Key things to look out for in the Autumn

- **New growth assumptions for pension statements** – the assumptions used to roll forward pension pots will change from 1 October 2023 and some pension savers could see a significant difference compared to previous years
- **Policy paper on the advice/guidance boundary review** – the FCA and Treasury are currently reviewing the advice guidance boundary and intend to issue a policy paper on this in the Autumn
- **FCA to consult on the Future Disclosure Framework** – following the UK's exit from the European Union, the FCA is considering how a new disclosure framework could work in the UK
- **DWP to consult on extending automatic enrolment** – the legislation has just been passed to extend automatic enrolment by lowering the minimum age to 18 and count contributions from the first pound of earnings upwards – the DWP will now consult on how to implement these (and maybe other) changes to automatic enrolment

FCA and Treasury to announce proposals to close the 'help gap'

- The FCA and Treasury are currently conducting a review of the advice guidance boundary, with a policy paper setting out proposed reforms expected this year
- Should help the FCA meet its target of reducing the 8.6 million people holding more than £10,000 in cash by 20%
- Simplification to existing products, including ISAs, should also be on the table
- Consumer Duty a platform to implement these changes

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

Improving the financial help Brits receive is a key aim of both the FCA and the Treasury. The regulator has identified around 8.6 million people holding more than £10,000 of investable assets in cash and has set itself a target of reducing this number by 20%. To help achieve this target, we need to make it as easy as possible for people to save and invest more.

Part of the solution is making products people invest in as easy as possible to understand, which is why AJ Bell has led calls for simplification of ISAs. We also need to make sure those who want to take regulated advice can access it as easily as possible, while those who choose to invest without the help of an adviser are guided towards good outcomes.

As things stand, a combination of legislation, regulatory guidelines and fear of complaints being upheld by the Ombudsman mean firms tend to only offer very basic, generic help to non-advised customers. Consumer Duty provides an ideal platform to initiate the required step-change in approach, and creating a simpler, more defined guidance regime has the potential to give firms the confidence to deliver more useful, personal communications with the aim of achieving good outcomes for consumers.

It is vital as these reforms take shape that firms are given sufficient flexibility to implement any solutions in a way that will best suit their customers.

New assumptions for pension statements start 1 October

- Pension statements will change from 1 October 2023 when pension savers could see significantly different estimations compared to previous years
- New rules for calculating statutory money purchase illustrations (SMPI) have been set
- The assumptions used to roll forward a pension fund from today to a future date will now be linked to the volatility of the investment – the higher the volatility of the fund in the last five years, the higher the growth assumption
- Other changes include assuming the fund buys a pension only for the pension saver for their lifetime, and that it doesn't increase in value – the pension saver could see a big increase to the estimated pension income their fund could buy if the pension scheme had previously assumed that a spouse's pension would be paid on death or the pension increased in value each year
- These annual statements are relied upon by many retail customers, so it's important that advisers are able to explain these changes clearly

Rachel Vahey, head of policy development at AJ Bell, comments:

Some pension savers could see a dramatic difference in their pension statements compared to previous years, thanks to new rules on how to calculate these figures.

Pension scheme members receive a statement each year showing the current value of their pension pot as well as an estimation of what it would be worth when they retire and the income it could buy.

From October when working out what a pension fund is worth in the future, today's value will be rolled forward by a growth rate that is linked to the volatility of the fund it's invested in. The higher the volatility, then the higher the growth rate and the estimated final value.

Some pension savers could see significantly higher figures on their statements compared to previous years, especially if they are invested in funds that have been volatile over the last few years.

Advisers may need to discuss these statements with their clients to help them understand what has changed.

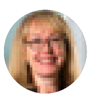
But it's important to remember that these figures remain a 'best guess' only. The final value of savers' pension funds and income will depend on many factors, including when they take their benefits, economic conditions, contributions paid and the actual investment return.

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
Autumn / Winter 2023			
New assumptions for pension statements where growth rate assumptions for illustrations are linked to volatility of investments	1 October	FRC	
CLOSES: Government consultation on 'Local Government Pension Scheme: next steps on investment'	2 October	Government	
The Chancellor delivers his Autumn Statement	22 November	Chancellor	• Government confirms Autumn Statement date • Does Jeremy Hunt have IHT in his sights ahead of the Autumn Statement? • Treasury urged to focus on simplicity in its ISA reform
FCA publish Policy Statement on sustainability disclosure requirements (SDR) and investment product labels	Autumn	FCA	
FCA publish policy paper on the advice guidance boundary review	Autumn	FCA	FCA confirms 'core advice' plans on hold as advice guidance boundary review kicks into gear
FCA consultation on the Future Disclosure Framework	Expected Q3/Q4	FCA	
Independent review of The Pensions Ombudsman (TPO)	Autumn	DWP	
DWP consult on extension of automatic enrolment, including to younger ages and for all of salary	Autumn	DWP	Workers to save extra £500 a year into pensions under new auto enrolment rules
DWP consult on 'pot for life' option on automatic enrolment	Autumn	DWP	
DWP consult on draft regulations for whole-life commercial CDC schemes which will lead to the legislative framework (decumulation CDCs will be 'progressed' alongside this)	Autumn	DWP	
FCA: Consultation on proposed changes to rules to develop a 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
FCA consultation on Compensation Framework Review	Expected Q4 (or Q1 2024)	FCA	
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'
2024			
FCA's policy statement expected on new Compensation Framework	By April 2024	FCA	
Treasury 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 (PRIPPS) regulation	By 2024	HMT	
State pension increased	6 April 2024	HMRC	Retirees set to receive bumper 8.5% increase to state pension
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
New pensions tax regime (based on lump sums tests only) begins	6 April 2024		Government urged to clarify new pension tax rules as new 'death tax' for pensions proposed
Consumer Duty comes into force for closed products	July 2024	FCA	
Deadline for making a deferral application for connecting to pensions dashboards	8 August 2024	DWP	
FCA to conduct a Consumer Duty Implementation review	2024	FCA	
Later			
Stamp duty tax cut ends – doubles to £250,000	March 2025	HMRC	Six things Jeremy Hunt should address at this month's Budget
SPA to increase to 67	Between 6 April 2026 – 5 April 28	DWP	State pension age rise decision to be pushed beyond general election
Final connection deadline for pensions dashboards	31 October 2026	DWP	
Any deadline for deferral connection to the pensions dashboard would not be later than this date	31 October 2027	DWP	
Freezing of tax thresholds to	5 April 2028	HMRC	Income Tax threshold freeze for middle earners
Freezing of IHT nil rate band to	5 April 2028	HMRC	Families face extra £170,000 inheritance tax bill because of tax threshold freeze
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

Press Contacts:



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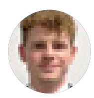

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