



Via scrutiny@parliament.uk

James Heal
Public Policy Director
James.heal@sjp.co.uk

03/09/2025

To whom it may concern,

Pension Schemes Bill: call for evidence

St. James's Place is the UK's leading provider of financial advice. We help just over a million clients move towards their financial goals and manage £198.5bn of assets on their behalf. Our 4,952 advisers, based in almost every town across the UK, offer expert, face-to-face advice to our clients. Within the Group we also manufacture insurance bonds and pensions.

We welcome the opportunity to respond to this call for evidence on the Pension Schemes Bill, and we support the Bill's wider ambition to improve outcomes for savers. Our response focuses on the guided retirement proposals and the appropriateness of investments for individual members. While we agree with the aim of improving support for people at retirement, we are concerned that the current approach would not deliver this in practice and could risk consumer harm.

Guided Retirement

We strongly caution against the introduction of a default pathway for retirement income. While a default approach may work in accumulation, where the objective is broadly shared (i.e. to maximise returns over the medium to long-term), the same is not true once people reach retirement. Circumstances and objectives vary widely, and attempting to create a universal "silver bullet" would risk considerable consumer detriment, particularly given the irreversible nature of many retirement decisions.

The focus should instead be on engagement and supported informed decision-making. With policy developments such as targeted support, this should be easier to achieve. Targeted support will enable firms to provide more relevant help to groups of consumers with shared characteristics and circumstances, for example, those approaching decumulation or in the early years of retirement. This can support consumers to make better-informed decisions without removing the need for an active choice. It strikes the right

balance between giving people the help they need and ensuring they remain engaged with their options.

Where individuals feel stuck or reluctant to choose, proactive outreach can help guide them towards a decision that reflects their circumstances and goals. There are some things in life where we need to make a decision and take some degree of personal responsibility for our choices. Decisions around retirement income are amongst the most financially significant we make at any point in our lifetime. They are also highly personal to our circumstances, needs and objectives and so it is one of those areas where an active choice really does need to be made.

We would urge caution that the guided retirement proposals risk undermining the progress being made through the work on targeted support, by reducing engagement and encouraging passivity at exactly the wrong moment. Ultimately, the focus should remain on delivering good consumer outcomes – supporting people to understand their choices, engage with their options, and make active decisions that reflect their needs in retirement.

Assets appropriate for individuals

We agree that greater diversification of asset types, including private assets and less liquid assets such as those based on infrastructure is likely to improve the overall return for long term investors. However, the debate we have seen so far is missing the counter argument that investment has to be suitable for the individual member, not just the scheme as a whole.

In a DC scheme the individual member is directly invested in the assets of the scheme and experiences any risk or impact first hand. For example, if they chose to transfer their pension or to take benefits from it, this may be delayed if some of the investment is held in illiquid assets. Alternatively, the fund could sell liquid assets to meet the request, increasing the proportion of illiquid assets left in the fund for the remaining members. For individual withdrawals this is not a material issue but there could come a point where lots of members seek to leave in a short time period, and this does become a challenge (not dissimilar to what occurred with the Woodford fund). This could be caused by a poor value for money assessment gaining significant publicity or one employer prompting their entire workforce to move to a different scheme. We strongly encourage more thought to be given to how these risks should be managed before such investments are encouraged.

We would also like to highlight the difference in approach between what is being considered on behalf of members in the default fund and the considerations applied should these individuals seek financial advice. Illiquid assets and private markets sit outside the normal risk appetite of most individuals and so would not normally form part of a recommendation of what constitutes a suitable investment for individuals without a high attitude to risk.

Pension Schemes Bill: call for evidence

By way of example the following is taken from a published FOS decision where an adviser had recommended a portfolio with just 10% held in emerging market equities (widely understood to be less risky than private markets) and the complaint was upheld that the portfolio was not suitable for a fairly typical investor not willing to take large levels of risk.

Regardless, that doesn't show that Mr S understood the risks unique to the types of investments involved in this portfolio or that he was willing to take that risk here. For example, there's no evidence that Mr S had experience or knowledge of investing in emerging markets that would have allowed him to understand the unique risks in that type of investment.ⁱ

Further thought should be given to a situation where we are defaulting significant numbers of members into an investment strategy that would likely result in an upheld complaint if that same solution was recommended to the same member.

Yours faithfully,



James Heal
Public Policy Director
St. James's Place plc

ⁱ <https://www.financial-ombudsman.org.uk/decision/DRN-5385551.pdf>