# Pension Wise standards: changes for secondary annuity market guidance

**Personal tax**

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LITRG comments on the consultation by the Financial Conduct Authority on the guidance on the secondary annuity market

From April 2017, individuals in receipt of an annuity may be able to sell their policy. Punitive tax charges for doing so will be removed, thus bringing existing annuitants broadly in line with those able to benefit from the general pensions freedoms introduced in April 2015. The tax treatment of such transactions will depend on how the capital released from the annuity is drawn.

The opportunity to swap an annuity for a lump sum, either to be drawn immediately in full, taken in stages, or exchanged for a different type of annuity is welcome. It may allow both insurers and annuitants to free themselves from the cost and hassle of administering small pensions of a few pounds a month (but only if insurers are allowed to 'buy back' annuities from their own customers).

However, it is likely to be a difficult area of advice, since the annuitant will have to consider many factors in weighing up whether an offer for their annuity is good value.

For example, they will have to take into account their anticipated life expectancy, any survivor's pension, their tax situation and the likely impact on any means-tested benefits. On 6 September, the Financial Conduct Authority issued a consultation document CP16/22 suggesting changes to the standards of service offered by Pension Wise to take account of guidance offered on annuity sales.

The Low Incomes Tax Reform Group (LITRG) responded to this consultation. It said that, although strengthened Pension Wise standards were welcome, it is difficult to see how those operating the service will deliver proper guidance on the secondary

annuities market, and especially to be ready to do so from April 2017.

Leaving aside the complexities of market considerations and weighing up the offer, the tax implications of selling an annuity alone ought to be assessed by a professional. It can take several years before a student in the tax profession can pass a series of rigorous exams and have sufficient, supervised on-the-job experience before they are allowed to advise the public, so how are Pension Wise staff to be brought up to speed in a few months?

Although remaining sceptical about the ability of Pension Wise to cover all of the factors required to guide an annuitant adequately, LITRG did welcome the confirmation in the FCA consultation that Pension Wise services should not be restricted to a single appointment lasting 45 minutes.

The revised guidance will confirm that repeat appointments may be considered to be a single ‘guidance session’. This will allow common sense to prevail in that a Pension Wise customer may be permitted to return for a further appointment if, say, they took the wrong paperwork at the initial one.