Self-Certified Impact Assessment	
Title of measure	Establishing a single financial guidance body
Lead Department/Agency	DWP
Expected date of implementation	10th May 2018
Origin	Domestic
Date	04/05/2018
Lead Departmental Contact	Tara Nicholson

Summary: Intervention and Options

Cost of Preferred (or more likely) Option				
Total Net Present Value £ -5.65m	**Business Net Present Value** £-5.65m	**Net cost to business per year** (EANCB on 2014 prices) £0.6m	**One-In, Three-Out** In scope	**Business Impact Target Status** In scope

What is the problem under consideration? Why is Government intervention necessary?

Pensions guidance, money guidance and debt advice are currently delivered by two government-sponsored services – the Money Advice Service (MAS) and the Pensions Advisory Service (TPAS), as well as by DWP under the Pension Wise banner. The government thinks these arrangements are inefficient and that there is an opportunity to improve the delivery of this financial guidance. The creation of a single financial guidance body (SFGB) will enable savings in back-office functions and will create a simpler, clearer offering for members of the public. At present, the three services have independent strategies, business plans and brands. This has resulted in duplication of content; overspend across the government's provision of guidance, and confusion for individuals seeking guidance.

What are the policy objectives and the intended effects?

The government has specified two objectives for reforming its provision of guidance. These are to:

a) Provide greater clarity for members of the public seeking financial guidance.

b) Enable savings and efficiencies across the government's financial guidance provision.

These objectives aim to improve outcomes for individuals and increase levels of financial capability, reducing levels of

What policy options have been considered, including any alternatives to regulation?

Option 0 - Do nothing. Maintain the status quo by retaining Pension Wise, TPAS and MAS;

Option 1 - Create a new non departmental public body (NDPB) to deliver pensions guidance, debt advice and money guidance.

Option 1 is the final proposal, the subject of the Bill and this impact assessment. This would bring together pensions guidance, money guidance and debt advice in one body that would deliver and commission specific services to ensure that as many individuals as possible receive high-quality, impartial financial guidance. The new body would deliver one website rather than three, operate under one board, produce a single annual business plan and budget, and operate under a single brand. This option would therefore reduce back office costs, reduce duplication across the government's guidance services, and provide greater clarity to individuals who are unsure where to turn when seeking financial guidance.

Will the policy be reviewed? No **If applicable, set review date:** N/A					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope?	**Micro** YES	**< 20** YES	**Small** YES	**Medium** YES	**Large** YES
What is the CO2 equivalent change in greenhouse gas emissions? (Million tonnes CO2 equivalent)			**Traded:** N/A		**Non-traded:** N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Departmental signoff (*SCS*): (Policy) Clare Talbot Date: 09/05/2018

(Lead Analyst) Laura Webster Date: 04/05/2018

Economist signoff (*senior analyst*): Andrea Lee Date: 09/05/2018

Better Regulation Unit signoff: Prabhavati Mistry Date: 09/05/2018

Summary: Analysis & Evidence Policy Option 0

Description: Do nothing (baseline)

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
2018	2018	10	**Low:** 0	**High:** 0	**Best Estimate:** 0

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	n/a	0	**0**
High	0		0	**0**
Best Estimate	0		0	**0**

Description and scale of key monetised costs by 'main affected groups'

N/A

Other key non-monetised costs by 'main affected groups'

None – the government's current provision will remain in place.

Under this option, these costs will continue in the future and will represent the baseline against which the costs and benefits of other options are assessed. As such, these costs have not been specifically quantified.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	n/a	0	**0**
High	0		0	**0**
Best Estimate	0		0	**0**

Description and scale of key monetised benefits by 'main affected groups'	
N/A	
Other key non-monetised benefits by 'main affected groups'	
N/A	
Key assumptions/sensitivities/risks **Discount rate (%)**	3.5
That the three services continue to operate as now (with separate management boards, brands, and business plans) and there are no improvements to services which will lead to operational efficiencies.	

BUSINESS ASSESSMENT (Option 0)

Direct impact on business (Equivalent Annual) £m:			**Score for Business Impact Target £m**
Costs: 0.00	**Benefits: 0.0**	**Net: 0.00**	0.0

Summary: Analysis & Evidence — Policy Option 1

Description: Create a new non-departmental public body to deliver pensions guidance, debt advice and money guidance

FULL ECONOMIC ASSESSMENT

Price Base Year 2018	PV Base Year 2018	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -13.13	High: -1.15	Best Estimate: -5.65

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	1.15	1	0.0	**1.15**
High	13.13		0.0	**13.13**
Best Estimate	5.65		0.0	**5.65**

Description and scale of key monetised costs by 'main affected groups'

- There will be a one-off cost to pension providers or administrators and mortgage and debt-management firms of £5.65 million in the first year and £0 in each subsequent year as a consequence of Policy Option 1. This cost is a direct consequence of amendments to pre-existing rules that will require firms to signpost to the new single financial guidance body by amending their communications.

Other key non-monetised costs by 'main affected groups

- There could be second order behavioural effects which have not been monetised, such as an increase in members using the SFGB as a result of the consolidated service through which people can easily find the service they need.
- There will be costs to pension providers or administrators and mortgage and debt firms to change communications that are not required through legislation.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	1	0	**0**
High	0		0	**0**
Best Estimate	0		0	**0**

Description and scale of key monetised benefits by 'main affected groups'

N/A

Other key non-monetised benefits by 'main affected groups'

MAS, TPAS and Pension Wise are funded by levies on the financial services industry and the General Levy. The SFGB will enable the sharing of back-office, policy and marketing functions and will create a single executive board in place of the senior management structures at MAS, TPAS and Pension Wise. One structure replacing three will reduce cost of guidance provision, releasing funds through these efficiencies. Savings could be channelled to the front-line of guidance provision and therefore broaden the government's provision of debt advice, pensions guidance and money guidance. Alternatively, savings could be used to reduce the levies that industry pay to finance the government's guidance provision. These indirect savings have not been estimated in this assessment due to the inherent uncertainty in estimating such savings, and they are outside the scope of the Business Impact Target.

In the future, businesses will signpost to one organisation rather than three which could lead to efficiencies in their administrative costs. These are not quantified as this will be down to individual companies making decisions about their communications and are not a legislative requirement.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5

The key risks to the assumptions are the average costs to change communications. Pensions, mortgage and debt firms can have quite different business models and IT systems and will have varied processes for implementing changes. In addition, there are likely to be other changes such as regular checks and updates to communications and these might occur at the same time as the required changes for this policy option which may reduce the marginal cost of change. These assumptions have been discussed in the text below and some sensitivity included with the costings.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			**Score for Business Impact Target £m**
Costs: 0.6	**Benefits: 0.0**	**Net:-0.6**	3.0

Evidence Base (for summary sheets)

Problem under consideration

1. This Impact Assessment has been produced by the Department for Work and Pensions (DWP) and HM Treasury (HMT). It assesses the impact of the creation of a new Non-Departmental Public Body (NDPB) designed to deliver pensions guidance, money guidance, and debt advice.

Rationale for intervention

2. At present, the government provides free-to-client financial guidance and debt advice through three services – Pension Wise, TPAS, and MAS.

3. Pension Wise is a free and impartial government service that was launched in April 2015 as a result of a requirement in the Pensions Act 2015. It provides guidance to people aged 50 years and over with defined contribution pension pots to help them understand their options for accessing their pensions savings. Pension Wise guidance is delivered through online information (on GOV.UK) and through appointments which are delivered by TPAS (via telephone) and Citizens Advice (face to face). In 2015-16 there were 1.7 million sessions on the Pension Wise website[1] and 61,000 telephone and face-to-face appointments[2].

4. TPAS was initially founded in 1983 as a charitable organisation called the Occupational Pensions Advisory Service (OPAS). It is a company limited by guarantee. The organisation changed its name to the Pensions Advisory Service in 2005, and subsequently became a non-statutory Executive NDPB sponsored by DWP in 2006 (while still retaining its company status). TPAS's core service is to provide information and guidance on matters relating to private pensions. It has a public facing website and provides helpline, email and web chat services for individuals seeking assistance with their private pension queries. Since April 2015, TPAS has also

[1] Information provided by Pension Wise

[2] Pension Wise Dashboard

https://www.gov.uk/performance/pension-wise/appointments-delivered-by-channel delivered the Pension Wise telephone guidance service, through a contractual agreement. In 2015-2016, there were 2.7 million sessions on the TPAS website and 103,000 calls handled.[3]

5. MAS was set up originally as the Consumer Financial Education Body in 2010 to enhance people's understanding and knowledge of financial matters. It was established in statute (FSMA 2000) sponsored by the FCA. The body was rebranded as MAS in 2011 and MAS now delivers a comprehensive public facing website, provides helpline and webchat services for individuals seeking assistance with their finances, and works with and commissions partners to deliver financial capability programmes for adults and young people. In 2015-2016, there were 19.4 million sessions on the MAS website, 300,000 telephone, webchat and face-to-face contacts and 380,600 debt sessions funded through partners.[4]

6. In addition, MAS co-ordinates a cross-sector Financial Capability Strategy, which is designed to improve financial capability and to improve the effectiveness of interventions by third sector organisations. The Strategy complements MAS's 'What Works' fund which is designed to fund and evaluate projects in order to identify initiatives that could be delivered effectively at scale. MAS's statutory remit was extended to include responsibility for the coordination of debt advice in 2012.

7. The government has identified opportunities to improve its guidance provision. Most importantly, the three services have overlapping remits but different brands, independent strategies and business plans. For instance, there were 1.8 million hits on the pensions section of MAS's website between April 2015 and March 2016, despite the fact that TPAS and Pension Wise also offer websites providing guidance on pensions. The planned reform aims to provide greater clarity for individuals seeking guidance by removing duplication of this nature. Where appropriate, the government is also keen to explore opportunities to remove artificial boundaries between pensions guidance and money guidance.

8. The government has also identified an opportunity to realise efficiencies through consolidation of back-office functions and senior management positions across the three guidance services. DWP and HMT think the creation of a single body provides an opportunity to redirect funding to front-line services or to reduce the levies that currently finance the government's financial guidance provision.

9. MAS has been criticised by the Treasury Select Committee and in the media, while Christine Farnish's independent *Review of the Money Advice Service* put forward a number of recommendations to improve MAS in March 2015. Responses to the government's Public Financial Guidance Review also highlighted opportunities to improve public financial guidance more broadly.

10. In addition, MAS has previously been criticised by industry for overspending on marketing and the 2015 Independent Review of the Money Advice Service recommended that MAS pare down its marketing spend, which it has since done. The government is therefore keen to ensure future marketing activity is as efficient and effective as possible.

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[3] The Pensions Advisory Service Annual Report and Accounts 2015/16: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535349/the-pensions-advisory-service-annual-report-and-accounts-2015-16.pdf

[4] The Money Advisory Service Annual Report and Accounts 2015/16: https://masassets.blob.core.windows.net/cms/files/000/000/457/original/MAS_ANNUAL_REPORT_2016_July2016_Final_W.pdf

11. The current oversight arrangements of MAS mean that HMT does not have sufficient control to ensure that MAS is spending its budget in a way that maximises the chances of HMT objectives being delivered. The Consumer Financial Education Body was set up under the umbrella of the Financial Services Authority in 2010 and responsibility for approving CFEB's annual budget and business plan, and for appointing CFEB board members, transferred to the Financial Conduct Authority under Schedule 15 of the Financial Services Act of 2012. HMT has consultation rights over MAS's business plans and budgets, and although HMT ministers must agree the appointment of the Chair and CEO, the government believes the current oversight arrangements for MAS are unclear and should be strengthened. Reform of the public guidance provision creates an opportunity to create clearer governance arrangements to ensure that government can deliver its priorities within the guidance landscape.

12. In March 2016, the government consulted on plans to create a single body delivering pensions guidance and a single, slimmed down money guidance body [5]. Under these plans, the government would have legislated for a slimmed down money guidance body that would not deliver an outward-facing website but commission debt advice and money guidance services from other providers. In response to this consultation, stakeholders welcomed the government's intention to simplify the government's guidance offering, but questioned the efficacy of a two-body model. Stakeholders noted that there is a need for an impartial, government-backed website delivering guidance on debt and money and noted that two bodies would have independent boards and continue to develop independent strategies. Stakeholders also noted that this option might artificially separate 'pensions' guidance from wider money matters.

13. Given these concerns, in December 2016 the government consulted on plans to create a single financial guidance body. The consultation closed on 13 February 2017. Respondents supported the government's plans, noting that a single body is more likely to deliver back-office efficiencies and deliver a service that meets individuals' needs.

Policy objectives

14. The government has specified two objectives for reforming its provision of guidance. These are to:
    a) Provide greater clarity for members of the public seeking financial guidance.

    b) Enable savings and efficiencies across the government's financial guidance provision.

15. These objectives aim to improve outcomes for individuals and to increase levels of financial capability, reducing levels of problem debt and improving public understanding of occupational and personal pensions.

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[5] HM Treasury, *Public Financial Guidance Review: Proposal for Consultation* (March, 2016).
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508153/PU1916_Public_Financial_Guidance_proposal_for_consultation_FINAL.pdf

Description of options considered

16. The options considered were:
    - Option 0 – Do nothing, Retain the status quo by retaining Pension Wise, TPAS and MAS;
    - Option 1 – Create a new NDPB to deliver pensions guidance, debt advice and money guidance;

17. Option 1 is the government's final proposal. This option would bring together pensions guidance, money guidance and debt advice in one body that would deliver and commission specific services to ensure that as many individuals as possible receive high-quality, impartial financial guidance. The new body would have one website rather than three, operate under one board, produce a single annual business plan and budget, and operate under a single brand. This option would therefore reduce back office costs, reduce duplication across the government's guidance services, and provide greater clarity to individuals who are unsure where to turn when seeking financial guidance.

18. The creation of two guidance bodies was considered in an earlier consultation; forming a single NDPB to deliver pensions guidance and a new slimmed down money guidance body. It was found, however, that this would not have allowed the scale of efficiencies that could be achieved by Option 1, and operating two bodies could artificially separate 'pensions' guidance from wider money matters.

Summary of costs and benefits discussed in this assessment

Table 1: Summary of costs and Benefits

Description	Cost or Benefit	Affected Group	Number of Businesses Affected	Amount in 2018/19, in 2014/15 Prices (£)	Direct Cost/Benefit to Business?
Communication change (Pension Providers)	Monetised Cost	Business	1,060	1,060,000	Y
Communication change (Mortgage Providers)	Monetised Cost	Business	65	3,981,250	Y
Communication change (Debt Providers)	Monetised Cost	Business	150	607,800	Y
On-going levy savings due to operational efficiencies	Non-monetised Benefit	Business	N/A	N/A	Not within the Business Impact Target: presented in the non-monetised section
Improved customer journey for individuals	Non-monetised	Individuals	All using the service	N/A	N/A

	Benefit				
Total direct net cost to business within the business impact target				£5,649,050	

Monetised costs

Communications requiring change

19. At present, existing legislation and FCA rules require pension schemes to provide information to customers on TPAS and Pension Wise services. The FCA also require mortgage providers to signpost customers to MAS and require debt-management firms to make members of the public aware of free-to-client advice funded by MAS in their first communication with a customer. These rules will be updated to reflect the SFGB rather than TPAS, Pension Wise and MAS. Firms will need to amend their communications to comply with those updates. The current set of rules are listed below.

Pension providers: The current signposting rules affecting pension schemes can be divided into two categories:

a. All Occupational Pensions (under SI 2013/2734 *The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013*) and Personal Pensions (under legally binding FCA rules COBS 19.4.6, covered by the *Financial Services and Markets Act 2000*) have a duty to signpost to Pension Wise in the 'wake up packs' sent out to customers[6].

b. Occupational Pension schemes (under SI 1996/1847 *The Occupational Pension Schemes (Transfer Value) Regulations 1996*) have an obligation to signpost to TPAS. Members of defined benefit schemes who are looking to transfer, are signposted to TPAS as a place where they can get more information.

c. In addition, the Government intends to introduce a new requirement to signpost members with "safeguarded-flexible benefits" - such as Guaranteed Annuity Rates (GARs) - to Pension Wise and subsequently to the new Guidance Body. This is intended to be achieved through amendments to the Pension Schemes Act 2015 (Transitional Provisions and Appropriate Independent Advice) Regulations 2015 (SI 2015/742). Subject to Parliamentary approval, Occupational Pension schemes and pension providers will be required to send members with these benefits tailored communications before they proceed to transfer or access their savings flexibly. This forms part of a different set of reforms, but the changes described here will impact on schemes that have GARs.

20. **Mortgage firms:** The FCA's Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) sets out obligations for firms that: a) undertake a home finance activity or b) communicate or approve a financial

[6] A wake up pack is a document that has to be sent to every scheme member 6 months before their expected retirement age or if they request a transfer, detailing the guidance available and highlighting the member's choices to be made upon retirement.

promotion of qualify credit, of a home purchase plan, of a home reversion plan or of a regulated sale and rent back agreement. Three rules from the MCOB are relevant to the creation of a SFGB:

a. MCOB 5.6. 145: concerns the information that mortgage providers must provide to customers preceding the sale of a mortgage. It specifies that, within a risk warning, providers must include the text: "are you comfortable with the risks?: The Money Advice Service information sheet: 'You can afford your mortgage now, but what if…?' will help you consider the risks. You can get a free copy from http://www.moneyadviceservice.org.uk, or by calling 0300 500 5000."

b. MCOB 13.4.1-3: requires that firms provide customers who have fallen into arrears on a regulated mortgage contract with a copy of the Money Advice Service information sheet 'Problems Paying Your Mortgage'.

c. MCOB 4.11. regulated sale and rent back firms must provide customers with a Money Advice Service factsheet on sale and rent back in a durable medium.

21. **Debt firms**: The FCA's Consumer Credit Sourcebook (CONC) sets out the obligations for firms who deal in credit-related activities. Two rules are relevant to the creation of the SFGB:

a. CONC 3.9R: "A firm must ensure that a financial promotion or a communication with a customer (to the extent a previous communication to the same customer has not included the following information) includes (other than for a not-for-profit debt advice body), a reference to impartial information and to sources of assistance from not-for-profit debt advice bodies"

b. CONC 8.2.R: "A debt management firm must prominently include:

   i. In its first written or oral communication with the customer a statement that free debt counselling, debt adjusting and providing of credit information services is available to customers and that the customer can find out more by contacting the Money Advice Service; and

   ii. On its web-site using the following link to the Money Advice Service web-site https://www.moneyadviceservice.org.uk/en/tools/debt-advice-locator

Volumes of businesses which need to change communications

22. **Pension providers:** Whilst the legal requirement to make the changes described above falls to the scheme, in practice this work will often be done by the third party administrator, insurance provider or Master Trust depending on how the scheme is governed. For example, bundled schemes[7] will use a third party administrator who will make the changes centrally which means the trustees of individual schemes will not incur the costs themselves. Furthermore, the majority of unbundled schemes use one of the large insurance providers who would also make the changes centrally on their behalf.

[7] Bundled arrangements mean that both administration and investments are managed together by one provider, whereas administration and investments are managed separately by selected third party providers in unbundled arrangements.

23. Based on information provided by the Pensions Regulator (TPR) the volume of small, medium and large businesses for 2015/16 which will need to make changes to the wake-up packs and transfer documents consists of:

    a. Approximately 200 unique companies providing administration services to the vast majority of occupational pension schemes with 12 or more members. These consist of third-party administrators, insurers, and businesses servicing Master Trusts.

    b. Approximately 860 schemes that choose to carry out their own administration[8]. These consist of approximately 600 defined benefit pension schemes and approximately 260 defined contribution schemes that self-administer[9].

24. The assumed maximum number of small, medium and large pension businesses affected will therefore be 200 administrators and 860 schemes that self-administrate. This totals approximately 1,060 businesses that will be required to make one-off changes as a result of the proposed regulations.

25. Safe-guarded flexible benefits are only offered by a subset of pension schemes. There are estimated to be 565 businesses[10] that will require changes to the risk-warning documentation for when a member wishes to access a safe-guarded flexible benefit.

26. **Pension micro-schemes:** There are 32,000 trust-based micro-schemes containing 91,000 members, so on average there are only three members per scheme[11]. The vast majority of these schemes will either be in bundled arrangements or use an insurance provider and therefore any changes required will be carried out within the costs for the 1,060 firms outlined above. For example, nearly 80% of micro-schemes (where the split is known) are small self-administered schemes (SSASs) and over 70% of these are known to use an external provider[12].

27. Since there are on average three members per scheme, administering a 'wake-up pack' is likely to be a relatively rare event for a micro-scheme. These are sent out once in a member's lifetime, six months before retirement and whenever a transfer is requested. Transfers are also infrequent occurrences for a micro-scheme; the Pensions Regulator estimates that around 3% of micro-schemes had members transferring out in 2016[13].

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[8] Information received from TPR

[9] The insurers who provide personal pension services are included in the figures above

[10] The GARs Impact assessment estimates that there are 16 contract-based schemes with GARs, based on FCA data collection (https://www.fca.org.uk/publications/data/data-bulletin-issue-7), and 549 trust-based schemes with GARs, which is calculated via the proportion calculated in the 2014 Governance survey (http://webarchive.nationalarchives.gov.uk/20150703133738/http://www.thepensionsregulator.gov.uk/docs/governance-survey-report-2014.pdf).

[11] The Pensions Regulator 2016-17 Scheme returns, 'file 5: micro schemes'. http://www.thepensionsregulator.gov.uk/doc-library/dc-trust-presentation-of-scheme-return-data-2017.aspx.

[12] Information provided by TPR

[13] Around 3% of micro-schemes face a transfer request each year so are unlikely to have bespoke communications for this purpose and the wake-up packs only need to be sent once in a member's lifetime at 6 months before retirement.

28. Therefore we assume schemes are unlikely to have 'wake-up packs' or transfer documentation prepared in bespoke communications and are instead likely to use standard templates from the Pensions Regulator website when the need arises[14]. It is likely that these pension providers will not experience any additional burden in changing any bespoke communications and also that there is no additional burden familiarising themselves with the new single guidance body over the two existing bodies than they would have to familiarise with under the baseline scenario.

29. **Mortgage firms:** The FCA estimates that 7,400 mortgage firms are regulated by MCOB rules and are required to make references to MAS. That number is made up of 129 lenders, 3,337 directly authorised intermediaries and 3,886 appointed representatives[15].

30. **Debt-Management firms:** The FCA estimates that 150 debt-management firms are regulated under CONC rules[16].

Costs of changing communications

31. **Pension Providers:** Our estimate for the total costs of signposting changes to pension providers is **£1,060,000.** We have held informal consultations with 4 pension providers of different sizes who have offered an estimate of the cost of changing the required signposting materials[17]. One suggested that they would not be able to provide a monetary estimate until they knew more about the proposal.

32. Providers often have annual or regular reviews and updates to their materials so this name change will be part of those updates for these providers and, as long as the lead in time is sufficient, will not see any additional cost. The Impact Assessment for Disclosure of Information regulations[18] in 2012 said that, "in discussion with industry, it was confirmed that minor changes to member communications are trivial to do and do not lead to additional costs."

33. In line with this, Firm 1 suggested that as long as a three month lead in time was given, that these costs would be included in business as usual activity that would already be conducted under the baseline. As the SFGB is expected to be introduced no earlier than Autumn 2018, we expect schemes to have greater than a three month lead in time.

34. Pension providers often have many communications for customers including paper-based and web-based messaging. They design communications to best help their customers so may often have signposting in

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[14] Wake-up pack templates (p. 6): http://www.thepensionsregulator.gov.uk/docs/essential-guide-pension-flexibilities-april-2015.pdf.

[15] HMT – FCA Correspondence, 6 December 2016.[16] HMT – FCA Correspondence, 1 December 2016.

[16] HMT – FCA Correspondence, 1 December 2016.

[17] There are a wide variety of pension providers so we contacted various size / types to get a range of views. This included one of the largest 20 master trusts(there are 87 master trusts of which the 20 largest contain 6,849,000 pure Defined Contribution members which is 82%of the total DC membership excluding hybrid members - http://www.thepensionsregulator.gov.uk/doc-library/dc-trust-presentation-of-scheme-return-data-2017.aspx), and three other providers of different sizes.

[18] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/184057/pen-scheme-disclosure-regs-2012-final-ia.pdf

documentation which is not part of legislative requirements, for example, many will have joining packs containing signposting they believe will be helpful to their members.

35. Firm 2 suggested that there would be a one off cost of £2,000 to change all of their communications that signposted to TPAS and Pension Wise and stated that it included other types of communications. While we appreciate that many firms will do more than the statutory minimum we need to estimate the minimum legislative impact only. As this estimation is the upper end of the range, we have therefore assumed that the statutory changes to signposting requirements will account for half of the estimate and therefore are £1,000.

36. Firm 3 is one of the largest pension providers in the market, and suggested as a high-level estimate that it would cost them £50,000 to change all of their communications but no detailed information beyond that. We have again assumed that half of this would be dedicated towards changing the signposting documents that will be required by law and used £25,000 as the estimate. This large cost is likely to be the case for only a few providers and is not representative of a vast majority of schemes.

37. To get a best estimate we have taken the median of the responses. This is because Firm 3 is not representative of a third of schemes, and would have skewed the results had we used the mean. The number of members in the pensions marketplace is skewed towards a few, large providers that hold the majority of members, for this reason using the mean would not be appropriate.

38. To get an upper estimate of the cost we have assumed that since 5% of defined contribution schemes (with 12 or more members) have more than 5,000 members[19], that these schemes might incur a £25,000 cost with the remaining 95% of schemes having a cost of £1,000.

39. We have chosen the middle estimate, however, as the disclosure of information impact assessment states that the costs of changing communications are negligible, and using the upper estimate may overstate the costs[20].

40. We have assumed the revised communications have to be in place by October 2018 which is the earliest the new body will be initiated. Stakeholders have indicated that they will need a three month lead-in time to make these changes, so the costs have been allocated to 2018/19.

Table 2: costs to pension providers of changing communications

	Lower estimate	Best estimate	Upper estimate
Cost Per Firm (£)	0	1,000	25,000 for 5%, 1,000 for 95%
Number of Firms Affected	1,060	1,060	1,060
Overall Cost (£)	0	1,060,000	2,332,000

[19] TPR scheme returns 2016/17. http://tpr.gov.uk/doc-library/dc-trust-presentation-of-scheme-return-data-2017.aspx

[20] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/184057/pen-scheme-disclosure-regs-2012-final-ia.pdf

41. **Mortgage firms:** Our estimate for the total costs of signposting changes to the mortgage lenders is **£3,981,250**. The calculation used to arrive at this estimate is shown in Table 3 and is based on an average of estimates provided by four firms. Respectively, the firms told us that costs would be between '13-17k', 'circa 20k', 'around £60,000' and 'in the region of £150,000'.

42. Firms tell us that the majority of these costs arise from system changes required to change their Key Facts Illustration (KFI) documents. FCA require lenders to provide customers with a KFI document at the point where a mortgage product is recommended or chosen. The rules also require lenders to signpost to MAS in this document. .

43. The average of the four firms' estimates has been multiplied by 65 lenders, rather than the 129 lenders that fall under the FCA's Mortgage Conduct of Business (MCOB) rules. This is because our engagement with industry suggests that around half of firms will have discontinued their KFIs and replaced them with the European Standardised Illustration Sheet (ESIS) by the time the SFGB will be established. The ESIS is a requirement imposed by the Mortgage Credit Directive and does not require firms to reference a public financial guidance body. While the Directive came into force in March 2016, lenders were given a transition period from the KFI to the ESIS, and must do so by 2019.

44. Costs to the authorised intermediaries and appointed representatives regulated under MCOB rules are expected to be negligible and have not been factored into the estimated costs to mortgage firms. This is because intermediaries' are likely to seek KFIs directly from lenders, or will use a sourcing system that finds the relevant KFI for them. As a consequence, intermediaries are highly unlikely to make system changes as a result of the change of FCA rules.

Table 3: Costs to Mortgage Firms

	Firm 1	Firm 2	Firm 3	Firm 4	Best Estimate (mean firms 1 - 4)
Cost Per Firm (£)	15,000	20,000	60,000	150,000	61,250
Overall Cost (£)	975,000	1,300,000	3,900,000	9,750,000	3,981,250

45. **Debt firms:** Our estimate for the total costs of signposting changes for the 150 debt management firms is **£607,800**. The calculation used to arrive at this estimate is shown in Table 4, and is based on a mean of estimates provided by three firms. Respectively, the firms told us that the costs would be between £1,150 and £1,160, 'certainly less than £5000[21]', and 'c. £7k'.

46. Firms note that these costs derive from IT resource to amend their websites and to amend some IT systems and internal documentation. They also noted that costs associated with briefing the change to the SFGB to advisers would be 'negligible', as the change would be accommodated within usual briefing patterns.

[21] We have interpreted "certainly less than £5,000" to be £4,000 since £5,000 was felt to be an upper estimate rather than a central estimate of the costs.

47. We have assumed that costs will not vary significantly based on size of firm. This is because the cost of IT changes and changes to internal documentation does not necessarily increase proportionally to firm size.

Table 4: Costs to Debt Firms

	Low Estimate	Middle Estimate	High Estimate	Best Estimate (mean of estimates)
Cost Per Firm (£)	1,155	4,000	7,000	4,052
Overall Cost (£)	173,250	600,000	1,050,000	607,800

Non-Monetised Costs and Benefits to Business

Impact on Arm's-Length Bodies

48. The establishment of a SFGB will incur transitional costs. These will consist of accommodation set-up costs, overlap in senior leadership during the transition between the current services and the SFGB, recruitment of new staff, redundancy costs, and costs to establish a new public facing website. The full scale of these costs will become clearer during the service design of the SFGB. Subject to legislative change, these costs will be met within TPAS, Pension Wise and MAS's existing budgets and by MAS's general reserve.

49. It is worth noting that these transitional costs are expected to be outweighed by longer-term steady-state savings once the SFGB has been established. These savings could be channelled to the front-line of guidance provision and therefore broaden the government's provision of debt advice, pensions guidance and money guidance. Alternatively, savings could be used to reduce the levies that industry pay to finance the government's guidance provision.

50. There may be some costs to update the wake-up packs that are supplied on the Pensions Regulator's website. Any costs to the Pensions Regulator will be recovered through the levy used to fund the Regulator. This is a tax and outside the scope of the Business Impact Target.

Wider societal impacts

51. The creation of a single financial guidance body will bring a number of important non-monetised benefits. The preferred option will enable the creation of a single body with a single brand, and a single strategy. This is more likely to deliver guidance targeted to individuals' need if controlled by one organisation than by three disparate organisations trying to work together. As a consequence, the SFGB will be better-placed to consider individuals' guidance needs in the round.

52. Although the wider societal impacts of creating a single financial guidance body are difficult to quantify, stakeholders from industry and the third sector supported the government's proposals in their responses to the *Public Financial Guidance Review: Consultation on a Single Body.* Stakeholders agreed that a single body is

likely to improve individuals' engagement with government-sponsored guidance and that better-informed people are more likely to make financial choices that are appropriate for them.

53. As stated, the creation of a single body will also enable savings across the government's provision of guidance. These savings could either be channelled to the front-line of guidance provision or be used to reduce the levies that industry pay to finance the government's guidance provision.

Risks and Assumptions

54. We consider the evidence collected for this impact assessment to be proportionate to the burden placed on industry by this policy. There is limited data available to DWP and HMT on pensions, mortgage and debt firms, and our calculations are based predominantly on information provided through consultation responses and active engagement with industry participants. Further data gathering would require a costly collection exercise that would in turn place further burden on the firms that would provide data to us.

55. The key risks to the assumptions relate to the uncertainty in our estimated costs to change communications. Pensions, mortgage and debt firms can have quite different business models and IT systems and will have varied processes for implementing changes. In addition, there are likely to be other changes such as regular checks and updates to communications and these might occur at the same time as the required changes for this policy option which may reduce the marginal cost of change. These assumptions have been discussed in the text above and some sensitivity included with the costings.

56. Pension providers have many communications for customers including paper-based and web-based messaging. They design communications to best help their customers so may often have sign-posting in documentation which is not part of legislative requirements. As it is difficult for providers to separate costs from legislative requirements with costs that arise from voluntary signposting, the costings supplied are likely to include an element of both. However, we have attempted to estimate the costs arising exclusively from legislation.

57. Pension providers will have different lead times to change their IT systems and the costings assume that enough time will be provided to fit their IT change processes. Since the lead times suggested were around three months this should be feasible. This time is also needed for providers to run down any existing communications that have been printed off so that there is no wasted material. Reduced planning time could lead to increased costs.

Direct costs and benefits to business (OI3O)

58. The proposal imposes a burden on businesses and is within the scope for the Business Impact Target (BIT), as there are direct impacts on business. For the purposes of the BIT, net costs to business are presented in 2014 prices and discounted to 2015, in order for all policies to be compared using consistent pricing and discounting. Using a ten year appraisal period from April 2018 and 3.5 per cent discount rate in line with the Treasury's Green Book, we estimate that as a result of the increase in these direct signposting costs to providers there is an Equivalent Annual Net Direct Cost to Business (EANDCB) worth £0.6 million (2014/15 prices).

59. Although the cost to business of this measure occurs in the first year only, the appraisal period for this policy is ten years because the policy will continue to be active (in line with the rules in the Better Regulation Framework Manual), with non-monetised benefits building up as the service starts and through later years.

Small and Micro Business Assessment

60. Small and micro pension schemes have on average three members[22], we therefore assume that these schemes will not familiarise with the signposting requirements for members until they receive a transfer request or the member approaches the age at which they receive their wake-up pack. This is assumed to be the same as under the baseline, and we do not believe this to impose a disproportionate burden on small and micro pension operators.

61. Not all small and micro pension schemes will be attached to small and micro businesses, however, as some may be Executive Pension Plans which could be operated by a larger company. All small and micro employers are likely to have small pension schemes, though, and as we do not believe there to be any extra burden on micro schemes we have not monetised this here.

62. We do not believe that small mortgage and debt providers will be disproportionately affected by this measure, and by exempting some groups from the signposting requirements, members of the public could be at risk of not gaining the financial guidance they need.

63. We do not therefore expect any small businesses to be disproportionately impacted by these measures, and providing an exemption to some firms could lead to detrimental outcomes for individuals.

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[22] The Pensions Regulator 2016-17 Scheme returns, 'file 5: micro schemes'. http://www.thepensionsregulator.gov.uk/doc-library/dc-trust-presentation-of-scheme-return-data-2017.aspx.