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By email: [cp25-26@fca.org.uk](mailto:cp25-26@fca.org.uk)

Dear FCA,

**Financial Services Consumer Panel response to FCA CP 25/26: Consequential Handbook changes following the proposals in CP25/17**

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to the FCA's consultation paper on Consequential Handbook changes following the proposals in CP25/17. 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.

The Panel very much appreciates that a core intent of targeted support is to provide consumers, who might not already have access, with a means of help to make financial decisions. We recognise that many of these proposed Handbook amendments are intended to protect those consumers.

However, we also realise that it is early days, and it is not easy to anticipate how targeted support will actually work in practice. Whilst the Panel would like to think that most firms will act in the best interest of consumers, the Panel urges the FCA to ensure the following:

- The FCA must continue to support extensive consumer testing throughout the initial stages of implementation to ensure that consumers are best served by targeted support. This is particularly crucial where individuals are customers of more than one provider. If testing identifies that adjustments to rules and/or guidance is needed, the FCA should act quickly to close any gaps.
- Targeted support suggestions are likely to carry greater risk for consumers than personalised advice because there may be

unknown characteristics or issues; therefore, protections should be the same or greater than as for advice.

- Full transparency is key. Consumers must have access to complete and easy-to understand information relevant to the various facets of the targeted support suggestion. We believe that, for targeted support to be of the most benefit to the greatest number of consumers, targeted support must support informed risk-taking and financial literacy. Therefore, we believe that the FCA should mandate inclusion of viable alternatives to the suggestion, an explanation of all risks associated with the suggestion, full disclosure of all costs (direct and indirect), and any conflicts of interest.
- The Panel supports mandatory signposting to MoneyHelper / PensionWise. We believe that guidance from these will assist consumers in making sensible judgements in response to targeted support. However, until evidence demonstrates that it is effective and in the interest of consumers, we disagree that the FCA should mandate signposting to any non-independent targeted support solutions.
- Vulnerable consumers must be able to use targeted support; there must be provisions for those who might need accommodations for communications or support.
- The effectiveness of targeted support must be tracked and monitored and changes made when needed. This requires a separate category of reporting on all FCA product / service and complaints reporting.

The Panel are confident that, if these recommendations are followed, targeted support will achieve its intended objectives to provide significantly more consumers with help to make financial decisions. If these are not included, there is significantly greater risk that consumers will not engage.

In addition to these comments, we have responded to the questions in the attached Annex.

Yours sincerely,

Chris Pond  
Chair of the Financial Services Consumer Panel

## Annex

### **Question 1: Do you agree with the proposed amendments to the Glossary definitions? If not, please set out your reasons.**

The Panel does not object to the proposed amendments to the Glossary definitions of the definition of “distribute” in the Product Disclosure Sourcebook relating to Consumer Composite Investments and “marketing” in the Collective Investment Schemes Sourcebook.

We agree that the definition of “lifetime ISA charges” should not include charges relating to targeted support, consistent with the current rules relating to personal recommendations. However, we firmly believe that any current or subsequent and direct or indirect charges for targeted support must be clearly explained to consumers in the context of lifetime ISAs.

Whilst recognising that investments carry risk, the Panel is concerned about the proposed change to the definition of an Investor Compensation Directive claim to exclude the provision of targeted support where this would otherwise constitute an investment service. The rationale for the FCA’s proposed approach is not clear, but to the extent that it is because the existing definition of an ICD claim excludes personal recommendations, we think this may be misguided. Targeted Support is intentionally and clearly distinct from personalised recommendations. We believe that targeted support protections should be greater than when there is a personal recommendation given that the firm does not engage in the effort to obtain a holistic view of the consumer prior to making an investment suggestion.

As long as the FCA is confident that there are no implications for consumers, the Panel does not object to amending the definition of corporate finance business to exclude targeted support. We note, however, that there is pressure for expansion of consumer “access” to private debt; therefore, we urge the FCA to use extreme caution when carving out exemptions that may need to be reversed in the future.

### **Question 2: Do you agree with the proposed amendments to SYSC? If not, please set out your reasons.**

With one exception, the Panel accepts the proposed amendments to SYSC. We do not agree with excluding the relevant individual with managerial responsibility for the business unit carrying out targeted support activities as a material risk taker. Given that targeted support is intended to be a mass-market solution, we believe that, in most cases, the role will, in fact, function as a material risk taker; therefore, we see

no justifiable reason for excluding it, even though firms are still required to make their own assessment.

**Question 3: Do you agree with the proposed application of the rules on structured deposits and on TPPs in COBS 1 to targeted support? If not, please set out your reasons.**

The Panel agrees that COBS 1 should apply to all products / services that firms are including as a targeted support suggestion, including structured deposits.

The Panel believes that the consumer must be given accurate information about the identity of the firm(s) providing targeted support. This includes the firm directly providing the suggestion to the consumer (which must be clearly identified as the accountable party), as well as any other firms, including third party processors, that the consumer would want to be aware of.

**Question 4: Are there cases where a firm may need to carry out an appropriateness assessment in relation to a transaction recommended by another firm through targeted support? If yes, please provide examples.**

The Panel agrees with the position that a firm should not rely on any targeted support suggestion provided by another firm. Given that targeted support does not require a holistic understanding of the consumer, such reliance could easily miss critically important characteristics or issues.

**Question 5: Do you agree with the proposed amendments to COBS 9B.8 and COBS 9B.8A? If not, please set out your reasons.**

Ideally, the Panel would like to see targeted support provided to consumers based on a nominal cost, considering affordability, and at a cost that they would feel is value for money. There are clearly pitfalls with cross-subsidisation, and the Panel prefers that cross-subsidisation from client revenue streams should be directly related to the particular client, e.g., a client who takes up a targeted support solution to buy an investment incurs an additional charge on that investment. However, we recognise that is not always feasible; therefore, the next best option is for ALL clients to be fully informed about the funding mechanism of targeted support and the potential for them to be covering those costs even if they don't use it or see it.

Research by the FCA<sup>1</sup> and the Panel<sup>2</sup> has shown that consumers have a negative attitude about commissions; therefore, this charging structure is not optimal for the success of targeted support. The FCA must ensure that charges, including any commissions, are fair and reasonable and fully disclosed.

**Question 6: Do you agree with the proposed amendments to COBS 2.3 and COBS 2.3A? If not, please set out your reasons.**

The Panel strongly takes the view that firms should only be remunerated in a way that does not pose a conflict of interest with their client, and firms must fully and clearly explain to consumers how they are remunerated at the time they make a targeted support suggestion.

Please also refer to our response to Question 5.

**Question 7: Do you agree with the proposed amendments to COBS 6.1B, COBS 6.1C, COBS 6.1E, COBS 6.1F and COBS 6.4? If not, please set out your reasons.**

COBS 6.1B: The Panel does not object to carrying the requirements of COBS 6.1B to COBS 9B.8A, as long as the consumer protections are equal to or greater to those in COBS 6.1B.

COBS 6.1C: Even though the FCA believes it is unlikely that targeted support will be part of the service offer to group personal or stakeholder pension schemes, the Panel believes that providing guidance that suggests this is not helpful or necessary. We would prefer to see that targeted support is specifically noted and that COBS 6.1C applies whenever relevant.

COBS 6.1E: The Panel agrees that there must be a mechanism for platform service providers to receive payment for a relevant service. We expect that the consumer will be fully and clearly informed of the charging approach at the time that targeted support is offered. Specific charge amounts should be provided at the time of the targeted support suggestion when known, or as soon as practicable, but at or before the time of entry into a transaction.

COBS 6.1F: We agree with the proposed expectation that a firm will take reasonable steps to ensure its use of a platform does not bias the outcome for consumers. The firm must also document its reasonable steps and have this documentation available at the request of the FCA.

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<sup>1</sup> [Research Note: Reading between the lines: understanding of targeted support in retail investments | FCA](#)

<sup>2</sup> [whenlifehappens-understandingfinancialadviceneedsthroughlifetriggers.pdf](#)

The FCA should review a random sample of firm evidence in periodic multi-firm reviews.

COBS 6.4: As long as commission payments are explicitly prohibited, the Panel agrees that disclosure of such payments for packaged products is not necessary.

**Question 8: Do you agree with the proposed amendments to COBS 7? If not, please set out your reasons.**

Yes, for the sale of a life policy within the context of targeted support, we agree that firms must conduct a demands and needs assessment and explain the conclusion. The method in which a consumer is exposed to a life policy is irrelevant; the outcome is the same. Therefore, it is appropriate that the expectations are the same regardless of the approach.

**Question 9: Do you agree with the proposed amendments to COBS 10? If not, please set out your reasons.**

The Panel does not object to the proposed amendment to COBS10 to disapply appropriateness tests, but only in the instance where the bespoke set of requirements for targeted support explicitly set out that the firm delivering the targeted support recommendation must explain in easily understandable terms all of the criteria it would use to determine the type of consumers for whom the investment might be appropriate as well as the risks associated with the investment.

**Question 10: Do you agree with the proposed amendments to COBS 14? If not, please set out your reasons.**

Yes, we believe that, in all cases, firms should provide at least the same product information when providing targeted support as they would when providing a personal recommendation. The same protections should exist because the consumers would be exposed to the same risks.

In those cases where the firm might provide further explanation or detail over and above the product information when providing a personal recommendation, e.g., in a face-to-face meeting, the firm should also provide that information within a targeted support context.

**Question 11: Do you agree with the proposed amendments to COBS 15? If not, please set out your reasons.**

Whilst the Panel agrees that consumers should at least have the same cancellation rights that apply to an investment contract under a personal recommendation, the Panel is concerned that targeted support would also be subject to the same rules for exempt contracts. Given that the suggestion may not be based on the total picture of the consumer, at a

minimum, the consumer needs to be fully informed that they do not have rights to cancel. Preferably, consideration should be given to whether targeted support should prohibit products that do not have cancellation rights.

**Question 12: Do you agree with the proposed amendments to COBS 16? If not, please set out your reasons.**

The Panel partially agrees with some aspects of this proposed amendment but disagrees with others. The Panel fully agrees that the MoneyHelper website should be sign-posted, as this is an independent source that can explain targeted support.

However, we do not agree that, at this stage, there should be required signposting to other sources of targeted support. It is difficult to see how a firm would direct the consumer to the appropriate targeted support, as each consumer will be different. The Panel is also concerned that this requirement has the potential to harm competition in the interests of consumers, as the population of firms that will offer targeted support is still unclear.

Before agreeing to this amendment, we would expect to see the degree of industry take-up of targeted support, effective examples of signposting and extensive consumer testing that supports the signposting. We do not understand how this can be accomplished without confusing or pressuring consumers or steering them to only a select few firms.

**Question 13: Do you agree with the two principles behind our proposed amendments to COBS 19? If not, please set out your reasons.**

The Panel partially agrees to the two principles.

We agree that firms should signpost to PensionWise and we agree to communications that include targeted support as one of the options (advice, targeted support, or guidance) a consumer may want to explore.

However, we do not agree that firms must suggest that consumers obtain targeted support. It is unclear how this would apply in practice and is likely to cause confusion or anxiety for consumers. Please also refer to our response in Question 12.

**Question 14: Do you agree with the proposed amendments to COBS 19? If not, please set out your reasons and potential alternative approaches.**

The Panel accepts that firms may acquire new information as part of a consumer's pension journey and that the firm can, and should, use this

information to better align consumers to provide targeted support that is right for them.

We agree that the provision of cash warnings is not a substitute for advice, and the same is true for targeted support. We do not object to cash warnings being part of a targeted support suggestion.

We agree that, if a firm offers an existing default strategy as part of targeted support, it does not need to duplicate this as required by COBS 19.12.

We support the delay of proposals relating to investment pathways and believe that FCA rules should not be changed until targeted support is successfully launched and the implications are well understood. However, we are also concerned about the interim measure that the firm can inform a consumer that it provides a relevant targeted support service that could help them choose their investments. This sounds very much like it is straying into personalised advice.

**Question 15: Do you agree with our proposed amendments to ICOBS? If not, please set out your reasons.**

The Panel's view is that ICOBS must clearly indicate which insurance contracts can and cannot be included as targeted support suggestions. We also take the view that, whenever applicable, the expectations that apply to advising on a contract also apply to targeted support suggestions.

**Question 16: Do you agree with our proposal not to amend PDCOB 8? If not, please set out your reasons.**

We are not yet convinced of the value of including any reference to targeted support in the pension dashboard; therefore, we agree that PDCOB8 should not be amended unless consumer research indicates it is helpful to all types of consumers and will not be abused by firms.

**Question 17: Do you agree with the proposed amendments to PDCOB 12? If not, please set out your reasons.**

Yes, the Panel agrees that pensions dashboard service firms cannot provide targeted support as a post-view service for the reasons noted in paragraph 2.72.

**Question 18: Do you agree with the proposed application of SUP 16 reports to targeted support? If not, please set out your reasons.**

The Panel supports the FCA's reporting form requirements. However, we strongly disagree that targeted support should be reported as any of "advised", "non-advised", "guidance", or "other" and believe that all

relevant reporting forms should include a separate reporting category for targeted support. It is critical that the FCA has an easy mechanism to identify all metrics of interest related to targeted support, and we do not believe that this should be an increased burden on firms, as they should also want this detailed data.

**Question 19: Do you agree with the proposed application of the DISP 1 complaints report to targeted support? If not, please set out your reasons.**

The Panel does not agree that complaints related to targeted support should be reported in the same category as advising, selling and arranging. We believe that it is critically important that there is a separate category for reporting complaints relating to targeted support.

**Question 20: Do you agree with the proposed amendments to CREDS and the accompanying amendment to COBS 9B.4? If not, please set out your reasons.**

The Panel agrees that targeted support should not be permitted where sector / product issues are more complex or carry more risk than usual, as there is a greater likelihood that consumers will make poor decisions without more personalised advice. Therefore, we support the FCA's proposal to prohibit credit union deferred shares or subordinated debt.

**Question 21: Do you agree with the proposed amendments to FUND 1 and COLL 6? If not, please set out your reasons.**

No response.

**Question 22: Do you see other potential problems with our proposed amendments to the Handbook as set out in Chapter 2 of this CP, or any omissions?**

The Panel expects additional amendments as a result of the feedback on the HMT's targeted support policy note and the draft SI<sup>3</sup>, and CP25/17<sup>4</sup>. Please refer to our responses to those documents.

**Question 23: Do you agree with the proposed approach not to introduce transitional provisions? If not, please set out your reasons.**

No response.

**Question 24: Do you agree with our cost benefit analysis? If not, please set out your reasons.**

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<sup>3</sup> [consumerpanelresponsetohmttargetedsupport.pdf](#)

<sup>4</sup> [supportingconsumerspensionsandinvestmentdecisionsproposalsfortargetedsupport.pdf](#)

The Panel does not believe that the cost benefit analysis is representative in several respects. We will not detail all those, however, as examples:

- We believe that the statement that there will be no additional costs to consumers is overly simplistic and probably inaccurate. Any time that firms incur additional costs, they will generally pass those on to their customers.
- The Panel also takes the view that the failure to specifically provide for a targeted support reporting category will increase costs to the FCA, as the teams will need to do additional analyses to identify impacts, both positive and negative, of targeted support.

**Question 25: Do you have any comments on our equality and diversity considerations?**

The Panel remains concerned that, although some of the most vulnerable populations would benefit from targeted support, delivery is likely to be digital, which means many are likely to be excluded and disadvantaged. They will not reap those benefits, nor will firms or the economy.

We also note the general principle that consumers should take responsibility for their decisions may not recognise that there is a significant segment of the UK population that is not financially literate. Whilst the Panel believes and hopes that targeted support will help to close that gap, we do not believe that it goes far enough.

We urge the FCA to review the comments and suggestions we have made in our previous CP responses, and the FCA must take note of existing and future research, including their own, to make sure that targeted support truly does help improve the financial lives of all consumers.