



Telephone: 020 7066 9346

Email: enquiries@fs-cp.org.uk

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By email: cp25-17@fca.org.uk

Dear FCA,

**Financial Services Consumer Panel response to FCA CP 25/17:
Supporting consumers' pensions and investment decisions:
proposals for targeted support**

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to the FCA's consultation paper on supporting consumers' pensions and investment decisions: proposals for targeted support. 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. Therefore, this consultation paper is of utmost relevance.

The Panel agrees that targeted support has the potential to improve the financial lives of consumers as described. It remains to be seen, but we are of the view that the benefits are more likely to relate to the knowledge and experience that consumers may gain, rather than financial gains derived directly from following targeted support recommendations.

This CP addresses the delivery of Targeted Support in light of existing regulations, key risks, and foreseeable problems. However, the proposals raise many questions such that the Panel is unable to take adequate assurance that Targeted Support will lead to better outcomes for the majority of consumers. One serious concern is that this CP seems to encourage a product-specific approach, which is not aligned with example use cases in prior consultations. We are concerned that this will encourage mis-selling to consumers and would prefer to see more initial recommendations of product types rather than specific products. This might also help to alleviate perceptions like that in the FCA's research where 71%+ of the participants thought that the intention of the TS

treatment was to “make money for the bank”.¹ This is in contrast to the FCA’s objective of ensuring that consumers “get the right advice or support to manage their money at the time they need it and at a cost they can afford.”

Furthermore, the Panel would like to see the FCA actively address consumer harms that may arise from the Targeted Support journey including:

- inconsistent understanding/implementation
- difficulty of aligning ‘consumer segments’ with the needs of vulnerable consumers
- concerns about collection and use of personal data/ attitudes to risk (privacy, consumer understanding etc)
- taking an over-complicated/de-personalised approach
- exposure to unregulated investments as an outcome of their own research that leads them to invest inappropriately
- other unintended consequences (not thinking fully about the human experience/consumer impact) e.g. exclusion, unsuitable advice

Undoubtably, there will be impacts to pensions as a result of TS. We raise the following:

- The Panel remains concerned by the lack of information on how Targeted Support will interact with Pension Wise free pension guidance and the risk that the broader provision of MoneyHelper information and support provision will be eroded.
- Many consumers are members of employer pension schemes, and the Panel thinks it is important for the FCA to monitor the interactions between TS provided by the pension provider vs other firms, and the reactions of affected consumers.
- The Panel would like the FCA to publish a comparative analysis of the Pensions Schemes Bill 2024-25 and TS to identify anomalies and conflicts.
- We remain concerned that firms and pension schemes need to improve their data and do more to better identify and appropriately support their vulnerable customer and scheme members.

We also believe that it is critical to note that the CP and accompanying research amounts to more than 450 pages. It is unlikely that many consumer groups will have the capacity to respond to this CP, so there is a high risk that responses will only be submitted by large firms and / or

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

industry bodies and will be biased towards implementation and overlook challenges.

Given industry's enthusiasm for TS, the FCA must take a very cautious approach to any denial of challenges presented by TS and give careful consideration to optimism bias from firms in their support of TS. We note that this is the reverse of the Consumer Duty, when firms expressed deep reservations about meeting the requirements, but the Duty was implemented on time and without major changes to the proposals. A review of the concerns raised by industry for the Consumer Duty might bring to light some useful points for TS.

In considering CP responses, the FCA must give equal weight to feedback from different consumer stakeholder voices to appropriately balance the feedback from industry.

FCA research

The research that accompanies the CP contains interesting and valid findings about customers' responses to TS. However, these findings relate to the perceptions and potential intentions of customers of one hypothetical firm. The research has two major limitations that severely restrict its usefulness in understanding the industry-wide impact of TS. These limitations are:

1. The research focuses on individual customers rather than on consumers. Consumers who have savings with several firms may have a very different experience of TS. Because they have multiple firm relationships, they will have a much greater impact, either beneficial or negative, on TS than customers with a relationship with a single firm. Their reactions to communications that are varied in frequency, nature, and content across firms will determine the success of TS.
2. The research doesn't mirror the real-life situation in which consumers receive many marketing emails every day, all of which are fighting for attention. By placing TS at the centre of the research, the findings are likely to be misleading, particularly in relation to the consumer's experiences, understanding, and behaviours.

The limitations of the research are evident in the FCA's projected estimates of the impact of TS. For example, the estimate of likely take up ranges from 0.9m to 13m. It is not clear how these limitations have been considered in the CBA analysis that accompanies the CP.

Given that TS is a new service and there is the possibility of significant harm to consumers, we strongly recommend that the FCA should, prior to implementation, design a monitoring strategy with identified flags for action.

In addition to these comments, we have responded to the core questions in the attached Annex A, and we have addressed the Cost Benefit Analysis and related questions in Annex B.

Yours sincerely,

Chris Pond
Chair of the Financial Services Consumer Panel

Annex A

Question 1: Do you have any comments on our proposed 'better outcomes' purpose statement?

The proposed statement is helpful as an overarching ambition for regulation but raises several issues that the FCA should consider before finalising the proposals:

- What might be the unintended consequences of this statement?
- Is this statement sufficiently future-proofed?
- If it is intended to be used as part of the communications to consumers, then it will need to be clearly accompanied by any limitations

Whilst the purpose statement is helpful as a starting point, it is important to recognise that a "better outcome" may be perceived differently by consumers than it is by firms. For example, a firm is likely to limit this to a financial outcome, whereas the consumer is likely to also include an emotional component. As the FCA's research² shows, there are some people whose decisions are governed by gaining a high rate of return on investment, whereas others make decisions based on their (low) tolerance for risk. Therefore, the FCA should expect firms to document how they have arrived at the conclusion of what constitutes a better outcome and to test this with relevant consumers before presenting them with a TS suggestion.

The Panel would like the FCA and firms to consider that the greatest value of TS may be derived over the long-term rather than in immediate decisions. As consumers are exposed to more credible and helpful financial information, they will become better informed and more confident in making investment decisions. This is likely to result in better outcomes for consumers over their financial lives.

Question 2: Do you agree with our use of the term 'better outcomes' rather than 'better position'? Would the choice of terms impact when and how you might expect to deliver targeted support?

If either term is intended to be used in communications with consumers, then there needs to be alignment between the interpretations of consumers versus firms.

² [Research Note: Reading between the lines: understanding of targeted support in retail investments | FCA](#)

There is no mention of context. The 'ready-made solutions' apply to a very specific context (one customer's situation and characteristics at a particular moment in time).

Question 3: Do you foresee any challenges in meeting the requirements to ensure the suitability of recommendations made through the targeted support framework?

Given industry's enthusiasm for TS, the FCA must take a very cautious approach to any denial of challenges presented by TS and give careful consideration to optimism bias from firms in their support of TS. As previously noted, this is the reverse of the Consumer Duty, when firms expressed deep reservations about meeting the requirements, but the Duty was implemented on time and without major changes to the proposals. A review of the concerns raised by industry for the Consumer Duty might bring to light some useful points for TS.

The requirements have been proposed for the protection of consumers in light of past industry behaviour. Eliminating any of the proposed requirements because they are a challenge for industry to implement risks considerable consumer harm as well as significant medium to long term economic impacts. In the Panel's view, these requirements are simply an application of good business, and in some cases, the Panel would like to see additional requirements, which are noted in our responses to this consultation.

Given that TS is intended to be a mass market solution, it will only take one event where a number of consumers suffer detriment to tarnish the approach and seriously damage the reputation of the industry.³

Question 4: When considering our proposals as a whole, are there any proposed requirements you think we do not need, where we can rely instead on the Consumer Duty? If so, please explain why the additional requirements contained in our proposals are not needed.

The CP states that standards will be satisfied by firms that 'sensibly identify...', 'competently determine...', and 'carefully identifies...'. It is more likely that these conditions will be met in design standards (when firms have an incentive to comply) than in the delivery. Given that the vast majority of responses to this CP will be from industry, how will the FCA assure itself that it has addressed all potential risks and unintended consequences?

³ ['Neil Woodford cost me £100,000. His £6m fine is an insult'](#)

To partially answer this question, the Panel would encourage the FCA to review and document the relevant potential areas for improvement in its reports of good and poor practice and multi-firm reviews published since the Consumer Duty to determine its effectiveness.

Question 5: Are our proposed rules sufficiently future-proof and outcomes focused to accommodate changes in technology? If not, why not?

The FCA has explicitly stated its commitment to "relying on its existing framework and avoiding the introduction of additional regulations for AI." While this approach aims to maintain flexibility and reduce barriers to innovation, it may fall short in addressing the distinct challenges and opportunities posed by rapidly advancing AI technologies. By not implementing rules specifically tailored to AI, the FCA risks relying on a regulatory framework that predates the current acceleration in AI capabilities. This could result in reactive, rather than proactive, oversight—potentially hindering the development of a regulatory environment that is equipped to guide and support future technological advancements.

While the FCA's intention to future-proof the rules and leverage technology is clear, the defined boundaries on personalisation for consumer segments and the reliance on a pre-AI regulatory framework for new technologies, present areas where the proposed rules may face difficulties in fully accommodating or effectively leveraging the rapid pace of technological change addressing consumer risks.

There is insufficient information to evaluate whether consumers are sufficiently protected from the key risks including mis-selling. The FCA will need to develop a set of early warning signs, a risk log and appropriate mitigations. Once these are identified, recent changes in technology should make expanded capture and analysis of data easier and less expensive for both firms and the FCA.

We would also be very wary of any movement to consider the use of Simplified Advice as "future proofing" without clear evidence of the success of TS.

Question 6: Are there any situations where firms want to deliver targeted support but based on our proposed rules would feel unable to do so? Please explain why.

No comment.

Question 7: Based on our proposals in this paper, do pension scheme trustees want to provide a form of support like targeted support to their members? If so, is this support intended solely for

“in-scheme” benefits, or does it also include FCA-regulated investments?

No comment.

Question 8: Do trustees have any practical examples of the support you wish to provide? Do you believe this is deliverable in the existing framework (ie can be delivered currently)? If not, why not? (For example, are there concerns about inadvertently carrying out regulated activities such as arranging?)

No comment.

Question 9: Do you have any other comments on our proposals around pre-defining situations to provide targeted support?

Firms should be required to disclose to consumers the assumptions or rationale underpinning the pre-defined situations.

The Panel’s research⁴ has identified that life triggers, rather than static consumer characteristics, may be a key driver of the need for financial help. Firms must consider this as part of their segmentation, both to provide the most suitable TS suggestion, but also to consider situations where consumer vulnerability may be particularly relevant.

Pre-defined situations should focus, initially at least, on helping consumers to avoid harm eg. unsustainable withdrawal rates.

We have identified the following risks:

1. Firms define situations based on projected profit maximisation
2. The long-term nature of the products presents opportunities for the most egregious firms
3. The type of TS received by consumers depends on the size, nature, and focus of the firms
4. Individual consumers will be presented with different pre-defined situations depending on the firm

The Panel is particularly concerned that TS presents an opportunity for a firm to identify a product it wants to sell and to then justify it with a pre-defined situation that suits. The FCA needs to be alert to firms engaging in this behaviour to the detriment of consumers, and the FCA should immediately take action to prevent the behaviour from continuing.

Question 10: Do you agree with our proposal that firms can make reasonable assumptions when designing targeted support

⁴ [When Life Happens - Understanding financial advice needs through Life Triggers](#)

journeys? If not, why not? In your answer, please set out examples of assumptions you may choose to make when designing targeted support journeys.

Failure to make the assumptions and rationale transparent to consumers will impact on the trustworthiness of TS and impact on its long-term effectiveness. In addition, it may result in consumer harm, as consumers may make inappropriate decisions. We therefore urge the FCA to prescribe how these assumptions are communicated to consumers.

The Panel also recommends that the FCA defines minimum standard reporting requirements for firms to capture data relating to the assumptions made, consumer segments, consumer outcomes, etc.

Question 11: How could firms decide between when to make an assumption and when to pre-define a common characteristic of a consumer segment?

Failure to make decisions and rationale transparent to consumers will impact on the trustworthiness of TS and impact on its long-term effectiveness. In addition, the Panel is concerned about the potential for consumer harm as a result of inappropriate decisions made by the consumer. This could be as a result of inadequate or incorrect consumer segmentation or information provided to the consumer, and / or misunderstanding of the information by the consumer. Therefore, we urge the FCA to require that firms must document their decision process, and for the FCA to prescribe how these decisions are communicated to consumers. In addition, the Panel would encourage the FCA to periodically request information relating to firms' consumer testing, which should capture both design elements and outcomes.

Question 12: Do you agree with the rest of our proposals for the design of consumer segments in particular around excluding characteristics and the sufficiently granular principle? If not, what aspects do you consider need to be changed and why?

It is important that vulnerable customers receive the support required to enable them to enjoy the same outcomes as anyone else.

By design, TS will not be available to consumers who are digitally excluded.

The Panel are aware that pension schemes in particular have work to do in identifying their members who are vulnerable and require support.

It is very likely that consumers who are customers of more than one firm will receive different offerings because firms are very likely to segment consumers differently, depending on the data they have. They may also

choose to segment consumers differently depending on the TS solution they want to suggest.

There is additional complexity in that there are several factors that must be considered when designing consumer segments: bias, discrimination, exclusion, people not getting the support they need or getting the wrong support, people in vulnerable circumstances that are at higher risk of harm, data protection issues, etc.

The Panel is not convinced that consumers making decisions on the incorrect belief that suggestions fall within the RAO of regulated advice is more problematic than consumers making decisions based on incomplete information. Therefore, the Panel is of the view that more granular information is preferable. This should also reduce the likelihood of consumers being confused by potentially conflicting information from multiple firms.

Question 13: Would it be valuable to produce illustrative case studies to support firms in determining whether consumer segments are sufficiently granular? Would our choice to do this impact your intention to deliver targeted support?

Yes. Illustrative case studies:

1. Will provide a common standard: it will then be clear which firms are taking a different approach.
2. Can be amended or added to over time based on experience
3. Are more likely to lead to consumers receiving a similar experience that can be compared across firms

The FCA has invited firms that disagree with this approach to indicate that they are disinclined to offer TS. We urge the FCA to give priority to consumers' interests so that TS is regarded as a trustworthy service. The use of case studies is not a 'one-and-done' option: the FCA could introduce them, remove them, and re-introduce them again later on.

Question 14: Do you agree with our proposals around the scope of ready-made suggestions, in particular, our proposal that the targeted support regime only captures support that constitutes a personal recommendation? In your response, please explain whether our proposal impacts how you wish to deliver targeted support to your customers?

The Panel is unclear as to the FCA's intention(s) with regard to these particular proposals.

The scope outlined in paragraph 2.65 is quite concerning, as this is clearly designed with firms in mind rather than consumers. **The implication is**

that TS will only apply to suggestions that generate revenue for firms. We are completely opposed to this concept, and we believe that it is contrary to most of the FCA documentation explaining the rationale for the introduction of TS. Our preference is that TS only applies to categories of products or services, rather than to specific investment products.

In the best interest of consumers, we believe that appropriately regulated firms should still be able to provide guidance to consumers, in addition to TS, without any constraints.

Furthermore, we are surprised that the FCA is suggesting that TS only provides 'personal recommendations', as we believe that blurs the lines with regulated advice.

Research conducted by the Panel has identified that consumers look for guidance first, a more generic TS suggestion second, and a specific personalised recommendation third. To start with a product-linked TS suggestion is likely to create mistrust with the industry and will be counter-productive to all that the government is trying to accomplish.

Question 15: Do you agree with our proposals for targeted support on annuities, including banning suggestions for a particular annuity?

Yes. However, we do not understand why this should only apply to annuities. We recognise the complexity of the decision to purchase an annuity, as it has the potential for life-long impacts. However, the same could be said for other investments. The FCA's research⁵ highlighted the need to hold an investment for at least 5 years, during which time it could lose 100% of its value.

We suggest that the FCA revisits its arguments in paragraphs 2.66 to 2.77 in the context of investments, in addition to, annuities. We see several conflicting messages.

Question 16: Do you agree with our proposals for introducing a break between an annuity suggestion and the subsequent sales journey, to encouraging shopping around? If not, why not?

Yes. And we would propose the same for any other TS suggestion.

Question 17: Do you agree with our proposal to prevent firms from suggesting consolidation into or out of a particular product for the purpose of pension consolidation? If not, do you see any way in which targeted support could be used to help consumers with decisions about pensions consolidation including when given

⁵ [Research Note: Reading between the lines: understanding of targeted support in retail investments | FCA](#)

in conjunction with support that constitutes a personal recommendation?

Yes. Consumers should be signposted to MaPS for further information on consolidation. The pension dashboard is likely to increase consumers' awareness of consolidation, so it is important that TS is aligned with consumers' experiences and demands of the dashboard.

Question 18: Do you agree with our proposal to exclude investments subject to marketing/distribution restrictions from the targeted support proposals, except where a component part of a suitable investment provides exposure to these products? If not, why not?

Yes. The FCA's own research indicates that those consumers attracted to high-risk investments also demonstrate the highest levels of confidence and the lowest levels of understanding.

Question 19: If high-risk products were included, what products should be included? How would firms ensure the suitability of suggestions given these suggestions would be designed for consumer segments based on limited data?

We do not agree that high-risk products should be included until the efficacy of TS is proven. The FCA may wish to pilot or test high-risk investments at a later stage. In so doing, we would encourage the FCA to initially mandate investment caps and / or limit the consumer segment to those with a significant minimum cash available to ensure that only investors with the financial capacity to lose money receive these TS suggestions.

Question 20: Are there specific situations where firms might hold other information not covered by excluding characteristics that would render ready-made suggestions unsuitable?

As the consultation noted, there are situations where a firm may have a relationship with a consumer that isn't limited to information captured in formal data collection methods. For example, there may have been verbal discussions where a consumer has expressed details about their risk appetite (or lack thereof) for certain products. In this case, firm templates may not record this level of detail.

This question also highlights the importance of high-quality data capture by firms. Firms must be alert to and address questionnaire design flaws or data entry issues that create risks of incorrect or incomplete data.

These issues can be mitigated by firms communicating the various risks of the particular TS suggestion and / or in which situations it should not be

followed, so that consumers can investigate further as to whether the TS suggestion is appropriate for them.

Firms also need to be aware of GDPR and other relevant laws related to the collection of personal data. They will need to find the right balance between human experience/privacy/ethics and data and remain aware that customer records/notes should only capture information that is relevant and enables them to help/support the customer and is only available on a “need to know” basis.

Question 21: Do you agree with our proposals for firms handling additional information volunteered by consumers during the targeted support journey?

Yes, firms must be able to address additional information volunteered by a consumer. As noted in paragraphs 2.102 and 2.103, if this is not feasible, a firm should identify approaches that will mitigate the possibility that the suggestion is not appropriate for particular consumers. One way this could be accomplished is to clearly communicate the various risks of the particular TS suggestion and / or in which situations it should not be followed.

Question 22: Are there any other aspects of our proposed approach to the verification process which you consider need to be changed? Please explain your rationale.

Prior to distributing a TS suggestion, firms should have confirmed the accuracy and completeness of the consumer’s data it holds within a reasonable timeframe (not more than one year). Any consumer who does not respond should be excluded from the TS communication.

Question 23: Do you agree with our intention around leveraging PROD and Consumer Duty to ensure consumer protection and that targeted support services are of high quality?

Yes. Furthermore, the FCA should plan to perform a good and poor practice review of TS at or before the one-year mark. This review must cover a sample of all firms, not just those that are the largest. Prior to that review, the FCA should actively monitor complaints arising from TS and urgently address any material issues.

The FCA should be appropriately resourced to ensure that TS is working for consumers across the entire journey.

Question 24: Do you agree with our proposal on monitoring outcomes and identifying significant adaptations of products? If not, why not?

Yes – but good conduct needs adequate reporting requirements and supervisory processes. Firms must document how they are monitoring outcomes and what those outcomes are. Supervision teams should have visibility of this documentation from actively supervised firms. For those firms not actively supervised, the FCA should periodically issue information requests to a sample of firms asking them to provide examples of this documentation.

We agree that firms should have arrangements in place to monitor the ongoing suitability of the TS recommendation for the consumer segment. However, in addition to changes / adaptations to the product, we also believe that firms should monitor for unusually poor performance, whether that is due to the product design or to unanticipated market events. Any material issues should be communicated to the consumer. However, we also believe that this could give rise to churning; therefore, the FCA should monitor to ensure that firms are not engaging in this behaviour.

Question 25: Beyond monitoring outcomes, are there any specific areas, with reference to our draft Handbook proposals, that you wish to provide comments on?

We note that, in Table 1 of paragraph 5.12, the FCA has proposed that the Senior Managers Regime would apply to TS. We would urge the FCA to ensure that this is formally documented for any relevant SMFs in a firm engaging in TS and to consider whether the FCA should add any specific responsibilities associated with TS to the Handbook.

Question 26: Do you agree with the information that we are proposing firms would be required to disclose as part of a targeted support journey? Are there any additional aspects you think firms must disclose, for example, any reasonable assumptions made?

We do not agree that the firms should decide how and when firms communicate to their customers. This raises the risk that firms make self-interested decisions about frequency, content, formatting etc rather than considering the interests of consumers. This approach has the potential to undermine the success of TS if consumers who are customers of more than one firm are subject to large number of communications about TS.

The FCA should consider what is a reasonable number of communications for a consumer to receive each month from all firms with which they are customers. Unrestricted communications will lead to consumers opting out of, complaining about, and losing trust in TS.

The Panel believes that it is important for firms to identify and disclose all reasonable assumptions made by the firm. In addition, a firm should disclose when there may be other product types, but not specific products, that could possibly better meet the consumer's financial objectives. This disclosure is borne out by the FCA's research⁶ and is particularly relevant given the proposal that TS cannot make suggestions relating to annuities.

We do believe that it is extremely important that firms identify all situations when an annuity should be sign-posted as an alternative option for the consumer; a standard decision tree might be a useful tool.

Question 27: Do you require any further guidance on the use of risk warnings in marketing for mainstream investment products?

The FCA's research⁷ identified that risk appetite is a key decision factor when consumers make a TS decision and that consumers said that more information about risks would be helpful. The Panel's research⁸ confirmed that a satisfactory suggestion would include detail of associated risks.

The Panel believes that TS communications should clearly and succinctly identify and explain all of the risks associated with a TS suggestion. Whilst TS suggestions generally have a focus on inflation risk, TS communications also provide an opportunity to explain market volatility risk, liquidity risk, credit risk, etc. These explanations should be clear and easy to understand.

Question 28: Are there any other aspects of our proposals around communications that you wish to provide comments on?

In compliance with the Consumer Duty, the Panel would encourage the FCA to specifically prohibit firms from using technical jargon and fine print to disclose content of importance to the consumer. As noted previously, communications must be tested for understanding with consumers prior to the distribution of TS messaging.

The Panel also believes the FCA should require firms to clearly state:

- if they are recommending their own products,
- if they will receive revenue relating to the consumer actioning the suggestion (either as a fee charged to the consumer or from a third party),

⁶ [Research Note: Reading between the lines: understanding of targeted support in retail investments | FCA](#), pg 22

⁷ [Research Note: Reading between the lines: understanding of targeted support in retail investments | FCA](#), pg 4

⁸ [When Life Happens - Understanding financial advice needs through Life Triggers](#)

- or if they have other conflicts of interest.

We also strongly believe that all communications should be in a durable medium and must be delivered well in advance of any transaction by a consumer. In this light, consumers should be given enough time to compare the TS suggestion with alternative options.

To build on these recommendations, the Panel urges the FCA to ensure that communications also address the needs of less financially literate consumers and vulnerable groups. This means going beyond simple language to include diverse formats—such as audio, video, and visual aids—that make key information more accessible and easier to understand. Embedding inclusivity into communication standards is essential to achieving fair outcomes for all consumers.

Question 29: Should we require that every consumer exited from a targeted support journey must be signposted to other forms of support? Or do you agree is it sufficient for firms to consider whether this is appropriate? Are there particular scenarios where this needs to be required?

Yes, we believe that every consumer exited from a TS journey should be signposted to other support. However, this must be accompanied by an explanation as to the reason for exiting the consumer, and an explanation as to why the other support might be of help. Furthermore, any conflicts of interest must be disclosed.

Consumers should only be directed to credible, trustworthy, and independent resources. In order to ensure that this is the case and to minimise the possibility of fraud, it would be helpful if the industry (or the FCA) provided links to approved resources as guidance for firms.

Question 30: Do you agree with the proposed framework for costs and charges set out above and in draft rules?

We agree with the proposed framework. Allowing firms to offer targeted support (TS) either for free or at a cost—while requiring clear disclosures and banning commissions—helps ensure that consumers receive support that is both valuable and unbiased.

- Cross-Subsidisation: Benefits and Risks

While cross-subsidisation can enhance accessibility, the FCA must carefully monitor its consequences. If firms recover TS costs through cross-subsidisation, non-TS consumers may bear the financial burden. This also has the potential to drive up the costs of regulated advice, leading to few consumers being able to afford truly personalised advice.

-Market Dynamics

The FCA should assess how the framework affects market dynamics. Smaller firms may struggle to offer TS at no charge, whereas larger firms are more likely to absorb the costs. Given the potential for increased large-firm exposure, this may also lead to the transition of service from smaller firms to larger ones due to availability bias. Over time, this may reduce diversity and innovation in the advice sector.

- Commission Ban Reinforces Trust

Prohibiting commissions ensures that TS is not influenced by third-party incentives, preserving the integrity of advice and aligning with consumers' best interests.

- Disclosure Requirements Promote Informed Choices

Requiring firms to clearly explain how they are remunerated—whether support is free or paid—empowers consumers to understand the value and cost of the services they receive.

Question 31: Do you agree with the proposed application of existing Handbook requirements to targeted support? If not, please specify where additional considerations should be taken into account.

Yes, the Panel generally agrees with the proposed application of existing Handbook requirements to TS. However, as noted in our response to question 25, we would encourage the FCA to also consider adding specific requirements for any SMFs that are responsible for a firm's TS.

Question 32: Are there potential risks with Appointed Representatives providing targeted support during the initial stages of the regime? Where risks could arise, please explain how those risks could be mitigated and/or balanced by the potential benefits of Appointed Representatives providing targeted support.

Yes. We agree that ARs should be excluded from providing TS. This decision can be revisited at a later stage if and when TS is achieving its desired outcomes.

Question 33: Do you agree with the proposed application of the MiFID business, IDD, and designated investment business regimes to targeted support, including the proposed application of the COBS framework?

Yes, the Panel believes that any relevant existing framework that affords protection to consumers should apply to TS. This is particularly true of the elements of COBS outlined in Table 2 of paragraph 5.27.

Question 34: Do any of our positions relating to COBS 19 adversely impact your intention to bring targeted support to market, or the effectiveness of your targeted support customer journeys? Are there any other areas of COBS 19 that you wish to raise?

The Panel reminds the FCA that the primary purpose of COBS 19 is the protection of consumers. The FCA clearly recognises the long-term impact of annuities in this consultation, and this is also true of other pension decisions. Suggestions by firms to reduce any of the COBS 19 protections, so that the TS proposition is easier for firms and contrary to consumer protection should not be considered.

Question 35: What specific changes are needed to investment pathways to enable the effectively delivery of targeted support to consumers when accessing their tax-free cash? Please consider how such changes can benefit consumers in light of the important role investment pathways currently serves.

The Panel takes the view that any changes must prioritise consumer protection and support the consumer in making well-informed pension-related decisions that are most appropriate for them and their circumstances.

Question 36: Does the current prudential framework capture the possible risks from targeted support as a firm scales up its activities?

The Panel encourages the FCA to continue to review its approach to the overall prudential framework by using capital requirements to accurately reflect the risks to the overall financial system that a firm may pose, as well as to incentivise good firm behaviour. Please refer to CP23/24 Capital deduction for redress: personal investment firms⁹ as an example. In addition to this, the Panel also suggested, in response to CP25/15 A prudential regime for cryptoasset firms¹⁰, that the FCA should also consider further incentivising firms that are adhering to high standards with lower capital requirements. This is aligned with the FCA's strategy of devoting more focus toward problem firms and less to firms that demonstrate that they are "doing the right thing."

Question 37: Do you believe that a bespoke scalar is required for targeted support, and if so, what metrics should the scalar be based on?

⁹ [CP23/24: Capital deduction for redress: personal investment firms | FCA](#)

¹⁰ [20250731fscpresponsetofcacp25-15-aprudentialregimeforcryptoassetfirms.pdf](#)

Yes, see the Panel's response to question 36.

Question 38: Do you agree with our approach to apply our complaint handling rules and guidance in DISP, including the compulsory jurisdiction of the Financial Ombudsman, to all authorised firms providing targeted support?

Yes. The Panel agrees that complaints relating to TS should fall within the Financial Ombudsman's Compulsory Jurisdiction, and it appears sensible that firms will need to follow the same complaints handling rules that already apply for the provision of other regulated forms of investment advice as per DISP.

Question 39: Do you think that the FCA and the Financial Ombudsman should publish specific guidance setting out how cases about targeted support will be considered?

Yes. The Panel takes the view that publication of specific guidance by the FCA and the Financial Ombudsman will assist the understanding of all parties as to how cases will be approached and decided. The Panel recognises that this will evolve; however, the Panel believes that decisions should be made in the consumer's favour when there is any doubt as to the appropriate conclusion.

Question 40: Is anything else needed to give firms and/or consumers sufficient clarity and certainty about how cases regarding targeted support will be handled?

The FCA and the Financial Ombudsman should publish the decisions made in key cases, such as those which clarify how the FCA's rules are being applied or interpreted in practice, and decisions which have the potential to impact a large number of consumers. We also think the Financial Ombudsman should consider publishing regular summaries/thematic reviews which set out the key issues and decisions in the sector as this would also help stakeholders understand how and why the Financial Ombudsman arrived at particular case decisions.

Question 41: Do you agree with the Financial Ombudsman's proposal to (a) exclude pre-regulation activities from the VJ and (b) expand the scope of the VJ to cover activities carried on after regulation day from an EEA or Gibraltar establishment?

The Panel supports the proposal to expand the scope of the VJ to cover activities carried on after regulation day from an EEA or Gibraltar establishment. However, we do not fully understand the rationale of excluding complaints relating to the provision of TS if they are pre-regulation activities. The Panel would expect that these activities were performed by regulated firms under the banner of advice or the activities

were not legally performed in the UK, either of which should be subject to Financial Ombudsman jurisdiction. Consumers should not be placed at risk in relation to TS concerning pre-regulation activities because it is more difficult to assess any potential complaints. Further, if the FCA were to adopt its proposed approach, it might be difficult in practice to provide sufficient clarity to consumers regarding what is and isn't covered by the Financial Ombudsman. We consider this requires careful consideration by the FCA.

Question 42: Do you agree with the proposal to allow FSCS compensation for claims relating to targeted support?

Yes, the Panel agrees that TS should be covered by the FSCS. Consumers must be protected in the event that firms providing the service are no longer viable, and to do otherwise would severely limit the confidence that consumers would or should have with utilising TS. We are concerned by the feedback from those firms that suggested that it would increase liability and compliance burdens for firms. We do not consider this to be an appropriate consideration in this context - and think any increased liability or burden should be marginal at worst compared to the broader regulatory obligations and dwarfed by the benefits derived from having FSCS protection.

Question 43: Does the issue of direct marketing rules representing a barrier to targeted support need to be resolved before firms offer targeted support?

No. The Panel believes that offering TS only to customers who have consented or opted in to receive marketing communications will enable the FCA and the industry to collect data on many unanswered but important questions about consumers' responses to and experiences of TS before expanding the offering.

Question 44: Do you agree with our agreed proposed approach to authorising firms who wish to provide targeted support? Can you suggest any ways in which our approach might be streamlined, whilst retaining the necessary robustness of our gateway?

In regard to the TS consumer journey, the FCA should also require firms to include information on:

- The content, format, and frequency of communications
- How they plan to test consumer understanding

As part of the authorisations process for both new firms and for variations of permission, the Panel would expect the FCA to review the firm's understanding of and proposed compliance with the FCA principles, especially the Consumer Duty, adequate systems and controls, the Senior

Managers Regime, and any other relevant rules and guidance (please also see our response to question 47). The FCA can make this easier for firms by signposting to pertinent sections of the Handbook or to guidance.

Question 45: Do you agree with our proposal to not introduce new record keeping requirements which relate directly to the provision and outcomes of targeted support? Please explain the reasons for your answer.

The Panel agrees that existing record-keeping requirements should be adequate. However, as noted in paragraph 8.16, firms must ensure that they have mechanisms in place to track the end-to-end TS journey and to ensure that reporting distinguishes TS from other products and services. This is particularly true for complaints.

Question 46: How would you assess whether your targeted support service is delivering intended outcomes for consumers?

We **disagree** with the inclusion of the following success measure: 'a decrease or increase in the proportion of consumers with £10,000 or more in investible assets holding investment products, as this is not, in and of itself, an indication of better consumer outcomes.' Ideally, any metric should be causally related to the intervention. Therefore, we suggest that a better success metric would be the increase in assets (over inflation) of the consumers who followed TS suggestions.

It is also critical to have indicators that measure any harm relating to TS; therefore, the number of complaints about TS must be included.

In addition, we suggest the following clarifications to Table 4 in paragraph 8.21:

- it is important to capture consumer satisfaction with the end-to-end TS journey and in comparison to other services, and
- it might be useful to identify any relationships, either positive or negative, between the use of TS and regulated advice.

Question 47: Which specific advice and suitability requirements do you think should be reconsidered or modified in a revised COBS 9/9A to give firms the confidence to offer simplified advice while maintaining an appropriate level of consumer protection?

The Panel believes that, first and foremost, the FCA must ensure that TS firms are aware of and understand the existing rules and guidance prior to making any changes. If there are legitimate areas where there is true lack of clarity, these gaps should be addressed as long as they do not change the intention. Any further proposed changes should be rigorously tested with consumers, prior to consideration, to ensure that they do not

have a detrimental impact on the consumer journey and / or consumer outcomes.

Question 48: Are there specific aspects of FCA guidance (such as aspects of FG17/8) which you think are helpful (or unhelpful) and could inform our approach when proposing clearer rules and updating our Handbook guidance?

Please refer to our response to question 47.

Question 49: Do you agree that we should update our guidance on the advice boundary at the same time as we set out perimeter guidance for firms providing targeted support? Which FCA guidance on the boundary should we focus on keeping, reviewing and/or simplifying?

Yes, the guidance should be updated as soon as possible. Innovators and first-movers will take this as an opportunity to change their approach ahead of competitors waiting for the introduction of TS. This will give the FCA vital information to support its proposals.

Given that firms have expressed concerns about a lack of clarity on the boundary between advice and guidance, it is imperative that the boundaries between guidance, TS, and advice are clearly explained.

Any firm that is contemplated engaging in TS should be able to demonstrate an understanding of the relevant boundaries.

Question 50: Do you have any comments on our equality and diversity considerations (see Annex 9)?

The Panel agrees with the issues outlined in Annex 9, although we believe that there is too little focus on digital exclusion, which is also likely to have a negative impact on access to support for many of the other characteristics.

We would also like to call out that it is important that vulnerable customers receive the support required to enable them to enjoy the same outcomes as anyone else.

Furthermore, the Panel are aware that pension schemes, in particular, have work to do in identifying their members who are vulnerable and require support.

The FCA has clearly engaged intensively with the industry on the various elements of the TS framework. However, we would also encourage the FCA to engage directly, and to conduct specific research, with all of the groups that are under-represented in order to better understand potential solutions.

Annex B

Questions on the CBA work (Annex 4)

The CP includes a further 14 questions in Annex 4 related to the CBA. These are not referenced in the contents page nor are they included with the main questions. On p142 there is a very short response to the CBA Panel's review. We repeat our concerns about the limitations of the research that underpins the CBA.

The research that accompanies the CP contains interesting and valid findings about customers responses to TS. However, these findings relate to the perceptions and potential intentions of customers of one hypothetical firm. The research has two major limitations that severely restrict its usefulness in understanding the industry-wide impact of TS. These limitations are:

1. The research focuses on individual customers rather than on consumers. Consumers who have savings with several firms may have a very different experience of TS. Because they have multiple firm relationships, they will have a much greater effect, either beneficial or negative, on TS than customers with a relationship with a single firm. Their reactions to communications that are varied in frequency, nature, and content across firms will determine the success of TS.
2. The research doesn't mirror the real-life situation in which consumers receive many marketing emails every day, all of which are fighting for attention. Placing TS at the centre of the research is likely to produce findings that are highly misleading, particularly in relation to the consumer's experiences, engagement, and understanding.

The limitations of the research are evident in the FCA's projected estimates of the impact of TS. For example, the estimate of likely take up ranges from 0.9m to 13m. It is not clear how these limitations have been considered in the CBA analysis that accompanies the CP.

In addition to this overall concern with the CBA, we have also provided responses to the specific questions below:

Question 1: Do you agree with our description of the market, are there any key features which could impact targeted support which we have missed?

The Panel would suggest that it might also be appropriate to consider the following:

- Counterfactuals relating to bank accounts, such as:
 - Most current accounts require a minimum balance to eliminate periodic charges.
 - The interest rates that consumers earn should be factored into the analysis (recognising that there is inflation risk, but other risks are lower than with investments).
 - Some bank accounts come with perks that consumers value and would otherwise have to pay for or would not get.
- The relevance of sole proprietorships and other small businesses
 - In the economic growth context, it is important to understand the extent to which consumers are holding cash to start a new business or to secure cash flow for an existing business
- The contribution of non-regulated organisations
 - The Money and Pensions Service (MaPS)¹¹ (including PensionWise) is an exceptionally helpful resource, but evidence suggests that it is not widely used¹²
 - Employer-sponsored financial coaching is increasing¹³
- Given the long-term nature of investing, a longer period than 12 months for assessing the number of consumers taking regulated financial advice.
 - Investors who have taken financial advice in the past 3 to 5 years may, justifiably, be relying on their adviser to make appropriate decisions or to communicate when a decision is needed.
 - Informed investors recognise that investments are often long-term strategies, are monitoring performance, and they may be comfortable that their investments are performing as expected.
- The potential impact of market volatility on investing decisions.
 - Decisions in the current economic environment are proving challenging for seasoned experts; people without the experience and / or risk appetite are likely to sit on the sidelines until there is greater stability.
- The consequences of financial losses from prior investment(s). This is likely to influence the decisions of a consumer who experienced the loss, as well as the wider market when there is an event published in the press.¹⁴

¹¹ [maps-annual-report-2023-2024-accounts.pdf](#)

¹² [Planning and Preparing for Later Life 2024: Willingness to pay for pension products and services - GOV.UK](#)

¹³ [Advice-Gap-2025.pdf](#)

¹⁴ [‘Neil Woodford cost me £100,000. His £6m fine is an insult’](#)

Question 2: What other harm related to the advice gap are occurring in this market?

At the highest level, the FCA has thoroughly described the harms that are occurring as a result of the advice gap. The Panel also agrees with the FCA that there are significant harms that are not within the capacity for the FCA to solve, such as low levels of income, cost of living issues, etc. However, the Panel would suggest that closing the advice gap through expanded access to quality financial information will lead to increasing financial literacy and capability, which should indirectly serve to reduce some of these harms.

Question 3: What else might be driving these harms?

The Panel takes the view that a lack of trust, including consumer perspectives on firm motivation, is a key driver of harm. This is borne out by FCA research^{15,16}. Notably, the FCA's Financial Lives Survey shows that financial advisors score significantly lower (31%) on the trust dimension than do banks (58%). And, although it cannot be generalised, 71%+ of the participants in the FCA's targeted support research believed that the presented suggestion was intended to make money for the firm. In addition, the Panel's research¹⁷ suggested that the highest priority for consumers to use targeted support was help that is impartial, transparent and comprehensible, i.e., all indicators of trustworthiness.

Question 4: Do you agree with our description of how targeted support could impact this market?

The Panel agrees that targeted support has the potential to improve the financial lives of consumers as described. It remains to be seen, but we are of the view that the benefits are more likely to relate to the knowledge and experience that consumers may gain, rather than financial gains derived directly from following targeted support recommendations. It would be helpful to follow the journeys of random recipients of targeted support to identify the direct and indirect impacts over time. This is especially true for under-represented populations. However, as noted previously, targeted support suggestions must be fully aligned with the expectations of the Consumer Duty rather than prioritising the revenue potential for firms; otherwise, it is likely to fail.

Question 5: What other impacts might targeted support have?

¹⁵ [Financial Lives 2024: Key findings from the FCA's Financial Lives May 2024 survey](#)

¹⁶ [Research Note: Reading between the lines: understanding of targeted support in retail investments | FCA](#)

¹⁷ [When Life Happens - Understanding financial advice needs through Life Triggers](#)

Consumers will often do their own research following the receipt of a targeted support suggestion, and their research may lead them to making investments that are not appropriate. For example, they may be exposed to Finfluencers to which they were not previously aware, or they may be swayed by online information encouraging them to purchase cryptocurrency.

Furthermore, given that it is a mass market solution, as targeted support becomes more prevalent, it is likely that unregulated firms and scammers will see it as an opportunity to make money by either inappropriately selling products and services or by trying to defraud consumers.

Conversely, the Panel recognises that targeted support could also help to counteract these negative influences, as it could reach the same audiences with credible and accurate information. This is particularly true for younger consumers who often refer to digital media for financial guidance.¹⁸

Unless there is mandatory signposting, consumers may be even less likely to check with helpful independent resources, such as MaPS and Pension Wise.

Given that a firm will have and use limited information about a consumer, the consumer may make investment decisions that are not appropriate due to personal circumstances that were not considered.

Market timing and volatility could influence a consumer's long-term views of investing. A consumer that invests at a peak may experience a severe negative impact of a market correction from which it is difficult or, even possibly, impossible to recover. This consumer is likely to negatively perceive investing going forward. Conversely, if a consumer invests prior to a significant rally in the markets, they may assume that is the way it will continue, and this consumer may invest more aggressively and without consideration of the possibility of a market correction.

Targeted support is likely to be the most successful when it is free to the recipient. However, in the event that firms increase their other fees to cover the costs of targeted support, customers buying those products or services may bear the costs, contrary to Value for Money.

Question 6: Do you agree with our assessment of the other options for intervention?

The Panel expects that firms will maximise the quality of support and minimise the risks of poor outcomes, in compliance with the Consumer

¹⁸ [20250226-the-concerns-of-gen-z-final.pdf](#)

Duty. The Panel believes that this is in the long-term best interest of firms, as this is the bedrock for continued or new consumer engagement.

We also agree that price is a significant deterrent to consumers seeking support. In order to offer targeted support effectively and efficiently, firms must be technology literate. Properly used, AI, which has only become widely available in the last three years, can assist firms to offer quality advice at a much lower cost. In addition, firms that anticipate their data requirements when designing their targeted support products will find that compliance is easier and less expensive.

The Panel does believe that clarifying the boundary in the current framework could offer some benefits, especially when firms do not seem to understand where the boundary is. However, we would also highlight that adding targeted support, as a new regulated activity in the middle – with two boundaries – is likely to complicate rather than simplify this confusion. Nevertheless, the Panel is much less concerned about boundary line issues than we are with the provision of quality advice to consumers.

There are some consumers for which simplified advice could help with discrete financial issues, events, or concerns. In these cases, the consumer may even object to providing the advisor with more information than is necessary to provide the requested service. The Panel does not object to the FCA exploring this further. However, we believe that there must be evidence that TS is a success prior to considering Simplified Advice.

We do not agree that firms who are providing full financial advice should do so with a limited suitability assessment.

The Panel is vehemently opposed to removing the ban on commissions for the reasons noted. This is not in the best interest of either consumers or the industry.

Question 7: Are there any other significant options we may have not considered?

The Panel continues to suggest that MaPS should have greater visibility and the resources to face off to a large part of the UK population, especially those who are less likely to engage with regulated firms. We would encourage the FCA to consider how MaPS (or other non-profit organisations) can fit into the consumer journey and to mandate their signposting along the steps of that journey.

We do want to highlight that the Panel is somewhat concerned that, as more options are added, the consumer journey will become difficult to understand and navigate. At this point, it would be helpful for the FCA to

prepare a diagram to show precisely how they would envision the various steps of the journey to occur and who they expect to access them and when. This should also highlight where there might be additional gaps.

As we have done since the advice / guidance boundary review was first mooted, the Panel continues to encourage the FCA to engage directly with consumers to identify their needs and wants and how these can be best satisfied. To date, an open-ended research study to identify this has not been done.

And, although financial education is not in the remit of the FCA, we believe that increasing financial literacy is important to address financial harms to consumers, as the world of finance has become more and more complex. The FCA is well-positioned to advise the government where this responsibility might sit and how it could be delivered. Increasing financial competence and capability will not only help consumers, it is critical to the government's achievement of its growth objective.

Question 8: Do you agree with our assumptions about the baseline?

Generally, the Panel agrees with the FCA's baseline, with a few caveats:

- As we noted in our response to question 1, we would question that the (low) number of consumers who have taken advice in the last 12 months is an accurate starting point. Consumers who have taken advice are likely to hold and monitor those investments over a longer period without seeking further advice, which is reasonable. We would suggest that consumers taking advice within either a 3-year or 5-year period is more reflective.
- We also believe that it might be instructive to identify and exclude the number of adults who are sole proprietors or who own businesses with less than 50 employees.

We certainly agree that technology has the potential to significantly influence the outcome, either positively in the form of more firms being able to offer targeted support or negatively in the case of consumers self-directing into poor investments.

We also believe that it would be wise to include market volatility scenarios. To the extent possible, the impact of both material rallies and corrections should be modelled, as both are likely to have an impact on consumer behaviour.

Another possible influence may be tax changes; any currently known changes that could impact financial services products or services or consumer behaviour should be included in the CBA as well¹⁹.

Question 9: Which costs and benefits have we not considered?

The Panel believes that the following costs are potentially missing:

- The Financial Ombudsman Service (FOS). These costs should include the staff and requisite training required to deal with complaints. This is likely to be more expensive early on since targeted support is a new service and it will take a learning curve to identify and agree the appropriate outcomes of cases. This will also require additional interactions with the FCA, at a cost to both organisations.
- FCA good and poor practice and / or multi-firm reviews. The Panel believes that the FCA should expect to have at least two such reviews within a 10-year period.
- Additional FCA Supervisors for newly authorised targeted support firms, as well as associated training relating to awareness of possible and manifested issues relating to targeted support. Because it is a new regulated activity, the Panel believes that all firms providing targeted support should be subject to active Supervisory focus until it is clear that material consumer harm is not occurring.
- FCA policy team efforts to develop and consult on a targeted support prudential framework. Since this is a new regulated activity, it fits within the FCA's intention to refine the overall framework. The Panel would encourage the FCA to implement a framework that adjusts capital requirements relating to good and poor firm behaviour.^{20,21}
- An FCA budget for investigation and enforcement activities relating to targeted support until such point as it is contraindicated.
- Firms, the FCA, and the FOS should expand their data collection and analysis to capture, understand, and publish metrics relating to the targeted support consumer journey, issues and resolutions, successes and lessons learned.
- Potential costs to the environment relating to increased email distribution.

The Panel takes the view that the wider benefits to the economy might be understated. Even though recipients of targeted support may not take up the suggestion, it may provide new knowledge and understanding of

¹⁹ [Could applying IHT on pensions pre-55 change savings behaviour? - FTAdviser](#)

²⁰ [CP23/24: Capital deduction for redress: personal investment firms | FCA](#)

²¹ [20250731fscpresponsetofcacp25-15-aprudentialregimeforcryptoassetfirms.pdf](#)

concepts that consumers may later use to their advantage. Furthermore, many research participants suggested that they would do further research. This should then support their familiarity with financial concepts and will increase financial literacy, competence, and confidence. Not only will this support their investing decisions, but it may also help to improve overall financial and emotional well-being. If this were to occur at scale, the Panel believes that the overall UK economy will benefit.

Question 10: How else might we quantify costs and benefits?

Given that the Panel believes that the intention of targeted support is to appeal to the mass market, we suggest that another approach to quantifying costs and benefits might be to start with the projected number of targeted messages delivered by each firm, the click / opening rate, and actions taken; all split by existing and new customers. The projected consumer responses to the suggestion should include no investment / action, act on suggestion as made (including transaction amount), or take an action different to the targeted suggestion (including transaction type and amount). Average market performance with an overlay of market volatility scenarios could be added to the modelling. This information, combined with other information presented in the CBA, could serve as a validation exercise to the results presented in the current CBA. This is especially true since experience has shown that starting with revenue predictions, rather than with the underlying drivers that lead to that revenue, are usually overly optimistic.

Question 11: Do you agree with the assumptions we have made for our standardised cost model that have informed the one-off and ongoing cost estimates set out above? Please provide any evidence to support your response to this question.

AND

Question 12: Given the proposed targeted support framework set out in this CP, do you agree with the cost types and estimates set out in this section? Please provide any evidence or indicative estimates that you have as part of your response.

The Panel interprets these two questions as relevant only to firm costs; therefore, we would not expect to respond in any detail. However, we do not see specific costs relating to FOS and FSCS levies, which should be included. Our responses to questions 9 and 10 may also provide additional information.

The Panel does want to make sure that the CBA captures all relevant **consumer** costs. We are unable to identify whether indirect or opportunity costs have been considered in the calculations, particularly as

noted in our response to question 1. Similarly, we are mindful that, if there is a charge for targeted support and signposting to free independent resources is not mandatory, consumers could be paying for something they could get for free.

Question 13: Do you agree with our assessment that there is a risk that vertically integrated firms could use their market power to limit the entry of firms offering targeted support?

Yes, the Panel agrees that this is a possibility.

The Panel is also concerned that firms may cross-subsidise targeted support by increasing fees for other products and services, which are then passed on to other (non targeted support) customers, contrary to value for money.

Question 14: Please outline whether you think targeted support is likely to be complimentary to holistic advice (acting as a stepping stone for consumers) or likely to act as a substitute to holistic advice (cannibalising the advice market).

The Panel's research²² suggests that targeted support is likely to be a stepping stone to holistic advice, as participants did not feel that that targeted support considered their broader circumstances nor was it sufficiently personalised to enable them to make confident financial decisions.

We would also anticipate that consumers who are existing users of holistic advice are likely to view targeted support suggestions from their advice provider as a part of the advice service.

Nevertheless, the dramatic potential cost difference between targeted support and holistic advice could mean that some consumers will judge that targeted support is greater value for money. This is likely to be the case where their circumstances are less complex or where the consumer themselves solicited the targeted support. In these cases, the availability of targeted support may mean that these consumers do not seek out holistic advice where they might have if targeted support did not exist.

²² [When Life Happens - Understanding financial advice needs through Life Triggers](#)