Consultation Paper title	Advice Guidance Boundary Review - Proposals for Targeted Support
Summary of intervention	Proposal for introducing a new 'targeted' support (TS) in pensions and retail investments, which will help bridge the advice gap. Unlike existing investment advice, which provides recommendations tailored to the needs of individuals, under targeted support, firms would provide suggestions which are designed for groups of consumers with common characteristics.
Feedback date of issue	06/06/2025
CBA Panel reference number	CBAP-0006

CBA Panel advice

Main recommendations

- **Articulate more clearly relevance of existing research.** The ambition to deploy the FCA's broader research on behavioural responses to regulation (e.g. the cash savings market review) in support of the CBA's analysis of the proposed intervention is commendable. The relevance and robustness of such research needs clearer articulation, however.

- **Strengthen estimation of costs and benefits.** The very large numbers of customers assumed to benefit from Targeted Support (TS) could be argued to be too optimistic. Customers' time spent engaging with TS is not included in the cost assessment. A clearer distinction between transfers between different economic sectors and net impacts on overall social welfare is needed.

- **Interrogate further specification of baseline**. In the baseline scenario, assumptions regarding the growth and impact of alternative remedies for the identified market failures (e.g. AI; PensionWise) could be strengthened. In the intervention scenario, meanwhile, the assumptions concerning both the pace and scale of take-up of TS are very high.

- **Improve treatment of uncertainty and risk.** These assumptions concerning the potential market for and uptake of TS drive the results of the CBA. The CBA should therefore clearly distinguish between the uncertainties and risks involved in making them, and include more comprehensive sensitivity and/or scenario analysis presenting individual NPVs for different scenarios.

- **Simplify structure and presentation.** The CBA would benefit from an Executive Summary that clearly summarises its overall economic reasoning and outlines the assessed costs and benefits. Key figures and evidence could be outlined in a table to support easier reading of the assessment. Content already covered in the Consultation Paper need not be repeated.

Summary

Category	CBA Panel comments
The market	Market failures are set out well so the intervention shows how it would resolve these, but this chain of argument is less convincing so even after intervention, these market failures could still exist. It is not clear whether the drivers of the advice gap are regulatory burdens (which TS will solve) or lack of technological development e.g. AI which will help bring costs down for firms being able to provide a cost-effective TS service.
Baseline and counterfactual	As outlined, one of the reasons consumers do not take advice is that it is complicated and there are trust issues, amongst others. The proliferation of AI would mean it is considered more of a substitute to TS – this is not explored sufficiently. The explanation of current regulatory burden impacting advice offering should be improved e.g. does TS address advice guidance boundary or just provide another product?
Evidence and data	Many assumptions on growth are projected out using a single year 2024; a trend could be developed to support this from pre-2024, rather than using a single year point. The small sample size of firms surveyed potentially offering TS is acknowledged as not ideal; this ultimately drives the assumptions around take up of TS. The panel questioned whether the Cash Savings Market Review (used for 45% adoption rate) is appropriate for using as the upper bound of adoption. Adoption rates can be sticky, and it is noted in other large scale market policies (such as current account switching) there has not been an adoption rate of 45%.
Assumptions	There is no lag assumed between the policy intervention and outcome; it maybe that industry trials TS, rather than ramping up to 100% immediately. Other services mentioned like Pension Wise, could arguably give similar benefits - an assessment of that probability would be helpful. Based on market sizes, only 131k customers moving from holistic advice to TS seems small, given the benefits of the policy.
Uncertainty and risk	Clear delineation between uncertainties and risks should be presented; with some quantification outlined if possible. Some ranges are used for various assumptions, but it remains unclear how they feed into final assessment e.g. which is the optimistic vs. pessimistic scenario. Clear sensitivity analysis and scenario analysis would help the overall message of the assessment.
Assessment of costs and benefits	It seems that benefits may be overestimated due to the large starting point of 20m+ customers receiving TS, the costs of customers spending time taking up TS is not assessed when it should be. The attribution of uptake of TS leading to some firms failing should be strengthened - currently it seems to be an unlikely occurrence. TS is likely to drive spillover effects in economy, which while difficult to quantify, should be acknowledged.
Wider economic impacts	Due to the number of assumptions, it is less valuable in monetising wider economic impacts; the impact of TS on this is unlikely to be great. There are three different sections on distributional/welfare weights in the CBA and it is not clear what has been done to adjust for the marginal utility of income. This should be made clearer in the paper.