UNDER EMBARGO: 20 March 2018 **MEDIA INFORMATION**

Protection scheme awareness alters how savers choose to fund retirement

- *Large-scale behavioural experiment shows a link between the choices people make in retirement and their awareness of FSCS*
- *Separate mystery shopping data reveals missed opportunities to educate consumers about FSCS protection*

The Financial Services Compensation Scheme (FSCS) has today published the findings from a large-scale experiment showing that people's appetite for risk – and choice of retirement product – could change, when they know or hear about FSCS.

The experiment, in which more than 2,000 people participated, was conducted by the respected economic consultancy Oxera, and the Centre for Experimental Social Sciences (CESS). It showed that people who are aware of FSCS are less inclined to buy riskier products and more inclined to opt for those the Scheme protects. People who are aware of FSCS or think FSCS is important are also more likely to take advice and less likely to question the price of that advice, the study found.

Alongside the *Oxera* findings, which were published as part of a wider report entitled *The need to know: FSCS protection makes a difference*, FSCS has also published some of the findings of its regular mystery shopping exercise, which showed a clear gap in the quality of information firms are providing to their customers about FSCS. For example, 61% of mystery shoppers had to proactively prompt an adviser for information about the Scheme. The overall awareness score on the compensation limit for pensions was only 23%.

Additional research commissioned by FSCS to complement the experiment looked at a range of different areas concerned with how people choose retirement products. FSCS found a reliance upon financial advisers, with 64% of women and 54% of men using an IFA to help them buy a retirement product with their pension pot. This survey, of 1,500 people aged 50 or over, also found that of those who do not know if their retirement-specific products are protected by FSCS, almost two-thirds (62%) say that knowledge of FSCS would have influenced their purchasing decision.

Today's publication of *The need to know: FSCS protection makes a difference* demonstrates that awareness of FSCS prompts more individuals to consider paid-for financial advice and to choose less risky products that are covered by FSCS when planning their retirement finances.

FSCS's research underscores the importance of advisers helping retirees make decisions that have life-long consequences. It also shows that advisers can do much more to promote awareness of FSCS, as a key source of information for retirees.

Mark Neale, FSCS Chief Executive, said: "The report we have published today should be read by everyone involved in the advisory and wider life and pensions sectors. It is clear that greater awareness of the protection that FSCS provides to retirees has an impact on product choice and on the risks they are prepared to take when planning their finances. It is key that providers and advisers make retirees aware of FSCS protection.

"I am therefore pleased to announce that a group representing leading industry firms has agreed to work together to look at developing an industry best practice standard for disclosure, which will offer a benchmark on how life and pensions product providers convey information about FSCS to consumers. This will not be a quick fix but we are confident that, just as we have in the deposit industry, we will arrive at a disclosure standard which will significantly improve consumer understanding and make it easier for providers to communicate where FSCS's guarantees apply to retirement products."

Lawrence Churchill, Chair of FSCS, said: "The results of this research provide a clear indication of the need for firms to offer clear and accurate information about FSCS to their customers. This information will not only allow retirees to make more informed decisions about their pensions, but will increase their trust and confidence in the firms themselves. And that's good for firms and for financial stability generally."

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Notes to editors

1. About FSCS

FSCS is the UK's statutory compensation scheme for customers of authorised financial services firms. FSCS is funded by the financial services industry and protects investment business, deposits, home finance – mortgage – advice, and general insurance and insurance broking. FSCS can pay for financial loss if a firm cannot pay claims against it. We are independent, and do not charge individual customers for using our service.

Before FSCS can declare a bank, building society or credit union in default and pay compensation to its customers, it must be satisfied the firm cannot repay deposits because of its financial circumstances, and has no current prospect of being able to do so. For more information on FSCS, please visit www.fscs.org.uk

2. About the Oxera / CESS research

This was based on a large-scale behavioural experiment designed to simulate real life decisions faced by people approaching retirement. It was designed to better understand consumer decision-making, in a realistic environment rather than a survey which only looks at people's stated preferences (which deviates from what they might do in practice).

The experiment was designed to reflect the general population and asked 2,056 people aged 45+ what they wanted to do with their pension pot at retirement and whether they wanted financial advice. They were offered information about eight pension options, financial advice, the FSCS, scams and tax by clicking on links and pop-ups. They were then asked to choose whether they wanted financial advice and their top three pension products. They were also asked comprehension and risk questions. A control group did not receive information about FSCS protection. A summary of the results is available on request.

3. About the Ipsos MORI mystery shopping research

Ipsos MORI mystery shoppers conducted 1200 telephone calls and 25 IFA location visits across 24 firms.

4. About the Censuswide research

The findings are from a survey of 1,500 respondents aged 50+ that have used their pension pot to buy an annuity, income drawdown or other retirement specific product. It was conducted between 23 and 29 August 2017.