

**Promote** is a key part of FSCS's strategy. Our ambition is that the full range of FSCS protection is known about and trusted. Promoting the protection we offer helps consumers to make informed and confident financial choices. Our Consumer Research series aims to share the results of our exclusive research on consumer trends, attitudes and behaviours towards financial products and services. It helps us, and stakeholders across the financial services sector, to identify gaps and opportunities to provide consumers with the essential, accurate information they need about FSCS protection.

FSCS can pay compensation when financial firms go out of business. We protect many products and services including deposits, pensions, investments, insurance and financial advice. Funded by the industry, we are independent and our service is free to use.

FSCS CONSUMER RESEARCH:

# Pensions & SIPP

July 2022

[www.fscs.org.uk](http://www.fscs.org.uk)



## Why pensions and self-invested personal pensions (SIPPs)?

Welcome to the first in our series of FSCS research papers where we share insights from our exclusive consumer research, highlighting opportunities for us all to improve consumer outcomes.

Although many adults are aware that FSCS protects deposits in banks, building societies and credit unions, far fewer know that FSCS can protect other UK-regulated financial products such as pensions and investments. This is important because our research has previously shown that the majority of consumers who are aware of FSCS would feel more comfortable taking out a product, or investing more, if the provider is FSCS protected.

As we moved into the 2020s, one of the key challenges we identified was that consumers are being asked to make more sophisticated financial decisions, particularly about their retirement savings. With choice comes greater risk and the need for better information and advice.

When consumers come to FSCS with a pension claim, they are often close to retirement. This means they have little time to recoup any loss they have made if their loss was

higher than the FSCS compensation limit of £85,000. This uncompensated loss leaves many consumers completely devastated.

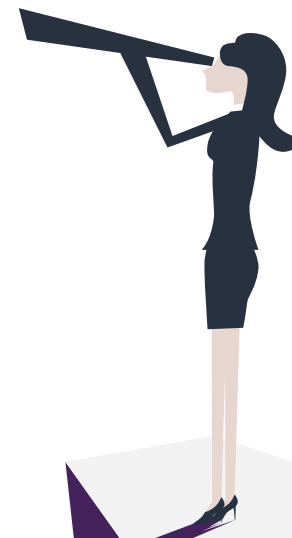
For pension advice claims, including pension transfers, the rise in uncompensated loss has been greater than any other claim type. In fact, almost 1,400 pension advice claims were above the FSCS limit of £85,000 in the 2021/22 financial year that has just ended. This figure has risen steadily over the past six years, resulting in over £450 million of uncompensated loss.

One way we can help is by sharing our insights to help highlight the root causes of harm. This also helps us boost awareness of FSCS protection and how we can support consumers to make the right decisions about a product as important as their pension.

### Watch out for...

The next editions of this series will cover **investments, scams** and **cryptocurrency**. Watch this space!

**Lila Pleban**  
Chief Communications Officer



# Pensions

## Two out of five haven't checked if their pensions are FSCS protected...

Our research found that 40% of people with a pension haven't checked whether they are covered by FSCS protection. This compares to 54% who have checked, with 46% finding all of their pension products were protected.

However, this figure could be hinting at a false sense of security among consumers.

Pensions are complex and not all products and related services are FSCS protected. Generally, FSCS can protect pensions that are provided by UK-regulated insurers, as long as they qualify as 'contracts of long-term insurance', for example an annuity.

FSCS can also protect against bad pension advice from UK-regulated advisers that have gone out of business.

- > The **Pension Protection Checker** is a tool on FSCS's website that lets consumers check what protection is available by answering a few simple questions.
- > Anyone who has a pension, is thinking of making changes to it, or is considering getting a new one should use this tool to check if it is protected.

### What you need to know:

## Pensions

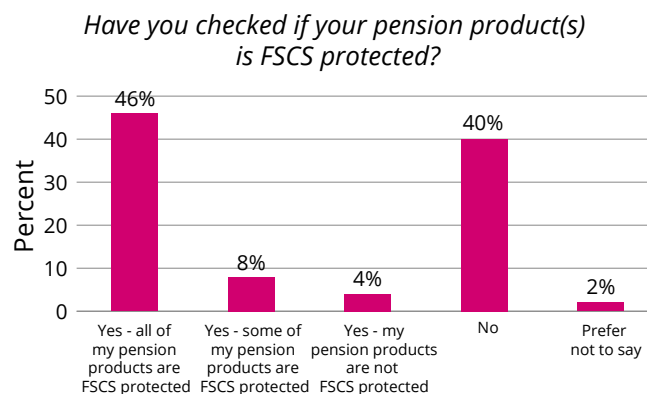
# 73%

of survey respondents have a pension (excluding the state pension): 46% have one, while 26% have two or more. 5% of respondents don't know if they have one.

Among those with a pension, defined contribution (DC) products were the most common (46%), followed by defined benefit (DB) (37%). However, it is important to mention that pensions are complex, and confusion is common among consumers as to what type of product they hold.

**Figure 1:** Share of people with a pension who have checked FSCS protection

Base: 1,133 UK adults who have at least one pension product (excluding the state pension)



Source: OnePoll/FSCS, December 2021

## THE GENDER PENSION GAP

Despite increased interest in this topic, there is no official definition of the gender pension gap. Our research has found many factors relating to gender inequality in pensions that may contribute to differences in retirement outcomes for men and women:

# 68%

of women say they have at least one pension product, compared to 78% of men.



Women are less likely to know the type of pension product(s) they hold.



Women are more likely than men to say they haven't checked whether their pension(s) are FSCS protected (49% vs 34%).



Women are more likely to say they haven't done so because they don't know what FSCS protection is or how to check.



Women are less likely than men to have invested in a SIPP (15% vs 44%).



Among those with SIPPs, average values held are significantly lower for women when compared to men (c£273k vs c£311k).

## ...and a majority don't know how to...

The main reason for not checking whether a pension product is protected is not knowing how to do it, cited by 55% of respondents.

Other reasons mentioned include simply assuming that pensions are safe or that they are automatically protected. While this may be true for DB or final salary schemes (which are typically covered by the Pension Protection Fund), making changes to these types of pensions could result in investments in new products that are not protected.

All providers are responsible for letting their customers know about the protection their products have. If a provider doesn't explain or display its protection upfront, consumers should ask them directly if their money is FSCS protected.

- > FSCS has put together a handy list of **key questions** for consumers to ask a pension provider when considering opening a new pension or transferring an existing one.

## ...or what FSCS protection means

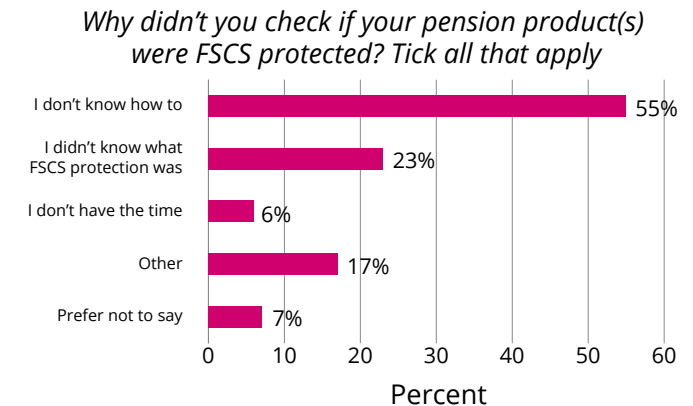
Lack of awareness and understanding of FSCS protection itself is the second most common barrier for checking if a pension is covered.

FSCS works with pension providers to explore how to inform potential and existing customers about the protection available for pension products. FSCS also looks for ways to raise awareness and understanding of our protection among consumers.



**Figure 2:** Reasons for not checking FSCS protection for pensions

Base: 459 UK adults who have at least one pension product (excluding the state pension) and have not checked that it is FSCS protected



Source: OnePoll/FSCS, December 2021

- > FSCS's podcast, **Protect your money with FSCS**, explains our protection in simple words and suggests actions consumers can take to feel confident that their money is safe.
- > **Episode 3** focuses on pensions, why it's so important to make sure they are protected and how our Pension Protection Checker can help.

# SIPPs

## Flexibility and maxing out returns are the main reasons to invest in a SIPP...

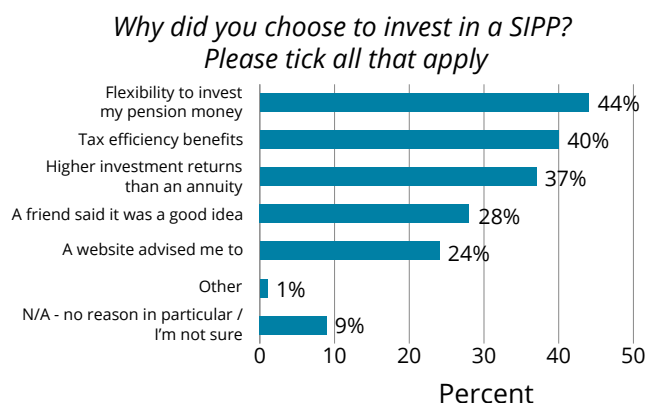
A self-invested personal pension (SIPP) acts as a 'wrapper' to consolidate an investment portfolio for retirement.

When compared to other types of personal pension, SIPPs allow people to choose and manage investments themselves (or with the help of a financial adviser). SIPPs also tend to offer a much wider choice of investments.

44% of those with a SIPP say they chose to invest in one due to the flexibility they offer in

**Figure 3:** Reasons for investing in a SIPP

Base: 489 UK adults who have a SIPP



Source: OnePoll/FSCS, December 2021

the way money is invested. Higher expected returns is also a common motivator, especially as years of low interest rates have resulted in many people looking to take higher risks with their money.

Although only applicable for DC pensions, the Pensions Schemes Act of 2015, also known as Pension freedoms, has brought flexibility into the spotlight, with SIPPs becoming an attractive, established option for many looking to take advantage of greater pension freedom.

However, this combination of greater consumer choice and a desire for flexibility and higher returns in an area as complicated as pensions can result in people making poor decisions or becoming victims of scams.

- > Before moving a pension, consumers may wish to seek independent financial advice.
- > The [MoneyHelper](#) website has impartial and free guidance on pensions and retirement topics, as well as information on what SIPPs are and how they are different from personal pensions. Its [Pension Wise](#) service offers free appointments to those approaching retirement on the options for taking their pension.

## ...highlighting the need to check for FSCS protection

Those who have a SIPP are more likely to think that all their pension products are FSCS protected (61% vs 46% for all people with pensions).

As mentioned before, this could indicate there is a false sense of security among SIPP holders

### What you need to know:

## SIPPs

# 24%

of survey respondents say they have invested in a SIPP: 11% did so due to a recommendation from an independent financial adviser, while a further 11% said someone else reached out to them encouraging them to invest in a SIPP. 6% of respondents chose to invest themselves.



This research has found that, on average, a person with a SIPP has invested c£300,500.

because the level of protection can depend on the type of products within the SIPP itself. SIPPs are complicated, with 42% of those owning one not being able to correctly identify what the term SIPP stands for.

When asked about the level of FSCS protection available for their SIPPs, 16% of holders simply don't know how to answer. Moreover, consumers' responses illustrate the level of complexity and confusion surrounding these products and the official protection available to savers if something goes wrong:

- > The most common response was £85,000, chosen by 34% of people with a SIPP. Indeed, if an FCA-regulated SIPP provider

fails, funds are generally ring-fenced. Shortfalls may be FSCS protected up to £85,000.

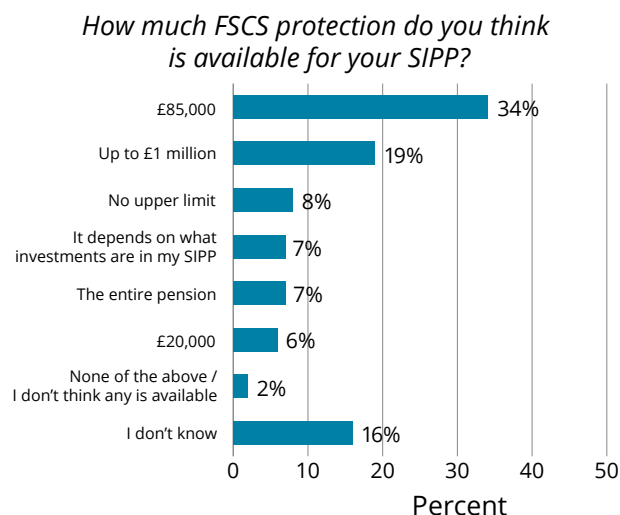
- > However, when a firm that provides a product within the SIPP fails, FSCS protection (when available) depends on the type of product. Investments, insurance products or cash in a deposit account all have different protection levels.
- > Furthermore, providers and advisers must be authorised to carry out the service they are providing to qualify for FSCS protection, which means that victims of scams don't often qualify for compensation.

This research has found that the average value of a SIPP among those who have invested is £300,511, which reinforces the devastating impact that provider failures can have on people's retirement plans.

- > The [FSCS website](#) has information on whether it protects different types of pension products and, if so, the compensation limits that apply.
- > The Financial Conduct Authority (FCA) [Register](#) can be used to check if pensions or advice providers are authorised by the regulator for any relevant activities. It also lists their official contact details, which helps people avoid being victims of scammers impersonating legitimate firms.

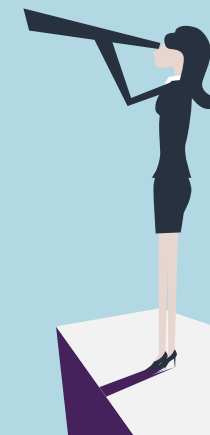
**Figure 4:** Perceived level of FSCS protection for SIPPs

Base: 407 UK adults who have invested in a SIPP



Source: OnePoll/FSCS, December 2021

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## KEY TAKEAWAYS

- > FSCS is committed to raising awareness and understanding of how it protects pensions if things go wrong.
- > FSCS has developed useful tools and resources such as its [Pension Protection Checker](#) and its [key consumer questions](#) flashcards.
- > However, this research highlights the consumer confusion and lack of engagement surrounding pensions, which are also very complex products.
- > This is why FSCS is working with regulatory partners, the financial services industry, and other key stakeholders to help people make informed decisions about their pensions.

**Promote** is a key part of FSCS's strategy. Our ambition in this area is that the full range of FSCS protection is known about and trusted. Promoting the protection we offer to consumers helps them to make informed and confident financial choices.

As such, we aim to raise awareness of our service among consumers across all protected products so that people know how, and to what limits, they are protected should their provider fail.

### About this series

This document marks the first of a series that aims to share the results of the exclusive consumer research we regularly commission to support our communications strategy. It will help us identify gaps and opportunities and to work closely together with our stakeholders to provide essential, accurate information to consumers about the protection FSCS provides. It builds on the data we already shared earlier this year in releases during **January** and **May**.

### Research methodology

All figures presented in this report (unless otherwise stated) come from consumer research commissioned by FSCS to understand consumer attitudes and behaviours towards pensions. Research was carried out by OnePoll among 2,000 UK adults, 1,454 of which with at least one pension product (excluding the state pension), between 16th and 23rd December 2021.

If you would like to discuss any aspect of this report, please speak to your usual FSCS contact, or you can email us at [communications@fscs.org.uk](mailto:communications@fscs.org.uk)



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