

Pensions Policy
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN



By email

12 February 2025

Dear Sir/ Madam,

CP24/27: Advice Guidance Boundary Review – proposed targeted support reforms for Pensions

The Panel is broadly supportive of the proposals to introduce targeted support for pensions. Currently there is a mass market who either cannot afford holistic advice, are unsure how to access it or are unclear on the benefits, and who would potentially greatly benefit from support and guidance. We also welcome that the proposals include the decumulation phase, as this carries the greatest risk.

We would agree that targeted support is more likely to be explored by larger firms given their greater resources. The ability for firms to offer targeted support without explicit charges by cross-subsidising other services should open the door for mass consumer consumption, and it is right that firms should be required to disclose clearly how the consumer is paying for the service through other charges, if applicable. We also agree with the assessment that firms will have inherent incentive to promote or self-preference their own products over other options available in the market, and we encourage the FCA to be vigilant to this should the proposals be implemented.

On the proposed outcomes-focused approach, we support that firms are given flexibility to develop targeted support for consumer journeys based on the Consumer Duty and existing regulations, as it will be important not to have barriers to engagement. In our view, the threshold for providing targeted support should incorporate both delivering better outcomes and avoiding poor outcomes, as in practice the two often go hand in hand e.g. 'cashing in' a small pension policy could result in a cap on ongoing pension contributions (MPAA) or incur tax, and a better outcome would be to inform the consumer on options including sustainable rate of withdrawal, exploring their capacity to take risk, describing annuity options or looking at death benefits to protect dependants. Judgement as to whether a better outcome threshold was reached will ultimately be informed by whether the consumer is better off after targeted support, which will require the development of metrics, continuous monitoring, and evidencing the longer-term outcome.

At a later stage, setting the threshold for providing targeted support to the more diverse range of retail investments should be based on the level of complexity of individual's financial circumstances. This might include multiple pots, preserved DB from past employer, higher rate taxpayer, other savings/ISAs/shares, health and dependants, working and phasing retirement, existing debt/mortgage in retirement, capacity to take risk and surplus income/IHT planning.

The proposed three steps of allowing firms the freedom to pre-define scenarios, identify consumer segments with common characteristics, and develop ready-made solutions is a sensible approach. However, it will be vital that consumers are guided to holistic advice in the event that their circumstances signal a need for this. The proposed 'touchpoints' for firms providing targeted support to raise awareness of holistic advice (i.e. at first

contact, when requesting further information and when providing any ready-made solution) appear to be the right ones, but identifying what level of complexity calls for holistic advice, and how to interpret this on the information given, may not always be straightforward. Currently the threshold for recommending holistic advice appears subjective, so further clarity and/or guidance may be needed to ensure consumers are appropriately supported, including those who may benefit from more tailored advice e.g. consumers with a SIPP.

It is sensible to include signposting to MaPS support at the same 'touchpoints' as holistic advice. These communications will need to clearly differentiate between the purpose and remit of MoneyHelper guidance and Pension Wise, and firm-led targeted support. We welcome that the FCA is working closely with MaPS on how the interface with targeted support will work as the proposals are further developed. It will also be important that disclosures are consumer tested to give confidence that communications are at the right level and to provide assurance that those engaging have an appropriate level of understanding about their options.

The proposal not to prescribe the format used by firms for delivering targeted support disclosures is consistent with an outcomes-focused approach. This would allow firms the flexibility to develop solutions which might include the use of robo-advice and/or in person support. However, given the potential for consumer harm, care will be needed to ensure staff are appropriately trained and supervised and to ensure this is evidenced by the firms involved. This will be particularly important with respect to identifying consumers with vulnerable characteristics who may not fit into a pre-determined category.

If applied correctly and with the right incentives, targeted support should help to address the concerns of firms regarding crossing over into advice and give consumers confidence and trust that the process is regulated.

We would be happy to discuss any of these points further.

Yours sincerely,

[signed]

Andy Mielczarek
Chair, FCA Smaller Business Practitioner Panel