



Public Policy Statement

Income and Finances

January 2018

Summary

All older people should enjoy an adequate standard of living and a level of income which enables them to live comfortably and afford essentials. No one should have to endure a calamitous reduction in their standard of living when they retire. However, currently 112,000 older people in Wales are estimated to live in poverty.¹

The UK Government have been taking forward reforms to the State Pension for future generations of pensioners and employers are now obliged to automatically enrol eligible workers into a qualifying workplace pension scheme. Both of these policies are to be welcomed and have the potential to improve pension coverage and incomes of older people in the future. The new State Pension was introduced in April 2016, however significant controversy remains over the communication of cumulative changes to women's State Pension age. In addition, more needs to be done to ensure that today's older people have access to an adequate standard of income.

Personal pensions provide an additional income for some, but the level of that income is unpredictable and often fails to meet pre-retirement expectations. For others the welfare system provides an essential additional component of income in retirement, through Pension Credit, or help to cope with the additional costs of illness or disability. Unfortunately significant numbers of older people still do not receive everything they are entitled to and we believe more must be done to support and encourage people to claim.

Older people are also an important consumer group and it is estimated that spending by people over 50 accounts for £320 billion a year – up £100 billion in nine years². However, this group are a market segment often ignored, misrepresented or patronised. Particular issues exist in relation to accessing money and financial services, including insurance, for many older people either as a result of location or discrimination. Businesses must ensure that their products and services meet the needs and aspirations of all age groups, and government and regulators must especially ensure that this is the case for essential goods and services such as insurance and banking.

¹ Department for Work and Pensions, Households Below Average Income: 1994-95 to 2015-16, June 2017

² This is Money (2014) Article available @ <http://www.thisismoney.co.uk/money/news/article-2553921/Baby-boomers-helped-lift-Britain-recession-grey-pound-accounts-50-consumer-spending.html>

Summary of public policy proposals

- There should be transitional protection for those who will receive lower pensions under the new State Pension system and have not had time to change their plans. This should cover people who would be entitled to a pension based on their partner's contributions under the previous system.
- The UK Government must improve the level of public communication about any future changes to State Pension Age and produce timely and clear State Pension forecasts.
- The triple lock should apply to other elements of the state pension such as the additional pension and to the new single-tier pension. This should be set out in legislation.
- The Government should seriously explore transitional support for women who have seen their State Pension age increased twice and received very little notice of the changes.
- Any future changes to State Pension age should provide people with a minimum of ten years' notice.
- A review of the success of auto enrolment should be carried out to assess whether higher private pension contributions or even compulsion are required over the long term.
- Access to information and advice is essential to the success of automatic enrolment. Help should be targeted at low-earning older workers who may not benefit from saving.
- Pension schemes should be more proactive in ensuring good outcomes for scheme members as they convert their pension pots into retirement income.
- The key features of Disability Living Allowance and Attendance Allowance must be retained and reform should be based on the needs of disabled older people.
- The UK, Welsh and local governments must continue and strengthen efforts to improve take up of means-tested benefits by everyone entitled to them. This should include on-going publicity, changes to administration and reducing the reliance on the individual to navigate a complicated system of benefits.
- The complicated system of claiming income-related benefits for carers over state pension age should be simplified so all relevant information is collected at the same time.
- Welsh Government approaches to tackling poverty should include an increased focus on older people and identify measurable actions to improve income in later life.
- Sufficient funding and support must be available for income maximisation services which help older people to receive all the financial support they are entitled to.
- Welsh Government schemes to improve home energy efficiency and tackle fuel poverty must ensure that appropriate support is available to older people struggling to maintain a temperature adequate to protect their health.
- Banking is an essential service. The UK Government should ensure that all consumers and the businesses, clubs and societies on which they depend have a convenient, safe and affordable way to receive, store and make payments.
- All current and basic bank accounts must be fully accessible at post offices and banks should consider sharing branch networks in areas where the viability of their network is at risk.
- The Financial Conduct Authority should have an obligation to ensure that cheques and other essential consumer payment services remain accessible and useable.
- Banks should ensure powers of attorney and deputyships are dealt with correctly, swiftly and sensitively; that third party mandates are available and accessible and that current accounts offer second cards with separate PINs.
- The Welsh Government should encourage diversity in the banking and financial market, for example through continuing to help develop credit unions.

- The UK Government should review the financial services exemption within the Equality Act 2010 and ensure that decisions over the availability and cost of financial products and services are based solely on a transparent and proportionate assessment of risk.
- Insurance and other financial service providers must ensure that products are suitable and affordable for all groups in society. Premiums must be based on evidence and risk and not utilise arbitrary age limits and barriers.

Income and Finances

This policy statement covers:

- The state pension
- Private and occupational pensions
- Welfare benefits and entitlements
- Living on a low income
- Financial services

Note: Employment and contribution of older people, and fuel poverty and energy costs are covered in other Age Cymru policy statements.

Public policy proposals

The State Pension

The State Pension is the main source of income for the majority of pensioners yet, despite the positive impact of the UK Government's 'triple lock', levels remain low and the average payment in Wales is around £142 per week. Levels are lower for women, who receive an average of £130 per week with some receiving as little as £122 a week.³

Coverage of the State Pension has been improved over recent years, including by the 2007 Pensions Act. This was of particular benefit to people who have taken time out from their working lives to care for children or other dependents. For example, prior to 2010 (when these reforms took full effect) around half of women were entitled to a full basic pension at State Pension age, whereas by 2018 this will have increased to around 90%.

Recent increases to the State Pension have demonstrated the value of the 'triple lock' which uplifts the state pension each year by earnings, prices or 2.5%, depending on which is higher. This policy restored the link between annual increases in the State Pension and average earnings. This is a vital policy which, over the long-term, will help to maintain retirement incomes, relative to the prosperity of society at large. In recent years it has helped to partially close the previously widening gap between average pension and employment incomes.

The new 'flat rate' pension came into effect in April 2016. The new arrangement is intended to provide a simpler and fairer system in the long term and is of particular benefit to people who have had low pay and caring responsibilities. The full rate is above the level of the standard Pension Credit rate and will be worth an initial £155.65 a week. To qualify for this people will need to have accumulated 35 years of paid or credited contributions, with time spent caring for children or other dependents counting towards the qualifying period.

Unfortunately Age Cymru has been in contact with people who feel that the initial communications around the new State Pension were misleading, having found out that they will be entitled to less than the full amount. It is vital that the UK Government communicates clearly with people approaching State Pension age, including about how their entitlement has been calculated. For many who receive less than the full amount it will be because they have spent time 'contracted out' of the state additional pension previously and paid lower National

³ DWP online tool, available at: www.stat-xplore.dwp.gov.uk (accessed December 2017)

Insurance contributions as a result. Unfortunately many people were unaware of this at the time (or had no choice) and feel disadvantaged now. Though extra entitlements built up previously through the State additional pension will be protected.

Others who receive a lower amount do so because they do not have a full record of 35 years of contributions. Under the new Pension this has been increased from 30 years and will have a disproportionate affect on older women, partially undoing the advances made in the 2007 Act. Only 22% of women who retired in 2016/17 are eligible to receive the full pension compared to half of men. By 2050 15% of women and 10% of men will still be receiving less than the full amount⁴, potentially undermining the 'flat rate' nature of the pension and its advertised simplicity.

Amplifying the effect on some women, the new State Pension is also be based upon individual entitlement. We supported this idea but believe that there should be transitional protection for those who, under the current system, would be entitled to a pension based on their partner's contributions and do not have time to make other plans.

We have long argued that the State Pension should be set at a level which minimises reliance on means-tested additional benefits and provides a predictable and secure platform upon which to build private saving. These reforms should help to achieve these aims over the long-term. However, the Government should continue to monitor the impact of the new system and consider additional transitional support for women in the worst affected groups.

Controversially, the new system is only payable to people who reached eligibility age from April 2016 and will not affect the pensions of current recipients. This has caused concern and resentment amongst some current pensioners. The UK Government's rationale for implementing the reforms in this way is to control the cost of the new system. This being the case, we believe it is vital that the UK Government continues the 'triple lock' policy to improve the level of the existing state pension and, crucially, invests more impetus in programmes to ensure that current pensioners are receiving the full income that they are entitled to from means-tested support (see welfare benefits and entitlements section).

Until all pensioners receive adequate income through State Pensions and private pensions and savings, universal support such as Winter Fuel Payments must also be retained (see separate Fuel Poverty policy statement).

State Pension Age

Major changes have also been made to the state pension entitlement age over recent years. Long-standing legislation is gradually raising the women's pension age from 60 to 65 by 2018. From 2019, the State Pension age will start to increase for both men and women to reach 66 by 2020 and then 67 by 2028. Following an independent review⁵ in March 2017, the UK Government announced that the State Pension age would increase to 68 between 2037 and 2039. The review also recommended that State Pension age should not increase more than one year in any ten year period and raised concerns about the impact of state pension age changes on certain groups:

⁴ Women will get less than men from the new State Pension (November 2015), Paul Lewis Money Blog, <http://paullewismoney.blogspot.co.uk/2015/11/women-will-get-less-than-men-from-new.html>

⁵ Cridland J (2017) Independent Review of the State Pension Age - Smoothing the Transition

Carers and people with ill health or disability are likely to find it more difficult to continue working up to State Pension age. These groups, along with the self-employed, black, Asian and minority ethnic people and women, are likely to have lower private pension savings which may reduce their ability to cope with State Pension age changes.⁶

The report recommends the main means-tested benefit for pensioners is set one year below State Pension age from the point at which the increase to 68 is introduced, for the groups of people defined above.

State Pension age changes have had an especially serious impact upon women born in the early 1950s, some of who have seen significant increases in their expected State Pension age with insufficient notice and communication from the Government. The worst affected group of women (born between 1951 and 1953) have had their State Pension age increased twice, by up to 6 years, without proper official notice. More than half a million women (in the UK) born April 1953 and April 1955 were told between the ages of 57 and nearly 59 that their state pension age would be rising to between 63 and 66. Some women were told at just 57½ that their pension age would rise from 60 to 66.⁷

We recognise that as life expectancy increases, it is reasonable to consider extending working lives. However, not everyone can carry on working. It is essential that any future changes are introduced in a way which gives people sufficient time to plan adequately for the future. We believe that ten years' notice of a change should be a minimum requirement. Critically many women due to reach State Pension age in the latter half of this decade have received far less notice than this, and the Government should seriously consider further transitional arrangements to help this group.

Key calls:

- There should be transitional protection for those who will receive lower pensions under the new State Pension system and who have not had time to change their plans. This should cover people who would be entitled to a pension based on their partner's contributions under the previous system.
- The UK Government must improve the level of public communication about any future changes to State Pension age and produce timely and clear State Pension forecasts.
- The triple lock should apply to other elements of the State Pension such as the additional pension, and to the new single-tier pension. This should be set out in legislation.
- The Government should seriously explore transitional support for women who have seen their State Pension age increased twice and received very little notice of the changes.
- Any future changes to State Pension age should provide people with a minimum of ten years' notice of any change.

⁶ Cridland J (2017) Independent Review of the State Pension Age - Smoothing the Transition

⁷ Women given just 2 years notice of State Pension age rise (November 2015), Paul Lewis Money Blog, <http://paullewismoney.blogspot.co.uk/2015/11/women-given-just-2-years-notice-of.html>

Personal and occupational pensions

Between 2015 –16, total membership of occupational pension schemes jumped by 17.1%.⁸ The increase was almost entirely in the private sector and is likely to be due to the establishment of automatic enrolment in workplace pensions. Prior to the introduction of the scheme, the number of people saving into private or occupational pensions had been falling steadily over past decades. Employers are now obliged to automatically enrol eligible workers into a qualifying workplace pension scheme or into NEST (National Employment Savings Trust), a national defined contribution scheme geared towards people with low and moderate earnings. Individuals can opt out, but those who stay will benefit from a compulsory employer contribution. The introduction of auto-enrolment and NEST is an important move towards universal workplace pension coverage with the intention of improving savings levels for future generations. In 2012, prior to the introduction of automatic enrolment, only 35% of men and 32% of women were actively contributing to a private pension.⁹

We believe there should now be a review of the success of the auto-enrolment scheme to assess whether higher private pension contributions or even compulsion are required in the long term. If future prospects for retirement incomes remain a cause for concern, the UK Government should also consider lifting the annual contribution limit and enabling transfers in.

The predominant form of both personal and occupational pensions saving in the UK is now the defined-contribution (DC) scheme, in contrast to the previously more commonplace defined-benefit schemes. In a DC scheme the amount paid out depends on the investment return on contributions and economic conditions at the time income is drawn, shifting much of the risk to individuals. Employers also tend to pay in less: on average, 6% of salary compared to 17% for defined benefit schemes.

Everybody paying into a pension scheme needs to be confident they are building something that is good quality and value for money. In recent years, annuity rates on pensions have fallen rapidly and pension income levels can be far below people's expectations when they retire. These declines have been caused by a variety of factors such as the overall economic situation and increasing life expectancy. In some circumstances the low level of annuities available can present a major challenge to a comfortable retirement. This makes it especially important that people shop around in order to get the best deal they can. In 2016 the Financial Conduct Authority carried out a review of the annuity market which found that pension firms did not always make customers aware that they could get a higher income by shopping around. The FCA encouraged all firms to consider how their communications and sales process may be strengthened to ensure consumers are getting all the information they require at the time they require it.¹⁰

Key calls:

- A review of the success of auto enrolment should be carried out to assess whether higher private pension contributions or even compulsion are required over the long term.
- Access to information and advice is essential to the success of automatic enrolment. Help should be targeted at low-earning older workers who may not benefit from saving.

⁸ ONS, Occupational Pension Scheme Survey: UK 2016.

⁹ ONS, Pension Trends, 2013

¹⁰ Financial Conduct Authority thematic review of non-advised annuity sales practices (2016) Available @ <https://www.fca.org.uk/news/press-releases/fca-publishes-thematic-review-annuity-sales-practices>

- Pension schemes should be more proactive in ensuring good outcomes for scheme members as they convert their pension pots into retirement income.

Welfare benefits and entitlements

Significant numbers of older people in Wales also receive additional financial entitlements beyond the State Pension. 95,000 people over 65 in Wales receive Attendance Allowance (AA) at an average level of £75.29 to help them cope with the costs of disability. This is a drop of 3,000 since 2015. A further 77,000 people over State Pension age continue to receive Disability Living Allowance (DLA) at an average level of £90.37 per week for longer-standing conditions.¹¹ These are vital support mechanisms which help many older people to live independently and reduce the pressure on the NHS and social care services.

The UK Government has been undertaking wide scale reform of the welfare system, including replacing DLA with a new Personal Independence Payment (PIP). People currently in receipt of DLA are gradually being reassessed, though this is not currently proposed for people aged 65 and over. We are concerned by the high level of people launching an appeal following a DWP decision to not award them PIP. In some areas success rates for these appeals are as high as 90%.¹²

It has been estimated that poverty amongst older people could be reduced by a third if full take-up of income-related benefits could be achieved.¹³ The current level of the minimum income guarantee under Pension Credit is £159.35 for a single person and £243.25 for a couple. This combined with the basic State Pension should be sufficient to lift every older person's income above the official poverty line and is in part recognition of the low level of the basic state pension itself.

In Wales 110,659 people currently receive Pension Credit according to official figures.¹⁴ This is 27,000 or 20% less than in 2017. The official reason given for this reduction is the gradual increase of female state pension age; however the reduction is more significant than can be accounted for by this policy alone. It is also estimated that 40% of people eligible do not claim it.¹⁵ Pension Credit has an additional importance because it is a 'passport benefit' which enables those who receive it to also get help with council tax and housing costs and provides additional support for people who receive Carers Allowance or disability benefits. It remains imperative that the UK Government and national and local government in Wales continue to seek innovative ways to improve take-up and to combat the stigma around claiming benefits that we are told still remains amongst certain groups of older people. For example, older people who have sufficient information and knowledge could be trained to act as 'financial mentors'.

Better administration could improve take-up. We have heard that applicants for Pension Credit can be put off by the complexity of the application form and long delays in processing

¹¹ DWP online tool, available at: www.stat-xplore.dwp.gov.uk (accessed December 2017)

¹² The Guardian (2017) Available @ www.theguardian.com/society/2017/mar/06/disability-benefits-process-is-inherently-flawed-mps-told

¹³ Written answer, Hansard, 20 July 2009, cols 852-3

¹⁴ DWP online tool, available at: www.stat-xplore.dwp.gov.uk (accessed December 2017)

¹⁵ Department for Work and Pensions, Income-related benefits: estimates of take-up: financial year 2014/15, 2016

payments and we welcomed the UK Government's move to introduce free phonecalls to the DWP. Also the complicated system of claiming income-related benefits for carers over State Pension age should be simplified so all relevant information is collected in one go.

However, we must continue to move towards a system where there is less reliance on individuals navigating the array of benefits potentially available. Access to good information and advice is essential, and improvements in the sharing of information between the DWP and local authorities should also be utilised to produce a more streamlined system so that information provided to either organisation is used to assess entitlement for all income-related benefits.

Key calls:

- The key features of Disability Living Allowance and Attendance Allowance must be retained and reform should be based on the needs of disabled older people.
- The UK, Welsh and local governments must continue and strengthen efforts to improve take up of means-tested benefits by everyone entitled to them. This should include on-going publicity, changes to administration and reducing the reliance on the individual to navigate a complicated system of benefits.
- The complicated system of claiming income-related benefits for carers over State Pension age should be simplified so all relevant information is collected at the same time.

Living on a low income in later life

Despite the support currently available in Wales, the pensioner poverty rate has risen from 12% in 2010/11 to 21% in 2015/16. That equates to over 100,000 older people in Wales.¹⁶ According to the same official data, Wales is the UK region/country with the highest percentage of pensioners on a low income outside of London. We believe all older people should have an adequate standard of living and a level of income which enables them to live comfortably and no one should have to endure a calamitous reduction in their standard of living when they retire.

Living with an income below 60% of the median household income is defined as being in poverty, whilst being below 50% of median household income is described as severe poverty. The income figures are an important measure and give a useful headline figure that can be tracked over time, though other methods exist such as the DWP's material deprivation indicator which compares a person's ability to afford goods and activities that are 'typical' in society. However someone's financial position and standard of living also depends on a range of inter-related factors so two people with the same level of income can have very different experiences. Examples of these factors include:

- Social networks and support
- Costs and outgoings including additional costs and restrictions due to disability or ill health
- Where someone lives, including their home and local area
- Savings and financial capability
- Attitudes and expectations.

¹⁶ Joseph Rowntree Foundation (2017) Poverty levels and trends in England, Wales, Scotland and Northern Ireland

There are also distinct patterns of poverty amongst older people:

- Older pensioner households are more likely to have a low income. 21% of pensioners aged 85 and over have a low income, compared to 13% for those aged 65 to 69.¹⁷
- A higher proportion of single pensioners living alone are in low-income households than any other group in society and single older people are more likely to be in poverty than couples.¹⁸
- Pensioners living in households headed by someone from an ethnic minority are more likely to live in low-income households and more likely to be in material deprivation. 25% of pensioners living in a household headed by someone of Asian/Asian British background were in relative low income, compared to 16% with a white head of household.¹⁹
- Pensioners not in receipt of occupational or personal pensions were around four times more likely to have a low income than those who did receive these.²⁰
- Overall, levels of poverty and social exclusion are highest amongst older women living alone.²¹

The consequences for older people of living on a low income can include loss of independence, difficulty accessing transport and participating in social activities and inability to keep warm or buy sufficient food. All of these can have significant psychological impacts and can cause or exacerbate problems of loneliness and isolation. We believe there is a need for a coordinated strategy and approach to tackling poverty amongst older people in Wales. In addition to further action by the UK Government to improve incomes for older people, we believe it is essential there is be a joined-up approach between the Welsh Government and local authorities in Wales to ensure that older people are receiving all the financial entitlements available to them.

Income maximisation schemes (often known as welfare rights services), which provide information and one-on-one support to older people to help them identify and claim welfare benefits, are a proven mechanism for achieving this. We believe the Welsh Government should improve the recognition and support for these services, including by encouraging local authorities to ensure schemes are adequately resourced. We believe there are clear financial benefits to doing this, as money brought in from the UK Treasury will generally be spent in the local area and encouraging financial wellbeing will likely reduce or delay dependence on other public services. An analysis of welfare rights work done by Age Cymru and Age UK found that every £1 spent on providing the service delivered £29 in benefits income for older people.²²

The Welsh Government's Tackling Poverty Action Plan currently includes little mention of income maximisation schemes and even less targeted action to support older people on low incomes. The Welsh Government must develop an increased recognition of how living on a low income impacts on older people in Wales and take the lead on devolved solutions, such

Department for Work and Pensions, Households below an average income, 1995/95 – 2015/16

¹⁸ *ibid.*

¹⁹ *ibid.*

²⁰ *ibid.*

²¹ Pensioners, poverty and social exclusion, Patsios, D., Poverty and social exclusion in Britain: the millennium survey, 2006

²² Returns from EON-funded benefits take up project, Age UK, 2012

as: income maximisation services; support for older people to remain in or gain new employment; or help to meet essential costs such as energy bills.

Key calls:

- Welsh Government approaches to tackling poverty should include an increased focus on older people and identify measurable actions to improve income in later life.
- Sufficient funding and support must be available for income maximisation services which help older people to receive all the financial support they are entitled to.
- Welsh Government schemes to improve home energy efficiency and tackle fuel poverty must ensure that appropriate support is available to older people struggling to maintain a temperature adequate to protect their health.

Financial services

Banking

Pensioners make up one-third of adults without a basic bank account²³ and 6% of households with someone aged 85+ have no bank or post office account.²⁴ For some people, their exclusion is the result of difficulty they face in opening an account because they do not possess the identification documents required, such as passports or driving licences.

Many older people with accounts find them difficult to use and have trouble accessing their money. Almost one-fifth of people aged 65+ use others to draw cash for them as a result of a variety of issues including their inability to access a physical financial services or to remember their PIN number. This decreases independence and increases risk of financial abuse. Poor design makes it difficult for some older people to take up new banking technologies, for example telephone banking systems and security devices for internet banking.²⁵

130 bank branches have closed in Wales over the past 5 years.²⁶ Post offices have the potential to provide a useful access point, especially in rural areas and most major UK banks now make their accounts accessible through the Post Office network,²⁷ but many post offices have closed or are under threat of closure. We believe that the ability to make withdrawals and deposits (including cheques) from all current and basic bank accounts held with high-street banks and building societies should be mandated by the UK Government.

Personal cheques remain a much valued form of payment for many older people with 500 million cheques written in the UK in 2015 and the total value of cheques written increasing.²⁸ After significant campaigning, the Payments Council withdrew its intention to phase out the cheque clearing system by 2018 and banks are now looking to extend their life through introducing faster cheque clearing and cheque imaging. This is good news for some older people who are worried about how to protect themselves from the rising level of cybercrime and find it easier to budget by paying cash or cheque rather than via direct debit.

²³ Department for Work and Pensions, Family Resources Survey 2014/15, 2016

²⁴ Department for Work and Pensions, Family Resources Survey 2014/15, 2016

²⁵ The Way We Pay, Payment systems and financial inclusion, Age UK, 2011

²⁶ Walesonline (2017) Available @<http://www.bbc.co.uk/news/uk-wales-35708714>

²⁷ http://www.postoffice.co.uk/branch-banking-services#withdrawals_&deposits

²⁸ Payments UK (2015) The Future of Payments

The Financial Conduct Authority (FCA) has an objective around the 'ease with which consumers...can access the services they may wish to use'. We believe this means that it is necessary for the FCA to make sure the market for financial services is providing accessible products which meet the needs of different consumer groups. This must include consideration of enforcing the continuing operation of cheques and other popular and accessible payment methods.

In Wales, the Welsh Government has been promoting the development of credit unions, which offer ethical savings and borrowing products, in order to provide an alternative to traditional banks and high-rate loan providers. The Welsh Government's aim is for credit unions to cover 6% of the population by 2020. This has the potential to improve access to financial products and services for older people in communities, and the needs of older people should be considered in the continued development of the credit union movement.

Key calls:

- Banking is an essential service. The UK Government should ensure that all consumers and the businesses, clubs and societies on which they depend have a convenient, safe and affordable way to receive, store and make payments.
- All current and basic bank accounts must be fully accessible at post offices and banks should consider sharing branch networks in areas where the viability of their network is at risk.
- The Financial Conduct Authority should have an obligation to ensure that cheques and other essential consumer payment services remain accessible and useable.
- Banks should ensure powers of attorney and deputyships are dealt with correctly, swiftly and sensitively; that third party mandates are available and accessible and that current accounts offer second cards with separate PINs.
- The Welsh Government should encourage diversity in the banking and financial market, for example through continuing to help develop credit unions.

Insurance

The most common concern raised with Age Cymru around financial services relates to insurance costs and complaints about age discrimination by providers. Many companies still refuse to provide quotations purely on the basis of age and this kind of discrimination causes outrage for many people who are unable to get travel or motor insurance, or to make other transactions such as hiring vehicles.

The Equality Act 2010 raised hopes that this type of discrimination on the grounds of age would be outlawed, however the final Act contained wide exemptions for the financial services industry which allow providers to continue to use a person's age alone (rather than considering their full circumstances) in determining eligibility for financial products and services.

We are very disappointed by the UK Government's decision to allow these exemptions for financial services and strongly believe that decisions on whether or not to provide financial services and products should be based on an individual's circumstances or abilities and not on an outdated vision of what it means to be an older person. Whilst we recognise that some insurance premiums may legitimately take account of a person's age, it is our view that any

calculations should be based on a transparent and proportionate assessment of risk and not on the basis of arbitrary age limits and barriers.

Some progress has been made in improving signposting and access to insurance products for older people as a result of an agreement between the UK Government and the insurance industry.²⁹ This 'signposting agreement' means that if an insurer or broker is unable to offer cover to an older motorist or traveller due to upper age limits they operate, then they will automatically refer them to an alternative provider who can meet their needs or to a dedicated signposting service. We believe that the insurance industry should go much further and ensure that decisions are made solely on the basis of risk rather than through continued use of blunt instruments such as age limits.

Key calls:

- The UK Government should review the financial services exemption within the Equality Act 2010 and ensure that decisions over the availability and cost of financial products and services are based solely on a transparent and proportionate assessment of risk.
- Insurance and other financial service providers must ensure that products are suitable and affordable for all groups in society. Premiums must be based on evidence and risk and not utilise arbitrary age limits and barriers.

²⁹ Association of British Insurers (ABI), HM Government, British Insurance Brokers Association (BIBA) & IIB, *Transparency and access in motor and travel insurance for older people: an agreement on age and insurance*, 2012 <http://www.biba.org.uk/UploadedFiles/418agreement.pdf>