

FCA

Financial Services
Consumer Panel

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By email: targetedsupport@hmtreasury.gov.uk

Dear HM Treasury,

Financial Services Consumer Panel comments relating to the Targeted Support Policy Note and Draft Statutory Instrument

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to provide comments relating to the HM Treasury's targeted support policy note and draft statutory instrument (SI). We are an independent panel, established by statute, that represents the interests of consumers of financial services including both individuals and small businesses. Our focus is on the outcomes and impacts to these stakeholders. Because the industry has had significant input into these proposals, we believe that it is extremely important that HM Treasury receives feedback from those who represent the interests of the intended recipients of Targeted Support (TS). Please also refer to our response to FCA CP 25/17: Supporting consumers' pensions and investment decisions: proposals for targeted support¹.

The Panel appreciates the efforts made by HM Treasury and the FCA to provide new avenues of support for consumers who may not be benefitting from the currently offered services - guidance or financial advice. The Panel has commissioned research² that found that there are several steps that consumers take in order to make a financial decision. The participants in our research viewed TS as a helpful step in this process.

Furthermore, even if a consumer does not act on a specific TS suggestion when it is presented, the Panel also highlights the potential long-term value of TS. Research shows that, across their financial lives, consumers are looking for credible information on which to base their financial

¹ [FCA CP 25/17: Supporting consumers' pensions and investment decisions: proposals for targeted support](#)

² [When Life Happens - Understanding financial advice needs through Life Triggers](#)

decisions. Presented properly, TS can act as a valuable resource to help consumers build the requisite knowledge and confidence to make good decisions when needed.

However, the results of research studies³, including ours, also point to concerns relating to the delivery of TS. We believe that these must be addressed in order for TS to be successful - for consumers, for the industry, and to support the achievement of the government's growth objectives.

The Panel believes that key research findings indicate that:

- Consumers may view TS suggestions as primarily motivated by recommendations that generate profit for a firm rather than for the benefit of consumers, unless they are presented in a transparent and unbiased manner.
- Consumers often want alternatives to be presented, so that they can make an informed choice.
- Consumers expect to see information about the potential risks, so that they can confirm that the suggestion falls within their risk appetite.
- Consumers would like to be provided with further information about resources they can use to make their financial decision(s).

Therefore, we offer the following comments and suggestions:

- Paragraph (3) (b) (ii) is much more product oriented than has been indicated in prior consultations. The Panel is concerned that this will lead firms to use TS only to sell products rather than to recommend generic actions that are more appropriate for a consumer cohort. To counteract this, we believe that (3) (b) (ii) (cc) could be added to cover recommendations to *take any other action that impacts, or could impact, a consumer's financial situation*.

The Panel also proposes the following additions to paragraph (4); the statement made by P must:

- include a description of any potential conflicts of interest P may have, such as the form and amount of remuneration that would be earned if the individual follows the recommendation.
- present viable alternatives to any product recommended.
- explain the risks associated with the suggestion, including but not limited to inflation, market volatility, liquidity, interest rate, and credit risks.

³ [Research Note: Reading between the lines: understanding of targeted support in retail investments | FCA](#)

- signpost to independent external resources, such as the Money and Pensions Service (MaPS) for additional information.

The Panel is also concerned by paragraph (5), for two main reasons:

1. We think the ambition should be that the statement is always provided at the same time as the recommendation to help ensure consumers are provided with the information they need to make an informed decision. Providing the statement at a later point may not have the desired effect if in practice consumers have already decided to follow the recommendation by the time they see it. However, we recognise there could be situations where it is not possible to provide the statement and recommendation at the same time. Where this is the case, the statement should be provided as soon as reasonably practicable. We also note that, as the draft SI currently stands, there's nothing to stop the statement being provided after the suggested transaction takes place. We suggest paragraph 5(b) is amended accordingly to address each of these concerns.
2. As noted earlier, the research indicates that consumers view TS as a stepping-stone in their journey of making a financial decision. Therefore, the Panel believes it is imperative that the consumer is provided with sufficient time to assess whether the suggestion is right for them, and they should not be pressured to make a decision. There is nothing currently in the draft SI that protects consumers from this: we consider this protection should be expressly set out.

The Panel would also raise one other point. The SI does not seem to preclude firms from making multiple suggestions in a single TS message. Because we have not seen any research including this as a possibility, the Panel would like HM Treasury to either consider whether this is appropriate and / or to sponsor research to identify any implications related to this approach.

In conclusion, the Panel believes that TS can be beneficial to consumers, as long as it is presented in a manner clearly designed to help them make the best financial decisions and / or to further inform them about important financial concepts. We believe that these suggestions help to do this by mitigating some of the key concerns raised by consumers. The Panel believes that addressing these concerns is essential to the success of the strategy.

Yours sincerely,

Chris Pond

Chair, Financial Services Consumer Panel