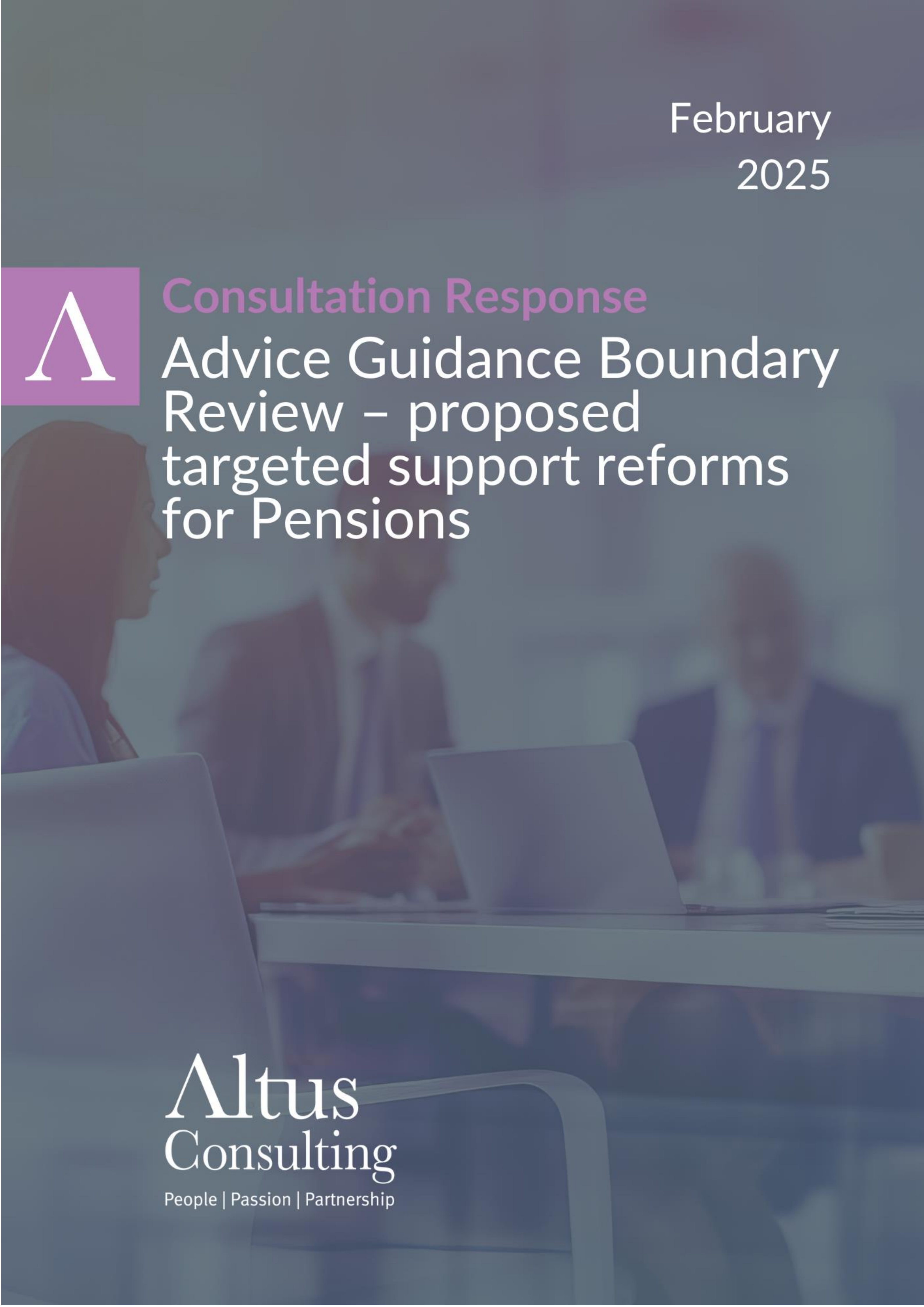
February 2025



Consultation Response

Advice Guidance Boundary Review – proposed targeted support reforms for Pensions

Altus Consulting

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1 INTRODUCTION

1.1 Executive Summary

1.1.1 A Strong Start from the FCA

The FCA's proposals for targeted support represent a significant and well-considered step forward in broadening access to financial guidance and improving consumer outcomes. The work that has gone into striking a balance between making targeted support practically deliverable while ensuring robust regulatory oversight is evident throughout the consultation paper. The framework acknowledges the challenges posed by the existing advice-guidance boundary and seeks to create a structured approach that will allow more consumers to access relevant financial support at key decision points. While there are areas that require further refinement, the proposals lay a strong foundation for targeted support to become a meaningful intervention in the pensions and retail investment markets.

1.1.2 Outcome-Focused Consumer Segmentation

One of the most compelling aspects of targeted support is its outcomes-focused nature. We believe that consumer segmentation for targeted support should not begin with rigid regulatory definitions or prescriptive consumer categories but should instead start with the outcomes firms are looking to achieve and work backwards from there. If the goal of targeted support is to ensure consumers make better financial decisions, then its design must first establish what 'better' looks like for different customer journeys—whether that means increasing pension contributions, improving retirement income planning, or ensuring greater engagement with investment decisions. By focusing on outcomes first, firms will be better equipped to design targeted support interventions that are truly effective for their customer base.

1.1.3 Customer Experience and Triage at the Heart of Targeted Support

For targeted support to be effective, customer-focused design approaches must be at the core of its delivery. A key component of this is a strong triage system that ensures consumers are matched with the most appropriate form of support. Not all consumers will be suitable for targeted support, and the system should incorporate pathways that direct those who need full financial advice or specialist intervention to the right services rather than leaving them in an unsuitable targeted support journey.

Equally important is ensuring that the level of detail and friction introduced into the customer journey is proportionate to the complexity and risk of the support being provided. Simpler interventions—such as prompting a customer to check their pension contributions—should not be burdened with the same level of verification, data requirements and disclosure as more complex support, such as suggesting a specific product for retirement. Flexibility should be built into the framework, enabling firms to calibrate their approach based on the nature of the intervention, ensuring that customer journeys remain as smooth and efficient as possible while still safeguarding against poor outcomes. This approach will avoid over-complicating low-risk interventions while allowing for greater scrutiny where it is genuinely needed.

1.1.4 Avoiding Unnecessary Exclusions

For targeted support to be a meaningful solution in improving accessibility across pensions, advice, and retail investments, it must not be unduly restricted in terms of who can supply it and what areas of the market it applies to. While it is reasonable to set conduct standards and eligibility criteria for firms providing targeted support, mass exclusions of providers (e.g. advisers) or product categories (e.g. annuities) should be avoided. Restricting the scope of targeted support too narrowly would limit its potential to fill the significant gaps that exist between guidance and full financial advice. Instead, the FCA should ensure that targeted support can be leveraged in a wide range of financial contexts, enabling more consumers to access the help they need.

1.1.5 Beyond Products: The Role of Behavioural and Financial Nudges

While product suggestions will form an important part of targeted support, some of the most impactful interventions—particularly in the pensions space—are likely to involve non-product nudges. These could include prompting consumers to increase pension contributions after a pay rise, review beneficiary nominations, or plan for retirement income needs. Existing guidance services provide factual information on these topics, but targeted support plays a different role by proactively identifying when consumers may benefit from taking action and prompting them to do so in a timely, contextual way. This proactive approach is key to driving engagement, particularly among less confident or disengaged consumers, and helping to bridge the gap between guidance and advice.

Ensuring targeted support encompasses both product and non-product interventions will create a more comprehensive and effective framework. However, the governance approach must be proportionate, recognising that non-product nudges will often carry lower risk compared to product-specific interventions. In both cases, firms need confidence that offering support will not lead to their actions being reclassified as advice. Clear guidance on how the impact and risk of a targeted support intervention should shape the level of governance required will be crucial to giving firms the certainty needed to deliver robust, consumer-focused support across the pensions and investment journey—not just at product selection points.

1.1.6 A Common Framework Over Fragmented Regulation

For targeted support to succeed, it should operate within a single, consistent regulatory framework that can be applied flexibly by providers to suit their products and customers. Introducing different sets of rules for pensions, investments, and advice markets would create complexity, risk undermining the effectiveness of the approach, and could deter firms from offering targeted support. A unified framework will ensure a consistent consumer experience while giving firms the flexibility to tailor their targeted support strategies to the specific needs of their customers.

1.1.7 Regulatory Certainty and Enforcement Clarity

For firms to confidently implement targeted support at scale, regulatory certainty and clarity on enforcement activity are essential. If targeted support is to succeed, the rules must be clear and stable, and firms must be able to rely on the FCA's guidance without fear of retrospective enforcement actions shifting the standards over time.

One of the biggest risks to the success of targeted support is that, once implemented, post-introduction enforcement could gradually push it towards being treated as regulated advice. If firms believe that providing targeted support today could expose them to future liability as if they had given financial advice, they are likely to withdraw from offering it altogether. The FCA must ensure that any evolution of the framework is done transparently and in consultation with the industry, rather than through ad-hoc regulatory interventions that undermine the confidence of providers.

1.1.8 Expanding Access Rather Than Rewriting the Rulebook

Ultimately, targeted support should not be seen as an attempt to rewrite financial regulations but rather as a way to apply existing regulatory principles more broadly to increase accessibility across the market. The aim should be to provide firms with the tools to deliver more structured and meaningful financial support at scale—without requiring consumers to either navigate financial decisions alone or pay for full regulated advice.

A well-designed targeted support framework has the potential to drive innovation, enhance engagement, and improve financial outcomes for a much larger segment of the population. To achieve this, the FCA must remain focused on allowing firms to develop creative, customer-focused solutions that bridge the gap between guidance and advice while ensuring appropriate regulatory safeguards remain in place.

1.1.9 Conclusion

The introduction of targeted support marks a critical evolution in the financial services industry's approach to consumer engagement. If properly implemented, it will have a significant impact a long-standing gap in the market, helping millions of consumers make better financial decisions without requiring full regulated advice. However, for it to realise its full potential, the framework must be designed to be flexible, outcome-focused, and commercially viable. This means ensuring regulatory clarity, avoiding unnecessary exclusions, and incorporating strong customer-focused design practices to make targeted support a practical and effective solution.

Altus Consulting welcomes the opportunity to contribute to this ongoing discussion and looks forward to collaborating with the FCA and industry stakeholders to refine the targeted support framework and ensure it delivers real benefits to consumers.

2 CONSULTATION RESPONSE

2.1 Chapter 2: The wider context

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

The proposals in this consultation are generally positive in expanding access to pension-related support, particularly for consumers who are not engaged with financial advice. If provider segmentation is implemented effectively, targeted support should improve outcomes for a wide range of consumers, including those in vulnerable groups. However, there are risks that could limit its effectiveness, particularly for those facing structural barriers to engagement.

Digital exclusion is a key concern, as many vulnerable consumers, particularly older individuals and those on lower incomes, may struggle if targeted support is primarily delivered through digital channels. While digital engagement can improve accessibility for some, it risks leaving behind those without internet access or digital literacy. Firms must ensure alternative channels are available to avoid excluding those less digitally engaged.

Financial confidence and capability also present challenges. Many of the consumers who stand to benefit most—such as those with low financial literacy or disengaged from their pension savings—may struggle to act on the support provided. Without careful design, targeted support could overwhelm rather than empower these consumers, leading to disengagement rather than improved outcomes.

Verification processes could create unintended barriers. Overly strict eligibility criteria may exclude consumers with non-standard financial circumstances, particularly those who lack sufficient data points to be easily segmented. A flexible, proportionate approach is needed to ensure that those who could benefit from targeted support are not unnecessarily excluded.

There is also a risk that some consumers may be nudged into decisions that are not in their best interests, particularly regarding affordability and debt. Without safeguards, targeted support could encourage increased pension contributions or investment decisions when clearing debt or maintaining liquidity would be more appropriate. Firms must be able to consider affordability and direct at-risk consumers towards appropriate debt advice or financial guidance.

There are also limits to what targeted support can achieve for consumers with severe vulnerabilities or complex financial needs. Targeted support is not a replacement for regulated advice or specialist interventions, and firms should not be expected to address deep-rooted financial difficulties through this framework. Its effectiveness will depend on the ability to signpost consumers to alternative sources of support when their needs exceed what targeted support can provide.

For targeted support to be effective, firms must have confidence that its role is clearly defined and that they will not be held responsible for failing to resolve financial challenges beyond its scope. The framework should enable firms to focus on delivering targeted support where it is most effective while providing structured pathways for consumers who need more specialised help. Without this clarity, firms may either overreach into areas they are not equipped to manage or withdraw from offering targeted support to vulnerable consumers due to liability concerns

2.2 Chapter 3: Our approach to setting a targeted support framework

2.2.1.1 **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?**

We do not believe that the targeted support framework for SIPPs needs to differentiate between different types of consumers at a regulatory level. Instead, differentiation should take place at the provider level, with firms tailoring their targeted support based on their customer base and product offerings. A principles-based approach that allows providers flexibility in designing their support interventions is preferable to rigid regulatory distinctions.

SIPPs serve a broad range of consumers, from sophisticated investors managing bespoke portfolios to those using streamlined or default investment options. They are also used for many small and medium-sized enterprise’s (SME) workplace schemes. Consumers in 'empty wrapper' or complex SIPPs require different support than those in simpler, pre-packaged investment solutions. More engaged investors may need fewer interventions, while those in default arrangements might benefit from targeted support nudging them to review contributions, risk levels, or investment choices.

Regulatory differentiation should align with existing Consumer Duty and PROD segmentation, ensuring consistency across frameworks. As far as is possible (and especially when targeting a ‘product’ outcome) targeted support should be structured to fit within firms’ broader consumer segmentation processes. Overly prescriptive rules could limit firms’ flexibility to design targeted support journeys that align with their customers' actual needs.

A key risk is that differentiation within the regulatory framework could create unintended barriers to access. If firms perceive the rules for supporting certain types of SIPP consumers as more complex or high-risk, they may withdraw from offering targeted support to those groups. Instead, a principles-based framework that allows firms to tailor their approach within clear regulatory boundaries would be more effective.

The focus should remain on ensuring that all consumers receive targeted support appropriate to their needs, whether that means simple nudges for default investors or more sophisticated tools for those actively managing their investments. By allowing differentiation to happen at the provider level rather than through prescriptive regulatory rules, the framework can remain flexible, scalable, and aligned with existing regulatory obligations.

2.3 Chapter 4: Proposed parameters of targeted support

2.3.1 <u>Consumers with common characteristics</u>

2.3.1.1 **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.**

We agree that a threshold is necessary to ensure targeted support is delivered appropriately and to prevent firms from inadvertently crossing into regulated advice. We support the FCA’s proposal to focus the threshold on delivering better outcomes, as this aligns with the Consumer Duty (PRIN 12) and will encourage firms to take a more proactive role in supporting consumers to achieve improved financial decisions. Focusing on better outcomes also provides firms with the flexibility to develop a range of support interventions that reflect the varying needs of different customer groups, rather than restricting their activity to harm prevention alone.

However, while the focus on better outcomes is appropriate, we believe that avoiding foreseeable harm should also remain a key part of the framework. There is a risk that, if the threshold is interpreted too narrowly around positive improvements, firms may focus their efforts on consumers who are already engaged and relatively straightforward to assist, rather than those who are at risk of harm but may be more challenging to support. Those most in need of support are often the most complex to reach and assist, and the framework must ensure that these consumers are not neglected.

We consider that the most effective threshold would balance these objectives, ensuring that firms look to improve consumer outcomes wherever possible, while also being required to consider and address foreseeable harm. This approach would reflect the spirit of the Consumer Duty and would ensure that targeted support is deployed in a way that benefits all consumers, rather than skewing towards those who are easiest to help.

We also believe that the threshold test should not focus solely on delivering a ‘change’ to a consumer’s position but should include a requirement that targeted support does not result in a consumer being left in a worse position than they would have been had no support been provided. This would give firms clarity that, while they are not expected to guarantee a positive outcome in every instance, they must be confident that their support interventions will not expose consumers to increased risk or detriment.

Finally, we note that firms will need clarity from the FCA on how ‘better outcomes’ should be defined and evidenced in practice. While the Consumer Duty already requires firms to assess customer outcomes, the introduction of targeted support brings a new dynamic, and firms would benefit from clear guidance on how the FCA expects them to demonstrate that their support interventions are leading to improved outcomes or reducing the risk of foreseeable harm. This will be especially important as firms seek to develop and refine their approaches in the early stages of implementing targeted support.

2.3.1.2 **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?**

The answer to this question lies in part in the fact that the FCA is not launching targeted support into a vacuum—firms are already required under Consumer Duty and PROD to define target markets, assess the financial needs that products are designed to address, evaluate whether those products are delivering effectively, and intervene or make changes where necessary.

As part of our work on targeted support, Atlus Consulting conducted a series of in-depth interviews with 32 leading pension providers, banks, platforms tech providers, advisers, and wealth managers, alongside quantitative analysis of their views and intentions towards the delivery of targeted support services. This research (which we have attached alongside this response) highlighted that firms see targeted support as essential in enabling them to intervene proactively to nudge customers in the ‘right’ direction where they see harms, or missed opportunities by consumers, emerging.

In our view, targeted support will enhance firms' existing monitoring efforts by shifting the focus from simply ensuring that consumers are placed in the correct ‘funnel’ for a given product to assessing how they are engaging with and using those products.

Given that this consultation primarily focuses on pensions, examples of better outcomes could include:

- **For Accumulators:** Increased pension contributions, particularly where a consumer moves beyond default levels, maximises employer-matching opportunities, or engages more actively with investment choices beyond the default fund.
- **For Mid-Career Savers:** Greater ongoing engagement with their pension, such as regularly reviewing pension values, updating retirement age assumptions, and responding to nudges about under-saving risks.
- **For At-Retirement Decision-Makers:** More informed decision-making on retirement options, such as comparing annuities and drawdown, supporting sustainable withdrawal rates, and minimising unnecessary tax liabilities.

The FCA should provide clear guidance on expected measures of success to ensure consistency across the industry. Allowing firms to test different verification and support models within a regulatory sandbox would help refine their ability to measure positive consumer outcomes. Additionally, establishing industry benchmarking and standardised data points would enable firms to assess whether targeted support is effectively improving consumer decision-making. By providing these tools and regulatory clarity, the FCA can help firms deliver effective targeted support without crossing into regulated advice.

2.3.1.3 **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?**

We do not believe that the threshold conditions for targeted support should be set differently for retail investments. The underlying principle of identifying consumers at risk of poor outcomes and helping them make better decisions applies equally across pensions and retail investments. The threshold should be driven by consumer need and the intended outcome, rather than being linked to specific product types. Creating product-based distinctions could undermine the flexibility and effectiveness of targeted support by deterring firms from engaging in certain areas or creating gaps in coverage.

While we recognise that retail investments may involve higher-risk or more complex products, this should be addressed through appropriate safeguards within the support journey itself, rather than by imposing a separate threshold. Attempting to draw regulatory lines based on product types could create confusion and risk limiting consumer access to support.

A greater challenge in the retail investment space lies in the fragmented nature of consumer relationships. Unlike pensions, where workplace schemes often provide a clear focal point, retail investment consumers frequently interact with multiple firms – including platforms, asset managers, and advisers. This raises questions about which firm is responsible for delivering targeted support. Without clarity, some firms may choose to step back from providing support, leading to gaps in consumer protection.

There is also a risk that firms will take divergent approaches, creating a two-tier market in which some consumers benefit from proactive support while others, with providers reluctant to engage, receive little or none. This disparity could undermine consumer outcomes and trust in the system. Providing firms with regulatory certainty, particularly around liability and enforcement, will be key to ensuring that firms can confidently implement targeted support across the retail investment market.

To promote consistency and broad adoption, we believe the FCA should publish guidance on good practice examples of where targeted support can effectively prevent harm and improve consumer outcomes. This would provide firms with the confidence to develop their own approaches while reducing the risk of regulatory uncertainty leading to inconsistent consumer experiences.

To support this, the FCA should provide guidance on where targeted support is being effectively used to prevent harm and improve outcomes, as well as highlight areas where it should be applied more consistently. This will help create a level playing field, ensuring that targeted support reaches as many consumers as possible without introducing unnecessary regulatory risk.

2.3.2 Pre-defining targeted support scenarios and consumer segments

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

Yes, a flexible approach is preferable, as prescribing specific scenarios could limit firms' ability to tailor targeted support to evolving consumer needs and market developments. Targeted support should be adaptable, allowing firms to respond to consumer behaviour, market trends, and technological advancements without being constrained by predefined use cases.

Consumer Duty and PROD already provide guardrails to ensure that firms act in the best interests of consumers. These existing frameworks should guide firms in determining when and how to provide targeted support, rather than imposing rigid scenarios that may become outdated or restrictive. Firms should be able to develop their own targeted support use cases in line with these principles, ensuring they remain relevant and effective.

Allowing firms to define their own targeted support scenarios fosters innovation and encourages market-led solutions. A prescriptive approach risks firms taking a narrow, compliance-driven view rather than actively considering where targeted support could be most effective. Giving firms discretion enables them to identify the most appropriate interventions for their customer base while maintaining a strong regulatory foundation.

However, while prescription is unnecessary, the FCA should still provide examples of best practices to help guide firms in identifying where targeted support could be most valuable. This guidance would offer a useful reference point without restricting firms' ability to develop their own approaches. Clear regulatory expectations would also help to prevent inconsistencies across the market, ensuring that targeted support is applied effectively and fairly.

2.3.3 Designing ready-made solutions

2.3.3.1 **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?**

We understand this question to be asking whether ready-made solutions should be able to include product suggestions, whether those suggestions should be treated as personal recommendations under the existing regulatory framework, and whether the targeted support regime should facilitate suggestions that fall short of a personal recommendation.

Our short answer to the first part of the question is yes: firms should be able to suggest new products within targeted support. However, we strongly reject the notion that targeted support should only capture support that constitutes a personal recommendation under the current framework.

The fundamental purpose of targeted support is to operate in the space between generic guidance and personalised advice. A key strength of the targeted support model is that it allows firms to intervene based on consumer segments, rather than conducting individual suitability assessments. Positioning targeted support as akin to a personal recommendation risks undermining this distinction and would introduce unnecessary regulatory complexity, likely deterring firms from adopting the framework at scale.

We do not believe the term 'personal recommendation' should be applied to targeted support at all. Instead, ready-made solutions should be understood as pre-designed interventions aimed at improving outcomes for consumers within a defined segment. These interventions may sometimes involve product suggestions, but they will often focus on non-product actions or behavioural nudges. Using the language of 'personal recommendation' blurs the lines with advice and risks triggering advice-like governance expectations, which would fundamentally compromise the scalability and accessibility of targeted support.

Additionally, it is crucial that targeted support is not confined to product-related interventions. Some of the most impactful interventions in the pensions space are behavioural and financial nudges that do not require a product change. Examples include:

- **Encouraging pension consolidation awareness** – Alerting consumers with multiple small pots that it may be beneficial to review their arrangements, without recommending consolidation.
- **Checking nomination of beneficiaries** – Nudging consumers to review and update their beneficiaries.
- **Increasing pension contributions** – Prompting consumers to increase contributions after a salary increase or reminding them about employer-matching benefits.
- **Supporting decumulation preparation** – Highlighting key considerations when approaching retirement, such as sustainable withdrawal rates, without prescribing a specific approach.
- **Reviewing investment choices** – Encouraging periodic reviews to ensure alignment with retirement goals.
- **Addressing pension gaps** – Nudging consumers who have had career breaks or gaps in contributions to consider topping up.
- **Raising tax awareness –** Prompting consumers to review pension tax relief opportunities without providing detailed tax advice.

These non-product interventions are often low risk but can significantly improve consumer outcomes. They are also typically closer to existing guidance and should not be over-regulated simply because they are delivered under the targeted support framework.

Governance standards must reflect the nature and risk of the intervention. Product-related suggestions may require more robust processes, whereas non-product nudges should align with existing good practice for consumer engagement and guidance communications.

The key principle must be proportionality, with lighter-touch oversight for low-impact interventions and more structured controls where product-based suggestions are involved.

2.3.3.2 **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**

There is nothing fundamentally wrong with the three steps the FCA has proposed—pre-defining scenarios, consumer segments, and ready-made solutions makes sense for ensuring consistency, scalability, and regulatory clarity.

However, we do have more fundamental questions around the current proposed ordering of these steps. If targeted support is about improving outcomes, and if ready-made solutions are aligned with how those improvements are achieved, then firms should start by defining the outcomes they are looking to deliver before determining the scenarios and consumer segments that need to be targeted.

A more effective approach would be to work backwards from the desired consumer outcome, identifying the specific financial behaviours or decisions that firms want to influence and the ready-made solution that is likely to deliver that influence. From there, firms can define the scenarios in which targeted support is most valuable and determine which consumer segments are most likely to benefit. This would allow firms to design interventions that are genuinely impactful, rather than attempting to fit consumers into predefined categories that may not reflect how they actually engage with financial decisions.

This approach also avoids the risks of over-segmentation and excessive complexity. Attempting to define too many rigid consumer categories could make targeted support ineffective or indistinguishable from advice, limiting firms' ability to provide meaningful nudges. At the same time, over-simplification risks failing to deliver tangible improvements—if the ready-made solutions do not reflect real consumer behaviours, they may not be any more useful than the generic guidance currently available.

Additionally, consumer segmentation should not be treated as an isolated step but rather as a dynamic and evolving process. Firms should have the ability to adjust and refine segments over time based on real-world data and consumer engagement patterns. This ensures that targeted support remains flexible and responsive, rather than being locked into predefined categories that may become outdated.

The FCA should provide guidance on how firms can implement this outcome-first approach while still ensuring that targeted support remains distinct from regulated advice. This includes ensuring that firms maintain flexibility in defining and refining their segmentation models and allowing for iteration based on observed consumer behaviour.

By starting with outcomes rather than scenarios, firms can ensure that targeted support is proactively designed to address real consumer needs rather than being built around potentially arbitrary segmentation criteria.

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

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

We broadly agree with the proposed approach to the verification process, including the application of the better outcomes threshold, but believe further clarity is required to ensure firms can implement verification confidently. The framework must strike the right balance between ensuring robust consumer segmentation and avoiding excessive data requirements or regulatory risk that could deter firms from offering targeted support at scale.

A key concern is that firms need regulatory certainty that, when they follow the FCA's verification standards in good faith, they will not be exposed to future enforcement action or retrospective liability. If unforeseen factors beyond a firm's control lead to a poor outcome for a consumer, firms should not be required to defend their actions as if they had conducted a full advice suitability assessment. There is a particular risk that the Financial Ombudsman Service (FOS) could, over time, apply a higher standard than intended when assessing complaints. To avoid this, the FCA must provide clear guidance on what constitutes 'reasonable grounds' for offering targeted support under the verification process and confirm that firms will not face liability where they have acted within the framework's requirements.

In addition, the verification process must allow firms the flexibility to scale their data collection requirements according to the complexity and risk of the support being provided. Simpler interventions, such as prompting a consumer to review their pension contributions, should require minimal information and verification. In contrast, more consequential interventions, such as suggesting a retirement income product, may reasonably require a more detailed understanding of a consumer's circumstances. Collecting too much data across all interventions risks making targeted support indistinguishable from regulated advice, increasing both costs and regulatory risk. Conversely, too little information could lead to inappropriate suggestions, undermining the objective of better outcomes.

The verification process must also be supported by a clear triage mechanism to ensure that consumers whose needs exceed the scope of targeted support are appropriately redirected. Some consumers will present with circumstances or risks that make targeted support unsuitable. The framework must give firms the confidence to recognise when targeted support is not appropriate and instead signpost consumers towards regulated advice, specialist debt support, or other services such as MoneyHelper or Citizens Advice. It is important that firms are not penalised for stepping back from offering targeted support in cases where a consumer's needs are more complex or uncertain.

Finally, firms must have the freedom to refine and adjust their verification processes over time as they gather more data on consumer engagement and the effectiveness of targeted support interventions. The verification model should not be so rigid that it prevents firms from adapting their approach based on experience. Regulatory oversight should focus on whether firms are improving consumer outcomes overall, rather than imposing prescriptive rules that could stifle innovation and efficiency.

Ultimately, for targeted support to achieve its full potential, firms need certainty that they can apply the verification process proportionately, adapt it where necessary, and rely on FCA standards as a defence against future liability. Without this, there is a risk that firms will either withdraw from offering targeted support altogether or adopt overly cautious processes that undermine the intended simplicity and accessibility of the framework. Clear, practical guidance on FOS oversight, data collection, and the interaction between verification and triage will be essential to supporting both consumer protection and the commercial viability of targeted support.

2.3.4.2 **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?**

The terminology used in this consultation is useful for regulatory clarity but should not be expected to feature in consumer-facing interactions. The FCA should ensure that terms like ‘targeted support,’ ‘consumer segment,’ and ‘ready-made solutions’ are carefully defined in regulatory guidance to prevent ambiguity in how firms interpret and apply them.

A key concern is that ‘ready-made solutions’ implies a product-focused approach, when in reality, targeted support may involve behavioural nudges or suggested actions that do not lead directly to a product recommendation. A more neutral term, such as ‘targeted outcomes or ‘structured interventions’, may better reflect the range of potential outcomes without unintentionally directing firms toward product-based support.

Additionally, industry-wide consistency in definitions is crucial to ensure that firms apply targeted support in a uniform way. If these terms are to be included in the FCA Handbook, they should be accompanied by clear guidance on their meaning and application. This is particularly important to ensure that firms do not inadvertently cross into regulated advice when implementing targeted support strategies.

Finally, the risk of over-engineering regulatory language must be considered. While firms need clear expectations, prescribing overly rigid definitions could stifle innovation and prevent firms from adapting targeted support models to evolving consumer needs. The FCA should balance providing clarity with allowing firms the flexibility to implement targeted support in ways that best suit their customer base.

2.3.5 Practical examples of targeted support delivering better outcomes

2.3.5.1 **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?**

The proposed framework broadly enables firms to provide targeted support where there is greatest consumer need, particularly in areas where consumers require guidance but are not seeking full financial advice. However, several practical challenges could limit its effectiveness, especially for consumers with complex financial circumstances, those approaching or managing decumulation, those with highly fragmented pension holdings, and those in vulnerable situations.

A key concern is how targeted support will interact with consumers who have complex pension arrangements, such as those with multiple pension pots, individuals with both Defined Benefit (DB) and Defined Contribution (DC) entitlements, or those facing significant tax considerations. For these consumers, targeted support can only go so far; more personalised financial planning is often required. The framework must recognise these limitations and ensure firms are not expected to deliver comprehensive solutions through targeted support in cases where the consumer’s circumstances demand a more holistic approach.

There is also uncertainty over how targeted support will work for consumers in vulnerable circumstances, such as those with limited financial capability, cognitive difficulties, or significant life stresses (e.g., bereavement or ill health). While targeted support can play a role in helping these consumers, they are also most likely to need higher-touch support or tailored advice. The framework must ensure firms can confidently identify when a consumer’s vulnerability requires escalation to a more personalised service and that there is no regulatory expectation that targeted support alone will be sufficient in these cases.

Data availability and segmentation present another challenge. If firms are unable to verify that a consumer fits within a defined segment due to gaps in their data, they may be prevented from offering support, even where it could be beneficial. This could particularly affect firms with limited direct consumer relationships or those reliant on third-party data. The framework should allow firms to adopt a proportionate approach to data collection, ensuring segmentation is effective without requiring firms to gather such detailed personal information that the process becomes akin to regulated advice.

The treatment of decumulation requires further clarity. While accumulation can often be supported through defaults and simple nudges, decumulation decisions are more complex, involving tax implications, sustainable withdrawal rates, and longevity risk. Consumers often need more personalised support in this phase, raising questions about how targeted support can operate effectively without drifting into regulated advice. The FCA should clarify how far firms can go in supporting decumulation decisions under targeted support, providing confidence that appropriate nudges will not be treated as regulated advice.

Short-term financial pressures may also reduce the effectiveness of targeted support for some consumers. While the framework rightly emphasises long-term financial outcomes, consumers facing affordability challenges or problem debt may need alternative guidance before making pension-related decisions. Firms should be able to step back from targeted support in these cases and signpost consumers towards appropriate debt advice or financial guidance services.

A further issue arises from consumers having pension products with multiple providers. In these cases, firms could offer fragmented or conflicting interventions, leading to consumer confusion and undermining the effectiveness of support. Greater coordination between providers, potentially facilitated through Open Finance solutions, could help deliver more consistent and holistic interventions.

While we agree that prescribing specific scenarios for targeted support would be too restrictive, we believe the FCA could helpfully issue guidance on examples of appropriate use cases. This would assist firms in understanding where targeted support can deliver the greatest value while maintaining the flexibility needed for innovation. Striking the right balance between encouraging consumer engagement and ensuring regulatory compliance will be critical to ensuring firms can confidently provide meaningful interventions without being discouraged by liability concerns.

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

None identified to date

2.3.6 <u>Who could receive targeted support</u>

2.3.6.1 **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?**

We broadly agree that consumers receiving ongoing, holistic advice should be excluded from receiving targeted support from the firms providing that advice. This avoids regulatory confusion and ensures consumers understand the distinction between targeted support and regulated financial advice. However, a blanket ban on targeted support for anyone who has ever received advice would be excessive, as there are many scenarios where such support could still be beneficial.

A key challenge is determining when a consumer is no longer considered advised. If a consumer previously received one-off advice but is no longer actively engaged with an adviser, it is unclear at what point they become eligible for targeted support. This is particularly relevant for orphan clients—those who originally had an adviser but no longer maintain that relationship. Firms will need clearer regulatory guidance on when a consumer has moved beyond the scope of an advised relationship.

Another complexity arises when a consumer receives targeted support from a firm that was not involved in the original advice process. For example, a workplace pension provider or investment platform may offer targeted support to a consumer who previously received financial advice elsewhere. Since these firms may have no visibility of past advice, it would be impractical to impose a strict exclusion rule.

Targeted support can also play a valuable role in keeping consumers engaged post-advice, particularly if their circumstances change. If advice was received years ago, a consumer's financial position or objectives may have evolved, and targeted support could help them reassess their situation without requiring a full return to financial advice.

We believe firms offering advice should also be permitted to use targeted support as part of a 'funnel' for new customers or potential customers connected to an advised individual, such as a family member. In these cases, targeted support can act as a pathway toward fully holistic advice, ensuring that those who may eventually need full financial planning services are engaged in an appropriate and structured manner.

Crucially, however, we also believe this must be a one-way journey—once a consumer enters an ongoing advised relationship, they cannot be moved back to targeted support by the same firm unless they specifically request it. This protects the demarcation between advice and guidance, ensuring firms do not arbitrarily shift consumers between services for commercial reasons rather than genuine consumer need.

That said, a consumer who was previously advised can receive targeted support in the future from a different provider that was not their original adviser. For example, if a consumer becomes orphaned and is no longer being offered an advice service, their investment platform or pension provider could step in to provide targeted support. This ensures orphaned clients do not fall into an advice gap without access to valuable nudges and guidance.

To further reinforce the separation between targeted support and holistic advice, firms offering both services must ensure that the individuals delivering targeted support are distinct from those providing regulated financial advice. This prevents role confusion, maintains consumer clarity, and reduces the risk of regulatory or consumer misunderstanding.

2.4 Chapter 5: Specific conduct standards

2.4.1 <u>Requirements for firms designing targeted support</u>

2.4.1.1 **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?**

We agree that the FCA should fully leverage the Consumer Duty and existing rules, including PROD, to underpin the governance of targeted support. This aligns with the FCA's broader shift towards an outcomes-focused model and avoids the complexity of introducing a parallel regulatory regime. Our industry research strongly indicates that targeted support is viewed as a critical enabler of Consumer Duty delivery, helping firms to proactively address foreseeable harm and improve customer outcomes in a scalable, mass-market manner.

Standard PROD-style governance requirements should therefore apply to targeted support, but with a clear emphasis on proportionality. This is especially important because targeted support encompasses both product-related interventions and non-product nudges, which carry fundamentally different levels of risk. Attempting to apply identical governance processes to both would risk overburdening firms and discouraging the provision of lower-risk behavioural interventions that could significantly benefit consumers.

We would therefore encourage the FCA to explicitly adopt a risk-based approach to governance, ensuring that the oversight burden is proportionate to the potential impact on consumers. Specifically:

- **Defined Governance and Review:** Firms should operate a structured governance process covering the design, approval, and ongoing review of targeted support journeys (i.e., pre-defined scenarios, consumer segments, and ready-made solutions).
- **Proportionate Oversight for Non-Product Nudges:** Where targeted support involves non-product interventions—such as prompts to review contributions or update beneficiaries—oversight processes should be aligned to the lower risk of these activities, building on existing customer communications governance rather than imposing product governance-style standards.
- **Documenting Better Outcomes:** Firms should define and document the expected consumer benefit of each intervention, while ensuring that outcome evaluation processes are proportionate to the nature and complexity of the intervention.
- **Proportional Competence Standards**: Competency expectations for staff involved in delivering targeted support should reflect the nature of the intervention. Product-related suggestions may warrant enhanced oversight, whereas those providing non-product nudges should not be held to advice-like standards.

Additionally, insights from our industry engagement highlight several other important considerations:

- **Scalable Governance for Mass-Market Services:** Governance processes should support the delivery of high-volume, low-friction support and avoid importing advice-like compliance and disclosure models, which would undermine the scalability of targeted support.
- **Regulatory Certainty**: Firms need reassurance that compliance with the FCA's defined processes will protect against retrospective reclassification or FOS challenge. Regulatory certainty is vital to give firms the confidence to innovate in this space.
- **Flexibility for Continuous Improvement:** Firms should be encouraged to refine their targeted support journeys based on real-world consumer engagement data and ongoing evaluation, without fearing regulatory scrutiny for reasonable adjustments over time.

Ultimately, the success of targeted support will depend on firms being able to design and deliver interventions that are responsive, low-friction, and scaled for mass-market delivery. This requires a governance regime that aligns with existing regulatory expectations, while recognising the diverse range of interventions targeted support will cover and ensuring that oversight remains proportionate to the level of consumer risk involved.

2.4.2 Establishing ready-made solutions for consumer segments

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

We broadly agree with the FCA’s approach to ready-made solutions and the annual review process, as these measures help ensure that targeted support remains appropriate over time. Firms must retain the flexibility to design ready-made solutions tailored to specific outcomes, and an overly prescriptive approach could undermine their effectiveness.

However, we strongly challenge the proposed restriction on the use of targeted support for annuities. The current annuity prompt journey merely alerts consumers to the benefits of shopping around and whether a better rate is available, but it lacks essential consumer education on annuity types and the trade-offs involved in choosing different options. This gap presents a clear opportunity for a targeted support approach.

Many people, especially those coming out of auto-enrolment, will not be going through an advice process and will not be able to afford to do so. This leaves them defaulting into level annuities without a full understanding of the implications, as there is no one taking them through the pros and cons of different annuity structures. This is precisely the kind of issue that targeted support is meant to address, so excluding annuities from the framework seems both counterintuitive and counterproductive.

Targeted support should play a role in guiding consumers through key annuity decision points, ensuring they consider factors such as marital status, inflation protection, and the impact of health conditions. Many consumers default to a level annuity without understanding the benefits of joint-life annuities, escalation features, or enhanced annuities for those with certain health conditions. A well-designed targeted support framework should help consumers navigate these choices, nudging them towards options that better align with their needs without making explicit recommendations.

Additionally, many consumers arriving at the point of purchasing an annuity speak to customer support agents who ask whether they have been talked through their income options—and in most cases, the answer is no. Targeted support could radically change this dynamic, ensuring that consumers arrive at the purchasing conversation much better informed. This would not only significantly improve the quality of their decisions and long-term financial outcomes but also reduce the cost-of-service provision, as better-informed consumers require less intensive support at the point of sale.

Finally, we see no logical basis for singling out annuities as an irreversible decision that is excluded from targeted support, while other irreversible decisions are permitted. For example, taking full tax-free cash crystallises the remainder of a pension into drawdown, prevents partial transfers, and can lead to significant tax liabilities, yet targeted support is allowed in these cases. This inconsistency must be addressed, and the FCA should clarify why annuities are treated differently despite the significant financial impact of other irreversible pension decisions.

2.4.3 Identifying consumer segments

2.4.3.1 **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.**

We broadly agree with the need for clear parameters around consumer segments to ensure that targeted support is appropriately tailored, scalable, and practical for firms to implement. We support the FCA's proposal that segmentation for targeted support should align, where possible, with existing requirements under PROD and the Consumer Duty. This will allow firms to integrate targeted support segmentation within their broader governance frameworks, reducing the risk of duplication or unnecessary complexity.

However, we believe that segmentation should be driven primarily by the outcomes firms are seeking to achieve, rather than starting from predefined consumer categories. An approach that first identifies the financial behaviours or decisions that firms are looking to influence and then determines which consumer groups would benefit most from intervention is likely to be more effective. This would help ensure segmentation remains focused on improving consumer outcomes, rather than becoming an overly complex classification exercise.

It is critical that firms have the flexibility to adopt a segmentation approach proportionate to their business model and the level of data they hold. For example, banks and platforms often have more detailed consumer insights, such as spending patterns and cash flow data, enabling more granular segmentation. In contrast, some pension providers, particularly those with workplace schemes, may have limited data beyond age, pot size, and contribution levels. The framework must accommodate this variation, allowing firms with rich data to use it effectively while ensuring those with more limited data can still provide targeted support without fear of regulatory breach. A rigid, one-size-fits-all definition of sufficient granularity would risk limiting innovation and discouraging firms from using the data they already hold to deliver better consumer outcomes.

There is also a risk that segmentation could become either too broad, limiting the relevance and effectiveness of targeted support, or excessively granular, creating processes that resemble individualised advice and undermine scalability. We believe the FCA should emphasise the need for practical segmentation boundaries, with most firms likely finding that between five and ten consumer segments strikes a balance between simplicity and effectiveness.

Segmentation should not default to product categories alone. Effective segmentation must reflect key consumer characteristics such as life stage, income level, financial behaviours, and affordability. A product-based approach is unlikely to align well with the outcomes-focused nature of targeted support, particularly as many consumers will hold multiple products across different providers.

Finally, segmentation must be capable of evolving over time. Consumers' financial circumstances and needs change, and firms must be able to reclassify consumers as appropriate. The FCA should provide guidance on how firms can monitor and adjust segments to reflect changing consumer needs without being held to an unrealistic standard of constant re-evaluation.

By focusing on the desired outcomes and behaviours, enabling firms to tailor segmentation based on their data capabilities, and ensuring the approach is flexible and proportionate, the framework can support firms in delivering meaningful targeted support without creating unnecessary complexity or compliance burden.

2.4.4 <u>Verification: Using data to allocate a consumer to a consumer segment</u>

2.4.4.1 **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**

We agree that an outcomes-based approach to verification is preferable, as it aligns with Consumer Duty principles and allows firms the flexibility to develop effective and scalable solutions. However, its practical implementation requires clearer regulatory guardrails to ensure consistency across firms while avoiding excessive compliance burdens.

A key challenge is the variation in the level of data available to different firms and the extent of information required to meaningfully target different types of interventions. Given these differences, we see firms falling into three broad categories when it comes to verification:

1. **Simple targeted support interventions** – These involve broad, low-risk nudges such as encouraging consumers to increase contributions or consider alternatives to default investment strategies. These interventions are minor enhancements to existing guidance and should require minimal verification.
2. **Targeted support interventions by firms with extensive customer data** – Banks and adviser firms, for example, may have enough existing customer data to formulate meaningful interventions without needing additional data collection. In these cases, verification may primarily involve confirming with the consumer that the data used to support the intervention is accurate and relevant.
3. **Targeted support interventions around significant life events by firms with limited data** – Many pension providers fall into this category, where firms have minimal direct engagement with consumers and may need to collect additional data to ensure interventions are effectively targeted. These interactions pose the biggest verification challenge, as firms must balance ensuring accuracy with minimising engagement friction.

These examples illustrate that a one-size-fits-all approach to verification is unworkable. While firms should be able to verify consumers using the data they already hold, the framework must also allow firms to request additional information from consumers where necessary to ensure that interventions are effectively targeted. This is particularly important in the third category above, where a firm's existing data is often insufficient to make an appropriate intervention. Firms must feel confident that seeking this information will not be interpreted as crossing into regulated advice.

Following good consumer-focused design principles, this should be achievable as long as additional data collection is highly targeted and involves a clear value exchange for the consumer – for example, explaining that answering a few short questions will help ensure the intervention is appropriate to their circumstances.

We are also strong advocates for a clear triage process to be included as a central part of verification. Triage ensures that consumers are segmented efficiently while helping firms identify where targeted support is unsuitable, and a more personalised approach, such as regulated advice or specialist debt support, is required. This is particularly relevant where additional information from the consumer highlights complexities that go beyond the intended scope of targeted support.

Transparency is another critical element of verification. We support the principle that firms should disclose to consumers what data has been used to back the delivery of a targeted support intervention, particularly for higher-impact interactions. Providing consumers with the opportunity to confirm or correct the information relied upon would improve both engagement and the accuracy of the support offered.

A significant risk with verification is regulatory uncertainty, as highlighted in our response to Question 9. Firms need confidence that their verification processes will be considered compliant, particularly when broad segmentation replaces detailed personal fact-finding. If verification is too prescriptive, it risks forcing firms into de facto advice processes, undermining the mass-market feasibility of targeted support. Conversely, if loosely defined, firms may face retrospective scrutiny from the Financial Ombudsman Service (FOS) over whether their segmentation decisions were appropriate.

To mitigate these risks, we support the FCA providing guidance on the approaches to verification and the type/level of data that should be used/not used, rather than producing prescriptive rules. FOS should also confirm that its judgments will be based on whether firms have effectively applied this guidance, rather than imposing advice-like standards retrospectively. Firms should be able to rely on a reasonable belief standard, linked to the risk level of the intervention, when determining whether a consumer belongs in a given segment, without requiring an extensive fact-finding process.

Finally, verification processes must be flexible and capable of evolving over time. As firms gather more data and experience with consumer engagement, they should be encouraged to refine their verification models to improve effectiveness and reduce friction. FCA supervisory oversight should focus on whether firms are achieving better consumer outcomes over time, rather than rigidly assessing compliance against a single model.

By ensuring that verification is adaptable to different firm data capabilities, allows for targeted requests for additional information, incorporates consumer-facing transparency, and is supported by regulatory guidance rather than rigid prescription, the FCA can create a framework that supports both regulatory confidence and positive consumer outcomes.

2.4.4.2 **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**

N/A

2.4.4.3 **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**.

The fundamental premise of this question is slightly flawed, as ‘holistic advice’ is an industry term that holds little meaning for most consumers—especially given that only around 8% of the population has ever received regulated financial advice. The more relevant question is at what point a consumer perceives that the support they are receiving has been personalised to their unique circumstances.

Consumer perception is often driven less by the breadth or depth of the data being used and more by how the data collection process feels. If a firm relies on data it already holds to deliver targeted support, the consumer is less likely to perceive the support as highly tailored. However, if a consumer is asked to provide detailed personal and financial information as part of the support journey, they are far more likely to assume they are receiving an individualised, personalised recommendation, regardless of whether the underlying intervention is actually segment-based.

Beyond data collection, the way questions are framed and the way results are presented is also critical to shaping perception. Banded multiple-choice questions can help signal that targeted support is based on broad segments, rather than a personalised financial plan. In contrast, open-ended or highly specific financial questions may create the impression that the firm is conducting an individual assessment. Playback statements can further reinforce segmentation. Phrasing such as “You have indicated that you are in the 35-45 age group, earning within this income band, and contributing at this rate” makes it clear that the consumer is being placed within a broad category. In contrast, a statement such as “Based on your responses, we believe you should contribute exactly this amount” is far more likely to lead a consumer to assume they are receiving bespoke advice.

This challenge—of precise recommendations feeling like advice—is particularly relevant in the decumulation space. Unlike accumulation, where broad segmentation can effectively nudge consumers toward increasing contributions, drawdown decisions are inherently more individualised. Factors such as life expectancy, tax implications, existing assets, and personal income needs mean that there is no clear benchmark or ‘default’ withdrawal strategy that can be universally recommended. Without an ability to determine a sustainable or tax-efficient withdrawal amount based on an individual’s full financial picture, targeted support is likely to struggle in this space. The same segmentation-based approach that works in accumulation could result in poor or even harmful outcomes in decumulation, as consumers require much more nuanced, case-specific support when deciding how to access their pension savings.

Ultimately, consumer perception will be driven by the interplay of data collection, question design, and communication style. Ensuring that targeted support is framed as segment-based throughout the journey—particularly when playback and recommendations are presented—will be vital to preventing consumers from assuming they are receiving individualised advice.

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

There are no concerns specific to retail investments that would require a different regulatory approach to data use than in pensions. The same principles apply—firms should limit data collection to what is necessary, ensure consumer understanding, and maintain a clear boundary between targeted support and regulated advice. If firms gather excessive personal financial information or present support in a way that appears highly personalised, consumers may assume they are receiving regulated advice. A structured segmentation approach, including the use of banded multiple-choice responses where more data is needed, should be used instead of more open-ended and personalised financial assessments to reinforce the distinction.

Firms should also have the flexibility to segment consumers effectively without excessive regulatory constraints that could stifle innovation. Any FCA guidance on data use should be principles-based rather than prescriptive, ensuring firms can refine their approaches while maintaining compliance. Since the risks and necessary safeguards for data use are the same across pensions and retail investments, we do not see a need for additional restrictions specific to retail investments.

2.4.4.5 **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**.

Pensions dashboard data has the potential to improve the effectiveness of targeted support by giving firms and consumers a single, consolidated view of their pension holdings. This visibility could help firms provide better-timed nudges to encourage actions such as reviewing savings levels, understanding investment allocations, and considering consolidation where appropriate. However, for firms to use this data effectively within a targeted support framework, several regulatory and operational challenges need to be addressed.

One of the primary ways firms could use dashboard data is to identify consumers with multiple small pension pots and encourage them to consider consolidation. Many consumers accumulate several workplace pensions over their careers, and fragmentation can lead to higher charges, disengagement, and inefficiencies. With access to dashboard data, firms could help consumers assess their pension landscape and highlight where consolidation may improve cost efficiency or investment outcomes. However, not all consolidations are beneficial, and firms will need to ensure that nudges remain neutral and informative, rather than implicitly directing consumers towards specific transfers. The FCA should provide clear guidance on how firms can discuss consolidation within targeted support without crossing into advice.

A key challenge with using dashboard data for targeted support is the risk of multiple pension providers targeting the same consumer simultaneously. If a consumer has five different pension providers, there is a risk of receiving conflicting or overwhelming nudges, potentially causing disengagement rather than informed action. One potential solution is to establish a structured approach where the largest or most active pension provider takes the lead in offering consolidation-related nudges. This could reduce the likelihood of consumers being bombarded with multiple, uncoordinated prompts.

Another challenge is that while a pensions dashboard provides a consolidated view of pension holdings, it does not provide a full financial picture. A consumer’s broader financial position—including debts, tax considerations, or other investments—will not be visible on the dashboard, meaning that a pension consolidation nudge based solely on dashboard data may not always be appropriate. Firms must ensure that dashboard-driven nudges are framed with sufficient disclaimers, making it clear that consumers should consider external financial factors before taking action.

Finally, firms must ensure that the use of dashboard data remains compliant with GDPR and Consumer Duty requirements. Consumers will need to actively consent to firms accessing their data, and firms must ensure that data is used transparently, with clear consumer communications about why a targeted support nudge is being issued.

2.4.5 Consumers not offered a targeted support suggestion

2.4.5.1 **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**

We broadly agree that firms must be able to stop a targeted support journey where it becomes clear that continuing would not lead to a better outcome for the consumer. However, stopping support should not mean abandoning the consumer. As noted in our responses to Questions 9 and 17, it is vital that firms can instead signpost consumers to more appropriate services, such as regulated advice, guidance providers like MoneyHelper, or debt support organisations.

This reinforces the importance of triage processes discussed in our earlier responses. Verification may initially suggest that a consumer is suitable for targeted support, but as the journey progresses, new information—such as financial distress, a medical condition, or other vulnerabilities—may reveal that targeted support is inappropriate. Firms should have the flexibility and confidence to pause or exit the targeted support journey without liability risk, while ensuring the consumer is directed towards specialist support or advice.

Consumers with protected characteristics, or those in vulnerable situations, are particularly likely to need this kind of onward referral. It is crucial that stopping targeted support is seen as a positive intervention when it leads to better-suited help, not as a process failure. The FCA should make clear that exiting a consumer from targeted support—when accompanied by appropriate signposting—is a valid and desirable outcome under the framework.

2.4.6 Divergence of solutions – in the interest of the consumer?

2.4.6.1 **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?**

We recognise that variability in the provision of targeted support is inevitable given the diversity of firms involved, the different data capabilities they hold, and the varied customer bases and product offerings they manage. However, over the long term, achieving some level of consistency will be essential to ensure that targeted support is effectively implemented across the industry and that consumers receive a broadly comparable experience regardless of provider.

As noted in our response to Question 16, firms differ significantly in their access to consumer data, with banks and platforms typically holding more detailed financial insights than many pension providers with limited direct engagement. This variability will naturally affect how accurately firms can segment customers and the degree of precision they can achieve when delivering targeted interventions. While this flexibility is necessary, it also creates a risk of divergent consumer experiences and uneven standards across the market.

To address this, we believe that the FCA's approach to guidance will need to evolve over time, eventually establishing broad industry standards for targeted support, while still allowing firms the flexibility to tailor their implementation based on their data capabilities and business models. These standards will likely emerge only once targeted support has been operating in practice for some time and should focus on high-level principles, such as consumer transparency, data accuracy, and proportionality in verification, rather than introducing prescriptive processes that risk stifling innovation.

One possible way to achieve greater consistency without compromising flexibility is to define minimum expectations for the types of targeted support interventions that all firms should offer within pensions. This might include prompts to review pension contributions and investment choices at key life stages, nudges to ensure consumers are aware of consolidation and drawdown options, and reminders to engage with financial guidance services when more personalised support may be appropriate.

Over time, a further development could be the creation of a shared framework for consumer segmentation, helping firms categorise consumers in a way that aligns with broader market norms. This would reduce inconsistencies in how consumers are identified for support and promote a more consistent experience and outcomes across providers. However, any such standardisation must be carefully balanced to ensure firms retain the flexibility to innovate and refine their approaches as data capabilities and engagement tools evolve. A shared framework should offer guidance and benchmarks but still allow firms to adapt their segmentation models based on their own data insights and customer understanding.

Finally, we support greater industry collaboration—both formally through industry bodies and informally between firms—to develop best practices and common methodologies for assessing the effectiveness of targeted support. While the FCA has a role to play in facilitating this, firms themselves should lead on shaping practical, outcome-focused approaches to delivering consistency across the market.

By focusing on shared principles and industry collaboration, while maintaining firm-level flexibility to innovate, the FCA can ensure that targeted support delivers meaningful interventions at scale, without compromising the quality or fairness of consumer outcomes across the industry.

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

In line with the position we have maintained throughout this consultation, we do not believe that any of the proposed conduct standards for targeted support in pensions would be inappropriate for retail investments. As set out in our responses to Questions 5, 20, and 23, targeted support should operate under a consistent regulatory framework across both pensions and retail investments. The core principles—consumer segmentation, structured interventions, and maintaining a clear boundary between targeted support and regulated advice—are equally applicable to both areas.

There is no clear rationale for applying different conduct standards based on product type. Attempting to create product-specific rules would add unnecessary complexity without enhancing consumer protections. The framework should remain principles-based, enabling firms to adapt their approach depending on their customer base and the characteristics of the products they offer. Maintaining a single, coherent set of conduct standards will promote regulatory clarity, ensure consistent consumer outcomes, and allow firms to develop targeted support services more efficiently across all sectors.

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

No

2.5 Chapter 6: Consumer understanding of service and disclosure

2.5.1 <u>Proposed requirements</u>

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

We agree that the three proposed disclosure touchpoints—first contact, information collection, and providing a suggestion—are broadly appropriate for ensuring consumers understand targeted support and how it applies to them. However, the effectiveness of these disclosures will depend on how they are structured and delivered, and we believe there are key refinements needed to ensure maximum consumer engagement without unnecessary friction.

A primary concern is how consumers process and react to information at different stages of their decision-making journey. If disclosures are frontloaded at first contact, there is a risk that consumers may dismiss the interaction as another generic financial message, leading to disengagement. Instead, disclosures should be integrated dynamically into the consumer journey, ensuring that information is presented when it is most relevant and actionable.

We also question whether additional touchpoints may be needed, particularly in cases where consumers are engaging in more complex financial decisions. For example, for consumers approaching retirement and considering drawdown or annuity options, a single disclosure at the point of providing a suggestion may not be sufficient. Reinforcing key messages throughout the interaction, rather than relying on a single moment of engagement, may help consumers make more informed choices.

Furthermore, disclosures at the point of providing a suggestion should apply to any type of targeted support activity, not just where a product is being suggested. This aligns with the view that ‘ready-made solutions’ do not necessarily involve product recommendations and could instead relate to behavioural nudges or prompts. Ensuring that disclosures attach to all forms of targeted support activity will help set the right consumer expectations, particularly where interventions involve financial behaviours rather than specific product recommendations.

Finally, disclosures should be as simple and user-friendly as possible. We support the idea that firms should have flexibility in designing their disclosures, allowing them to test different approaches to find what resonates best with their customer base. A rigid, prescriptive disclosure format risks creating unnecessary complexity and disengagement. Instead, firms should be encouraged to structure disclosures using clear, concise language, avoiding financial jargon, and layering information where appropriate.

By ensuring that disclosures are integrated at the right points in the consumer journey, reinforcing key messages where necessary, and allowing firms flexibility in presentation, the FCA can create a more effective framework that supports consumer understanding without overburdening them with unnecessary complexity.

2.5.1.2 **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?**

We broadly agree with the minimum prescribed information requirements at each touchpoint but believe firms should have flexibility in how they present disclosures to ensure they are effective and do not overwhelm consumers. Our research has consistently shown that poorly structured disclosures can lead to disengagement, particularly when information is presented in a way that is complex, overly detailed, or delivered at the wrong stage of the consumer journey.

A key risk is that too much upfront disclosure can act as a barrier, particularly if consumers dismiss the interaction as another generic financial message. Instead, disclosures should be integrated dynamically into the consumer journey, ensuring that critical information is highlighted at the right stage rather than frontloaded in a way that could discourage engagement.

We also believe that the approach to disclosure should vary depending on the nature of the targeted support being provided. For example, behavioural nudges may require different forms of disclosure compared to ready-made solutions involving specific products. Rather than prescribing a rigid disclosure format, the framework should focus on ensuring that firms clearly communicate the scope and limitations of targeted support in a way that is proportionate and easy for consumers to understand.

Ultimately, prescriptive disclosure requirements risk turning targeted support into a compliance exercise rather than a meaningful engagement tool. The FCA should allow firms to test, iterate, and refine their disclosure strategies, ensuring that consumer understanding is prioritised without unnecessary regulatory burden. By focusing on effective communication rather than standardised formats, the framework can ensure that disclosures support engagement while maintaining clarity around the nature of targeted support.

2.6 Chapter 7: Applying existing regulatory requirements

2.6.1.1 **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?**

We broadly agree that SYSC 3 and 10 provide a suitable framework for managing conflicts of interest in targeted support, but their effectiveness will depend on how firms apply them in practice. A key risk is that firms may structure targeted support in ways that favour their own products rather than neutrally assessing whether a ready-made solution delivers better outcomes. The FCA should consider whether additional guidance is needed to ensure firms provide a fair assessment of alternatives, even when steering consumers toward in-house solutions.

Transparency is also critical. Consumers may not always be aware of the commercial incentives behind targeted support nudges, so firms must clearly disclose conflicts of interest, particularly when recommending their own products. Additionally, remuneration structures should be aligned with consumer outcomes rather than product sales incentives. Firms should demonstrate that staff involved in delivering targeted support are incentivised based on engagement and outcomes, rather than linked to specific product recommendations.

While existing rules provide a strong foundation, the FCA should ensure that firms apply these requirements consistently, maintaining consumer trust and preventing targeted support from becoming a disguised sales process.

2.6.1.2 **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?**

We strongly support the view that the existing sourcebooks provide a suitable foundation for delivering targeted support without requiring substantive changes. In our view, targeted support is about improving accessibility to the pension and retail investment markets for consumers, rather than fundamentally changing the regulatory framework. However, practical implementation challenges must be considered, particularly around how firms balance consumer protection with the flexibility to deliver targeted interventions effectively.

One key issue is that the current regulatory framework was not originally designed with targeted support in mind. While firms can work within existing conduct rules, there is a risk that certain interpretations—particularly in areas like disclosures, conflicts of interest, and data use—could create unnecessary barriers. Firms may default to an overly cautious approach due to concerns that targeted support interventions could later be reclassified as advice. Clarifications or guidance on the application of existing rules to targeted support—especially in distinguishing product-related and non-product interventions—would reduce this uncertainty.

There is also an opportunity for clearer signposting within the regulatory framework. The FCA's work on simplifying the rulebook could be enhanced by clearer references to how existing PROD rules, the Consumer Duty framework, and guidance intersect with targeted support. This would help firms map their responsibilities across different regulatory requirements, improving understanding and easing the process of embedding targeted support into existing compliance structures.

Additionally, firms need clarity on how segmentation requirements for targeted support align with existing PROD segmentation obligations. In cases where targeted support results in a product suggestion, segmentation is likely to align closely with product governance requirements. However, when targeted support involves non-product interventions—such as contribution nudges, retirement planning prompts, or other behavioural nudges—segmentation may not mirror existing product frameworks. Guidance on how firms can segment consumers appropriately in these non-product contexts without inadvertently stepping into regulated advice would help ensure firms can confidently deploy targeted support.

There are also practical questions around oversight and reporting expectations. While existing Consumer Duty and conduct rules provide an appropriate framework, firms would benefit from clarity on the key metrics they should monitor to demonstrate the success of targeted support interventions. Without clear expectations, there is a risk of firms over-reporting irrelevant data or under-reporting key outcomes, making it difficult for the FCA to effectively monitor the success of the framework in a proportionate way.

Overall, while we do not see a need for substantive changes to the sourcebooks, we believe that clearer regulatory guidance—particularly on disclosure requirements, segmentation for non-product interventions, and oversight expectations—would help ensure targeted support can be delivered effectively and at scale, without creating unnecessary compliance burdens.

2.6.2 <u>Ensuring a coherent regulatory framework</u>

2.6.2.1 **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?**

We agree with the proposals on the existing COBS 19 requirements and do not see an immediate need for substantive changes. As noted in our response to Question 29, the key priority is ensuring clear regulatory guidance on how targeted support interacts with existing requirements, including disclosure, data use, and conflicts of interest. This will give firms the confidence to apply the framework without inadvertently breaching advice boundaries.

We also agree with the FCA that targeted support could play an important role in improving and personalising investment pathways, particularly by helping consumers make more appropriate decisions as they approach retirement. This aligns with the wider view we have expressed throughout this consultation—that targeted support should act as an enabler within the existing regulatory framework, enhancing consumer decision-making without displacing existing rules or protections.

Finally, aligning guidance on COBS 19, PROD, Consumer Duty, and targeted support with the FCA’s broader work on regulatory simplification would support firms in navigating these frameworks efficiently, helping to reduce complexity and improve implementation.

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

We believe targeted support and the annuity prompt rules should complement each other to enhance consumer understanding and decision-making at the point of retirement. However, as currently framed, the annuity prompt rules are too limited—they largely focus on encouraging consumers to shop around for rates rather than helping them navigate the key decisions involved in annuity selection.

A major issue is that many consumers, particularly those who have been auto-enrolled into pensions, will not go through an advice process before purchasing an annuity. Without support, they often default to the most visible or simplest option, which explains why level annuities remain the most commonly purchased product despite often being unsuitable for long-term income security. The current prompt rules do not address this behavioural challenge. Targeted support could significantly improve this by guiding consumers through key considerations such as joint life annuities for those who are married, escalation options to protect against inflation, and the availability of enhanced annuities for those with health conditions.

Even for those that are receiving advice to support them in purchasing an annuity we believe the FCA may be overestimating the extent to which advised annuity sales truly lead to improved consumer outcomes. Once securing a guaranteed income is identified as the suitable choice for a customer in an advised process, the incentive for advisers to extensively explore available annuity options is much diminished. Since annuities do not generate any ongoing advice review requirements post-purchase, customers requiring an annuity may be perceived as lower-value clients in the adviser’s business model, thereby limiting the amount of support they actually receive from the adviser. By ensuring that consumers arrive at the advice process already better informed of their options, targeted support has the potential to improve even advised outcomes, leading to more considered and tailored annuity decisions.

One way to integrate targeted support with annuity prompts is to embed structured guidance within the annuity shopping journey, ensuring that consumers engage with the key trade-offs before reaching a purchase decision. For example, when a consumer receives an annuity quote, they could be presented with targeted nudges based on their circumstances, such as: “People with long-term health conditions may qualify for a higher annuity rate—would you like to check if this applies to you?” or “If you have a spouse or partner, you may want to consider a joint-life annuity to ensure they continue receiving an income if you pass away.”

Additionally, customer support agents already play a role in the annuity purchase process but are currently often confronted with consumers who have little to no understanding of the options that are available to them. Targeted support could radically change this by ensuring that consumers reach this conversation better informed, reducing the need for reactive explanations and making the decision process smoother and more effective.

Furthermore, annuity decisions are irreversible, making it even more critical that consumers are fully informed before making a purchase. While targeted support should not replace the role of advice, it can bridge the gap for non-advised consumers by ensuring they consider their options fully before committing.

By aligning targeted support with the annuity prompt rules, the FCA can create a much more effective consumer journey, where people arrive at their annuity purchase decision better informed, more confident, and with a stronger understanding of the implications of their choices.

2.7 Chapter 8: Costs and charges

2.7.1.1 **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?**

We broadly agree that targeted support should not be subject to explicit upfront charges, as charging consumers directly would significantly reduce engagement and adoption. Our research supports the conclusion that where consumers are required to pay explicitly for financial support services, uptake drops sharply, which would limit the ability of targeted support to address key financial decision-making challenges. Also, for many of the larger provider the technology to support delivery of targeted support is already in place to support the delivery of existing guidance/support services, meaning that for these firms ‘upgrading’ to targeted support can be achieved a no/minimal additional cost to the customer.

Given this, cross-subsidisation is a necessary and logical funding model for targeted support, allowing firms to integrate these services into existing business models without introducing cost barriers to consumers. However, the approach to cross-subsidisation must be carefully managed to ensure it does not create unintended market distortions. One key risk is that while the larger, vertically integrated firms—who can more easily absorb the costs of targeted support—may be able to offer it at no direct cost to consumers, smaller or non-integrated firms may struggle to compete. If firms without large product manufacturing businesses are required to charge explicitly for targeted support, there is a risk that this model favours established providers over new entrants, potentially reducing market competition.

Another concern is that cross-subsidisation could encourage firms to prioritise interventions that drive greater product engagement within their own ecosystems, rather than designing interventions based purely on what is best for the consumer. While the Consumer Duty framework should mitigate some of this risk, further FCA guidance may be needed on what constitutes a fair and proportionate cross-subsidy model, ensuring that all consumer groups receive fair value and that firms are not unduly favouring proprietary products over alternative options.

We also note that while cross-subsidy is the most viable funding model, it should not be viewed as the only permissible approach. Some firms—particularly those in the advice and wealth management sectors—may prefer to offer targeted support as a paid-for service, for example using a subscription payment model, but one that is positioned as a lower-cost alternative to/primer for consumers on a pathway towards needing full financial advice. The framework should therefore allow for a mix of models to ensure that targeted support is available across different market segments without unduly restricting firms’ commercial approaches.

Ultimately, cost recovery models should align with the intended purpose of targeted support—ensuring it is widely accessible while avoiding competition risks or unintended consumer harm. We recommend that the FCA closely monitors the impact of different cost structures over time to ensure that firms’ pricing strategies do not undermine the objectives of the framework or disadvantage certain consumer groups.

2.7.1.2 **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?**

N/A

2.8 Chapter 9: Firms delivering targeted support

2.8.1 Authorised firms

2.8.1.1 **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.**

We agree that, in principle, all authorised pension providers should be able to provide targeted support. However, a key concern is that pension providers in the trust-based market will not be captured by these regulations.

Given that the great majority of auto-enrolment pension savers are in trust-based master trust schemes, there is a real risk of a two-tier market emerging. Consumers in contract-based schemes will benefit from targeted support interventions under FCA oversight, while those in trust-based schemes may not receive the same level of structured interventions, leading to unequal engagement levels and potentially poorer retirement outcomes.

Additionally, while life insurers and direct-to-consumer (D2C) platforms have expressed strong interest in providing targeted support, smaller pension firms and SIPP operators may be less likely to engage due to their business models and regulatory obligations. Firms offering bespoke or complex investment structures may not be well-suited to the mass-market targeted support approach laid out in these recommendations, as their customer base is often self-directed and engaged in active investment decision-making. In contrast, larger, vertically integrated firms are better positioned to scale targeted support due to their access to consumer data and established engagement models.

If targeted support is to be effective across the entire pensions market, there needs to be further consideration of how trust-based schemes can be encouraged or required to provide similar interventions. The FCA should also assess whether existing barriers for smaller firms could be addressed through industry collaboration or shared service models, ensuring that consumers receive comparable levels of targeted support regardless of their pension provider.

While we support broad access to targeted support, the FCA must be mindful of market distortions and unintended consequences. Ensuring that all pension providers—regardless of regulatory framework—have the ability to implement targeted support will be crucial in preventing disparities in consumer outcomes and engagement levels.

2.8.1.2 **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?**

Advisers could theoretically provide targeted support within the proposed conduct framework, but it is unlikely to be a significant focus for most advisory firms. Targeted support is designed to operate at scale using structured, segment-based interventions, whereas financial advice is inherently personalised. Many advisers already offer simplified advice services that fulfil a similar role with clearer regulatory protections.

While a blanket ban on advice firms offering targeted support might seem the simplest approach, it risks cutting consumers off from a much-needed bridge to full advice, one of the reasons only 8% of the population has received regulated advice. A well-structured targeted support framework could help guide consumers towards advice when needed, ensuring they receive meaningful nudges rather than being left without guidance.

To make targeted support workable within advice firms, we propose that it should be a one-way service, meaning that once a consumer has engaged with full regulated advice on an ongoing (as opposed to a one-off) basis, they cannot later be placed back into targeted support by the same firm. This ensures targeted support is used as an entry point for those not yet ready for advice, rather than as a way to shift clients back and forth between advice and non-advice journeys for commercial reasons. Firms should be able to engage consumers through targeted support, but if a consumer's needs become more complex, they should transition into an advice relationship permanently.

Vertically integrated product providers with an advice arm are best placed to incorporate targeted support effectively. These firms already operate across multiple service models and can use targeted support as a structured consumer journey—guiding clients from digital or mass-market engagement towards full advice when appropriate. This would create a smoother transition between levels of support, reducing consumer disengagement due to cost or complexity.

Consumer understanding remains a challenge. Targeted support, guidance, and advice must be clearly distinguished, as consumers often struggle to differentiate between them. Firms offering both services must ensure consumers fully understand the nature of the support they receive to avoid regulatory confusion and complaints.

For targeted support to be viable in an advice firm setting, there must be clear regulatory guidance on managing the boundary between targeted support and full advice, ensuring firms are not exposed to unintended liability risks. Without this clarity, most standalone advisory firms are unlikely to engage with targeted support.

2.8.1.3 **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.**

The business models best placed to deliver targeted support within an advice framework are those that operate across multiple levels of consumer engagement, particularly vertically integrated product providers with an advice arm. These firms already have experience in managing different consumer needs, allowing them to integrate targeted support as part of a structured journey towards advice. Targeted support could be used to engage consumers earlier, helping them navigate decisions at a lower-cost entry point before transitioning them into a full advice relationship when required.

Another potential model is where firms employ a split-service structure, separating targeted support from their full advisory business. In this setup, a firm might have a 'financial help and support' division driven by a targeted support offering, distinct from its full regulated advice arm. Crucially this model would not have any overlap between the people involved in delivery of the targeted support side of the business and the advisors in the 'full advice' arm. This approach ensures regulatory clarity while enabling firms to engage consumers with structured support before transitioning them to regulated advice. The key challenge with this model is ensuring that consumers clearly understand the distinction between the two services and that firms do not shift consumers between them for commercial reasons rather than genuine need.

Standalone advice firms that operate purely on a fee-for-service basis are less likely to engage with targeted support at scale, as their core business model is built around personalised recommendations. Without a clear commercial incentive, most will find little reason to invest in developing a structured targeted support framework unless it serves as a deliberate onboarding tool for full advice.

Ultimately, firms that combine product provision, digital engagement capabilities, and structured consumer segmentation are best positioned to integrate targeted support while ensuring a smooth transition into full advice when needed. The FCA should ensure that the framework allows these firms to implement targeted support without creating regulatory confusion or unintended liabilities.

2.8.1.4 **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?**

There is no clear reason why advisers should be able to provide targeted support for broader retail investments but not for pensions. If targeted support is to be a meaningful tool for improving consumer outcomes, it should be applicable across both areas, provided firms adhere to a structured framework that ensures regulatory clarity and prevents consumer confusion.

Pensions, particularly workplace schemes, present a unique challenge in that many consumers do not actively engage with their retirement savings until they are close to accessing them. Given this disengagement, targeted support could be particularly valuable in the pensions space, helping savers make better decisions about contributions, investment choices, and decumulation strategies. Excluding advisers from offering targeted support for pensions would create an artificial divide in the market, where firms could engage consumers for general investment decisions but not for retirement planning—despite the fact that many of the same behavioural and financial literacy challenges exist in both areas.

If the concern is that pensions have specific regulatory protections that require additional safeguards, these should be addressed within the targeted support framework itself rather than by restricting advisers from offering support. The same principles—ensuring consumers understand the service they are receiving, maintaining clear boundaries between targeted support and regulated advice, and implementing structured triage to escalate consumers when needed—should apply equally to both pensions and retail investments.

In practice, the firms most likely to offer targeted support for either pensions or retail investments are those with an existing ability to segment and engage consumers at different levels of need. Vertically integrated providers, in particular, are well placed to deliver targeted support across both areas, helping consumers make better financial decisions before transitioning into full advice when appropriate. If advisers are allowed to provide targeted support in retail investments, there is no strong rationale for excluding pensions, provided the same safeguards are in place.

2.8.2 Implementation

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

We do not believe it is necessary to mandate all pension providers to provide targeted support. Instead, this should be a voluntary service, implemented by providers that see clear benefits for their customers. Given that targeted support aligns with and complements existing regulatory requirements, such as Consumer Duty and the forthcoming Value for Money (VfM) framework, we would expect strong take-up from firms that recognise its potential to improve customer outcomes.

For firms choosing not to implement targeted support, there will still be robust governance requirements in place through existing regulatory obligations. These firms must still demonstrate effective consumer protection measures and ensure they are delivering good outcomes under Consumer Duty and other supervisory expectations.

Additionally, the structure of the UK pensions market—split between contract-based and trust-based schemes—creates challenges for consistent consumer journeys. Given that many auto-enrolment savers are in trust-based schemes outside FCA oversight, we should consider how this framework (or a similar one) could be extended to DC trust-based pension providers. Ensuring a level playing field across regulatory regimes would help prevent disparities in consumer outcomes while maintaining proportionality in implementation.

We also recognise that some smaller pension firms and SIPP operators may not have the necessary consumer engagement structures or the scale to deliver targeted support effectively. For these providers, a universal requirement could impose a disproportionate burden, potentially driving unintended market consequences. A more proportionate approach would encourage industry collaboration or shared service models, ensuring that consumers across different types of schemes can still benefit from structured interventions without excessive regulatory burdens on firms for whom targeted support is not commercially viable.

2.9 Chapter 10: Complaints and redress

2.9.1 Ability to complain to the Financial Ombudsman and bring claims to the FSCS

2.9.1.1 **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?**

We agree that consumers should have access to the Financial Ombudsman Service (FOS) and the Financial Services Compensation Scheme (FSCS) where a firm has failed to meet the regulatory standards set for targeted support. However, as emphasized throughout this consultation, particularly in our responses to Questions 9 and 17, it is critical that these redress mechanisms do not inadvertently expose firms to advice-level liability when they have followed the targeted support framework in good faith.

The existing Consumer Duty obligations already require firms to act in good faith, avoid foreseeable harm, and support consumers in making informed decisions. If targeted support aligns with these obligations, any complaints should focus on whether a firm has complied with the required processes, rather than on whether the consumer ultimately achieved a positive outcome or subjectively believed they were receiving advice.

Our primary concern is the risk that FOS could, over time, apply advice-like standards to targeted support complaints, creating legal uncertainty and discouraging firms from offering these services. The FCA must provide clear guidance on how FOS will assess complaints, ensuring that firms will not be penalised for poor consumer outcomes where they have delivered targeted support in accordance with the rules. Liability should arise only where there is evidence of misconduct, such as deliberately misleading information or a failure to implement proper governance processes for targeted support.

FSCS coverage presents a separate challenge. Unlike financial advice, targeted support does not involve personal recommendations or client asset handling, so extending FSCS protections to this space seems difficult to justify in most cases. There is a risk that FSCS protection could create moral hazard, reducing firms' incentives to maintain high standards and shifting responsibility for poor consumer choices onto the compensation scheme. However, we acknowledge that FSCS protection may be necessary in cases where consumers were misled into believing they were receiving regulated advice, which could justify targeted application in instances of clear misrepresentation.

Ultimately, the redress framework should prioritise process integrity over consumer outcomes. Firms that comply with the targeted support rules and act in good faith should not face advice-level liability, but those failing to meet the required standards should be held accountable. The FCA and FOS must work together to give firms the regulatory certainty needed to participate confidently in the targeted support framework, protecting consumers without undermining the commercial viability of these services.

2.9.2 Balancing high-level outcomes with detailed rules

2.9.2.1 **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.**

At this stage, there is not yet sufficient regulatory certainty for firms to confidently implement targeted support commercially while managing redress liabilities. While the principles outlined in the consultation provide a strong foundation, the key concern remains how the framework will be interpreted and enforced by the Financial Ombudsman Service (FOS).

As set out in our response to Question 39, firms need confidence that redress assessments will focus on process integrity—whether they have followed the targeted support framework—rather than being judged against advice-level liability standards or consumer dissatisfaction with outcomes. Without this, there is a material risk that firms will take an overly cautious approach, undermining the potential scale and impact of targeted support.

Further regulatory clarity is also required on several practical issues we have raised in earlier responses. As highlighted in Questions 9 and 17, firms need assurance that verification processes can be adapted to the complexity of the intervention, avoiding de facto fact-finding requirements that blur the boundary with advice. Similarly, as discussed in Questions 13 and 22, clearer rules are needed on how firms should handle consumers who have previously received advice, particularly when those relationships are no longer active or where products are held across multiple providers.

Finally, regulatory uncertainty itself is a barrier to adoption. Firms will be hesitant to invest in developing targeted support services unless the framework is seen as stable and predictable, with a clear process for future refinement based on real-world implementation. The FCA should commit to ongoing industry engagement and issue practical guidance on areas such as FOS interpretation, verification expectations, and interactions with advised customers, ensuring that firms can proceed with confidence. Without this, concerns over liability and operational complexity will remain a deterrent, limiting the potential of targeted support to deliver better consumer outcomes.

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

The greatest liability risks in the proposed framework relate to regulatory uncertainty, the limits of targeted support for vulnerable and complex consumers, the stability of the wider regulatory environment, and the framework's interaction with the financial promotions regime (PERC rules).

As highlighted in our responses to Questions 9 and 39, firms need confidence that they will be judged on process integrity—whether they followed the targeted support framework in good faith—rather than being subject to advice-level liability or judged against consumer outcomes with hindsight by the Financial Ombudsman Service (FOS). Without this certainty, firms will likely adopt an overly cautious approach, reducing their willingness to develop and scale targeted support solutions.

In addition, as discussed in Questions 22 and 30, targeted support has limitations when dealing with vulnerable consumers or those with complex financial circumstances. Firms must have the freedom to pause or exit targeted support journeys when these limitations become apparent and signpost consumers toward regulated advice or external support services, without facing liability simply because the consumer ultimately experiences a poor outcome.

We also believe that the broader stability of the regulatory and policy environment poses a risk to firms' willingness to invest in targeted support. Over the past few years, firms in pensions and retail investments have had to respond to a sustained period of regulatory change, including the Consumer Duty, Value for Money reforms, and pensions dashboards, with further changes expected in the years ahead. This regulatory churn increases the risk that firms will need to revisit and adapt their targeted support models repeatedly, undermining the certainty required to embed these services into their operating models.

Finally, the interaction between targeted support and the financial promotions regime (PERC rules) represents a substantial risk. As we will set out in our response to Question 42, firms require clarity on how targeted support can be delivered without breaching PERC rules or being seen as a promotional or sales-driven activity. Without this, firms may be reluctant to proactively engage consumers, which could materially reduce the effectiveness of the framework.

Ultimately, the FCA must ensure the targeted support framework is embedded within a stable regulatory environment, that firms are judged on process compliance rather than outcomes, and that the relationship with the PERC rules is clearly defined. Without this certainty, firms will remain hesitant to invest in targeted support at scale, undermining its potential to improve consumer outcomes.

2.10 Chapter 11: Interactions with direct marketing rules

2.10.1.1 **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?**

We support the goal of targeted support becoming an accessible, proactive service capable of helping consumers make better financial decisions. However, firms' ability to engage consumers at the right time is crucial, and the current restrictions under PECR risk limiting the reach and impact of targeted support, particularly for the disengaged consumers who stand to benefit most.

We recognise that consumer protections around unsolicited marketing remain important, but we believe that targeted support represents a fundamentally different type of intervention from traditional marketing. Its purpose is to prompt consumers towards better financial decisions rather than to drive product sales. In this context, introducing a limited exemption to PECR, allowing firms with the appropriate regulatory permissions to send electronic communications where they have reasonable grounds to believe it would improve consumer outcomes, would be a proportionate and pragmatic solution.

Additionally, the risk of under-engagement should not be overlooked. There is often a focus on the risk of firms over-contacting consumers, but an equally significant risk is that firms engage too little or too late, particularly when the need for support is time-sensitive—such as approaching retirement decisions or preventing consumers from locking into suboptimal investment paths. If PECR deters firms from reaching out, there is a danger that inertia will prevail, with consumers defaulting into poor outcomes simply because no timely intervention was made.

Ultimately, targeted support is aligned with the FCA's wider regulatory objectives, including Consumer Duty and Value for Money, and the regulatory landscape should evolve to support this ambition. A targeted exemption under PECR would ensure that firms can intervene when it matters most, while maintaining appropriate consumer safeguards, helping to unlock the full potential of targeted support as a driver of better long-term outcomes.

2.11 Annex 1: Evidence and supporting analysis

2.11.1 <u>Problem and rationale for intervention</u>

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

We agree with the FCA's diagnosis of the key harms in the market, particularly the risks arising from under-saving during accumulation, poor decision-making at retirement, and low engagement and understanding throughout the pensions journey. These issues stem from consumer disengagement, low financial literacy, and a lack of timely, effective support, often leaving individuals ill-equipped to make informed choices about their long-term financial wellbeing.

Triage processes will be essential to ensure those whose needs exceed what targeted support can deliver are directed to regulated advice or specialist guidance services, rather than being left to navigate the system alone.

But we believe the FCA's framing of these harms—and its implied vision of the "right" consumer journey—misses a bigger opportunity. The FCA is viewing pension saving and retirement decisions in isolation, but for most consumers, these are part of a much broader and often deeply personal set of financial trade-offs. Consumers balance immediate pressures—housing costs, family responsibilities, debt, day-to-day survival—against long-term saving goals, often making rational choices based on their reality, even if these don't align with an industry view of what is "optimal". The risk is that an overly rigid focus on harm reduction—particularly when measured against an idealised savings path—alienates consumers, making them feel judged or patronised for what are, in fact, reasonable decisions given their circumstances.

We strongly believe targeted support can play an important role in reducing the harms that the FCA has identified and help to prompt consumers towards better decision-making at key moments. However, it is unlikely to be a complete solution. This is why targeted support should not be seen as an end in itself, but as the foothills of something bigger: the creation of a financial help and support ecosystem that meets consumers where they are, not where the industry, government or the regulator think they 'should' be.

Consumers already seek advice and reassurance from places they trust—friends, family, online influencers, or increasingly AI-driven tools like ChatGPT—because these feel accessible, non-judgemental, and responsive to their needs. The real challenge is not simply to protect consumers from bad information but to offer better, trusted alternatives that help them make good decisions, whatever their starting point. If the industry and regulators fail to provide this, others—regulated or not—will fill the gap.

That is why we would encourage the FCA to place as much emphasis on helping consumers make the best of what they have as it does on preventing poor outcomes from under-saving. For many, retirement will not be the financially comfortable future that pension models assume—but that does not mean their situation is hopeless. The real prize is empowering people to manage their finances with confidence, regardless of their starting point, and ensuring that whatever they have saved can be stretched and optimised to give them the security they need.

2.11.2 <u>Our proposed intervention</u>

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

There are a number of regulatory and economic changes that could impact the effectiveness of targeted support, both positively and negatively, depending on how they develop over time.

One key regulatory change is the continued rollout of the Consumer Duty, which is already shifting the expectations placed on firms to support good consumer outcomes. While targeted support aligns well with these aims, there is a risk that firms may view the Consumer Duty as placing broader obligations on them to intervene beyond what is intended under the targeted support framework, creating uncertainty and additional liability concerns. The FCA should clarify the relationship between Consumer Duty and targeted support, ensuring firms have confidence that interventions delivered within the targeted support framework will be assessed on that basis.

Similarly, the forthcoming Value for Money (VfM) framework will place increasing emphasis on pension providers demonstrating the value their products deliver to consumers. Targeted support could be a key enabler of VfM, particularly by helping savers engage with their investments, contributions, or retirement choices. However, as with Consumer Duty, this potential will only be realised if firms see targeted support as a tool to enhance consumer outcomes, rather than simply another compliance exercise. Importantly, this alignment with VfM highlights the need for coordination across regulatory regimes. Trust-based pension schemes, which fall outside the FCA's targeted support proposals, will also be subject to VfM requirements, meaning there is a strong case for TPR and DWP to consider introducing a targeted support equivalent. Without this, there is a risk of a fragmented system where member experience and outcomes diverge based on scheme structure rather than need.

Pensions Dashboards represent another pivotal development, with the potential to drive significantly greater consumer engagement with retirement savings. However, increased visibility alone is unlikely to be enough to lead to better outcomes. Without high-quality support alongside dashboards, there is a risk that engagement simply results in confusion or poor decision-making. Targeted support could act as a key bridge, helping consumers move from seeing their pension information to taking positive action. Additionally, dashboards could enhance the effectiveness of targeted support by providing firms with a clearer, more complete view of a consumer's retirement position, potentially acting as a stepping stone towards broader Open Finance developments.

On the economic side, continued pressure on household finances—driven by higher living costs and low wage growth—will shape consumer behaviour and the types of support they need. Consumers may increasingly prioritise short-term financial resilience over long-term savings, making engagement with pensions even harder. Targeted support will need to reflect this reality, helping consumers navigate these competing pressures, rather than simply steering them towards the 'optimal' pension savings path.

Ultimately, targeted support should be seen as a key enabler, not a standalone regulatory fix. Its true value lies in supporting the delivery of other major regulatory priorities, from Consumer Duty and Value for Money to Pensions Dashboards and Open Finance. A fragmented approach—where targeted support is confined to the FCA-regulated sector—risks limiting its potential. Instead, DWP, TPR, and the FCA should work towards a more joined-up approach, ensuring that targeted support, or equivalent interventions, are integrated across the pensions system as a whole.

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

We broadly agree with the FCA's assessment of how targeted support could mitigate market failures and reduce harm. The framework is well aligned with addressing the behavioural distortions and information gaps identified in the pensions market, particularly around consumer inertia, present bias, and low financial literacy.

The potential for targeted, well-timed interventions to prompt consumers towards better decisions—whether that be increasing contributions, reviewing investment choices, or making more informed decumulation decisions—is clear. Targeted support could help reduce complexity and decision fatigue for consumers, allowing them to engage with their pension in a more structured and accessible way.

However, targeted support on its own will not eliminate these market failures. It should be seen as a necessary enabler rather than a silver bullet. Consumers will still need access to advice, guidance, and other forms of support when their needs exceed what targeted support can deliver. Embedding triage processes that help direct consumers to more appropriate services when necessary will be key to ensuring that targeted support does not create a false sense of security.

In addition, there is a risk that targeted support will only address part of the pensions landscape, as trust-based schemes fall outside the FCA's remit. Given the ongoing work on the Value for Money framework and the introduction of Pensions Dashboards, there is a strong case for DWP and TPR to explore how targeted support, or a similar intervention, could be applied across the broader pensions system. Without this, there is a risk that market failures persist or even worsen in parts of the market where engagement and support remain limited, leaving some consumers better served than others depending on the regulatory framework governing their pension scheme.

Ultimately, targeted support has the potential to materially reduce harm and improve consumer outcomes, but its long-term success will depend on it being part of a broader ecosystem of support that includes advice, guidance, and a more consistent approach across the entire pensions system.

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

2.11.3.1 **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.**

N/A

2.11.3.2 **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.**

In our in-depth research we have explored how firms anticipate shaping their propositions, investing in capabilities, and differentiating their services under the proposed framework. We believe the insights gained from this work offer a valuable, real-world perspective on how providers are likely to approach targeted support.

Our research highlighted clear differences in delivery preferences across different types of firms, reflecting their distinct customer bases, business models, and operational capabilities. 100% of banks we spoke to stated a preference for a fully digital delivery model, viewing targeted support as an extension of their existing app-based and online self-service platforms. Banks were also the most sceptical of the need for targeted support, with some questioning whether it added sufficient value beyond their existing engagement tools and digital journeys. Their preference for digital-only delivery was closely linked to concerns about regulatory risk, with banks perceiving human interaction as significantly increasing the likelihood of crossing the line into advice—something they were particularly keen to avoid given their scale (and by extension the scale of the risk).

By contrast, 100% of life companies we interviewed preferred a hybrid delivery model, combining digital journeys with access to human support at key points. These firms emphasised that pension decisions—particularly in the decumulation phase—often require reassurance and validation, with consumers seeking someone to talk to when making important choices about their retirement income. Life companies viewed targeted support as a key tool that would be integrated into their existing product set to engage their customers and the enhance the level of support they are able to offer (particularly in accumulation)

Platforms, advisers, and wealth managers expressed more varied views, but many saw targeted support as an opportunity to blend digital and human engagement, particularly to guide clients towards advice services or to better support lower-value clients who might not otherwise be commercially viable for full advice. Some also saw potential to use targeted support within subscription or ongoing guidance models, offering tiered services that sit between guidance and regulated advice.

There was broad consensus across all firms that targeted support would not be a purely compliance-driven exercise. Providers saw it as a commercial opportunity, not only to help meet Consumer Duty obligations, but to strengthen customer relationships and increase retention. However, firms were also clear-eyed about the need for the framework to be commercially sustainable, with several emphasising the importance of regulatory clarity on liability and data use to unlock the scale of investment required.

Ultimately, our research suggests that we will see significant differentiation across the market—banks prioritising scale and frictionless digital experiences, life companies focusing on hybrid reassurance-led models, and platforms, advisers, and wealth managers seeking to blend support into broader service offerings. This diversity should be seen as a strength, reflecting the different ways consumers prefer to engage with their finances. It also reinforces the need for the FCA to adopt a flexible, outcomes-based approach to the regulatory framework, allowing firms to innovate while ensuring robust consumer protections.

We plan to attach our full research findings to this consultation response, which we hope will provide the FCA with further detailed insight into the delivery models and commercial drivers shaping provider thinking around targeted support.

2.11.3.3 **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.**

We agree that targeted support carries risks related to mis-selling, biased selling, and self-preferencing, particularly where firms suggest in-house products as ready-made solutions. However, these risks are not unique to targeted support—they are inherent in any situation where a firm with a commercial interest in selling its own products is intervening to guide a consumer's decision-making.

However, the reality is that even in the current market, consumers often stick with the brand they know out of trust—regardless of whether that is in their best interests. The risks of self-preferencing must therefore be balanced against the risks consumers face when making decisions entirely unsupported, which can lead not only to suboptimal choices but, in some cases, to selecting fundamentally inappropriate products for their needs. If targeted support results in a consumer being nudged towards an in-house product that is broadly suitable, even if it is not the absolute best version available in the market, this may still be a better outcome than that consumer making a poor or uninformed decision in isolation.

The FCA's existing annuity shopping requirements offer a helpful precedent in this regard. These rules were introduced to address harm caused by consumers defaulting into poor-value annuities from their existing provider, reflecting the FCA's recognition that, while provider prompts can increase consumer engagement, they can also reinforce inertia—leading consumers to accept an in-house product without considering alternatives. To counter this, the rules require firms to show consumers how their offered annuity compares to other market rates and encourage them to shop around. A similar risk arises when firms suggest their own products through targeted support, and the FCA could consider whether an adapted version of the annuity prompt—such as a requirement for firms to encourage consumers to consider alternatives—might be appropriate where in-house products are being suggested.

At the same time, the regulatory environment has evolved considerably since the annuity prompt rules were introduced. Firms are now subject to Consumer Duty obligations to deliver good outcomes, ensure products represent fair value, and avoid foreseeable harm, alongside conflict-of-interest rules under SYSC 3 and SYSC 10. Additionally, the forthcoming Value for Money (VfM) framework will enhance scrutiny of pension product quality, further reducing the risk that firms push consumers into poor-value solutions. While no regulatory framework can eliminate all risk, these combined protections should significantly reduce the likelihood of poor practices.

We believe that targeted support can enhance consumer decision-making without undermining competition, provided these regulatory safeguards are applied rigorously. If targeted support is seen as a tool to empower consumers—rather than a mechanism for product distribution—it can deliver the better outcomes that both the FCA and the industry are seeking.

2.11.3.4 **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.**

We do not believe that introducing targeted support is likely to fundamentally alter the competitive dynamics of the market for consumer support, particularly within pensions. The pensions market is already heavily concentrated, with a small number of large providers servicing the majority of members and, increasingly assets, and targeted support is unlikely to significantly disrupt this landscape in the near term. The FCA's own assessment notes that providers primarily expect to use targeted support to enhance their service to existing customers, rather than as a tool to compete for new business. This aligns with our own research, which found that firms largely view targeted support as a way to improve engagement and retention among their existing customer base, rather than as a driver of new customer acquisition.

While the introduction of free-at-the-point-of-use models by larger, vertically integrated providers could further entrench their market position, we believe the impact on competition is likely to be limited. Consumers are already inclined to remain with their existing pension provider due to inertia and trust in familiar brands. Targeted support may reinforce these dynamics, but it is unlikely to represent a significant departure from the current reality. Instead, its greater contribution is likely to be in helping those consumers make better-informed decisions within the arrangements they already hold, rather than driving significant shifts in market share.

Moreover, the introduction of targeted support should be seen as part of a broader evolution towards an ecosystem of financial help and guidance that meets consumers where they are. The real competition challenge lies not in targeted support itself, but in the wider question of who consumers will ultimately trust to provide them with help and guidance. Consumers already turn to social media, friends, family, and AI-powered tools like ChatGPT for financial reassurance, often because these sources feel more accessible and non-judgemental than traditional financial services. The bigger strategic question for the industry is whether it can evolve to occupy that trusted role in consumers' lives—targeted support is a potential enabler of that shift, but it is only one part of the picture.

Ultimately, the competition impact of targeted support is likely to be modest. It may reinforce existing relationships between providers and their customers, but it is unlikely to meaningfully change market structure on its own. The greater prize is not reshaping market share but empowering millions of consumers to make better financial decisions. With that goal in mind the success of targeted support should not be judged by whether it disrupts market concentration, but by whether it helps consumers to achieve better outcomes—and, in the longer term, whether it gives them the confidence to expect and demand better from the market as a whole

2.11.3.5 **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?**

We believe that many providers will see targeted support as a genuine commercial opportunity, provided the regulatory framework gives them the confidence to invest in developing sustainable, scalable models. In our research with providers, the majority viewed targeted support not simply as a compliance requirement, but as a tool to strengthen customer engagement and support their broader strategic aims.

For vertically integrated providers, targeted support is likely to complement existing customer journeys, helping to prompt consumers towards better outcomes within their existing pension products while also encouraging deeper engagement with other services the provider offers—potentially including guidance, hybrid models, or regulated advice. These firms see targeted support as a route to improving retention and strengthening lifetime relationships with customers, particularly as Consumer Duty increases the focus on ongoing engagement and outcomes.

For platforms, advisers, and wealth managers, targeted support is seen as a potential bridge between disengaged clients and more tailored advisory services, particularly for those with lower pension savings who might not otherwise meet the firm’s advice thresholds. Several firms we spoke to suggested that targeted support could underpin new commercial models, such as subscription-based guidance offerings, or tiered service models that extend support to a broader range of customers without requiring full advice.

Banks, by contrast, were the most sceptical about the commercial opportunity, reflecting their lower-margin pension offerings and preference for digital-only interventions. However, even among banks, there was an appreciation that better digital engagement through targeted support could strengthen broader customer loyalty, particularly as banks increasingly position themselves as financial hubs for their customers’ wider needs.

While firms see the potential for targeted support to align well with their business strategies, a key concern raised across all types of providers is whether they will be able to reach consumers at scale, particularly digitally, without breaching PECR regulations. Providers were clear that targeted support will only deliver its full potential if firms can proactively prompt disengaged customers at the right time. If direct marketing rules continue to restrict this kind of outreach, the commercial case for investing in targeted support may be weakened, and its consumer impact significantly reduced.

Ultimately, targeted support is seen as a tool that could enable providers to meet both regulatory expectations and commercial objectives—reducing the risk of poor outcomes under Consumer Duty while improving retention, deepening customer relationships, and expanding support into parts of the market that have traditionally been underserved.

However, firms were also clear that the commercial opportunity will only be realised if the framework is designed in a way that gives them confidence to invest, particularly in relation to liability concerns, data use, the boundaries with advice, and their ability to engage consumers proactively. Without this certainty, providers may instead view targeted support as a regulatory risk rather than an opportunity, leading to more limited adoption and a reduced impact on consumer outcomes.

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