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13 February 2025

By email: [cp24-27@fca.org.uk](mailto:cp24-27@fca.org.uk)

Dear FCA,

## **Financial Services Consumer Panel response to CP24/27: Advice Guidance Boundary Review – proposed targeted support reforms for pensions**

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to the FCA's consultation on the Advice Guidance Boundary Review – proposed targeted support reforms for pensions.

This CP takes a very thoughtful approach to the delivery of Targeted Support in light of existing regulations, key risks, and foreseeable problems. However, the proposals raise many questions such that the Panel is unable to take adequate assurance that Targeted Support will lead to better outcomes for the majority of consumers. In particular the Panel would welcome more information about:

- **Critical success factors and SMART measures** to ensure the proposals achieve the overall aims. Without these, the FCA may struggle to align its proposals with the intended outcomes, which raises the risk that Targeted Support will not provide a mass market solution. It will also be difficult to know if Targeted Support is a success.
- **Robust research into consumers' behavioural responses to and experiences of Targeted Support** rather than on opinions, perceptions or other unevidenced based responses to this CP. Many of the propositions that lay behind the concept of Targeted Support are **testable** in ways that will reduce the risk of Targeted Support failing in its aims.
- **Pilot studies** that reveal real-life issues and unintended consequences as they relate to the consumer's journey, experiences, and outcomes.
- A view as to **which consumers are likely to engage with Targeted Support**. The Panel is concerned that targeted support will only be provided by larger advice firms (because

smaller firms may feel they don't have the data to engage appropriately) and only online (because face to face is highly likely to be interpreted by consumers as full advice) and will therefore not be the mass market, affordable, and accessible solution that is required or promised.

The Panel would also make the following points:

- If there is pushback from firms about redress liabilities such that it threatens to undermine the success of Targeted Support, then the FCA should consider a different solution (starting with what consumers want and need).
- We are not commenting at this stage on the FCA's evidence base and supporting analysis in Annex 1 of the consultation, and we await the FCA's full Cost Benefit Analysis (CBA).
- On the issue of segmentation of consumers, people with similar social/demographic characteristics may not share the same or similar risk appetite – which is a very significant factor in determining investment choice.

Yours sincerely,

Helen Charlton  
Chair of the Financial Services Consumer Panel

## **Annex**

**Question 1: In your view, do any of the proposals outlined in this CP adversely affect protected groups or vulnerable consumers and why?**

The proposals are at a high level and do not provide a sufficient level of detail to ascertain whether certain groups of consumers will be adversely affected. This can, and must, be tested.

**Question 2: In the context of SIPPs, do you think we should differentiate between different types of consumers in the targeted support framework? If so, how?**

The relevant concern here should be with the types of decisions and/or specific circumstances at a particular time, or following a particular life event, rather than different types of consumers.

**Question 3: Do you agree that there needs to be a threshold in place to determine when targeted support could be delivered? If so, do you think this should relate to delivering better outcomes or avoiding poor outcomes? Please explain your reasoning or alternative approach.**

The single threshold proposed by the FCA may be too narrow and limiting to ensure consumers do not experience harms. The FCA should give consideration to whether the size of the pension pot indicates that some consumers would achieve better outcomes through holistic advice than through targeted support, particularly given the differences in redress. If so, then it will be essential that firms can demonstrate consumers' understanding of the difference between targeted support and holistic advice to ensure both transparency and trust.

The FCA should consider adopting a phased approach to delivery. For example, the first phase could focus on avoiding poor outcomes because this is more likely to support customers in disadvantaged groups who might not be saving enough for retirement or who are withdrawing from their pensions at apparently unsustainable rates. This will have a beneficial long-term impact on the economy, e.g., through reduced welfare costs. It will be easier to evidence the benefits arising from the avoidance of poor outcomes from the situations provided above than from focussing on obtaining 'better' outcomes.

This first phase can be used to test, measure, learn and adapt the approach (and potentially the regulation) to optimise consumers' experiences and outcomes.

The second phase should focus on delivering 'better' outcomes for consumers. Some customers in this group will already have benefited from the first phase.

Key considerations in deciding where to focus Targeted Support should be:

- Lowest risk / greatest benefits to consumers
- Building trust and confidence in Targeted Support

**Question 4: How would you make a judgement of when the better outcome threshold was reached? What steps could the FCA take to support this judgement?**

No comment.

**Question 5: Considering the more diverse consumer journeys in retail investments, how could we set the threshold for targeted support being provided in retail investments?**

A single threshold is likely to be too narrow and limiting to ensure consumers do not experience harms. The FCA should give consideration to whether the entire amount of a consumer's pension savings plus retail investments indicates that some consumers would achieve better outcomes through holistic advice than through Targeted Support, particularly given the differences in redress. If so, then it will be essential that firms can demonstrate consumers' understanding of the difference between targeted support and holistic advice to ensure both transparency and trust. On the flip side, the wording proposed in paragraph 4.8 may be too broad and open to misinterpretation. Reliance on the Consumer Duty would be more appropriate at the outset. Further refinements should be based on the outcomes of implementation.

**Question 6: Do you agree with our proposal not to prescribe specific scenarios where targeted support could be delivered?**

Yes – but only if these are first tested with consumers such that the FCA can then proscribe or prescribe scenarios that may be associated with consumer harms.

**Question 7: Do you agree with our proposal on ready-made solutions including that firms could suggest a new product? Do you agree that it should generally only capture support that constitutes a personal recommendation in the current framework? Do you have views on whether the targeted support regime should facilitate suggestions not involving a personal recommendation, and if so, how?**

**Question 8: Do you agree with the three steps of pre-defining scenarios, consumer segments, and ready-made solutions? In particular we welcome views on the need to design these prior to the delivery of targeted support.**

The three steps are not themselves the root of concerns. Rather it is the design and implementation of the steps that raise the potential for consumer harms. For example:

- Will the FCA require firms to design segments that are mutually exclusive? Does the FCA think this is possible?
- Will the FCA seek to standardise the nature and description of scenarios to avoid confusing consumers who have relationships with more than one provider?

The risk of harms can be mitigated if, for example:

- The scenarios are extensively pre-tested with consumers to ensure that they understand them and to gauge their emotional and behavioural responses, and to provide insights into the following questions:
  - What proportion of customers will purchase appropriate products with their existing provider and within what timeframes?
  - What proportion of consumers experience confusion or loss of trust?
  - What proportion of consumers are likely to receive communications from more than one provider?
- The allocation of customers to a particular segment should be transparent and explained.
- In situations where customers could be allocated to more than one segment, and where the suggestions for each segment might be different, the FCA should be clear about its expectations in relation to:
  - The criteria used to allocate customers to one segment over another.
  - Communications with customers who could be allocated to more than one segment.
- The FCA has clear expectations about the experiences and consumer journey for those who are customers of more than one provider and where they may fall into different customer segments with each provider.

- Firms are also required to engage in post-implementation monitoring to ensure that the pre-testing continues to hold true and to make appropriate changes if and when indicated.

The Panel perceives a real risk that a consumer may receive different suggestions (based on exactly the same scenario\*) from different firms as the firms have used different segments to underpin their Targeted Support.

The Panel believes the FCA need to consider this more in the development of the proposals and in the way it manages and monitors targeted support once live.

\*note – there is a real risk that a consumer with multiple SIPPs will go to each provider separately for help via targeted support and therefore receive differing suggestions.

**Question 9: Do you agree with our proposed approach to the verification process including the application of the better outcomes threshold?**

The FCA should use consumer-focussed behavioural research to determine the best approach as this will ensure that risks can be identified and mitigated. Testing will help to identify any aspects that should be prescribed or proscribed in order to protect consumers from harm and to reduce the risk that consumers' trust in financial services will decline further.

**Question 10: Do you have any comments on the terminology, including 'targeted support' and 'ready-made solutions', we are using in this CP and its potential use in Handbook rules for firms?**

If the terminology is to be used with consumers, then it should be tested to gauge their understanding (see FCA research Nov 2024).

**Question 11: Does our proposed framework enable firms to provide targeted support where there is greatest customer need? Are there any examples where you would feel unable to provide targeted support based on the framework proposed? Would guidance around scenarios where targeted support could be delivered be helpful?**

No comment.

**Question 12: Are there any other scenarios in which you envisage targeted supporting being provided in retail investments?**

No comment.

**Question 13: Do you agree with our proposals in relation to advised consumers? Are there different considerations where a consumer is receiving ongoing advice or where a consumer has received initial or one-off advice about their pension?**

The CP does NOT provide explicit proposals in relation to advised consumers. Para 4.37 states: 'We are seeking feedback on whether consumers getting pensions advice should be excluded from getting targeted support and how this could work in practice'.

Consumers receiving pensions advice should NOT be excluded from Targeted Support because this may reduce their trust in financial services. Their inclusion in Targeted Support will enable them to make informed decisions about the relative value of the advice they have received and may encourage a further conversation with their advisor. Purchasing advice is not a one-off decision; some consumers may switch between advice and targeted support as appropriate to their financial objectives and particular circumstances. However, there is a risk that consumers' trust and confidence will decline if they are confused about the difference between Targeted Support and advice.

**Question 14: What are your views on our proposals for the design principles? In particular, do you have any comments on achieving appropriate oversight and competence?**

The proposals do not address how the experiences, journeys, and overall outcomes of consumers who exhibit the following will be managed:

- Customers who could be placed in more than one customer segment with any single provider.
- Customers who are placed in similar customer segments with more than one provider BUT who received different, possibly contradictory, suggestions from each provider.
- Customers who have been placed in different customer segments across each provider with which they have a relationship.

As is the case for all authorised personnel in the context of SM&CR, firms must be able to demonstrate that the people designing and delivering targeted support have appropriate skills, experience, and ongoing training. Even though a service is standardised to meet mass market approaches, staff should still meet these requirements. Furthermore, if the service is automated, there should be mechanisms for consumers to report concerns and issues that are then resolved by suitably qualified individuals.

We also note that inclusive design is of paramount importance for a product that is designed to be a mass-market solution that supports consumers AND makes a clear contribution to the Government's growth strategy. Both of these objectives are at risk if consumers do not engage with Targeted Support for any reason. This underlines the importance of extensive testing before Targeted Support is fully implemented.

**Question 15: Do you agree with this approach to ready-made solutions, including the restriction placed on the annuity journey and the annual review of the process? Are there any other suggestions you think would not be appropriate due to targeted support being based on limited information? Please explain your reasoning.**

We do not agree at this stage to ready-made solutions because the proposals lack an evidential base. For example, para 5.16 states that firms '...thought that without a suggestion of a specific product, consumers would still face indecision and would not make a decision'. This proposition can and should be tested. However, the FCA's research Nov 2024 revealed that consumers were alert to miss-selling or cross-selling. These two different positions indicate that some firms may be less concerned about reputational damage and reductions in consumer trust than about the opportunities for cross-selling.

The Panel believes that, given the risks posed to consumers, the industry, and the FCA, the final proposals should be determined through evidence and not through speculation or opinions.

The FCA should consider the risk that firms may start with the ready-made-solutions they have and then define the segments they will target based on these, rather than starting with their customers. This could lead to certain consumers being excluded because they don't fit into the segments that firms have created.

The Panel agrees with the restrictions proposed around annuities, due to the complexity and irreversibility of the decision; however, the Panel encourages the FCA to consider how consumers can receive better and cheaper support in securing an annuity.

**Question 16: Do you agree with our proposal for setting the general parameters around the definition of consumer segments? If so, what should this involve and how could it be framed effectively in light of the existing 'sufficiently granular' concept? Please explain your reasoning.**

It is not clear how easily firms will be able to place each customer in one segment such that the suggestions arising from Targeted Support are



more likely to lead to better outcomes than had they been placed in a different segment. Regardless, the following issues arise:

- Transparency around the data used to place each customer into one segment.
- Transparency around the risks of being placed in the 'wrong' segment and the liability associated with bad outcomes arising from this.
- Potential lack of consistency across providers (e.g., the scenarios, the characteristics of each customer segment, the number of customer segments, the suggestions provided to each customer segment) such that consumers are unwilling or unable to take further action, such that mass take up of TS is adversely affected.

The Panel is extremely keen to understand how these segments will be developed by firms and regulated by the FCA. A segment that could appear homogeneous (such as people between 60 and 65 with pot size between x and y) could have very different subsegments relating to health, marital status, dependents, existence of other protection products, existence of other pension pots (especially DB schemes) which may have other benefits. The whole concept of targeted support and its effectiveness depends upon the segment being used having very close alignment to the needs, situation and outlook of the consumer using targeted support.

The Panel perceives a real risk that a consumer may receive different guidance (on exactly the same issue\*) from different firms as the firms have used different segments to underpin their targeted support. This could lead to confusion, poor decision making and a decrease in trust in the system (of targeted support), the industry and the regulator. The Panel believes the FCA need to consider this more in the development of the proposals and in the way it manages and monitors targeted support once live.

\*note – there is a real risk that a consumer with multiple SIPPs will go to each provider separately for help via targeted support and therefore receive differing guidance.

**Question 17: Do you agree with our preference to take an outcomes-based approach to verification, and how do you think this could work in practice? Would it be helpful if this approach was supported by rules or guidance on the data to use or not use? Please explain your views.**

**Question 18: If you do not agree, please provide your views on alternative approaches including whether to prescribe in rules data firms would need to use.**

We agree with the proposals to use both an outcomes-based approach (5.34) AND guidance to firms as appropriate (5.35).

It is not clear how firms will obtain verification that the data they are using is correct and up to date (para 5.37).

**Question 19: What level of data do you think would be perceived by a consumer as suggesting the provision of holistic advice? Please describe these data points and the linked scenarios.**

Consumers do not understand the difference between 'advice' and 'guidance', as evidenced in the FCA's own research<sup>1</sup>. Therefore, the level of data used by a firm is unlikely in itself to be the direct cause of any further confusion. Consumers may believe that ANY data used to generate a suggestion under Targeted Support suggests the provision of holistic advice. This can and should be tested with consumers. The language used throughout the journey will also be important in ensuring the consumer understands what is and isn't being provided.

Firms will need to ensure that, at a minimum, consumers understand:

1. How the data has been used and
2. The implications of decisions made by consumers based on the firm's use of their data.

The Consumer Duty has a key role here.

**Question 20: Are there any specific considerations for restricting the use of data for targeted support in retail investments?**

The main issue is timing/phasing. Testing will enable a wide range of problems, risks, and unintended consequences to be identified and resolved before introducing targeted support to pensions, and then reviewing its effectiveness before extending it to retail investment. Particular concerns include:

1. Consumer understanding/confusion and
2. The avoidance by the FCA of foreseeable harms.

It is important that, in alignment with data protection regulations, firms are clear that the data is not to be used for any other purposes other than providing targeted support or monitoring such.

**Question 21: How might firms seek to use pensions dashboard data for targeted support? In particular, we would welcome views on how firms may seek to use dashboard data as part of a consolidation journey in targeted support.**

Regardless of how firms might seek to use pensions dashboard data for targeted support, the Panel believes that adequate safeguards must be in place to protect consumers from foreseeable harm and to avoid reductions in consumer trust through perceived conflicts of interest on the part of firms. This can and should be tested with consumers.

**Question 22: Do you agree with our proposals with respect to stopping a targeted support journey above? What do you think is the best way to deliver requirements that achieve this? Please also share your views considering how consumers who share relevant protected characteristics would be impacted.**

The proposals are written from the perspective of firms. A consumer-focussed perspective needs to consider whether the proposals will:

1. Give these consumers a poor experience and
2. Lead to these consumers becoming confused or losing trust in their providers such that they take inappropriate actions.

This can and should be tested with consumers.

**Question 23: What is your view on the potential for variability in the provision of targeted support and do you consider that an industry standard or guidance may be helpful in providing a level of consistency?**

Yes, for the reasons stated. This can and should be tested with consumers.

**Question 24: Would any of these conduct standards not be appropriate to providing targeted support in retail investments?**

**Question 25: Should we consider any other conduct standards which are specific to targeted support in retail investments?**

The main issue is timing/phasing. Testing will enable a wide range of problems, risks, and unintended consequences to be identified and resolved before introducing targeted support to pensions, and then reviewing its effectiveness before extending it to retail investment. Particular concerns include:

1. Consumer understanding/confusion and
2. Foreseeable harms.

The Panel agrees that standards proposed in paragraph 5.11 are an appropriate starting point; however, the FCA should monitor ongoing complaints and periodically conduct multi-firm reviews to ensure that these standards are applied and if they are sufficient.

**Question 26: Do you agree that these 3 touchpoints are the main times at which firms should disclose information to consumers? If not, why?**

The three touchpoints sound sensible BUT, without a clear understanding of the consumers experiences, it is not possible to determine whether the proposed approach to delivering targeted support will result in a viable mass market solution. It would be very helpful to know the proportion of consumers who are likely to respond or drop out at each stage in order to understand how this in-built friction helps or hinders consumers. This can be tested.

**Question 27: Do you agree with the key aspects of the minimum prescribed level of information required at each touchpoint? Is there any information that all firms should disclose in addition to the key pieces of information in 6.24 and 6.25, or any other stage? Should all of this information be prominently shown and not layered?**

Before implementing Targeted Support, it will be important to test the impact of disclosures on customers' experiences and behaviours. If customers experience negative emotions, then they will be less likely to act on the suggestions. Targeted Support will fail to be a mass market product if there is low take up by consumers.

**Question 28: Do you consider the conflicts of interests (SYSC 3 and 10) requirements sufficient to manage the risks from firms providing ready-made solutions which involve a specific product from their own product range?**

This question aims to understand if the existing regulations are sufficient to ensure that firms meet their regulatory requirements. But the success of Targeted Support depends on the take up by consumers. Targeted Support will fail to become a mass market solution if large numbers of consumers are concerned about a perceived conflict of interest. The FCA's research Nov 2024 identifies this as a potential problem. Behavioural testing prior to implementation will help to understand if perceived conflicts of interest prevent consumers from acting on suggestions.

**Question 29: Do you agree that the sourcebooks described above do not require any substantive changes to ensure the effective delivery of targeted support with appropriate consumer protection?**

Yes – assuming that consumer protections are not diluted.

**Question 30: Do you agree with our proposals on the existing COBS 19 requirements? Are there any other aspects of our existing pensions regime we should be considering?**

No comment.

**Question 31: How do you consider targeted support and the annuity prompt rules could operate together to create a positive consumer experience?**

Proposals should be tested with consumers prior to implementation to ensure a positive consumer experience.

**Question 32: Do you agree with our proposed approach to fees and charges, including on the issue of cross-subsidisation? If not, please explain why and if you have alternative suggestions?**

Yes. However, most consumers cannot or will not switch products. The impact of this on different consumer groups, especially those who are vulnerable, should be tested prior to implementation.

The FCA should also consider the unintended consequences on other forms of support, including holistic advice, by, for example, allowing Targeted Support to be cross-subsidised.

Regardless, there should be no return to contingent-charging.

**Question 33: For firms, based on our proposals, how do you intend to charge for your targeted support services, either directly or indirectly, and how do you anticipate your approach would affect existing fees and charges? Please provide as much detail as you can, including details about specific fees across your business?**

No comment.

**Question 34: Do you consider that, in principle, all authorised pension providers should be able to provide targeted support? Are there any types of firms whose business model makes them less likely, or less appropriate, to provide it? We are particularly interested to hear from SIPP operators on their interest in providing targeted support.**

No comment.

**Question 35: Do you think that advisers could provide targeted support based on the conduct framework we have proposed? If so, how do you consider appropriate consumer understanding of the service could be achieved?**

**Question 36: Are there any types of advice firm business model you consider to be well placed to deliver targeted support? For example, a pension provider which has an 'advice arm' to their business. Please explain your answer, providing examples if possible.**

**Question 37: Do you see any reason why advisers should be able to provide targeted support in relation to broader retail investments and not pensions?**

No comment.

**Question 38: Do you think there is a valid case for requiring all pension providers to provide targeted support? Please explain your reasons.**

Yes. Due to the difficulties of switching, if some pension providers do not provide Targeted Support, then there is scope for negative experiences for those consumers who:

- Are with a single provider who does not offer Targeted Support.
- Have relationships with several providers where at least one doesn't provide Targeted Support.

**Question 39: Do you think consumers should be able to complain to the Financial Ombudsman and bring claims to the FSCS in relation to targeted support? If not, why?**

Yes.

**Question 40: Do you think our proposed conduct framework gives enough regulatory certainty for firms to implement targeted support commercially, taking into account potential redress liabilities? Please explain your reasoning and where more detailed rules would be helpful.**

This is a critical question. If there is pushback from firms about redress liabilities such that it threatens to undermine the success of Targeted Support, then the FCA should consider a different solution (starting with what consumers want and need).

**Question 41: In which aspect of the framework (e.g., verification process, aligning ready-made solutions to consumer segments) do you see the greatest liability risks arising? What controls would you put in place to manage these risks?**

**Question 42: Do you think targeted support, as proposed in this CP, could be delivered effectively to a wide market of consumers based on the existing direct marketing regulatory framework? If not, why not and what would be helpful to enable this effective delivery?**

No comment.

**Question 43: Do you agree with our assessment of the harm in the market and drivers of it?**

Yes.

**Question 44: What other regulatory and economic changes in the pensions and financial advice space will impact the effectiveness of targeted support?**

Other changes could include:

- Reviewing the professionalisation of advisors, who can currently give regulated advice with a qualification that is equivalent to the first year of undergraduate study. This doesn't suggest a barrier to knowledge for many consumers, particularly those who may have savings to invest.
- Mandatory 'advice' (or similar) for some products (cf equity release products, DB pension transfers), where 'stronger nudges' or consumer engagement have been inadequate in shifting the market.
- Industry-wide terminology that is accessible, meaningful, and understandable to the majority of consumers.
- A simplified tax regime for pensions.
- Reviewing the irreversibility of annuity purchases.

**Question 45: Do you agree with our assessment of how targeted support could mitigate market failures and reduce harm?**

Yes – but this does not mean that TS will become a mass market solution. TS needs to be tested in order to evaluate consumers' behaviours, rather than their opinions or perceptions.

**Question 46: Given the proposed targeted support framework set out in this CP, what types of costs do you as a firm anticipate facing up front and on an ongoing basis? Please provide any**

**evidence, indicative estimates or financial modelling that you have carried out as part of your response.**

**Question 47: Based on the targeted support framework set out in this CP, do you think providers of targeted support services (both vertically-integrated and non-vertically-integrated) would seek to differentiate their targeted support service to encourage adoption by mass-market consumers? For example, by differentiating the levels of investment in technology and data acquisition, the fees or charges levied (under all types of commercial models) or the scope / nature of targeted support propositions? Please explain your views, including any evidence you have used to inform these.**

No comment.

**Question 48: Do you agree with our assessment that targeted support may create risks related to mis-selling, biased selling or self-preferencing of products? If no, please explain why not. If yes, please outline scenarios or instances where risks may arise, and potential guardrails required to mitigate these consumer and competition harms.**

Yes.

**Question 49: Please outline any other ways in which you think introducing targeted support may affect competition in the wider market for consumer support, including any areas we should consider further in our assessment of competition impacts.**

**Question 50: Please explain how you think providers of targeted support services could design their provision in a way that complements their current or future business strategies. Where possible, please outline how you think providers may view targeted support services as a potential commercial opportunity, and why.**

No comment.