



Rated by Experts

Leading the market in  
clarity and transparency



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## Overview

Our product ratings use a set of 'red line' criteria to calculate an underlying score for each product, which translates to a star rating. Products can achieve between one and five stars.

To achieve a five-star rating, products must meet all of our red line criteria. We focus on core product features, and don't give extra marks for unnecessary features or optional extras.

Our current red line criteria are contained in the following pages.

Unlike our insurance ratings, our banking, online will writing and investment platform ratings take into account the price of the product. This is because consumers can incur additional costs over the life of the product.

## Ready-made Personal Pensions

### Red Line 1 – Cost (Year 1)

This cost scenario is the average cumulative annual charges on a portfolio of £100,000 based on the first two years of the investment. The cumulative annual charges must be less than the sector lowest quartile (at the time of writing, January 2021, £708) to pass this red line. The cumulative annual charges include the annual platform fee, any fund management charges, transaction costs and any dealing charge.

### Red Line 2 – Cost (Year 2)

This cost scenario is the average cumulative annual charges on a portfolio of £100,000 based on the first two years of the investment. The cumulative annual charges must be less than the sector lowest quartile (at the time of writing, January 2021, £708) to pass this red line. The cumulative annual charges include the annual platform fee, any fund management charges, transaction costs and any dealing charge.

### Red Line 3 – Charge for selling holding if not enough money in account to pay charges

To pass this red line there must be no charge for selling holdings if there is not enough money in the account to pay for charges. The majority of providers do not charge for this so it is where we decided to set the red line.

### Red Line 4 – Completing paper applications

There must be no fee for completing paper applications. Most providers do not charge for completing paper applications so this is where we have set the red line.

### Red Line 5 – Cash withdrawal by BACs

The fee for a cash withdrawal by BACs must be £0. Most providers do not charge for withdrawals by BACs and we feel it is unfair to charge for this.

### Red Line 6 – Same day payment/payment by CHAPs

The fee for a same day payment or payment by CHAPs must be less than £25. According to the Bank of England a typical CHAPS payment should cost between £25-£30 so we have set the red line at £25.

### Red Line 7 – Account closure fee

There must be no charge for closing an account. We feel any charge creates an unfair barrier to exiting for the customer.

### Red Line 8 – Early Account closure fee (12 months or less)

The fee to close an account within 12 months of opening it must be £0. The majority of providers in the market do not charge an early closure fee and we feel any fee is unfair for the customer.

### Red Line 9 – Annual charge for receiving paper statements

There must be no charge to receive quarterly paper statements. Most providers do not charge for sending paper statements so we have put the red line at £0.

### Red Line 10 – Charge for transferring cash to another platform

There must be no charge for transferring out in cash. The majority of providers do not charge for this and any charge does create a significant barrier to exiting for the customer.

### Red Line 11 – Charge for transferring investments to another platform

There must be no charge for transferring holding to another platform. The majority of providers do not charge for this and any charge does create a significant barrier to exiting for the customer.

### Red Line 12 – Cost of setting up income drawdown

It must be free to set up income drawdown. Most pension providers do not charge a fee to set up drawdown so this is where we decided to put the red line.

### Red Line 13 – Annual cost of regular payments

The annual cost of regular payments must be less than £120. This is the median for the sector so this is where we decided to put the red line.

### Red Line 14 – Charge for withdrawing your whole pension (if it is small enough to meet government rules)

The charge for withdrawing your whole pension under small pots rules must be less than £50 to pass this red line. The average across the sector is £36 so we decided to set the red line at £50 as anything above this can be considered excessive.

### Red Line 15 – Cost of adding money into your pension once drawdown has started, or the cost of reviewing the amount you're drawing down

To pass this red line, there must be no charge to add money to your pension once drawdown has started or for a flexi-access drawdown review. Most providers in the sector do not charge for this.

### Red Line 16 - Charge for account closure within 12 months through drawdown

The charge for closing your account through drawdown within 12 months must be less than £100. At the time of writing, autumn 2019, The average fee for early account closure is £71.93 so we set the red line at £100 as anything above this is unfair on the customer.

### Red Line 17 - Cost of reviewing your income drawdown if it is a capped drawdown plan

The charge for a review of capped drawdown must be less than £90. This is the sector median so this is where we have set the red line.

### Red Line 18 - Charge for taking your tax-free lump sum from your pension, or for making a one off or new regular payment after drawdown has started

The charge for a one-off payment of a tax free lump sum, income payment or small lump sum must be less than £75. At the time of writing (Autumn 2019) approximately half of brands in the sector charge less than this, we believed this was a reasonable place to set the red line.

### Red Line 19 - Charge for purchasing an annuity

The charge for purchasing an annuity must be less than £90. This is the median for the sector so this is where we have set the red line.

## Red Line Weightings

Element	Percentage weighting
Total marks pension fees	15%
Total marks additional fees	15%
Total marks cost	70%

## Contact Fairer Finance

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