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Pension firms 'at breaking point' say experts

By: Nathan Rao
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BRITAIN'S pension system is hurtling towards meltdown with hundreds of thousands of people facing chaos accessing their savings, experts admitted yesterday.



Pensions expert Ros Altmann says the industry needs to get its act together

Those reaching retirement could even see their pensions shrink as providers pass on the multi-million pound cost of averting a crisis.

Customers are left waiting to get hold of their money as call centres struggle with the volume of inquiries triggered by new rules.

Toby Strauss, the chief executive of insurer Scottish Widows, said pension providers are at breaking point as he apologised for “unacceptable” service levels at his firm.

He blamed new pension reforms and other changes. He said: “It has been an unprecedented three years in the pensions world with a roller coaster of changes. We have concerns that the industry is in danger of reaching – and in fact breaching – its capacity to cope.

“Many of our own processes have struggled and our service levels are in some areas falling short of the high standards our customers expect.”

Scottish Widows is the first high– profile firm to admit to struggling to cope with the reforms announced in March in the Budget by George Osborne which gave people over 55, full discretion over their retirement funds from next April.

The change has triggered a spike in customers ringing call centres with a huge backlog of cases at Scottish Widows delaying basic requests.

Mr Strauss has set aside £20million for upgrading computer systems and increasing call centre staff, with other firms also facing huge costs.

He has called on the Government to delay new pension laws so the industry can “develop new processes and systems” and employ more staff.

Pensions expert Dr Ros Altmann, the Government’s Business Champion for Older Workers, said: “It’s long overdue that the industry should get its act together. They have had a lot of customers being sleepwalked into whatever products they have to offer, and now that is changing

“If you are running a business as important as this, involving people’s life-long incomes, you surely shouldn’t expect them to not ask questions before they do anything.” Jonathan Davis, managing director of Jonathan Davis Wealth Management, said: “The insurance companies will be spending a lot of time, energy and money to meet regulatory requirements.