

# Guide

Guide DB – Supporting DD documentation

July 2021

Bespoke Retirements Limited trading as “Guide”

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Bearsden

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## Overall philosophy

We maintain that completely independent, whole of market advice is always the best option for pension savers of any kind. Our overall philosophy is to assist pension savers, who choose not to take advice, or do not know where to turn for the right advice, with free guidance tools, journeys and partners to make the right choices for themselves to improve their retirement outcome. It is provided at no cost to savers themselves.

**Our main aim is to be a “force for good” in improving member outcomes and “raise the bar” in terms of free guidance which is available to pension savers from the current options available.**

## Overview

This document sets out the personnel and experience of the management team of Guiide, the external due diligence processes undertaken to date on Guiide and Guiide DB itself, its current partner providers advisers and other entities on both sites.

It also includes highlights of our discussions with FCA innovate, current regulatory status and future intended processes. It is intended for use in discussions with the compliance departments of any future partner. The information contained within this document is confidential and is strictly intended for use only by parties who it is shared directly with.

## Guiide DB Test site

From 1 July 2021 a current version of this document along with other supporting documentation will be provided at <https://www.test.db.guiide.co.uk/>

Any trustee that wishes to view the test site, undertake a mock journey, review any documentation and register an interest in Guiide DB to find out more details will be able to access this by requesting a code from [contact@guiide.co.uk](mailto:contact@guiide.co.uk)

# Guide consumer site regulatory due diligence

## FCA innovate

Kevin initially began regulatory compliance via the FCA's Innovate portal. FCA innovate reviewed the consumer journey and provided the following reassurance on the site calculations themselves:

*“At the moment, it doesn't look as though your tool requires authorisation in itself, as it is not providing regulated advice – it doesn't point towards any specific investments, and users would have to go to an IFA to get advice on how to enact their plan.”*

However, in introducing potential investors to an entity which was not a whole of market adviser, i.e. an execution only provider, or a provider than only provides advice on its own products their conclusions were:

*“However, you may need to be regulated when introducing potential investors to a broker, adviser, or other regulated firm with a view to them carrying out regulated activities – this is the activity of ‘arranging deals in investments’”*

Therefore in these cases, Guide would need to be an Introducer Appointed Representative (IAR) of any entity that did not provide whole of market advice. That requirement has been strictly followed with IAR arrangements with PensionBee, OpenMoney, Penfold and Retirement Line before they were added as referral partners to the Guide site.

**These arrangements can be seen here as currently in force**

<https://register.fca.org.uk/s/firm?id=0010X00004cYSqhQAG>

## Compliance Cubed and external partner reviews

When appointed, Compliance Cubed, our external compliance consultants undertook the same review and reached the same conclusions.

Before appointment of any partner, each partner's compliance team has also undertaken their own compliance review before providing an IAR agreement. Each has reached the same conclusion. To date these are

- PensionBee
- OpenMoney
- Penfold
- Retirement Line
- Informed Pensions

We have also recently commenced a similar review with a large, long established pension provider's compliance team, which is ongoing at this time.

## **Our regulatory position**

We are not currently directly regulated by the FCA.

Given the above compliance advice, we have not sought direct authorisation from the FCA to deal with arranging permissions on the Guide consumer site.

These are dealt with as discussed above on the main Guide consumer site via IAR arrangements with execution only or restricted advice providers.

On Guide DB we are only arranging advice for users with whole of market advisers. These advisers then go on to provide whole of market advice to individuals. This means our introductions to these advisers is subject to exemption from these arranging permissions.

However, even though there is no need to obtain these permissions for the Guide or Guide DB journeys, **we are currently applying to the FCA solely for these arranging permissions.**

This will allow us to add further advisers to the Guide DB process, where these advisers PI insurance dictates that referrals must come from a regulated entity.

**All current advisers have confirmed their PI insurance covers all referrals from Guide DB** given the restrictive nature of users, i.e. through a login provided by the Scheme.

We aim to have direct permission in place by January 2022.

## **Guide DB - input and regulatory compliance**

### **Discussions with industry**

Before undertaking compliance checks we sought views from within the pensions industry on both the need for a Guide DB journey and the regulatory issues of not inadvertently straying beyond guidance and into advice.

**Specifically we were conscious of avoiding messaging that could be misconstrued as advice that “a transfer could be in your best interests”, or that “you should remain within your current scheme”.**

We sought generic input from the following entities and individuals.

**We wish to make clear that none of these entities or individuals provided any regulatory or legal compliance advice or assistance.**

Rather they expressed viewpoints on the need for a solution and the practicalities involved in achieving this, which we were very grateful to hear views on in order to help us improve and refine our journey.

### **Consultants**

- Atkin and Co
- Barnett Waddingham
- EY
- Equiniti
- Eversheds

- Hymans
- LCP
- Mercer
- PWC
- XPS

### **Pension professionals**

- Margaret Snowden
- Ruston Smith

### **Compliance Cubed**

Following these discussions we sought formal regulatory and compliance advice from our external compliance consultants, Compliance Cubed.

Compliance Cubed are independent compliance experts who understand FCA Regulatory Policy in detail. They have experience of supporting firms seeking to become directly authorised, through to on-going compliance monitoring support of regulated entities.

Their work also includes developing and monitoring systems, policies and programs including training and competence and providing advice in relation to FCA policy.

Specifically we looked for advice on:

<https://www.handbook.fca.org.uk/handbook/COBS/19/1.html#D2>

<https://www.handbook.fca.org.uk/handbook/PERG/12/Annex1.html#D429523>

<https://www.fca.org.uk/publication/finalised-guidance/fg21-3.pdf>

We also requested advice on how any calculations undertaken, (which are identical to those within the consumer site) and keeping messaging within our site stayed within the guidance boundaries and did not inadvertently provide advice, or direction on whether a transfer was, or was not, in the members best interests.

**Full written details of their advice is provided as an appendix to this document.**

## Guide DB - Initial DB adviser selection and ongoing due diligence

We started with a prerequisite to have a selection of DB specialist IFAs that could cater for and had the experience in dealing with the market in full, i.e. transfers down to £30K to £2m+.

Another prerequisite was that they understood the need behind the proposition, i.e. they “got it”, they saw the issue and they wished to work with us as a partner in solving the current problems for members and trustees.

We also ideally desired advisers who were differing sizes, had different propositions and usual customer bases.

**This would then allow members to choose one based on qualitative factors outside of just pricing considerations.**

We identified, from our own previous market knowledge, around 20 advisers to have an initial conversation with. From this, we brought it down to 8 who we believed met these initial requirements before undertaking due diligence.

Two decided to pull out at this stage due to other commitments or time constraints in undertaking this process with us. We therefore had a list of six. Of these six:

- One adviser liked our consumer site initiative and wished to support Guide with an investment. Therefore we removed them from our proposed panel.
- The remaining five were sent the due diligence questionnaire which is provided in the Appendix.
- The responses to these questions were reviewed by Compliance Cubed and further questions discussed directly with the adviser where any response was unclear.
- In addition further FCA, FOS and press searches were conducted.
- Finally, where available, user feedback sites such as Trustpilot, Google and VouchedFor were also investigated.

**Two more of the advisers were excluded from the initial panel at this stage.**

One was excluded solely because they currently gained permissions from another entity.

Having permissions indirectly from this entity allowed them to provide the advice required, but did not meet our requirements after further due diligence on that entity.

They are currently seeking direct permissions and we will continue to monitor this.

Another was excluded because their approach was not fully whole of market at the initial stage, which also did not meet our requirements.

Again if they were to review that approach we would reconsider them.

## **Ongoing monitoring and governance**

Alongside ongoing compliance monitoring from our compliance advisers, we are also currently in the process of engaging with an entity with a specialist IFA review and monitoring team.

This is to conduct a further independent review of the process we used for the initial selection and provide ongoing advice and governance including feedback on cases undertaken by our panel.

This ongoing advice and feedback will be provided to our independent Governance Committee.

**This Committee will have full discretion on acting on the advice of this oversight and removing any adviser based on this advice.**

We envisage holding a quarterly Governance Committee meeting and providing schemes who have signed up to Guide DB with a quarterly governance report.

Within both our free and paid versions of Guide DB, this ongoing due diligence and reporting is provided.

## **Panel makeup**

We believe we have an initial panel, which offers differing propositions and focuses on different areas of the market for members to choose from. These differences are briefly discussed below:

**Adviser 1's** proprietary software, governance procedures and highly experienced team have earned a reputation for operational efficiency which allows them to provide transfer advice at values from as low as £30K.

**Adviser 2** are an award winning employee benefits consultancy specialising in workplace advice and transfers above £100K, with experience as directly appointed adviser to 13 DB schemes and 18 DC schemes.

**Adviser 3** is a part of a Private Client Investment boutique based on an integrated investment and wealth management approach with particular strengths around larger transfer values above £500K where the need for additional planning around Lifetime Allowance issues and other tax planning are vitally important.

## **Initial capacity**

Between the three advisers chosen, two can provide initial capacity of around 100 cases in total per month and this can be scaled to around 200 easily.

The third can provide capacity for larger cases of up to 10 cases per month at this stage.

As we are initially restricting Guide DB to total deferred over 55 membership across all schemes of around 50,000 members. This initial capacity will be a multiple of expected business as usual transfer requests.

We are currently also undertaking initial due diligence on another leading adviser who can specifically offer advice in the UK and overseas jurisdictions. This will mean where an individual is looking to retire abroad in the near future, advice can be provided for most popular jurisdictions.

They (and others) may be added to the panel should they pass our due diligence process. This will add additional capacity, specific adviser capabilities and further choice over time.

### **Non TV, general at-retirement adviser**

We are currently undertaking due diligence on our general retirement adviser who can advise members who do not wish to continue with transfer value advice.

This adviser will not have DB permissions so it will be clear they cannot provide further advice of any kind on a DB transfer, they will simply provide general retirement advice using the current scheme benefits and anything else the member may have.

We expect this general at retirement adviser to be in place in August

### **Further guidance**

Where a member cannot, or does not wish to access their benefits within six months we will provide a link to a version of our general planning site Guide. This will contain no referral partners other than our at-retirement adviser above, should a member then wish to seek advice.

### **Adviser terms and conditions, ongoing monitoring and detailed member experience**

The terms and conditions agreed with the DB advisers are all consistent and are provided in a separate link.



# Appendix 1 - Compliance cubed advice on Guide and Guide DB

## Compliance Cubed - Review of Guide's DB process

**Objective:** to identify whether the approach taken by the Guide DB approach contravenes any FCA rules or guidance.

**Background:** the Guide DB platform is designed to provide information to help members of DB schemes better understand their options and, where appropriate, to seek independent financial advice.

The FCA has rules to prevent unauthorised firms from carrying out regulated activities, including advising individuals on whether or not to leave a DB scheme and transfer the benefits to another pension arrangement. For example, COBS 19.1 sets out the rules around personal recommendations and the requirement for such advice to be provided or checked by a pension transfer specialist.

**Findings:** on the website and the tools it contains the fact that advice is not being given is clearly set out. The website asks the individual to consider various pieces of publicly available information and opinion published by the FCA and determine for themselves whether they require the advice intended by COBS 19.1.

The Guide DB platform asks for information to undertake calculations. These calculations provide the member with guidance as to whether it may be possible to achieve the retirement income they desire using the current scheme benefits plus everything else they have to put towards retirement.

These are the same calculations which underpin the Guide consumer site platform. FCA innovate has provided previous confirmation these calculations do not constitute advice in any form or cross the regulatory boundary.

PERG 12 Annex 1 provides examples of when advice is or is not being given. The Guide DB approach could look to some as being a form of Triage as some client specific information is obtained, however the outcome will never be that the client should not take advice or that advice would be unlikely to recommend a transfer, s either would be equivalent to advising the person to retain the benefits of the DB scheme which is regulated advice (items 1 and 2 in the table).

Item 3 in the table allows a firm to decline to give advice in the light of the client's circumstances without that being seen as regulated advice. The Guide DB process facilitates this by using the advisors' criteria in order to determine whether or not the individual should be shown the option to get advice from named advisory firms. Every user of the service will be prompted to contact The Pensions Advisory Service or a directory of advisers should they wish to get advice – as allowed for by item 4 in the table.

Any member therefore wishing to go on and seek advice is provided with signposting as to where to go to find advice. This signposting is the same as supplied to the member by the scheme on the provision of the transfer value by the scheme. The member is therefore in the exact same position, but has also undertaken

an educational journey (as the educational video is compulsory viewing before reaching this point) on the advice process, to understand the process in more detail.

At no point does Guide DB undertake calculations or provide illustrations using the transfer value, only the existing scheme benefits. The Guide tools do not therefore provide a transfer value comparator so there is not an issue with item 5. Item 6 has been considered in the design of the process so that the questions asked do not influence a decision to transfer or convert, rather the tools are to help an individual decide whether or not they believe there is value in getting advice to help make that decision.

The final consideration has been the Finalised Guidance FG21/3 that the FCA published in March 2021. This document highlights the concerns that the FCA have with the quality of advice available and the Guide process is designed to help scheme members identify advisers who have been screened and who should therefore be likely to give sound advice. Much of the document refers to the advice process which doesn't apply to Guide as it doesn't provide advice.

One part of the document that has relevance is the section on financial promotions. The FCA clarifies its concerns around the wording used to attract potential clients. The website and tools have been designed to provide information and it is anticipated that most scheme members will be told about the site by someone representing the DB scheme. Part of the onboarding process for the schemes with which Guide DB will work will be to provide guidance on the way in which the service is to be explained. It will be clear to all who register on the site that it will provide information to assist them in deciding whether to take advice, nothing will be said or shown to them that indicates a transfer could be positive for them personally.

Another relevant section is the one on using introducers. In the Guide DB process the adviser chosen by the scheme member has complete ownership of the advisory process. The advisers will carry out their own 'know your client' process and take full responsibility for the advice and its outcome.

Each Adviser on the panel has a compulsory Abridged Advice process (two are free, one is at a small refundable cost) before providing full advice.

In FG 21/3 section 3.19 there is a table that sets out how a triage service can avoid being regulated advice. The Guide DB process has been designed to provide information which is balanced, unbiased, factual and non-personalised – the decision on whether to make the contact details of advisers available is not subjective.

**Outcome: This analysis of the Guide DB process indicates that it operates in a way that avoids giving regulated advice and is therefore not required to obtain FCA authorisation.**

## Appendix 2 – DB Adviser due diligence questionnaire

### Guide DB Due diligence request of all potential panel advisers

Please complete

<b>Your firm</b>	
<b>Financial Services Register Number</b>	
<b>Name of person submitting response</b>	
<b>Date completed</b>	

#### Overview

In conjunction with our compliance advisers, Compliance Cubed, we have provided a list of questions below to satisfy ourselves that each Financial Adviser that appears on our panel has the required regulatory permissions, insurance requirements, experience and numbers of suitably qualified advisers. We also wish to understand in more detail the advice process which potential Guide DB users will be subject to, if they were to seek advice from you on a defined benefit transfer.

The answers in this document will be independently verified by our compliance consultants and the final document, once verified may be shared with any scheme Trustees who wish to appoint Guide DB as potential journey for members who have requested a transfer value.

## 1 - Agreement to Guide DB parameters

Our document entitled “Agreed parameters post discussion” detailed the following principles where the FCA believe a transfer would be highly unlikely to be suitable in the following circumstances, unless the member was in serious ill health.

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|---|
| 1. Please confirm below that you are in agreement with these parameters.  |
| 2. Please also confirm the minimum and/or maximum transfer sizes you would wish to be shown on the panel for. Please indicate a fixed number, or no min or max, rather than a range of possible minimums for example. |

## 2 - Regulatory requirements

Please answer the following questions/ make the following confirmations in respect of regulatory requirements

1. Please confirm you currently have the appropriate FCA authorisations to provide individual advice in relation to protected benefits, such as defined benefit transfers	
2. Please confirm how long your Firm has held these FCA authorisations for? If there has been any gap in these authorisations, please indicate for the duration of the gap and explain why the gap arose.	
3. Please confirm the outcomes of recent FCA cold file reviews on DB transfer advice	
4. Please confirm whether your firm has had any compliance issues with the FCA (or other regulatory body) in the last three years	
5. Please confirm whether your firm has received any complaints to the FOS	

which have been upheld in respect of DB transfer advice	
6. Please include details of any regulatory breaches, penalties imposed, etc in relation to any statutory or regulatory bodies and how your firm has responded to them.	
7. Please explain whether there are any such issues outstanding (if so, please provide details)	

### 3 - Insurance

	Response
1. Please confirm that you currently have professional indemnity insurance in place in relation to advice on defined benefit transfers	
2. Please provide a summary of this insurance, cover level, claims limits etc	
3. Please provide the last and next renewal date of this insurance	
4. Please provide details on any claims in relation to DB transfer advice on this insurance in the last 3 years and please confirm whether there have been any claims above 75% of any individual claims limit	

#### 4 - Data security

1. Please confirm your practice on retention of records, what do you keep and in what format?	
2. Please confirm how long you retain these records	
3. Please confirm how you ensure that personal data is stored and transferred securely and your retention/deletion process	



## 5 - Firm details

1. Please provide brief details of your Firm including history, ownership and financial size	
2. Please advise of any activities carried out other than financial advisory and the relative size of financial advisory activity to the overall business	
3. Please indicate the broad split of revenue between defined benefit transfer financial advice and other forms of financial advice within your advisory practice	
4. Please indicate whether you hold membership of the PFS Gold standard. If not, please explain why this is not the case.	

## 6 - Personnel details

1. Please provide details of your Firm's number of employees	
2. Please indicate the number of qualified advisers within your firm	
3. Please indicate the number of advisers with permissions to advise on defined benefit transfers with your Firm	
4. Please provide details on how your advisers satisfy the requirements for continual professional development	
5. Please advise on your review process and how you satisfy yourselves that specialist advisers are monitored that their work remains of the standard your Firm requires	
6. Please indicate whether staff without the required permissions are involved in the advice process at all, and if so typically at which stages	

## 7 – Experience

1. Please provide an estimate of the total number of transfer value advice cases over the last three years. Count all that proceeded to recommendation (either for or against transfer).	
2. Please indicate an estimate of the monthly volume of defined benefit transfer values over the past 3 years	
3. Please indicate if you have been involved in providing advice on any bulk exercises in the past 3 years, if so please give an indication of the largest by membership size	
4. Please indicate if you are retained by any scheme as an adviser to their members on an ongoing basis for defined benefit transfers, or any other member advice service	
5. If so please indicate the number of schemes and the maximum membership size	

<p>6. Please estimate the proportion of cases, which have resulted in advice to proceed with the transfer in the past 12 months from all transfer advice cases. If you have an initial process for deciding non suitability, please include these cases in the overall advice cases.</p>	
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