Working for you

THE LATEST ON WHICH? AND OUR CAMPAIGNS

Stop compulsory annuity rule for age 75s

Which? chief executive Peter Vicary-Smith says that the age 75 rule on annuities needs reform

Many people are unaware, until they get closer to retirement, of rules that dictate how you can get at the money you've saved all your life.

One rule is that you have to convert your pension pot into an annuity by the age of 75, which is unpopular with consumers and reduces the incentive for competitively priced annuity products.

The age limit hasn't changed since it was introduced over 20 years ago, despite everyone living longer – and we think that the rule should be scrapped.

Annuities provide an annual income in exchange for capital built up over a working lifetime, but longer life expectancy combined with lower interest rates mean that the annual income often seems pitifully small.

Forced income

There's also a point of principle here. The current system forces you to convert your capital into income, which stops you from spending more of it sooner and from passing it on as an inheritance – as the income disappears on your death.

The government did introduce something called an Alternatively Secured Pension (though it's not a mainstream product) but it's deeply flawed and widely condemned for its 82% tax rate on death.

It's absolutely right that people should be required to have a regular income until death so that they don't spend all of their pension pot and then claim extra state benefits.

But a fairer solution would be to make people take up a small annuity – which already happens in Ireland.

More in pension pot

Beyond that, people should be allowed to do what they like with their money.

This additional flexibility might also encourage more people to pay into their pension.

The number of people over pensionable age is projected to rise from nearly 11.4 million in 2006 to 15.3 million by 2031, so politicians need to address this issue – recession or not.

We'll continue to press for a solution that is fair to future taxpayers but also to those who have done the responsible thing and saved for their pension throughout their adult lives.

Vote in Which? Council elections

Don't forget that Which? Ordinary Members (OMs) can now vote in our Council elections, which open after this month's AGM (16 November) and close on 8 January 2010.

The hundreds of thousands of you who've subscribed to a Which? product for at least a year are eligible to vote for members of our Council of Management, to ensure that the body reflects your views and interests.

Look out for your ballot paper and full voting instructions, which will be posted or emailed to you soon.

Which? says

FOS complaints

The Financial Ombudsman Service (FOS) has begun publishing the number of complaints it receives and the proportion of complaints upheld against each company (see p70).

In the first half of 2009, more than half of complaints went in favour of the consumer. Companies should have resolved them long before they reached the ombudsman.

And this in spite of the FOS having fed complaints data to these companies for the past five years in the hope that they would mend their ways and improve complaints-handling processes.

Some trade associations aren't happy that the data is now public – but we're backing the FOS all the way.

Rather than claim that the stats show that most customers are satisfied with their bank – as the British Bankers' Association did – it should serve its members' best interests by challenging companies that haven't improved. If anything, more details should be available – companies should publish their own data on the exact number and nature of each complaint received.

We'll continue to demand such information and highlight the worst types of cases, such as mis-sold payment protection insurance and unfair bank charges.

Dan Moore, Which? money expert

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