



DP 16/01 Team  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

15<sup>th</sup> April 2016

Dear Sir/Madam,

**DISCUSSION PAPER DP16/1: AGEING POPULATION AND FINANCIAL SERVICES**

The Panel welcomes the opportunity to comment in response to the Discussion Paper, having already discussed this subject with the FCA. We agree that it is a subject which the FCA should be considering. We have noted the format of the paper, with multiple contributors stimulating a range of discussions, and consider it to be constructive and helpful. We would support the use of this format again in future.

Our main recommendation is for the FCA, in conjunction with the industry and other stakeholders, to develop a set of standard industry assumptions when dealing with older customers based on evidence and objective criteria. This would help older customers to be dealt with on a more consistent basis and provide, especially for smaller firms, comfort that they are treating their customers fairly.

In our discussions with the FCA on the subject we have encouraged the use of international comparisons, and were pleased to see several of the contributors raising experiences in a non-UK context. We encourage the FCA to look outside the UK when seeking examples of best practice.

We have also highlighted the lack of homogeneity within older age cohorts, and would like to re-emphasise the point that age is only one identifying characteristic of our older customers who will still have as diverse a range of needs as any other age group.

We would be happy to discuss any of these points in more detail if required.

Yours faithfully,

Clinton Askew  
*Chairman, FCA Smaller Business Practitioner Panel*

## Answers to specific questions

*Q1: Do you have any views on the ideas set out in this Discussion Paper and can you suggest areas of focus that would improve financial markets for older consumers?*

The Panel's view is that the financial needs of older consumers are many and varied. For example, some providers will differentiate between different cohorts of the older population, with different strategies for addressing their needs. The needs and capabilities of the 60-70 year old segment will be different to those of the over 70s and again for the over 80s. Many different factors will affect their requirements for interacting with financial services. These may include pension provision (for example, the savings environment, legislation and regulation in force when they were planning and saving for retirement), education levels, socio-demographic factors (for example the increasing proportion of women in the workforce), as well as differences in age-related health and welfare needs.

Different firms will have different criteria for segmenting the older market. Even within the Discussion Paper itself there are several different views of the effects of cognitive decline on the population, and the assumptions at which ages this factor needs to be taken into account. We suggest it would be helpful for the FCA, in conjunction with the industry and other stakeholders, to develop a set of standard industry assumptions, based on evidence and objective criteria. This would allow firms to address their treatment of older customers on a more consistent basis and provide, especially for smaller firms, comfort that they are treating their customers fairly. These assumptions could include, for example, factors which should be taken into account when designing marketing material when the target market is likely to include customers over a particular age.

*Q2: Are there specific products, services or distribution channels that are particularly associated with poor outcomes for older people?*

### *Mortgages*

We suggest addressing more closely the concerns of older people who wish to purchase mortgage products which last into, or start in, retirement. Lending to retired customers, who may have a guaranteed income from an annuity, may be lower risk than lending to younger customers whose jobs may be at risk or who may be struggling with other commitments. More firms should be encouraged to lend according to objective risk criteria, and not to use age as a factor in itself when determining affordability. There are already firms in the market which do this and this should be regarded as best practice.

### *Equity Release*

We have identified the equity release market as one which is both targeted at the older market and a source of potential detriment. There are few suppliers in the market, and high costs to consumers compared to other forms of borrowing. We recommend that the FCA investigates this market from a competition perspective.

*Consumer Credit*

We consider that the reduction in cold calling in the consumer credit market, following the regulation of this market by the FCA, has reduced the potential of detriment, particularly for vulnerable older consumers. We welcome this trend.

*Digital channels*

The rise of digital distribution channels is both a positive and a negative development for older people. Some may find themselves isolated and unable to carry out basic transactions if these can only be done digitally and they are unable or unwilling to use these channels. Others may be prevented from accessing particular deals or rates. However, for those with access to the necessary technology the development of digital interaction is a positive advantage, particularly for those who are housebound or with limited mobility. The Panel's view is that the FCA's role should be to encourage firms to offer a flexible approach to distribution channels such that those who choose not to interact digitally are served as well as those who do.

*Q3: What is the role of industry and other stakeholders (collectively as a market or at an individual firm level) in addressing the issues identified?*

The Panel strongly believes that the best outcomes for consumers and for providers happen when products are priced and sold based on the underlying risk. The FCA's role is to create a regulatory environment which facilitates this. Age is not necessarily a factor in quantifying risk – or can, as described in our response to question 2, be an indication of lower risk rather than higher. Some firms are already able to adopt this approach, and it is widespread, for example, in the credit union sector. Our proposal for a set of standard assumptions about addressing the market for older consumers would help to make this easier.

The industry itself has a responsibility to educate consumers and potential consumers. As pointed out in several of the contributions to the Discussion Paper, people are often poor judges of their likely lifespan, which leads to poor planning for funding later life. This is a complex area, depending on many behavioural factors, but firms could have a role in providing better access to objective data about mortality, morbidity and lifestyle factors, in an accessible form, so that customers can make decisions based on a wider range of information than their own personal experience.

We have concerns about the speed at which some firms are moving towards digital delivery of services, without considering the implications for those who do not use these channels. An example of this was the decision by the Payments Council in 2009 to end the use of cheques by 2018. It was not at all obvious that there were viable alternatives to the use of cheques for many people, not only older customers, and this plan was subsequently dropped. We strongly suggest that the FCA encourages firms not to be overly hasty in adopting new technologies without embedding safeguards to protect access and functionality for their existing customers.

*Q4: Do you have any evidence of effective approaches to meeting the needs of older people that you have already developed and tested, or that you have observed in other markets (UK and international)?*

No comment.

*Q5: Do you have any evidence of regulatory barriers that prevent effective markets for older people?*

We consider a significant issue for older customers (and, indeed for many customers) to be the sheer volume of information which regulation requires firms to provide. The introduction to the Discussion Paper comments on the evidence that as we age we tend to rely less on reasoned, deliberative thinking and rely more on experience and gut feel. This means that excessive amounts of paperwork and information may be a particular burden on older customers, and that such information may hinder decision making where it might have been useful for younger customers. We encourage the FCA to consider this perspective when making any policy decisions based on its Smarter Consumer Communications Discussion Paper, and regulate to help firms redesign their processes for all consumers.