

## **Consultation Paper** **CP24/27\*\*\***

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Advice Guidance Boundary Review –  
proposed targeted support reforms  
for Pensions

**December 2024**

## How to respond

We are asking for comments on this Consultation Paper (CP) by **13 February 2025**.

You can send them to us using the form on our [website](#).

Or in writing to:

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Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

**Email:**

cp24-27@fca.org.uk



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## Foreword

Decisions about investments and savings, including pensions, can be complex and their impact is significant and long term. Choices made decades earlier can determine how comfortable we are in retirement.

We want consumers to be confident making financial decisions, understanding the risks they are taking and the protections offered. That is why we have been working with the Government through the Advice Guidance Boundary Review (AGBR) to help consumers access the guidance and support that they need, when they need it, at a cost they can afford, to help make informed financial decisions.

The AGBR seeks innovation so people can access affordable support. Greater investment risk can benefit people through higher returns. But it comes with greater risk from investments not performing as expected.

While we often talk about investment risk, we speak less about the opportunities lost if we are too risk averse. We need a broader debate about how much risk is acceptable and how people can be supported to take views on their own risk appetite.

In this paper, we set out our detailed vision for a new type of 'targeted' pension support.

We think that a new form of regulated support – targeted support – could help many consumers get the help they want at a time they need it, so they can make informed decisions and achieve better outcomes. This paper focuses on how it could be developed in the context of pensions, but we see a broader application across investments.

This will fill a gap that currently exists between more bespoke advice and the general support available. Currently, many people report that they do not have the information they need to make the decisions they need to take with confidence. For example, according to our 2024 Financial Lives Survey, 75% did not have a clear plan for how to take their money out of their pension or didn't know they had to make a choice.

The targeted support proposals are one part of a wider set of proposals designed to help consumers. Financial advisers continue to have a critical role to play and so we are continuing to develop our approach to simplified advice. Guidance is also important and so we are also considering whether we can further help firms to navigate the advice-guidance boundary. We published an [update](#) on all aspects of the AGBR in November.

We are working closely with stakeholders to make sure we get this right and we will continue to work side-by-side with industry and consumer groups. In this first consultation, we aim to get views on our detailed vision of how targeted support may work in practice. We will consult with rules in the first half of 2025, for both pensions and retail investments.

This is an exciting opportunity. We are keen to hear all views as we want to take this opportunity of regulatory reform to design outcomes-focused regulation that is fit for many years to come. We are open minded about how this can be designed and welcome

views now to help inform our future thinking around targeted support for retail investing too.

These proposals are part of wider work underway at the FCA to make the requirements applicable to the investment market more adaptable, with a less prescriptive and more outcomes-focused approach but keeping consumer needs at its heart. We believe these proposals will support the competitiveness and growth of the UK economy as well as encouraging innovation in the market, with appropriate safeguards for consumers.

We welcome your input.



**Sarah Pritchard,**  
Executive Director of Consumers, Competition and International

## Chapter 1

# Summary

### Why we are consulting

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- 1.1** Decisions about investments, and particularly pensions, are complex. The shift from defined benefit to defined contribution means greater individual responsibility for making sure enough is being saved. Pension freedoms have also resulted in greater freedom – and more choice – when accessing life savings.
- 1.2** The choices we make about our pensions – how much to save, what we should invest in and how to access them – determine our comfort and security in later life. That is why it is vital that people have access to the right support to navigate complicated decisions.
- 1.3** We want to see easy to access, trusted and affordable pension support. We believe we can provide the regulatory framework that enables the market to innovate to meet this need.
- 1.4** There is currently a gap in the market. At one end, there is regulated, holistic advice, with a personal recommendation on how to make the most of your money, given your individual circumstances. Our Financial Lives survey (FLS, 2024) indicates that 9% of UK consumers took up regulated financial advice in the 12 months to May 2024. At the other end, there are other sources of support such as generic factual information from firms or the free, impartial Pension Wise guidance, provided by MoneyHelper. However, these other sources of support do not provide a recommendation, which can leave people unsupported with their specific choices.
- 1.5** Last year, with the Treasury, we opened a discussion ([DP23/5](#)) under the Advice Guidance Boundary Review (AGBR) on whether and how we could build a framework that better supports a range of consumers. The aims of that review are to help consumers get access to the support that they need, when they need it, at a cost they can afford, to make informed decisions about their finances.
- 1.6** We are now consulting on how we take forward in pensions some of these new propositions. We're proposing a new model – targeted support. This would see people receive suggestions developed for a group of similar consumers rather than based on the individual's detailed circumstances, as would be the case with holistic advice. That means suggestions that are not optimised for the individual; a trade-off we think is required if pension support is going to be scalable. If more people are to receive more of the support they need, we need the market to provide it. That is why we are also proposing proportionate standards for firms providing targeted support.
- 1.7** While we see potential in targeted support, holistic advice will continue to play an important role for consumers who want a personal recommendation tailored to their individual circumstances. Financial guidance offered by MoneyHelper will also continue to be an important fixture on this spectrum of support.

- 1.8** We are not consulting on new rules at this point. Given the significant change our proposals entail, we are seeking initial feedback on our proposed direction. We expect to consult in summer 2025 on the rules that would create a new framework.
- 1.9** We are also progressing the other proposals we made in [DP23/5](#), including considering how targeted support could apply in a retail investments context and proposals for simplified advice. Your feedback to the proposals in this document will help us shape that consultation. We are deliberately accelerating our proposals in the context of pensions first – to inform the longer-term AGBR – as pensions are an important feature of people’s long term financial resilience.
- 1.10** We want your views about any unintended consequences of our proposals, and whether they would enable the high-quality support needed so people have the confidence to make important decisions about their pensions.

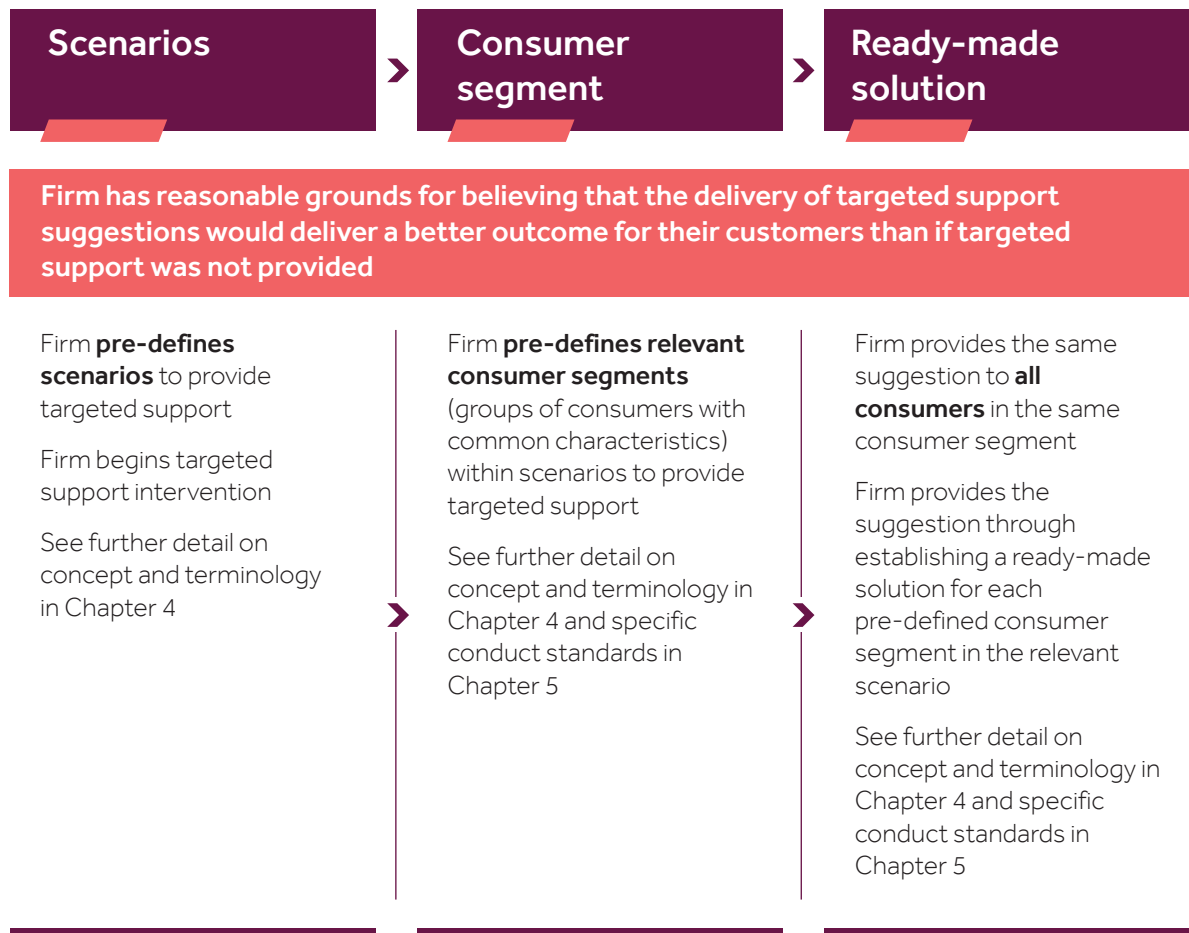
## Who this applies to

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- 1.11** This consultation will be particularly relevant to providers of personal pensions as well as stakeholders with an interest in the pensions and retirement sector. It will also be relevant to stakeholders interested in our wider work on AGBR for retail investments. In summary it will be relevant to:
- a.** consumers
  - b.** groups representing consumers’ interests
  - c.** life insurers
  - d.** all firms that provide pension products (both accumulation and decumulation)
  - e.** financial advisers
  - f.** investment platforms
  - g.** authorised fund managers
  - h.** retail banks
  - i.** trustees of DC occupational pension schemes
  - j.** financial coaches
  - k.** trade bodies for regulated firms
  - l.** any non-authorised persons providing support to consumers

## What we want to change

**1.12** This CP sets out how we see targeted support working for Defined Contribution (DC) accumulation and decumulation consumers (illustrated at a high level in the diagram below) and the conduct standards we are proposing to ensure good consumer outcomes.



**1.13** Practical examples of how targeted support could differ from existing guidance-based services and holistic advice respectively are set out below. These examples are framed as being provided by pension providers and we explore the provision of targeted support by other firms in Chapter 9.



A consumer asks their pension provider (who provides all decumulation options) how to generate an income from their pension pot. They may be at risk of making decisions that do not reflect their risk appetite



#### Guidance-based service:

The provider describes the 4 different options available and the factual risks and benefits of each.

This could include explaining how an annuity gives a certain income throughout retirement but is irreversible, while drawdown provides flexible income but no guarantees that it will last, due to investment fluctuations.



#### Proposed targeted support service

Alongside this guidance-based service, the provider asks the consumer if they want to answer a limited number of questions so they can suggest an appropriate option for consumers with these common characteristics and needs.

The provider collects information about the consumer's preferences for the type of income, and finds out if they need a guaranteed income or can accept a reduced income from time to time.

This could involve the provider saying: 'We suggest taking drawdown initially but that you review your position at least once a year. This suggestion is based on this option being considered appropriate for consumers in similar circumstances with similar needs as you: income preference and income security need'

A pension provider identifies that a consumer, aged 60, is potentially at risk of running out of money in retirement as they have determined they are drawing down unsustainably a rate of 10% for 3 consecutive months.



#### Proposed targeted support service

The provider uses limited information on the consumer to suggest a potentially more sustainable withdrawal rate.

This could involve the provider saying: 'We suggest an initial drawdown rate of 3.0% a year for an income that could be increased with inflation each year. This suggestion is based on a rate which is considered appropriate for people in similar circumstances with similar needs as you: early 60s, who want their pot to last their lifetime, where the pot is invested in a medium-risk fund, with charges in the range of 0.5%-0.75% a year.'



#### Holistic advice

An adviser provides a suitability report, considering the consumer's full financial circumstances, setting out amongst other things: 'Based on our analysis of your circumstances, including your income needs over time and considering the other assets you hold, we recommend that you take an income of £10,000, increasing each year with inflation, for the first 5 years. As your mortgage payments will end at that point, you can then reduce the amount to £5,000 (adjusted for inflation). See the cashflow modelling in the Appendix which shows how your income needs will be met by each of your pensions.'

- 1.14** Providing a suggestion as we propose in targeted support would, if given today, likely be subject to the same regulatory framework as holistic advice. We want targeted support to be treated differently so as to broaden access but with appropriate consumer protections in place. We are working jointly with the Treasury to consider changes to the legislative framework.
- 1.15** We are also considering what new rules should be introduced to support consumer decision making and give firms the flexibility and ability to innovate to drive good consumer outcomes.
- 1.16** We propose that some of this new framework would build on our existing requirements including the Consumer Duty. The Duty sets a high standard of care that firms must give to their retail customers. Its outcomes-based approach allows firms to adapt and innovate in a way that helps consumers and is responsive to technological change and market developments.
- 1.17** But we also propose to introduce some new requirements specific to giving targeted support. These would include requirements that:
- provide a framework within which firms could use information effectively to make a targeted support suggestion
  - define the process that a firm would need to follow to make any suggestions
  - set out the steps a firm would need to take to monitor the outcomes of its targeted support

## Outcomes we seek

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- 1.18** We want to achieve the following outcomes in relation to targeted support in pensions:
- Consumers get the help they need to avoid poor outcomes, such as inadequate saving levels and poorly informed decumulation decisions, that leave them with less money in retirement.
  - Consumers are actively engaged with their pensions and given the right support to help them make decisions that meet their needs, providing them with a more adequate income in retirement.
  - Consumers have access to sufficient information to help them make decisions that reflect their risk appetite.
- 1.19** Overall, we consider our proposed conduct framework provides an appropriate degree of consumer protection, certainty and flexibility to help ensure non-advised consumers with DC pensions achieve better outcomes compared to not having received targeted support. We recognise this means a trade-off whereby an individual consumer may not achieve the best possible outcome under targeted support. We think this is necessary to ensure a scalable service can be delivered.

## Measuring success

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- 1.20** We plan to collect and monitor data to assess the impacts of our proposed changes, in line with our commitments in the draft Rule Review Framework. We would intend to measure the success of our proposals by monitoring key outcomes, focusing on the reduction of harm for consumers, such as through data on consumer take up, and decision-making in our Financial Lives survey and Retirement Income Market Data.
- 1.21** We would monitor data showing consumer saving levels in accumulation, changes in how consumers access their pension pots and changes in how consumers feel supported making decisions with their pensions. We would also aim to get data from a variety of other sources, including supervision activities, firm management information, and complaints data, to understand the number of firms providing targeted support and ensure that those that do provide it do so according to our expectations.

## Next steps

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- 1.22** We welcome feedback to the proposals by 13 February 2025. Please respond by completing the form on our website.
- 1.23** We are continuing to work with the Treasury to explore the need for, and feasibility of, legislative change.
- 1.24** We will engage with stakeholders representing both consumers and industry during the consultation period. Please contact [cp24-27@fca.org.uk](mailto:cp24-27@fca.org.uk) if you want to discuss the consultation with us.

## Further consultation

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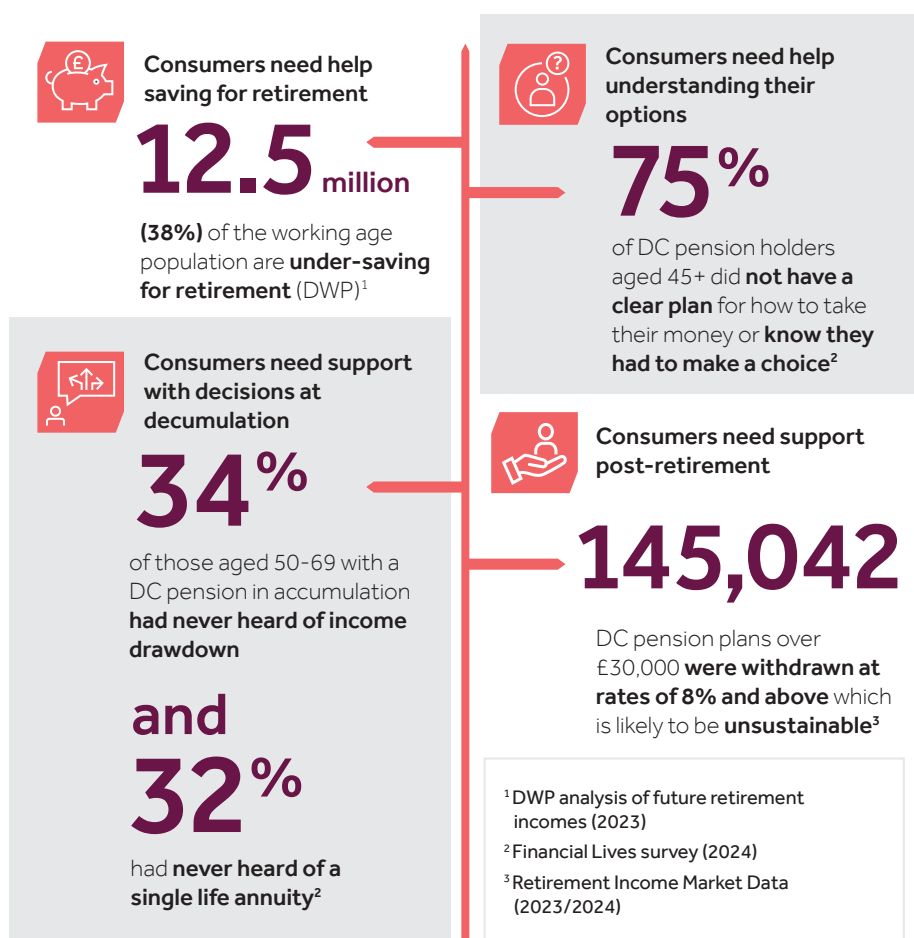
- 1.25** Due to the significant changes needed to put in place a framework for targeted support and the importance of getting this right, we are not consulting on rules at this time. This is to gather early feedback on this proposed new form of support, help stakeholders to understand our thinking, and inform our proposed rules, for both pensions and retail investments. We propose to consult on detailed requirements with draft rules and guidance by the end of the first half of 2025 (H1 2025). We will also provide an update on our work on simplified advice and providing further clarity around the advice guidance boundary, which we also explored in [DP23/5](#).

## Chapter 2

# The wider context

## Pensions savers have a growing need for support

- 2.1** DC pensions are today the most common accumulation vehicles in the private workplace pension market. 80% of all employees participate in a workplace pension (22.3 million). Assets under administration in the DC pensions market are now around £1.5trn (FCA, 2024) while the DB market holds around £1.4trn assets (TPR, 2024).
- 2.2** More consumers are also accessing their DC pensions for income in retirement. In 2023/24, 885,455 DC pension pots were accessed for the first time, a 19.7% increase from 2022/23. The overall value of money withdrawn from these DC pots increased to £52.2bn from £43.2bn over the same period (FCA, 2024).
- 2.3** Against this backdrop, there is strong evidence that consumers need more help throughout their pension journey.



- 2.4** In accumulation, two in 5 (38%) of those currently contributing to a DC pension do not know how much they or their employer are paying into their pensions. Half (49%) of those with a DC pension in accumulation have not reviewed their pot value in the past 12 months (FLS, 2024).
- 2.5** Approaching decumulation, we know consumers need help understanding their options in retirement and to be able to plan, as 32% of DC pension holders aged 45+ say they did not understand their decumulation options (FLS, 2024).
- 2.6** At decumulation, data from our Retirement Income Market Data shows that 47,389 DC pots worth more than £30k were fully encashed in 2023/24, with likely adverse tax consequences. Further, 56% of those who took money out of a DC pension in the 4 years to May 2024 said that they did not consider the tax implications making their decision, or did not recall if they did so or not (FLS, 2024). This figure was 32% of those with a pot of £150k+.
- 2.7** Consumers also need support post-retirement. Data from our Retirement Income Market Data shows that in 2023/24 there were 145,042 DC pension plans over £30,000 where the plan holder made regular drawdown or uncrystallised funds pension lump sums (UFPLS) withdrawals at a rate of 8% and above. This is likely to be unsustainable for these retirees, highlighting the need for more support.
- 2.8** We give more detail on our evidence and analysis of consumer behaviour and the potential harms in Annex 1.

## Consumers want support

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- 2.9** Consumer research conducted in December 2020, found that consumers want support with their pensions. However, it also found that people who do not currently take advice would probably not be willing to pay current adviser fees, based on their perceptions of what they consider a reasonable price.
- 2.10** Data from our Financial Lives surveys have consistently shown just over 8% of consumers taking financial advice, with 8.6% in 2024 – just 4.6m consumers.
- 2.11** We commissioned consumer research to understand how consumers currently use guidance and advice services with their pension and to test interest for targeted support.
- 2.12** The findings show a strong interest in targeted support, particularly for consumers approaching retirement and accessing their pension.

## Firms report barriers to providing the support consumers need

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- 2.13** Firms have told us they want to offer greater support to consumers. They are reluctant to do so because of fears about inadvertently crossing the advice boundary, concerns about the economic viability of doing so at scale and being liable if the support goes wrong.

Authorised firms can currently provide guidance, give non-personal recommendation advice or, if they hold an Article 53 permission, provide investment advice with a personal recommendation. Article 53 of the Regulated Activities Order (RAO) sets out the definition of advising on investments. Some pension providers have said they are concerned about providing support that would require them to get the Article 53 permission. These providers and others also have concerns about meeting the rules attached to this permission, and about the uncertainty around the boundary.

This uncertainty about the advice guidance boundary was raised in the original Financial Advice Market Review (FAMR) work. As a result, the Government amended the perimeter for providing regulated investment advice in the RAO, distinguishing regulated advice between advice that involves a personal recommendation and that which does not. Authorised persons with permission to carry on one or more regulated activities (other than advising on investments) only provide regulated investment advice where it involves a personal recommendation.

- 2.14** We published perimeter guidance to help firms understand the boundary between these two forms of advice (PERG 8 Annex 1). While we published a summary of existing guidance clarifying the advice boundary in 2023 with the aim of encouraging more firms to get closer to the current boundary, it is clear that some concerns remain and that some firms still find it difficult to develop new services to meet consumers' needs.
- 2.15** The landscape is also evolving with the Consumer Duty. In considering the support they give, firms must have regard to the requirement under the Duty to act to deliver good consumer outcomes. The Consumer Duty doesn't change the firm's relationship with customers – for example, it doesn't require firms to provide advice where they would not otherwise have done so. However, we have said that taking an unduly conservative approach to the advice guidance boundary may not deliver good customer outcomes. We would expect firms not to be hesitant to provide such support simply to avoid coming closer to the boundary, but we recognise even then a gap remains. We are proposing targeted support to fill this.
- 2.16** Examples of where firms feel unable to give sufficient support to consumers (or cannot do so because the firm lacks the requisite permission) include:

## Consumers drawing down unsustainably

A pension provider becomes aware that a consumer is drawing down on their pot at a potentially unsustainable rate.

The provider proactively contacts the consumer to warn them of the risk of running out of funds. But the provider feels unable to recommend an alternative withdrawal rate.

## Consumers potentially making uninformed decisions when accessing their pension

A consumer approaches their pension provider to access their pension to generate an income (ie choose a decumulation product).

The provider can explain the decumulation options but feels unable to suggest a method of access, such as drawdown, or indeed suggest a drawdown rate.

## Consumers under-saving for retirement

A pension provider becomes aware that a consumer may be on track for a potentially inadequate income in retirement based on their contribution rate.

The provider proactively contacts the consumer to warn about their contribution rate. But the provider feels unable to recommend an alternative contribution rate.

- 2.17** We explore the pensions and advice market, the growing consumer need for support and the current barriers to firms providing and consumers accessing more support in more detail in Annex 1.

## The case for a new form of support

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- 2.18** There is a clear mismatch between the support consumers require and the current availability of support under the current legislative and regulatory framework. We need to find a different approach.
- 2.19** Specifically, we need a type of support that is:
- **Scalable:** so it can be offered to a large number of consumers. We think this could be achieved by the support being designed for groups of people with shared common characteristics, as opposed to personalised individual solutions.

- **Attractive to consumers to take up:** this means it has to be easy to access and affordable or free.
- **Able to go further than guidance-based services:** so that consumers get an actionable suggestion.
- **Trusted and of high quality:** for this reason we propose the activity should be regulated and subject to specific conduct standards. Quality is particularly important in a mass market proposition, where a poorly designed suggestion could harm a large number of consumers.

- 2.20** Participants in our consumer research said a service would be most beneficial in cases where there is a risk of harm, such as unsustainable withdrawal rates, but also saw value where they were provided with an opportunity to be guided to a better solution. Participants who had previously sought guidance and had experienced the limitations of these services saw particular value in the service. Levels of trust in pension providers and engagement were significant factors in influencing interest in the concept of targeted support. The research also includes insights into aspects of the service where consumer attitudes varied, such as data sharing, proactive communications and the number of suggestions provided.
- 2.21** Our evidence and supporting analysis in Annex 1 provides further detail on our rationale for intervention with targeted support, including the benefits and impacts we expect from our new proposed approach.
- 2.22** We have also commissioned consumer research focused on retail investment products to get further insights on consumers' experiences when making decisions about their savings and investments and to test the concept of targeted support for wider retail investments.
- 2.23** As we have developed these proposals, we have engaged closely with the relevant statutory panels. We will continue to work closely with them going forward to ensure our proposals provide consumers with the support they need to make effective decisions.

## Links to related interventions

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- 2.24** Targeted support would take place in the context of a number of developments in the requirements applying to pension providers, including the introduction of investment pathways, wake-up packs, annuity information prompts and retirement risk warnings.
- 2.25** Existing interventions to date either required providing further information to the consumer or have tried to make consumers' decision-making less complex (for example, investment pathways). But we know there is more we and industry can do to support consumers.
- 2.26** In July 2024, we published a Call for Input asking for feedback on whether, where and how we can simplify our rules, while ensuring we continue to support and protect consumers. We also want to include appropriate flexibility in our rules to be responsive



to future changes and innovation. The Call for Input closed to responses at the end of October. We will take account of relevant responses in our ongoing work on targeted support and, more generally, we will look to futureproof and apply the right level of detail in any new rules on which we consult following this CP.

- 2.27** As we develop our proposals for targeted support, we will continue to work closely with the Government to share the feedback from this consultation so that it can inform the broader Pensions Review as well as the wider AGBR.

### **The role of the Money and Pensions Service**

Targeted support would need to work within the wider system of support for consumers. We anticipate that MaPS will continue to play a pivotal role in empowering consumers to understand the next best action and make informed decisions for their circumstances. Pension Wise is a government-backed service that offers free, impartial guidance to over 50s on how to take money from their DC pension pots. The service will continue to play an important role prior to a consumer accessing their pension by helping them understand their pension options.

Pension Wise is one of several financial guidance services offered by MoneyHelper across a range of channels, including web, digital tools, telephone, web chat, print and face-to-face. Pensions guidance provides support to consumers with workplace and personal pensions across the UK.

We require firms to refer or signpost consumers to MaPS' MoneyHelper guidance services throughout our COBS 19 rules, for example wake-up packs, stronger nudge to Pension Wise, the pension annuity comparison tool and investment pathways tool. We will consider how our existing COBS 19 rules can best sit alongside targeted support in a future framework. This includes interaction with MoneyHelper pensions guidance services, which we explore in Chapter 7 of this CP, as well as our expectation of firms to signpost to MaPS guidance on shopping around in their communications to consumers, which we address in Chapter 6. We will work closely with MaPS as we continue to develop our targeted support proposals to ensure consumers can access a spectrum of services that meet their needs, including key hand-off points where appropriate.

## **How it links to our objectives**

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- 2.28** Our proposals seek to ensure that relevant markets function well. They have also been developed with a view to advancing our operational objectives as well as our competitiveness and growth objective.

## Consumer protection

- 2.29** Our proposals should help more consumers receive the support they need to make informed decisions around their pensions.
- 2.30** We know there are limits to what a targeted support service could deliver, and we would need to manage potential risks to consumers from its delivery. We would seek to reduce these potential risks through a proportionate conduct framework that protects consumers while enabling effective support to be delivered to the mass-market. We propose leveraging existing requirements to achieve this, such as the Consumer Duty, but also introduce new requirements where necessary.

## Market integrity

- 2.31** Lack of engagement in pensions decisions and unexpected poor outcomes for consumers with DC pensions could undermine confidence in UK financial markets. Enabling consumer understanding and good investment decisions increases trust in the system, and ultimately encourages further use.

## Competition

- 2.32** Consumers currently face barriers in getting appropriate pensions support and advice. As well as improving consumer outcomes, our targeted support proposal provides a framework that would enable firms to create an innovative service with new business models to support consumers in achieving their retirement goals.
- 2.33** By providing this new framework and improving consumer decision making, these proposals are designed to encourage proactive action by consumers.
- 2.34** We explore the competition impacts and implications of our proposals in Annex 1. In particular, we invite views on the types of costs incurred, how firms intend to fund targeted support services, the potential impacts on firms' commercial and business models as well as any other competition implications.

## Secondary international competitiveness and growth objective

- 2.35** These proposals should enable firms to offer more accessible and affordable support services to consumers, helping them to make better informed pensions decisions. This should help build consumers' trust and confidence, increase consumer engagement in UK markets, boost productive investment and support growth.

## Environmental, social & governance considerations

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- 2.36** In developing this CP, we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under ss. 1B(5) and 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008. Overall,

balancing all other factors, we do not think there is any contribution that the proposals outlined in this CP can make to the Government's net zero and environmental targets.

- 2.37** Our aim is for targeted support to increase levels of consumer engagement and confidence in the decisions consumers make about their pensions and the wider pensions system. So, we envisage, if implemented, such benefits could have a positive overall impact on wider society. We welcome your feedback on this and will keep it under review during this consultation.

## Equality and diversity considerations

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- 2.38** Structural issues within society, such as types of employment, gender, ethnicity and disability, can influence pensions outcomes. These factors can lead to lower incomes in retirement, lack of engagement with pensions, and the risk of poor choices when accessing pensions. We consider that our proposals, if taken forward, could enable many consumers who do not currently get advice to benefit from greater support being delivered in pensions. We particularly think the proposals could have a positive impact on some groups with protected characteristics under the Equality Act, specifically older people. Generally, we consider women may benefit more greatly from our proposals, as we know pension adequacy and engagement amongst women is lower than for men. Consumers with lower incomes or vulnerable consumers could also benefit. However, we acknowledge below that some consumers may not benefit from targeted support.
- 2.39** Our proposals are clear that targeted support suggestions are designed for pre-defined groups of consumers (ie consumer segments) with common characteristics, rather than being tailored to the individual. By this very nature, providers would be using information which likely overlaps with protected characteristics (for example, age, gender and marital status).
- 2.40** Noting the benefits above, we also recognise there are potential risks associated with our proposals for consumers with certain protected characteristics, including where these increase the risk of vulnerability. We want to work with stakeholders to understand these risks further, considering other support available to consumers including holistic advice and alongside our proposed signposting requirements.
- 2.41** We have identified there may be a specific risk of consumers with certain protected characteristics not receiving targeted support because of a firm's verification process. We discuss and invite views on this specific impact in paragraph 5.41.
- 2.42** We also note potential concerns around the delivery channel for targeted support, as many consumers may access targeted support online. We expect any proposed rules or guidance would be 'channel neutral' to give firms the flexibility to cater for consumers with different needs (for example, consumers with visual impairments, lack of access or ability to engage digitally). The proposals in this CP would also operate alongside our guidance for firms on the fair treatment of vulnerable customers ([FG21/1](#)).
- 2.43** We therefore acknowledge the potential implications resulting from our proposals and will continue to consider how best we could make sure consumers, irrespective

of their characteristics, have an equal opportunity to access targeted support. We do not expect our proposals would increase the current structural or negative outcomes consumers with diverse characteristics may face. Instead, we aim to develop robust proposals for positive targeted support, including going some way to manage current identified problems.

**2.44** This consultation is being conducted without draft rules to gather early feedback on our targeted support proposals. We will continue to evaluate the equality and diversity implications of these proposals during the consultation period and again when we consult on rules and guidance (which we expect to do by the end of H1 2025).

**2.45** In the meantime, we welcome any feedback on the potential equality and diversity impacts of our proposals.

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

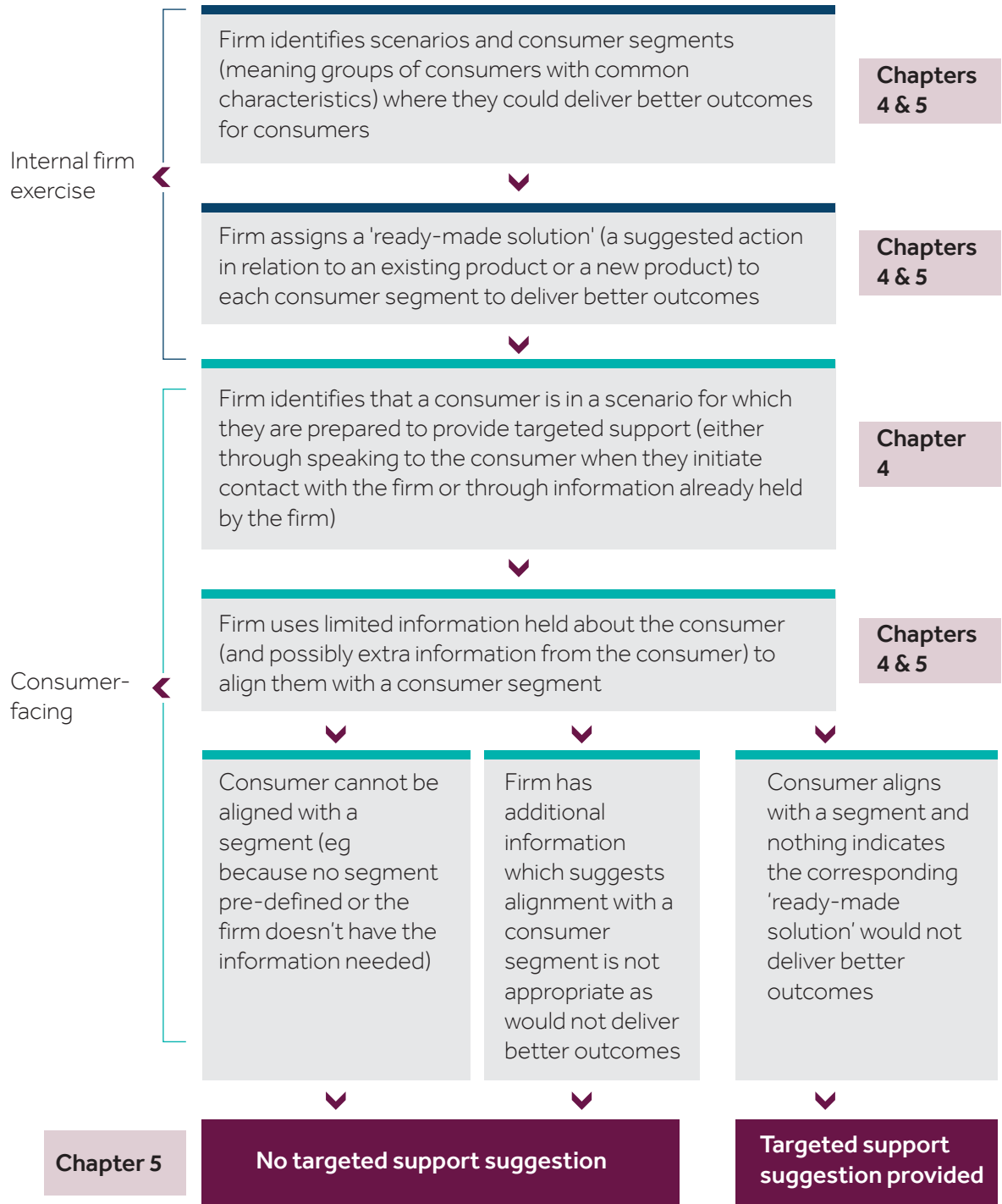
## Chapter 3

# Our approach to setting a targeted support framework

- 3.1** Our general approach to setting a regulatory framework for targeted support is to use existing requirements where possible. We see the Consumer Duty as a critical underpinning to achieve this, enabling a principally outcomes-based approach. And we discuss the application of other elements of our existing rule framework in Chapter 7.
- 3.2** But we consider some new requirements would be needed. Where we propose introducing new requirements, we seek to strike the balance between an outcomes-based approach while only proposing prescriptive rules where necessary. This reflects the overarching need for high quality support that is delivered and designed to deliver good outcomes for consumers.
- 3.3** Our proposed framework would also be channel neutral and take account of the circumstances in which targeted support is provided, allowing firms to tailor their targeted support journeys as they know their customers best.
- 3.4** We are also explicit that targeted support would be designed for groups of consumers with common characteristics, and not bespoke to each customer. As we set out in Chapter 1, we recognise this means a trade-off where an individual may not achieve the best possible outcome under targeted support but that we think this is necessary to ensure a scalable service.
- 3.5** This general approach should enable firms to provide support to the widest market of consumers. It would allow firms to develop a range of offerings and innovate, while being responsive to evolving consumer and technological needs. And it would also ensure firms deliver the support in a way which protects consumers and is in consumers' interests.

## How a targeted support consumer journey could operate

### Flowchart of proposed targeted support consumer journey



## Differentiating between pensions and other retail investments

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- 3.6** In this CP we outline how we propose to enable firms to deliver targeted support in pensions, building on our general approach above. Our proposals are designed specifically to allow firms to support the large number of auto-enrolled consumers who have limited touchpoints with their pensions and pension provider and who need further support during accumulation, as they approach taking their pensions and when they decumulate.
- 3.7** But we are also considering how firms could use targeted support to help consumers with decisions relating to retail investments more generally, and we intend to consult on this next year.
- 3.8** We believe we can apply the same general approach, and most of the policy framework, to targeted support for wider retail investments. There may be some necessary areas of divergence, but we see targeted support working in broadly the same way for both pensions and wider investments. So we have included a small number of questions in this consultation to understand how our proposals could apply more widely to retail investments.
- 3.9** In practice, consumers may not make a hard distinction between pensions and other savings. For example, a consumer may save into an ISA or make investments with retirement in mind. Equally, a consumer may open a self-invested personal pension (SIPP) for tax reasons and simply use that as a vehicle to make investments. Firms also do not split neatly into pension and investment providers. We know that any final policy proposals would need to cater for this nuanced landscape and all these products. We are interested in views on how, and whether we should, differentiate between different types of consumers. We are also exploring this more widely as part of [DP24/3](#).

**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?

## Targeted Support as a regulated activity

In DP23/5, we said targeted support should be provided by authorised persons for both pensions and retail investments.

We want to ensure that targeted support is understood as being different, and is provided in a clearly distinct way, from holistic advice. But we also need to recognise that providing a suggestion of the type we describe in Chapter 4 would, if given today, likely be subject to the same regulatory framework that currently applies to holistic advice. The question is where the provision of targeted support fits in relation to the current regulatory framework, including the regulated activity perimeter.

In DP23/5, which was published jointly with the Treasury, we set out that the options to implement targeted support could include (but are not limited to):

- introducing a new regulated activity
- creating a new sub-permission within the current 'advising on investments' activity in Article 53 of the Regulated Activities Order 2001 (RAO)
- allowing authorised firms to carry out targeted support where they have certain existing permissions linked to relevant products (for example, a firm with permission to operate a personal pension scheme would be able to provide targeted support for personal pension products)

We will continue to work closely with the Treasury on the options to implement targeted support. Ultimately changes to the perimeter are a decision for the Treasury.



## Chapter 4

# Proposed parameters of targeted support

- 4.1** In this chapter we set out in detail our overarching expectation that targeted support is designed to deliver better outcomes for customers. We also propose terminology to express key parts of the targeted support journey which could later be used in our rules. We seek feedback on the 'better outcome' concept and its practical application. We also seek feedback on whether the proposed terminology is adequate to convey the regulatory intent in the Handbook. We do not propose firms use the terms set out below in customer-facing communications. Chapter 5 covers the detailed requirements we are proposing for firms providing targeted support. We anticipate that the key elements of targeted support discussed in this chapter will be important for framing those requirements.

## Consumers with common characteristics

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- 4.2** In this CP, one core concept that we use, is that of 'consumers with common characteristics'. In DP23/5 we used the term 'people like you' as a basis for providing targeted support. But when carrying out a pilot for our [consumer research](#), participants did not like the term 'people like you'. They viewed it as condescending with potentially discriminatory undertones. In the primary research, the term 'people in your circumstances' tested better.
- 4.3** It would also be possible to use the existing term 'target market' for the purposes of describing the identification of consumers with common characteristics. However, our Handbook glossary currently defines this term for the purposes of the Consumer Duty but not for other rules, such as those in PROD 3 and 4. As such, it could be confusing to use the term 'target market' in yet another context. Therefore, in this CP, we use the term 'consumer segment' to refer to the pre-defined groups of consumers with common characteristics which are central to our proposed concept of targeted support.

## Designing and delivering targeted support

- 4.4** We propose that the design and delivery of targeted support by firms will involve internal firm actions and consumer-facing actions.
- 4.5** We propose that, prior to the delivery of targeted support, firms must take the following (internal) steps:
- pre-define particular scenarios where customers could achieve better outcomes which could trigger the delivery of targeted support
  - pre-define consumer segments for whom better outcomes could be achieved in those scenarios and decide what information would be needed to determine whether a consumer fell within a consumer segment

- establish ready-made solutions to deliver better outcomes for the consumer segment in the relevant scenario

**4.6** During the delivery of targeted support to the customer (consumer-facing actions), we propose firms:

- identify that a customer falls into in a pre-defined particular scenario
- verify if the customer can be appropriately placed in a consumer segment and provided the ready-made solution

### Targeted support framework to deliver better outcomes

**4.7** Targeted support needs to be provided in appropriate circumstances so that consumers trust it and do not simply see it as a form of marketing. Our consumer research shows that many consumers are wary of providers' motives for selling products.

**4.8** We propose that to provide targeted support, firms must consider whether its provision would achieve better outcomes for their customers. Therefore, we propose that in determining whether, and in what circumstances, to provide targeted support, firms would need to apply the threshold of having **reasonable grounds for believing that the delivery of targeted support suggestions would deliver a better outcome for their customers than if targeted support was not provided**. This seeks to ensure that targeted support is delivered in a way that builds consumer trust and is in line with consumer interests.

**4.9** Firms will have to use judgement to decide whether the better outcome threshold has been met. But we think this would also give them flexibility to develop and adapt their customers' journeys. We want to better understand how firms would make decisions about whether and when to provide targeted support, and different potential approaches. For example, whether firms would make this decision by reference to whether the provision of targeted support would be likely to achieve a 'better outcome' for the typical customer in the same scenario. As part of this, we would expect firms to consider that targeted support is designed to enable the consumer to make a fully informed decision. So while consumers may not act on any targeted support suggestion, its provision could still lead to a better outcome as it is facilitating a more informed decision.

**4.10** Firms will need to consider this threshold when pre-defining the scenarios in which they wish to give targeted support, pre-defining the relevant consumer segments within these scenarios, and designing their ready-made solutions for their consumer segments. In their verification process, firms will also need to consider when it would be inappropriate to allocate consumers to a consumer segment and provide a ready-made solution based on the threshold (for example, because they had information about a customer which indicated that to do so would not deliver a better outcome for that customer).

**4.11** In setting this threshold, we recognise that targeted support suggestions will not be optimised for the individual but instead will be developed for groups of consumers. Therefore, the application of the threshold should principally be at the level of the

internal firm design of targeted support rather than in the context of individualised assessments by firms. But in relation to the delivery of targeted support, if a firm had reason to believe that the provision of targeted support would not deliver a better outcome for a particular customer then the firm would not be able to give that customer targeted support.

**4.12** We have considered an alternative of whether targeted support should only be provided when a firm is identifying foreseeable harm or poor outcomes. On balance, we think this could be too restrictive in the context of pensions, given the range of scenarios in which consumers may need support. We welcome feedback on this.

**4.13** We are also considering how the overarching concept of better outcomes could apply when giving targeted support across pensions and retail investments. Given the more diverse nature of consumer journeys in relation to wider retail investments, using 'better outcomes' may be too broad in this context and we may need to apply a different threshold at which firms could provide targeted support to consumers. We welcome views on this.

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

**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?

**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?

## Pre-defining targeted support scenarios and consumer segments

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**4.14** When creating a targeted support service, the first steps a firm would be expected to take are to pre-define relevant scenarios and consumer segments.

**4.15** We have considered the views of stakeholders and the range of consumer needs which targeted support has the potential to meet. With these in mind, we do not propose to prescribe the scenarios in which firms could give targeted support. It is important that any new framework for providing targeted support gives firms the flexibility to develop and adapt services which meet their customers' needs both now and in the future. The framework should also enable targeted support to be distinct from the provision of holistic advice.

- 4.16** Instead, firms should consider the better outcome threshold (see paragraph 4.8) when pre-defining scenarios and consumer segments (ie consumers with common characteristics). An example of how this consideration could work in practice would be where a firm has considered its customer base and identified low contribution rates as a scenario in which to provide targeted support with a view to delivering better outcomes. The firm would then identify relevant consumer segments in this scenario, for example by reference to age group and specific contribution rates, where better outcomes could be delivered.
- 4.17** We welcome feedback on whether firms would envisage that these two steps of pre-defining scenarios and consumer segments to deliver better outcomes would occur sequentially or whether it would be a fluid process.

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

### Designing ready-made solutions

- 4.18** After pre-defining relevant scenarios and consumer segments, we expect firms would then pre-design their ready-made solutions to align with the common characteristics of the consumer segment they are designed for. In doing so, firms should consider in the design of their solution whether the solution itself would meet the better outcome threshold (see paragraph 4.8). For example, a firm might develop a ready-made solution for a particular consumer segment in accumulation to be used where that segment reaches a certain age and there is an opportunity to deliver a better outcome for that segment. The firm would then suggest an alternative contribution rate in its ready-made solution. We cover this further in Chapter 5.
- 4.19** We want to see firms giving targeted support to support consumers throughout their pensions journey. This could involve suggesting an action in relation to an existing product or a new product. In either case, we anticipate that this would generally involve a suggestion related to particular products.
- 4.20** We see targeted support as having the potential to provide more effective help to consumers than existing guidance-based services by allowing for personalised suggestions based on consumers' common characteristics. We consider it is important that targeted support can involve suggestions of particular products and therefore cover suggestions that would be personal recommendations in the current framework.
- 4.21** Determining whether a suggestion of a generic product type only (eg a drawdown product or annuity) would involve a personal recommendation at the moment can be complex. We consider that these can potentially be provided through guidance-based services. But we understand that firms are not widely providing such support as guidance (for example, a steer towards an annuity) given they may take a view that such support could constitute a personal recommendation. We see value in these types of suggestions being provided as targeted support and so we consider that firms would be able to benefit from categorising these suggestions as falling under the proposed targeted support regime and providing them within the framework of targeted support. But firms may also make suggestions that firms themselves consider are not likely to be

personal recommendations. We want firms to be able to carry on offering the types of guidance services they already provide.

**4.22** We welcome feedback on how best to capture support that provides a suggestion that does not relate to a particular product within the targeted support framework without stopping what firms are already doing by way of guidance. For example:

- Should the targeted support requirements apply to certain suggestions that would not amount to a personal recommendation in order to have a more cohesive regime?
- Alternatively, should support through guidance (not amounting to a personal recommendation) that is given as part of a ready-made solution remain subject to existing regulatory requirements?
- Would firms be more likely to make these kinds of generic product type suggestions that could be given as guidance if they had greater certainty about the advice boundary such that these types of suggestions should be facilitated through further work to clarify the boundary?

**4.23** In DP23/5 we asked for feedback on the types of suggestions that could be provided by firms through targeted support. A majority of respondents agreed that targeted support should include suggestions of particular products as well as actions. We also said targeted support suggestions should require a less tailored approach than holistic advice to enable its mass-market delivery. This could build on the example of investment pathways, where firms offer non-advised drawdown consumers a small range of investment options via the use of choice architecture. We continue to propose this model.

**4.24** Our consumer research indicates that consumers would welcome support throughout their pensions consumer journey but particularly for decumulation decisions. Participants exhibited a specific need for support around choosing their decumulation options, and many found the suggestion to be a useful 'anchor' to use when further exploring their options.

**4.25** Taking this into account, we propose that firms should have flexibility in how they want to design their ready-made solutions. We explore the conduct standards around this in Chapter 5.

**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.**

### **Verifying whether a customer can be allocated to a consumer segment and provided a ready-made solution**

- 4.26** We set out above how we propose firms design their targeted support process based on delivering better outcomes. We also consider that this overarching expectation should apply to the consumer-facing 'verification' process firms would then undertake. The verification process captures how a firm would allocate a consumer to a pre-defined consumer segment and thereby suggest a ready-made solution. The outcome of this verification process would either be that a customer receives a targeted support suggestion or they do not.
- 4.27** The verification process is not about conducting an individualised assessment of the consumer. Instead, we propose that firms will check that customers align with the common characteristics of the pre-defined consumer segment and that therefore the ready-made solution is appropriate. In other words, we anticipate that by implication of aligning with a pre-defined consumer segment and scenario, the associated ready-made solution would be expected to deliver a better outcome for the customer than if targeted support was not provided.
- 4.28** But firms should still consider the delivery of better outcomes when undertaking this process, specifically where they have, or become aware of, information to indicate that the provision of the relevant suggestion would not in fact achieve a better outcome for that customer. In this case, a firm could not provide targeted support. However, as noted below, this should not involve a full fact-find as undertaken in holistic advice.
- 4.29** We expect to impose conduct standards to sit around this verification process, both so it is conducted appropriately and also to give firms certainty about our expectations. We cover this in Chapter 5. A firm will not be expected to undertake full checks on the consumer's individual circumstances as they would if they were providing holistic advice. Instead, it will be crucial that we express the standards in a way that gives firms confidence to work with limited data but still ensures consumers receive high quality suggestions, and we would welcome views or specific drafting suggestions. We also welcome feedback on the term 'verification' used to describe this process alongside other terminology set out in this chapter.

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

## Summary of concepts

**Targeted support suggestions:** We consider that targeted support would involve suggestions based on limited information to relevant consumers with common characteristics where an authorised person considers they could deliver a 'better outcome' for their customers.

**Better outcomes:** Firms should have reasonable grounds for believing that the delivery of targeted support suggestions would deliver a better outcome for their customers than if targeted support was not provided.

**Steps prior to delivery of targeted support:** These suggestions (ready-made solutions) would be pre-defined by firms for groups of consumers with common characteristics (consumer segments) in the same scenarios.

We would not expect to require firms to use this precise terminology when communicating with customers but we welcome feedback on it.

We also invite views on the descriptive label 'targeted support'. Since we introduced the concept of this service in DP23/5, we have retained the label and used it as the working description of the new service. But as above, we do not necessarily expect firms to use this label when describing the service. So we welcome views on how firms would describe the service to consumers and any alternative views that stakeholders have on the label 'targeted support'.

**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?

## Practical examples of targeted support delivering better outcomes

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- 4.30** We have set out above the parameters of our proposed targeted support framework. We want to understand whether our framework will enable firms to support consumers throughout the pensions journey. We explore below different potential practical examples of targeted support.
- 4.31** Since publishing DP23/5, we have talked to firms, particularly pension providers, to understand the circumstances in which they might provide targeted support, and whether the threshold we describe above could lead to support being provided in the right scenarios. Firms suggested the following examples of scenarios in which they might provide targeted support:

- inappropriate investments, including cash investors
- low contribution rates
- consumers not maximising employer contributions
- consolidation
- full encashment
- taking full tax-free cash
- taking income in a way which is tax inefficient
- uncertainty about how to take a retirement income
- taking unsustainable levels of income drawdown
- reviewing previous drawdown decisions in response to a change in circumstances

**4.32** As well as these examples, targeted support could also be used to support investment choices in accumulation in some cases, recognising the important role default funds play in the pensions consumer journey. Targeted support could also be used to better tailor firms' existing investment pathways. There are also potential harms where consumers transfer out to non-workplace pension providers on the grounds of consolidation and ease, but subsequently pay a much higher price with reduced investment choice. We welcome feedback on other scenarios in which stakeholders are considering using targeted support based on the framework set out above.

**4.33** In DP23/5, we gave examples of scenarios where targeted support might be provided, and the majority of respondents agreed with these. However, some responses proposed scenarios in which support can already be clearly delivered by way of guidance. For example, it was suggested that a targeted support scenario should be explaining the benefit of using MaPS guidance services including Pension Wise. As we explained in paragraph 4.20, it is important that the introduction of targeted support does not capture the provision of support which is clearly guidance and of the type which firms should already be providing to support their customers.

### **Potential scenarios for targeted support in retail investments**

As well as the above scenarios, we see several use cases for targeted support in retail investments. For example, it could be used to help consumers:

- Not investing who potentially could be, such as those with 'excess cash' beyond an emergency buffer who could benefit from better returns from their money.
- Investing inappropriately for their needs or risk appetite, such as only holding high-risk investments or no 'traditional' investments.
- Who are not investing efficiently, such as those who do not review their arrangements regularly or who remain invested in poorly performing or expensive funds or in an undiversified asset allocation.
- Investing who potentially should not be, such as those who are invested but may need this money in the short-term, or who are invested in the wrong type of product for their objectives and would benefit from saving instead.



**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?

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

### Who could receive targeted support

- 4.34** In DP23/5, we suggested consumers would need to make a clear positive choice to receive targeted support. Most stakeholders have said an opt-in service would significantly limit its effectiveness as a mass-market support model. We agree that targeted support should be an opt-out service for consumers where firms choose to provide it.
- 4.35** We specifically identified that consumers with DC pensions who are currently non-advised need support.
- 4.36** However, some consumers already get support in the form of holistic advice. Where consumers are paying for ongoing advice, they already have access to support and have chosen to pay to receive it. There is a risk that targeted support suggestions might mean the consumer receives mixed messaging where their holistic advice took into account their detailed circumstances while targeted support did not. While this could be confusing, it could also encourage a further conversation between a consumer and their adviser following the targeted support suggestion.
- 4.37** We are seeking feedback on whether consumers getting pensions advice should be excluded from getting targeted support and how this could work in practice. If we were to exclude certain consumers we would not require that firms verify this but instead take reasonable steps to find out if the consumer had received relevant advice or was receiving ongoing advice. Any requirement around this would need to work in practice and be proportionate for firms.
- 4.38** The risk of confusion is most clear where a firm already has an advisory relationship with a specific customer but then also provides that same customer with targeted support. If so, we propose that specific firm must not offer targeted support to that specific customer. We welcome feedback on this proposal.

**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?

## Chapter 5

# Specific conduct standards

- 5.1** If targeted support is not delivered appropriately and to a high quality, this could cause a number of harms, as consumers could:
- Be provided with inappropriate suggested actions or products (eg due to inappropriate verification).
  - Be mis-sold a product or be subject to biased product selling as a result of conflicts of interest between the provider and the suggested action.
  - Incorrectly see targeted support as holistic advice and misunderstand the nature of the recommendation they get.
- 5.2** In Chapter 4, we set out proposed requirements for the parameters of targeted support and the expectation that its provision should deliver better outcomes for consumers. In this chapter, we set out proposals for applying a combination of existing requirements and some more specific new standards to manage the potential harms associated with the provision of targeted support, as we have described it.
- 5.3** Through setting clear rules, we also want to ensure that firms have certainty and are clear about how our expectations would differ compared to the requirements for providing holistic advice.
- 5.4** In deciding what standards to set, we will weigh up the costs and benefits of prescriptive and outcomes-based requirements, and welcome views on how to balance these, particularly in light of the Consumer Duty.

## Requirements for firms designing targeted support

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- 5.5** The Consumer Duty and our Product Intervention and Product Governance Sourcebook (PROD) place requirements on firms around design and governance of products and services to deliver good outcomes for retail consumers. PROD and the Consumer Duty in combination could set clear standards for the design of both consumer segments and ready-made solutions, including that these are tested.
- 5.6** It is crucial that the ready-made solution provided is well-designed and we already have product governance standards under the Consumer Duty and PROD that apply in other areas. Therefore, we consider similar standards should apply to targeted support.
- 5.7** We propose to apply the Consumer Duty to firms offering targeted support and have set this application out in detail below.
- 5.8** We also consider that elements of PROD would frequently be relevant for firms delivering targeted support. For example, PROD 4 relates to the manufacture and distribution of insurance products, and so firms which provide targeted support in relation to an insurance product they manufacture will need to comply with the

obligations on manufacturers in relation to those products including how they are distributed to ensure appropriate consumer outcomes.

- 5.9** We propose that a firm that provides targeted support must take responsibility, and be accountable, for the intended outcomes of a particular product which is the subject of a ready-made solution. This is particularly important given the long-term nature of pensions. For example, this could mean that firms making suggestions need to offer an appropriate investment option as part of the ready-made solution such that the intended outcome of the ready-made solution has a reasonable chance of being achieved by the particular product. Therefore, we consider there would need to be clear requirements to ensure that the firm delivering targeted support had appropriate competence and oversight in relation to the product that was the subject of the ready-made solution, both at the point the support is given and on an ongoing basis. There are various ways that this could be achieved. We could require firms to be able to demonstrate that they have processes in place concerning their responsibility for product outcomes. Another option would be to impose obligations on firms offering targeted support, which could be equivalent to those applicable to manufacturers, in relation to the particular products which are the subject of their ready-made solutions. We welcome feedback around the potential routes to achieve this aim and any wider implications, particularly around who can provide targeted support.
- 5.10** Under our proposals, firms would need to have appropriate processes in place to consider the needs, characteristics and objectives of consumers with characteristics of vulnerability. We are particularly interested in how firms may support diverse groups of consumers through their pre-defined consumer segments and ready-made solutions. This is especially as it is likely firms would be engaging with consumers who exhibit characteristics of vulnerability, those who will experience vulnerability over time, as well as groups with other diverse needs.
- 5.11** A firm may have identified the opportunity to deliver targeted support to groups of consumers (including where consumers approach the firm for support) but may not have designed in advance an appropriate consumer segment and ready-made solution with which they would align. In these cases, the firm can develop further consumer segments and ready-made solutions. The firm would not be able to do this in real-time as part of the same process as it would need to pre-define its consumer segments and ready-made solutions. The ability to adapt and refine segments and solutions as new scenarios and groups emerge is particularly important for supporting vulnerable consumers and consumers with protected characteristics. This could be undertaken as part of the annual reviews proposed in paragraph 5.14.

### **Application of the Consumer Duty in the targeted support framework**

Key components of the Duty that will be particularly relevant for firms to consider when delivering targeted support include:

- the cross-cutting rule requiring firms to enable and support retail customers to pursue their financial objectives (PRIN 2A.2.14R)
- requirements for firms to ensure that the design of their products and services meets the needs, characteristics and objectives of retail customers – including

those with characteristics of vulnerability – in the target market and that the distribution arrangements are appropriate (PRIN 2A.3); as part of this requirements for firms to:

- identify the target market at a sufficiently granular level, considering the characteristics, risk profile, complexity and nature of the product or service
  - ensure the design of the service doesn't adversely affect groups of customers in the target market
  - take all reasonable steps to ensure the service is only distributed to the identified target market
- requirements for firms to ensure their products and services represent fair value for customers in the target market (PRIN 2A.4)
  - requirements for firms to ensure communications meet the information needs of retail customers, are likely to be understood, and equip the customers to make effective, timely and properly informed choices. Where appropriate, firms must test disclosures before communicating them and monitor the impact of the disclosures after they have been communicated (PRIN 2A.5)
  - requirements for firms to design and deliver support that meets the needs of retail customers, including those with characteristics of vulnerability (PRIN 2A.6)
  - requirements for firms to monitor retail customer outcomes and to take appropriate action to address any identified poor customer outcomes

**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?**

## Establishing ready-made solutions for consumer segments

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- 5.12** An important element of our proposed targeted support framework is that ready-made solutions would be designed by firms before delivering targeted support to customers. So we would propose to use rules to require that firms identify their consumer segments and design their ready-made solutions before delivering targeted support to their customers. We do not propose to impose requirements on the substance of firms' ready-made solutions with one exception (see paragraph 5.20). This means firms would have flexibility to design a variety of ready-made solutions.
- 5.13** These solutions should be aligned with the common characteristics of the consumer segment for which they are designed. The products should offer fair value and deliver good outcomes. We propose to set conduct standards to require this and in particular we propose to draw on the Consumer Duty including PRIN 2A.3. Aspects of PROD including PROD 4.3 would also be relevant.
- 5.14** The targeted support journey would also need to remain appropriate over time. There are existing requirements in PROD and PRIN 2A.3 for firms to review their arrangements for products and services. As an additional guardrail, we propose to require firms to review their targeted support process including their ready-made solutions at least annually.

- 5.15** We have sought to better understand what types of ready-made solutions firms might offer. We found varying potential approaches in the engagement we have already carried out.
- 5.16** Firms with pension products that can be used for accumulation and decumulation were open to the possibility of suggesting specific products. They thought that without a suggestion of a specific product, consumers would still face indecision and would not make a decision.
- 5.17** However, some firms said they would not want to suggest a specific product (as opposed to a product type) through targeted support. For example, some would be reluctant to suggest their own drawdown product due to conflicts of interest. We also observe that some pension providers do not offer products with drawdown and their customers would have to move into a new product with a new provider to access this.
- 5.18** Some firms have also told us they would not want to provide targeted support to suggest a specific annuity. For example, to suggest a specific annuity shape such as level or increasing, single or joint life, or guaranteed periods, including how the benefits of that annuity would be structured.
- 5.19** As we set out in Chapter 4, firms should be free to design their ready-made solutions. Specifically, we do not propose imposing requirements around the substance of the suggestions in firms' ready-made solutions, such as whether it leads to the suggestion of a specific product or not. Firms would have flexibility in designing these. Although, we are of the view that targeted support should deliver suggestions that would generally amount to a personal recommendation in the current framework, noting the specific considerations in paragraphs 4.20 to 4.22.
- 5.20** We propose this with one specific exception. It could be difficult to distinguish a targeted support suggestion to buy a specific annuity from an advised annuity purchase given the degree of personalisation. Buying an annuity is also an irreversible transaction. For these reasons, we propose that firms should not be able to give a targeted support suggestion which goes beyond suggesting an annuity as a method of access. Thereafter, existing rules that currently apply to annuity sales would apply. We invite comments as to how the existing annuity process may operate with a targeted support journey in Chapter 7, given the importance of encouraging shopping around and educating customers about annuities. We are particularly interested in understanding what sort of break in the consumer journey would drive the best outcomes and effective decision-making by the consumer.
- 5.21** We recognise that other access decisions may also be considered as irreversible. For example, we understand that, broadly, taking full tax-free cash triggers a crystallisation of the rest of the pot into drawdown and prevents partial transfers. But we consider that providers should be able to give targeted support on these matters more easily.

**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.

## Identifying consumer segments

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- 5.22** When firms pre-define their consumer segments, they would need to do so in a way which would not result in either too broad or overly individualised consumer segments.
- 5.23** Consumer segments should not be so broad that the suggestions offered are too generic so could be inappropriate for many consumers allocated to a segment. PROD and the Consumer Duty already have the concept of 'sufficiently granular' target markets. We could apply a similar concept to defining consumer segments. However, what would be 'sufficiently granular' would probably need to be more detailed than in current product design processes given the greater degree of personalisation for consumer segments in targeted support.
- 5.24** Targeted support would become indistinguishable from holistic advice if firms used a level of detail that made a consumer segment so individualised it was effectively personalised to that single consumer. This would create the risk of consumers believing they had been given holistic advice.
- 5.25** We do not propose to limit the number of consumer segments defined by firms as we want firms to develop their own processes and consumer segments. Instead, we propose we could set more general parameters around the definition of consumer segments.
- 5.26** These requirements would be designed to ensure that the way in which firms identify consumer segments is distinguishable from the full fact-find that occurs for holistic advice. It would also give firms greater certainty about what is expected while giving them the flexibility to design a variety of targeted support journeys.

**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.

## Verification: Using data to allocate a consumer to a consumer segment

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- 5.27** When a firm is taking the steps to pre-define their scenarios and relevant consumer segments, they will be also be pre-determining the information they need from consumers. By doing this the firm will be establishing what information is needed to deliver a better outcome for the consumer segment. This information will guide the verification process for firms to deliver better outcomes for consumers.
- 5.28** Firms would need to have access to data about the consumer to verify they match the characteristics of a segment and so allocate the consumer appropriately.

- 5.29** We would expect firms to use reasonable skill and care to align consumers correctly. If firms use too little data, they would find it difficult to appropriately identify the common characteristics needed to allocate a consumer to the right segment. Firms would need to have enough data to decide a consumer matches a particular segment rather than multiple segments. On the other hand, if firms have too much data, this may also create challenges. If the data is gathered actively from the consumer, the consumer may believe they have received an individualised solution and see it as holistic advice.
- 5.30** The verification process may also result in information being obtained that shows the consumer would not achieve better outcomes by being given the ready-made solution. We cover this in detail in paragraphs 5.38 to 5.43.
- 5.31** Accessing and using data is likely to amount to personal data processing. So existing data protection requirements would apply to firms, for example around fairness, transparency and accountability. They would also have to consider the ICO's data minimisation principle where firms should identify the minimum amount of personal data needed to fulfil the purpose.
- 5.32** We know firms are thinking about data collection in different ways. For example, some firms are considering using long lists of data that are almost indistinguishable from a full fact find under holistic advice.
- 5.33** We think we can reduce concerns about how much data is used by using existing data protection requirements and establishing certain minimum expectations through our Handbook. When doing this, firms should consider the Consumer Duty, particularly the cross-cutting rule, to avoid causing foreseeable harm.
- 5.34** We would prefer to take an outcomes-based approach to setting such requirements. This could involve specifying that firms collect no more data from each consumer than they need to allocate them into a consumer segment. This would give firms flexibility and is consistent with our approach to the Duty. We welcome feedback on this and how this could work in practice.
- 5.35** However, this approach may not give firms enough certainty on its own. We could supplement it with guidance giving examples of data which may or may not be used. We welcome feedback from firms on what level of data could lead their customers to think that they were receiving holistic advice.
- 5.36** Alternatively, we could set out in rules what data firms would need to use in different scenarios, with different data requirements. However, this option would be inconsistent with our proposal not to prescribe scenarios. While it could result in a more consistent consumer experience, we think it could potentially limit firms from using data in more innovative ways.
- 5.37** Whichever approach we take, it is important that the data firms would use to allocate a consumer to a consumer segment is up to date. So we would propose introducing a requirement that firms must verify that the data they are using is correct and up to date before they make a targeted support suggestion.

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

### **Pensions dashboards data used in targeted support**

Pensions dashboards will give consumers easy access to information about what pensions they hold (that are not yet in payment).

This data could also help firms supporting a consumer, for example as part of a holistic advice process. The dashboard data itself will not be sufficient to provide a recommendation as it is limited to basic administrative information and two values - current and projected to retirement. However, easy access to this information in one place could support the delivery of targeted support.

The Government's Pensions Dashboard Regulations 2022 allows for a consumer to give delegated access to an adviser to view data on their behalf.

In our rules for pensions dashboard operators (PS24/15), we have set requirements that limit the use of dashboard data, to ensure that dashboards are not transactional, something that reflects Government's intent for the dashboard.

We also want to ensure the dashboard is a safe environment for consumers, focused only on pensions, and to limit the cross selling of other financial or non-financial products.

Pensions dashboards are underpinned by a central infrastructure built and managed by the Money and Pensions Service, unlike Open Banking which operates through direct application programming interfaces (APIs) between open banking participants. The consents necessary to facilitate the core 'find and view' function of the dashboard are managed within that central digital architecture.

But we have also said that we are interested in exploring further use of data



in consumers' interests. We want to understand if and how dashboard data could be used in the context of targeted support with appropriate data sharing requirements.

The use of dashboard data in targeted support could be closely linked to helping consumers consolidate their pension. While we have explored wider views on consolidation in [DP24/3](#), we want to understand how you see a targeted support journey working for consolidation. We do not intend to exclude the use of targeted support for consolidation at this stage.

**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.**

## Consumers not offered a targeted support suggestion

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- 5.38** A firm might establish that their customer cannot be allocated to a pre-defined consumer segment.
- 5.39** This could be the case for a range of reasons, but we consider 2 primary ones:
- The firm does not have enough data to allocate a consumer into a consumer segment.
  - The consumer is allocated to a consumer segment but the firm's verification process had provided additional information that shows the consumer would not achieve better outcomes by being given the ready-made solution. For example, a consumer wants a retirement product and shares the common characteristics of a segment for which a drawdown rate is suggested based on average life expectancy. But a firm becomes aware when giving targeted support that the consumer has a significant health issue.
- 5.40** In these instances, the firm would not be able to suggest a ready-made solution. In some cases, a firm may need to stop the targeted support process at the very start of the journey. But we expect that any requirements for the verification process would need to allow for a fluid journey. This should allow a firm to stop the targeted support journey if they subsequently receive relevant information which indicates it would not be appropriate to offer a targeted support suggestion. However, it is important for firms to consider that they can develop further consumer segments and ready-made solutions, albeit not in real-time with the consumer (see paragraph 5.11).
- 5.41** We want to explore further how the targeted support process would interact with consumers who share a relevant protected characteristic. We welcome views from stakeholders on whether consumers who share any specific subsets of relevant

protected characteristics could be less likely to receive targeted support and the potential impacts of this.

- 5.42** We know that some firms are concerned that they may 'hear information that cannot be unheard' when providing targeted support. Firms may also already hold significant information about a consumer. We want to make clear that a firm cannot ignore this when it clearly means the consumer would not achieve a better outcome through the ready-made solution or that the consumer segment allocated would be inappropriate. However, such a negative requirement does not imply a firm would have to undertake a full assessment of the individual consumer's needs. We are interested in receiving feedback on how we can best explain this.
- 5.43** To be clear, a key aspect of targeted support is firms' use of limited information. We would not expect firms to undertake 'full fact-finds' to determine whether there is a data point that means the ready-made solution would not achieve a better outcome for the consumer. This is a key trade-off set out in Chapters 1 and 3. We welcome feedback on how we could introduce this requirement proportionately.

**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.**

### **Divergence of solutions – in the interest of the consumer?**

- 5.44** In the outcomes-based approach we propose, different firms may design quite different targeted support journeys for pension savings and retirement.
- 5.45** Such variety may be in the interest of the consumer as different firms would give different suggestions that consumers could then compare. But we also recognise that consumers may benefit from a level of consistency amongst providers in their targeted support suggestions.
- 5.46** Arguably there are only a relatively small number of reasonable propositions for pension products, and it may be useful to build consensus around normal ranges. This could be done, for example, through developing guidance or a standard for the design of targeted support journeys. We would welcome engagement with both industry and consumer groups around this.

**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?

**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?

## Chapter 6

# Consumer understanding of service and disclosure

- 6.1** This chapter sets out our proposed requirements for communications to consumers about targeted support.

### Introduction

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- 6.2** It is essential that consumers understand the service they are receiving, as well as its scope and limitations. This is also important for firms who would want to ensure that they are not seen as providing holistic advice. It also supports transparency in firms' services.
- 6.3** There are a range of existing requirements relating to how firms communicate with consumers. We also propose to require firms to disclose several pieces of information to consumers at certain touchpoints of the proposed targeted support consumer journey.
- 6.4** In feedback to [DP23/5](#), most respondents favoured at least some element of prescription on the information firms should disclose to consumers getting targeted support. The majority also agreed that while disclosure was crucial so that consumers understand that targeted support did not constitute holistic advice, disclosures should not be a barrier to engagement and should be consumer tested. We agree, and our proposals aim to reflect this position.
- 6.5** We propose to rely principally on the Consumer Duty, with specific additional requirements only where necessary. We do not propose to prescribe the format targeted support disclosures take at this stage. We would expect targeted support communications to be carefully designed and tested at scale for effectiveness, including pre-designing and pre-testing these before implementation. We would also expect firms to closely supervise responsible employees who interact with consumers.

### Consumer harm and research

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- 6.6** There is a risk of potential consumer harm if consumers cannot understand the nature, scope and limitations of targeted support and any ready-made solution that a firm provides. Specifically, that the consumer thinks they have been given an individually tailored recommendation when they have actually received targeted support. Our [consumer research](#) showed participants often thought pension providers held more

information about them than is often the case and so had unrealistic expectations of how pension providers could use that data. This suggests that firms would need to be clear about what information any suggestion was based on to help inform consumer understanding.

**6.7** We also found many consumers struggle with jargon. Overwhelming amounts of information can also make it difficult to understand the available choices. Research participants consistently said they preferred simplification and streamlined language that they can understand. This applied equally to those with lower and higher financial confidence.

**6.8** As we develop our proposals in this area, we will consider undertaking more consumer research. This could involve determining the most effective disclosures and communications to consumers during the targeted support journey, including where standardised disclosure may be necessary.

## Proposed requirements

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**6.9** In our view, providing targeted support would require communicating information to the consumer at 3 touchpoints in the proposed consumer journey. We consider these to be when:

- 1.** the firm makes first contact with the consumer to provide targeted support (identifying the potential for a better outcome)
- 2.** gathering any further information from the consumer
- 3.** providing any ready-made solution to the consumer

## Interaction with existing requirements

**6.10** We largely propose to rely on the Consumer Duty to give firms flexibility to tailor and innovate their communications. Where appropriate, firms may also wish to layer information in a way that is effective and coherent. Layering refers to key information being provided upfront with cross-references or links to further detail.

**6.11** Relying on the Duty means firms must ensure their communications meet the information needs of consumers, are likely to be understood by consumers, and equip them to make decisions that are effective, timely and properly informed (PRIN 2A.5.3R). Communications must be fair, clear and not misleading (PRIN 2A.5.3R(2) and COBS 4.2).

**6.12** It also means firms must ensure the communication channels used support effective decision-making and give consumers an opportunity to review the information and assess options (PRIN 2A.5.6R). Firms must tailor communications, taking account of factors such as the characteristics of customers, the complexity of the product or service and the communication channel used (PRIN 2A.5.8R). Finally, firms must test communications before communicating to consumers and regularly monitor the impact of communications to identify whether they are supporting good outcomes for customers, where appropriate (PRIN 2A.5.10R).

- 6.13** We know that, regardless of the disclosures themselves, some consumers may not be able to distinguish targeted support from other support services. Nevertheless, our research demonstrated that participants could often understand the distinctions when they were clearly explained to them, highlighting the benefits of clear and readable disclosures.
- 6.14** We consider that written disclosures (including in an electronic format, stored permanently) are probably necessary in any consumer journey, regardless of communication channel. This would ensure a tangible record that both firms and consumers could review. We expect firms would need to emphasise key messages, including in writing, so that the consumer could refer back to them, particularly where certain features are crucial for a consumer to consider.

### **Touchpoint 1: Disclosure about the service**

- 6.15** As we set out in paragraph 6.9, where firms provide targeted support, we propose to require them to communicate information to consumers when either the consumer or the firm makes the initial first contact. As set out in paragraphs 4.7 to 4.13, this contact would be made in particular scenarios where the firm has reasonable grounds to believe a consumer could get a better outcome than if targeted support was not provided.
- 6.16** We have considered other examples of first contact disclosure elsewhere in our Handbook that are useful starting points. For example in COBS 19.7 which explains the purpose and nature of pensions guidance, or COBS 9.6 where firms must provide the basic advice initial disclosure information on first contact with the consumer.
- 6.17** So we propose that, at a minimum, the firm must explain the nature and purpose of targeted support at first contact. This includes, where relevant, why the firm has reasonable grounds for believing the customer could get a better outcome than if targeted support was not provided. The firm should also explain that they would not consider the consumer's detailed individual circumstances, the suggestion would be tailored to a consumer segment that shares common characteristics with the consumer and that more personalised support is available, such as holistic advice. We do not propose to specify wording or the way in which this is delivered.
- 6.18** We also propose that, where firms intend to make an explicit charge for delivering targeted support, they should disclose the cost to the consumer at this point. Chapter 8 also addresses this point. Firms would also need to comply with the relevant provisions in COBS 2.2 on information disclosure before providing any services.
- 6.19** There may be specific considerations for firms when they are proactively contacting consumers about their pension. Proactive communications can be particularly helpful, for example, where a firm intervenes before a consumer suffers harm. However, when overseen poorly, they also present potential risks. We would expect firms to ensure that any proactive communications do not exploit behavioural biases or characteristics of vulnerability. They should also make sure that appropriate friction is in place to ensure consumers do not enter a service that is not right for them (see also paragraphs 5.38 to 5.43). Our consumer research also highlighted that consumers may view any proactive

communications as unsolicited marketing or a scam, particularly if they involve decision points around contribution levels and consolidation.

- 6.20** We do not currently expect to put additional requirements on firms providing proactive communications, compared to where they are responding to a consumer's request or where the consumer initiates the contact. We consider the existing requirements as set out in paragraphs 6.10 to 6.14 of this chapter to be sufficient to manage any additional risk.

## **Touchpoint 2: Disclosure when collecting information**

- 6.21** Once firms have communicated the proposed required information at first contact, they may need to collect further information to allocate the consumer to a segment, when they undertake their verification process (see Chapter 5).
- 6.22** In this instance, we propose that firms must at a minimum explain they are collecting further information from the consumer for the purposes of providing a targeted support suggestion. This should give the consumer the opportunity to object to providing further information to the firm. Again, we do not propose to specify the form or nature of that communication.
- 6.23** When processing personal data, firms need to ensure they comply with all data protection obligations. In addition, firms need to comply with any obligations in the Privacy and Electronic Communications (EC Directive) Regulations 2003 (PECR). We cover existing data protection requirements in paragraph 5.31, and we specifically cover the interaction with PECR and direct marketing rules in Chapter 11.

## **Touchpoint 3: Disclosure when providing the suggestion**

- 6.24** Our research found that clear and prominent disclosure of the types of data and information the firm uses to generate the suggestion is important for transparency and confidence. Participants were generally very receptive to providers replaying the data points and information used to generate the suggestion. This built credibility, enabled participants to see the suggestion's relevance and reassured them their data was being used appropriately. So at this touchpoint, we propose prescribing that firms must prominently highlight the following information when providing a ready-made solution:
- Explaining to the consumer that the suggestion has been made based on limited information and is not holistic advice.
  - Providing the data points and assumptions it has used to give the suggestion.
  - Prompting the consumer to carefully consider the suggestion before taking further action. This includes prompting them to think about whether any relevant information has not been considered.

- 6.25** In the interest of encouraging a consumer to consider their options, we also propose at this touchpoint to require firms to:
- Signpost to other forms of support, for example MoneyHelper guidance, or if a consumer wants a full consideration of their circumstances, signposting them to holistic advice.
  - Explain to the consumer that they may benefit from shopping around, and that they can receive free, impartial guidance on shopping around from MoneyHelper.
- 6.26** As with touchpoints 1 and 2 above, we do not propose to specify wording or the way in which this is delivered.
- 6.27** Where relevant, the firm would also need to disclose any product charges and other information associated with the ready-made solution (see below) at this point.
- 6.28** We expect firms may want to communicate other pieces of information to consumers at this touchpoint. Where they do so, firms would need to highlight the most prominent information and not overload consumers with information, as well as comply with the existing requirements on firms communicating with customers.
- 6.29** We have set out above the three main touchpoints at which we consider that firms would need to communicate with consumers, and the relevant information at each point. However, we recognise that these touchpoints could occur in quick succession in some consumer journeys and that some journeys may not always follow a linear path. In these cases, we would not expect firms to be limited in precisely when they disclose each piece of information. However, we expect the firm to communicate the substance of all the relevant information above during the consumer journey.

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

**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?

## Product disclosure

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- 6.30** Where a firm provides a ready-made solution that is a specific product, existing product disclosures would also apply. This means that all the existing information firms must disclose to consumers during the current pensions consumer journey would also need



to be provided under targeted support, and on an ongoing basis where applicable. In particular, this includes the fees and charges on any of the products which are part of the ready-made solution.

- 6.31** Examples of these documents for pensions products include Key Features Documents (KFDs), Key Features Illustrations (KFIs), Annual Benefit Statements and Statutory Money Purchase Illustrations (SMPIs). Firms must also give consumers sufficient information about any variation of a pension product when consumers vary an existing contract, for example to alter their drawdown withdrawal rate (COBS 14.2.1R(3)). COBS 16 further requires firms to remind consumers to consider reviewing their decisions.
- 6.32** We are proposing changes to product disclosures in our Consumer Composite Investments (CCI) CP due to be published in December 2024, as well as for tools and modellers in [DP24/3](#). We will consider any feedback to these alongside feedback to our proposals in this chapter.

## Chapter 7

# Applying existing regulatory requirements

- 7.1** This chapter sets out the wider existing requirements for authorised firms which we consider will be relevant to the provision of targeted support. We propose only minimal substantive changes where necessary to apply to the new service.

## Principles for businesses (PRIN)

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- 7.2** We propose all regulated firms giving targeted support would need to comply with the Principles for Businesses (in PRIN 2) in designing and delivering their targeted support service. Principles 2, 3, 8, 9 and 12 are particularly relevant for firms designing these services.
- 7.3** While targeted support would not be bespoke, it should nevertheless be of high quality and delivered appropriately. Firms would also have to comply with Principle 9 because Principle 9 applies to any advice given by a firm to its customers, not just regulated investment advice (holistic or otherwise). This is because Principle 9 is concerned with situations where a customer is placing a degree of trust in a firm and is entitled to rely on the firm's judgment, such as when making a targeted support suggestion.

## Senior Management Arrangements, Systems and Controls (SYSC) sourcebook

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- 7.4** SYSC sets out our rules and guidance about systems and controls. It also explains how firms should organise and manage their affairs. We consider the following elements of SYSC would be especially relevant for firms delivering targeted support:
- **SYSC 3, 10** - conflicts of interest: Firms would need to consider how they would manage conflicts of interest when providing targeted support and ensure they have the appropriate systems and controls to do so. This is particularly significant where firms may suggest products from their own product range as part of targeted support. Firms would need to ensure any potential conflicts arising from suggesting in-house products are properly managed.
  - **SYSC 3.2, 9** – record keeping: Firms must keep orderly records which are sufficient to enable us to monitor firms' compliance with our rules. This would be particularly relevant for targeted support in tracking whether it is provided consistently and compliantly.
  - **SYSC 19** – remuneration incentives: To make sure firms do not act in a way which conflicts with their duty to act in the best interests of their clients, specifically in relation to remuneration incentives, we expect these requirements to apply.

- **SYSC 3.1, 28 – competent employees, minimum knowledge, ability and good repute:** As noted in Chapters 6 and 9, the mass-market nature of targeted support would require firms to test the effectiveness of their ready-made solutions and the targeted support journey. Firms would need to ensure employees have appropriate knowledge and ability to adequately perform their duties when developing and providing targeted support.

**7.5** Firms would need to meet systems and controls requirements to ensure they can give us the information we need to assess the impact of our proposals. We will consider where it is important to keep good records in delivering targeted support if that would provide greater certainty to firms. We could consider prescribing this.

**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?**

## Senior Managers and Certification Regime (SM&CR)

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- 7.6** The SM&CR aims to ensure individuals take responsibility for their actions, improve conduct at all levels and make sure firms and staff clearly understand who is responsible for what.
- 7.7** SM&CR will play a crucial role in accountability and competency across the delivery of targeted support. We propose SM&CR and associated rules would apply to firms offering targeted support.
- 7.8** Within SM&CR, our Fit and Proper test (FIT) sourcebook applies. This sourcebook sets out the factors that firms should look at when assessing people as fit and proper. These include a person's honesty, integrity and reputation, their competence and capability and their financial soundness.
- 7.9** We do not expect to propose changes to the way this chapter currently applies. We consider these requirements are part of meeting our expectations for providing targeted support, as discussed above for SYSC.

### Code of Conduct (COCON) sourcebook

- 7.10** COCON sets out Individual Conduct Rules which apply to most staff within solo and dual-regulated firms. It also sets out additional conduct rules that apply to Senior Managers. The rules are intended to drive minimum standards of behaviour.
- 7.11** We do not expect to propose changes to COCON. We consider COCON, unamended, would support our expectations for individuals involved in providing targeted support via the Individual Conduct Rules. Further, Senior Managers with overall accountability for overseeing this support would be covered by the Senior Manager Conduct Rules.

## Training and Competence (TC) sourcebook

- 7.12** TC sets out rules and guidance on the competence of a firm's employees, continuing professional development, and associated record keeping requirements.
- 7.13** We do not propose to introduce specific qualification or certification requirements in relation to targeted support. But firms would need to deliver targeted support in compliance with our existing requirements, for example the knowledge and expertise requirements in SYSC.

**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?

## Ensuring a coherent regulatory framework

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- 7.14** Alongside our consideration of PRIN, SYSC, SM&CR, FIT, COCON and TC, we also recognise value in existing aspects of COBS in supporting the delivery of targeted support. We have also considered responses to [DP23/5](#) where many stakeholders raised certain existing requirements that could restrict the delivery of targeted support.

### Additional expectations of firms when communicating with their customers

- 7.15** Several respondents to [DP23/5](#) suggested our existing cold calling rules (COBS 4.8) could impede the delivery of targeted support through an unsolicited call. Our cold calling rules do not stop firms legitimately approaching customers they have an existing relationship with. When we consult on specific rules for targeted support, we will ensure we address any potential barriers to firms delivering these communications, including concerns with the rules in COBS 4.8.
- 7.16** We are also aware of how the direct marketing regulations within PECR may potentially limit the effective delivery of targeted support. We are speaking with the Information Commissioner's Office (ICO) on this. We want to ensure the interests of consumers from both a financial services and data protection perspective are being promoted and we cover this in greater detail in Chapter 11.
- 7.17** Some respondents to [DP23/5](#) raised a potential interaction between our targeted support framework, the requirements set out in COBS 10/10A and the potential impact this could have on delivering targeted support effectively.
- 7.18** While COBS 10 would not apply to the delivery of targeted support by pension providers, we know this is a wider question for a future framework which includes retail investments. We will consider this in greater detail when we consult on finalised proposals.

## Existing COBS 19 requirements to support consumers into retirement

- 7.19** In recent years, we have introduced several requirements for firms to support consumers approaching and in retirement. Targeted support would also play an important role here as an additional support mechanism for consumers accessing their pensions. We want to ensure the different types of support consumers receive interact positively to ensure an effective consumer journey. We are considering how our existing COBS 19 rules could best sit alongside targeted support in a future framework. We are also considering changes to our wider pensions regime in the accompanying Discussion Paper ([DP24/3](#)) published alongside this CP.

## Wake-up packs to make consumers aware of targeted support (COBS 19.4)

- 7.20** Following our Retirement Outcomes Review (ROR), we introduced additional trigger points and strengthened messaging for the open-market options statement (commonly known as the 'wake-up' pack). This helps consumers understand the options available by encouraging shopping around and helping them make informed decisions when accessing their pension by signposting them to MoneyHelper's Pension Wise and their wider pensions guidance. Where firms provide targeted support on consumers' decumulation decisions, we would expect them to continue to tell consumers of the other ways they can access their pension.
- 7.21** We recognise that firms are likely to deliver targeted support proactively to their consumers to deliver better outcomes (see paragraphs 4.7 to 4.13). However, there could be benefit in using wake-up packs to make consumers aware of targeted support. This could involve amending the 'signpost' requirement in COBS 19.4.16R to include targeted support, alongside Pension Wise guidance within wake-up packs. We consider this appropriate even where a firm does not provide targeted support.

## Stronger Nudge to Pension Wise guidance (COBS 19.7)

- 7.22** We consider that MoneyHelper guidance alongside its Pension Wise service will continue to play an important role in a future support framework that includes targeted support (see Chapter 2). While targeted support would go further than what is provided by Pension Wise, the service still helps consumers to make better informed decisions about their options.
- 7.23** This means stronger nudge should apply unchanged in a future pensions consumer journey alongside targeted support. We also note that our stronger nudge rules fulfil a legislative requirement.
- 7.24** Where a consumer approaches their provider to access their pension savings, as currently structured, the stronger nudge would be delivered before targeted support. We welcome feedback on how stakeholders would envisage the stronger nudge forming part of the wider pensions consumer journey alongside targeted support in a way that supports consumer decision-making.

## Retirement risk warnings (COBS 19.7)

- 7.25** Our retirement risk warning rules ensure firms flag specific risks to consumers and give them appropriate warnings about their choices in accessing their pension savings. Importantly, the warnings do not require firms to tell consumers what to do or imply that the consumer's decision will be wrong.
- 7.26** We do not propose amending our retirement risk warnings at this stage, given the distinct role they would play compared to targeted support. However, we welcome specific feedback on this and its impact on the targeted support journey for consumers accessing their pension. We also recognise the ongoing review of FCA requirements following the Consumer Duty's introduction.

## Investment pathways (COBS 19.10)

- 7.27** We introduced investment pathways to support non-advised consumers to align their drawdown investment with their retirement objectives. Our [post-implementation review](#) of investment pathways last year identified that they are working as intended. The review also noted that the AGBR could affect how firms can present and develop their investment pathways offering.
- 7.28** Some stakeholders have told us that they find investment pathway requirements restrictive and would like more flexibility to better align their investment pathways solutions with consumer needs. We propose that targeted support should allow for firms to provide greater personalisation and tailoring in delivering investment pathways. We would consider appropriate amendments to COBS 19.10 to achieve this.

**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?**

## Annuity prompt rules (COBS 19.9)

- 7.29** When a consumer considers buying an annuity, firms must provide an information prompt which includes a guaranteed income quote, key features of the annuity and how the consumer can shop around.
- 7.30** As we discuss in paragraph 5.20, we propose that firms should not be able to give targeted support which goes beyond suggesting an annuity as a method of access. Given this limitation, we acknowledge consumers would face a break in their journey as they exit out of the targeted support journey, and into an annuity sales journey.
- 7.31** We recognise the important role our current annuity prompt rules would play within this journey. We want to ensure consumers continue to have a positive and informed experience as they continue within an annuity journey. We therefore invite comments on how targeted support could work alongside our annuity prompt rules and the annuity sales process for consumers, and what an appropriate break in the consumer journey could look like.

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

## Chapter 8

# Costs and charges

- 8.1** Explicit up-front costs, even if they are nominal, may act as a barrier to consumers seeking regulated advice on their pensions, even when it may be in their best financial interests. Our consumer research demonstrated that a support service such as targeted support being free at the point of use – with no explicit charges – was a significant pull factor and positively influenced participants' interest in targeted support. A free up-front service is likely to make targeted support accessible for the maximum number of consumers and not deter any consumer concerned about up-front costs from getting support.
- 8.2** In response to DP23/5, most firms agreed that targeted support should not have any explicit charges, to enable targeted support to reach as many consumers as possible and encourage consumer engagement. Many firms have told us that they are likely to provide targeted support without charging an explicit fee. Some also told us they would absorb the full cost of providing targeted support. But we want to understand whether firms not charging an explicit fee may try to recover the cost for providing targeted support from the consumer in other ways.
- 8.3** We do not currently consider there to be a need to prescribe how firms charge, fund or recover the cost for the service. Our current view is that it would be for firms to determine the appropriate charging structures.
- 8.4** A firm may seek to recuperate costs from the rest of its business and effectively choose to cross-subsidise. In this case, we consider the proposed conduct standards in this CP would effectively manage the potential consumer harms from limited forms of cross-subsidisation if a firm offered this service free to the consumer. Firms would also need to consider their obligations under the Consumer Duty. This doesn't prevent the use of cross-subsidies, but firms must ensure they provide fair value for all different customer groups.
- 8.5** We explore the consumer and competition implications of this in Annex 1 including which firms would be better placed to cross-subsidise and how this could affect the targeted support suggestions provided to consumers.
- 8.6** However, certain charging models may incentivise firm conduct that may not be in consumers' interests. This could include charging models where a firm receives a fee only when a consumer takes up a product under targeted support.
- 8.7** We also do not propose to allow remuneration through commission payments. Current rules in COBS 6.1A and 6.1B mean that firms must only be remunerated for their personal recommendations to retail clients for retail investment products through explicit adviser charges. This ban effectively removed the potential for commission paid to adviser firms to bias or distort advice. We consider we would need to set similar requirements so that commission did not distort targeted support.



**8.8** We are interested in views on this, including any potential risks of consumer harm from the different cost recovery models which firms may use, and how firms currently envisage recovering the cost of providing the service given the framework proposed in this CP.

**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?

**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?

## Chapter 9

# Firms delivering targeted support

**9.1** In this chapter, we set out which firms are likely to deliver targeted support and address the implementation of targeted support among firms.

## Authorised firms

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**9.2** To ensure the targeted support is a success, firms providing it need to demonstrate that they meet and would continue to meet our Threshold Conditions. These represent the minimum conditions which firms are required to satisfy in order to be given, and to retain, Part 4A permission. Particularly where the new service is provided free or at very low cost, firms would need to show that their business model is sustainable and ensure they have adequate resourcing, both financial and non-financial. Firms would also need to demonstrate they have the right systems and controls in place to effectively deliver the service in compliance with our rules and requirements on an ongoing basis.

**9.3** Where we need to take authorisations decisions in relation to firms intending to provide targeted support, we will scrutinise applicants closely. Some examples of areas of particular focus for applicants would likely include whether firms:

- Have thoroughly tested how the provision of their targeted support proposition would meet all relevant aspects of the Consumer Duty.
- Have developed a clear customer journey.
- Are able to meet their targeted support obligations under DISP and PROD. For example, in relation to PROD 4.3 on product distribution arrangements (we would consider this in light of feedback received in Chapter 5 on specific conduct standards).
- Have developed appropriate governance and oversight arrangements, including ongoing assessment of whether targeted support continues to deliver good outcomes.
- Have adequate controls in place to ensure employees use disclosures as intended.

**9.4** We would also need to be confident at the gateway that firms are properly equipped to design ready-made solutions and allocate consumers into segments with reasonable skill and care. This is essential to ensure that targeted support delivers on its objective to deliver better outcomes, at scale, for the mass-market of consumers.

**9.5** As we discussed in paragraphs 5.8 and 5.9, in pensions, we want to ensure firms are accountable for the intended outcomes of the product the targeted support suggestion relates to. This should involve appropriate oversight and competence (as applicable) in relation to the product creation and ongoing oversight over the product.

**9.6** Most respondents to [DP23/5](#) agreed that firms would have to be authorised to provide targeted support for similar reasons. Our [consumer research](#) found that consumers held

high levels of trust and confidence in the capacities of pension providers to act in their best interests. So it is important that firms deliver on consumers' expectations through providing high quality targeted support services.

## Pension providers

- 9.7** Among authorised firms interested in providing targeted support, we have received significant levels of interest from life insurers, asset managers and direct to consumer (D2C) platforms. We consider these types of firms would likely be the main entrants to the market (see also Annex 1).
- 9.8** We have received extensive interest from life insurers and platforms, including firms which operate mainstream products such as streamlined or 'off-the-shelf' SIPPs. However, we have not heard from smaller firms such as operators of bespoke, 'empty wrapper' or otherwise complex SIPP arrangements. We know from previous work on this market (see [FS19/5](#) and [CP21/32](#)) that some of these firms do not offer investments themselves and instead only enable consumers to make investments. Their business models are also not typically set up to provide additional levels of support beyond compliance with existing obligations. We recognised this when we prepared and made rules for non-workplace defaults and offering investment pathways. So it is not clear that this kind of business model is compatible with offering targeted support for pensions at scale, but some of these firms may want to support customers with specific investment choices. We welcome specific input from SIPP operators on this point, including smaller and medium sized firms.
- 9.9** We are currently exploring the changing role of SIPPs, including the potential opportunities and harms that may emerge from the differing nature of SIPP structures and products, in [DP24/3](#).
- 9.10** Our overall aim is to enable firms to help non-advised consumers make properly informed decisions. At this stage we do not consider there is any substantial reason to exclude any specific type of pension provider from providing targeted support based solely on their size or business model.

**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.**

## Advisers

- 9.11** Advisers have a key role in helping consumers with their pensions, particularly with the complex decisions when consumers are approaching or are in retirement.

- 9.12** As we noted in Chapter 4, we have significant concerns about the potential for consumer confusion and potential harm where consumers receive targeted support while also receiving holistic advice.
- 9.13** In this CP we propose that firms providing targeted support would have to comply with our proposed conduct standards (see Chapters 4 and 5). We also propose requirements about making clear the nature of the service and equipping consumers to understand the type of service they receive (Chapter 6), as well a range of systems, controls and organisational requirements (Chapter 7). We expect advice firms may find it practically difficult to provide targeted support while complying with some of these requirements. But we welcome specific input from advice firms about this.

**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?

## Implementation

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- 9.14** In DP23/5 we set out our targeted support proposals as an activity firms could choose to provide. We received significant interest in providing targeted support from pension providers and many other types of firms, which would deliver our objectives. We continue to consider this the best approach.
- 9.15** However, we appreciate that widespread provision of targeted support by firms could create a strong expectation from consumers that they will be offered support. We welcome stakeholders' views on whether there is a case for requiring pension providers to offer targeted support, or at least the largest firms with significant customer bases to do so.
- Question 38:** Do you think there is a valid case for requiring all pension providers to provide targeted support? Please explain your reasons.

## Chapter 10

# Complaints and redress

## Background

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- 10.1** Appropriate access to redress is vital for consumer protection and trust in the UK's financial markets.
- 10.2** We want to strike a balance between appropriate consumer protection, while not deterring firms from providing targeted support because of the obligations or potential uncertainty around compliance requirements.
- 10.3** In this chapter, we outline our proposed approach to the jurisdiction of the Financial Ombudsman Service (Financial Ombudsman) and Financial Services Compensation Scheme (FSCS). We invite views on whether our proposed approach strikes the right balance between high-level outcomes and detailed rules. Our aim is to enable the effective delivery of targeted support as a service that firms would want to offer, enabling them to confidently meet consumer needs while meeting clear standards.

### **Ability to complain to the Financial Ombudsman and bring claims to the FSCS**

- 10.4** We expect the provision of targeted support would involve the carrying on of a regulated activity. Our intention is that targeted support would fall under the jurisdiction of the Financial Ombudsman and the FSCS.
- 10.5** If providing targeted support falls within the existing regulated activity of the provision of investment advice then the Financial Ombudsman already has jurisdiction to consider a complaint about it. This is if the other relevant conditions in our Dispute Resolution: Complaints sourcebook (DISP) are also met. FSCS protections may also apply, if the relevant conditions in our Compensation sourcebook (COMP) are met.
- 10.6** If a new regulated activity is introduced, then we would consult on whether complaints relating to the activity should be covered by the Compulsory Jurisdiction of the Financial Ombudsman. The Financial Ombudsman would consult on the Voluntary Jurisdiction. We would also consider whether to consult on the application of FSCS protection to the provision of 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?**

## Balancing high-level outcomes with detailed rules

- 10.7** The conduct framework proposed in this CP is intended to ensure firms are clear about the standards required when providing targeted support, while giving them appropriate flexibility to design targeted support services which meet the needs of their customers.
- 10.8** The Financial Ombudsman's decisions are based on what it believes is fair and reasonable in the individual circumstances of each case. Its rules require it to take into account FCA's rules and guidance and also good industry practice.
- 10.9** The primarily outcomes-based approach to rule making we are proposing in this CP means firms will have to make judgments about the way in which they provide targeted support and consequently the Financial Ombudsman will need to make judgments about how a firm has conducted its business.
- 10.10** We welcome initial views on whether our approach has struck the right balance between offering firms flexibility in how they offer targeted support and certainty they need, with Financial Ombudsman decision making in mind.
- 10.11** In particular we are seeking to be clear that the service is designed for groups of consumers with common characteristics, and is not tailored to the individual.
- 10.12** We will continue to engage with stakeholders and work closely with the Financial Ombudsman and the FSCS as we develop the targeted support framework. This work is ongoing, and we aim to balance the requirements of a robust redress framework with the adaptability necessary for firms to implement targeted support effectively.
- 10.13** We are also considering changes to the wider redress system. We have published a joint [Call for Input \(Cfl\)](#) on modernising the redress system with the Financial Ombudsman.
- 10.14** The Cfl invites views on options to improve how we and the Financial Ombudsman co-operate under the current framework when carrying out our different statutory functions. Some of the proposed measures could be implemented quickly through FCA rule changes, while others would require legislative changes. We will ensure the development of targeted support is aligned with the outcomes of this Call for Input.

**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.

**Question 41:** In which aspect of the framework (eg 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?

## Chapter 11

# Interactions with direct marketing rules

- 11.1** In this chapter, we outline our considerations of how our targeted support proposal could interact with the direct marketing rules in the Privacy and Electronic Communications (EC Directive) Regulations 2003 (PECR).
- 11.2** Respondents to [DP23/5](#) said PECR and other data protection laws could make it difficult to provide targeted support to consumers. In particular, respondents stated that electronic communications suggesting products and courses of action are very likely to constitute 'direct marketing'. Several respondents pointed to the ICO's guidance that a message that 'actively promotes or encourages people to make use of a particular service, special offer, or upgrade' is likely to be direct marketing. Workplace pension providers also highlighted how for email messages they would be unable to use the '[soft opt-in](#)' rule to provide targeted support.
- 11.3** We recognise the direct marketing rules in PECR could restrict firms from making targeted support suggestions to their customers in the absence of permission from them. As we are proposing that targeted support would be an opt-out service for consumers to support greater engagement and uptake of the service we are working with the ICO on addressing this.
- 11.4** We are engaging with the ICO to examine how we can best address these issues to ensure firms could effectively deliver targeted support. We will share this specific feedback with the ICO and other relevant members of our regulatory family including government departments.

**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?**

## Annex 1

# Evidence and supporting analysis

1. In this annex we consider the market for pensions, focusing on Defined Contribution (DC) pensions, and the current market for DC pensions financial advice. We also set out our understanding of the harm consumers are facing and how the preferred intervention (targeted support) would reduce the harm consumers face.
2. We plan to undertake and publish a full Cost Benefit Analysis (CBA) together with proposed draft rules by the end of H1 2025.

## The market

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3. The proposals for targeted support, cut across two markets; the market for DC pensions and the market for DC pensions financial advice.

## The pensions market (accumulation and decumulation)

4. The pensions landscape has changed in three significant ways over the last couple of decades:
  - **There has been a shift away from Defined Benefit (DB) pension schemes to Defined Contribution (DC) pension schemes.** According to the Office for National Statistics (ONS), the proportion of employees with an occupational DB pension (a scheme providing a guaranteed income in retirement) was 45.7% in 1997 but this had fallen to 28.2% by 2021, with the rest of the market being taken up by DC schemes (a scheme providing a pot of money for retirement which is the total of contributions and investment returns). FCA Retirement Income Market data covering April 2023 to March 2024, shows the value of assets under administration held by regulated pensions firms is around £1.5trn. As the market has shifted away from DB to DC pensions, consumers are increasingly responsible for funding and planning their retirement.
  - **Participation in the DC market has increased significantly** due to the introduction of automatic enrolment (AE) in 2012, which requires employers to enrol eligible employees into a workplace pension scheme and contribute towards it. At the time AE was introduced, participation levels were at 47% for all employees and by 2023 this had increased to 80% according to the Department for Work and Pensions (DWP).
  - **Consumers have more flexibility (and therefore responsibility) in how they draw their DC pension savings** due to the introduction of pension freedoms in 2015. Prior to the 2015 reforms, most people (75%) purchased an annuity (see: Freedom and choice in pensions), whereas now people access their pension pot in a variety of ways. Retirement Income Market data for 2023/24, shows the most popular action was a full cash withdrawal (53%), however this was mainly full cash



withdrawal of small pots. We also observe drawdown sales outnumber annuity sales around 4 to 1.

5. Given the shift away from DB to DC schemes and the 2015 pension freedoms, accessing the right financial support is crucial to enable consumers to make informed decisions about their pensions, both in terms of saving into their pension in accumulation and deciding how to access their pension in decumulation.

## Competition in the market for pensions

6. The DC pensions market is made up of both contract-based pension schemes (where a contract exists between the individual scheme member and the provider) and trust-based pension schemes (occupational pension schemes that are established under trust, and that have trustees).
7. For the purposes of the proposed intervention, targeted support, we have focused on the contract-based DC market, which the FCA regulates, including both workplace and non-workplace pensions.
8. Most assets under administration in contract-based DC plans are held by life insurers. SIPP operators, typically those who are platforms, are becoming a larger part of this market.
9. Our previous analysis in non-workplace pensions found there was weak competitive pressure on providers, arising in part from low levels of consumer engagement, low levels of switching among consumers in non-workplace pensions and complex charging structures across the market. Together, these and other factors, detailed in FS19/5, led to low levels of price competition among providers in the non-workplace pensions market.
10. Consumer research by NMG Consulting for the FCA (2018) suggested that consumers rely on recommendations by friends, family or advisers when choosing non-workplace pensions. These demand-side factors combined with consumers' preference to purchase non-workplace pensions from an established brand (which consumers perceive to be more trustworthy), are likely to reinforce the competitive advantages that large firms in the pensions market already have.
11. The FCA has also conducted a review of the retirement income market (Retirement Outcomes Review), which also identified low shopping around and switching between providers. In particular, it identified weak competitive pressure and low levels of switching in the non-advised drawdown market. Based on this, the FCA introduced changes to make the cost of drawdown products clearer and more comparable, as well as annuity information prompts to encourage shopping around in the annuity market.
12. Evidence from the Financial Lives survey suggests that consumers are not engaged with their pensions. For example, only 20% of those with a DC pension in accumulation had ever reviewed where their pension is invested (or since joining their scheme) and only 14% had reviewed their pension investments in the last twelve months (FLS, 2024).

## The market for pensions financial advice

- 13.** Financial advice can be considered a credence good as it is difficult for consumers to assess the quality, even after they have paid for the advice. The benefits or outcomes from financial advice will typically take a period of time to realise and there are many external factors that could influence these outcomes, making it difficult for consumers to judge the value from taking advice. Information asymmetries between consumers and financial advisers can create a risk that advisers exploit this position through charging higher prices and or providing poor quality advice. This may help explain why the demand for financial advice is low.
- 14.** Consumers may choose to seek out holistic advice or they may choose to access information or guidance. However, some consumers may choose to access both. We discuss the different types of support available to consumers with their DC pension in Chapter 2.
- 15.** Firms can also provide forms of simplified advice already, and in 2018 the FCA introduced a streamlined advice framework (see: [FG17/8: Streamlined advice and related consolidated guidance](#)). As well as consulting on [detailed requirements for targeted support](#) by the end of H1 2025, we plan to provide an update on our work on simplified advice.
- 16.** Holistic advice is currently provided by financial advisers and investment intermediary firms. The market is made up of different types of participants, which are described below.
- Small firms – which typically include Independent Financial Advisers (IFAs). 87% of financial adviser firms have five or fewer advisers and 46% of financial adviser firms currently only have one adviser ([The retail intermediary market data 2023 | FCA](#)).
  - Advice networks – have a network of appointed representatives (ARs), and they centralise and manage regulatory responsibility for these firms.
  - Vertically integrated firms – provide advice and other investment products or services in the value chain.
  - Consolidators – focus on acquiring smaller existing firms to increase their scale.
  - Automated advice firms – these firms are newer to the market, and provide advice through automated, online technology.
- 17.** The retail intermediary market data published by the FCA shows there were 5,243 firms providing retail investment advice in 2023 (86% provided independent advice, 12% provided restricted advice and 2% provided both restricted and independent advice). Within this total number of firms, there were 4,625 financial adviser firms (see: [The retail intermediary market data 2023 | FCA](#)).

## Competition in the market for financial advice

- 18.** 49% of all advisers in the market are employed by firms that have 50 or more advisers, despite comprising less than 1% of the total number of firms in the market ([The retail intermediary market data 2023 | FCA](#)). Therefore, even though there are a diverse range of participants in the market for financial advice, the market is relatively concentrated towards the larger firms.

19. Evidence from the Retail Distribution Review and the Financial Advice Market Review Post-Implementation Review (RDR FAMR PIR) found that financial advice firms do not primarily compete on price. Only 25% of firms felt that competing on price was a significant factor for client acquisition and client retention. Instead financial advisers seek to compete on service and quality factors that drive their unique selling points (USPs), including but not limited to, consumers' perception of safety and security; a high level of technical knowledge or qualifications; and the time taken to explain their service to clients to ensure understanding.
20. Evidence from the RDR FAMR PIR suggests that consumers are reluctant to shop around for pensions advice as they have lower levels of trust in less-established brands. This was an area also highlighted in our recent consumer research, suggesting that the larger providers can leverage their brand and reputational effects. Findings of low consumer switching were also reiterated in the FCA's review of effective competition in the non-workplace pensions market, with less than 3% of consumers switching complex SPPs, 2.5% of consumers switching streamlined SPPs and only 2% switching individual personal pensions. A lack of consumer engagement and switching weakens the incentives that firms have to improve the quality of their pensions advice and reduce costs, potentially dampening competitive pressure in the market.
21. While there had been some entry of innovative firms offering robo-advice or automated advice, this has not led to large amounts of take-up by consumers. The use of automated advice in the previous 12 months doubled from 0.7% in 2020 to 1.5% in 2022, however this remained relatively low, at 1.5% in 2024 (FLS, 2024).

## Problem and rationale for intervention

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### Harm

22. We have identified 2 harms to consumers:
  - **Direct harm: Some consumers have lower levels of economic welfare over their lifetime, with harm concentrated in retirement** than would otherwise be the case under optimal decision making by consumers and optimal market outcomes. The harm occurs as consumers may make potentially poorly informed decisions during the accumulation and decumulation phases of their pension journey that do not align with their preferences. For example, if they were to save more in accumulation than they currently do, the utility they lose in the short-run from consuming less now would be less than the utility they gain in the long-run from being able to consume more in retirement. The overall utility gain to the consumer is driven by two factors:
    - If consumption increases from a low level (in retirement), the gain in welfare is greater than the loss sustained when consumption decreases from a high level (during the accumulation phase of a consumer's pension journey). Therefore a £1 decrease in current consumption to facilitate a £1 increase in future consumption will lead to an overall increase in welfare *if* current consumption is substantially lower than the future potential consumption.

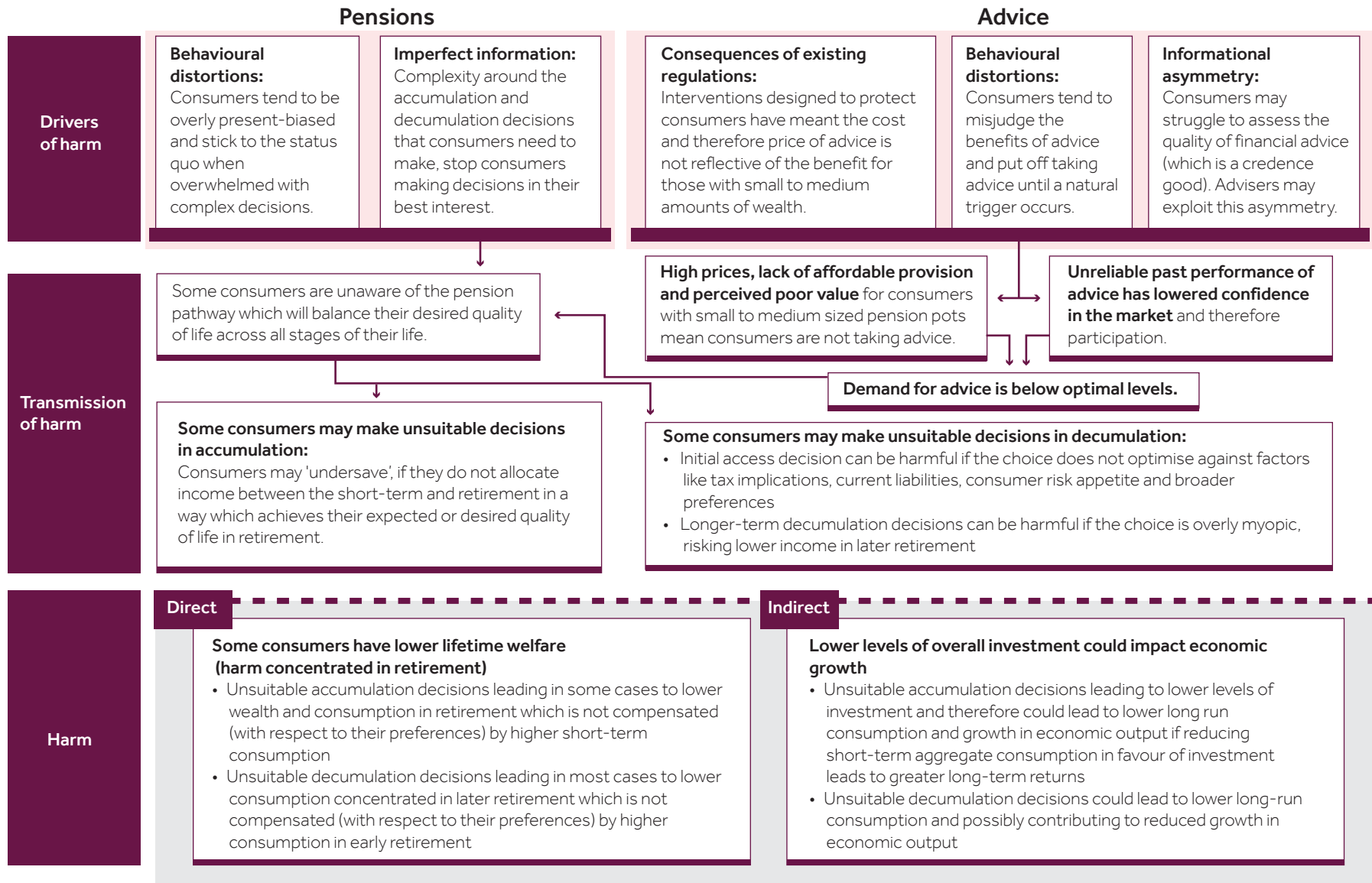
- The interest rate (or return on investment) on saving into a pension is likely to be higher than the consumer's true time preference rate, so their wealth (and therefore the amount they can consume) will grow over time;
- **Indirect harm: There are lower levels of investment in the UK due to undersaving by consumers which could lead to lower long-term growth** at the margin. By consumers reducing their short-term consumption in favour of investment, this is likely to lead to greater long-term returns. There is evidence in the literature that pensions can help positively impact economic growth by deepening capital markets and benefitting firms that require external financing. A paper by [Bijlsma et al. \(2018\)](#) found that funded pensions can be beneficial for economic development, suggesting that increasing pension savings will positively impact economic growth.

**23.** Below we outline the process by which this harm arises, and the evidence we have so far used to inform this theory of harm. Figure 1.1 below is a stylisation of this process. It is important to state that the following key assumptions have been made:

- a. Holistic advice is good and beneficial for consumers, on average, they will be better off.
- b. Consumers are often inert and typically will not take holistic advice without a natural trigger or prompt to get advice (in other sectors, for example, a product may expire and need renewing, prompting engagement, these prompts are less frequent in the pension and financial advice space).
- c. The nature of providing holistic advice means that the cost to firms is relatively high (including the costs associated with meeting their duties to their customers under our regulations, see our [evaluation of the Retail Distribution Review and Financial Advice Market Review](#)), resulting in higher prices for consumers and potentially outweighing the benefits of taking holistic advice for those with small to moderate levels of wealth.

**24.** Paragraph 47 below sets out the research we are currently conducting and scoping to better evidence the assumptions we make in our theory of harm (Figure 1.1) and the causal chain (Figure 1.3).

Figure 1.1: Theory of transmission of harm in the current market



## Market failures

25. We have identified several market failures in the pensions and advice markets (as outlined in Figure 1.1), which we believe drive harm in pension outcomes.
26. We recognise there are broader structural issues which may lead to harm in the pension market. For example, low and stagnant incomes reducing consumers' capacity to save. We do not have policy levers to affect these, so recognise that any intervention we make will not wholly eliminate harm, but by reducing the impact of some of the market failures below, we can reduce harm.

## Pensions market failures

27. **Behavioural distortions:** Pensions are complicated financial products and retirement planning requires intertemporal decision-making under uncertainty and is subject to behavioural and psychological biases. There are accordingly a number of behavioural distortions that consumers may face when making pension decisions:
- a. Faced with complexity or too many choices, consumers may avoid making a decision altogether (or postpone the decision) or may choose the simplest path, such as sticking with the default option (eg sticking to a pension scheme's default investment strategy).
  - b. Consumers typically have a present bias, that is, the tendency to prefer consumption today rather than wait for consumption in the future even if waiting would allow higher consumption overall. In effect, consumers discount the value of a pension in the future, causing consumers to save insufficiently.
  - c. Cognitive limitations, eg with numeracy, can make financial product concepts (such as pensions) difficult to understand and may cause consumers not to fully engage. There is a clear relationship between an individual's financial literacy (or financial capability) and financial decision making.
28. **Imperfect information:** Throughout the consumer journey for pensions (accumulation through to decumulation), there are complex decisions that consumers have to make, and consumers need to know when to make these decisions and understand the implications of the decisions they do (or do not) make. Consumer research published alongside this CP found that whilst many find information and guidance useful to understand their options, more personalisation or support is wanted.

## Financial advice market failures

29. **Behavioural distortions:** Some consumers may undervalue the benefits they could receive from taking financial advice. Some consumers may also have overconfidence in their ability so they feel they do not need the help of a financial adviser. This leads to consumers not accessing advice, even though they would stand to benefit from doing so. There are also other factors that explain why consumers do not seek financial advice. A 2023 Financial Services Compensation Scheme (FSCS) consumer research report (see: FSCS Insight: Attitudes towards the retirement of tomorrow) found that a lack of trust in the financial services industry was one of the top five concerns individuals had when saving for retirement, with 24% of respondents citing this as a concern.

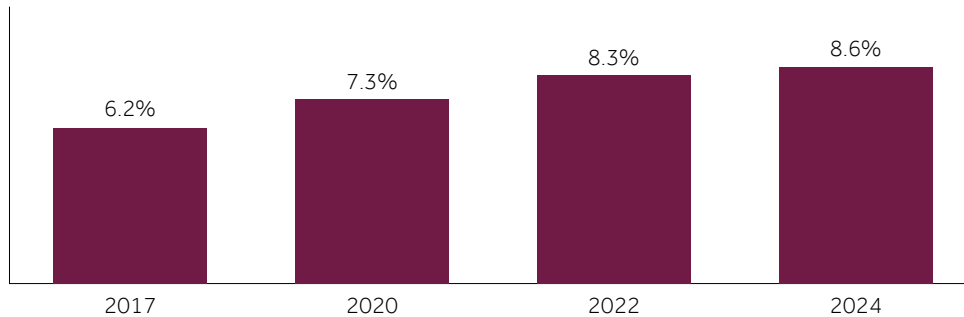
- 30. Information asymmetry:** As outlined in Figure 1.1, financial advice is a credence good. This makes it difficult for consumers to assess the quality of advice, even after the consumer has received the advice, and it can be difficult to assess the impact the advice had on various outcomes (such as on wealth or on financial capability). Further, consumers tend to bear greater downside risk from the decisions the adviser recommends than the adviser does, but both the adviser and consumer benefit from the upside risk. Therefore, the difficulty assessing the quality of advice and balance of risks could incentivise advisers to suggest more risk-taking actions than are suitable for the consumer.
- 31. Consequences of existing regulations:** Advice firms, like pension firms, do not feel there is a commercial incentive in providing a level of support between guidance and advice. They are concerned about the risks of being liable should consumers who had not received the full level of support which holistic advice provides, experience poor outcomes. As outlined in DP23/5, firms were concerned around the risk of the Financial Ombudsman Service (FOS) finding they had acted unreasonably or unfairly in the context of the level of support offered and the associated costs of remedying consumers in these circumstances. They are also concerned about inadvertently undertaking a regulated activity without appropriate authorisation.

### Transmission of harm

- 32.** These market failures combine to mean consumers either choose not to, or cannot access, the support they need to make properly informed decisions that meet their needs. This leaves them overly susceptible to making biased and irrational decisions and unwilling or unable to access financial advice.
- As at May 2024, 8.6% (4.6 million) of adults had received regulated financial advice about investments, saving into a pension or retirement planning in the previous 12 months (FLS, 2024). Figure 1.2 below shows the proportion of adults who have received regulated financial advice in the last 12 months for the time periods 2017, 2020, 2022 and 2024.
  - The lack of use is concentrated with lower wealth consumers. Almost one in three (28%) adults with investible assets of £100,000 or more had received regulated financial advice in the last 12 months, compared with just 2.8% of adults with less than £10,000 (FLS, 2024).
  - 31% of adults had used information or guidance in the previous 12 months related to investments, saving into a pension or retirement planning (FLS, 2024).
  - Some 30.9% of pension plans accessed for the first time in 2023/24 were accessed by plan holders who took regulated advice (down from 32.9% in 2022/23, see: [Retirement Income Market data 2023/24 | FCA](#)).

**Figure 1.2: Adults who have received regulated financial advice in the last 12 months (2017/2020/2022/2024)**

In 2024, 8.6% of adults had received regulated financial advice in the last 12 months, an increase from 6.2% in 2017. There was no statistical difference between 2022 (8.3%) and 2024 (8.6%).



Base: All UK adults (April 2017:12,865/ Feb 2020:16,190/ May 2022:19,145/ May 2024:17,950)

Question: DV1. Received regulated financial advice in the last 12 months related to investments, saving into a pension or retirement planning

**33.** There is clear evidence of consumer harm in the market in accumulation and decumulation:

- **Consumers may 'undersave':** Analysis by the Department for Work and Pensions (DWP) shows that 38% of working age people (equivalent to 12.5 million) are undersaving for retirement, when measured against Target Replacement Rates (TRRs) Before Housing Costs (BHC), if they want to maintain a certain standard of living. While a portion of these may be 'undersaving' through necessity (for example, their current living costs do not leave income left to save), we expect a large portion are doing so due to poor understanding of retirement needs and a present bias. The FLS (2024) reveals that only 20% of those with a DC pension in accumulation had thought a lot about how much they should be paying into their pension.
- **Consumers may make access decisions which fail to reflect their short- and long-term preferences,** for example by failing to account for tax implications, current liabilities, risk appetite and longer-term preferences. At this stage we have limited analysis of consumers' preferences, however we have evidence which would suggest a large number of consumers are failing to make choices which would give them a sustainable retirement income, and navigate tax implications efficiently. While for some consumers this may be aligned to their preferences, we expect most would benefit from more sustainable long-term incomes. Our hypothesis is informed by Financial Lives survey data (FLS, 2024) and Retail Mediation Activities Return (RMAR) data showing:
  - 12% of those aged 45+ with a DC pension in accumulation did not know they needed to make a decision about how to access their pension (FLS, 2024).
  - 32% of those aged 45+ with a DC pension in accumulation said they didn't understand their decumulation options (FLS, 2024).
  - A large proportion of DC pensions are withdrawn in full (59%), and drawdown sales outnumber annuity sales 4 to 1 (FCA Retirement Market Income Data,



2023/24). We do not think this reflects the proportion of people who would benefit from a drawdown versus an annuity.

- **Consumers may make longer term decumulation decisions with a level of myopia which does not reflect their longer-term preferences.**
  - We observe that many consumers who are drawing down are doing so at unsustainable rates and are disengaged from the process of decumulation.
  - Analysis of FCA Retirement Income Market Data showed in 2023/24, 86% of DC pension pots between £30k and £50k where the plan holder made regular drawdown or UFPLS payments were withdrawn at a rate of 4% and above.

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

**34.** Consumer research has shown consumers want more support, so are likely to be receptive to advice which gives them useful decision useful information:

- Consumers want support with their pensions, either one-off or ongoing, particularly in decumulation (Ignition House, 2020).
- 70% of savers in DC funds want help to choose how to access their pension (PLSA).
- Just 17% would be willing to decide how to take a DC pension pot without support (Ignition House, 2020).
- On pensions, most want support 'reviewing contributions' or 'thinking about affordability of retirement', as well as consolidation (Ignition House, 2020).

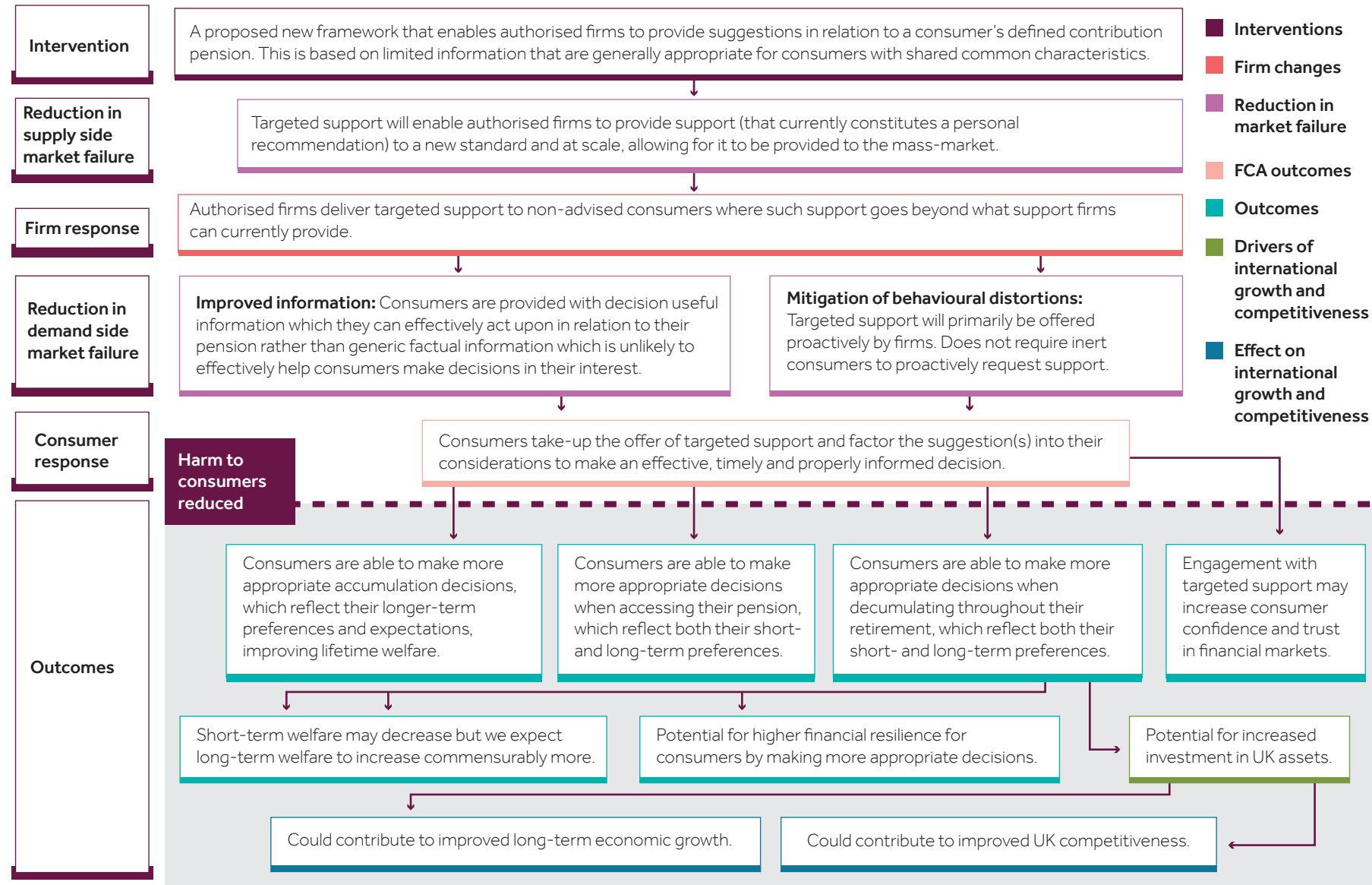
## Our proposed intervention

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**35.** Chapters 3 to 10 set out the FCA's proposals for targeted support. The below causal chain sets out how targeted support would reduce some of the harm faced by consumers. Violation of the following key assumptions, made in the causal chain, would reduce the likelihood that consumers benefit and harm is reduced:

- a.** Targeted support would be provided by firms and predominantly be offered to consumers for free, enabling many consumers to take up the offer.
- b.** To benefit from the provision of targeted support, the support provided by firms (designed for groups of consumers with common characteristics) would need to be appropriate for the consumer the support is offered to, and consumers would need to take-up the offer and act on the suggestions provided. We may observe improvement in outcomes where consumers do not act on the support offered but are prompted to be more engaged with their pension and informed about it, improving their confidence and future decision making, but the majority of benefits will be delivered through prompting appropriate action.

**Figure 1.3: Causal chain of actions and responses through which our intervention changes outcomes**



- 36.** Our proposed intervention enables firms to proactively and reactively provide ready-made solutions based on limited information which are tailored to consumers with common characteristics, going further than when firms provide support under guidance-based services. We expect this would reduce the impact of a number of the market failures we have identified.
- 37. Consequences of existing regulations:** Targeted support would provide a workable commercial model for firms to provide suggestions to consumers that are developed for a group of similar consumers rather than based on the individual's detailed circumstances, as would be the case with holistic advice.
- 38. Behavioural distortions:** Targeted support allows firms to be proactive, reaching out to prompt consumers to consider their finances. This should reduce the impact of inertia which currently stops consumers making active choices in relation to their pension.
- 39. Imperfect information:** Targeted support creates another channel to provide decision useful information about pension accumulation and decumulation options to consumers, reducing the uncertainty and information overload which guidance or individual research may create by presenting options which are more relevant.
- 40.** By reducing the impact of the unintended consequences of past regulation, we would expect to see an increase in the provision and take up (reduced behavioural distortions and improved information provision) of support for pension decisions.
- 41.** Targeted support would be a new service, distinct from holistic advice, however the impact of financial advice on pension outcomes can give us insight into the potential impact of targeted support on pension outcomes.
- 42.** The literature suggests consumers who receive financial advice are more likely to be better prepared for retirement and make informed decisions throughout the consumer journey for pensions. There is evidence to support a number of mechanisms by which this benefit is delivered:
- Provision and comprehension of information (Collins, 2012):
  - Overcoming typical investment biases (such as holding stocks for too long) and other behavioural barriers to effective decision making (Collins, 2012):
  - Better understanding of retirement goals and needs (Byrne, 2007);
- 43.** As a result, consumers who receive financial advice are more likely to have:
- Better diversified portfolios (Bluethgen et al., 2008; Kramer, 2012; Bekaert et al., 2017);
  - Improved investment performance (Shapira and Venezia, 2001; Bhattacharya et al., 2012; Hung and Yoong, 2013);
  - Improved confidence in their approach to their retirement and pension (Marsden, Zick and Mayer, 2011);
- 44.** Given this evidence we expect outcomes for consumers to improve through them being able to make better informed decisions about how much to save, how to access their

pension and how to draw down from it. We expect these decisions would better reflect both their short- and longer-term preferences, increasing their lifetime welfare.

45. We do not envisage that targeted support would solve every problem in the market. Some of these are structural issues related to low and stagnant incomes in the group who would benefit most from increasing their retirement income. Targeted support would not address certain issues such as the information asymmetry that exists in the advice market between consumers and advisers as financial advice is a credence good. Some consumers may also still be wary of the advice market given poor previous interactions, or highly publicised failings (like the British Steel Pensions Scheme transfer advice). It is also important to recognise that targeted support may not be appropriate for some consumers who would be better suited to holistic advice, taking account of their personal circumstances.
46. In addition, we will need to be mindful of broader economic changes and regulatory initiatives which could affect the market for, and utility of, this support.

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

47. We are currently conducting and scoping research to better evidence the assumptions we make in our theory of harm (Figure 1.1) and the causal chain above (Figure 1.3). Some of the topics we are currently pursuing or considering include:
- Quantifying the value of advice to those who have taken it – this research aims to provide an estimate of by how much financial advice can increase wealth. This will help us evidence the benefit of increasing the uptake of financial advice.
  - Estimating a model of demand for advice – this research aims to estimate which factors increase demand for advice, such as the features of the advice, the way it is delivered and the characteristics of the consumer receiving advice. This will help us understand by how much targeted support may increase use of financial advice products.
  - Consumer research – this research aims to develop our understanding of the decisions retail investors make and the harms in the market, as well as the barriers to investors receiving support and how targeted support may help overcome them.
  - Firm engagement – we will continue to work with firms to understand how they could make targeted support services commercially viable, how they envisage delivering it, what data they would use and what policy features would make them more or less likely to offer targeted support.
  - Behavioural testing – this research could test consumer understanding of targeted support and the most effective disclosures and communications to consumers.

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

## Initial assessment of the impact of targeted support on the market for financial advice

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- 48.** In this section we set out what we consider to be the key competition implications from introducing targeted support. We have set out questions below to seek views from stakeholders.

### Potential impact on competition from targeted support services

- 49.** Our engagement with pension providers to date has shown that they would primarily provide targeted support to existing customers and use this service as an additional form of support for consumers, particularly at the point of retirement. As such, some providers of targeted support do not envisage using it to compete for new consumers and attract new business, at least in the first instance.
- 50.** Based on our initial competition analysis, informed by policy discussions and engagement with firms, we expect larger vertically integrated firms would be more likely to provide targeted support, given the quality standards we have proposed in our targeted support regime. The key driver for this is their existing access to consumer data and their ability to provide a product recommendation from their own businesses – these could either be pension products or other products provided as part of their ecosystem. In the pensions DC market, the ten largest firms, of which most are vertically integrated life insurers or Direct-to-Consumer (D2C) platforms, comprise approximately 60% of the market in terms of total assets in DC pension plans (crystallised and uncrystallised).
- 51.** Through our policy discussions with firms, we understand these firms are more likely to provide targeted support for free at the point of use, use their scale to deliver at low cost and to recover these costs through other business lines. Allowing firms to recover these costs through cross-subsidisation is likely to enhance take-up of targeted support, particularly as previous FCA reviews and industry evidence suggests that explicit charges levied on financial advice is a barrier to consumers accessing advice.
- 52.** Aside from life insurers, asset managers and D2C platforms, our initial competition analysis suggests that other firms are unlikely to enter the market to provide targeted support for free at the point of use. Smaller, non-vertically integrated firms may provide targeted support on a charged-for basis. However this is likely to limit the adoption by mass-market consumers, and advisers may have a weaker incentive to provide targeted support due to their existing advice business. We recognise this may favour larger, vertically integrated firms in the market and invite feedback from non-vertically integrated firms who feel they would be interested in providing targeted support. We are particularly keen to understand how non-vertically integrated firms would seek to

differentiate their service from those provided by the larger, vertically integrated firms in the market to compete.

- 53.** Beyond market structure, firm behaviour may also drive competition outcomes – providers of targeted support may attempt to direct consumers towards their own products. For example, pension providers may not offer a diverse range of funds in accumulation or may not offer all decumulation options to consumers at the point of retirement. Given the current lack of consumer shopping around and engagement, this may lead to consumers investing in, or accessing, their pension in sub-optimal ways. In terms of competition, this may limit the ability of other competitor firms or new entrants to scale their proposition and exert competitive pressure on incumbent providers.
- 54.** Furthermore, providers are likely to also have an inherent incentive to promote or self-preference their own products over other options available in the market. Providers of targeted support services that are larger and vertically integrated with a product manufacturing business are more likely to benefit from this, again limiting new entrants from entering the market. This is particularly true under a free-at-the-point-of-use model, where firms may potentially use cross-subsidies from other parts of their wider business. Competition risks of self-preferencing or mis-selling may be more pronounced under free commercial models as providers would be further incentivised to recover costs through the sale of their own products.
- 55.** We set out our initial considerations in relation to costs and charges in Chapter 8. Our policy discussions with industry shows that providers may use cross-subsidies to recover costs of providing targeted support. We recognise that cross-subsidies are used across various financial services markets, however they could also drive harmful competition and consumer outcomes. In assessing the implications of cross-subsidisation, we are likely to consider the following factors:
- Whether the use of cross-subsidies limits entry or expansion by competitor targeted support providers.
  - Whether the use of cross-subsidies unduly harms consumers (eg those that are vulnerable) by increasing prices or fees they pay for products or other service charges.
  - Whether the use of cross-subsidies creates efficiencies or benefits, for example by improving access to consumers that would otherwise remain unserved by providers of targeted support.
  - Whether all consumer groups receive fair value, including any groups that are charged but don't benefit from targeted support.
- 56.** Biased selling of own products may also emerge with targeted support services that are explicitly charged, and additional controls may also be required to ensure these prices are fair. Under the Consumer Duty price and value outcome, we would also expect firms to ensure targeted support provides fair value to customers in the target market.
- 57.** The introduction of targeted support services may have implications on the wider market for consumer support. For example, consumers may mistake targeted support services as holistic advice (as outlined in Chapters 4 and 6), which could affect financial advisers and competition in the regulated financial advice market. Equally, the

introduction of targeted support services may also encourage more consumers to engage with, and access, other forms of support by lowering barriers to engagement.

**58.** As noted in our proposals for the targeted support conduct and disclosure framework in Chapters 5 and 6, we want to encourage shopping around by consumers in any future framework.

**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.

**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.

**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.

## Annex 2

### Questions in this paper

- Question 1:** In your view, do any of the proposals outlined in this CP adversely affect protected groups or vulnerable consumers and why?
- Question 2:** Do you think we should differentiate between different types of consumers in relation to targeted support in the context of SIPPs? If so, how?
- 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.
- 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?
- 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?
- Question 6:** Do you think targeted support should be provided by reference to consumer segments sharing common characteristics?
- 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 our proposal on ready-made solutions including that firms could suggest a specific product? Do you agree that it should only capture support that constitutes a personal recommendation in the current framework?
- Question 9:** 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?

- Question 10:** Are there any scenarios not described where you would want to provide targeted support? Are there any 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?
- Question 11:** Are there any other scenarios in which you envisage targeted supporting being provided in retail investments?
- Question 12:** Do you agree with our proposals in relation to advised consumers?
- Question 13:** 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?
- 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?
- 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.
- 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.
- 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.
- 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.

- Question 20:** Are there any specific considerations for restricting the use of data for targeted support in retail investments?
- 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.
- 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.
- 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?
- 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?
- Question 26:** Do you agree that these 3 touchpoints are the main times at which firms should disclose information to consumers? If not, why?
- 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?
- 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?
- 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?

- 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?
- Question 31:** How do you consider targeted support and the annuity prompt rules could operate together to create 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?
- 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?
- 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.
- 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?
- Question 38:** Do you think there is a valid case for requiring all pension providers to provide targeted support? Please explain your reasons.
- 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?

- 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.
- Question 41:** In which aspect of the framework (eg 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?
- Question 43:** Do you agree with our assessment of the harm in the market and drivers of it?
- Question 44:** What other regulatory and economic changes in the pensions and financial advice space will impact the effectiveness of targeted support?
- Question 45:** Do you agree with our assessment of how targeted support could mitigate market failures and reduce harm?
- 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.
- 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.

**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.

## Annex 3

# Abbreviations used in this paper

<b>Abbreviation</b>	<b>Description</b>
<b>AGBR</b>	Advice Guidance Boundary Review
<b>AR</b>	Appointed representatives
<b>AE</b>	Automatic enrolment
<b>API</b>	Application programming interfaces
<b>BHC</b>	Before housing costs
<b>CBA</b>	Cost benefit analysis
<b>CCI</b>	Consumer composite investments
<b>COBS</b>	Conduct of Business sourcebook
<b>COCON</b>	Code of Conduct for Staff sourcebook
<b>CP</b>	Consultation paper
<b>D2C</b>	Direct-to-consumer platforms
<b>DB</b>	Defined benefit
<b>DC</b>	Defined contribution
<b>DISP</b>	Dispute Resolution: Complaints sourcebook
<b>DP</b>	Discussion paper
<b>DWP</b>	Department for Work and Pensions
<b>ESG</b>	Environmental, Social & Governance
<b>FAMR</b>	Financial Advice Market Review
<b>FG</b>	Final guidance
<b>FIT</b>	Fit and Proper Test for Employees and Senior Personnel sourcebook

<b>Abbreviation</b>	<b>Description</b>
<b>FLS</b>	The Financial Lives survey
<b>FOS</b>	Financial Ombudsman Service
<b>FS</b>	Feedback statement
<b>FSCS</b>	Financial Services Compensation Scheme
<b>FSMA</b>	The Financial Services and Markets Act 2000
<b>ICO</b>	Information Commissioners Office
<b>IFA</b>	Independent Financial Adviser
<b>ISA</b>	Individual Savings Account
<b>KFD</b>	Key features document
<b>KFI</b>	Key features illustration
<b>MaPS</b>	The Money and Pensions Service
<b>ONS</b>	Office for National Statistics
<b>PECR</b>	Privacy and Electronic Communications (EC Directive) Regulations 2003
<b>PERG</b>	Perimeter Guidance Manual
<b>PI</b>	Professional indemnity
<b>PIR</b>	Post-implementation review
<b>PLSA</b>	Pensions and Lifetime Savings Association
<b>PRIN</b>	Principles for Businesses
<b>PROD</b>	Product Intervention and Product Governance sourcebook
<b>PS</b>	Policy statement
<b>RAO</b>	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001
<b>RDR</b>	Retail Distribution Review
<b>RMAR</b>	Retail Mediation Activities Return

Abbreviation	Description
ROR	Retirement Outcomes Review
SIPP	Self-invested personal pension
SM&CR	Senior Managers and Certification Regime
SMPI	Statutory money purchase illustrations
SYSC	Senior Management Arrangements, Systems & Controls sourcebook
TC	Training and Competence sourcebook
TPR	The Pensions Regulator
TRR	Target replacement rate
UFPLS	Uncrystallised funds pension lump sum
USP	Unique selling point

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