FCA
Cost Benefit
Analysis Panel

Consultation Paper title	**Vale for Money Phase 3**
Summary of intervention	The intervention introduces a standardised Value for Money framework to improve transparency and comparability of pension schemes. This is intended to strengthen governance and competitive pressures, encouraging underperforming providers to improve outcomes for savers.
Feedback date of issue	10/06/2026
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CBA Panel advice

The CBA is clearly structured, accessible, and broadly consistent with standard practice, with updates made since earlier iterations, particularly on cost transparency. Although the assertions made about the impact of the policy make sense, the analysis relies on limited evidence and a number of strong assumptions, particularly in relation to benefits, market dynamics, and behavioural responses. The document is also challenging to assess as a brief standalone "third-stage" CBA, with insufficient cross-referencing to earlier analysis.

Main recommendations

- **Characterise more accurately and clearly the pensions market.** The CBA does not reflect sufficiently the complexity of the UK pensions market, including the role of intermediaries such as advisers, the drivers of employer decision-making, and the extent of competition between providers. The scale and distribution of market failures are not clearly demonstrated, and in some cases appear to be asserted rather than evidenced. There is also limited recognition of heterogeneity across the market, including the extent to which parts of the market are already functioning effectively.

- **Explain and justify more clearly estimates of key costs and benefits.** The CBA's cost estimates are driven by a small number of firm survey responses, with limited information on what firms are being asked to do or how the underlying activities translate into costs, no clear description of the required metrics, and little triangulation or validation of the resulting estimates. Meanwhile, an assumed 1–3% reduction in the performance gap is the key driver of the CBA's estimated benefits, but is not well justified and cannot be independently validated. Given the scale of estimated benefits relative to costs, this creates a high degree of sensitivity in the overall conclusions, which should either be remedied or more clearly acknowledged.

- **Include a clearer plan for monitoring and evaluation**. The CBA provides only a high-level discussion of monitoring and evaluation, with no clear articulation of the metrics that will be used to assess success, and no specific review points or timelines. Given the uncertainty around key assumptions, a stronger and more clearly defined evaluation framework would be important to assess whether the expected benefits materialise.

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Summary

Category	CBA Panel comments
The market	The CBA presents a structured and internally consistent view of the market, focusing on contract-based defined contribution workplace pensions and their interaction with trust-based arrangements. However, market dynamics are not sufficiently well characterised, including the role of intermediaries such as advisers, employer decision-making, and the degree of effective competition between providers. There is also limited discussion of heterogeneity within the market, including the extent to which parts of the market function well relative to others.
Problem and rationale for intervention	The CBA identifies information asymmetries, weak competition, and principal-agent issues as key drivers of harm. However, these drivers are not sufficiently evidenced and in some cases appear to be asserted rather than demonstrated. The scale and distribution of harm are not clearly established, and it is not obvious how significant the problem is across the market. The Panel also notes that existing governance mechanisms and regulatory requirements raise questions about the extent of residual market failure and the degree of additionality provided by the proposed intervention.
Proposed intervention and alternative options	The proposed policy mechanism, based on improving transparency, comparability, and governance oversight, is plausible and consistent with economic theory. However, there is limited consideration of alternative approaches to regulation, and it is unclear whether there were viable non-regulatory options. There is also insufficient clarity on how the proposals interact with wider reforms, including developments led by the Department for Work and Pensions and the role of Master Trust frameworks.
Assessment of costs and benefits	**Baseline and counterfactual**. The baseline is generally set out clearly, but there is some uncertainty around the choice of baseline and how it relates to earlier consultations and CBAs. In particular, it is not always clear how this analysis builds on or differs from previous work, which complicates interpretation. There is also limited discussion of what improvements might occur in the absence of the intervention, particularly given existing market mechanisms and regulatory requirements.
	Evidence and data. The Panel welcomes the inclusion of updated cost estimates based on new survey data, which improves transparency relative to earlier iterations. However, the evidence base remains limited, with small sample sizes and little ability to triangulate or validate the data.
	Assumptions. A central driver of the analysis is the assumption of a 1–3% reduction in the performance gap. This assumption could be better justified and due to the scale of its impact on the results, it represents a weakness. More broadly, the analysis relies on a number of behavioural assumptions, including employer responsiveness and firm behaviour, which are uncertain and not adequately tested.

	Economic analysis. The economic analysis generally follows established practice and is internally coherent. However, the very large estimated benefits relative to costs mean that results are highly sensitive to key assumptions, particularly around the performance gap. Although breakeven analysis is used, the limited use of other sensitivity analysis reduces confidence in the robustness of the conclusions, and downside scenarios are not sufficiently explored.
Risk and uncertainty	Risk and uncertainty are acknowledged in the CBA but are not explored in sufficient depth. Key risks include overly optimistic assumptions about behavioural responses, employer inertia, herding behaviour among firms, and the potential for increased risk-taking. The analysis would benefit from more systematic exploration of these risks, including quantified sensitivity analysis and alternative scenarios.
Wider economic impacts	The treatment of wider economic impacts is relatively limited. There is little discussion of distributional effects across different types of savers or schemes, and potential impacts on market structure, including consolidation, are not explored in detail. There is also limited clarity on how improved information and transparency translate into better investment outcomes in practice.
Monitoring and evaluation	Monitoring and evaluation proposals are high-level and lack detail. There is no clear articulation of the metrics that will be used to assess success, nor are there specific review points or timelines. Given the uncertainty around key assumptions, a stronger and more clearly defined evaluation framework would be important to assess whether the expected benefits materialise.