Email: enquiries@fs-cp.org.uk

8 March 2026

By email: vfmconsultationpaper@fca.org.uk and VFMFramework@tpr.gov.uk

Dear Sir/Madam,

Financial Services Consumer Panel response to FCA CP26/1 The Value for Money Framework: Response to consultation, further consultation and discussion paper

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to the FCA's consultation paper (the CP) titled The Value for Money Framework: Response to consultation, further consultation and discussion paper. We are an independent panel 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.

We have provided responses to the questions in the consultation in the Appendix, but we would first like to highlight the following comments.

The Panel very much welcomes the FCA's intention to improve outcomes for pension savers by establishing the Value for Money Framework (VFM). We agree that it is likely that employers have historically focused primarily on the costs of arrangements, with the saver outcome assessment falling largely within that pre-established context. The VFM framework provides an opportunity to revisit the priorities and to change the focus to the benefit of the key stakeholders – the savers participating in these arrangements.

We also agree that, in some cases, the full range of investment risks (and therefore opportunities for improved outcomes) are not necessarily factored into investment decisions made by the providers of the arrangements, as there is little pressure to do so. For example, the perception that bonds are safer than equities does not necessarily hold true in a rising interest-rate environment. The VFM approach should now also encourage greater optimisation of these decisions.

However, we are very concerned that the strong underlying message of this CP, the need to encourage arrangements to allocate a material portion of savers' assets into higher-risk investments, without adequate consideration of the risks,

may reduce or eliminate the potential benefits of the VFM framework, and in possible scenarios, may even cause significant harm to savers.
Our concerns are as follows:

- There seems to be a presumption in this CP (and the prior consultations) that the equity market will only go up. While this may be a reasonable assumption over the long term, historically, and even recently, that has been demonstrated to be false during sometimes extended periods[1]. The market can decline materially. For savers who need to access their pension during these times, this can be life-changing. Similarly, savers who contribute large amounts during peak times can also have their assets eroded to a point where it is a real challenge to recover. This may inhibit rather than encourage growth, since some investors who experience these declines will never take the risk to invest again.
- Whilst significant gains are possible when investing in start-up companies, these companies are also the most likely to fail, which generally means a loss of most, if not all, of the amount invested. Furthermore, investments in start-ups are only meant to be long-term investments, as they can be illiquid for years. They are also notoriously difficult to value, which may lead to unrealistic return expectations.
- There is considerable attention relating to the current challenges faced by private equity and private credit to exit their investments.[2,3] These investments are not a sure thing and are also likely to be illiquid.

We do not believe that this CP has factored in these risks in either the VFM metrics or the CBA. Both should be revised to include a scenario or scenarios with a market downturn.

The Panel is also concerned that this CP does not address the risk that arrangements will compete to have the highest return, leading to inappropriate investments that have risk levels that do not best serve their savers across the cycle of accumulation and decumulation.

The Panel is also concerned that the pressure to increase returns will discourage cautious trustees or members of IGCs due to conflicts with the expected approach. This will leave the trustees who have a higher risk appetite with greater influence, which may then also lead to an asset allocation that does not best serve their savers / members.

In order to mitigate these risks, the Panel believes that the FCA and TPR should implement the following:

- Monitoring arrangements with higher return levels for inappropriate investing and taking action when the risk profile is not commensurate with the objective or overall risk appetite.
- Monitoring resignations of trustees and IGC members.

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[1] FTSE all share index
[2] The Private Equity Market Has Stalled — And There's No Easy Fix | Institutional Investor
[3] Private Credit Firms Sell $15bn Debt to Themselves

- Carefully assessing that any arrangement that is protecting their savers from a potential downturn is not being penalised for
- being of low value.
- Adding a step before a mandatory transfer to seek the approval of savers / members by a majority vote.

We do not disagree that a balance of various asset classes is generally helpful for improving the value of pension arrangements, and we are also supportive of the stance to increase investment in UK companies for growth. However, the Panel does not agree that imposing inappropriate risk on pension savers is a good long-term growth strategy. To alleviate this, we would suggest that serious consideration be given to providing savers in these arrangements with a minimum guaranteed income based on their contributions, with the possibility of a profit share on top, depending on performance. We believe that this will encourage arrangements to invest appropriately for the long term. And we also believe that savers will be much more inclined to make larger contributions, which then can be used to further grow the UK economy.

Yours sincerely,

Chris Pond

Chair, Financial Services Consumer Panel

Appendix

Question 1. Do you have any comments on the proposed scope? Do you believe any further exemptions should be considered?

We fully agree with the intention to ensure that pension savers receive value for money. Therefore, the Panel supports this initiative. We understand and agree that savers are not actively engaged with default arrangements, which may mean that these arrangements are not being held to an appropriate standard. We also recognise that it is easier to standardise a comparison of default arrangements than it would be to compare arrangements with differing objectives.

However, as we stated in our response to CP24/16, further consideration needs to be given to ensure that savers in arrangements that are not in scope are not disadvantaged vis a vis savers in in-scope arrangements (noting that individual savers may belong to both in- and out-of-scope arrangements). We are not convinced that all out-of-scope arrangements are delivering value for money for pension savers over the long-term.

Therefore, we encourage the FCA and TPR to monitor all schemes within their respective scope to ensure that there is not a divergence of value for money for some and not for others.

Question 2. Do you have any comments on our proposals in relation to unlinked members? Do you have any preference with regard to the options suggested? Are there alternative options you would like to suggest?

The Panel believes that all savers should be receiving good value for money; therefore, we think that all arrangements should be captured, regardless of whether there are unlinked members. We are not clear why there is a threshold for treatment as a quasi-default arrangement. We would like to see the FCA analysis of the outcome of the proposals on both included and excluded members of the use of this methodology.

Question 3. We do not think this situation would arise for trust-based schemes. Do you agree with this understanding?

No response.

Question 4. Do you agree with this proposal for transferred members? Why or why not?

The Panel is concerned that the ability to transfer members without consent could have negative unintended consequences. Therefore, we expect arrangements to inform their members and to seek consent whenever possible. Members should be able to decide whether or not the current arrangement is poor value but is in accordance with their risk appetite, and they should also have a say as to the choice of the recipient arrangement, to ensure that it reflects their risk appetite. We are also troubled by the statement that "in order to prevent workplace savers being moved without their consent into arrangements which are out of scope of VFM, we propose that receiving arrangements should automatically be considered as a default arrangement for the purposes of VFM where they have at least 1 such member." We may misunderstand the intention, but we believe that it's critically important that self-select investors within the same employer arrangement as a transferring default scheme are not transferred into the default scheme without their consent. The FCA must expect to monitor any transfers where members do not consent to ensure that there are no unintended consequences that have the potential to harm consumers, either financially or emotionally.

Question 5. Do you agree with our proposed exemptions for contract based arrangements? Why or why not?

The Panel agrees that the proposals appear to be reasonable. We would suggest that it is made clear that if the proposal to transfer is withdrawn or if no progress is made by the next yearly cycle that the arrangement must submit an assessment for the prior cycle as well as the next one.

Question 6. Do you agree with the proposal to use arithmetic averaging instead of geometric averaging? Why or why not?

The Panel notes that the example provided in paragraph 3.7 highlights that the FCA's calculation proposal to use arithmetic averaging does not provide a true reflection of the value for money, as several factors, such as the timing of the annual investment return will impact the outcome. Therefore, we reiterate our prior Panel proposal to consider using the Internal Rate of Return (IRR). To potentially address the concerns, we suggest that the FCA provides examples of various methodologies so that respondents have a clear view of the calculation that provides optimal information.

We agree with the FCA that 1-year data is important for the reasons given and do not agree with those respondents who think that this should be removed. We can accept the removal of the 15-year requirement. However, we firmly believe that the 10-year requirement is mandatory unless the data doesn't exist. It should not be based on firm's determination of whether it is reasonably practicable to provide.

The Panel is not clear as to the reasoning for not including a cohort between 5 and 30 years to retirement. We understand that this may be due to the FCA's expectation that default arrangements may change asset mixes at these points. However, we believe that the FCA must have done research to confirm that is the case for the majority of arrangements, and to confirm that there are not material changes between the 5 and 30-years to retirement stages.

Question 7. Do you agree with our proposed disclosures to facilitate comparisons between multi-employer arrangements with variable charges? Why or why not?

The Panel agrees that the minimum and maximum value of investment performance net of all costs and charges is more helpful than the range to facilitate comparisons. We would also agree that the median should be for the median saver rather than the median by employer, although we could see the value of providing information for both.

Question 8. Do you agree with our suggested approach for mapping the performance of TDFs with multi-year cohorts for the purposes of deriving the relevant performance data?

The Panel does not disagree with the approach; however, the rationale in the example for target date funds (TDF) containing the 5-year cohort is not clear. Using X-2 to X+2, it seems that the annual performance metric for the years 2023 and 2024 would be that for 2025 rather than 2030. It would be helpful for the FCA to explain this in more detail.

Question 9. Do you agree with our proposed risk metrics? Why or why not?

The Panel agrees that the approach seems reasonable; however, it would be helpful for the FCA to provide examples of the results of the previously proposed and currently proposed methodologies for comparison purposes.

Question 10. In light of the role that total costs and charges play in the calculation of net performance, we would be interested in views on whether chain-linking should be applied to costs and charges or if there are alternative suggestions that achieve more accurate reporting of net performance?

The Panel agrees that there is validity to the concern that chain-linking costs and charges could distort the overall picture of net performance from a previous to new arrangement as noted in paragraph 3.29. However, to exclude costs and charges could distort any comparisons between arrangements. In light of the complexities, we believe that chain linking should be applied and disclosure of the issue might be the best approach.

Question 11. Do you agree with our proposals for chain-linking? Why or why not?

The Panel is concerned with the proposal of not requiring chain-linking where arrangements from two different firms are to be merged. We take the view that this might mask poor performance for one firm being affected by good performance of another, where one delivers improved value, but the value delivery of the other declines.

The proposed chain-linking exception for transfers to an existing in-scope arrangement that has been in existence for three years carries the same risk.

If the FCA moves forward with these exceptions, we strongly recommend that the FCA review the post-merge view of a chain-linking scenario compared to a non-chain-linking scenario to ensure that there are no unintended consequences.

Question 12. Do you agree with our proposals relating to legacy arrangements? Why or why not?

The Panel agrees that where an arrangement has special features, these should be clearly disclosed. We do not have any immediate objections to the proposed approaches; however, we urge the FCA to monitor any impacted arrangements for unintended consequences relating to the VFM assessment and the possible outcomes relating to the information provided. We also suggest that the FCA should further explore the approaches with a sample of these arrangements prior to finalising associated policy and / or guidance.

Question 13. Do you agree with the proposed FLM disclosures and the use of own assumptions? Why or why not?

Whilst the Panel is not necessarily opposed to the inclusion of forward-looking metrics (FLM), we are very concerned with the lack of standardisation applying to the methodology. We believe that the risk of misinformation and the likelihood of ineffective comparability leading to poor decisions is much more problematic than the risk of herding. We remain particularly concerned with an open valuation approach for non-listed assets, which will be an ever-increasing issue in these arrangements, as it is clear that a driver for the framework is to increase the investment in private assets by these arrangements. Whilst it may be difficult to determine detailed standardised methodologies, we urge the FCA to identify general approaches that can be defined and implemented. For example, we would expect private assets to be valued periodically by professionally licensed independent experts.

Question 14. Do you agree with the proposed requirement to obtain and consider external advice? Why or why not?

and

Question 15. Are the proposed guardrails sufficient to reduce the risk of gaming and ensure the FLMs disclosed are credible for use in the assessment process? If not, what alternatives/ additions would you propose?

Whilst helpful, the Panel is not confident that the proposed requirement to obtain and consider external advice is sufficient. We agree that disclosure as to who provided the advice will encourage more honest use of that advice and provide the ability to determine whether the advisor was properly qualified to do so. However, we are still concerned that the arrangement will have the ability to influence the assumptions and the outcomes, or to consider but not apply them. Unless this is disclosed (which we believe could also be problematic), there would be no assurance that the arrangement has given proper consideration to the advisor's assessment or that the advisor applied the proper skills and diligence to the assessment. Independent validation or certification will provide a greater comfort level that the expert is standing behind their opinion, because of their own exposure and legal liability, which will give much greater confidence in the assessment. Lastly, given that there is no certainty in this process, we believe that it will be very difficult to supervise or enforce questionable behaviour. We do not necessarily expect that an independent assessment must be undertaken every year, but it should be often enough to ensure that any material deviations will be suspect and can be addressed in a reasonable timeframe.

Question 16. Do you foresee any difficulties in reporting this data? If yes, what specifically?

Based on the DWP report[4] referenced in paragraph 4.6, it appears that providers are generally able to report asset allocation data. However, once again we raise a concern relating to non-listed assets. The report indicates that less than 2% of assets in the 30YTR cohort are non-listed. Given that there is significant pressure for providers to increase these assets, non-listed assets are likely to make up a larger percentage going forward. Approaches to the valuation of non-listed assets can vary dramatically, which would then have a significant impact on reported asset allocations. We believe that the FCA must provide specific guidance as to the methodology for their valuation.

Question 17. Do you agree with our proposals for disclosing employer subsidies? Why or why not?

The Panel agrees that the disclosure of employer subsidies provides important information. We accept that the variety of these subsidies may not easily be factored into the assessment, therefore, we agree that they should be presented in the features table and should be explained in the Assessment Report. If the FCA finds that there are distinctive subsidies that are particularly helpful for decision making, guidance or rules to disclose them should be implemented.

Question 18. We are aware that profit share and with-profits distribution can follow some time after the performance to which they relate. We have considered whether there would be benefit in apportionment, linking the share/ distribution to the period to which it relates. We would be interested in views on this.

The Panel takes the view that apportioning the share / distribution to the period to which it relates will provide a more accurate picture of the arrangement's value for money at each point and over time.

Question 19. We would like to include 'Payments out as retirement income' as a key transaction. We are aware that some individuals approaching retirement may request payment at a future date, hence our request for data based on requests for immediate payment. We would be interested in views on whether our proposed measure above would provide a reasonable measure.

The Panel agrees that individuals approaching retirement may be exploring their options and / or may request payment at a future date; therefore, we agree that requests for immediate payment is an appropriate metric. However, we also believe that payments instructed for the future should also be captured at the scheduled time of payment. To address both, it may be more appropriate to capture payments made in accordance with the date instructed by the individual.

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[4] [The Pension Provider Survey 2024/25 - GOV.UK]

Question 20. We would be interested in views on whether the payment of Pension Commencement Lump Sum should be a transaction included in this section.

Yes, the Panel believes that payment of a Pension Commencement Lump Sum should be included as a key transaction within the promptness and accuracy of core financial transactions metrics.

Question 21. Do you have any comments about our proposal to collect complaints data at the level at which the same service is experienced? Do you agree with our proposed definition of a platform?

The Panel agrees that collecting complaints data at the same level at which the service is experienced is appropriate. This will align the most closely with saver expectations. Although we do not disagree with the proposed definition of a platform, we believe that it could be made simpler and clearer, for example, "the system accessed by savers to monitor and manage their pension".

Question 22. We would be interested in views on whether our proposed approach to negative perception metrics will provide relevant data to indicate saver concerns.

The Panel fully supports the capture of the complaints data described in paragraph 7.9 of the CP. We would also suggest that it might be helpful to explore the provision of information about the top 3 complaint themes.

Question 23. Does our revised approach to engagement metrics seem appropriate? Additionally, we would be grateful if you could provide us with an explanation of what surveys/data gathering exercises you currently undertake for member engagement. If you would be willing to share a copy of your member engagement survey(s) with us, please tell us.

The Panel is surprised that it is a challenge to agree engagement metrics, but if this is the case, we also agree that it may be helpful to source currently used metrics from firms, so that the FCA could then form a proposal. However, these metrics alone may not be meaningful; it would be helpful to understand the story they tell (if any). Furthermore, they must focus on good outcomes for savers rather than for the firm. In addition, as we suggested in CP24/16, we urge the FCA to gather potential metrics from other sources, e.g., academic or marketing research, consumer groups, or from direct testing with savers. The member engagement survey must then be tested on consumers to ensure that it is fit for purpose. The Panel agrees that the survey is not necessary at launch; however, we believe that it must be available during the first year of the Assessment.

Question 24. We welcome feedback on our revised proposals for engagement metrics and how that engagement generates specific outcomes.

The Panel agrees that nomination of a beneficiary is an important engagement metric, so is a good starting point. To develop further metrics, we suggest that saver contacts are captured by channel – on-line platform, chatbot, email, phone, in person, etc. and that for each channel, the purpose of the contact is identified. The more data that is captured in this regard, the greater the ability to identify what best leads to saver engagement and may also indicate what discourages engagement. For example, if a saver starts with a query on-line but then resorts to a phone call, there is an indication that the on-line approach might require improvements. This approach can also identify if there are saver vulnerabilities that must be considered. We would be very surprised if the provider is not already capturing this information (although it may not be completely standardised across the industry).

Question 25. Do you agree with our proposal for comparisons against a commercial market comparator group and the criteria for it? Why or why not?

The Panel fully supports the proposal for an online database disclosing relevant metrics for all in-scope arrangements. We also understand the potential benefits of a commercial comparator group for consistency and a degree of standardisation. However, we do have serious reservations that a commercial comparator group could lead to herding and the favouring of large arrangements to the detriment of the long-term value preferences of savers. We believe that the availability of the online database should provide an excellent source of information for also assessing how well the trustees or managers choose their comparators. The Panel suggests that the commercial comparator group is delayed until a determination can be made of whether the utility of the online database, without the commercial comparator group, is effective and sufficient.

Question 26. Do you agree with our proposed approach to comparisons for different types of arrangements? Why or why not?

As noted in our response to Question 25, the Panel is not confident that the proposals relating to a commercial comparator group are helpful. The explanations in the table in paragraph 8.14 provide further concern as this reads as overcomplicated without a clear value. We believe that this proposal should not be implemented until further investigation and analysis takes place to ensure that a commercial comparator group approach is practical and provides commensurate value to decision making.

Question 27. Do you agree with the approach for weighting of BLMs and FLMs? Why or why not?

The Panel does not disagree with the approach for weighting backward-looking and forward-looking metrics. However, we would suggest that forward-looking metrics are first weighted by the IGC or trustees according to the probability of their expectations of the predicted forward-looking performance.

The Panel also suggests that it is an imperative that the FCA model various economic scenarios and the impacts of these approaches prior to implementation. If unintended consequences surface, it is far better to address them before implementation than when assessments are being made against the metrics.

We also note that paragraph 8.24 is the first time that risk has been mentioned as an investment performance metric. This is key and should be more seriously considered as a factor in the value for money assessments. High-risk investments may lead to higher returns, but they also often lead to lower returns or a complete loss of capital.

Question 28. Do you have any feedback on the proposed approach in option 1? What improvements or changes would you suggest?

The Panel appreciates that the FCA has stated that the option 1 approach should consider the savers in the arrangement as well as risk metrics. This is critically important as savers are likely to have different risk appetites. Saver risk appetite should be considered as an additional metric by which to assess the arrangement's value for money. The Panel also believes that the arrangement should consider the size of contributions into the arrangement by savers. Savers who are contributing a higher share of their earnings may well have a lower risk appetite.

We also believe that it may be helpful to view "material differences" from the perspective of standard deviations, as in normal circumstances, we would expect that the data from the central VFM database would be normally distributed. If it is not, we believe that the FCA should have a mechanism in place to identify and analyse the reason(s). We would be particularly interested in this analysis if the distribution is clustered at the high end.

Please also refer to our response to Question 27.

Question 29. Do you agree with the proposal for the composite metric in option 2? Why or why not? Is it helpful for considering value? If so, is equal weighting appropriate for the composite metric or what alternatives would you suggest?

and

Question 30. Do you agree with the proposed composite comparison figure in option 2? If not, what do you think the composite metric or the FLMs should be compared against?

and

Question 31. Do you have any feedback on the proposed approach in option 2? What improvements or changes would you suggest?

The Panel is not convinced that a composite metric giving equal weight to backward and forward looking metrics is appropriate or helpful. We would be very concerned that it could be gamed or influenced. We also note the FCA's concerns described in paragraph 8.43, which we agree are valid and problematic.

We also believe that the variety of future scenarios considered as part of the calculation will have a material difference on comparability. We suggest that the FCA might address this by providing standardised economic scenarios on which to base the calculation.

The Panel's view is that, if the FCA's proposals are taken forward, the risk-adjusted returns approach is preferable, as is the use of a range of long-term capital market assumptions. Although we do not object to the inclusion of the composite metric, it should not be the starting point, as that will set a psychological benchmark and is likely to influence all further perceptions. We would prefer a starting point that consists solely of objective and verifiable data.

At a minimum, this approach should be examined in the context of a sample of current arrangements before implementation to identify and address any unintended consequences.

Question 32. Do you agree with the proposed guardrails? Do you believe other guardrails would be appropriate?

The Panel agrees that there is a high degree of responsibility for IGCs and trustees to take their responsibilities seriously. Failure to do so should result in negative consequences. We also agree that an external third-party opinion should be helpful, but as we explained in our response to Question 15, given that it is not mandatory to follow, we still believe that issues around forward-looking metrics remain. There will be significant psychological pressure to present the best picture, and human beings are often able to justify their behaviour, especially if there are no immediate consequences. As we suggested in our response to Question 15, we strongly believe that independent validation or certification is the most reliable approach that will address the concerns.

Question 33. What is your preferred proposed approach to step 1: option 1 or 2? Why?

and

Question 34. Do you agree with the proposed use of FLMs in step 1, alongside BLMs? Or should FLMs be considered in a different way in the assessment process?

The Panel's preferred approach to step 1 is option 1. We agree that it is helpful to look at both backward and forward-looking metrics; however, we do not agree that a composite metric, as proposed in option 2 is the right approach. This is primarily due to the reduction in objectivity that would be introduced into the assessment by option 2.

Please refer to our responses to Questions 27 to 31 for further detail.

The Panel strongly urges the FCA to investigate these proposed approaches with a sample of arrangements to identify if there are any unintended consequences. Whilst we understand and agree with the desire to achieve the highest value for money for savers, we are also very aware that some savers may be distressed if they become aware that their arrangement is not providing value for money, especially if that is due to the arrangement taking a cautious approach to risk that is actually welcomed by the savers. We also expect the FCA to consider the impact on trustees and IGCs if they feel they are violating conduct rules because of the need to take risk that they feel is not in the best interests of their savers. Furthermore, this highlights the importance that trustees and IGCs must be vitally aware of and properly address any potential conflicts of interest. The FCA should also factor this risk into their oversight.

Question 35. Do you agree with the proposed approach to considering service value in step 2? Why or why not?

No, the Panel is not comfortable with the proposal for considering service value. We believe that only including it as a mechanism to downward rate an arrangement's value sends the wrong message. There should be a strong incentive for the industry to provide the highest level of service, not the minimum acceptable level. Given that the industry cannot agree on a set of service metrics, the FCA should consult with consumers to define these.

Question 36. Do you agree with the proposed approach to considering overall value in step 3 and rationalisation? Why or why not?

The Panel very much appreciates that member demographics and special features / safeguarded benefits are considered at this step to assess overall value, as it could have a significant effect on the perceived value of the arrangement. We also agree that IGCs and trustees should be able to use other contextual information to determine the value outcome. However, the FCA must monitor this step closely to ensure that arrangements are not using the rationalisation step to justify a value outcome that would not be the conclusion reached by reasonable others. We also raise a concern that there is now pressure from the government for the inclusion of higher risk assets in arrangements; in fact, this is clearly an expected outcome of the VFM framework. The Panel believes that there should be a mechanism for trustees and IGCs to raise concerns with the FCA if they feel that government encouragement to tolerate greater risk might jeopardise the performance of the arrangements under their management and therefore conflict with their fiduciary duty.

Question 37. Do you agree with the proposed updated RAGG ratings? Why or why not?

The Panel agrees that adding the light green rating is helpful, as it provides a greater level of information and nuance for what will probably the largest number of arrangements. It will also make it somewhat easier for IGCs and trustees to decide where arrangements lie on the continuum, thereby supporting a better understanding of the level of change that is needed for the arrangement to improve to better support savers.

Given that it appears that the FCA expects the rating of the arrangements to form a normal distribution, once again, the Panel asks the FCA to provide information as to what actions it plans to take if that is not the case, as we suspect that it may not be.

Question 38. Overall, do you agree with the assessment process we have outlined above? Why or why not? What changes would you propose?

The Panel is supportive of the approach proposed by the FCA in the event of disagreements between the IGCs or trustees and the firm. We are of the view that most disagreements are likely to arise due to different individual risk appetites, which may well be completely legitimate. The FCA's expectation of the firm to provide thorough counterarguments, combined with dialogue between the parties should resolve most disagreements. In the event that is not the case, the FCA acting as final arbiter provides certainty.

We are disappointed that ESG metrics are not included in the value for money assessment at this time. However, we believe that it is an imperative to do so once the appropriate metrics crystallise, and we expect the FCA's policy statement relating to ESG ratings and expected to be issued in Q4 2026 to provide essential details. That should trigger the review of the relevant value for money metrics with the goal to include ESG metrics. In the interim, we believe that arrangements should be able to add narrative explaining their ESG considerations into their value for money assessment, as this will be a critical consideration for some savers.

We agree with the FCA's approach to bespoke arrangements, given the potential complexity and the possibility that the costs of a detailed assessment for each arrangement might outweigh the benefits. However, we also believe that the FCA should periodically review a sample of these arrangements to ensure that the savers are not being disadvantaged because of this.

Question 39. Do you agree with the proposed transfer requirements for red rated arrangements? Why or why not?

On the face of it, the proposed transfer requirements appear to be in the best interest of savers. However, as explained in paragraph 68 of the CBA, the Panel is concerned that an underlying motivation for this might be largely to encourage the members of these arrangements into consolidation arrangements that invest in a greater percentage of higher risk investments. If this is demonstrably the case, the Panel believes that members should be given the ability to vote on the transfer, first from the perspective of whether they agree that the current arrangement does not meet investment performance expectations but is in accordance with their risk appetite, but also from the perspective of agreement to the choice of the recipient arrangement, which may or may not reflect their risk appetite.

We do agree that the employer(s) and respective regulators should be informed of any amber or red-rated arrangements, as this will give them the ability to investigate for unintended consequences prior to any action being taken. They should be given full details of the assessment and a clear explanation of the reasons why the arrangement is rated as poor value.

Question 40. Do you agree with the actions proposed for not value arrangements? Why or why not?

The Panel agrees that the IGC / trustees of an amber rated arrangement must prepare an improvement plan to identify the approach to improving the value of the arrangement, and it seems reasonable that a red-rated arrangement would require an action plan that requires precise and immediate actions to improve the outcomes for savers, including transfer to another arrangement if that is the conclusion of the stakeholders. We do appreciate the proposal that if the IGC or trustees determine that a transfer to another arrangement is not in the best interest of savers that this is not mandatory. Given that the regulators will receive these plans, we have an expectation that the regulator will have the ability to accept, reject, and / or make recommendations to either the improvement plan or the action plan. They should also be able to further investigate any concerns that they might have.

Question 41. How should firms and trustees provide data to the central VFM database? E.g machine-readable flat file, file transfer, webform, direct API etc.

No response

Question 42. Do you agree with our proposals for the central VFM database? Why or why not?

The Panel supports the proposal for a central VFM database. We firmly believe that access should ultimately be granted to the public. In that light, we strongly suggest that the FCA include consumer testing as part of the deliberations on the structure, format, and content. The data and information must be presented in a way that is clear, not misleading, and understandable by consumers. Most importantly, the potential for unintended consequences, such as the possibility of consumer harm due to saver reactions to the information must also be factored into the approach.

Question 43. When in the VFM cycle should VFM data be made publicly available and why? For example, should data be made publicly available in March or in October alongside assessments?

The Panel understands and agrees with the concerns of making the VFM data publicly available once the data has been submitted but before the full IGC / trustee report is also available several months later. In the interest of transparency, our view is that the data should be made available, but this should be accompanied by prevalent disclosures that the data is available for transparency purposes and that conclusions or decisions should not be made without reading the full report which will be ready at a later date. It would be helpful to also provide mechanisms for readers to submit queries in advance of the report.

Question 44. Do you have any comments on the suggestion that firm/ IGC or trustees should also add a link to the final VFM assessment report on to the proposed central VFM database?

The Panel fully agrees with the suggestion that a link to the VFM assessment report must be included on the central VFM database. We do not believe that the data alone will convey a complete picture, and anyone making decisions about the value of the arrangement must also read the assessment report.

Question 45. We would welcome further comments on our proposals relating to the FCA Handbook.

The Panel agrees with the proposals relating to COB19.5 (both inclusions and exclusions), and we also agree with the proposal relating to accidental workplace SIPPs. We welcome the clarifying wording, as this will eliminate any confusion as to what is and isn't an accidental workplace SIPP.

Question 46. Do you have any comments on our updated cost benefit analysis? A new CBA will be produced in the next consultation phase, incorporating further feedback and any substantive market or policy changes.

The Panel does not have any comments regarding the changes described in the updated cost benefit analysis. However, we did not comment on the original CBA but do so now. As noted in paragraphs 67 to 68, we are extremely concerned with the drive to use the pension assets of consumers to drive growth without adequate consideration to the potential impact of market downturns. As we have witnessed recently and historically[5], increasing market returns is not a given. Furthermore, although private equity and private credit have been touted as high returns, the news is not so positive now, as many are struggling to exit their investments, potentially creating liquidity issues[6,7]. We believe that this must be considered in the CBA by including an additional scenario showing the impact of a market downturn.

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[5] FTSE all share index

[6] Private equity's doomsdAI moment

[7] Private Credit Firms Sell $15bn Debt to Themselves