New Model Adviser, 28 February 2011

Lamb urges FSA to act on 'badged' Sipps

by William Robins

Financial Services Authority (FSA) proposals for greater disclosure from personal pensions do not go far enough to stop providers selling basic pension wrappers with restricted investments as Sipps, according to Almary Green's Carl Lamb.

Lamb said some providers were badging personal pensions with restricted investments and opaque charging structures as Sipps in order to sell them at a premium. He said the FSA needed to enforce a distinction between the two types of wrappers.

'How many of the customers buying those product are in equity or commercial property? Less than 5% I would think. What we need is for the regulator to make the distinction between a true Sipp and a badged Sipp,' he said.

'A true Sipp shows you the cost coming in and out and it allows you to perform a balancing act. There is no hiding place. But with personal pensions, there is commission being paid back through a more opaque structure. The problem is Sipps have been taken over by providers.'

Rather than just increasing disclosure requirements on pricing, Lamb argued the FSA should make a distinction between full Sipp wrappers and more basic pensions badged as Sipps.

'The FSA has taken the wrong approach. Sipps are a vehicle, they are a technology. Using new terminology a product provider would have to say: "If you want a true Sipp then it's this-and-this, and if you want a badged Sipp then there is this more limited range of investments,' said Lamb.