FINANCIAL CONDUCT AUTHORITY

Consultation Paper
CP25/17***

Supporting consumers' pensions and investment decisions: proposals for targeted support

June 2025

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Foreword

The vision behind our 5-year strategy is to deepen trust and rebalance risk to support growth and improve lives.

Our landmark work on advice and guidance, joint with the government, aims to do just that – and help consumers navigate their financial lives.

We want consumers to be confident making decisions about their pensions and to enable a greater culture of retail investment so that consumers can invest with confidence.

Today, we are setting out detailed rules for a new regulated proposition: targeted support. This would allow firms to make specific recommendations designed for groups or cohorts of consumers, allowing them to direct people to products that would deliver better outcomes for them.

This will enable firms to help consumers who, for example, may be taking their pension at unsustainable rates or suggest investment products that would help consumers achieve better returns on their savings.

It is important that consumers know what targeted support is, and what it's not. It's not fully personalised financial advice, and it will not be tailored to the specific needs of individuals. It is designed for groups of consumers with common characteristics. But it will enable firms to better support consumers. It will help to fill the gap in support.

That gap is real. Only 9% of people received regulated advice on their pensions and investments in the 12 months to May 2024 and 61% of adults with £10k or more in investible assets hold these mostly in cash. Of those who do not receive financial advice, but hold £10k+ in cash savings, a quarter (24%) say they don't invest because they don't know enough, 12% because they feel overwhelmed and 8% say they would like to but need support.

We do not anticipate that targeted support will be offered by all firms but we want to help those who do want to provide it to get ready quickly. That is why we are also setting out our approach to authorising firms that want to offer it.

We have thoroughly tested these proposals with industry, consumer groups and regulatory partners, and have carried out consumer research and behavioural testing. We are publishing that research alongside our draft rules today.

Success of our work will be that consumers can access the help and guidance that they need, at a cost they can afford, when they need it, so that they can make informed decisions about their finances.

That is why we are also setting out thoughts on how we can create a more thriving market for simplified advice, as well as encouraging firms to give more guidance.

We want to see a continuum of help, guidance and advice to help consumers navigate their financial lives. Access to guidance, targeted support, simplified advice and full financial advice are necessary ingredients for this success.

Given the detailed work we have done already we are consulting for 8 weeks, so that we can aim to finalise our rules by the end of the year.

We will be relying as much as possible on the Consumer Duty – so that new rules are only put in place where needed. We want any new regime to be future proof, trusted by consumers, and sufficiently certain for firms so that they have the confidence to deliver it.

I'd like to thank everyone who has given us feedback on our work so far.

This is a once in a generation chance to deliver substantive change for the next 20-30 years.

Please let us know what you think.

Sarah Pritchard
Deputy Chief Executive

Chapter 1

Summary

1.1 Pensions and retail investments have a vital function in allowing people to build wealth and provide income for later life. In 2024, 19 million UK adults held retail investment products (Financial Lives 2024 survey) and 16 million people now save into a defined contribution pension (Department for Work and Pensions, 2023).

1.2 We want people to invest for their future with confidence, understanding the rewards, risks and the protection they will get. The choices consumers make, to save or invest, to work out what products are right for them, whether they are saving enough for retirement, or how they should access their pensions – determine their financial wellbeing in later life.

1.3 We want to see a market where everyone can make well-informed investment and pensions decisions. A healthy investment culture and increased participation in this market will benefit consumers and provide capital to drive the UK economy and boost growth.

1.4 Decisions about pensions and retail investments are complex and many consumers need more support to make more informed decisions. These decisions have been made more complicated by the shift from defined benefit to defined contribution pensions, pension freedoms, the interest rate and inflation environment, the cost-of-living crisis and technological change.

1.5 This consultation sets out our proposals to close this gap, with a new form of support: targeted support.

The need for more support

Consumers need help saving for retirement

12.5 million[1]

(38%) of the working age population are **under-saving for retirement** (DWP)

Consumers need support with decisions at decumulation

34%[2]

of those aged 50-69 with a DC pension in accumulation **had never heard of income drawdown**

and

32%[2]

had **never heard of a single life annuity**

Consumers need help understanding their options

75%[3]

of DC pension holders aged 45+ **did not have a clear plan** for how to take their money or **know they had to make a choice**

Consumers need support post-retirement

145,042[4]

DC pension plans over £30,000 **were withdrawn at rates of 8% and above** which is likely to be **unsustainable**

40%[5]

of consumers say that **lack of knowledge** is their main **barrier to investing**

Consumers need help understanding their options

54%[6]

of savers would **welcome 'a lot' or 'a little support'** when they need to decide whether to **invest excess savings**

7 million[7]

who have **not received regulated advice** in the last year have **£10,000 or more investible assets held solely in cash**

Consumers receive regulated financial advice in low numbers

9%[8]

of adults **received regulated financial advice** in the last year

59%[9]

of adults **did not use information, guidance or regulated financial advice** on investments, saving into a pension or retirement planning in the last year

1 DWP analysis of future retirement incomes, 2023
2,3,7,8,9 FLS, 2024
4 Retirement Income Market Data, 2023/2024
5,6 Thinks Insights & Strategy, 2025
FLS, 2024

1.6 We know that investing is currently out of reach for many people. Our Financial Lives 2024 survey (FLS 2024) found that 1 in 10 people have no cash savings, and another 21% have less than £1,000 to draw on in an emergency.

1.7 But for those who could invest, and those who face complex decisions, there is a gap in the support available.

1.8 This advice gap leads to consumers not making the most of their finances or making decisions that are not right for them. Over a third of working age people are under-saving for retirement (DWP, 2023) and 75% of defined contribution pension holders aged 45+ do not have a clear plan for how to take their money at retirement or know that they have to make a choice (FLS 2024).

1.9 Only 9% of people received regulated advice on their pensions and investments in the 12 months to May 2024 (FLS 2024). Others look to information from government sources including MoneyHelper, consumer groups or financial services firms. Help from family and friends is important but many younger investors are turning to social media for information or guidance on investments: 19% of investors used social media for research or to keep up to date with investments in the 12 months to May 2024. Among investors aged 18-34, 45% used social media to research investing including 14% who used influencers, bloggers or vloggers (FLS 2024).

1.10 Research we commissioned found that 68% of investors would welcome more help and support when reviewing their investments and 40% of consumers said that a lack of knowledge was their main barrier to investing (Thinks Insight & Strategy, 2025). Previous research has also shown that consumers need more support with their pensions (Ignition House, 2020).

> "Since I hit 50, I've started to think more about it. Especially after the last few years when inflation was really high, I started getting a bit panicky: will we have enough?"
>
> "It's really hard because you have to think about short-term and long-term plans; you don't know how long you have and what your health will be like."
>
> *NMG, 2024*

1.11 Savers may be withdrawing money from their pension at unsustainable rates or making decisions without knowing their options. When accessing a pension, around two-thirds of pension pots are accessed for the first time without advice (FCA Retirement Income Market Data, 2024).

> "I tried reading up on [investments] but I'm not feeling 100% clear on it and informed on it to go ahead."
>
> "It's very daunting (investing), at the end of the day you really worked hard for your money. So, for me, I'd say it's confidence in making those decisions."
>
> ***Thinks Insights & Strategy 2025***

1.12 There were 7 million adults who had £10,000 or more in investible assets held solely in cash who had not received regulated financial advice in the last year (FLS 2024). In this group, of those who do not receive financial advice, but hold £10k+ in cash savings, 24% say they do not invest because they don't know enough about investments, 12% do not invest because they feel overwhelmed by the number of options available and 8% say they would like to invest but need support. Despite this, it has never been easier to access investments.

1.13 Developments in technology have provided digital and app-based investing with potentially lower minimum investment amounts and transaction costs. Trading apps are growing in popularity and provide people with direct access to a widening range of investments.

1.14 Some consumers are attracted to higher-risk products, including cryptoassets, even when these might not meet their needs. In 2024, 8% of UK adults (4.6 million) held a high-risk investment product, and yet a quarter of this group say they have no or very low willingness to take risks when investing (FLS 2024).

1.15 The advice gap is not unique to the UK. We have seen regulators in Australia, New Zealand, Canada and the EU seek to address similar barriers to accessing financial advice.

1.16 Given this constantly changing picture, it is more important than ever that consumers get the high-quality support they need throughout their pensions and investment journeys.

Our proposals to support consumers

Supporting consumers' pensions and investment decisions: proposals for targeted support

Proposals:

- A new form of support – targeted support – in pensions and investments
- Designed for groups of consumers with common characteristics
- Part of a range of options to provide support to consumers, including simplified and holistic advice

Why are we proposing this?

7 million[1] adults who have not received regulated advice in the last year have £10,000 or more investible assets held solely in cash

12.5 million[2] adults are under-saving for retirement

54%[3] of savers would welcome 'a lot' or 'a little support' when they need to decide whether to invest excess savings

75%[4] of DC pension holders aged 45+ do not have a clear plan for how to take their money or know they had to make a choice

We want to:

- help firms provide high-quality support to large numbers of consumers
- allow firms to offer targeted support free at point of use
- work closely with the FOS on complaints
- build a healthy investment culture that benefits consumers and firms

1,4 FLS, 2024
2 DWP, 2023
3 Thinks Insights & Strategy, 2025

1.17 We are proposing a new form of support – targeted support – in pensions and investments, which would enable firms to provide suggestions designed for groups of consumers with common characteristics to help them make important decisions. Targeted support also has the potential to act as a stepping stone to simplified or more comprehensive investment advice where consumers want or need more personalised advice. We are also proposing to conduct further work on simplified advice, and clarify further how guidance can be given. Our proposals taken together allow firms to provide a sustainable continuum of support to help their customers at different times of their life, as their needs and circumstances change.

Targeted support

1.18 We consulted on a framework for targeted support for pensions in December 2024. We received 85 responses and we are grateful for stakeholders' constructive feedback. We are now taking forward our proposals for investments as well as pensions, with a small number of changes.

1.19 To develop our proposals we have carried out further consumer and behavioural research (see Annex 8) and a policy sprint with a number of firms who are considering providing targeted support (see paragraph 3.8).

1.20 Targeted support is a new way of helping consumers, which we think can narrow the gap between information and existing forms of investment advice. Our proposals aim to help firms support large numbers of consumers with decisions about pensions and investments by providing suggestions designed for groups of consumers. These suggestions will be based on limited information, and firms will need to make it clear to consumers that targeted support is not individualised advice. Based on feedback, we understand that most firms offering targeted support will provide it at no cost to the consumer. Chapter 2 sets out our proposed targeted support framework, and Chapter 3 and Chapter 4 set out proposals on targeted support communications and charges.

1.21 Targeted support is designed to help consumers achieve better outcomes than if they had not received targeted support. Targeted support suggestions may not be as beneficial as more personalised recommendations provided by full individualised advice. This is a trade-off we are willing to make, especially as many consumers are currently experiencing harms in the absence of support.

1.22 We want targeted support to go beyond what firms can currently do when providing guidance to consumers. We have provided some examples of how firms could do this below (see full list at paragraph 2.40).

Examples of how targeted support could help:

- **Consumers under-saving for retirement:** Currently firms can warn a consumer that they may be under-saving for retirement. Under targeted support, a firm could suggest an alternative pension contribution rate.

- **Consumers struggling with pension access decisions:** Currently firms can provide a consumer with factual information around their decumulation options. Under targeted support, a firm could suggest how a consumer could access their pension in a way which is appropriate for their consumer group, for example taking an income in a more tax efficient way using an uncrystallised funds pension lump sum rather than drawdown.
- **Consumers in a position to invest:** Currently firms can suggest that consumers may be in a position to start investing. Under targeted support, a firm could suggest a specific investment product for a consumer.
- **Consumers with investment products:** Currently firms can provide information about investments consumers hold, for example to highlight risks and signpost to explanatory materials. Under targeted support, a firm could suggest an alternative investment product.

1.23 It is the FCA's view that under the current regulatory framework, targeted support as proposed would fall within the existing definition of a 'personal recommendation' as set out in Article 53 of the Regulated Activities Order (RAO). Existing requirements relating to the provision of personal recommendations make it difficult for firms to establish support models such as the one we propose in this consultation.

1.24 However, it is crucial that the provision of targeted support is regulated differently to existing forms of advice, with a bespoke set of conduct standards set out in FCA rules and a dedicated authorisation gateway. To enable this, the government has announced that it will consult on proposed amendments to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 to create a new specified activity of targeted support. This will establish targeted support as a new service, different to existing forms of advice.

1.25 Our proposals do not change the regulatory framework for activities that can currently be delivered as guidance without FCA authorisation. This means that firms providing guidance services can continue to do so without FCA authorisation.

Simplified advice

1.26 Some consumers will want assurance that a product or suggestion is suitable for their specific individual needs and circumstances. We understand that providing comprehensive advice to consumers can be costly, and not all consumers, and not all situations, require detailed suitability assessments.

1.27 We want to give firms confidence that they can provide simple, focused advice to customers with straightforward needs at a lower cost. While our existing rules already allow firms to assess suitability for consumers with less complex needs, based on essential relevant facts, there is scope to make this clearer.

1.28 The transfer of requirements into the FCA Handbook of assimilated EU law under the Insurance Distribution and Markets in Financial Instruments Directives give us the opportunity to review and simplify the rules and guidance around the provision of investment advice. This allows us to develop rules which better meet the needs of our market, with simplified advice as a distinct approach with its own benefits.

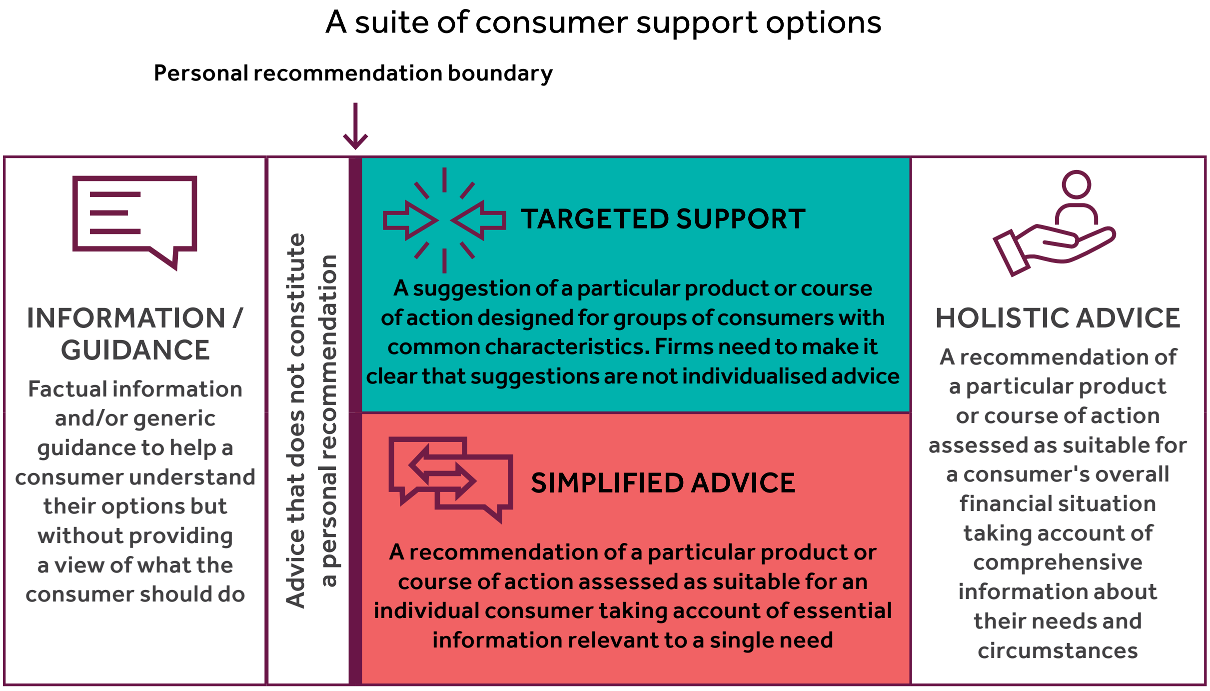
1.29 We plan to consult on simplifying our advice rules and guidance (in the Conduct of Business Sourcebook (COBS) 9 and COBS 9A) to create a clearer distinction between simplified and more holistic advice. By reframing our expectations, simplified advice can complement targeted support where a customer has straightforward needs, and provide a stepping stone to more complex or holistic advice where this will benefit consumers with greater wealth and more complex circumstances. We set out our plans in more detail in Chapter 9.

Consumer choice: a range of options

1.30 Firms and other organisations can already provide consumers with factual information or guidance to support financial decision-making. And some consumers already have access to advice which takes account of their overall financial situation. Our proposals taken together seek to broaden the range of support that can be given to fill the gap between guidance and advice that exists currently.

1.31 The Money and Pensions Service (MaPS), with its statutory remit to provide free and impartial money and pensions guidance, will continue to play an important role in improving the public's ability to make informed financial decisions.

Figure 1: Providing firms and consumers with a range of support options



1.32 We see a role for both targeted support and simplified advice to provide more options to firms and consumers and provide a continuum of support.

1.33 We recognise that there are similarities between them – they are both forms of advice, based on limited information, and in many cases simplified advice will involve consumer segmentation in a way that might be similar to targeted support.

1.34 There are, however, key distinctions between them, one of which is how firms communicate suggestions. When delivering targeted support, we are proposing that firms must make it clear that the suggestion is designed for a group of consumers with common characteristics, and not individualised advice. Targeted support can also be delivered proactively by firms, and in most cases, we expect it to be delivered as a free service.

1.35 Targeted support is intended to service groups of people. We are proposing different standards around the information firms can use for targeted support to those which apply to simplified advice. We recognise that there may be an overlap in the kind of information firms might use to develop targeted support and simplified advice suggestions, but we have tried to limit this. For example, when designing consumer segments, firms should ensure that these are not overly individualised (see paragraph 2.54 for more detail).

1.36 By contrast, simplified advice focuses on a consumer's specific need and is assessed as suitable for an individual, taking account of essential information relevant to that need. It takes a narrow approach, for example, by determining the suitability of investing a lump sum without considering a customer's wider circumstances and other financial needs. It is distinct from targeted support.

Clarifying the advice guidance boundary

1.37 We plan to improve our existing guidance on the boundary between the provision of information and guidance on the one hand, and different forms of advice on the other. We want firms to better understand the opportunities they have to provide consumers with support that does not constitute advice. In Annex 1, we set out how we plan to simplify and consolidate our existing guidance. It will be more impactful to do this once the boundaries of targeted support are settled.

The role of AI

1.38 Advancements in the capabilities of artificial intelligence (AI) have accelerated. If adopted successfully, AI has the potential to drive enhanced productivity within firms and support customers in making more informed financial decisions.

1.39 We want to enable the safe and responsible use of AI, realising the potential benefits for markets and consumers while also balancing the risks.

1.40 In April 2024, we published our AI Update, which sets out how key elements of our existing regulatory framework applies to firms' use of AI, such as the Consumer Duty.

1.41 Our outcomes-focused regulatory model allows firms the flexibility to innovate while ensuring consumer protection. We have committed to relying on our existing framework and avoiding introducing additional regulations for AI.

1.42 We are actively supporting firms to experiment, develop and test safe and responsible AI. As part of our AI Lab, we have opened the Supercharged Sandbox to create a space for early-stage AI experimentation with access to compute power and datasets, and we have proposed introducing the AI Live Testing service to support firms in safely and responsibly deploying market-ready AI use cases.

1.43 We want to make sure that any rule set we develop for the new proposition of targeted support is future-proof and does not act as a barrier to the use of safe and responsible AI. We welcome views through this consultation on whether our rules are sufficiently future-proof.

Working with others

1.44 We have developed and tested our proposals, and we have engaged extensively with industry and consumer groups, including our statutory panels. We are grateful for their significant contribution. We have worked closely with the Financial Ombudsman (FOS) on complaints handling under the targeted support framework (see Chapter 6). We are also continuing to engage with the Information Commissioner's Office (ICO), HM Treasury (the Treasury), DWP, and the Department for Science, Innovation and Technology (DSIT) on the interaction of targeted support with direct marketing rules (see Chapter 7).

1.45 This consultation will interest:

- Pensions and investment firms including fund and wealth managers, platforms and SIPP operators.
- Pension trustees and trust-based pension schemes.
- Banks, building societies and other firms such as friendly or mutual societies.
- Financial advice firms (particularly Chapter 9 on simplified advice).
- Trade bodies, professional and consultancy firms.
- Consumers, groups representing consumers' interests and those who support consumers with their decision making.

Next steps

1.46 We welcome feedback on our proposals by **29 August 2025**. Please use the form or write to us at cp25-17@fca.org.uk.

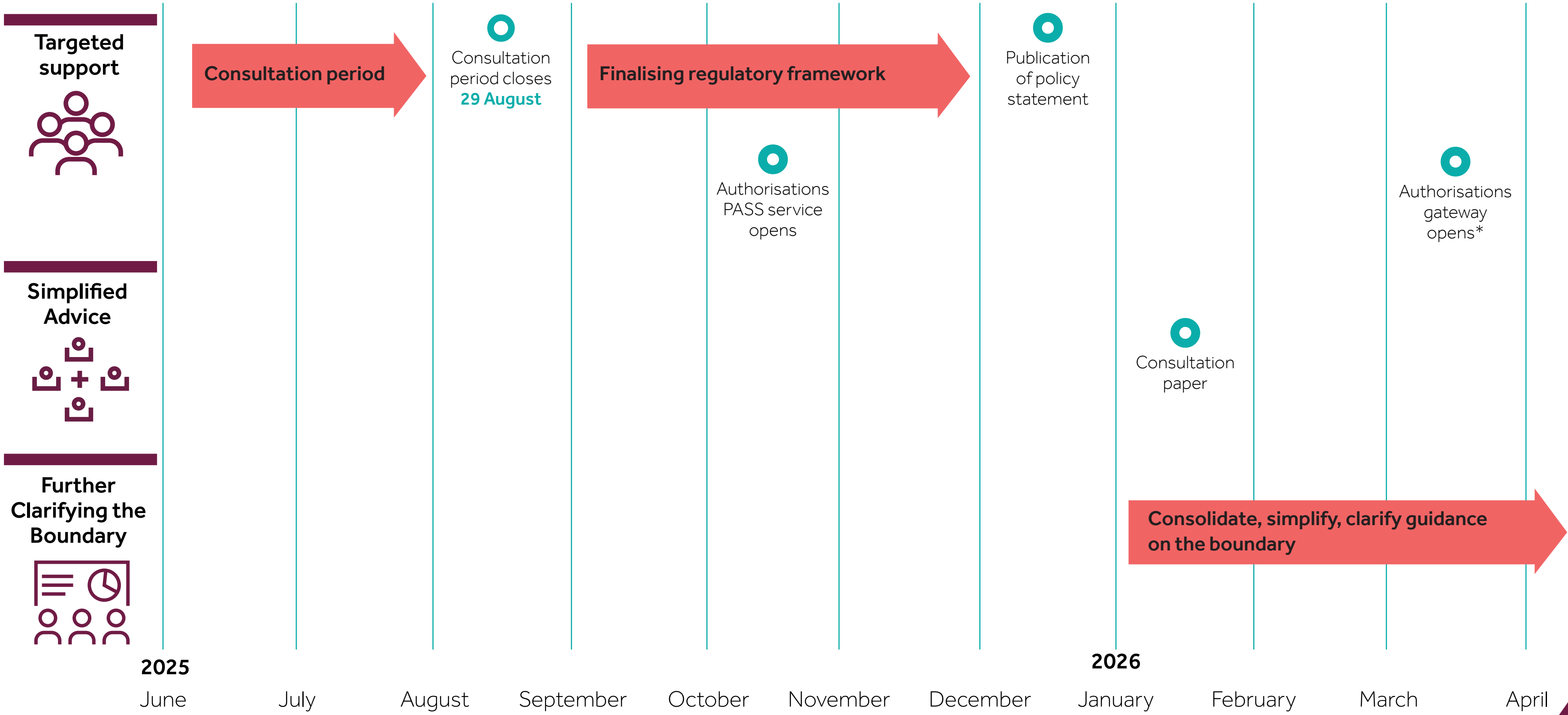
1.47 We aim to publish a policy statement by the end of 2025, though this depends on the extent of feedback we get to the consultation.

1.48 We are aware there will be residual consequential changes from our proposals in this paper. We have proposed the framework in this paper based on which targeted support services can be built. We will consult later this year on any consequential changes.

1.49 We will continue to engage with stakeholders and in Chapter 8 we set out our proposed approach to enable firms to operationalise targeted support quickly.

Next steps

Indicative timeline



* See Chapter 8: Approach to authorisations and measuring success

Chapter 2

Targeted support framework and conduct standards

2.1 Our approach to setting a targeted support framework is to use existing requirements where possible, underpinned by the Consumer Duty. We also propose new outcomes-focused conduct standards. These will set a clear, high-level framework for firms, giving them flexibility to tailor their targeted support journeys, so they work best for their customers.

2.2 The proposals in this paper build on those in CP24/27 which explained our rationale for developing the framework. The proposals in CP24/27 were welcomed by most firms, who believe they will achieve the aim of providing more support to consumers. There are concerns amongst consumer groups about the level of protection that consumers will be afforded. There seems to be overall agreement that the status quo is unsatisfactory. Most of the proposals from this consultation are being taken forward, with one framework for pensions and investment products and only a small number of differences.

Designing and delivering targeted support journeys

2.3 In CP24/27, we set out the steps for the design and delivery of targeted support. We proposed that firms would deliver targeted support in scenarios where they have reasonable grounds to consider that this would deliver better outcomes for customers than if targeted support was not provided.

2.4 We suggested that firms would need to pre-define scenarios to provide targeted support and pre-define consumer segments, and ready-made solutions in these scenarios. Firms would then need to ensure an individual consumer aligned with a customer segment before making a suggestion. Firms would need to communicate with the customer throughout the journey, so they understood the nature of the recommendation they were receiving.

2.5 In the draft rules and guidance, we have used the terms 'situation' instead of 'scenario' and 'ready-made suggestion' instead of 'ready-made solution'.

2.6 We are taking forward most of these proposals, subject to some changes which we explain in the following chapters. We consider that the changes do not materially affect the intention of our proposals in CP24/27.

Situations	Consumer segments	Ready-made suggestions	Delivery
Firm **pre-defines situations** to provide targeted support	Firm **pre-defines consumer segment** (groups of consumers with common characteristics)	Firm **pre-defines ready-made suggestion** for each consumer segment	Firm **delivers** ready-made suggestion for consumer aligned to consumer segment (ie, verification)

We want firms to create targeted support offerings for their customers to deliver better outcomes than if targeted support had not been provided

Designing targeted support to deliver better outcomes

2.7 In providing targeted support, a firm needs to act in good faith to help customers meet their financial objectives or avoid foreseeable harm. This is important to comply with firms' existing obligations under the Consumer Duty and so consumers trust the support on offer. Our consumer research shows the importance of this, as many consumers are wary of providers' motives for selling products.

2.8 In CP24/27, we proposed that to provide targeted support, firms would need to consider whether providing it would achieve better outcomes for their customers. The intention is that firms would look to act to help customers protect or improve their financial position. Respondents were strongly in favour of this approach. For example, several pointed to the importance of targeted support being flexible and for firms to be able to provide it in a range of scenarios, not only where the firm wants to warn customers about a harm.

2.9 Some respondents raised questions about the interaction of the aim of better outcomes with the Consumer Duty and its requirement that firms act to deliver good outcomes for customers.

2.10 Most were in favour of applying the same standards to pensions and investments.

2.11 Some firms said that they may not have all information at the outset to determine that delivery of targeted support would deliver a better outcome in every case, and some requested greater clarity around what the consideration of 'better outcomes' would mean in practice.

Our proposals

2.12 We want firms to create targeted support offerings for their customers to deliver better outcomes than if targeted support had not been provided. In this context, better outcomes means putting consumers in a better place in their financial lives. This could be, for example, by increasing the likelihood of consumers achieving an adequate income, or the income they expected, in retirement. Importantly, while consumers may not act on the targeted support provided, its provision could still lead to a better outcome as it leads to a more informed decision.

2.13 In response to CP24/27, 42 respondents supported using the term 'better outcomes'. However, 7 respondents suggested that that the term 'better outcomes' could lead to confusion with the Consumer Duty requirement of firms to deliver good outcomes for retail customers.

2.14 We have chosen to use a distinct term from the Consumer Duty's 'good outcomes' requirement given the intention of targeted support set out above, broad support from respondents to CP24/27, and to avoid the impression that firms must deliver targeted support to fulfil their Duty obligations. We cover this interaction between better outcomes and good outcomes in paragraph 2.22-2.25.

2.15 We have referred to the purpose of targeted support as being to achieve better outcomes for consumers in the introduction to the new rules and guidance. However, we welcome feedback on whether using the term 'better position' is preferable given this potential confusion. Using this terminology, the purpose of targeted support would be framed as being to put consumers in a better position than if targeted support had not been provided.

2.16 To ensure that the 'better outcomes' aim guides firms' approaches to the design of their targeted support services, and the situations in which it is provided, we have included reference to this in draft Handbook guidance on the purpose of the targeted support regime. Our targeted support requirements should be interpreted in light of the purpose of targeted support.

2.17 We want firms to consider providing ready-made suggestions to help customers avoid foreseeable harm or meet their financial objectives and the better outcome purpose statement supports this. In doing so, firms will need to act in good faith, as required by the Duty. They should take care to make sure the design and delivery of targeted support works so that the firm makes suggestions to customers in circumstances where it is reasonable to consider that those suggestions will lead to a better outcome than if the targeted support had not been provided.

2.18 We propose that firms must, as general requirements, design and deliver targeted support with due skill, care and diligence.

2.19 In broad terms, our proposed standards are likely to be satisfied by a firm that:

- sensibly identifies situations posing a risk of foreseeable harm to customers or the potential for customers to better meet their financial objectives
- competently determines ready-made suggestions for those situations
- carefully identifies who that suggestion is for (or not for) so that the ready-made suggestion is not mis-delivered

Interaction with suitability standards

2.20 Our draft rules, in conjunction with firms' obligations under Principle 9 and the Consumer Duty, are designed to ensure that consumers receive suggestions that are suitable.

2.21 We are proposing that firms must have a reasonable basis for determining that ready-made suggestions are suitable for all consumers in the group, and that firms must assess suitability by reference to the relevant common characteristics. Our draft rules also make clear that targeted support will not be subject to the suitability standards in COBS 9/9A.

Interaction of better outcomes and Consumer Duty

2.22 Reflecting the fact that the targeted support framework has been designed to support retail customers, we are proposing that firms providing targeted support must treat all recipients of targeted support as retail customers and that the Duty applies to the design and delivery of all targeted support.

2.23 Where a firm provides targeted support, we propose that the basic rules governing its design and delivery will reflect the Duty's cross-cutting obligations, delivering robust consumer protection without unnecessary complexity. Firms will also need to have regard to other relevant obligations under the Duty, in particular those relating to product governance and customer understanding.

2.24 Firms should consider the support they provide to their customers as a whole when acting to deliver good outcomes under the Duty. Providing targeted support in a particular situation does not necessarily mean a firm is meeting all of its Duty obligations more broadly. As noted above, a firm does not need to provide targeted support to meet the Duty requirement to act to deliver good outcomes. Similarly, where a firm is providing targeted support it does not need to provide it in every potential situation to meet this requirement.

2.25 The Duty is a critical underpinning to the targeted support framework, enabling an outcomes-based approach. The following table sets out the key requirements under the Duty when firms offer targeted support.

2.26 Firms are not required to offer targeted support to comply with the Consumer Duty. However, if a firm does decide to offer targeted support, this could be an expedient way to meet its cross-cutting obligations under the Duty to enable and support customers to pursue their financial objectives and/or avoiding causing (by action or omission) foreseeable harm to them.

Application of the Consumer Duty to firms offering targeted support

Key components of the Duty that will be particularly relevant for firms to consider when designing and delivering targeted support include the following:

- The Principle that firms must act to deliver good outcomes for retail customers (Principle 12).

- The cross-cutting rules requiring firms to:
  - act in good faith towards retail customers (PRIN 2A.2.1R)
  - avoid causing foreseeable harm to retail customers (PRIN 2A.2.8R)
  - enable and support retail customers to pursue their financial objectives (PRIN 2A.2.14R)
- Requirements for firms to ensure that the design of their products and services meets the needs, characteristics and objectives of retail customers – including those with characteristics of vulnerability – in the target market and that the distribution arrangements are appropriate (PRIN 2A.3).
- Requirements for firms to ensure their products and services represent fair value for customers in the target market (PRIN 2A.4).
- Requirements for firms to ensure communications meet the information needs of retail customers, are likely to be understood, and equip the customers to make effective, timely and properly informed decisions. Where appropriate, firms must test disclosures before communicating them and monitor the impact of the disclosures after they have been communicated (PRIN 2A.5).
- Requirements for firms to design and deliver support that meets the needs of retail customers, including those with characteristics of vulnerability (PRIN 2A.6).
- Requirements for firms to monitor retail customer outcomes and to take appropriate action to address any identified poor customer outcomes (PRIN 2A.9).

Targeted support and FG21/1 guidance for firms on the fair treatment of vulnerable customers

2.27 It is important that firms consider customers with characteristics of vulnerability, including when they are designing and providing targeted support. We do not propose to introduce specific requirements for firms to achieve this. Instead, we expect firms to adhere to existing guidance.

2.28 For example, when pre-defining consumer segments firms should understand the needs of vulnerable consumers in their customer base and ensure their service meets those needs. We have also highlighted the ability for firms to adapt and refine their consumer segments and solutions as new scenarios and groups emerge, which will be particularly important in terms of supporting vulnerable consumers. This also aligns with the guidance which asks firms to take account of vulnerable consumers at all stages of the product and service design process to ensure products and services meet their needs.

2.29 We have considered whether our proposals should go further to prescribe how firms must provide appropriate support to vulnerable consumers. For example, we could require all consumers exited from targeted support to be signposted to other forms of support. We consider this overly prescriptive.

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

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?**

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

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.**

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

Pre-defining situations for targeted support

2.30 In CP24/27, we proposed that as an initial step a firm would be expected to pre-define scenarios where they can provide support to deliver better outcomes, and that we would not prescribe these.

2.31 Most respondents agreed with us but a small number were in favour of prescribing scenarios or identifying where targeted support should not be provided – to minimise the risk of consumer harm.

2.32 Many recognised that firms need flexibility to develop their targeted support journeys over time and some suggested that we should provide examples of good and poor practice to help firms identify appropriate scenarios. For pensions, most respondents said we did not need to differentiate between different types of self-invested personal pension (SIPP) consumers as this could be dealt with by consumer segmentation.

2.33 Some firms said they may want to pre-define scenarios and consumer segments as a fluid process rather than sequentially.

Our proposals

2.34 The targeted support framework must be flexible and future-proof. We are taking forward the proposal that a firm will have to pre-define situations when designing the service, but we are not proposing to prescribe situations in which firms can provide targeted support. In the draft rules, we have defined a 'consumer segment' as the product of a common situation and, where relevant, common characteristics. We propose that firms may pre-define situations and related groups of individuals with common characteristics concurrently or sequentially.

2.35 In our draft rules, we have defined 'situation' as a common set of circumstances identified by a firm in relation to its clients involving a common financial support need or objective that the firm reasonably considers can be met with a suggestion. When identifying these situations, firms should have regard to the purpose of targeted support.

Scope of targeted support

2.36 Our proposals are directed towards suggestions relating to investments and pensions only. Support relating to other types of products, such as mortgages and pure protection insurance, is beyond the scope of these proposals.

2.37 Our proposals do not involve the regulation of an activity that is not regulated today. We propose that the targeted support framework should extend only to the provision of suggestions for which firms would currently require Part 4A permission for advising on investments under Article 53 of the RAO.

2.38 Firms will not be able to use targeted support models to provide recommendations on giving up safeguarded pension benefits. Advising on the conversion or transfer of these types of benefit is regulated under Article 53E of the RAO.

2.39 Our proposals for how targeted support should apply to support in relation to annuities, pension consolidation and higher risk investments are set out in paragraphs 2.66-2.88.

Targeted support and guided retirement

In parallel with the Treasury and FCA's work on targeted support, DWP and the Treasury have been exploring options for guided retirement for trust-based schemes, to ensure default pension benefit solutions can be made available to consumers who are retiring. Following the introduction of the Pension Schemes Bill, we are also developing our policy for guided retirement in contract-based schemes.

Together with government and The Pensions Regulator (TPR), we aim for pension savers to be supported to make informed choices about how to access their pension in a way that works for them. However, we recognise that some will not engage with their pension or do not feel able to make complex decumulation decisions.

Targeted support seeks to support consumers in making these informed choices, whilst default pension benefit solutions (as part of guided retirement) seek to create a default decumulation option for consumers that do not or cannot engage.

While we think targeted support will provide support for consumers widely across the market, we know some consumers cannot or will not engage, and for such consumers a default retirement solution will be a valuable option.

We recognise that targeted support and guided retirement, particularly with the latter being a mandatory policy, will influence how trustees choose to support their members. We note that support that relates solely to 'in-scheme' occupational pension scheme investments will generally not involve trustees carrying out regulated activities without being authorised (or exempt). We will continue to work closely with TPR and will consider the relevance of our joint guidance which includes setting out when trustees might be undertaking a regulated activity. We will also consider if further clarity to trustees should be provided.

We are interested to understand the situations and nature of the ready-made suggestions that trustees would want to provide if they were to give targeted support. We particularly welcome views on how trustees may want to provide targeted support or a version of it that applies solely to 'in scheme' benefits. This includes whether this would be done under the trust-based occupational pension scheme itself, or whether trust-based schemes would partner with a third-party FCA-authorised firm to deliver targeted support, or a version of it, for the scheme's members. We are interested in how trustees would want to do this in practice.

More broadly, we want to understand the support that trustees wish to give their members, and in particular, whether they feel unable to give such support because they are worried about undertaking a regulated activity or financial promotion. We are interested in receiving specific examples from trustees.

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.**

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?**

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)**

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

Practical examples of using targeted support situations to help consumers achieve a better outcome

2.40 These are examples of the kinds of consumer needs or objectives which we anticipate might be met by targeted support. In each case we give an example of what firms can do today without requiring Part 4A permission to advise on investments and then we outline how targeted support, delivered by a firm with the appropriate permissions, can 'fill the gap' and deliver support which could currently only be provided by a firm with permission for advising on investments.

- **Consumers under-saving for retirement:** Currently firms can warn a consumer that they may be under-saving for retirement. Under targeted support, a firm could suggest an alternative pension contribution rate.
- **Consumers struggling with access decision:** Currently firms can provide a consumer with factual information around their decumulation options. Under targeted support, a firm could suggest how a consumer could access their pension in a way which is appropriate for their consumer group. For example, taking an income more tax efficiently using an uncrystallised funds pension lump sum rather than drawdown.
- **Consumers drawing down their pension unsustainably:** Currently firms can warn a consumer that they may be drawing down their pension unsustainably. Under targeted support, a firm could suggest an alternative drawdown rate.
- **Consumers in a position to invest:** Currently firms can suggest that consumers may be in a position to start investing. Under targeted support, a firm could suggest a specific investment product for a consumer.
- **Consumers with investment products:** Currently firms can provide information about investments consumers hold, for example to highlight risks and signpost to explanatory materials. Under targeted support, a firm could suggest an alternative investment product.
- **Consumers who are investing in an expensive fund when a cheaper alternative is available:** Currently firms can inform consumers that there are alternative products with lower charges. Under targeted support, a firm could suggest a particular fund which would offer better value.
- **Consumers choosing between investments and pension products:** Currently firms can suggest certain investment wrappers, like ISAs, to a consumer, but not a specific investment or pension product. Under targeted support, firms will be able go beyond suggesting certain investment wrappers, and suggest either a specific investment or pension product.

Pre-defining consumer segments

2.41 In CP24/27, we proposed that before delivering targeted support, firms should pre-define groups of consumers based on common characteristics to whom who they intend to provide ready-made suggestions to. We called these groups 'consumer segments'.

2.42 We also proposed setting general parameters around the definition of consumer segments, to make sure firms design segments that are neither too broad nor overly individualised. Ready-made suggestions are for groups of consumers and are based on limited data. We considered these aspects key to differentiating targeted support from other types of investment advice. We also proposed the concept of consumer segments needing to be 'sufficiently granular'.

2.43 Respondents agreed with this approach however, several respondents called for clarity on the data that firms should use to build their segments. In particular, when a segmentation approach becomes too individualised and looks like individualised advice.

2.44 Respondents said that when pre-defining consumer segments, firms should identify common characteristics that would prevent the consumer from being part of a particular segment, where the consumer would not achieve a better outcome.

Our proposals

2.45 We propose that firms will need to pre-define consumer segments, which are groups of consumers in a common situation and, where relevant, sharing common characteristics.

2.46 We have clarified that firms can choose to pre-define their situations and common characteristics as one fluid process, rather than sequentially. We are also proposing that it should only be possible to align a consumer with one consumer segment within each pre-defined situation.

Common characteristics

2.47 Where relevant, firms must establish the common characteristics they will use to align consumers to the group. They must also specify the information required about a consumer to determine whether they have those characteristics.

2.48 When designing consumer segments, firms must not only consider common characteristics to align a consumer with a segment ('including characteristics'), but also common characteristics which would prevent a consumer from being aligned with a segment ('excluding characteristics').

2.49 We propose that the common characteristics must be relevant to the common financial support need or objective of consumers in the common situation, and to the firm's assessment of a suitable ready-made suggestion for the segment.

2.50 We have proposed that excluding characteristics refer to characteristics which are likely to render a ready-made suggestion ineffective, inappropriate or unduly risky, and thereby unsuitable. For example, if a firm were pre-defining a consumer segment for a ready-made suggestion of a drawdown rate for consumers based on average life expectancy, it would likely be important to exclude consumers who had a significant health issue that was likely to impact their individual life expectancy.

2.51 We recognise that common characteristics that exclude a consumer from a consumer segment may mean that consumers with protected characteristics or characteristics of vulnerability have a greater likelihood of being unable to receive a ready-made suggestion. We expect a firm to take the following steps during the design stage when they pre-define common characteristics to exclude a consumer from a segment:

- Consider whether they can pre-define a different consumer segment to capture consumers with such a characteristic.
- If that is not possible, they should, where appropriate, identify ways to exit consumers from the targeted support journey where they are led to other forms of support. For example, firms should consider signposting consumers towards relevant support services such as MoneyHelper. We cover this in greater detail in Chapter 3.

Sufficiently granular consumer segments

2.52 In line with CP24/27, we propose to require firms to design consumer segments at a sufficiently granular level. Firms have experience of applying this concept in the context of target market assessments under PROD and the Duty, meaning this will not be a completely new concept for firms.

2.53 To meet this requirement, consumer segments should not be too broad, such that a firm cannot define a suitable ready-made suggestion for the segment. Firms should also not build segments that are overly individualised, to avoid misleading consumers into believing that they have received individualised advice. Firms should carefully consider the nature of the data they would need to use or collect from a consumer in order to align them with the segment.

2.54 The types of common characteristics used to design consumer segments should not be overly complex. While firms can use some more individualised data such as investment objectives or risk tolerance as common characteristics, they should not do so in a way that is complex or highly personalised, as the more of this data a firm uses, the more likely the segment is to be overly individualised. This is a key differentiation between targeted support and simplified advice.

Assumptions

2.55 We propose that when designing targeted support journeys and considering the suitability of ready-made suggestions, firms can choose to make some reasonable assumptions about consumers in a particular segment.

2.56 This can allow firms to factor in aspects without having to collect this data in a way that may be overly individualised. Any assumptions a firm does make need to be reasonable.

2.57 We consider, for example, that in a cash to investment journey a firm may want to factor in a consumer's willingness to take investment risk and that they are prepared to invest over an appropriate time horizon. Rather than collecting this information from the consumer, firms could make reasonable assumptions about these. We welcome feedback on whether firms would factor in this information using assumptions or seek to pre-define them as common characteristics.

2.58 We are not prescribing that firms need to communicate these assumptions to consumers, but firms would need to consider whether non-disclosure is appropriate in light of the assumption they have made (see paragraph 3.23).

2.59 In the cash to investment example given in paragraph 2.57, if a firm made assumptions about a consumer's willingness to take investment risk or investment time horizon, it is likely that a firm would consider it appropriate to communicate these in some way, either by disclosing them to the consumer, or by asking the consumer to confirm whether they were correct.

Insights from policy sprint and industry engagement

Through our policy sprint and engagement with industry, we understand some firms may want to design targeted support journeys which make greater use of personal data and consumer interaction.

The sprint indicated that limiting the nature of the data firms use and/or collect when designing and providing targeted support is important to making sure consumers understand the limited nature of the service.

Where firms do want to build journeys that make greater use of more individualised customer data, we encourage them to build these journeys under the existing advice framework.

2.60 We will consider whether to produce illustrative case studies to support firms' determination of when consumer segments may be overly broad or overly individualised going forward.

Question 10: **Do you agree with our proposal that firms can make reasonable assumptions when designing targeted support journeys? If not, why not? In your answer, please set out examples of assumptions you may choose to make when designing targeted support journeys.**

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

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?**

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?

Pre-defining ready-made suggestions

2.61 In CP24/27, we proposed that firms would need to pre-design ready-made suggestions to align with the common characteristics of the consumer segment they were designed for. The solution could involve an action in relation to an existing product or a suggested new product.

2.62 We explained that providing targeted support would largely involve the provision of a personal recommendation in the current framework. We also proposed extending existing concepts that apply to the manufacture and distribution of products and services under PROD 3, PROD 4, and, where relevant, PRIN 2A.3, to ready-made suggestions provided through targeted support. Our proposed product governance standards, together with the Duty, seek to ensure suggestions are of high quality and meet the needs of customers who receive them.

2.63 We received mixed feedback on whether targeted support should only capture support that currently constitutes a personal recommendation. Respondents felt that targeted support could be a mix of personal recommendations and support short of this (what can currently be provided as guidance).

2.64 Respondents agreed with our suggestion to use the Consumer Duty and existing product governance rules, noting both are well understood by firms.

Our proposals

Scope of ready-made suggestion

2.65 Ready-made suggestions could be suggestions to take action in relation to an existing product or service, or new products. We agree with feedback that a suggestion could also involve not taking an action. For example, a suggestion to a consumer not to undertake a full cash withdrawal from their pension.

Ready-made suggestions as personal recommendations

A guiding principle in our design of targeted support has been that this new framework should not involve the extension of regulation to support which firms are able to provide today without the need for permission to advise on investments. Our vision for targeted support is to provide a new framework through which firms can provide advice which would currently be regulated as a personal recommendation.

A key part of the reason for this approach is that our work has shown that consumers are looking for clearer direction in the support which they receive than guidance alone is able to provide. Consumers are looking for help to identify particular investments which would be right for them. Therefore, it is not our intention through this new framework to extend regulation to non-personal recommendation advice or guidance.

We understand that the Treasury is adopting this same principle in its own work to specify a new activity in the RAO of providing targeted support.

There may be instances in which firms design and deliver ready-made suggestions that incorporate components which, in and of themselves, would not amount to a personal recommendation. This may be because an element of the suggestion did not relate to a particular investment.

For example, a suggestion to 'put some money into a stocks and shares ISA' is unlikely to involve a personal recommendation (unless it involves an implied recommendation of a particular investment). However, a ready-made suggestion may couple a suggestion to open such an ISA with a recommendation to invest in a particular fund through that ISA. In this scenario, we would generally expect firms to develop the whole ready-made suggestion within the framework of the rules which we are proposing. We do not consider it to be right to separate the suggestion of the ISA wrapper from the suggestion of the fund to be held within the ISA wrapper given that the two elements are intrinsically linked and cannot be disentangled.

Alternatively, a firm may develop a ready-made suggestion for individuals approaching retirement which incorporated an element of income drawdown where a particular product was suggested, and also a suggestion to consider purchase of an annuity with certain types of feature (without any express or implicit recommendation of a particular annuity). Again, the latter element may not of itself involve a personal recommendation but the former likely would. On the basis that these two elements would together constitute a single ready-made suggestion, our expectation is that the suggestion as a whole would be developed in a manner which complied with the rules we are proposing.

Firms may also choose to give support that is just guidance (or non-personal recommendation advice) but deliver it to groups of consumers with similar circumstances in a way which may appear to mirror targeted support. Based on the approach we are taking, which we understand the Treasury is adopting, delivering guidance (or non-personal recommendation advice) in this way would not involve regulated targeted support. Our new targeted support rules would not apply. However, firms should ensure they are complying with their obligations under other FCA rules, including to communicate in a way that is fair, clear and not misleading and ensure that consumers understand the nature of the service they are receiving. In addition, where the communication amounts to a form of advice, a firm must ensure that the advice is suitable under Principle 9.

We believe that the approach that we are adopting most effectively aligns with our work to further clarify the advice-guidance boundary and ultimately give firms greater confidence to deliver appropriate support to consumers in a variety of different circumstances. In any event, we are keen to ensure that firms are not dissuaded from providing guidance to consumers as a result of undue caution about coming close to the regulated advice boundary. Providing guidance may be a valuable way in which firms can support retail customers to pursue their financial objectives. We explain our ongoing work to further clarify the boundary in Annex 1.

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?**

Annuities and ready-made suggestions

2.66 In our previous consultation, we proposed that firms could not include a suggestion to purchase a specific annuity in their ready-made suggestions.

2.67 We received mixed feedback. Some respondents agreed with it, but others suggested that a ready-made suggestion should be able to suggest the type of annuity which is appropriate for the consumer segment, including firms that both sell and do not sell annuities. Others said that suggesting features of an annuity may look too much like advice. Respondents also said that firms could play a role in educating consumers about annuities, how they work, and how the different annuities can affect a consumer's retirement outcome, although this may be already possible as guidance or non-personal recommendation advice.

2.68 Some respondents suggested signposting to an annuity bureau that would help consumers to assess their different options within a non-advised sales process, having received a ready-made suggestion of an annuity. Others recognised the benefits of MoneyHelper and their annuity comparison tool.

Our proposals

2.69 We have carefully considered the feedback. We continue to consider that targeted support would not provide an appropriate framework for expressly recommending a 'particular annuity' to a consumer. To recommend a particular annuity in that way, a firm would need to collect significant personalised information resulting in overly granular consumer segments. Without personalised data, it would be inappropriate for firms to make an express recommendation for a lifelong product that is irreversible.

2.70 Firms that are currently concerned that, depending on the circumstances, suggesting features of an annuity in certain circumstances may cross the advice boundary, will now be able to give those suggestions as targeted support. But under our proposed policy they will not be able to go as far as expressly referring to a particular annuity, such as a named annuity. This means that the introduction of targeted support should give firms confidence to provide this helpful support based on a consumer segmentation model.

2.71 Firms will also be able to continue to give information and general guidance on annuities, as they can now. For example, where consumers express a need for a secure income which maintains its spending power each year, they could suggest considering an increasing annuity (but only where the circumstances are such that they would not be perceived as recommending a particular annuity). This information or guidance would not be targeted support irrespective of the framework used to give it (see textbox below paragraph 2.65). As firms will not be able to expressly refer to a particular annuity, it follows that they will not be able to provide a pension annuity quote. We are concerned that if a consumer received a suggestion for an annuity followed by a specific firm's quote, they may not be able to differentiate this suggestion from individualised advice. This is because a quote for a specific annuity could be seen as a specific product recommendation. An annuity quote would also require highly individualised data.

2.72 Where a firm giving targeted support in relation to an annuity as set out above, we propose that the firm must signpost consumers to *MoneyHelper's annuities comparison tool* alongside the ready-made suggestion. This will enable consumers to generate quotes from across the market and compare them. Effectively, this means that we propose that the targeted support journey ends at the point of suggestion and we expect the firm to communicate that to the consumer. So if a consumer accesses support through MoneyHelper, or subsequently decides to buy an annuity which has the same shape as the ready-made suggestion, this will be separate to the targeted support journey.

2.73 Our requirement that a particular annuity cannot be part of the targeted support journey does not prohibit firms from selling annuities, including to the recipients of the targeted support. However, there needs to be a sufficient break in the consumer journey between a ready-made suggestion and an annuity sale. This includes that providers of targeted support will not be permitted, for a period, to send any annuity-related communications, such as marketing or financial promotions to consumers to whom the firm has recommended ready-made suggestions, to allow sufficient time for the consumer to approach MoneyHelper. We are not proposing a specific timeframe for the break in light of firms' obligations under the Consumer Duty, in particular the consumer understanding outcome. However, we could set a minimum if that would be helpful to firms and our current view is a period of at least 2 weeks. We would welcome feedback on this. A break in the consumer journey is particularly important as an annuity purchase is irreversible and it is important that consumers should shop around. The break period does not prevent the firm from providing further clarification about the targeted support that was provided. Further, if a consumer contacts a firm and indicates that their circumstances have changed in a way which means the targeted support they received may no longer be relevant, the firm may provide another ready-made suggestion. The break period does not prevent a consumer from initiating a fresh contact with the firm that gave targeted support to proceed with an annuity purchase within this period, and firms would be permitted to arrange the product selected by the consumer.

2.74 In addition to the signposting requirement above, firms should communicate in a way that means consumers should understand that if they subsequently approach the firm which gave targeted support to purchase a particular annuity, they are entering into a sales process and that it is not a continuation of targeted support. Once a consumer enters the sales journey, firms would then have to comply with relevant requirements, including our annuity prompt rules in COBS 19.9 and our COBS 13 requirements.

2.75 We also propose to prevent firms that give targeted support on annuities from signposting or referring consumers to commercial services which enable them to compare or buy an annuity, such as annuity bureaus or brokerages. This is because we are concerned about conflicts of interests which may arise from such referrals. We also want to continue to encourage consumers to shop around for annuity products.

2.76 Requiring firms to signpost consumers to MoneyHelper creates a positive break in the journey and supports consumers to take the next step, without feeling pressured or locked in to purchasing a product from the firm who provided the suggestion.

2.77 Firms should note that our proposals include all forms of annuity that are designated investments, including those that are short-term annuities, and other annuities purchased using funds designated to drawdown, commonly referred to as fixed term annuities. This is due to the degree of personalisation that would be required to make a suitable recommendation on all types of annuities.

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

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?

Pension consolidation and ready-made suggestions

2.78 In CP24/27, we did not propose to exclude the use of targeted support for consolidation but requested feedback on how it might work effectively in practice. Most respondents considered that targeted support could be used to make suggestions about pension consolidation. Combining DC pension pots could reduce the number of small or lost pots, simplify pension management for consumers and potentially save on advice fees. Overall, pension dashboards were seen as effective tools which could support decisions around consolidation in the future.

2.79 However, some respondents raised concerns that allowing targeted support to be used for consolidation purposes may lead to inappropriate ready-made suggestions. This included losing valuable benefits and an overreliance on dashboard data which may not always be up to date or sufficiently detailed.

2.80 Respondents saw consolidation as beneficial in specific cases but repeatedly highlighted the need for consumer protections and safeguards.

Our proposals

2.81 Following this feedback and industry engagement, we consider it would be difficult to use targeted support to suggest consolidation into or out of a particular product. Given the degree of personalisation needed to make a suggestion, it would be inconsistent to deliver support through a model based on groups of consumers sharing common characteristics. The effect of this is that firms cannot use targeted support to suggest that consumers consolidate any pensions out of or into a particular product.

2.82 Firms can already give guidance to consumers on the factors to consider when consolidating. Firms are not prevented from indicating which key factors may be relevant to a consolidation decision to groups of consumers with common characteristics. If a firm only provided such general information, it would only be providing guidance and therefore the specific requirements related to targeted support would not apply. However, where such general information is provided in conjunction with support that constitutes a personal recommendation, our expectation is that the suggestion as a whole would be developed in a manner which complied with the rules we are proposing. We welcome feedback on this.

2.83 Firms should also note that DP24/3 invited input on issues relating to DC transfers and consolidation. We expect to consult on measures to clarify expectations in relation to consolidation later this year.

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 in conjunction with support that constitutes a personal recommendation?**

Product limits and ready-made suggestions

2.84 We did not consult in CP24/27 on whether targeted support should be limited to certain types of investment products.

2.85 Respondents to our earlier Discussion Paper (DP23/5) valued the flexibility to offer targeted support on a wide range of products, such as the full suite of ISAs, personal pension products and general investment accounts.

2.86 We have sought stakeholders' views about whether targeted support is an appropriate vehicle for suggesting high-risk investments. Arguments in favour include that expanding access to some products currently categorised as higher risk products, such as Long-Term Asset Funds (LTAF), would support our growth objective, provided the suggestions are suitable for the relevant consumer segment. However, there is a risk of significant consumer harm from high-risk investments being distributed at scale to retail consumers, without sufficient safeguards being applied. Many firms we spoke to see providing access to higher risk investments as a minor use case, and many would not provide access to them at all.

Given the associated risks and that targeted support is a new service, we propose preventing firms from including within a ready-made suggestion any investment product that is subject to marketing or distribution restrictions under our rules (for example Non-Mass Market Investments, Restricted-Mass Market Investments and products covered by restrictions in COBS 22). For clarity, this restriction applies to investments held through SIPPs to the extent that they are subject to these restrictions. However, this restriction will not apply where a firm suggests a suitable investment which has a component part that provides some exposure to one of these excluded products. For example, it may be appropriate to suggest a packaged product or default arrangement with an appropriately diversified asset allocation with some exposure to an LTAF.

2.87 Firms will be able to provide suggestions to consumers holding these investments, for example, to suggest a lower risk product.

2.88 As the investment market develops, some high-risk products may not be captured by our existing marketing and distribution restrictions. This does not mean that firms should suggest these products to consumers through targeted support. For example, we would not expect products that are leveraged, such as leveraged exchange traded products, or which are structured in a way that means the consumer could lose more than they invest to be suitable for a ready-made suggestion.

2.89 We are also undertaking new work to review the current landscape of consumer investments and high-risk products. This work is designed to make sure we have a regulatory framework that is properly calibrated and consistent across the spectrum of risk and consumer investment products to support and protect consumers and ultimately foster economic growth. This work will consider products which are currently categorised as high risk which may be appropriate for targeted support in future.

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?

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?

Delivering targeted support – verification

2.90 In CP24/27, we proposed that firms check that a consumer can be aligned with a pre-defined consumer segment based on their common characteristics. We did not prescribe how firms should use or collect data on the consumer when verifying if they could be aligned with a consumer segment. Instead, we clarified that firms could use data that they either hold about the consumer, or data they obtain as part of the targeted support journey to align the consumer into the correct consumer segment based on their common characteristics.

2.91 We also proposed that firms must check the data they are using is accurate and up to date before they make a ready-made suggestion.

2.92 Several respondents raised potential issues arising from consumers volunteering additional information during the verification process beyond what is needed to align a consumer to a segment, and how to consider existing unstructured data they may hold on the consumer. These two aspects were raised as a barrier for firms wanting to provide targeted support beyond digital channels.

2.93 Respondents recognised the potential confusion consumers could face from receiving targeted support alongside other forms of advice, particularly ongoing advice. However, respondents highlighted that consumers receiving simplified or one-off advice may also benefit from targeted support. Consequently, some respondents suggested it would be unreasonable to exclude advised consumers on the basis of having received a one-time recommendation on a particular subject.

Our proposals

2.94 We consider our proposals on the verification process, set out in CP24/27, can be extended across pensions and retail investments. However, we propose to change our approach to advised consumers and provide additional clarity around how firms can approach handling additional information volunteered by the consumer.

Aligning a consumer with a consumer segment

2.95 Under our proposed rules, a firm may provide targeted support at the request of a consumer or at the firm's initiative. In order for a firm to deliver targeted support at its own initiative it must have reasonable grounds to consider that their customer is in one of the pre-defined situations with a common financial support need or objective.

2.96 A firm must only deliver a ready-made suggestion where it aligns the consumer with a segment. In order to do this, a firm can use data it already holds on their customer, or collect additional data required to align the consumer with a segment. The information that pensions dashboard services make available to consumers could help in this phase to identify if the consumer matches the consumer segment.

2.97 We are proposing that to align a consumer with a segment, a firm must confirm that the client is in the common situation and has all of the including characteristics and none of the excluding characteristics of the segment.

Suitability and additional information about the consumer

2.98 We are proposing to indicate that a ready-made suggestion should be suitable if it is properly designed and a consumer is correctly aligned, unless there is information of which the firm ought reasonably to be aware that would indicate the ready-made suggestion would be unsuitable.

2.99 This means that firms need to consider to what extent they should factor in additional information they hold on their consumers, beyond the information needed to align them with a consumer segment. It would not be reasonable to expect firms to consider all the data they hold. If firms establish their excluding characteristics correctly, there should not generally be other information that would render a ready-made suggestion unsuitable, but this will be for firms to determine in light of the particular context.

2.100 Some respondents raised concerns about our proposal in CP24/27 that a firm cannot ignore additional information volunteered by the consumer during the targeted support journey when it clearly means they would not achieve a better outcome through the ready-made suggestion. These concerns stemmed from the perceived need for a real-time assessment of the materiality of additional information and the associated liability risk.

2.101 However, we consider that a firm appropriately pre-defining the common characteristics (including and excluding) of their consumer segments should mitigate some of the risk that firms encounter information in the course of providing targeted support that would result in the firm having to conduct real-time assessments.

2.102 Where a consumer does volunteer additional information beyond the pre-defined common characteristics of a consumer segment they are being aligned with, firms must consider this, and may:

- Determine that the ready-made suggestion is still suitable.
- Determine that the ready-made suggestion would be unsuitable for the consumer, in which case the consumer must either be aligned with another consumer segment or exited from the targeted support journey.

2.103 We recognise that different delivery channels may make this risk difficult to mitigate, for example, where targeted support is provided person-to-person. Where firms do have different delivery mechanisms of targeted support, they will need to consider how to manage the potential for, and implications of, additional information being volunteered.

Outcome of aligning a consumer

2.104 Under our proposals, when a firm has aligned a consumer with a consumer segment, it may deliver the ready-made suggestion. A firm may be unable to align a consumer because it has been unable to identify all of the including characteristics, it has identified that the consumer has an excluding characteristic, or it is aware of information leading it to conclude that the ready-made suggestion would not be suitable.

Accurate and up to date data

2.105 We are proposing that a firm must take reasonable steps to make sure that the information it uses to align a consumer with a segment is accurate and up to date. Where it considers that the relevant information may not be accurate, the firm must verify that information with the consumer. The UK GDPR's accuracy principle is also relevant to considering accuracy.

Advised consumers

2.106 We want as many consumers as possible to benefit from targeted support, while mitigating the risk of confusion between different support services that a single consumer could be provided. Following responses to the consultation, we do not consider it appropriate to introduce a specific requirement excluding the provision of targeted support to consumers receiving ongoing advice.

2.107 Instead, we propose that where firms are providing targeted support to their consumers, they should consider and meet their obligations under the Consumer Duty. This includes their obligation to support retail customer understanding (PRIN 2A.5.3R), which includes ensuring that consumers understand that targeted support is not individualised advice. A firm should pay particular regard to this obligation where it:

- Has provided investment advice to a client.
- Is providing investment advice of an ongoing nature.
- Is aware, or ought reasonably to be aware, that the client is receiving, or has received, investment advice from another person.

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

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

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.

Providing a high-quality targeted support service

2.108 It is important that firms design and deliver products and services that meet the needs of their target market and that provide fair value. This requires a robust product governance framework to ensure targeted support services are of high quality. To ensure rigorous product governance sits around the design and delivery of targeted support, we propose to use existing requirements in PROD and the Consumer Duty and additional specific requirements that are set out below.

2.109 In the case of targeted support, our proposals below generally assume that firms providing targeted support will be:

- The manufacturer and distributor of the targeted support service, and
- The manufacturer or distributor (or both) of the product that forms part of the ready-made suggestion.

PROD 3 and 4

2.110 PROD 3 and 4 require firms to have product oversight and governance processes in place to design, approve, market and manage certain products/services they manufacture and/or distribute, throughout their lifecycle. Manufacturers and distributors of products forming part of the ready-made suggestion under targeted support will need to comply with these requirements.

Consumer Duty

2.111 The Consumer Duty also includes rules relating to the manufacture and distribution of a product or service. These rules will apply to the design and operation of a targeted support service. The Consumer Duty also requires firms to provide fair value to customers. This will also continue to apply to firms providing targeted support.

Specific additional requirements

2.112 We are also proposing additional Handbook rules and guidance to ensure the respective obligations on firms providing targeted support are clear. Our intention is for firms to have effective processes in place around areas such as monitoring outcomes, reviewing the service regularly, appropriately identifying target markets, conducting pre-launch testing, and developing effective customer journeys. We welcome feedback on this.

2.113 Our proposals seek to provide a robust product governance framework for the development and oversight of targeted support services and to ensure products used for ready-made suggestions are (and remain) appropriate for consumers.

Monitoring outcomes of targeted support – General

2.114 Under Consumer Duty requirements, firms providing targeted support will be responsible for monitoring the outcomes that consumers receive from the service. Among other things, the monitoring must enable a firm to identify:

1. whether any group of retail customers is experiencing different outcomes compared to another group of retail customers receiving the same targeted support service; and
2. whether any groups of retail customers have suffered harm as a result of the firm's acts or omissions

2.115 Our proposals are not intended to change the nature of targeted support as a one-off service and does not involve ongoing suitability assessments. These monitoring requirements apply to all of a firms' products and services provided to the retail market.

Monitoring outcomes of targeted support – Product changes

2.116 We propose that a firm providing targeted support must have arrangements in place to monitor whether any product that forms part of the ready-made suggestion remains appropriate for that purpose. This will need to include being able to identify where there are changes to that product in particular if this is a significant adaptation. Where a significant adaptation to a product has been identified, the firm must consider whether the product remains appropriate for inclusion for any relevant segment going forward.

2.117 We are also proposing that firms use the information they receive on the product to consider whether any change to, or issue with, the product is significant enough that it should be taking appropriate action to address the risk of harm in relation to any customers who previously received, and acted on, the ready-made suggestion that the product formed part of. This would only apply to customers who received the ready-made suggestion from the firm and acted on the suggestion with the same firm.

2.118 Firms will need to decide what action is necessary in that circumstance including, for example, whether it would be sufficient to notify the customer that the product has changed, and that the customer may wish to consider the effects of this. Alternatively, the firm may offer the customer targeted support again if that is feasible (ie if an alternative ready-made suggestion is available).

2.119 When considering the significance of the change, firms should, for example, consider the effect of features being added or removed from the product, changes to the target market and any other changes to the terms and conditions, which would indicate the product is no longer suitable to propose for the segment.

2.120 Our proposals described above are intended to ensure that firms deliver this standard approach across the market. However, we do not propose to prescribe exactly what actions a firm must take, as this will depend upon the particular circumstances. This approach is consistent with existing rules. We consider that this should be in keeping with existing processes of firms – including both product manufacturers and distributors – as they should have processes in place already to share information about the products, including significant adaptations or where a product manufacturer is taking mitigating actions, under PROD and the Consumer Duty.

Regular review of targeted support service

2.121 In CP24/27 we proposed that firms should be required to review their targeted support service annually. We are no longer intending to prescribe a specific annual review. Instead, we are proposing that firms should review their targeted support service regularly, and that they should determine the appropriate review intervals. This is consistent with existing rules, for example PRIN 2A.3.7R. Firms also have obligations under PROD 3 and 4 in relation to reviewing and monitoring products and ensuring the appropriate flow of information between manufacturers and distributors. These rules will also to be relevant to the products distributed through targeted support. These reviews should enable firms to monitor the outcomes of targeted support and take appropriate action under PRIN 2A.3.8.

2.122 We understand, and expect, that firms will iterate their targeted support journeys over time including through these regular reviews. This does not mean that a firm's initial or early targeted support journeys will be judged with hindsight. We want, and encourage, firms to iterate and improve their journeys as they gain a better understanding of the outcomes they produce.

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?**

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

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

Chapter 3

Targeted support communications

3.1 For targeted support to be effective in supporting consumers, firms' communications need to be engaging, clear and easy to understand. It is important that consumers understand the service being provided, its limitations and the protections available, and that firms give them information that supports their decision making.

3.2 Our proposed approach to communications is flexible and allows firms to innovate and incorporate new technology, such as AI, into a customer journey. It is consistent with the approach in the Consumer Composite Investment (CCI) consultations. We want to move from prescriptive disclosures to encourage more flexible, simple requirements which prioritise good consumer outcomes.

3.3 We saw the importance of communication in our behavioural testing to assess consumer understanding of targeted support, along with our consumer research and the policy sprint. The results from testing, feedback, and engagement have informed our approach and we have published this research to help firms design their communications.

3.4 In CP24/27, we set out an outcomes-based approach to our information requirements and the various elements firms should communicate to consumers, including 3 touchpoints within the consumer journey. Additionally, we asked firms to consider the benefits of layering information compared to showing it all at once.

Feedback, research and testing

3.5 We received mixed feedback on the proposed touchpoints. There was general support for the concept, but some respondents saw the proposals as too prescriptive, requiring firms to go through distinct steps they did not necessarily expect across all consumer journeys. We agree and have changed our proposals below.

3.6 Respondents generally supported the information to be included at the touchpoints in the journey.

3.7 Approximately half of respondents were in favour of layering information to consumers, whereas others said there was a need to show all information up front.

3.8 Our policy sprint showed how firms can design engaging digital targeted support journeys and the importance of testing these with consumers to make sure that they understand the nature of targeted support. It also identified 2 potential barriers to delivery: the presentation of risk warnings (discussed in this Chapter) and the Privacy and Electronic Communications Regulations (PECR). We discuss PECR in Chapter 7.

Findings from our behavioural research

We tested consumer understanding of targeted support by varying the information participants saw when receiving a suggestion. This was tested using three online randomised-controlled trials. Our Investment experiment tested a suggestion to invest cash savings into a moderate risk investment portfolio. Our two Pension experiments tested a suggestion to increase pension contributions, and a suggestion to access a pension using drawdown.

We ran these experiments to understand what helps consumers engage with suggestions, what gives them confidence to make an informed decision, and whether they understood the nature and limitations of the support.

Our results showed that consumer understanding of targeted support was generally good, even where participants were only shown a baseline level of information. We encourage firms to read the reports which summarise our behavioural research and consider the findings.

The results indicated that, overall, most participants understood they had not received individualised advice. This was especially evident in the Pensions experiments, with 82% of participants in the Decumulation scenario identifying this.

Our summary of lessons learned from behavioural testing (see Annex 8) highlights 4 key lessons learned from the experiments:

- Context matters, testing communication design is important.
- Showing consumers the data used to make the ready-made suggestion can enhance their understanding and boost confidence in decision-making.
- Consumers can distinguish targeted support from individualised advice, but careful thought in design and testing is required.
- In the Investment experiment, participants found targeted support more supportive, easy to understand and clearer than guidance.

3.9 The research on the effectiveness of disclosures builds on consumer research, published with CP24/27, on how consumers saw targeted support in pensions.

3.10 As part of the qualitative consumer research into retail investments, we also explored consumer understanding of the risks and responsibilities associated with investing (Thinks Insights & Strategy, 2025). During this engagement, consumers said they understood that they were responsible for their investment decisions when using targeted support. This was more strongly asserted by those who already held investments, who may be more familiar with the disclosures and risk warnings associated with investment products.

3.11 When considering consumer understanding, this research also pointed to consumers' high expectations regarding the personalisation and data used during a targeted support journey.

Our proposals

3.12 The Consumer Duty sets the overarching standard for firms communicating with consumers about targeted support. We are not proposing to prescribe specific touchpoints, language, or how to communicate the information during the targeted support journey.

3.13 Under the Consumer Duty firms must:

- **Support their customers' understanding** (PRIN 2A.5.3R) by making sure that their communications meet the information needs of customers, are likely to be understood by customers, and equip them to make effective, timely and properly informed decisions.
- **Tailor communications** (PRIN 2A.5.8R), taking into account, among other things, the characteristics of the customers intended to receive the communication – including any characteristics of vulnerability, the complexity of products, the communication channel used, and the role of the firm.

Specific requirements

3.14 Following insights from our consumer research and recognising the importance of consumers understanding the targeted support service, we propose to introduce specific requirements for a firm to communicate to the consumer:

- The **nature of targeted support** including that it is based on limited information and therefore that it is **not individualised advice**.

3.15 Where a firm provides a ready-made suggestion, we propose to require it to communicate:

- The **common characteristics of the consumer segment (including and excluding)** to which the consumer has been allocated (ie the factual data points that the segment is based on).
- That the ready-made suggestion was designed for the relevant consumer segment.
- Any limitations on the scope of products considered by the firm, for example where the firm has only considered its own products or connected firms' products.

3.16 We are not prescribing how or when firms communicate these elements to customers.

3.17 We are also proposing a specific requirement on firms to test their targeted support communications and take reasonable steps to ensure consumer understanding.

The nature of targeted support

3.18 Consumers need to understand the nature of the support they receive so that they can assess whether the suggestion is right for them. This includes understanding that the suggestion was designed for groups of consumers and therefore it is not individualised advice. Firms must be clear that limited information was used to generate the suggestion.

3.19 We propose to require firms to clearly communicate that the suggestion provided is not individualised advice. In our pensions behavioural experiments, we found that participants were more likely to recognise that the suggestion was more general than individualised advice when the communication included a clear statement that the suggestion was not individualised. Participants in the groups that showed this improved understanding were also directed to further information about accessing regulated financial advice. Although we were not able to isolate the impact of this messaging alone, it is a useful starting point for firms to develop their communications.

The common characteristics of the consumer segment

3.20 We want consumers to understand they have not received individualised advice. So, it is important they understand how their data has been used to align them with a segment and that they understand that limited data points have been used. Our behavioural research found that when the communications provided did not include data playback of the common characteristics, consumers' understanding of the service was lower than when data playback was included.

3.21 Consumers may get different suggestions from different firms. Knowing what data points were considered in making the suggestions can help consumers understand why they may receive different suggestions from providers.

3.22 We propose firms must communicate the common characteristics of the segment to which the consumer has been allocated. This should be expressed at the segment-level, and not individual customer data. This helps underline the nature of targeted support and that the consumer has been aligned with a segment based on common characteristics.

3.23 We have considered whether to require firms to disclose any relevant assumptions the firm has made about the consumer segment (see paragraph 2.55). Instead, we propose that firms should consider whether it is appropriate to communicate these. For example, in a cash to investment journey, it is likely that a firm would consider it appropriate to communicate any assumptions made about a consumer's willingness to take investment risk or investment time horizon in some way (see paragraph 2.59).

Additional requirements

3.24 As part of delivering targeted support, firms will need to comply with existing rules, such as any specific product and service disclosure requirements.

3.25 Firms must also provide an option to consumers to opt-out of receiving a ready-made suggestion at any point when the firm is delivering targeted support.

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?**

Additional considerations

Signposting

3.26 Where appropriate, firms should signpost consumers to other sources of support. For example, when a consumer is exited from a targeted support journey, firms should consider signposting to other relevant services, for example MoneyHelper. We discussed this further in relation to pre-defining consumer segments in paragraph 2.51. We ask a question below to seek feedback on whether this should be a requirement, as this could help to ensure consumers with characteristics of vulnerability are supported appropriately.

3.27 Even where consumers are not exited, firms should, where appropriate, signpost consumers to tools and modellers which could enable them to consider the potential impact of the suggestion at an individual level, or to consider seeking individualised advice.

3.28 As outlined in Chapter 2, where a ready-made suggestion suggests an annuity, we also propose to require firms to signpost the consumer to MoneyHelper.

3.29 As noted at paragraph 3.23, firms should also consider whether it is appropriate to communicate any assumptions the firm has made about the consumer segment, as well as any other relevant information that would support consumer understanding of the service.

3.30 We also propose that firms should consider, where appropriate, encouraging a consumer to shop around. For example, where the firm has only considered its own products.

Durable medium

3.31 We propose to require firms to provide the information we require to be communicated in rules in a durable medium. This should include information communicated throughout a targeted support journey, including where that information has been delivered as part of an interactive (eg app-based) journey. Firms may also wish to consider disclosing the additional information set out in Handbook guidance in a durable medium if this furthers consumer understanding.

Interaction with existing pension disclosure requirements

3.32 In CP24/27 we highlighted requirements we have implemented which require firms to support consumers approaching and in retirement.

3.33 We recognise that an outcomes-based approach to communicating with consumers in targeted support diverges from previous approaches to communications. Specifically within our pensions framework, there are prescriptive requirements, such as when a consumer moves into decumulation, which triggers the need for a Key Features Illustration, irrespective of there being a new product purchase.

3.34 Our proposed framework will result in consumers receiving ready-made suggestions in different and engaging ways, given the requirements under the Duty we have explained above. But where the suggestion triggers other existing disclosure requirements, consumers may receive these communications in a potentially less engaging or tailored way.

3.35 Given wider government changes proposed for pensions and the need to sequence change, we do not propose amending these existing requirements for now but will keep this under review.

Risk warnings

3.36 We have had feedback that risk warning requirements can be a barrier to designing engaging communications which encourage consumers to consider the potential benefits of investing (while still understanding the risks) and could lead to consumers dropping out of the journey.

3.37 Our rules do not require firms to include a prescribed risk warning in financial promotions for mainstream investment products. We have introduced these risk warnings only for a small number of high-risk investments, based on wording that was effective in our behavioural testing.

3.38 Financial promotions must be balanced and provide a fair view of the benefits and risks of the product or service. Consumers often anchor their decision-making to the initial information received, so we consider that they can only make a well-informed decision if presented with both the pros and cons of a product. There is considerable flexibility for firms in how they do this. Risk information can be embedded prominently into a balanced message that is part of the main body of a promotion, rather than provided as a standalone warning. It does not have to be provided first.

3.39 We are very supportive of firms providing consumers with contextual or educational information that explains the potential benefits of investing over the long-term. Consumers can only have the confidence to make well-informed investment decisions if they are helped to understand the benefits investing can bring and can then decide whether the risks are right for them. Firms should consider how their promotions support consumer understanding, and equip consumers to make effective, timely and properly informed decisions. For example, firms can include data on how long-term investing can often lead to better returns than holding savings in cash but should ensure that such benefits are presented alongside fair and equally prominent indications of relevant risk. Firms have the flexibility to determine the most appropriate way to achieve this.

3.40 Firms sometimes choose to copy out language from our Handbook into their promotions, for example stating that 'capital is at risk'. We have previously expressed concern that consumers do not engage with this and view it as 'wallpaper'. These concerns are supported by our behavioural research findings. We expect firms to use plain language in their communications, and firms should consider whether the overall framing of their communications supports consumer understanding.

3.41 We welcome feedback from respondents on whether they would like more clarity or guidance on how to appropriately balance communications.

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

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

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?**

Chapter 4

Costs and charges

4.1 This chapter sets out our approach to cost and charges for targeted support services.

4.2 In CP24/27, we proposed to allow firms to offer the service for free but did not propose to prevent firms from charging for it. We said that firms may use cross-subsidisation to recuperate costs, provided they comply with the Duty.

4.3 We also proposed to apply a version of the existing ban on commission payments to targeted support. We want to prevent firms from making biased recommendations towards specific products due to their commercial benefits, rather than in the best interests of customers.

4.4 Most respondents agreed with the proposals, recognising that charging acts as a barrier to engagement. Some respondents emphasised the importance of transparent charges and clear disclosures to make sure consumers understand any potential fees involved. A few respondents suggested charges should be capped to make sure the service is accessible.

4.5 Several respondents were concerned about the potential for cross-subsidisation to create perverse incentives; for example, by encouraging firms to suggest their own products, which might not be in the consumer's best interest. They were concerned that cross-subsidisation could undermine the transparency achieved through the Retail Distribution Review and the Duty.

4.6 Another concern raised was that cross-subsidisation might favour larger, vertically integrated firms that can absorb the costs of targeted support more easily, potentially hindering competition. Smaller or non-vertically integrated firms may struggle to compete if they need to charge for targeted support.

4.7 Our research shows that most firms plan to offer targeted support services at no additional cost to customers, viewing it as an extension of their existing services. Several firms said that they would meet the cost of providing targeted support through the commercial benefits of increased consumer engagement and retention. Some firms are considering cross-subsidisation to cover the costs of providing the service, and a few mentioned specific fee structures, such as a breakdown of fees for their platform service, targeted support, and asset management.

Our proposals

4.8 We recognise the points raised and, on balance, we have decided to maintain our proposals to allow firms to offer targeted support free of charge, and to charge for it if they wish.

4.9 In the draft rules, we propose that firms are not permitted to solicit or accept commissions or other benefits in connection with their provision of targeted support, or related services, in line with the approach for investment advice in COBS 2.3A/6.1A. We propose that the ban does not extend to acceptable minor non-monetary benefits. However, we will not stop firms from using cross-subsidisation or multi-product pricing strategies to recover the costs of providing the service. We propose that any such cross-subsidisations are reasonably representative of the cost of providing targeted support This is where firms choose to charge higher prices for related products or services used by the same customers or other groups of customers to compensate for providing targeted support. Allowing cross-subsidisation enables firms to offer the service without charge in a commercially viable way, therefore making the service accessible to as many consumers as possible.

4.10 Where targeted support is provided for free of charge, we want consumers to understand the basis on which targeted support is provided in order to make well-informed decisions. We therefore propose that targeted support providers are required to disclose to customers how the firm will be remunerated for the provision of the service. Where firms choose to charge, they must ensure that charges are disclosed to, and agreed with, the client and meet the relevant requirements of the Duty.

4.11 The price and value outcome under the Duty will apply and requires firms to be able to demonstrate that all groups of customers get fair value from the products they receive. The price and value outcome does not prevent firms from adopting business models which may have different prices for different groups of customers or prevent cross-subsidies between different products or services. However, firms must be able to justify the fair value of each product or service.

4.12 We have considered both our competition and consumer protection objectives when designing a targeted support framework which enables groups of consumers to get the support they need. While allowing firms to cross-subsidise the costs of targeted support would benefit larger providers, it will also enable firms to offer the service for free at the point of use, therefore lowering a key barrier to consumer engagement. Findings from FCA-commissioned research (Thinks Insights & Strategy, 2025) found that there is significant consumer appetite to receive more help, and that consumer engagement will be contingent on it being offered for free. We therefore consider that the trade-off between competition and many consumers getting the support they need, is necessary to achieve our policy aims.

4.13 We propose that existing conflicts of interest requirements (SYSC 10) apply in the usual way with no amendments. These provisions require firms (within scope) to establish, implement, and maintain an effective conflicts of interest policy that is appropriate to their size and business, including identifying, preventing, and managing conflicts that could harm customers. SYSC 10.1A will apply where the delivery of targeted support is captured as insurance distribution. We are also proposing that where a firm has only considered its own product range (or those of a connected firm) when designing a ready-made suggestion, this must be disclosed to consumers. Firms will also be subject to existing requirements in SYSC, including in relation to compliance with the requirements of the regulatory system and management of conflicts of interest. We are not proposing changes to these requirements.

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

Chapter 5
Application of existing requirements to the new service

5.1 Building on the feedback received to CP24/27, this chapter outlines our approach to applying and, where necessary making changes to, relevant sourcebooks within the FCA Handbook for the proposed targeted support regime.

5.2 Most respondents agreed that existing Handbook requirements are relevant to targeted support, so we do not need to make substantive changes to existing sourcebooks.

5.3 A small number of respondents suggested that the Training and Competence sourcebook should be amended to include qualification requirements for the people involved in and overseeing the design of targeted support. A few suggested that a senior manager should be accountable for oversight of targeted support under the Senior Managers Regime.

5.4 Most respondents agreed the conflicts of interest requirements would be sufficient and appropriate to apply to targeted support. Some said that conflicts of interest could be further mitigated by firms providing information on how to access open market products alongside any suggestions for in-house products and/or where the firm does not offer a particular product that would deliver a better outcome for a consumer.

5.5 Respondents generally agreed with our proposals around our existing COBS 19 requirements (COBS 19.4, 19.7, 19.9 and 19.10).

5.6 Respondents generally agreed with our proposals on wake-up packs (COBS 19.4). Many raised concerns with how this signposting would operate for firms that did not provide targeted support, or if the consumer was unable to receive a ready-made suggestion.

5.7 Several respondents suggested the 'Stronger Nudge to Pension Wise' guidance (COBS 19.7) could be changed if a consumer was receiving targeted support. A handful suggested the Stronger Nudge would be best delivered after a ready-made suggestion. A few respondents also suggested that the content of the Pension Wise appointment could be altered to focus on discussing the ready-made suggestion rather than a range of pensions access options. A handful of respondents suggested that the Stronger Nudge requirement could be removed for consumers receiving targeted support.

5.8 A small number of respondents suggested that the sequencing of retirement risk warnings (COBS 19.7) should be amended, so that the retirement risk warnings are provided at the same time as the ready-made suggestion.

5.9 Many respondents suggested that investment pathways (COBS 19.10) could be made more flexible to provide greater personalisation and tailoring. Several suggested that COBS 19.10 requirements should be amended to allow for more flexibility, but there was generally limited detail on precisely what amendments they would like. A handful of respondents suggested that targeted support should replace investment pathways in their entirety.

Our proposals

5.10 Overall, we expect there to be minimal substantive changes to existing requirements, in line with the proposals we consulted on in CP24/27.

5.11 Firms that are providing targeted support, even if standalone, will be subject to provisions across the FCA's Handbook in the same manner that they usually apply to regulated activity.

5.12 Table 1 sets out key points firms should be aware of when considering the application of the sourcebooks to targeted support. As targeted support could be provided by different types of firms and in relation to pensions products and retail investment products, different aspects of our sourcebooks may be relevant. For example, different rules in SYSC would capture insurers and retail investment providers respectively. The table should be considered in light of this.

Table 1: Updated proposals on the application of Handbook requirements to targeted support

Sourcebook	Application to targeted support
Senior Management Arrangements, Systems and Controls (SYSC)	The application of SYSC to a firm delivering targeted support will depend on the activities a firm carries out and the permissions it holds. The broad application of the sourcebook is set out in SYSC 1.1A.1G.
	Conflicts of Interest – SYSC 3.3 and SYSC 10.1.3R We propose to apply the existing conflicts of interest requirements (SYSC 3 and 10) to targeted support with no amendments. We also propose that the requirements in SYSC 10.1A will apply where the delivery of targeted support constitutes insurance distribution in relation to an insurance-based investment product. The type(s) of conflicts identified in SYSC 10.1.4R effectively capture the potential conflicts that could arise through the design and delivery of targeted support, including where firms suggest a product from their own range.
	Record keeping – SYSC 3.2.20R and SYSC 9.1.1R It is important that firms keep records that are sufficient to enable us to monitor firms' compliance with our rules for targeted support. We do not propose to introduce new record keeping requirements for targeted support, as we believe that existing rules in SYSC 3, SYSC 9 and the Consumer Duty are sufficient to ensure that firms providing targeted support establish and maintain appropriate records to evidence their compliance with the requirements of our proposed rules. In Chapter 8, we have listed examples of the types of data that firms should be able to generate from their records in relation to targeted support.
	Remuneration – SYSC 19 The requirements contained in the respective chapters of SYSC 19 (e.g., SYSC 19D, SYSC 19F, etc.) would apply to targeted support to ensure that firms' remuneration policies and practices avoid conflicts of interest and do not function in a way which conflicts with their duty to act in the best interests of their clients. Firms should consult the respective chapters of SYSC 19 to assess their specific remuneration requirements.
	Competence, minimum knowledge, ability and good repute – SYSC 3.1.6R, SYSC 5.1.1R, and SYSC 28.2.1R (to the extent applicable) In line with the existing requirements in SYSC, firms would need to ensure that employees involved in the design and delivery of targeted support have the appropriate knowledge, expertise and ability to adequately perform their duties and responsibilities.

<table>
<tr><th>Sourcebook</th><th>Application to targeted support</th></tr>
<tr><td rowspan="4">Senior Managers and Certification Regime (SM&CR)</td><td>SM&CR
The application of SM&CR, and associated rules (e.g., FIT and COCON), will foster accountability and competency across the design and delivery of the targeted support journey. We have set out the proposed application of the different elements of the SM&CR regime below.
In relation to a firm's SM&CR tier, we propose that a firm that is granted permission to provide targeted support is categorised as a 'core SM&CR firm' unless, either that firm is already an 'enhanced scope SM&CR firm' where it will remain in the enhanced tier, or is applying for authorisation to provide targeted support alongside other regulated permissions that fall under the 'enhanced scope SM&CR firm' criteria set out in SYSC 23 Annex 1.
We propose that where a firm that is seeking permission to provide targeted support is dual-regulated it will remain in its existing SM&CR category.</td></tr>
<tr><td>Senior Managers Regime
We propose that the Senior Managers Regime, including FIT, would apply to targeted support.
If a firm that is not an existing authorised person were to be authorised to provide targeted support, we would expect the firm to consider the criteria set out in FIT when assessing the fitness and propriety of a candidate whom the firm is proposing to put forward for approval as an FCA-approved SMF manager.</td></tr>
<tr><td>Certification Regime
We note that the Government has announced an intention to consult on abolishing the certification regime. We are not proposing that individuals who provide targeted support would be certification employees (in relation to the targeted support activity). However, it may be that firms' own business structures mean that they may need to certify certain individuals to perform existing certification functions in relation to the firm's provision of targeted support.
Targeted support is not intended to be as comprehensive a service as that of individualised advice and the broader knowledge and competency requirements for employees in the Handbook will ensure that targeted support is delivered to a high standard, for example SYSC 3.1.6R and SYSC 5.1.1R.</td></tr>
<tr><td>Conduct Standards (COCON)
COCON, unamended, would support our conduct expectations for individuals involved in providing targeted support and for Senior Managers with overall accountability for overseeing this support via the Individual Conduct Rules and the Senior Manager Conduct Rules, respectively.</td></tr>
<tr><td>Training and Competence (TC) sourcebook</td><td>We do not propose introducing specific qualification requirements for targeted support. The existing requirements that firms would need to comply with, for example the knowledge and expertise requirements in SYSC and TC, are deemed as sufficient for ensuring the competency of employees and the provision of a targeted support journey that meets our expected standards.
TC Appendix 1.1.1R will, therefore, be updated to reflect that targeted support will not be subject to the qualification requirements laid out in TC.
We do, however, propose that the broader competency standards in TC would apply to targeted support.</td></tr>
</table>

Sourcebook	Application to targeted support
FEES sourcebook (including the Financial Ombudsman and Financial Services and Compensation Scheme levy)	The amendments and application of FEES to targeted support will be consulted on in the FEES Policy consultation due to be published in November 2025.
Client Assets (CASS) sourcebook	Firms will need to consider whether they expect to hold client money or assets in relation to targeted support and any other regulated activities they may carry out, paying specific attention to the client money rules outlined in CASS 7. We propose expanding the definition of 'designated investment business', which will bring firms delivering targeted support into scope of CASS 3, CASS 7, and CASS 8 where relevant. Firms should consult the Client Assets sourcebook (CASS) and apply the relevant requirements as applicable to the activities that the firm conducts.
ESG sourcebook	We do not consider that the ESG sourcebook would require changing with the introduction of targeted support. However, firms are likely to be captured by the definition of a distributor in ESG, where targeted support is used to suggest a sustainability related product. A distributor is defined as '*a firm which offers, sells, recommends, advises on, arranges, deals, proposes or provides a sustainability product or a recognised scheme*'. Firms would therefore have to comply with the requirements set out in ESG 4.1.16 – 4.1.19 where this applies.
Regime for professional firms (PROF)	PROF relates to the regime under Part 20 of FSMA which enables certain professional firms to carry on particular regulated activities on an exempt basis, subject to certain conditions. One of those conditions is that the relevant activity is not a type prescribed by legislation. Exempt professional firms (EPFs) are not generally permitted to provide investment advice. We are engaging with the Treasury to consider whether EPFs should be able to provide targeted support in reliance on the exemption in Part 20.
Perimeter Guidance (PERG)	Amendments to PERG are dependent on changes to legislation, therefore any potential changes to PERG will be addressed separately and will be consulted on in due course. We plan to consult on simplifying, consolidating and clarifying our guidance on the advice guidance boundary at the same time.

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.

Appointed Representatives (ARs)

5.13 An Appointed Representative (AR) is an unauthorised firm or person who carries out a regulated activity on behalf, and under the responsibility, of an authorised firm (the principal). Under the AR regime, ARs are permitted to carry out a specified list of regulated activities.

5.14 On the understanding that the Treasury specifies targeted support as a new regulated activity, statutory amendments would be needed to add targeted support to the list of permitted activities of ARs in Regulation 2 of the FSMA (Appointed Representatives) Regulations 2001 for ARs to be granted the ability to provide targeted support. This therefore invites a decision (ultimately for the Treasury) as to whether such a change should be made to permit ARs to provide targeted support.

5.15 There are benefits to allowing ARs to offer targeted support, such as the potential to reach more consumers, increased competition, and standardisation.

5.16 However, delivering targeted support adequately requires specific capabilities on the part of firms which many ARs might not have. For example, firms will need to:

- Pre-define consumer segments that are sufficiently granular based on several considerations.
- Have systems and controls to conduct consumer segmentation.
- Comply with robust product governance requirements both for the targeted support service and any product forming part of the ready-made suggestion.
- Test and monitor outcomes to ensure that the consumer journey functions as intended.
- Test, monitor and adapt their communications around the service to ensure consumer understanding.

5.17 It is for the Treasury to confirm whether ARs should be able to provide targeted support. As we see risks with ARs delivering this service, we are consulting on the basis that ARs would not be permitted to undertake targeted support. This would mean that targeted support could initially only be undertaken by directly authorised firms that are subject to assessment at the gateway.

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.

Markets in Financial Instruments Directive (MiFID)

5.18 We propose that the targeted support framework should only apply to the provision of ready-made suggestions which would currently constitute a personal recommendation. To the extent that the recommendation relates to a financial instrument, the provision of targeted support will be within scope of investment services, which are regulated under the regime which implemented the Markets in Financial Instruments Directive (MiFID). However, where a suggestion relates to a pension product, the relevant support would be beyond the scope of MiFID.

5.19 It will be the responsibility of firms to assess whether their targeted support constitutes a MiFID investment service, based broadly on whether the support relates to financial instruments (MiFID), pensions (non-MiFID), or both.

5.20 Firms will need to consider whether their targeted support service falls within the scope of MiFID to determine the Handbook rules which apply to them. This mirrors the approach taken to regulated investment advice and is consistent with market practice, where firms routinely manage the differing application of our rules to MiFID and non-MiFID business.

5.21 While the current distinction between MiFID and non-MiFID activities remains in place, it is worth noting that this boundary and the accompanying regulatory requirements may be subject to review in future.

Insurance Distribution Directive (IDD)

5.22 In a similar way, to the extent that the provision of targeted support involves a personal recommendation in relation to a contract of insurance, this would be within the scope of insurance distribution for the purposes of the Insurance Distribution Directive (IDD).

5.23 As with the approach to MiFID and non-MiFID business, we propose that firms will need to consider whether their targeted support service amounts to insurance distribution in determining the Handbook rules which apply to them. We do not propose any changes to ICOBS.

Designated Investment Business

5.24 We have also considered the classification of targeted support under the designated investment business regime. Broadly, designated investment business refers to investment activity regulated separately from other sectors such as banking, general insurance or consumer credit. COBS generally applies to the carrying on of designated investment business (COBS 1.1.1R).

5.25 We propose that targeted support should be classified as designated investment business. This would ensure that targeted support is generally subject to the requirements of COBS.

5.26 However, we acknowledge that targeted support is distinct from traditional advisory or brokerage services, and that the application of certain COBS requirements may not be appropriate for firms providing targeted support. On the assumption that any new regulated activity also extends to structured deposits, we propose that our COBS requirements extend to targeted support relating to such products. We have proposed changes to the Handbook to achieve this.

Conduct of Business Sourcebook (COBS)

5.27 We propose that the existing COBS framework should apply, with some exceptions and detail, as set out in Table 2 below. The requirements in COBS 2, 6 and 14 related to the provision of information to consumers are relevant, and are aligned, with the approach to targeted support communications set out in Chapter 3. We will continue to consider the scope of changes required to COBS as part of our ongoing preparation for the introduction of the targeted support framework.

Table 2: Proposed application of the existing COBS framework to targeted support

Element of COBS	Proposed application
COBS 2 – Conduct Standards	We propose that the requirements in COBS 2 would apply to targeted support to ensure that firms provide these services in the best interests of their clients. And to make sure that consumers have the information needed to be reasonably able to understand the nature and risks of the service offered.
COBS 3 – Client Categorisation	Targeted support is designed for retail clients, and we are proposing to require firms to treat all clients who receive targeted support as retail clients. As such we do not propose to apply the requirements outlined in COBS 3.
COBS 4 – Communicating with clients, including financial promotions	In relation to their communications with clients, including financial promotions, we propose that firms should be required to comply with the existing requirements in COBS 4 and ensure that relevant financial promotions are identifiable as well as fair, clear and not misleading. As noted in CP24/27, we do not consider that our cold calling rules stop firms legitimately approaching customers they have an existing relationship with. We continue to hold this view. If firms feel unable to deliver targeted support as they wish to because of their interpretation of our cold calling rules, we would welcome specific feedback detailing this interpretation. The requirements in COBS 4.12A, COBS 4.12B and COBS 22 would not apply to targeted support, as we are proposing that firms are prevented from suggesting Non-Mass Market Investments and Restricted-Mass Market Investments within a ready-made suggestion.

Element of COBS	Proposed application
COBS 6 – Provision of Information about the Firm	For firms that charge for the provision of targeted support, we are proposing that some of the requirements relating to disclosure about a firm's services in COBS 6.1 and 6.1ZA apply to the provision of targeted support and have not proposed any changes to these requirements. While we are proposing a restriction on firms soliciting or accepting monetary or non-monetary benefits in connection with their provision of targeted support (similar to that in COBS 6.1A), we have proposed to include these requirements on a stand-alone basis in COBS 9B. We discussed these proposals in Chapter 4 above.
COBS 8/8A – Client Agreements	We propose that the requirements in COBS 8/8A apply to firms providing targeted support in broadly the same way that they apply to the provision of investment advice. We do not propose that firms are required to enter into a written basic agreement on the basis that targeted support is not envisaged to be equivalent to an ongoing advice service. However, where the client is to be bound by the terms of an agreement then the terms of that agreement need to be provided to the client.
COBS 9/9A – Suitability COBS 10/10A – Appropriateness	COBS 9/9A set out the requirements for firms to assess the suitability of investment advice (as defined under Article 53(1) RAO) to the client's financial situation, objectives, and knowledge and experience. COBS 10/10A details the requirement for firms to assess appropriateness when providing services other than investment advice or investment management. We propose that the requirements in COBS 9/9A and COBS 10/10A should not apply to targeted support as we are proposing bespoke suitability requirements for targeted support and want to make sure these requirements are distinct from the existing rules in COBS. As noted in CP24/27, COBS 10/10A does not apply to pensions currently.
COBS 14 – Provision of Product Information	Firms will be required to comply with the provisions in COBS 14 in the usual way, particularly where targeted support leads to a product suggestion. In doing so, firms would be required to provide consumers with the information about that product, in the designated format, to make sure consumers understand the nature and the risks of the product.

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?

5.28 We have also considered how our existing COBS 19 rules interact with targeted support. These rules, some of which are discussed below, primarily concern supporting consumers, in the run-up to, or at the point of accessing their pension. However, there is significant value in engaging consumers earlier in their pensions journey. Firms can use targeted support flexibly throughout the pensions journey to support their customers including earlier in the pensions journey. For example, providing targeted support before a decision in principle is made to access a pension.

5.29 We will continue to consider the interaction between targeted support and other aspects of our Handbook, such as COBS 19, going forward.

Table 3: Examples of the interaction between certain COBS 19 requirements and targeted support

Element of COBS 19	Position
COBS 19.4 – Wake-up packs	We consider that wake-up packs would be a helpful tool to signpost consumers to targeted support and will consider amendments to COBS 19.4.16R to enable this. We are working closely with the Money and Pensions Service (MaPS) on how the service is effectively communicated to consumers.
COBS 19.7 – Stronger nudge and retirement risk warnings	We do not propose any amendments to the 'Stronger Nudge to Pension Wise' guidance or retirement risk warnings at this stage. Some firms have questioned the sequencing of when the stronger nudge and retirement risk warnings should be delivered when they also wish to deliver targeted support. We have proposed an outcomes-based framework for targeted support to give firms flexibility in how and when to provide targeted support. While firms must continue to comply with our COBS 19.7 rules, where applicable, they have flexibility to decide when in the pensions consumer journey they wish to provide targeted support. As noted above, this will likely include engaging consumers earlier in their pensions journey. Some respondents suggested that with the introduction of targeted support, greater flexibility could be introduced into how firms determine the content of risk warnings. As retirement risk warnings play a distinct role in warning consumers about a range of risk factors related to their retirement options, we are not proposing changes to this at this stage.
COBS 19.9 – Pension annuity comparison information	As we set out in Chapter 2, we propose that firms cannot provide a pension annuity quote, or any other quote, when suggesting a type of annuity or an annuity as a method of access. If a consumer reapproaches a firm to purchase an annuity, having first been signposted to MoneyHelper, our requirements in COBS 19.9 would apply in the usual way.
COBS 19.10 – Investment pathways	We agree with respondents that there may be a benefit in increased flexibility in the design of their investment pathways options in light of our targeted support proposals. We will consider this going forward and we welcome detailed feedback on how firms would build consumer journeys at the point a consumer first accessed cash and the changes needed.

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?**

Question 35: **What specific changes are needed to investment pathways to enable the effective 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 serve.**

Prudential requirements for firms providing targeted support

5.30 We want our prudential requirements to be consistent and proportionate to ensure that firms delivering targeted support have appropriate financial resources to help manage any risk of harm that can arise from the new activity. In setting our requirements, we have taken into account that the new service may be delivered to large numbers of customers.

5.31 Where a firm is only authorised to provide targeted support, we propose to treat it as a new form of 'arranger' firm and subject to Chapter 3 of the Interim Prudential Sourcebook for Investment Business (IPRU-INV 3). A firm will move to the appropriate sourcebook should it subsequently be granted permission to carry out additional regulated activities.

5.32 To ensure that firms are reasonably established and able to manage the potential risks when providing targeted support, we propose that an absolute minimum requirement of £500,000 is set for the new type of arranger firm exclusively permitted to deliver targeted support in IPRU-INV 3.

5.33 Other firms will generally remain subject to the prudential regime or regimes that they are already subject to, but all FCA prudentially regulated firms that choose to deliver targeted support will need an absolute minimum level of regulatory capital of at least £500,000. They will remain subject to any other prudential requirements that apply, based on the activities they are authorised to carry out.

5.34 The requirements we propose here set a baseline. A principle underpinning our prudential framework is that a firm's financial resource requirements generally increase as its activities scale up.

5.35 We consider that the requirements we propose are necessary given the nature of targeted support, including being designed for groups of consumers, capable of being instigated at a firms' discretion, and being used to deliver a recommendation. Such an activity should be conducted by firms with the ability to meet its associated prudential risk.

5.36 We are considering whether, in addition to the baseline requirement of £500,000, there should be a bespoke scalar in place for any firm which delivers targeted support to ensure that its financial resources requirement continues to accurately reflect the specific level of risk related to growing targeted support activity. A scalar could be calibrated based on a metric relevant to the firm's volume of business, for example the value of transactions or assets invested by clients that can be linked to the provision of targeted support.

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

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?**

Chapter 6

Complaints and redress

Background

6.1 Appropriate access to redress is vital for consumer protection and trust in the UK's financial markets. However, we recognise the need to ensure that access to redress does not create an uncertain environment for firms. This would risk deterring them from providing targeted support and realising the benefits to consumers in doing so. We want to create a regime that achieves this certainty, while providing adequate consumer protection.

6.2 Building on feedback from CP24/27, this chapter sets out our proposed approach to the jurisdiction of the Financial Ombudsman and Financial Services Compensation Scheme (FSCS).

Complaints handling and access to the Financial Ombudsman

6.3 In CP24/27, we proposed that customers of a firm providing targeted support should be able to refer complaints about this activity to the Financial Ombudsman. We recognised the importance of ensuring that the redress framework does not deter firms from offering support to consumers who may benefit from it. We asked whether the proposed conduct framework struck the right balance between giving firms flexibility to deliver targeted support and the regulatory certainty needed.

6.4 We agree with most respondents that consumers should have the right to escalate complaints to the Financial Ombudsman. This is essential to maintain consumer confidence, trust and to help ensure fair outcomes for consumers.

6.5 The most consistent and significant feedback we received from firms was the request for certainty on how complaints will be assessed by the Financial Ombudsman. We had feedback that uncertainty could lead to firms limiting or not offering targeted support.

6.6 Respondents asked for clarity on liability, to mitigate the risk of inconsistencies between the FCA and the Financial Ombudsman, and for clear mechanisms of cooperation between these organisations, to provide them with increased certainty and confidence. Many of these themes were also raised in response to our Call for Input on Modernising the Redress System. We will consider these issues carefully as part of this work and will provide an update on the next steps this year.

6.7 This part of the consultation is issued jointly by the FCA and the Financial Ombudsman.

Our proposals

6.8 We propose that customers' complaints against authorised firms providing targeted support fall within the Financial Ombudsman Compulsory Jurisdiction (CJ). We also propose that customer complaints be subject to the complaints handling rules set out in our Dispute Resolution (DISP) sourcebook. We do not propose any changes to these rules for targeted support as changes to the relevant regulated activities definitions should ensure current DISP rules apply to targeted support. This means firms will need to follow the same complaints handling rules that already apply for the provision of other regulated forms of investment advice.

6.9 Access to the Financial Ombudsman will mean that consumers receiving targeted support will have access to a free, informal and independent alternative to the courts for the resolution of their complaints. This will give consumers confidence to engage with targeted support services and build trust in targeted support.

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?**

Handling complaints about Targeted Support

6.10 We agree with firms that they need clarity on how complaints relating to targeted support will be assessed. So, we have worked closely with the Financial Ombudsman on this. As targeted support is new, both the FCA and the Financial Ombudsman recognise that targeted support complaints will need to be handled differently to complaints about existing forms of advice. Our understanding of complaints about targeted support will inevitably evolve over time. We will continue to work closely with the Financial Ombudsman on this subject.

6.11 Provided that the firm has operated within the targeted support regime, and the consumer has not been misled, the Financial Ombudsman will not expect the firm to have conducted the same fact-finding or suitability process as required when giving a personal recommendation under COBS 9 or 9A. Where the facts suggest that a firm has exceeded the scope of targeted support and provided another form of advice, the Financial Ombudsman may consider the complaint in light of the broader regulations that apply.

6.12 We explain further below how we will work together on complaints about targeted support.

How the FCA and the Financial Ombudsman will work together

6.13 The Financial Ombudsman and the FCA will cooperate closely, as appropriate, on matters of interest to each organisation. The way we do this is reflected in the Memorandum of Understanding between the FCA and the Financial Ombudsman and the terms of reference of the Wider Implications Framework that apply on issues with wider implications.

6.14 We both want a complementary and consistent approach, which delivers greater certainty and predictability to firms and enables them to deliver with confidence targeted support propositions for the benefit of consumers.

6.15 We will continue to strengthen the way we work together, in a way that is consistent with our independent roles, and we will both continue to work with firms to support the roll out of targeted support. We intend to work together on case studies and/or guidance – showing how the framework may apply in practice through example-based scenarios.

6.16 The FCA will continue to meet and communicate regularly with the Financial Ombudsman to discuss targeted support. We and the Financial Ombudsman will seek to cooperate on the interpretation of our rules relating to targeted support to achieve consistency, while recognising our respective statutory functions.

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?**

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?**

Voluntary Jurisdiction of the Financial Ombudsman

6.17 While the FCA is responsible for setting the rules for complaints under the CJ, the Financial Ombudsman also has its own Voluntary Jurisdiction (VJ). The VJ covers some types of complaint not covered by the CJ, which financial service firms may choose to participate in. The rules and standard terms for investigating and deciding complaints in the VJ are (in the main) designed to mirror those of the CJ to ensure consistency and avoid confusion.

6.18 The scope of the VJ is wider than the CJ. The rules can provide for complaints to be covered about activities that were not regulated at the time but later became regulated. It also covers services directed at the UK from an establishment in the European Economic Area (EEA) or Gibraltar.

6.19 The Financial Ombudsman proposes to expand the scope of its VJ to include complaints about the provision of targeted support. This will enable firms authorised by the FCA providing targeted support to UK customers from an establishment in the European Economic Area or Gibraltar to make the Financial Ombudsman available to their customers for complaint resolution, as further described below. Such firms will, if they are not already VJ participants, need to apply to the Financial Ombudsman to join the VJ.

6.20 When deciding complaints in the VJ, the Financial Ombudsman is required to take into account: relevant law and regulations, regulators' rules, guidance and standards; codes of practice; and what the Financial Ombudsman considers to have been good industry practice. These provide an important yardstick against which to decide what is fair and reasonable. Due to the absence of a recognised and commonly followed framework of standards of behaviour prior to the introduction of regulation, the Financial Ombudsman does not propose to make the VJ available for complaints relating to the provision of targeted support for activities that took place before the introduction of the new activity.

6.21 However, the Financial Ombudsman is proposing to make rules to expand the scope of the VJ so that it will cover complaints about activities which are carried on from an EEA or Gibraltar establishment and which, as noted above, would not otherwise fall within the scope of the CJ. In principle, this would mean that the VJ will be available to businesses that: (i) require FCA authorisation given the nature of the activities they plan to undertake; but (ii) intend to carry out those activities from an EEA or Gibraltar establishment rather than a UK establishment. The Financial Ombudsman service does not anticipate there are likely to be many (if any) businesses falling into this category.

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 Financial Ombudsman general levy and case fee

6.22 The powers to make rules on funding the Financial Ombudsman are shared between the FCA and the Financial Ombudsman. The FCA makes rules on raising the CJ general levy for the Financial Ombudsman's annual budget; the Financial Ombudsman makes rules on the payment of fees ('case fees') by firms in relation to cases referred to it (currently £650), including the number of cases that are handled each year without a fee being charged (currently 3), as well as the fee rules on the payment of the annual levy in relation to VJ participants. The Financial Ombudsman consults annually on the amount of the case fee, the number of free cases, and the VJ levy.

6.23 With regard to the CJ levy, the application of the FEES sourcebook to targeted support – including the appropriate fee blocks, basis of calculation, and any necessary amendments – will be consulted on as part of the FCA's FEES Policy consultation, due to be published in November 2025.

Compensation by the FSCS

6.24 Most respondents to CP 24/27 were in favour of extending the right to make FSCS claims to targeted support. Some stated that FSCS protection is crucial for ensuring consumer trust, by facilitating compensation where a firm fails and is unable to meet claims arising from targeted support activities. This helps ensure that firm failure does not result in a financial loss to a consumer.

6.25 One respondent questioned whether FSCS protection was relevant in this context; noting that protection typically applies at a firm level, based on product holdings rather than the way in which a consumer engages with a firm. A small number who disagreed with FSCS protection gave the same reasons raised against access to the Financial Ombudsman, including the risk of increased liability and compliance burdens for firms.

Our proposals

6.26 We consider it appropriate to ensure consumers who have valid civil claims against defaulting firms arising from targeted support activities can bring such claims to the FSCS. Consumers engaging with these services could face financial harm if a provider or distributor fails and is unable to meet its financial obligations.

6.27 The FSCS may pay compensation to an eligible claimant if it is satisfied that they have a valid claim in connection with protected investment business as defined at COMP 5.5. Currently, this includes claims made against a participant firm or its appointed representatives arising from designated investment business, the definition of which we propose to amend in the Glossary to ensure that it includes targeted support.

Continuity and reimbursement in the event of firm failure

6.28 We are not proposing specific rules requiring continuity arrangements or the transfer of obligations to another provider if a firm offering targeted support fails. This is consistent with our approach to similar activities – such as other forms of investment advice and distribution.

6.29 We expect firms engaged in targeted support activities to have a robust wind-down plan in place to ensure an orderly cessation of services, minimising adverse impacts on clients and the market. While we do not mandate that another firm must assume operations if a targeted support provider fails, firms should consider such contingencies as part of their wind-down planning, particularly where there may be ongoing client relationships or risks of consumer detriment. We consider this approach proportionate given the nature of targeted support, and consistent with our wider FCA expectations around operational resilience and orderly market exit.

How should FSCS coverage of targeted support be funded?

6.30 In relation to fees, we intend to allocate targeted support-related claims to the Life Distribution and Investment Intermediation (LDII) funding class. Given the nature of targeted support, and the firms likely to carry it out, we believe that placing it in the LDII class will ensure coherent alignment with the existing FSCS funding arrangements and minimise the risk of cross-subsidisation concerns across unrelated funding classes.

6.31 The classification and treatment of targeted support for the purposes of the FSCS and the wider FEES framework – including the relevant fee blocks and how income should be reported for levy purposes – will be consulted on as part of the FEES Policy consultation due in November 2025.

6.32 FSCS levies are generally based on firms' reported eligible income under each class. We recognise that targeted support will, in some cases, be provided as a cross-subsidised service, with no direct charge to consumers and revenue generated elsewhere (through product take-up or asset-based fees). In such cases, firms may not report income directly attributable to targeted support, but the activity can still create FSCS exposure. If this is not properly reflected in levy calculations, there is a risk of under-contribution to the LDII class, despite the potential for claims arising from the provision of targeted support.

6.33 As part of the forthcoming FEES Policy consultation, we are considering whether guidance would assist firms in allocating income to the appropriate FSCS funding class where targeted support is offered on a cross-subsidised basis.

6.34 We welcome feedback on whether there are other approaches that could support accurate and fair allocation of targeted support related costs to the LDII funding class.

6.35 Further information on the costs and benefits of introducing FSCS protection for targeted support is set out in the Cost Benefit Analysis at Annex 4. This includes at the Costs section of the Cost Benefit Analysis, an illustrative estimate of the potential compensation costs that could arise.

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

Chapter 7

Direct marketing rules

7.1 In CP24/27, we asked whether targeted support could be delivered effectively to a wide market of consumers under the existing direct marketing framework, and if not, why and what would be helpful to enable effective delivery of targeted support.

> The current legislation permits organisations to send electronic marketing to customers who have consented to receive it. It also permits organisations to send electronic marketing messages to people who have not explicitly consented but have provided their contact details when purchasing related goods or services and have not opted out of receiving marketing communications. The legislation is designed to protect people from receiving unwanted marketing messages from organisations they did not want or expect to hear from or have no prior relationship with. Guidance from the Information Commissioner's Office (ICO) explains that, in many cases, regulatory communications are unlikely to constitute direct marketing, unless they include promotional material. The ICO refers to regulatory communications as those which a statutory regulator asks or requires the industry it regulates to send specific messages to people.

7.2 We received extensive feedback from respondents across the pensions and retail investment sectors, including from trade associations and firms, setting out their views that the current direct marketing framework in the Privacy and Electronic Communications (EC Directive) Regulations 2003 (PECR) and the UK GDPR (which provides people with an absolute right to object to direct marketing) could significantly hinder the delivery of targeted support. This was due to the risk that firms' proactive targeted support communications could constitute direct marketing. We have also heard that consumers' marketing preferences to not receive direct marketing could significantly limit when firms could provide targeted support.

7.3 Most respondents stated that the direct marketing rules would need to be changed so firms have the confidence to send targeted support communications to consumers who have not consented to or have opted out of receiving direct marketing, with a minority stating that targeted support could be delivered effectively without change. A few respondents called for further guidance, including on which targeted support communications would constitute direct marketing and on the processing of personal data when delivering these communications to specific people.

7.4 Respondents specifically noted that targeted support suggestions about ISA allowances, pension contribution rates or fund switching could be perceived as direct marketing under the existing rules. This is due to challenges they raised around neutrally suggesting actions or products to consumers, meaning firms feel unable to provide targeted support in these scenarios. In November 2024, we published a joint statement with the ICO and the TPR on consumer communications, including examples of communications that can be drafted in ways that are unlikely to be direct marketing while still supporting informed consumer decisions. This includes in circumstances where communications are:

- Highlighting to a customer that they have unused ISA allowance towards the end of the tax year.
- A message that warns a customer that they are at risk of harm from having an inadequate pension income in retirement due to their existing contribution rates, or from drawing down on their pension at an unsustainable rate.
- Telling customers who are reaching the end of a term deal what their options are.

7.5 Several stakeholders have welcomed this regulatory clarity, but respondents noted that as targeted support communications involve a specific, actionable suggestion, this could constitute direct marketing.

7.6 Respondents also noted that the electronic mail 'soft opt-in' rule within the existing framework would be unavailable to workplace pension providers with automatically enrolled members. In contrast, retail investment firms may be able to email or text their own customers with direct marketing messages under the 'soft opt-in' rule under certain conditions.

7.7 Where consumers have not consented to direct marketing or not 'soft-opted' in, ICO guidance sets out that firms can take the opportunity to remind people of their direct marketing preferences and how they can be updated, if the reminder forms a minor and incidental addition to a message being sent anyway (e.g. a welcome pack or annual statement). However, some respondents noted the potentially limited effectiveness of this route due to consumers' tendency to want to remain opted-out of existing direct marketing content once they have expressed this preference.

7.8 We have shared these points raised in the responses with the Treasury, the DWP, the DSIT and the ICO.

Next steps

7.9 The responses indicate that existing direct marketing rules could be a significant barrier to firms' ability to provide targeted support effectively.

7.10 We recognise that the current direct marketing rules provide important protections to consumers by obliging firms to respect consumers' preferences and absolute right to object to direct marketing, reducing harmful or nuisance communications being sent to consumers and building consumer trust in the communications they do receive.

7.11 However, we also recognise respondents' views that the direct marketing framework is likely to hinder firms seeking to provide targeted support on a proactive basis. We are therefore working with the ICO and government to consider how these challenges could be addressed.

7.12 This includes considering:

- What examples of messages envisioned under a new targeted support regime could be drafted in a way that is not direct marketing.
- How consumers can be given the opportunity to be reminded of their direct marketing preferences or specifically choose to receive targeted support messages that could constitute direct marketing.
- Whether legislative changes may help targeted support be delivered most effectively, while ensuring consumers still receive the level of protections the current direct marketing framework provides.

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

Chapter 8

Approach to authorisations and measuring success

Authorisation

8.1 An important implication of the Treasury's intention to specify a new activity in the RAO of providing targeted support is that firms will need to apply for a Part 4A permission to provide targeted support. This is the case, whether or not they hold an existing permission to provide advice on investments.

8.2 We will carefully consider authorisations applications from firms applying for permission to provide targeted support, whether these are new applications for authorisation or for variations of existing permissions. We set out below some of the key factors we will consider in reaching a decision and our planned processes to help firms operationalise targeted support quickly.

8.3 Respondents to CP24/27 generally agreed that providers of targeted support should need a specific permission to undertake this activity. An authorisations gateway affords the FCA the opportunity to assess whether a firm intending to provide targeted support will satisfy the threshold conditions in relation to that new activity.

8.4 Firms will need to seek permission to provide targeted support by submitting a Variation of Permission Application or a New Firm Application for authorisation to the FCA's Authorisations gateway for FCA-only regulated firms, or to the PRA for dual-regulated firms. We will work with the PRA to ensure a proportionate approach to authorisations is implemented for dual-regulated firms. We and the PRA intend for the dual regulated firm process to be as aligned with that for solo regulated firms as possible, and to avoid duplication and unnecessary process. We aim to publish confirmation of the approach by the time this consultation closes.

Pre-application support service

8.5 For targeted support services to go live as soon as possible we will:

- Open the authorisations gateway before the rules come into effect.
- Extend our Pre-Application Support Service (PASS) to firms planning to apply for targeted support permissions. This is a voluntary support service for firms before they formally apply for regulatory permissions. It is distinct from applying for permission itself and it helps firms prepare high quality applications and often facilitates faster assessments and decisions.

Application process

8.6 We will make available application forms for Variations of Permission and New Firm Applications, updated with the addition of targeted support, and will make these available on our website. Firms should complete all parts of the forms and supply all the information requested.

8.7 We will review a firm's business plan to assess key regulatory, operational and other risks, how the firm will mitigate these and comply with its regulatory obligations on an ongoing basis. We expect firms to show that their business model is sustainable and ensure they have adequate resourcing, both financial and non-financial.

8.8 For targeted support, we will pay attention to:

- How a firm plans to identify customers who might benefit from targeted support.
- How firms plan to conduct initial segmentation of consumers.
- How firms intend to develop suitable ready-made suggestions which are consistent with the overall purpose of providing targeted support.
- How firms will check that consumers align with particular segments and can be offered ready-made suggestions.
- Evidence that firms have developed a clear end to end customer journey for targeted support and conducted testing to ensure it will operate as intended.
- Firms' plans for ongoing checking to ensure their targeted support model continues to operate as intended.
- Evidence that firms have adequate systems and controls in place to deliver targeted support effectively and comply with our rules on an ongoing basis.

Question 44: **Do you agree with our 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?**

8.9 Under the SM&CR, those who hold senior manager positions within the firm need to be individually approved by the FCA, as part of the application for authorisation. They will be accountable for their actions as a Senior Manager. These applications should be made at the same time as the firm's application for authorisation.

8.10 Firms should carefully consider whether they meet the conditions for authorisation to provide targeted support before they apply. Firms that apply, but are not able to show they meet threshold conditions, will be refused permission to carry out the new activity for which they have applied.

Firms delivering targeted support – pension providers and advisers

8.11 We proposed in CP24/27 for targeted support to be a permissive regime for firms (ie firms would not be mandated to deliver it). We received mixed feedback on this. Some respondents believed mandating targeted support might place strain upon the resources of some smaller firms. Others said that mandating the provision of targeted support for all pension providers would ensure consistency for consumers.

8.12 We continue to propose a permissive regime which enables firms to give a greater level of support to their customers. There is significant interest in providing targeted support from large parts of the pensions and retail investments market, so we do not consider that there is a need to mandate it.

8.13 Many respondents highlighted how advisers may be well positioned to design and implement targeted support journeys to complement their existing advice propositions. We propose that advice firms can deliver targeted support, but it will be important to make sure consumers understand the difference between targeted support and other advice services.

Data retention

8.14 Firms offering targeted support must collect and hold relevant customer data in line with their obligations under UK GDPR. In order to support our future supervision and policy evaluation, firms will have to provide that information to us on request. Firms must adhere to their Consumer Duty obligations to monitor and regularly review the outcomes their customers are experiencing to ensure that the products and services provided are delivering outcomes consistent with the Duty.

8.15 We are not consulting on changes to existing regulatory returns in this CP, nor are we consulting on creating any new regulatory return. However, we recognise that the introduction of targeted support will interact with existing regulatory returns, such as RMAR (Retail Mediation Activities Return), PSD002 (Product sales data reporting), REP015 (Retirement income flow data) and REP016 (Retirement income stock and withdrawals flow data) where we collect information on whether advice has been given. We are considering the best way to integrate the new targeted support channel for the distribution of products in these returns and should we need to propose minor changes to these returns we will approach this in the context of our wider Transforming Data Collection program and aim to minimise the burden on firms.

8.16 We expect firms to maintain records on targeted support to:

- Support our supervision of firms offering targeted support services.
- Help us measure some of the success measures listed at the end of this chapter and to support future evaluations on the effectiveness of the regime.

- Provide clear evidence around handling any consumer complaints in relation to how the targeted support journeys have been designed and outcomes reached.
- Facilitate any assessment of complaints by the Financial Ombudsman.

8.17 Firms will need to identify and collect relevant sources of data to enable them to assess and monitor the outcomes that their customers are receiving, and to also maintain sufficient records in line with existing requirements on record-keeping, as set out in SYSC 3, SYSC 9 and PRIN 2A.9.

8.18 We consider that existing requirements for firms to monitor outcomes and hold relevant data records should be sufficient for targeted support services. We therefore do not propose to introduce new record-keeping requirements.

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.

Measuring success

8.19 We want consumers to have access to support that enables them to make well-informed decisions. Success will be delivered by firms bringing targeted support propositions to market and consumers being empowered to make better decisions.

8.20 While it is difficult to measure outcomes exactly, we have considered the types of indicators that will allow us to measure the success of targeted support. We will use a broad range of data sources, including existing regulatory returns, new data which we may collect from firms, and wider sources such as our Financial Lives survey. Below are some of the success measures we plan to adopt for targeted support:

- The number of firms offering targeted support services.
- The number of consumers provided with targeted support services.
- The number of consumers opting out from targeted support services.
- A decrease or increase in the proportion of consumers with £10,000 or more in investible assets holding investments products.
- A reduction in the number of consumers holding high-risk investments where this does not align with their risk appetite or financial capability.
- An increase in the potential sustainability of drawdown rates based on the number of medium to large pots accessed for the first time at a drawdown rate below 8%.
- A reduction in the potential negative consequences of fully encashing medium to large pension pots based on a reduction in the number of full encashments for pension pots over £30,000.
- An increase in consumers choosing to increase their pension contribution rates.
- An increase in consumer satisfaction with their decumulation decision post-access.
- An increase in consumers approaching retirement reporting confidence in making their decumulation decision(s).
- The nature of firms’ complaints data and determinations on complaints by the Financial Ombudsman relating to targeted support.

8.21 In Table 4, we have listed the types of data that firms should be able to generate from their records from the time they begin offering targeted support. We will likely ask firms about these data points in the future to help us assess the impact of the regime.

Table 4: Data related to the provision and outcomes of targeted support services

Area	Data
1. Customer uptake of targeted support	**a.** The number of retail clients the firm has provided with targeted support. **b.** The number of customers who chose to opt out of receiving targeted support. **c.** The number of retail clients who proceeded with a ready-made suggestion.
2. Outcomes of targeted support	**a.** The courses of action and product types suggested. **b.** The monetary value of all investments and contributions made as a result of ready-made suggestions, where the firm / wider group is providing the investment product. **c.** The number of complaints related to targeted support that the firm has received. **d.** The total number of customers referred to guidance services as a result of the targeted support journey. **e.** The total number of customers who transition into other forms of advice as a result of the targeted support journey. **f.** Assessment of whether the targeted support provides fair value.

8.22 We will evaluate our work to understand whether and to what extent it has achieved the outcomes we expect to see. In the short term, we expect to carry out a post implementation review and will confirm the timing of this in our Policy Statement.

8.23 In the longer term, an impact evaluation will help us to identify and measure the causal impacts of the regime, especially as it relates to how specific consumer groups are benefiting from targeted support. For instance, we may use Financial Lives survey data (and in combination with other data sources) to compare changes in outcomes related to wealth, investment and pension decisions for consumers who have used targeted support versus those who have not. At this point we will also consider whether to commission economic research into the impact of targeted support on investment markets more broadly, to understand its impact on the UK economy.

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

Chapter 9

Simplified advice

9.1 This chapter sets out our proposal relating to simplified advice. Simplified advice is a personal recommendation, focused on a consumer's specific need and assessed as suitable for an individual taking account of essential information relevant to that need. It takes a narrow approach, for example, by determining the suitability of investing a lump sum without considering a customer's wider circumstances and other financial needs. It is distinct from targeted support.

Enabling a simplified form of individualised advice

9.2 Our rules in COBS 9/9A already allow firms to provide regulated advice that is broad or narrow. Our 2017 Streamlined advice guidance (FG17/8) sought to clarify how firms could use the flexibility in our rules to provide more focused advice, restricted to a single need. Despite this, many firms are hesitant to develop streamlined advice propositions and this guidance, and other previous policy interventions, have not resulted in widespread adoption of simplified advice models. Inconsistent terminology and previous simplified advice proposals have perhaps created confusion and may have hindered firms' understanding. We recognise that we could do more to provide further clarity.

9.3 We want:

- consumers to have access to different types of support to meet a range of needs
- to create a robust and proportionate advice guidance framework that enables different business models and broader access to financial advice and guidance that can be tailored to accommodate different consumer needs
- to provide certainty for advisory firms prepared to offer focused affordable advice to consumers who want individualised recommendations that considers their individual circumstances, but who don't want or need more holistic advice.

9.4 Simplified advice can provide a valuable complement to our targeted support proposals and holistic advice services (which will always be the most tailored). We will review our rules in COBS 9/9A, alongside our existing non-Handbook guidance (such as FG17/8), and our review of the rules relating to ongoing advice, to more clearly set out the flexibility firms have to provide regulated advice that is simpler, narrower, straightforward and cost effective.

9.5 We want to remove ambiguity and to give more flexibility for firms to deliver different propositions, placing greater reliance on the Consumer Duty. This should encourage firms to innovate to offer commercially viable simplified advice propositions for consumers with straightforward needs.

Background

9.6 'Full' or 'holistic' and 'ongoing' advice can be expensive, creating a barrier for many consumers – and not all consumers need all the features offered by these propositions. In 2016 we established the Advice Unit to support the development of automated advice tools that can help provide low cost, high quality advice to mass market consumers.

9.7 We have also made or proposed regulatory changes to enable firms to offer a simplified and cheaper form of advice and support more consumers with their pensions and investment needs:

- **a.** Basic Advice on Stakeholder Products (2004) offers a simpler and lower cost form of advice to consumers on a limited range of stakeholder products, using pre-scripted questions.
- **b.** In FG17/8, we set out finalised guidance establishing the concept of 'Streamlined Advice'. This included a focus on the flexibility available to firms to design more automated services and 'fact finds'.
- **c.** In CP22/24, we set out proposals for a new Core Investment Advice (CIA) regime. This intended to make it easier for firms to give advice that is proportionate to the needs of a consumer at a lower cost. Firms told us that a limited product range and maximum investment amount would not allow a sufficiently broad or commercially viable market to develop and might only appeal to a very narrow range of consumers.

9.8 These interventions have not resulted in widespread adoption of cost-effective simplified advice propositions. There are several reasons for this, unique to each intervention. Overall, firms have told us there is a lack of legal and regulatory certainty that advice can be provided without taking into account all of a customer's holistic needs and circumstances. This means it is not commercially viable to offer advice unless the customer has a sizeable amount to invest.

9.9 The regulatory and economic environment, and the context for this work, provides an opportunity to take a bolder approach. In particular:

- This is an opportunity to reshape a proportionate and flexible regulatory system where commercially viable models of advice and support can emerge, to help large numbers of consumers make better financial decisions.
- We have consulted on proposals to transfer firm-facing requirements of the MiFID Organisational Regulation from legislation into our rules. This includes requirements relating to the suitability of investment advice. This transfer offers an opportunity to look afresh at our approach to the regulation of investment advice in a way that was not possible when FG 17/8 was written.
- The Consumer Duty provides an overarching framework focused on good outcomes rather than prescriptive processes.
- The Government's most recent letter setting out recommendations for the Financial Conduct Authority emphasises the role of financial services regulators in promoting growth.

9.10 Too often the focus in regulation has been on the risks of a decision rather than the risk of missed opportunities through inaction. Rebalancing risk in financial advice can lead to innovation and growth which is crucial if it is to benefit more consumers. Our role is to ensure regulation is proportionate and enables people to access the support they need with their financial decisions.

Feedback we received

9.11 In December 2023 we published DP23/5 that set out our thinking to help consumers get the support they want at a price they can afford. We received 106 written responses. Since then, we have received further representations regarding the perceived or actual barriers to providing simplified advice. We have considered whether there is space for advice that is individualised, simple and straightforward, alongside targeted support. We have also engaged with the Financial Ombudsman.

9.12 Most firms agree that targeted support has the potential to bridge the gap between the provision of information and guidance and other forms of advice. Many suggest this offers the best way of helping consumers. Other stakeholders suggest there remains a role for simplified advice with many suggesting it could act as a bridge between targeted support and more holistic advice. We heard similar feedback from firms through our policy sprint.

9.13 Firms have told us that the existing guidance (FG17/8) is unclear and contradictory at times and greater flexibility is required to enable commercially viable simplified advice propositions. Some firms have suggested that moving aspects of non-Handbook guidance into rules will provide them with more certainty to offer a simplified form of advice. Other firms have expressed uncertainty about how to meet their obligations to ensure the suitability of recommendations when offering a simplified form of advice and sought clarity on how the requirements differ from 'full' or 'holistic' advice.

9.14 Our consumer research on targeted support found that, in light of the wider trend for greater personalisation in services, some consumers have expectations of greater personalisation of pension and investment recommendations (Thinks Insights & Strategy 2025). This suggests that, in addition to targeted support, there may be demand for a form of affordable advice that provides a more individualised solution than targeted support can offer.

9.15 We have assessed how we can enable a framework to allow appropriate advice propositions to develop in a way that complements targeted support and provides firms with flexibility to meet different consumer demands and needs.

Our proposal

9.16 We plan to consult on amendments to COBS 9/9A to create a clearer distinction between simplified and more holistic advice, including:

- Reviewing our conduct rules to make sure the requirements for providing advice are outcomes-focused, proportionate and risk-based, relying on the Consumer Duty where possible.
- Making it clear that firms can offer focused, simplified advice in straightforward cases with limited information.
- Incorporating and consolidating non-Handbook guidance into the Handbook where appropriate to gives firms clarity on the scope and limitations of simplified advice (with a view to retiring FG17/8).
- Working closely with the Financial Ombudsman to make sure their interpretation of our rules, and their approach, reflects the more limited considerations possible when providing simplified advice.

9.17 Mindful of the development of targeted support, we have decided not to progress the proposals for a bespoke simplified advice regime as in DP23/5.

9.18 Instead, we plan to consider whether there is a need or benefit to maintain the current MiFID and non-MiFID rules or whether there is scope to simplify and consolidate COBS 9 and COBS 9A. By tailoring our rules to focus on the needs of the UK market, there is opportunity to reduce unnecessary complexity and regulatory burden on firms. At the same time, we will review the rules relating to ongoing advice.

9.19 Our proposals align with our wider strategy in FS25/2 to review and simplify our Handbook requirements. The ability to provide individualised advice simply in straightforward cases should encourage firms to develop more efficient ways of delivery, including automated and hybrid models.

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?**

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?**

Annex 1

Clarifying the advice guidance boundary

1. This Annex sets out our proposed approach on further clarifying the advice guidance boundary.

Background

2. We know that many firms want to offer greater support in the form of information and guidance to consumers but are hesitant to do so because of fears over inadvertently crossing the advice boundary. In some cases, this hesitation stems from an overly cautious interpretation of the regulatory framework and concerns about the requirements associated with providing advice. Consequently, consumers may not receive the help or guidance they need to make informed financial decisions. We have therefore, over the last few years, sought to clarify the boundary between guidance and advice. We have published:

- PS18/3 which sets out amendments to PERG to help firms understand what amounts to a personal recommendation.
- Messages firms can give customers about investments and life assurance following market volatility during the coronavirus pandemic.
- Practical examples of how authorised firms can provide support to customers making decisions without inadvertently providing a personal recommendation. The examples also considered firms' obligations under the Consumer Duty.

3. Despite this, some firms tell us that the boundary remains unclear and express concern about the regulatory risks of inadvertently crossing the line and providing advice when seeking to provide helpful guidance to consumers. We have therefore considered if there is more we can do to further clarify the boundary to give firms confidence to effectively support the information needs of their customers.

Feedback we received

4. In DP23/5 we asked whether further guidance would provide more clarity to enable firms to get closer to the boundary. Many stakeholders told us there was limited value in the FCA providing further examples of how firms can support consumers without inadvertently providing advice, noting that sufficient clarity already exists. Some firms suggested they lack the risk appetite to get close to the advice boundary and were concerned that adding further scenarios could undermine existing FCA guidance and introduce unnecessary confusion. They also thought the FCA's focus should be on the development of targeted support, considering this a higher priority and the most effective way of helping consumers on a larger scale.

5. Other firms asked for further specific guidance to give them greater confidence to better support customers. Several firms suggested joint FCA and Financial Ombudsman guidance to provide clarity on how the Financial Ombudsman interpret the nature of support provided by firms. We refer firms to the August 2023 boundary clarification document where the Financial Ombudsman confirm it will consider the document if it receives a complaint.

Examples of information or guidance

6. Some firms told us they remain hesitant to provide information and support to consumers in the following scenarios. Our perimeter guidance is clear that the following examples do not constitute advice or a personal recommendation:

   i. A firm may provide consumers with information and guidance about the risks of disinvesting to help customers make an informed decision as long as the firm does not suggest or recommend that it would be appropriate or suitable for the consumer to disinvest at that time or in specific scenarios.
   ii. A firm may warn its clients about the risk inflation poses to their cash savings and provide consumers with generic information that investments may provide an opportunity for higher returns but with the risk of loss.
   iii. A firm may highlight to consumers the generic risks and benefits of consolidating their pension pots.
   iv. Pension providers may warn consumers about the general tax implications of withdrawing a large lump sum from their pension.

Our proposed approach to guidance on the boundary

7. We recognise that targeted support will likely impact how some firms provide support to customers. Although targeted support will not change the boundary between advice and guidance, we understand that firms may have concerns about how targeted support might influence their current practices. Firms want clarity that they can continue to provide guidance to consumers in the way they are currently doing, regardless of whether they provide targeted support.

8. We agree there is a risk that too much guidance can make it more difficult for firms to understand and manage risks. We also think the introduction of targeted support could reduce the need for further FCA guidance to encourage new types of support, as it will provide firms with a new option to support customer needs.

9. We therefore propose to consolidate, simplify and clarify existing guidance on the advice guidance boundary at the same time as we set out new guidance for firms providing targeted support in our perimeter guidance. In doing so, we can eliminate redundant or unclear information. In the meantime, we will continue to engage with industry to consider whether there is benefit in providing further examples taking account of our targeted support and simplified advice proposals.

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?**

Annex 2

Links to related work

Consumer Composite Investments

1. Our proposals for a new product information framework for Consumer Composite Investments aim to give firms flexibility to communicate product information in ways that help consumers make effective, timely and well-informed decisions, including as part of a targeted support journey. We consulted on this in December 2024 and April 2025. Both consultations are now closed, and we will issue a policy statement with rules later this year.

Review of ongoing advice rules

2. In February 2025, we published the outcome of our review on whether financial advisers were delivering the ongoing services that consumers had paid for. The rules on ongoing advice services were introduced more than a decade ago. But since this time, consumer needs and expectations, technology, and market practices have continued to change. We said we would review the existing rules relating to advisers' ongoing services to make sure they stay up to date and relevant. We propose to do this alongside considering amendments to simplify and consolidate our advice rules and to create a clearer distinction between simplified and more holistic advice (as proposed in Chapter 9).

The Pension Schemes Bill

3. Government has recently set out proposed changes to pensions legislation which includes significant measures designed to encourage greater investment into the UK and support better outcomes for pension savers. These include proposals on small pots, which would require automatic consolidation of small workplace pension pots arising from automatic enrolment, as well as proposals for guided retirement. These proposals require trustees of occupational pension schemes to make decumulation options available to members, and provide a default option for decumulation which would provide a regular income in retirement. Members can opt-out of the default option and choose to take their pension benefits another way. We discuss this area further in the textbox below paragraph 2.39.

Pensions dashboards

4. When launched, pensions dashboards will be digital interfaces where consumers can securely access information about their pensions that are not yet paying benefits. We refer to the interaction of pensions dashboards with targeted support in paragraph 2.97.

Pension tools and modellers

5. Following publication of DP24/3 on 'adapting our requirements for a changing market', we are considering how a new regime could help consumers engage with pensions planning using digital tools and modellers and how these interact with targeted support. We currently aim to consult on proposals for tools and modellers, that provide projections of the future benefit a particular pension contract towards the end of this year. We refer to tools and modellers further in paragraph 3.27.

DC pensions transfers and consolidation

6. DP24/3 invited input on two broad themes: how best to ensure consumers are empowered to make informed decisions about whether to transfer; and whether additional measures are needed to make the transfer process more efficient for consumers that have made an informed decision to transfer. We currently aim to consult on measures to clarify expectations in relation to consolidation towards the end of this year. We explore the interaction of targeted support and consolidation in paragraph 2.78 to 2.83.

Consumer access to investments

7. We have started new work to review consumer access to investments and the regulatory framework to consider whether the current regulatory standards are delivering good outcomes and promoting a healthy investment culture. This will include engagement to gather external stakeholder input on consumer investment products, distribution methods, and the tools we have to mitigate risk to assess if they are fit for purpose to support economic growth and help consumers.

Open finance and open banking

8. We are working with our regulatory partners to develop a framework for Open Banking and set the foundations for Open Finance. In our Strategy, we said that we will publish a roadmap for the roll out of Open Finance in the next year, and we expect the foundations to be in place by the end of 2027. Our proposals for a flexible targeted support regime will allow firms to continue developing propositions in line with these innovations.

Mortgage rule review

9. In June 2025, we launched the next stage of our Mortgage Rule Review, which is looking at how we can improve our mortgage rules to help more people access sustainable home ownership and encourage a dynamic, innovative and competitive market. DP25/2 considers what the market may need to deliver for different consumers at different stages of their lives and sets out a discussion on the trade-offs and risks that changing our rules entails. It seeks input on a range of issues including potentially updating our responsible lending rules, the likely future increases in demand for later life lending, and the future of mortgage advice and disclosure.

Annex 3

Questions in this paper

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

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?

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

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.

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

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.

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?

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?)

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

Question 10: Do you agree with our proposal that firms can make reasonable assumptions when designing targeted support journeys? If not, why not? In your answer, please set out examples of assumptions you may choose to make when designing targeted support journeys.

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

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?

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?

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?

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

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?

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 in conjunction with support that constitutes a personal recommendation?

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?

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?

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

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

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.

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?

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

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

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?

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

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

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?

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

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.

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.

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?

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?

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.

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

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?

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?

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?

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?

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?

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

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

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?

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.

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

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?

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?

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?

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

Questions on cost benefit analysis

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?

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

Question 3: What else might be driving these harms?

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

Question 5: What other impacts might targeted support have?

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

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

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

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

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

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.

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.

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?

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

Annex 4

Cost benefit analysis

Summary

1. Investments and pensions perform a vital function in allowing people to build wealth, provide for later life and save for major expenses. They have a significant impact on a consumers' financial wellbeing.

2. Many consumers struggle though to make good financial decisions with respect to their savings, investments and pensions. There is evidence that consumers are experiencing harm such as the 12.5 million consumers undersaving for retirement (Analysis of future pension incomes – GOV.UK) or the 7.0 million consumers who had £10,000 or more in investible assets held solely in cash and who hadn't received regulated financial advice in the last year, potentially not allocating their savings in an optimal way (Financial Lives Survey, 2024).

3. We consider such consumers could benefit from access to more support to make better financial decisions. However, market failures, including those resulting from consumers' behavioural distortions (for example, inertia) are stopping this and there are limited effective forms of support available to many consumers who have low confidence and/or poor levels of engagement with respect to financial decision making.

4. Targeted support is a new type of support aimed at addressing gaps in the advice market for consumers whose needs are not addressed by existing advice and guidance services. It will help consumers avoid simple but costly financial mistakes.

5. Based on firm engagement and surveys conducted by the FCA, we expect between 62 and 131 firms may choose to offer targeted support over the 10-year appraisal period. We anticipate that between 18.1 million and 30.6 million consumers could receive targeted support and following this, between 0.9 million and 13.8 million will take action.

6. We expect targeted support to help consumers in three main ways:

- Improved alignment of savings decisions and preferences, increasing welfare and, in many cases, return on savings, investments and pension (direct benefit).
- Reduced fees and charges, as consumers are more actively engaged with reviewing their financial portfolio or pension (indirect benefit).
- An increase in consumer confidence (and financial resilience) and lower psychological stress, driven by consumers engaging with targeted support and the expected improvements to wealth.

7. We expect targeted support to create benefits for firms, primarily through increased revenue. This occurs as some consumers, on the basis of a firm's targeted support, move to purchasing holistic advice and other products with the same firm.

8. There will be one-off and ongoing costs to firms to implement and run targeted support services, and the associated regulatory compliance costs. In addition, we expect two sources of transfers between firms. Some consumers may choose to move from taking holistic advice with a firm to taking targeted support with another firm. There may also be consumers who would have shopped around for holistic advice but now, due to low switching rates, stick with the firm that offered them targeted support meaning other firms lose out.

9. Over the 10-year appraisal period we **estimate the net present value (NPV) of our intervention has a net positive impact of between £663m to £39,876m, with a central estimate of £5,678m** (2025/26 prices).

10. The most significant monetised benefit is the increase in wealth for consumers, estimated at between £125m and £4,811m per year, with a central estimate of £732m. For firms the most significant benefit is increased revenue of £52m per year (£15m to £225m per year) as some consumers buy more services.

11. The most significant monetised costs are the upfront costs for firms who choose to offer targeted support; this is estimated at £44m, and the costs to consumers who lose out from receiving a service which does not meet our regulatory standards; this is estimated at £11m a year (£10m to £21m a year). In such circumstances, we would expect consumers would be eligible for redress.

Introduction

12. The Financial Services and Markets Act (2000) requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.

13. In this CBA we consider the costs and benefits of targeted support to firms, consumers, the FCA and wider society. We provide monetary values for the impacts where we believe it is reasonably practicable to do so. For others, we provide a qualitative explanation of their impacts. Our proposals are based on weighing up all the impacts we expect and reaching a judgement about the appropriate level of regulatory intervention.

14. This CBA has the following structure:

- The Market
- Problem and rationale for intervention
- Our proposed intervention
- Baseline and key assumptions
- Summary of impacts
- Assessment of costs and benefits
- Monitoring and evaluation

The Market

15. In this section, we outline the current state of the markets which will be directly impacted by targeted support: the markets for financial support, investments and pensions.

Markets for financial advice and guidance and other forms of support

Guidance is generic factual information which is not paid for and is not personalised. It does not recommend a course of action in relation to a specific product. Guidance may be provided by firms in the advice, investment or pension markets, and is also provided by public bodies or information services including government agencies, the Money and Pensions Service (MaPS) and Pension Wise. We are also seeing an increasing number of people seek out help and guidance from social media influencers and we expect to see more using AI to seek advice. We know that consumers rely on help from friends and family.

Fully individualised financial advice is specific to a consumers' circumstances and offers a personal recommendation. It is based on a complete assessment of the consumers' personal circumstances. Other versions of advice (basic advice, streamlined advice) also provide a personalised recommendation, based on an assessment of the consumers' circumstances, but both the assessment and recommendation are more limited in scope.

While financial advice and guidance is taken up by many consumers, we see a group of consumers who could benefit from advice and guidance but do not take it. Such consumers may lack confidence and/or are not engaged in taking financial decisions. Further, for some the cost of advice may be a barrier to accessing support. Other consumers may not be aware of the implications of the decisions they are making/not making and unaware of the benefit of support. For such consumers, there is a gap for support services that are not as costly as financial advice but provides more personalisation than guidance and other information.

Market for guidance and other forms of information

16. Consumers can access free information and guidance on financial products. We consider two sub-groups for guidance, defined by who is providing it:

1. Statutory, government backed bodies (like MoneyHelper), regulated firms and some financial advisers (though this is typically as part of initial conversations in the process of assessing if a consumer wishes to take advice).
2. Private sector money 'advice' websites (like Money Saving Expert, Money Supermarket and Which?), new, traditional and social media (for example, news, TV, podcasts of 'finfluencers').

17. 37% of consumers said they used guidance or information in the last 12 months to help them with decisions about investments, saving into a pension or retirement planning (FLS, 2024). The following sources were used (some consumers will have used more than one):

- 25% said they received guidance from regulated firms or statutory bodies.
- 23% said they received guidance from other professional bodies (such as their workplace, private sector money advice websites and traditional media).

18. MoneyHelper is a free service run by the MaPS, which joins up guidance on pension and investments from the Money Advice Service, Pension Wise, and the Pensions Advisory Service (TPAS). They offer guides, calculators and support for an individual. In 2023/24 they delivered guidance through 641,000 sessions.

19. Beyond guidance, other forms of information on financial products comes from several other sources including family and friends. One of the most significant sources in recent years has been the increase in consumers receiving guidance or advice through social media. 19% of investors used social media for research or to keep up to date with investments in the 12 months to May 2024. Among investors aged 18-34, 45% used social media to research investing including 14% who used influencers, bloggers or vloggers (FLS, 2024).

20. Finfluencers are social media personalities who are generally not FCA authorised (though some regulated firms use social media) and use their platform to promote financial products and share insights and advice with their followers. There has been a significant increase in the number of finfluencers over recent years.

21. Investors taking advice from social media or WhatsApp groups may find themselves taking on more risk than they understand whether through investing in crypto, forex (FX) trading or investing in other assets. Using these channels may result in consumers being taken advantage of by fraudsters or, at the very least, having no recourse from unregulated providers of advice.

Market for financial advice

Consumers of financial advice

22. A minority of consumers (8.6%) took regulated financial advice in the last 12 months (FLS, 2024). This has been increasing steadily since 2017, but is still a small proportion of all consumers. In 2024, the semi-retired, those aged 55+ and those with a household income of £50k+, were the most likely to have received regulated financial advice in the previous 12 months (FLS, 2024).

Firms providing financial advice on retail investment products

23. Table 1 shows the different types of firms that provide financial advice on retail investment products.

Table 1: Types of firms offering advice on retail investment products as part of their services

Firm type	Number of firms	Number of advisers employed	Average advisers per firm
Financial advisers	4,654	27,941	6
Banks and Building Societies	29	2,563	88
Insurance intermediaries	97	288	3
Mortgage brokers	61	157	3
Investment/Asset Manager	37	171	5
Wealth Management	233	5,596	24
Other	188	420	2
Total	**5,299**	**37,136**	**7**

Source: FCA Retail Mediation Activities Return (RMAR) 2023

24. Financial advisers are the largest group of advice firms, employing most advisers. The number of advisers employed by wealth managers and banks and building societies suggest they too also deliver a significant proportion of the total advice market. Included in the 'other' group are approximately 57 life insurers and 54 self-invested pension operators who primarily sell pension products, but offer advice on them, and 54 platforms who primarily offer a direct route for consumers to access retail investment products but offer advice on them too.

25. Of firms providing financial advice on investments and pensions most (86%) are independent financial advisers (IFAs) who offer advice on a range of financial products, presenting options based on an unbiased and unrestricted assessment of suitable products. 12% offer advice restricted to a limited set of products, or advice that is limited in scope to a specific activity instead of advising on a whole-of-market basis, the rest offer a combination of independent and restricted advice.

26. Advisers who are restricted in recommending a limited set of products are likely to be part of vertically integrated firms who also provide investment and pension products. Most banks, building societies, life insurers and platforms provide restricted advice, as do the largest advisers, intermediaries and wealth managers.

27. Although independent advisers are the most numerous, they tend to be much smaller firms. Therefore, even though there are a diverse range of participants in the market for financial advice, the market is relatively concentrated towards larger firms.

Table 2: Size distribution of financial adviser firms

Adviser band	Number of firms	Number of staff advising on retail investment products	Average retail investment advice revenue per firm (£)
1 adviser	2,086	2,086	182,257
2-5 advisers	1,859	5,220	415,081
6-50 advisers	493	5,615	1,871,031
Over 50 advisers	40	12,543	56,589,701

Source: FCA Retail Mediation Activities Return (RMAR) 2023

Business models for financial advice providers

28. Firms, for both retail investments and pensions, generate revenue from the fees charged for the advice given to consumers. Most commonly, this is a percentage of the amount invested, although some firms charge a fixed fee, an hourly fee or some combination of the three. Our 2020 retail distribution review revealed that average charges for advice on investments and pensions are 2.4% of the amount invested for initial advice, and 0.8% per year for ongoing advice. Vertically integrated firms also generate revenue from the fees associated with the investment and pensions products they sell. We describe these in the retail investment and pensions market sections below.

29. The majority of consumers who take advice, do so as part of an ongoing service. According to RMAR data, over 4 times as many consumers were on ongoing contracts in 2023 than received initial, ad-hoc or one-off advice. Almost three quarters (74%) of a firm's advice revenue comes from ongoing advice charges.

Competition amongst financial advice providers

30. The FCA's Retail Distribution Review (RDR) and the Financial Advice Market Review Post-Implementation Review (RDR FAMR PIR), published in December 2020 (Evaluation of the impact of the Retail Distribution Review and the Financial Advice Market Review | FCA) found:

- Less than a quarter of advisers felt competing on price was important for consumer acquisition and retention.
- Service and quality factors were more important, such as consumers' perception of safety and security; a high level of technical knowledge or qualifications; and the time taken to explain their service to clients to ensure understanding.

31. It also found that consumers were reluctant to shop around for pensions advice and wider support services. This was driven by lower levels of trust in less-established brands. This was highlighted in the consumer research published in 2024 by NMG Consulting (existing rules Review Targeted Support for Non-Advised Defined Contribution Pensions), suggesting that the larger providers can leverage their brand and reputation.

Trends in financial advice and guidance

32. There are a number of trends that could have an impact on future market dynamics for advice, guidance and information. Open banking and finance and Artificial Intelligence (AI), if developed, should allow financial services firms to innovate and improve the quality of their product offerings, while reducing their costs.

33. This could increase consumer engagement and allow firms to offer support services with the detail and value which consumers demand. There has historically been reluctance by consumers to engage with automated advice offerings with only 1.5% of consumers saying they used automated advice services in the last 12 months in the 2022 and 2024 FLS survey. However, a report by the FCA and the Competition and Markets Authority (CMA) in May 2024 (Consumer use and understanding of Generative AI, including in financial and debt advice) shows that some consumers are well aware of AI derived products in the advice space and would like to use more new technologies. They believe that Gen-AI could have real benefits to them, providing quick, tailored financial and debt advice if products are regulated, as they are concerned about the risk of fraud and incorrect input when using Gen-AI for debt and financial advice.

Underserved groups by financial advice and guidance

34. Financial advice provides support to consumers with complex needs and enough starting wealth. These consumers expect increases in wealth to be greater than the price of procuring the advice. Most advice charges are taken as a percentage of the customers investment. A survey conducted as part of our Financial Advice Market Review (FAMR) found median initial charges (as a percentage of the amount invested) were higher for smaller pots and so some firms set a lower investment pot threshold under which they do not offer advice. This is typically in the region of £50,000 to £100,000, though can be higher. Guidance provides support to consumers who are confident and have less complex needs. However, this leaves two groups of consumers who are underserved by advice and guidance:

- Consumers with relatively complex or relatively simple needs who do not believe the cost of advice reflects the value to them, but simultaneously are not confident making the decision themselves.
- Consumers with less complex needs who are unaware of the impact of the decisions they are actively or passively making with respect to their portfolios and pensions.

35. 59% of consumers have not accessed any support about investments, saving into a pension or retirement planning in the last 12 months (FLS, 2024). Of those that had used information or guidance to help with investment decisions, only 33% said it fully met their needs (FLS, 2024).

36. In Annex 6, we explain how we have used FLS and DWP data to create cohorts of consumers who are likely to be underserved by current support based on typical use cases for targeted support. We summarise these groups in Table 3.

Table 3: Underserved consumer cohorts

Market	Cohort name	Number of consumers (million)
Consumer investments	Under investors	7.0
Consumer investments	Misaligned investors	2.1
Consumer investments	Disengaged investors	4.2
Consumer investments	Over investors	5.3
Consumer investment	Any cohort	15.5
Pension	Under accumulators	12.5
Pension	Disengaged accumulators	4.7
Pension	Uninformed accessors	2.6
Pension	Over decumulators	0.05
Pension	Any cohort (except under accumulators)*	7.3
Consumer investments and Pension	Any cohort (except under accumulators)*	20.7

Source: FLS and DWP. Note: cohorts are not mutually exclusive.
* The 12.5 million under accumulators population is based on DWP data and excluded from the Any cohort figures, which is based on FLS data.

37. As well as these cohorts, we observe 1.2 million consumers with a SIPP who are unadvised and 4.0 million people who have no pension besides their state pension. These two groups are likely to overlap with the groups above (FLS, 2024).

38. We outline why we believe these consumers may be experiencing harm and the drivers of that in the 'Problem and rationale for intervention' section.

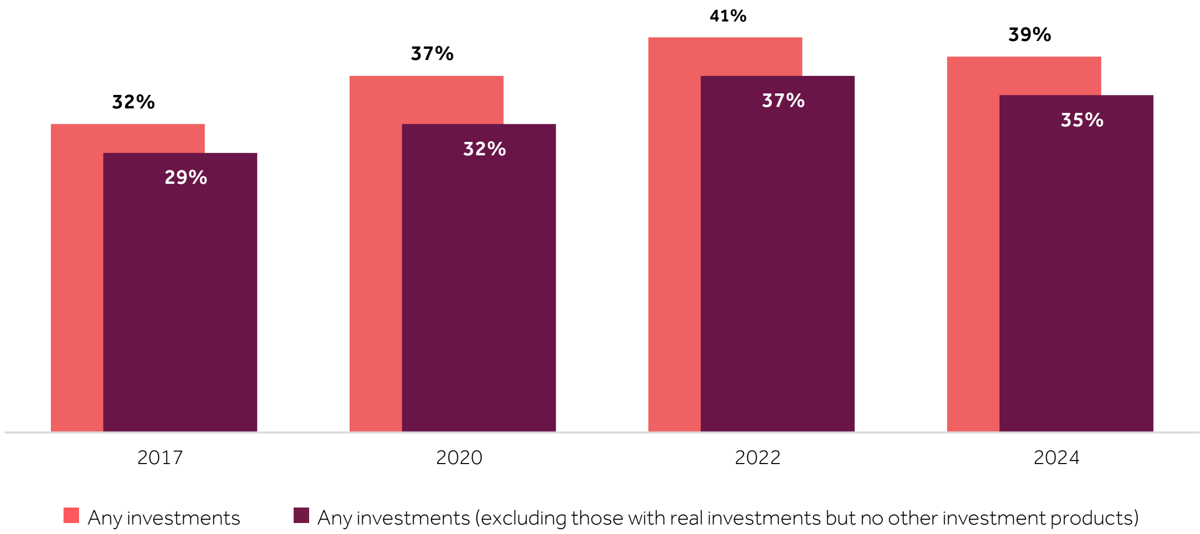
Market for consumer investments

39. The consumer investment market gives people the chance to buy investments such as shares, bonds, mutual funds, funds, investment companies and exchange-traded funds (ETFs), non-workplace pensions (including self-invested pension products) and high-risk investments (HRIs) including cryptocurrency, crowd funding, peer to peer lending and Contracts for Difference (CfDs).

40. The market is substantial in size. Consumer investments in the UK totalled approximately £1tn at the end of 2023 (RMIR). Figure 1, based on FLS data, shows that in 2024,

- 39% of adults (21.2 million) held investments, including real investments like property.
- 35% of adults (19.0 million) held investments, excluding those with real investments but no other investments – slightly down from 37% in 2022 but still higher than in 2017 (29%) and 2020 (32%).

Figure 1: In 2024, 39% of adults held any investments (35% excluding those who only hold property or other real investments)



Source: FLS. Base: All UK adults (April 2017:12,865/ Feb 2020:16,190/ May 2022:19,145/ May 2024:17,950)

41. Consumers can access investments through advised or direct to consumer (D2C) routes. Just under half of AUM are held through D2C routes.

42. Platforms are the most popular direct to consumer (D2C) investment service. The market is concentrated. The 6 largest platforms hold almost all AUM. Wealth managers, asset managers and retail banks also offer consumers a direct route to market. Trading apps are a growing D2C route but are still small relative to the others mentioned.

43. Firms offering retail investment products generate revenue through a variety of fees, including:

- Platform fees: Ongoing charges for using the platform, typically calculated as a percentage of the assets held.
- Transaction fees: Fees associated with buying, selling, or switching investments.
- Management fees: Fees for managing investment portfolios, especially ready-made solutions.

44. Banks and building societies compete with other investment product providers, such as platforms, by leveraging their existing customer base from other markets to attract customers. Banks and building societies own a small proportion of the D2C investment market and typically compete for customers that value brand recognition and an integrated service for a number of financial needs.

Market for pensions products

45. When considering the pensions market, we focus primarily on defined contribution (DC) pensions, including workplace and non-workplace pensions. Defined benefit (DB) pensions will not be impacted directly by targeted support as there is less scope for consumers to make decisions on how they accumulate or decumulate. Further, if consumers wish to transfer a DB pension of more than £30,000 into a DC pension scheme, they must take regulated DB pension transfer advice.

46. The DC pensions market enables consumers to save and invest their money to meet their financial needs in retirement. The DC pensions market provides products and services to consumers including:

- **Workplace pensions:** Retirement savings plans established by employers, with contributions from both employer and employee. Automatic Enrolment (AE) has boosted workplace pension growth. Master trusts regulated by The Pensions Regulator (TPR) are expected to become the main workplace pension schemes.
- **Non-workplace pensions (NWP), including self-invested personal pensions (SIPPs):** Established by individuals, not employers. SIPPs allow personal control over investments, while other NWPs might involve adviser-managed investments.
- **Decumulation:** Products offering various ways to access pension pots. The market is dominated by drawdown, annuities, and cash options, with drawdown being the most common. Despite slow innovation, blended and hybrid solutions are emerging commercially.

47. The DC pension market is substantial, with total assets in DC schemes equalling approximately £1.5tn across approximately 30m DC pension plans (Retirement income market interactive analysis 2023/24 | FCA). 75% of UK adults have any private pension provision, 58% have a pension in accumulation and 45% are contributing to a pension in accumulation (FLS, 2024).

48. Pensions products are primarily provided by:

- Approximately 200 contract-based DC pension providers, including life insurers and SIPP operators.
- Vertically integrated advisers and intermediaries, and wealth managers.

49. Firms in the pension products market generate revenue through a variety of fees and charges:

- Transaction fees: where consumers buy, sell or switch between funds, pension firms may charge a fee for executing this.
- Management fees: pension firms may charge a fixed or percentage fee for ongoing management of a pension.

50. For the approximately 200 contract-based DC pension providers (FCA authorisation and supervisory records), advice is typically an ancillary revenue stream, with the majority of revenue coming from transaction and management fees.

51. The largest three firms in the contract-based pension market administrate over 40% of all assets in contract-based pensions schemes (FCA RMIR). In the broader pensions market (particularly trust-based), the market is much more fragmented, with many smaller schemes.

52. The pensions landscape has changed in five significant ways over the last couple of decades. These changes mean more consumers are likely to engage with the pensions market, and will have to make more complex decisions. As highlighted in CP 24/27, pensions are complicated financial products and retirement planning requires intertemporal decision-making under uncertainty and is subject to behavioural and psychological biases. For consumers, this poses a significant challenge regarding the timings of investment decisions and the understanding of their implications, which is likely to create a need for support. Further, other factors which might discourage consumers from saving into their pension have intensified:

- **There has been a shift away from DB pension schemes to DC pension schemes (ONS).** As a result, consumers are increasingly responsible for funding and planning their retirement.
- **Participation in the DC market has increased significantly** due to the introduction of automatic enrolment (AE) in 2012 (DWP). This means a greater number of consumers have decisions to make about accumulating, accessing and decumulating their pension.
- **Consumers have more flexibility (and therefore responsibility) in how they draw their DC pension savings** due to the introduction of pension freedoms in 2015.
- **People are purchasing their first home later in life.** The average age of a person buying their first home is now 34 years. Consumers are having to borrow more and for longer meaning consumers may struggle to contribute to their pension early in their working life, and may be reliant on retirement income to settle more of their mortgage.
- **Peak earnings are occurring later.** The age at which someone reaches peak earnings has moved from 38 years old in 2013 (and 40 years old in 2018) to 47 years old in 2023. As peak earnings move later in an individual's career, there are implications for the ability to save in early life for pensions (and the associated benefits of compounding).

53. Given the changing context, accessing the right financial support is crucial to enable consumers to make informed decisions about their pensions.

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?**

Problem and rationale for intervention

54. Currently, a small number of consumers with complex needs and relatively high levels of wealth are benefitting from financial advice, and confident consumers with less complex needs may be benefitting from guidance and other information. However, there is no support available to many consumers who either have low confidence and engagement levels or are not aware of the impact of the decisions they are making.

55. Not receiving this support is causing them to make potentially harmful choices either actively, or by doing nothing. Our analysis of the value of advice (see Bridging the advice gap: Estimating the relationship between financial advice and wealth, or Annex 5 for a summary) shows that getting financial advice is associated with an increase in wealth of up to 10% in the immediate years following advice, relative to those who did not receive advice (the relationship between advice and wealth becomes more uncertain over time due to the impact of other factors)

56. The Value of Advice research found the main benefit of advice was it prevented consumers making often simple, but costly mistakes. Increased support which can prevent consumers from making these common mistakes is therefore likely to benefit consumers.

Harm we are trying to reduce

57. We have observed potentially harmful outcomes in the pension and retail investment markets that is in part driven by a lack of suitable financial support. These outcomes can lead to lower levels of lifetime wealth, consumption and welfare for consumers.

Pensions

- **12.5 million consumers may not be saving in a way that maximises their lifetime wealth or welfare:** From a 2023 DWP analysis (Analysis of future pension incomes – GOV.UK), it was estimated that 12.5 million consumers are not saving enough to have a comfortable retirement, meaning their choices now will reduce their future wealth and welfare. Whilst there will be some consumers who are unable to save more for their retirement, there is evidence to suggest that many consumers are under-saving because they do not understand how much they need to save to have a comfortable retirement or have disengaged from choices around accumulation. For example, FLS data shows that 80% of adults with a DC pension in accumulation have not thought a lot about how much they should be paying into their DC pension (FLS, 2024).
- **2.6 million consumers are making potentially unsuitable decisions at the point of accessing their pension(s):** FLS, 2024 data shows that the majority (60%) of pension plans operated by FCA-regulated firms were accessed for the first time by consumers without advice or guidance. A 2019 evaluation of the Pension Wise service found that 91% of people who had a Pension Wise appointment in 2019/20 felt that they were able to consider their options more thoroughly as a result, and 57% changed their plans regarding how they have or will access their pension savings (Pension Wise service evaluation 2019/2020 | Money and Pensions Service). These findings suggest that services like Pension Wise can help consumers make better decisions. We see evidence of potentially unsuitable access decisions in our Retirement income market data for 2023/24 (Retirement income market interactive analysis 2023/24 | FCA). This shows over half (51%) of

pension pots that were held with FCA-regulated firms and accessed for the first time in 2023/24 were withdrawn in full.

- **50,000 consumers are making potentially unsuitable decumulation choices, drawing down too much at access and decumulating their pots too fast, leading to lower welfare in later retirement:** We observe some consumers are decumulating their pension pots at a relatively high withdrawal rate, which could cause them to run out of money in later retirement. FLS, 2024 data shows that 43% of pension plans operated by FCA-regulated firms where the plan holder made regular partial withdrawals was at a withdrawal rate of more than 8% each year (Retirement income market interactive analysis 2023/24 | FCA). There is no one 'best' decumulation rate, as consumers individual circumstances and needs will differ, however, experts suggest that 4% is a 'safe' withdrawal rate, to ensure your pension pot lasts (Pension Drawdown "Unsustainably High" | Morningstar).

58. Unsuitable accumulation and decumulation pension decisions could lead to lower wealth and consumption in retirement.

Retail investments

- **7.0 million consumers are not allocating their savings between cash and investments in an optimal way in many circumstances (underinvestors):** We have identified a cohort of consumers, based on FLS, 2024 data, who we believe could benefit from investing who currently don't. These consumers have £10,000 or more in investible assets (but not investment products) and have not taken regulated advice. We estimate this cohort of consumers numbers around 7.0 million (more information in Annex 6). The size of the harm from underinvestment could be significant as returns on cash savings may not match inflation and often underperform other asset classes. Analysis by Vanguard (Why should I invest my money?) found that a £10,000 investment in cash in 1998 would have grown to around £18,695 by the end of 2024 whereas the same investment in shares would be worth around £77,826. Lack of understanding and support may partly explain why consumers do not invest. Survey data from research conducted for us by Thinks Insight & Strategy (see Advice Guidance Boundary Review: Retail investments consumer research) found that the top three reasons selected by respondents for why those who have not invested, don't, were:
  - "I don't know enough about investments" (40%).
  - "I don't trust investments / have concerns about losing money" (40%).
  - "I am happy with the interest rate on my savings" (29%).

- **Some consumers are investing inappropriately, either in funds that don't align with their risk preference or capacity for loss, or by remaining in poor value products:** We observe three groups of 'inappropriate investors', these groups are not mutually exclusive:
  - **2.1 million misaligned investors:** High-risk investments (HRIs) could have a place in a balanced portfolio or as an investment for someone with risk-seeking preferences. However, we observe a cohort of 2.1 million consumers who hold HRIs but are unlikely to have a risk appetite for such products. According to the FLS, of high-risk investment holders in May 2024, 41% had one or more

characteristics of vulnerability and just over a quarter (26%) had no or a very low willingness to take investment risk (FLS, 2024). Further, nearly one in three (32%) of adults with HRIs said their current or future lifestyle and wellbeing would be impacted if they experienced a significant loss on the HRIs. Given the impact these products could have on their wellbeing if they experienced a significant loss, these consumers may benefit from alternative investments that better suit their risk appetite or rebalancing their portfolios to reduce their exposure.

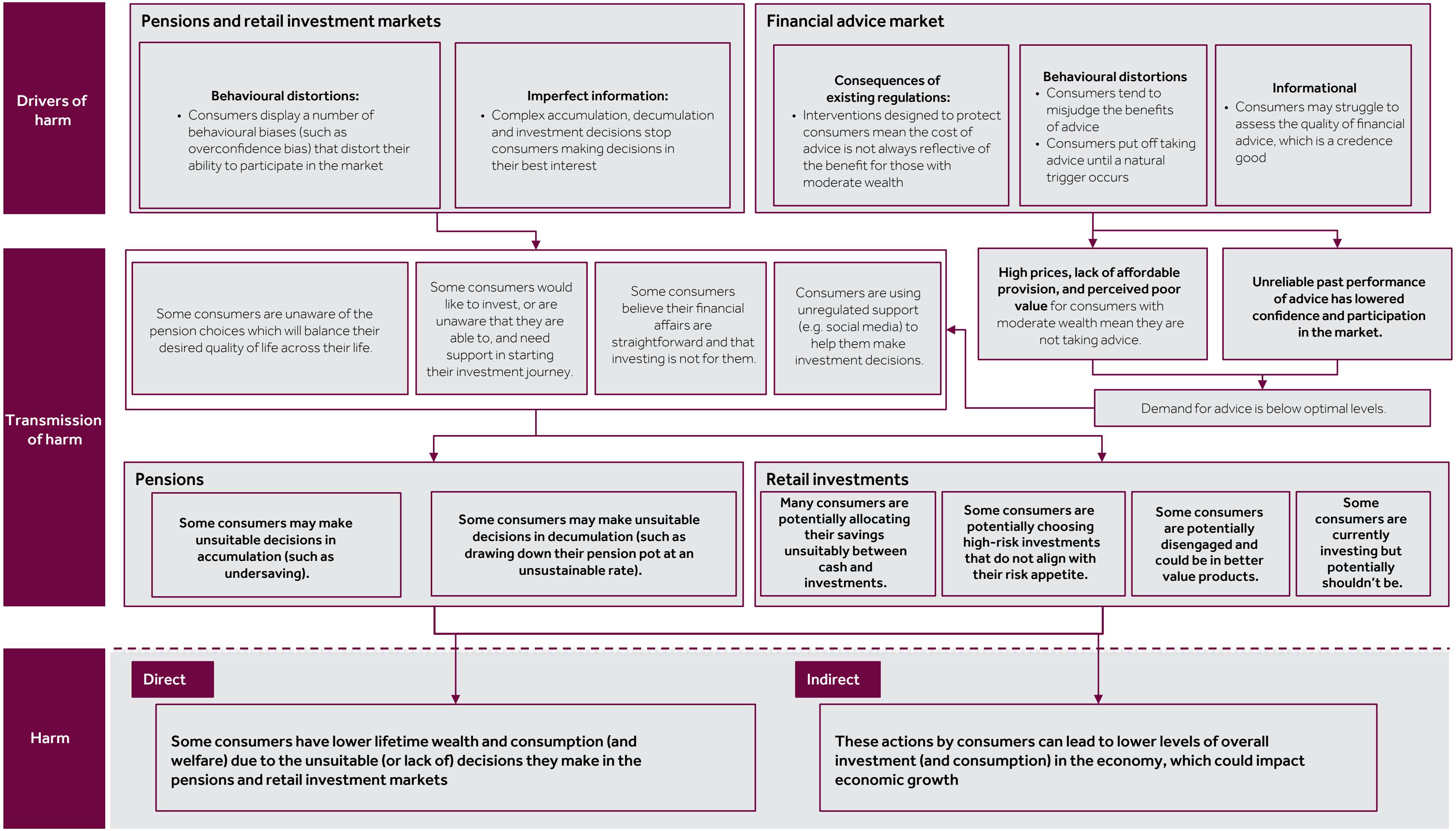
- **4.2 million disengaged investors:** We have also identified a cohort of consumers who are potentially disengaged from their investments. We define this cohort as investors who have not used any information in the last 12 months to research investing, find opportunities to invest in or keep up to date with investments nor have they received financial advice. For these consumers, there may be better value products that exist.
- **5.3 million over investors:** There is a cohort of 5.3 million consumers we have identified that have investments but have characteristics which suggest it might not be suitable for them to hold investments, such as those without an emergency fund to cover unexpected expenses or falls in income. Holding an emergency fund is important as it can help individuals deal with unexpected expenses, allowing them to cover these expenses without the need to liquidate any investments. This is important as in the short-term, market volatility could mean the value of an individual's investments is lower than the original amount they invested.

59. These potentially unsuitable decisions on retail investments could lead to lower lifetime wealth due to the lower returns to cash than investments (and will result in lower consumption), unnecessary costs from poor value investment products, and unexpected (and unaffordable) losses on HRIs.

60. The consumer harms described will have wider macroeconomic impacts on the UK economy, this could occur through several channels:

- **12.5 million consumer making potentially unsuitable accumulation pension decisions:** this will lead to lower levels of investment into the UK (as pension funds are significant investors) and therefore could lead to lower long-run consumption and growth in economic output. We assume that reducing short-term aggregate consumption (by consumers) in favour of investing (into their pension) leads to greater long-term returns (in part due to compounding).
- **2.6 million making potentially unsuitable access decisions and 50,000 consumers making potentially unsuitable decumulation pension decisions:** this could lead to lower long-run consumption as consumers have less wealth and income in retirement, possibly contributing to reduced growth in economic output.
- **15.5 million consumers potentially underinvesting or not participating in retail investments in a suitable way** (consumers in the under investor, misaligned investor, disengaged investor and/or over investor groups): leading to lower levels of investment into UK firms and lower productivity and growth, leading to lower long-run economic growth at the margins.

Figure 2: Theory of transmission of harm in the current market



Market failures

61. We have identified that there are market failures of imperfect information, regulatory barriers and behavioural biases that limit consumers' willingness and ability to participate effectively in the pensions and investment markets, and firms' ability to serve consumers.

62. These market failures occur in the context of broader structural issues and factors which also contribute to harm in these markets, and which we do not have policy levers to affect:

- Low and stagnant incomes, reducing consumers' capacity to save.
- Consumers' competing financial priorities in their day-to-day lives, requiring them to make trade-offs when making financial decisions.
- Consumers' ability to save money into their pensions and invest varying over the course of a consumer's life.
- Consumers making an active choice not to invest or save into their pension due to their preferences, low financial literacy or risk appetite.

63. So, any intervention we make will not eliminate all harm, but by significantly reducing the impact of some of the market failures identified, we can reduce the scale of harm experienced by consumers.

Imperfect information

64. Consumers often struggle to assess the value of advice even after it has been given. If consumers had certainty about its quality, they may be more likely to seek it, and act upon it. Financial advice possesses characteristics of 'credence goods'. These are goods whose qualities "are expensive to judge even after purchase" (Free competition and the optimal amount of fraud, Darby, M. and Karni, E. 1973). Outcomes from taking advice, such as returns on investment, are affected by a large number of factors (such as the economic environment), so even after acting on the advice, consumers may struggle to assess its quality. There is a risk that financial advisers could exploit this informational asymmetry advantage, or the perception that they will, could reduce confidence and participation.

Regulatory barriers

65. Many firms have told us that the regulatory requirements to carry out suitability assessments have meant the cost of providing advice is high. Our reviews of the market found that this cost of providing advice to consumers with small to moderate sums of wealth outweighs the benefit.

66. Firms, particularly larger ones, and trade bodies have told us it is often not worth providing other types of support as it is not commercially viable. Providing other types of support at lower cost would require reducing the time spent assessing suitability. Without investing time in a comprehensive suitability assessment, firms are only comfortable offering support, with limited or no personalisation as they fear that saying anything more instructive or personalised risks crossing the 'advice-guidance boundary' and face the risk of redress liabilities.

Behavioural biases and barriers

67. Many consumers who would benefit from taking financial advice misjudge the benefit relative to the cost. Consumers tend to put off taking advice; this is particularly prevalent for investments. In examining barriers to financial advice for non-affluent consumers, a US study (Iannicola and Parker, 2010) found that a key behavioural barrier is the lack of concrete outcomes. Consumers pay up-front for advice, the outcomes of which are delayed and abstract, unlike hiring a plumber which provides immediate and a concrete solution to a problem.

68. Consumers typically have a present bias, the tendency to prefer consumption today rather than wait for higher future consumption. This causes consumers to save insufficiently for the future. When faced with complexity or too many options, they may also postpone decisions or default to inaction (status quo bias). For example, they may remain in a pension scheme's default investment strategy or keep their money in cash rather than investments.

69. Some consumers are overconfident in their ability to choose investment products or manage pension allocations, attributing success to skill rather than luck and heavily discounting future consumption. This can lead to excessive risk-taking or avoidable losses and reduced perception of the need for support. Other well-established behavioural biases in this context include:

- **Availability heuristic and recency bias:** Consumers give undue weight to recent market events or personal anecdotes, distorting long-term investment decisions.
- **Mental accounting:** Consumers treat money differently depending on its source or purpose, leading to fragmented or suboptimal portfolios.
- **Confirmation bias:** Consumers favour information that confirms pre-existing beliefs and avoid contradictory evidence, which can lead to poor portfolio adjustments or failure to seek support.
- **Disposition effect:** Consumers tend to sell winning investments too early and hold losing investments too long, often driven by **loss aversion** and **regret aversion**.

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

Question 3: What else might be driving these harms?

Our proposed intervention

70. In 2024 our Consultation Paper (CP24/27) set out the proposed new model – targeted support for pensions. This Consultation Paper (CP25/17) sets out further details on targeted support, and how we would take this forward in retail investments as well. Targeted support is intended to address both demand and supply side barriers, including behavioural and regulatory frictions, that currently prevent many consumers from accessing appropriate help.

71. Targeted support is a new, scalable form of affordable help designed to fill the gap between information or guidance and full investment advice. It enables firms to provide structured suggestions to groups of consumers with shared characteristics, based on factors like life stage or financial decisions (for example, decumulation, investment choices). The support can be offered proactively or reactively. Chapter 2 sets out in more detail the framework for targeted support and the proposed conduct standards.

72. Targeted support is expected to reduce the impact of behavioural and regulatory market failures by helping consumers take more timely and informed decisions, and enabling firms to serve those they currently cannot reach. While it will not eliminate underlying behavioural biases, it can reduce their practical consequences by offering structured, contextual suggestions from trusted sources at the right time and at low or no cost.

73. By creating a bespoke new regime, targeted support allows firms to offer help without breaching the boundary into full financial advice. Because it involves less personalisation and is delivered to groups, it can be scaled efficiently, offered at lower cost, and with less perceived liability risk. When offered by firms that consumers already engage with, trust in the information may be higher – helping to overcome the 'credence good' nature of advice.

74. Targeted support can be delivered proactively, reducing reliance on consumers to initiate contact with firms offering support. Its categorisation feature simplifies decision-making and may help consumers move away from defaults (for example, holding cash or using default investment pathways). Where offered for free, it may be particularly appealing to consumers who perceive advice as poor value or who are uncertain about their needs.

75. Offering support at no cost may also have some unintended consequences. Some consumers may apply a price-quality heuristic, interpreting a free service as lower in value or reliability. Others may question why support is being offered at no charge. While these effects could reduce the perceived value of targeted support for some, we do not expect a material impact. Our consumer research (Advice Guidance Boundary Review Targeted Support for Non-Advised Defined Contribution Pensions) suggests that many consumers already expect this type of support to be offered for free.

76. We expect these features to reduce the practical effects of present bias, overconfidence, default or status quo bias, and decision inertia caused by complexity or uncertainty. In doing so, it can help consumers:

- make more appropriate accumulation and decumulation decisions that reflect their long-term preferences and financial situation;
- allocate savings more effectively between cash and investments, in line with their risk appetite;
- act on suggestions from authorised firms rather than relying on informal or less reliable sources (such as social media).

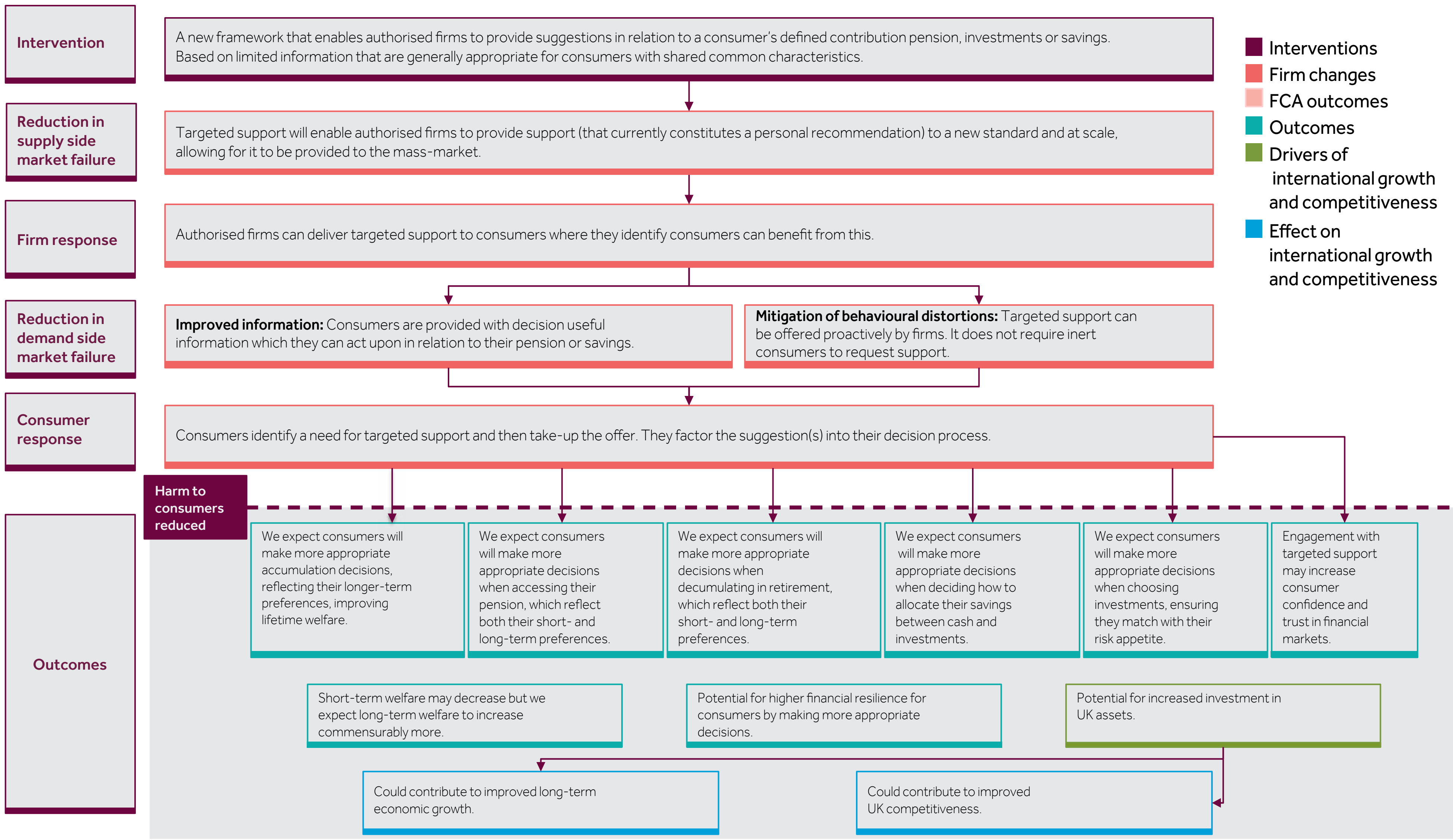
77. Targeted support enables firms to deliver structured support at scale, reaching non-advised consumers in ways that go beyond current guidance models. By offering simplified suggestions to defined groups, firms can reduce the burden on consumers to understand complex suitability requirements and provide support that is easier to act on. As a result, we expect:

- more informed, timely decisions by consumers;
- improved long-term welfare, even if short-term welfare may fall for some (such as pension savers increasing contributions);
- greater financial resilience over time, as improved decisions help grow consumer wealth;
- A marginal increase in investment in UK markets, since UK assets form part of many retail investment products.

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

Question 5: **What other impacts might targeted support have?**

Figure 3: Causal chain of actions and responses through which our intervention changes outcomes



Options for intervention

78. In deciding our proposed intervention, we considered alternative options which sought to achieve similar outcomes. Options were assessed in terms of efficacy, efficiency, and how they balanced different trade-offs. We assess options against the following criteria, considering potential trade-offs:

- **Reduce the regulatory barriers for firms to offering more support to consumers,** acknowledging that less regulatory oversight can lead to some firms delivering lower quality products and services to consumers.
- **Reduce barriers to consumers acting on support for example, price or behavioural barriers.** This is balanced against the risk that more consumers acting on support means that more consumers will benefit but increases the likelihood they receive a service which is not suitable for them and may be harmed as a result. Reducing barriers to support increases the potential impacts of low-quality support.
- **Maximise the quality of that support and minimise the risk that the advice leads to poor outcomes.** Maximising quality could be achieved through setting higher and more rigorous conduct or disclosure standards through increased regulation. This can result in firms being unwilling to deliver the support due to burdens associated with compliance or passing on the cost to consumers who do not engage due to high prices.

79. **Minimise the benefit an existing dominant position in the markets might create, and maximise the ability for all firms to provide support.** This must be balanced against adding barriers to larger firms that could offer a high quality service to a large number of customers using and assessing the data they already possess and leveraging the trusted relationships they have already established.

80. Applying these criteria and considering these trade-offs, we have considered the following alternative interventions to targeted support which are not mutually exhaustive, or exclusive. In each case, we set out why we have chosen not to take them forward as our preferred approach.

- **Further clarifying the boundary:** This would provide FCA-authorised firms with greater certainty that they can give more support to consumers without providing a personal recommendation under the existing framework. While this action is low cost to firms and poses limited risk to consumers of being harmed through inappropriate suggestions being made, our consumer research shows that consumers expect a greater degree of personalisation in the support they are being offered, before they act, and it is unlikely that firms have the right incentives to offer this through guidance. By clarifying the boundary alone, we would not be adequately reducing the barriers to provision and take up of support, nor sufficiently maximise its quality. However, this intervention is low cost and requested by firms, therefore it is likely to provide some benefit so we are considering how we can give firms more confidence providing support close to the boundary, including further clarification we can make to COBS 9/9A.
- **Creating 'investment pathways':** Based on firm suggestions, we considered how we could go beyond clarifying the guidance boundary and introduce rules for retail

investments which mirror the pension investment pathways. This intervention would provide firms with prescribed scenarios where they could offer support to consumers, and what that support might look like. These would help consumers choose suitable, ready-made investment pathways. These are suggested based on consumers objectives. The objectives consumers can choose from are prescribed and limited. This means firms could offer support, without needing to meet all the standards required to provide this support through an advice service. This could reduce cost barriers to firms. However, it is only suitable for a limited number of cohorts and it requires consumers to already be engaged in some capacity with the investment of advice market. While we think this could mitigate some harm and its drivers, it does not increase take up of support (and action based on it) sufficiently.

- **Reducing the suitability assessment requirements for existing forms of advice:** We have previously introduced guidance on 'streamlined advice'. In this CP we outline our plans to review existing guidance and rules to consider ways we can give more firms confidence to offer simplified advice to consumers with less complex needs. These types of regimes reduce the requirements on firms when assessing suitability, potentially reducing the cost of providing support. However, these regimes still require costly inputs like the time of at least part-qualified advisers, and ongoing monitoring, and require consumers to be engaged with the advice market already. Therefore, this could benefit consumers who want assurance that a recommendation is suitable for their specific needs and circumstances, but do not need holistic advice. However, it does not engage people who are unaware of their need and could benefit from recommendations with less personalisation or are put off support by having to pay even a small fee.
- **Remove the ban on advisers earning commission from investment products.** In 2013, we banned advisers from receiving commission from investment and pension product advisers, meaning instead they had to generate revenue through advice fees and charges. We did this to reduce bias towards product providers who paid advisers more, increase transparency for consumers about how much the advice was costing them and enhance trust in the advice market following mis-selling scandals. By removing the ban, it may allow adviser business models to innovate and diverge more, meaning consumers can pay for advice in a way which suits them. Assessing this choice against our criteria, we do not think it is a suitable intervention. Removing the ban could materially reduce the quality of the advice consumers are receiving, as recommendations could be affected by the incentive to earn commission rather than being in the consumer's best interest. This could lead to worse returns or losses for consumers and systemic risks if there is widespread misselling. Further, trust is one reason why engagement with advice is low. If removing the ban did lead to misselling, this could exacerbate this issue and reduce take up of advice, offsetting any increase in take up encouraged by reduced upfront fees. Finally, this measure would need careful consideration to avoid it harming competition as larger advice firms may be able to negotiate better commission arrangements than smaller advice firms.

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

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

Baseline and key assumptions

81. The benefits from this intervention will stretch beyond the standard HMT Green Book 10-year appraisal period, particularly where decisions are made on pensions which will not be accessed for many years or decades. Notwithstanding this, we have chosen to use the 10-year appraisal period because our estimation of benefits of targeted support is based on our analysis of the value of advice (see Bridging the advice gap: Estimating the relationship between financial advice and wealth, or Annex 5 for a summary), which focusses on the impact of advice over 2-8 years. We expect this to underestimate the total value in some use cases. However, we do not have a robust way of estimating the benefit of targeted support over longer time periods due to the uncertainty associated with estimating over long periods, and difficulty in collecting data. Instead, we qualitatively assess the benefits and propose some scenarios which capture the potential scale.

82. The appraisal period will start in 2025/26, with prices in financial year 2025/26. The standard 3.5% discount rate will be applied to future costs and benefits.

83. We cannot be certain about how the market would have developed in the absence of an intervention, or how the market will develop with the intervention. We consider which uncertainties could have the greatest impact on our costs and benefits, what that impact is, and set out a rationale for quantifying a lower, upper and central estimate.

84. Our starting point for our baseline is the state of the current market. In 2024,

- 8.6% (4.6 million) adults received regulated financial advice in the last 12 months (FLS, 2024) and 37% of adults had used information or guidance related to investments, saving into a pension or retirement planning in the previous 12 months (FLS, 2024).
- 1.5% (800,000) received advice through an automated service (FLS, 2024).
- 35% of adults (19.0 million) held investments, excluding those with real investments (such as investment property) but not other investments (FLS, 2024).
- Around 22 million people in Great Britain are actively saving into a workplace pension following the success of AE (DWP, 2023):
- Around 30 million individual contract-based DC pension plans (RMIR), noting that individuals may have multiple plans.
- Around 30.6 million memberships in trust-based DC schemes (TPR), noting that individuals may have multiple memberships.
- UK investor funds under management in 2023 were £1.0tn (RMIR).
- AUM in the DC pensions market is around £1.4tn (RMIR).
- 36% of consumers agree that most financial services firms are honest and transparent in the way they treat them (FLS, 2024).
- 39% have confidence in the UK financial services industry (FLS, 2024).

85. We have estimated the number of people who are currently underserved by the markets for advice and guidance (see Table 4).

Table 4 Baseline metrics to quantify the scale of current harm

Retail investment or pensions market	Metric	Value
Consumer investment	Failing to allocate savings between cash and investments optimally	• Approximately 7.0 million consumers are underinvesting (FLS, 2024) • up to 5.3 million consumers may be over investing (for example, investing without sufficient cash savings) (FLS, 2024)
Consumer investment	Failing to invest in suitable products and funds	• Approximately 2.1 million are investing in assets with a risk which does not reflect their stated preference (FLS, 2024) • 4.2 million are investing but have not used any source of information to research investing in the last 12 months(FLS, 2024)
Pensions	Under accumulating	• 38% of working age people (equivalent to 12.5 million) are under saving for retirement when measured against Target Replacement Rates (TRRs) Before Housing Costs (BHC) (DWP, 2023)
Pensions	Making unsuitable decumulation choices	• 2.6 million are potentially uninformed when accessing their pensions (FLS, 2024) • 50,000 are decumulating their pension at an unsustainable rate (FLS, 2024)

86. Changes to the size of this group and the harm they are experiencing under the baseline will change the size of the benefits which targeted support could deliver:

- Factors which could reduce the size of and harm to the underserved group:
  - Market innovation, particularly using developments in AI and technology, could reduce the cost of advice or improve the quality of guidance. Some of the currently underserved group would therefore be able to get advice and/or guidance at a price and quality which meets their needs without targeted support.

- Increased confidence and trust in financial services could lead to greater engagement with advice and guidance for consumers who currently do not trust service providers, or think it is worthwhile for them. This could be driven by planned improvements to the redress and complaints system.

- Factors which could increase the size of and harm to the underserved group:
  - An increase in the number of consumers investing, or with a DC pension. For pensions, this could occur through continued DB to DC transfers or AE of consumers into a workplace pension scheme. For investments, growth of platforms and other D2C channels like trading apps could lead to a growth in unadvised consumers who may benefit from support.
  - Reduced confidence and trust in financial services could decrease engagement with current services offering support. This could occur if the planned changes to the redress and complaints system do not improve outcomes for consumers as expected, or if there are mass redress events.

87. Based on these factors we use the following scenarios:

- **Upper estimate of change to the underserved group: Reduced by 4.1 million**
  - Between 2020 and 2024, the number of consumers receiving advice through an automated service doubled from approximately 400,000 to 800,000 (FLS, 2024). For this scenario we assume that technology and market innovation continues, along with consumer appetite and trust in technological solutions and financial services more generally. We assume that the number of consumers receiving advice through automated and innovative services continues to double every four years, totalling 4.1 million extra consumers over our 10-year appraisal period.

- **Central estimate of change to the underserved group: Reduced by 1.1 million**
  - For our central estimate, we assume that the increase in the provision of innovative and automated services for the underserved group will not grow exponentially without further regulatory changes (like targeted support), and significant changes to consumer sentiment. Instead, we model it increasing by 400,000 every 4 years (as it did between 2020 and 2024). Over the appraisal period this leads to 1.1 million extra consumers. Without regulatory change, we expect the focus of innovation will be in reducing the cost of existing advice services that do not necessarily serve to significantly reduce the advice gap but instead provide advice customers with a cheaper service. Therefore, there will be more modest reductions in the size of the underserved group. In this scenario we expect consumer confidence and trust to remain stable, in line with past trends.

- **Lower estimate of change to the underserved group: No change**
  - Although the number of consumers receiving advice through automated services increased between 2020 and 2022, between 2022 and 2024 the number of consumers remained stable at approximately 800,000. Our

research suggests that consumers are hesitant to use services which are not provided by a human, which could continue to affect future take up. The RDR, and FAMR revealed that regulations could limit the extent to which firms can offer innovative, and crucially, cheaper services. We expect some innovation from developments in technology and AI, but we do not expect anything to drive change on the scale required to significantly reduce harm, without regulatory changes. This coupled with growth in the number of consumers with investments and pensions could lead to a scenario where any reduction in the harm to or size of the underserved group through market innovation, is offset by an increase in the number of consumers in that cohort.

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

Summary of Impacts

88. This section summarises the benefits and costs associated with targeted support, the present value (PV) and net present value (NPV) over the appraisal period (10 years) and the net direct cost to firms.

89. The benefits and costs include those incurred by and to firms, consumers, the FCA and wider society. Some costs and benefits are direct, others are indirect. Direct impacts are unavoidable whilst indirect impacts depend on the way in which consumers and firms respond. Some of the costs and benefits will be one-off, and some will be ongoing.

90. We expect between 62 and 131 firms may offer targeted support over our 10-year appraisal period. This could result in between 1.3 million and 13.8 million consumers who would not receive support under the baseline, receiving and acting on targeted support, with a central estimate of 3.4 million consumers. This is a conservative assumption, focused on consumers expected to change their financial behaviour (for example, investing, switching products, or increasing their pension contributions). It does not include those who receive targeted support but make no immediate changes, or those already in a good position who still benefit from improved engagement or confidence. The range reflects uncertainty in both firm participation and consumer behaviour (see Annex 5).

91. We expect costs to firms from:

- Firms offering targeted support will incur one-off costs and ongoing costs associated with delivering the service.
- We also expect there to be transfers between firms. This occurs through two channels: consumers switching from advice to targeted support and consumers taking advice at those firms offering targeted support.

92. Consumers may also face costs:

- We do not expect consumers to face upfront charges for accessing targeted support, but they are likely to incur costs because of acting on its recommendations as they pay fees for the products and services they purchase. These costs mirror the revenue benefits we expect firms to receive.

- Consumers will need to spend time processing the recommendation they receive and acting on it.
- Some consumers will have problems with the support they receive which could lead to harm.
- Some consumers will receive appropriate support, but due to unforeseen factors or changes in circumstances they may lose money.

93. The FSCS and the FCA will incur some costs:

- The FCA may face costs from increased supervisory activity (we expect much of this to be absorbed into business as usual (BAU) supervision) and authorising firms to provide targeted support.
- The FSCS may face costs (which will be redistributed amongst levy paying firms) supporting customers of targeted support providers who get into trouble and cannot meet their obligations.

94. There could be costs to the wider market:

- There may be a small increase in risk to the wider market, from an increase in the number of people investing, if firms fail to create appropriate consumer cohorts and recommendations for them.

95. We expect benefits to firms from:

- Firms offering targeted support can expect to generate revenue through three channels, increased revenue from product fees and ongoing charges, a pipeline of customers for holistic advice and increased consumer engagement with the firm offering them targeted support.

96. We expect benefits to consumers:

- Consumers are likely to see an increase in their wealth as they allocate their savings more effectively to investments and pensions. They will also see an increase in their welfare as they choose investment and pension (accumulation and decumulation) products and services that more closely match their preferences

97. There may be benefits to the wider market:

- There could be an increase in investment in UK domiciled firms, however we do not expect this to cause a significant change to economic growth and productivity, as the increase is small relative to the size of the current market.

98. Overall, we estimate:

- One-off benefits: £6m (£4m to £21m).
- Ongoing benefits per year: £785m (£140m to £5,032m).
- One-off costs: £50m (£47m to £90m).
- Ongoing costs per year: £98m (£54m to £296m).

99. Calculating the PV across the 10-year appraisal period, with a 3.5% discount rate we estimate:

- PV benefits: £6,551m (£1,160m to £42,465m).

- PV costs: £867m (£494m to £2,586m).
- **NPV: £5,678m (£662m to £39,876m).**

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

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

Table 5 Summary table of benefits and costs – central estimates

Group affected	Item description	Benefits (£)		Costs (£)	
		One off	Ongoing (/year)	One off	Ongoing (/year)
Firms					
Compliance, implementation and running costs				£44m (£43m to £69m)	£25m (£25m to £41m)
Transfer of redress to consumers for harm caused					*<£1m (<£1m to £1m)*
Revenue from targeted support (for example, product and other fees)			*£52m (£15m to £220m)*		
Transfer of existing advice customers to targeted support at other firms		*£6m (£4m to £21m)*		*£6m (£4m to £21m)*	
Consumers					
Changes to wealth (from investment gains and losses, better value products and more suitable choices)			£732m (£125m to £4,811m)		The benefit is the net figure (including investment losses)
Increase in understanding, confidence and wellbeing			Not quantified, behavioural trials show potential improvements		
Transfer of redress from firms for harm caused			*<£1m (<£1m to £1m)*		
Time spent reviewing targeted support recommendations and taking actions					£9m (£4m – £18m)
Indirect cost of targeted support (for example product or other fees)					*£52m (£15m to £220m)*
Uncompensated losses from unsuitable recommendations					£11m (£10m to £15m)

Group affected	Item description	Benefits (£)		Costs (£)	
		One off	Ongoing (/year)	One off	Ongoing (/year)
FCA and FSCS					
Authorisation costs					<£1m
Supervision costs					Small marginal increase with significant proportion absorbed into BAU
FSCS support for customers at firms that can't meet their obligations					<£1m
Wider economic impact					
Increased investment in UK firms leading to increased competitiveness and growth			Benefit not quantified, but we expect an increase in investment in UK companies of: £74m (£3m to £802m)		
Total		**£6m** **(£4m – £21m)**	**£785m** **(£140m – £5,032m)**	**£50m** **(£47m – £90m)**	**£98m** **(£54m – £296m)**

Table 6 Present Value and Net Present Value

	PV Benefits (10 years)	PV Costs (10 years)	NPV (10 yrs) (benefits-costs)
Total impact	£6,551m (£1,161m to £42,465m)	£873m (£498m to £2,590m)	£5,678m *(£663m to £39,876m)*
- of which direct	£0	£0	£0
- of which indirect	£6,551m (£1,161m to £42,465m)	£883m (£498m to £2,590m)	£5,678m *(£663m to £39,876m)*
Key unquantified items to consider	Increased investment Increased consumer confidence	Investment losses for some consumers (the wealth growth is based on an average, which is gains net of losses, so this is accounted for in the wealth growth benefit, but not shown separately)	

Table 7 Equivalent annualised net direct cost to business

	Annualised
Direct Business Costs	0.0
Direct Business Benefits	0.0
Net Direct Cost to Business	0.0

Impact assessment inputs

100. To produce these numbers, we make assumptions about key parameters that affect the impact of targeted support. We consider what these parameters might be in scenarios that produce a higher, lower and central estimate of the net impact of targeted support.

101. Table 8 provides a summary of all these inputs across the different scenarios. As targeted support does not yet exist, many of these inputs are based on data about similar products or related markets. For example, we have used analysis of current harm in investments, advice, and pensions to design controls and authorisations thresholds to reduce the likelihood of harm from targeted support. However, without data on targeted support, we use data like the frequency of problems occurring in these markets as a reference point for the frequency of problems occurring in targeted support. Therefore, the estimates do not always reflect our ambition or expectation but provide a sensible basis to estimate costs and benefits and examine the impact of targeted support. The estimates are underpinned by assumptions ranging from a worst-case scenario where targeted support has the lowest impact, to a best-case scenario, where targeted support has the highest impact. We provide the rationale for these estimates and assumptions in Annex 5.

Table 8 Summary of inputs into the assessment of the impact of targeted support

Input	Lower impact scenario	Central impact scenario	Upper impact scenario
Baseline			
Change to the size of and harm to the underserved group under the baseline due to market innovation including AI-driven product development	Reduced by 4.6 million	Reduced by 1.1 million	No change
Intervention			
Number of firms offering targeted support	17 large firms, 19 medium firms and 26 small firms	17 large firms, 19 medium firms and 60 small firms	17 large firms, 54 medium firms and 60 small firms
Time taken for provision of targeted support to reach a capacity which can fully address the demand (some firms will offer targeted support and reach fully capacity almost immediately; others will take longer)	4 years	3 years	2 years
Number of consumers receiving targeted support who would not receive support under the baseline	18.1 million – 4.6 million = 13.5 million	22.9 million – 1.1 million = 21.8 million	30.6 million – 0.0 million = 30.6 million
Number of consumers switching from advice to targeted support	24,000	38,000	130,000
Proportion of consumers acting on targeted support	7%	15%	45%
Number of consumers acting on targeted support	0.9 million	3.3 million	13.8 million
Firm revenue per targeted support consumer	£160	£160	£160
Time spent reviewing and acting on recommendations	6 hours	4 hours	2 hours
Consumer value of time (per hour)	£6.60	£6.60	£6.60
Value of targeted support (increase in wealth)	5%	6%	7%
Average wealth of targeted support user	£29,368	£37,370	£45,373
Proportion of new investment allocated to UK domiciled firms	2%	11%	19%

Input	Lower impact scenario	Central impact scenario	Upper impact scenario
Interaction of macroeconomic events with the impact of targeted support	Reduces benefit by 10%	No change	Increases benefit by 10%
Proportion of consumers experiencing a problem with advice (reference point for proportion experiencing a problem with targeted support)	18%	6%	2%
Number consumers complaining (0.1% of consumers)	0.1% x 0.9 million / 10 = 118 per year	0.1% x 3.3 million / 10 = 408 per year	0.1% x 13.8 million / 10 = 1,722 per year
Consumer financial loss from an unsuitable recommendation	£563.90	£563.90	£563.90
Likelihood of a firm requiring FSCS support during 10-year appraisal period	88%	95%	95%
Average cost of FSCS support per firm	£1m	£1m	£1m

Assessment of costs and benefits

Costs

102. In this section, we provide a quantitative and qualitative assessment of the costs that we expect from introducing targeted support for consumers, firms, the FCA and wider society.

Expected firm costs

103. We expect firms to incur both one-off and ongoing costs, which we quantify below. Firms will only incur these costs if they choose to offer targeted support. We expect firms only to offer this service if they expect to benefit from doing so. We also consider wider market effects qualitatively in the 'Distributional impacts' section.

104. Our initial engagement with industry suggests that most of the one-off costs will be from developing infrastructure, designing appropriate consumer journeys, and compliance. Ongoing costs are expected to relate mainly to governance, IT systems, and training. These are explained further below.

105. Table 9 shows the net present value (NPV), annualised value of the one-off and ongoing costs and these costs per firm, over a 10-year appraisal period by firm size. Table 10 shows this breakdown by cost type.

106. We estimate total one off costs for each scenario:

- **Upper estimate: £68.8m.**
- **Central estimate: £43.8m.**
- **Lower estimate: £42.9m.**

107. We estimate ongoing costs per year for each scenario:

- **Upper estimate: £41.0m.**
- **Central estimate: £25.4m.**
- **Lower estimate: £24.6m.**

Table 9: Firm total (one-off and ongoing) costs, net present value and annualised cost, by firm size

Firm size	Net present value (£m)	Annualised cost (£m)	Net present per firm (£m)	Annualised cost per firm (£m)
Large				
One-off	£28.6 (£28.6 – £28.6)	£3.3 (£3.3 – £3.3)	£1.7 (£1.7 – £1.7)	£0.2 (£0.2 – £0.2)
Ongoing	£134.2 (£134.2 – £134.4)	£15.6 (£15.6 – £15.6)	£7.9 (£7.9 – £7.9)	£0.9 (£0.9 – £0.9)
Total	£162.8 (£162.7 – £162.9)	£18.9 (£18.9 – £18.9)	£9.6 (£9.6 – £9.6)	£1.1 (£1.1 – £1.1)
Medium				
One-off	£13.6 (£13.6 – £38.6)	£1.6 (£1.6 – £4.5)	£0.7 (£0.7 – £0.7)	£0.1 (£0.1 – £0.1)
Ongoing	£72.7 (£72.7 – £206.8)	£8.4 (£8.4 – £24)	£3.8 (£3.8 – £3.8)	£0.4 (£0.4 – £0.4)
Total	£86.3 (£86.3 – £245.4)	£10 (£10 – £28.5)	£4.5 (£4.5 – £4.5)	£0.5 (£0.5 – £0.5)
Small				
One-off	£1.6 (£0.7 – £1.6)	£0.2 (£0.1 – £0.2)	£0 (£0 – £0)	£0 (£0 – £0)
Ongoing	£11.6 (£5 – £11.8)	£1.3 (£0.6 – £1.4)	£0.2 (£0.2 – £0.2)	£0 (£0 – £0)
Total	£13.2 (£5.7 – £13.5)	£1.5 (£0.7 – £1.6)	£0.2 (£0.2 – £0.2)	£0 (£0 – £0)

Firm size	Net present value (£m)	Annualised cost (£m)	Net present per firm (£m)	Annualised cost per firm (£m)
All firms				
One-off	£43.8 (£42.9 – £68.8)	£5.1 (£5 – £8)	£0.5 (£0.7 – £0.5)	£0.1 (£0.1 – £0.1)
Ongoing	£218.5 (£211.9 – £353)	£25.4 (£24.6 – £41)	£2.3 (£3.4 – £2.7)	£0.3 (£0.4 – £0.3)
Grand Total	**£262.3 (£254.7 – £421.8)**	**£30.5 (£29.6 – £49.0)**	**£2.7 (£4.1 – £3.2)**	**£0.3 (£0.5 – £0.4)**

Note: Firm size is based on FCA fee block status. Ranges in the brackets are our estimate of cost in the lower and upper impact scenarios, and the primary value is our estimate in the central impact scenario. These reflect costs related to our upper, lower and central estimates for the numbers of firms (see Annex 5). Where there are more firms, there are greater total costs, but not greater costs per firm as the extra firms are small and medium in size. Therefore, the lower impact estimate is not always the lowest cost per firm, the upper impact is not the highest and the central impact is not always in the middle of them.

Table 10 Firm costs by cost type

Cost type	Net present value (£m)	Annualised cost (£m)	Net present per firm (£m)	Annualised cost per firm (£m)
Familiarisation and gap analysis				
One-off	£0.2 (£0.2 – £0.3)	£0 (£0 – £0)	£0 (£0 – £0)	£0 (£0 – £0)
Ongoing	£0 (£0 – £0)	£0 (£0 – £0)	£0 (£0 – £0)	£0 (£0 – £0)
Total	£0.2 (£0.2 – £0.3)	£0 (£0 – £0)	£0 (£0 – £0)	£0 (£0 – £0)
Training				
One-off	£1.5 (£1.4 – £2.4)	£0.2 (£0.2 – £0.3)	£0 (£0 – £0)	£0 (£0 – £0)
Ongoing	£3.7 (£3.5 – £5.9)	£0.4 (£0.4 – £0.7)	£0 (£0.1 – £0)	£0 (£0 – £0)
Total	£5.3 (£5 – £8.4)	£0.6 (£0.6 – £1)	£0.1 (£0 – £0.1)	£0 (£0 – £0)
IT Projects				
One-off	£17.6 (£17.5 – £26.4)	£2 (£2 – £3.1)	£0.2 (£0.3 – £0.2)	£0 (£0 – £0)
Ongoing	£4.2 (£3.8 – £5.2)	£0.5 (£0.4 – £0.6)	£0 (£0.1 – £0)	£0 (£0 – £0)
Total	£21.8 (£21.3 – £31.7)	£2.5 (£2.5 – £3.7)	£0.2 (£0.2 – £0.5)	£0 (£0 – £0.1)

Cost type	Net present value (£m)	Annualised cost (£m)	Net present per firm (£m)	Annualised cost per firm (£m)
Change Projects				
One-off	£24.4 (£23.8 – £39.6)	£2.8 (£2.8 – £4.6)	£0.3 (£0.4 – £0.3)	£0 (£0 – £0)
Ongoing	£210.4 (£204.5 – £341.1)	£24.4 (£23.8 – £39.6)	£2.2 (£3.3 – £2.6)	£0.3 (£0.4 – £0.3)
Total	£234.8 (£228.2 – £380.7)	£27.3 (£26.5 – £44.2)	£2.4 (£1.7 – £6.1)	£0.3 (£0.2 – £0.7)
Complaints				
One-off	£0 (£0 – £0)	£0 (£0 – £0)	£0 (£0 – £0)	£0 (£0 – £0)
Ongoing	£0.2 (£0.1 – £0.7)	£0 (£0 – £0.1)	£0 (£0 – £0)	£0 (£0 – £0)
Total	£0.2 (£0.1 – £0.7)	£0 (£0 – £0.1)	£0 (£0 – £0)	£0 (£0 – £0)
All costs				
One-off	£43.8 (£42.9 – £68.8)	£5.1 (£5 – £8)	£0.5 (£0.7 – £0.5)	£0.1 (£0.1 – £0.1)
Ongoing	£218.5 (£211.9 – £353)	£25.4 (£24.6 – £41)	£2.3 (£3.4 – £2.7)	£0.3 (£0.4 – £0.3)
Grand Total	**£262.3 (£254.7 – £421.8)**	**£30.5 (£29.6 – £49.0)**	**£2.7 (£1.9 – £6.8)**	**£0.3 (£0.2 – £0.8)**

Note: Ranges in the brackets are our estimate of cost in the lower and upper impact scenarios, and the primary value is our estimate in the central impact scenario. These reflect costs related to our upper, lower and central estimates for the numbers of firms (see Annex 5). Where there are more firms, there are greater total costs, but not greater costs per firm as the extra firms are small and medium in size. Therefore, the lower impact estimate is not always the lowest cost per firm, the upper impact is not the highest and the central impact is not always in the middle of them.

One-off costs

108. We expect firms to incur one-off costs in two categories: set-up costs and compliance costs. We will in part rely on the Consumer Duty and as part of the feedback to CP24/27, some firms anticipated the costs (for targeted support) would be relatively low in part due to the Consumer Duty.

109. We asked firms to estimate these two costs. Some firms responded with monetary estimates while some gave us an indication of the likely scale of the work they would do. Many firms informed us that these costs are rough estimates at this stage, as we could not disclose full details of our targeted support proposals, prior to this publication. We have therefore taken the quantitative and qualitative costs, provided by firms, and information from wider engagement with firms and used our standardised cost model (SCM, see appendix one of 'How we analyse the costs and benefits of our policies – 2024' for more information) to adjust these inputs so the costs are broadly reflective of the final rules for targeted support. We received quantified responses on one-off costs from 1 medium sized firm and 1 large sized firm. We received further qualifications for costs from 3 large firms.

110. We made the following assumptions in the SCM to calculate one-off costs:

- **Firm population.** Based on engagement and surveys (more information in the 'Impact assessment inputs' section) we assume there are:
  - 17 large firms,
  - 19 to 54 medium firms, and
  - between 26 and 60 small firms
- **Familiarisation and gap analysis:** based on our view of the complexity of change, and the length of the rules, we assume large firms will require 7 compliance staff; medium firms will utilise 5; and small firms will need 2. Additionally, the legal text will require detailed assessment by 4, 2, and 1 legal/compliance staff respectively in large, medium, and small firms. These assumptions reflect anticipated variations in internal resourcing and governance structure across firm sizes.
- **Training:** We anticipate bespoke or premium training for staff, such as classroom sessions by HR or external providers, may be necessary during the implementation process of targeted support. Based on a quantitative survey response from a large firm in our compliance cost survey, and more responses from our engagement with firms, we have estimated a minimum of 14 hours of training required for 20 staff at large firms, 10 staff at medium firms and 1 staff at small firms. This figure reflects a judgement-based assumption grounded in the survey data received.
- **IT set-up:** We anticipate that firms will incur costs setting up the infrastructure to deliver and monitor targeted support. Firms indicated this is likely to be one of the largest costs, taking 180 days at large firms, 150 days at medium firms and 10 days at small firms.
- **Change project:** Firms will require project teams, including executives, to create a strategy to deliver and oversee targeted support, taking 2000 person days at large firms, 1,050 at medium firms and 60 at small firms.

Ongoing costs

111. For firms that offer targeted support, there will be ongoing costs. These are the running costs associated with providing the service to consumers. This would include, analysing consumer data and resources spent providing recommendations, monitoring outcomes, maintaining good consumer support, and the ongoing compliance costs, like reporting market and complaints data to the FCA, and engaging with the FCA.

112. We received quantified responses on ongoing costs from 1 medium firm and 1 large firm. We received further qualifications for costs from 3 firms. We have approached estimation of these costs in a similar way to the one-off costs, using a combination of qualitative and quantitative survey responses and wider firm engagement to make informed decisions about the assumptions to use in our SCM.

113. We inputted the following assumptions into the SCM, using the firm survey responses:

- **Training:** 20 staff at large firms would require training; 10 at medium; and 1 at small firms, for 4 hours a year. We have estimated the large and medium firm numbers based on firm survey responses, the small firm number has been calculated based on data about the typical number of staff at small firms. We assume that bespoke (classroom-based) training may be required for these members of staff, which would be banking branch (sales) staff.
- **IT and systems updates:** One firm reported an approximate ongoing cost of £1m annually, but other firms suggested it could be as little as 10% of this. Firms reported that they would have to pay ongoing licence fees for specific software. We have assumed the £1m is an outlier on that basis, and assumed for most firms the IT and systems updates will be small as a proportion of the original IT investment. We assume 45.5 project days for IT developments for large firms; 7.8 project days for medium firms; and 4 project days for small firms.
- **Governance (change projects):** One firm responded to our compliance cost survey, stating that they would incur £195,000 in governance costs per year. We have also included estimates of the cost of employing additional staff on an ongoing basis, shared by another firm. We assume large firms will require 2000 person days (approximately 8 people working full time), medium firms would require 1,050 person days (approximately 4 people working full time) and small firms 60 person days.
- **Complaint handling:** FCA complaints data shows that between 2021 and 2024, there were 0.0011 complaints for every investment or pension and decumulation product sold (0.1%). We assume similar complaints rates for products sold through targeted support, so we take this as a proxy for the complaints rate per targeted support customer per year. Based on our central estimate of the number of targeted support customers, we assume between 118 and 1,722 complaints per year, which take firms 60 minutes to handle.

114. We anticipate the bulk of the ongoing costs for small, medium and large firms to be governance and change costs, with IT costs ranking second in order of magnitude, and training costs taking up the smallest proportion of ongoing costs.

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.**

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.**

Expected consumer costs

Fees and charges

115. Based on firm engagement, and our firm strategy survey, we do not expect many, if any, firms to charge explicit upfront fees for targeted support. Firms have indicated that they will instead cross-subsidise targeted support through expected increases in revenue from other areas. We expect them to do this in the following ways:

- **Product fees and ongoing charges:** Vertically integrated firms will generate revenue from initial and ongoing fees that are paid by consumers for pension and retail investment products that consumers access or expand as a result of engaging with targeted support.
- **Pipeline for holistic advice:** Targeted support may serve as a stepping stone to holistic advice. As consumers' wealth grows – both through targeted support benefits and naturally over their lifetime – they are more likely to need and value financial advice. Firms offering effective targeted support will be well placed to retain these consumers and convert them into future advice clients.
- **Increased engagement:** Consumer engagement with the firm they use for targeted support could increase, and this could result in the purchase of additional services or products from the firm (such as investment accounts, retirement planning services, or even products like insurance and credit).

116. Based on our firm strategy survey, the most common expected sources of revenue were from product charges (for example, investment or pension fees) and from long-term value via customer retention and upsell into advice services. No firms reported plans to charge consumers directly for accessing TS itself.

117. We asked firms how much revenue they expected to generate per customer from targeted support. The responses were limited (n=4). Half of the responses indicated that they expected to generate between £100 and £499 per consumer and half indicated they expected to generate below £100. **Based on this, we assume a central estimate of £160 in marginal costs per consumer,** which is a weighted average of the responses and derived from the revenue firms expect to earn from product fees, future advice, and additional purchases. The most selected range was £0-99.

118. These costs to consumers include:

- Ongoing fund or platform fees,
- Pension wrapper charges, and
- Charges associated with any new investment or savings product initiated through TS prompts.

119. Applying this estimate to the projected number of consumers engaging with TS under the central scenario, we calculate the consumer cost per year associated with product fees and charges arising from targeted support:

- **Upper estimate: 1.4 million x £160 = £220.3m per year.**
- **Central estimate: 0.3 million x £160 = £52.2m per year.**
- **Lower estimate: 0.1 million x £160 = £15.1m per year.**

120. Although consumers will incur these additional costs, the TS interventions are designed to guide consumers towards better value products and improved financial decision-making. As a result, the expected financial gains from TS (such as improved investment returns, pension growth, or reduced cash erosion) are likely to outweigh these product-related costs over time.

Time spent engaging with targeted support

121. Consumers will need to spend time engaging with and understanding targeted support, and taking the actions recommended. We assume that where targeted support is well designed and efficient, in our upper impact scenario, consumers only take 2 hours. Where it is less efficient, we assume it takes 6 hours. We use the Department for Transport's estimates of the value of time of £6.60 per hour (we explain why in "How we analyse the costs and benefits of our policies"), and our estimate of the number of consumers receiving and acting on targeted support in each scenario. Based on this we estimate the following consumer costs per year:

- **Upper estimate: £6.60 x 2 hours x 1.4 million = £18.2m.**
- **Central estimate: £6.60 x 4 hours x 0.3 million = £8.6m.**
- **Lower estimate: £6.60 x 6 hours x 0.1 million = £3.7m.**

Investment losses

122. In our Strategy 2025-2030, we explain that now we have set higher regulatory standards in financial services, it is time to consider our collective attitude to risk. Too often the focus has been on the risks of a decision taken rather than the lost opportunity of taking none. Targeted support looks at the significant impact of lost opportunities from people not making investments or from not contributing to their pension or investing appropriately, and whether that is drawing down their pension at an unsustainable rate or buying higher risk investments when they have a low tolerance to risk. In our Strategy we describe how to want to change this and how rebalancing risk can spur economic growth. With this in mind, we accept the risk that some consumers will lose money as a result of our intervention. We expect this could happen in two ways.

Losses from problems with the support provided

123. There could be indirect costs to consumers following receipt of targeted support on their pensions or investments if they are given inadequate support by firms. Targeted support is a new product and we have designed a regulatory regime to limit the problems consumers may experience. We have based our estimates on the harm from problems with targeted support, on historic information for investment and pensions on redress rates, complaints rates, frequency of problems occurring, and research into the psychological harm from fraud, we estimate each year. These don't necessarily reflect our ambition or expectation, but help us understand whether targeted support could still be beneficial, and what the potential scale of the costs could be, under different assumptions

124. FLS 2024 found that between 2% and 18% of consumers had problems with their investment or advice. The range represents the variation in the size of the problem and relevance to targeted support (see 'Impact assessment inputs' section for more information). We use this as an estimate of the rate at which firms may cause harm to targeted support consumers through failing to meet their obligations to them.

125. Where a consumer experiences a problem, they may be entitled to claim redress, which compensates them to a value which ensures they are restored to the position they were in before they experienced harm. The average amount of redress paid per complaint upheld in the second half of the year (H2) in 2024 was £562.90 for the decumulation and pensions product group and £563.90 for the investment product group according to FCA complaints data (Redress paid | FCA). We use this figure as an estimate for the average value of harm caused by targeted support where a firm fails to meet its obligations towards the consumer. Redress payments include a provision for 'distress and inconvenience' so this value captures both the financial and psychological harm the consumer experiences. Where a consumer is unaware they are entitled to redress, and does not complain, this average figure could be a proxy of their loss (although it is more likely an upper bound, as we expect consumers are more likely to claim redress where their loss is greater).

126. In Table 11, we apply these figures to our estimates of the number of consumers using targeted support each year, to find an estimate of

1. the number of consumers who may be harmed,
2. the total financial value of that harm,
3. the number of consumers that will complain,
4. the value of the redress complaining consumers are awarded to remediate the harm experienced, and
5. the outstanding unremediated losses (losses where redress is not paid) from consumers not complaining

Table 11 Losses from unsuitable recommendations each year

Scenario	Number of consumers experiencing harm	Value of harm	Number of consumers complaining	Financial value of redress (remediated losses)	Unremediated losses
Upper	27,541	£15.5m	1,722	£1.0m	£14.5m
Central	19,589	£11.0m	408	£0.2m	£10.8m
Lower	17,034	£9.6m	118	£0.1m	£9.5m

Source: FCA analysis of complaints data and FLS 2024

127. Table 11 shows:

- **Total unremediated harm of £10.8m (£9.5m to £14.5m).**
- **A transfer of redress from firms to consumers of £0.2m (£0.1m to £1.0m).**

128. These estimates rely on three assumptions which mean they are likely overestimates of the actual losses:

- The frequency of problems occurring in targeted support is similar to investments and advice

- All consumers who report having a problem with their product, have had one. In reality, a portion of these may not have been.
- Average unremediated losses are equal to average remediated losses. Consumers are more likely to complain where they have suffered a greater loss, so the average unremediated losses are likely to be lower.

Losses from unexpected events changing what is suitable for a consumer

129. There could also be other indirect costs to consumers from using targeted support. It is possible that a consumer receives suitable advice, but wider macroeconomic factors mean returns (in the short-term) from the stock market are lower than savings deposits, and consumers may have to lock in this loss if, for example, they are faced with unexpectedly large expenses.

130. We cannot quantify this cost due to uncertainty, however, our estimate of the value of advice, which we base our estimate of the value of targeted support on, is the net value. Therefore, this figure includes benefits and losses from instances like this.

Expected costs to the FCA

131. There will be a cost to the FCA from introducing targeted support, as it will be a new activity that the FCA will be undertaking. There are two costs that the FCA will incur: the cost of authorisations and the cost of supervision. We also expect an increase in burden on Financial Services Compensation Scheme (FSCS), as targeted support will be within FSCS coverage.

132. These costs are estimates based on firm's current intentions, it is possible that the level of interest in targeted support could be higher or lower depending on the final rules that are published. Another factor that will impact the costs borne by the FCA is the ability of existing teams to manage the increase in workload.

Cost of processing applications for a new permission

133. Firms will need to apply for a new permission to offer targeted support. This will require the authorisations team to assess applications from firms applying for the relevant permission. We have used the Intention to Offer survey to understand how many firms intend to offer targeted support and in discussion with our Authorisations department, we have made an estimate of the cost involved with authorisation.

134. We estimate approximately 30 firms are likely to offer targeted support in the short term after the rules are introduced, and a further 50 to 100 in the first year. The estimated budget increase to accommodate additional authorisations is under £0.5m in the first year (FY25/26), rising to approximately £0.5m annually thereafter. This projection assumes an application rate of 30 firms per year following initial uptake. We do not expect costs to be significant relative to the ongoing authorisation budget given the current capacity of our Authorisations department. In FY 2024/25 we authorised almost 1,300 new firms.

Cost of supervising firms

135. For those firms that choose to offer targeted support, their activities will need to be monitored by the supervision team, to ensure that firms are meeting their obligations to consumers and following the rules set out by the FCA. Given for most firms this will be an addition to their existing portfolio of support services, we expect the marginal impact on supervision will be small and a lot of the required supervision will constitute part of existing supervision activities with these firms.

136. However, given the potential scale of targeted support, it is likely that supervision will have to increase resource or reprioritise, incurring an opportunity cost.

Expected costs to the FSCS

137. There will be costs related to the FSCS where firms fail with outstanding liabilities to consumers. Replace this sentence with: We have analysed the average historic number of firms requiring the FSCS to support their customers in each of the portfolios where we expect firms to provide targeted support to estimate a probability that a firm fails in a given year. Multiplying this by the number of firms we expect to offer targeted support yields:

- Lower estimate: 88% chance over 10 years that 1 firm will require FSCS support.
- Central estimate: 95% chance over 10 years that 1 firm will require FSCS support.
- Higher estimate: 95% chance over 10 years that 1 firm will require FSCS support.

138. Average amount paid per firm was £1m in 2023/24. Suggesting firms offering targeted support will require between £880,000 and £950,000 in support for their customers from the FSCS over 10 years.

139. It is hard to say the extent to which offering targeted support will increase the likelihood that a firm will fail, or increase the support they will need if they do, therefore we cannot say how much of this £880,000 to £950,000 a year in support is a direct consequence of them offering targeted support, and provide the figure to represent the scale, rather than a direct estimate.

140. It is important to note that the anticipated FSCS costs are an upper bound, which assumes the risk and cost of failure from the provision of TS is equal to the risk and cost of failure from the activities firms are currently undertaking. As this is unlikely to be the case, it is an upper bound.

Benefits

141. In this section, we provide a quantitative and qualitative assessment of the benefits that we expect from the introduction of targeted support for consumers, firms and wider society.

Expected consumers benefits

142. The use cases we have given, and our causal chain (Figure 3) describe some of the main ways we expect targeted support to improve consumer decision making about their savings decisions, for example:

- Increased investment of cash in investment and pension products.
- More appropriate investment of cash and pension savings.
- More efficient investment of cash and pensions in lower cost products.
- More sustainable decumulation of pension savings.

143. We expect this to create benefits for the recipients of targeted support in three main ways:

- **Improved alignment of savings decisions and preferences increasing wealth and welfare:** improving information and decision making makes it more likely that consumers make savings and investment choices that align with their goals and preferences, and generate a better return on their cash. This creates benefits for consumers in two ways:
  - Where consumers are engaged, but uninformed, they may be choosing between products which create a different level of utility for different customers. Improved information means the product is more likely to be purchased by the consumer who values it more, as there is more information about the product available. There is a benefit here to the wider economy too as consumers are able to better discern the value they place on a product, and so the 'uncertainty premium' associated with poor information is reduced.
  - Where consumers are disengaged, uninformed, or significantly influenced by behavioural biases, we currently observe a large group of consumers making decisions which do not align with what we expect them to rationally prefer. For example, annuity purchases are lower than we would expect, a large number of consumers fully encash their pension or withdraw at a rate, and many consumers do not invest their savings despite returns to cash being significantly lower. Improving alignment of what we expect them to rationally prefer with their savings decisions will increase their welfare.

- **Reduced fees and charges:** engaging consumers with their investments and pensions increases the likelihood they will compare products and switch to better value options. This can result in reduced fees and charges, especially when firms present comparative information or clear prompts.
- **Increased confidence and lower psychological stress:** Engaging with targeted support can enhance financial resilience and capability, boosting consumer confidence in financial services. Increased wealth from acting on suggestions provides more assets for unexpected shocks. Improved financial capability helps consumers address financial issues effectively. Research indicates a positive link between financial advice and capability (Khan, K. A. et al., 2022). Targeted support likely enhances financial resilience and reduces anxiety from money worries, which 32% of respondents to a Mental Health Foundation study said caused stress.

144. In addition to the benefit to those who use targeted support, those who are not encouraged by targeted support to invest may also gain from the reduced demand for the types of products they do use, like savings accounts. As other consumers substitute away from them, this leads to lower prices and better returns for them. We do not quantify this benefit.

145. To estimate the financial benefits to consumers, we use a model that combines:

- the number of consumers expected to take action,
- when they might take this action (based on how long it takes firms to fully operationalise targeted support)
- how the macroeconomic environment might impact the benefits from targeted support (reduction by 10%, no impact and increase by 10%)
- their average wealth, and
- an assumed uplift in wealth of 5%, 6% or 7% (under the different impact scenarios), based on FCA's value of advice research.

146. This figure is explained in the average value of targeted support paragraph within the summary of impacts section above and described in more detail in Annex 5.

147. To estimate a range for the benefit of targeted support, we take our lower bound estimate of the number of consumers receiving the service over the 10 years (11.4 million), multiply this by the lower bound of the number of consumers we expect to act on the service (7%) to get the lower bound for the number of consumers benefiting (0.9 million). We then multiply this by the lower estimate of the benefit per consumer, calculated as a 5% increase in their wealth. Finally, we adjust this for our pessimistic estimate of the interaction between future macroeconomic events and the benefit, reducing the benefit by 10%. For the upper bound, we take the upper bound for the number that could receive the service and the proportion acting on it, then multiply this by the upper estimate of expected benefit per consumer. We then increase this by 10% reflecting our optimistic scenario for the interaction between future macroeconomic events and the benefit from targeted support. Finally, we divide this by 10 to get our estimate of the benefit per year:

- **Upper estimate: 13.8 million/10 x (£43,736 x 7%) x 110% = £4,811.0m per year.**
- **Central estimate: 3.3 million/10 x (£37,370 x 6%) = £732.1m per year**
- **Lower estimate: 0.9 million/10 x (£29,368 x 5%) x 90% = £125.1m per year.**

148. The assumed action rates (7% to 45%) reflect a range of plausible behavioural responses grounded in evidence from behavioural experiments (see Reading between the lines: Understanding of targeted support in retail investments and Reading between the lines: Understanding of targeted support in pensions, or Annex 8 for a summary), field trials, and the cash savings market review. While holistic advice may influence behaviour more directly, our behavioural experiments suggest that targeted support can still prompt meaningful actions. Across scenarios, 39-44% of participants said they would follow the suggested action. The vast majority reported taking some follow-up step (for example, seeking advice or doing more research), and further engagement could lead to action over time. All scenarios remain below the level of action typically seen after regulated advice. For more details on the lower bound, central estimate, and upper bound, please refer to Annex 5.

149. This quantifies some of the primary financial benefits of targeted support: the increase in returns and reduction in fees from increasing allocation of savings to good value and appropriate investments (including increasing pension accumulation rates). We acknowledge other anticipated welfare benefits, such as better alignment with preferences, and increased financial confidence, are not quantified due to the complexity of modelling these effects. Empirical studies support the qualitative benefits of financial advice. For instance, our own research into the value of advice found that advice increases wealth through helping consumers avoid making straightforward mistakes, Bhattacarya et al. (2012) found that while the availability of unbiased financial advice alone may not significantly improve portfolio efficiency, when consumers engage with and act upon such advice, their investment outcomes can improve. Additionally, Collins and Urban (2020) highlight that financial education and advice can enhance individuals' financial well-being by increasing their confidence and ability to manage financial decisions effectively.

150. For specific asset classes, predominantly HRIs, targeted support may lead to a reallocation of investment gains from institutions to less wealthy, currently uninformed consumers. Given the diminishing marginal utility of wealth, this redistribution is expected to increase total welfare. In our modelling, we estimate the full investment gain from those who act on targeted support and assume all of this is a benefit, as scenarios like this are likely to be uncommon. We did not use distributional weights due to the difficulty in practically estimating the welfare weights of those who gain and lose, but also due to proportionality considerations given the relatively modest size of any transfers. However, based on economic theory, for transfers that do occur we expect a net welfare gain.

151. We do not estimate all channels through which targeted support may create benefits. Some mechanisms, such as more sustainable drawdown of pension pots, improved product switching in retirement, or better portfolio diversification, depend on individual-level variables like life expectancy, tax position or future financial needs. Making robust assumptions for such a diverse population would introduce unwarranted uncertainty. Therefore, our benefit estimate is partial but focused on the channel we expect to be most material: increased returns from improved allocation of wealth during accumulation.

152. This is supported by our analysis of the value of advice (see Bridging the advice gap: Estimating the relationship between financial advice and wealth, or Annex 5 for a summary), which models expected gains based on the number of consumers taking action, their average wealth (FLS, 2024), and an assumed 6% uplift in wealth from acting on support. Annex 7 outlines the assumptions behind consumer engagement. These provide our quantitative estimate of consumer benefits, which we judge to be conservative but robust.

Expected firm benefits

Increased revenue

153. As discussed in the expected consumer cost section, we expect firms to generate revenue from offering targeted support. Firms have indicated that they do not intend to charge a fee for targeted support, but instead expect to generate revenue through three channels: product fees and ongoing charges, pipeline for holistic advice, and increased consumer engagement (see Expected Consumer Costs, Fees and Charges for more details).

154. This approach is consistent with our firm strategy survey findings, where none of the firms that indicated an intention to offer targeted support anticipated charging explicit upfront fees. Instead, firms expected cross-subsidise targeted support through ongoing product revenue, future advice opportunities, and broader consumer engagement benefits. This suggests firms anticipate recovering costs indirectly, rather than relying on direct charges, aligning with our assumptions in the consumer cost section.

155. In the firm strategy survey, we ask firms to estimate the typical revenue they expect to generate per consumer from TS. While responses were limited, most firms anticipated generating up to £499 per consumer, with half expecting revenue below £100. This is reflective of the broader firm engagement we have conducted. Based on this, we assume a conservative central estimate of:

- **£160** in marginal revenue per consumer engaging with targeted support. This includes:
  - Ongoing charges from investment or pension products prompted by targeted support,
  - the potential for consumers to later transition into regulated advice, and
  - revenue from increased engagement and retention across other products.

156. Applying this figure to our scenarios gives us the following benefits per year:

- **Upper estimate: 1.4 million x £160 = £220.3m per year.**
- **Central estimate: 0.3 million x £160 = £52.2m per year.**
- **Lower estimate: 0.1 million x £160 = £15.1m per year.**

Wider economic impacts, including on secondary objective

157. Since August 2023, the FCA has a secondary objective to facilitate the international competitiveness of the UK economy and its growth in the medium to long term. This is secondary to our primary operational objectives, to protect consumers, protect the integrity of the UK financial system, and promote effective competition in the interest of consumers.

158. The introduction of Targeted Support has the potential to increase investment into UK assets. Pension schemes and investment funds are significant investors in capital markets and their pursuit of long-term value matters to the overall financial ecosystem. We think the quantum of additional investment generated by our intervention is likely to be small when compared to total UK AUM. However, even a marginal increase in investment into UK assets may help improve UK competitiveness and long-term economic growth of the UK. Therefore, we believe our intervention will support our secondary objective albeit to a limited extent.

159. Alongside the financial and non-financial benefits to individuals, there will be wider benefits to society from targeted support. We anticipate that the UK economy could see higher economic growth and this benefit may come through two channels, through higher capital investment and higher consumption:

- **Reduced cost and increased availability of capital:** By consumers increasing their participation in and the amount they have invested in pensions and retail investments, the amount invested by retail investors in capital markets will be higher. Part of this investment can flow through to UK firms, providing them with new capital to fund their investment projects. This higher level of investment in firms may help them increase their productivity (leading to lower costs or higher profits). This could contribute to higher economic growth in the long-term. However, this benefit must be offset against the reduced value of savings deposits available to banks to lend to UK firms and consumers. Given the modest values we expect to be transferred between savings and investments we expect the macro-level impacts to be small.
- **Higher consumption by consumers:** One of the main benefits to consumers from targeted support will be higher levels of wealth. Higher levels of wealth will lead to greater consumption of goods and services in the economy over their lifetime. This may come at the expense of reduced consumption in the short term, but will contribute to higher economic growth in the long-term.

160. An analysis of ONS data showed that, UK retail consumers tend to invest about 19% of their portfolio in UK listed firms, and pension funds about 2%. Where investment increases due to reallocation of cash savings to retail investment, we expect the proportion invested in UK companies to be closer to 19%, but where investment increases through increased pension wealth, most of this investment will be managed by the pension provider, so the proportion will be closer to 2%. We use these in our lower and upper scenarios respectively, and choose the midpoint for our central scenario. Multiplying this range by our expected total increase in investment in each scenario, we estimate an increase in investment in UK domiciled firms:

- Upper estimate: £4,811m x 19% = £914.1m per year.
- Central estimate: £732m x 10.5% = £76.9m per year.
- Lower estimate: £125m x 2% = £2.5m per year.

161. These illustrative figures are speculative given we cannot guarantee that any increase in investment value by consumers does go into UK based assets in the proportions we've seen historically. As such, these figures should not be considered a net increase, as we have not quantified the reduction in lending and investment from savings account providers nor have we been able to consider whether this leads to greater productivity than bank lending.

162. We have not attempted to quantify the wider impacts of TS on overall appreciation of asset prices for other investors. However, we expect any intervention that leads to more investment into assets to benefit the incumbent investors via price appreciation. Given the modest values at play we don't expect this to be significant but it is a possible transmission through to wider benefits to consumers that aren't the targets of targeted support.

163. As mentioned earlier, there is, in theory, a potential impact on banks' ability to lend if consumers, on a large scale, move their assets from cash into other investments as this would reduce the assets on a banks' balance sheet. In practice, we think this is unlikely to happen. Given the modest numbers of consumers we expect to adopt recommendations from TS, and the fact that many will be relatively lower wealth consumers, we consider it unlikely that the reallocation of these assets will have a material impact on the ability of banks to lend. Many banks are also actively supporting this policy intervention which would suggest that the firms themselves do not believe this undermines their ability to lend.

Transfers between firms

164. We expect two sources of transfers between firms.

Consumers switching from advice to targeted support

165. Evidence gathered as part of CP 24/27 and from our engagement suggests that the introduction of targeted support is unlikely to have a detrimental effect on holistic advice. A respondent argued that the introduction of targeted support will increase competition overall by attracting more consumers who will trust financial products more. Another respondent stressed that, despite the availability of TS, consumers will need access to other kinds of support, while other respondents suggested that targeted support would even encourage consumers to seek holistic advice.

166. This is supported by our demand estimation. We estimate

- 38,000 current advice users will switch to targeted support (with a range between 24,000 to 130,000, approximately 0.5% to 2.8%% of all consumers taking advice).
- 94,000 consumers (with a range between 58,000 to 340,000) who are currently considering, but not taking advice will take up targeted support.

167. This analysis is our best estimate but may be limited as it is based on high level assumptions about the differences between targeted support and holistic advice, and an analysis of the effect of things like price and quality on historic consumer choices in the advice market.

168. We estimate (based on our firm strategy survey) that firms generate up to £499 in revenue per targeted support customer, with a central estimate of £160 per targeted support customer (from consumers paying other fees and charges immediately or in the future). Therefore, the transfer between firms is

- **Upper estimate: £160 x 130,000 = £20.8m.**
- **Central estimate: £160 x 38,000 = £6.1m.**
- **Lower estimate: £160 x 24,000 = £3.8m.**

169. We assume all these consumers switch in the first year, given they are already engaged with the advice markets. We expect this to be towards the lower bound. Firms may find that some of their advice customers move to targeted support with another firm, but they may also gain targeted support customers switching from holistic advice from other firms. We do not expect many consumers to switch from financial advice to targeted support at the same firm, there is no incentive for firms to offer current advice customers targeted support.

Consumers taking advice at firms offering targeted support

170. We expect that for the majority of consumers, targeted support and holistic advice are not substitutes but services addressing different needs. These are consumers who will not currently be taking advice, and, particularly for pensions use cases, may never have. We expect that particularly a cohort of younger consumers who do not yet have sufficient wealth to justify taking advice, will in the future be in a position where they would take advice. We know from our consumer research and the RDR and FAMR evaluations that switching is low between financial advice providers, therefore we may expect many of these consumers to 'lock in' to a provider who offers them targeted support in the first case, then further advice services in later life. We have not been able to estimate the size of this transfer, but plan to monitor uptake of targeted support, and how many of these consumers go on to take holistic advice.

171. There is a risk that firms that offer targeted support, are able to acquire future advice users through a channel not available to independent advisers. Some of this may be mitigated by proactive engagement from firms, enabled by targeted support, reducing perceived barriers to switching. Further, there are already acquisition channels open to vertically integrated firms which independent advisers cannot use. For example, retail banks can leverage their relationship in the banking and savings market, while platform and pension providers can already leverage their relationship established through providing access to the products. Therefore, it is unlikely that targeted support will add further barriers to independent advisers.

Competition assessment

172. In our 'Options for intervention' section we recognised there may be trade offs between reducing regulatory barriers for firms to offer more support and potentially weakening competition if other barriers remain. We expect some firms to be better positioned to offer targeted support than others, and these firms to therefore benefit from these transfers. We expect firms' ability to offer targeted support to be based on three factors:

- **Access to consumer data and ability to analyse it effectively:** Consumer data is a critical input to targeted support, enabling firms to design appropriate consumer segments and then allocate consumers to those defined segments. The more specific a segment or product recommendation is, the more data that would be required to appropriately place the consumer into a target market. Therefore, firms with greater personal information about a consumer (such as banks and building societies, D2C platforms, life insurers and investment managers) would be best placed to make recommendations to consumers, giving them a competitive advantage.

- **Access to a large existing customer base:** firms with an existing customer base in another market can leverage this to provide them with suggestions for how they could appropriately engage with investment and pension markets.
- **Degree of vertical integration:** Vertically integrated firms are likely to have access to more and a wider range of consumer data. Further, they may be better placed to offer targeted support to consumers for free as they can recoup the cost through fees and charges on the products recommended by targeted support or other products they offer. We consider all the large and a considerable proportion of the medium firms we expect to offer targeted support to be vertically integrated. Independent firms may be able to offer targeted support on a more level basis to vertically integrated firms by partnering with firms with access to consumer data. However, vertically integrated firms may not have an incentive to give access to data with the quality required to provide TS. Firms owning the data are likely to have an incentive to license it.

173. To manage the risk that vertically integrated firms use their market power to give independent firms unfair access terms, we will continue to supervise against anti-competitive behaviour, using competition enforcement action where necessary. Further, developments in the Open Finance space may mitigate some of this risk. In banking, firms are required to share data for free, if the consumer requests it, a similar model for targeted support could help independent firms offer a good value and good quality support offering.

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?**

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).**

Monitoring and evaluation

174. Monitoring and evaluation is an important part of the policy development cycle. It helps policymakers understand the impact of an intervention (including any unintended outcomes) and can be used as a feedback mechanism to improve the policy intervention.

175. The *Measuring success* section of Chapter 8 sets out some of the success measures we will use to help understand the impact of targeted support.

Firm engagement and data

176. We will engage with firms to better understand how they are implementing targeted support. Chapter 8 sets out our proposed approach to authorising and supervising firms under the targeted support regime. It also sets out the types of data firms should retain in order to support the FCA's monitoring activities.

Consultation with the FCA Cost Benefit Analysis Panel

177. We have consulted the CBA Panel in the preparation of this CBA in line with the requirements of s138IA(2)(a) FSMA. A summary of the main group of recommendations provided by the CBA Panel and the measures we took in response to Panel advice is provided in the table below. In addition, we have undertaken further changes based on wider feedback from the CBA Panel on specific points of the CBA. The CBA Panel publishes a summary of their feedback on their website, which can be accessed here.

Table 12 Feedback from the CBA panel and our response

CBA Panel Main Recommendations	Our Response
Articulate more clearly relevance of existing research. The ambition to deploy the FCA's broader research on behavioural responses to regulation (for example, 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.	We have developed the summaries of the research we have used and clarified how existing research has fed into the inputs we have used to estimate costs and benefits in Annex 5.
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.	We have justified our estimates for the number of consumers who could benefit from targeted support. We do not expect all these consumers to act on the support they receive and model a conservative lower and central estimate of the proportion that do. Our upper estimate is optimistic but is based on findings from our research. We have more clearly articulated why we have used these proportions, explaining how we have drawn from existing research. We have added an estimate of the cost to consumers of the time taken. We have clarified where we expect the, limited, transfers to take place and more clearly articulated the net welfare gains.

CBA Panel Main Recommendations	Our Response
Interrogate further specification of baseline. In the baseline scenario, assumptions regarding the growth and impact of alternative remedies for the identified market failures (for example, 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.	We have clarified that historic data may not reflect recent trends in AI/LLMs, and discuss current and potential future developments, including a discussion of the regulatory and demand side barriers, drawing on a report produced by ThinksInsight (Consumer appetite for using Gen-AI) commissioned by the FCA, the Competition and Markets Authority (CMA) and Digital Regulation Cooperation Forum (DRCF). We have added different scenarios for how long it may take firms to implement targeted support and reach full capacity. We have also provided additional rationale for the uptake rates assumed.
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.	We have made it clear when we are presenting our lower, central and higher estimates and have included an additional annex that sets out the Impact Assessment inputs.
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.	We have added an executive summary at the start of the chapter. We have edited the CBA to make the narrative clearer and lose repetitive or unnecessary content. In particular, we have shortened the summary on costs and benefits to avoid repetition with the detailed sections and used tables and graphs more efficiently.

Annex 5

Impact assessment inputs and key pieces of research informing them

Assessment parameters

1. To estimate the impact of targeted support, we estimate a number of input parameters. We vary our assumptions to create a conservative, optimistic and central scenario for the impact targeted support could have. We state the value of these parameters in Table 8. Below, we give more detail on them, and the process for estimating them or rationale for the assumptions we make.

Number of firms offering targeted support

2. To estimate this, we use two pieces of evidence – our engagement with firms and a survey sent to a sample of firms, asking if they intend to offer targeted support.

- Lower estimate: 17 large firms, 19 medium firms and 26 small firms
  - This reflects the number of firms that have told us they intend to offer targeted support.
- Central estimate: 17 large firms, 19 medium firms and 60 small firms
  - We have had less direct engagement with small firms than medium and large, so for our central scenario, we take the proportion of small firms in our survey sample that have stated they intend to offer targeted support and apply that to our estimate of the whole population who could offer it.
- Higher estimate: 17 large firms, 54 medium firms and 60 small firms
  - For our upper estimate, we take the proportion of medium and small firms in our survey sample who say they intend to offer targeted support and apply that proportion to the whole population of firms who could offer it. While we have had more engagement with medium than small firms, there are still a significant number who could offer targeted support who we have not engaged with, and so relying only those we have engaged with could lead to us underestimating the true number who intend to offer targeted support.

Time taken for firms to fully operationalise targeted support

3. While some firms have indicated that they are prepared to offer targeted support as soon as the rules allow and have been working with us through policy sprints to test potential offerings, some may take more time to develop their proposition or increase their capacity. Our estimate of the number of consumers receiving targeted support is based on the current number who are underserved. We expect a number of firms to offer targeted support at the earliest opportunity. However, it may take time for other firms to bring the service to market, and they may roll it out to a small group to begin and scale up as the service develops. If firms take longer to introduce and fully operationalise targeted support, we still expect them all to receive it, but with more of a delay to when the support is delivered. The following sets out how long it takes all the firms in the market to become fully operational:

- Upper estimate: 2 years.
- Central estimate: 3 years.
- Lower estimate: 4 years.

4. We expect this to vary between firms, so we model a constant increase in market capacity between the introduction of regulations to allow firms to offer targeted support, and all firms reaching full capacity.

Number of advice customers switching to targeted support

5. We expect some consumers to switch from paid advice services to targeted support. To estimate this, we analysed the impact on demand for advice and a new support service, if a new support service were introduced with similar characteristics to targeted support (see Annex 6 for more information). From this analysis, we can estimate a lower, upper and central bound for the number of consumers switching. We assume where targeted support had a greater impact, more consumers will switch from advice.

- Upper estimate: 130,000 consumers.
- Central estimate: 38,000 consumers.
- Lower estimate: 24,000 consumers.

Number of consumers receiving targeted support who would not receive support under the baseline

6. To get to this, we start with our estimate of the number of people experiencing harm (see Table 3 for more information):

- 12.5 million consumers making potentially unsuitable accumulation pension decisions (under accumulators). This has been taken from the DWP's 2023 report entitled the 'Analysis of future pension incomes'.
- 2.6 million consumers making potentially unsuitable decumulation pension decisions (uninformed accessors and unsuitable decumulators), (FLS, 2024).
- 15.5 million consumers underinvesting or not participating suitably in retail investments (under investors/misaligned/disengaged/over investors), taken from the latest FLS.

7. We assume that in most cases, consumers will benefit once from targeted support over our 10-year appraisal period, with the benefit being a combination of all the harms which the targeted support has helped to reduce. This is because our estimate of the value of targeted support is based on the value of advice research, which is quantified as an aggregate benefit for all the advice given. We expect consumers may receive targeted support more than once, but the majority of the benefit will be delivered through the first use, with subsequent uses reinforcing that benefit rather than creating new benefits. This aligns our estimation of the benefit from targeted support with our estimate of the value of advice which we quantify per consumer rather than for every time it is delivered.

8. We assume that over the 10-year appraisal period, all underserved consumers will receive targeted support. We make this assumption on the basis that the firms who have told us directly that they intend to offer targeted support serve a significant proportion of consumers across the related markets. These firms collectively hold:

- a 60% share of branded investment accounts,
- a 74% and 33% share respectively of contract and trust-based plans in accumulation and a 56% share of plans accessed by holders for the first time in 2023/24 (FCA RIMD, 2023/24),
- a 24% share of the financial advice market (this includes initial services provided and ongoing clients) (FCA RMAR, 2023), and
- a 59% share of current accounts.

9. Table 3 sets out the number of consumers with characteristics which suggests they may be experiencing harm across the outcomes we observe. In our lower and central estimates, we assume there is overlap in these estimates:

- Lower estimate: 18.1 million – 4.6 million = 13.5 million
  - This represents a scenario where all the under/inappropriate investors are in the under accumulator group, but they are mutually exclusive of the unsuitable accessors and decumulators group. This means we estimate there are 12.5 million under accumulators who are also underinvesting, 2.9 million consumers who are only underinvesting and 2.6 million consumers are making unsuitable access and decumulation decisions.
- Central estimate: 22.9 million – 1.1 million = 21.7 million
  - This represents a scenario where half of the under/inappropriate investors are also under accumulators, and they only benefit once each. This means we estimate there are 7.7 million consumers who are under accumulating and under investing, 7.7 million who are underinvesting only, 4.9 million who are under accumulating only and 2.6 million who are making unsuitable access and decumulation decisions.

- Upper estimate: 30.6 million – 0.0 million = 30.6 million
  - This represents a scenario where either all three groups are mutually exclusive or where a consumer falls into more than one group, they benefit for each use of targeted support, so we count them for the number of times they appear in a group.

Proportion and number of consumers acting on targeted support

10. How firms innovate, for example using AI, to produce accurate consumer segments and high-quality recommendations, how effectively they design the delivery of targeted support and the price they charge for it will impact the proportion of consumers who act on recommendations. In our engagement with firms, almost all have told us they intend to offer targeted support for free.

11. The proportion of consumers who act on targeted support will also be driven by consumer confidence and trust in the firms delivering targeted support, and financial services more generally. For our lower estimates, we assume innovation and confidence are low and more firms charge for the service. For our higher estimate, we assume innovation and confidence are higher, with few, if any, firms charging.

12. To estimate the proportion of consumers acting on targeted support we draw from a range of empirical sources, including demand estimation research, behavioural experiments, pensions engagement field trial, the cash savings market review, and our firm strategy survey. Drawing on these sources:

- Lower estimate: 7%
  - This reflects results from our pension engagement field trial for consumers closer to retirement. It is also close to the proportion of all prompts by savings account providers which led to consumers switching from lower to higher interest savings accounts, according to our cash savings market review.
- Central estimate: 15%
  - This is towards the lower bound of the effectiveness of more targeted cash savings prompts, reflecting that targeted support prompts will be well targeted, but the decisions being made are often more significant. For example, moving into investments or increasing pension contributions is a potentially more daunting decision than moving from one savings account to another with the same provider.
- Higher estimate: 45%
  - This reflects the proportion of consumers in our behavioural experiments who said they would act on the recommendations provided by targeted support. In some use cases, we expect consumers to be offered targeted support as a default, for example in order to access their pension. We expect uptake for these use cases in particular to be closer to our upper estimate.

13. The rationale for our estimates is explained in more detail in Annex 7. Uptake may differ by use case. For example, consumers in high-risk investments may be less receptive to support.

14. To estimate the number of people expected to take action, we multiply the estimate of the number of people expected to receive targeted support, by the proportion expected to take action:

- Lower estimate: 7% x 13.5 million = 0.9 million.
- Central estimate: 15% x 21.7 million = 3.3 million.
- Higher estimate: 45% x 30.6 million = 13.8 million.

15. We expect these consumers may receive targeted support more than once, but for our calculations of the benefit over the 10 year appraisal period, we only count the first time they receive it. By only counting the first time they receive it, we are applying a conservative estimate of the number of consumers who could take action, as we are not factoring for the impact of the number, frequency or time period over which suggestions could be given.

Average wealth of consumers acting on targeted support

16. To estimate the number of consumers who may benefit from targeted support, we use FLS data and DWP analysis. However, almost all monetary value questions in the FLS, such as household income or savings, ask respondents to select from pre-defined ranges rather than provide an exact figure. Based on research conducted for us by Thinks Insight & Strategy (Advice Guidance Boundary Review: Retail investments consumer research) using the mid-point value in this range potentially overestimates the average wealth as most consumers concentrated toward the lower end of the ranges, particularly for higher value ranges. We therefore use the lower end of the range as a lower bound for the average wealth of consumers in the corresponding bucket, and the midpoint of the range as an upper bound. We take the midpoint of these two values as our central estimate.

- Lower estimate: £29,368.
- Central estimate: £37,370.
- Higher estimate: £45,373.

Average value of targeted support

17. Our estimate of the value of targeted support is informed by our value of advice work (hyperlink) which found that receiving financial advice (holistic advice) was associated with a 10% increase in wealth. This estimate reflects observed differences between advice-takers and non-advice-takers using a conditional difference-in-differences approach, capturing the behavioural and financial impact of engaging with advice – including both beneficial and potentially costly outcomes relative to the control group.

18. While targeted support is not equivalent to holistic advice, many of the transmission mechanisms for the benefits it causes are similar. For example, our Value of Advice research found a main driver of benefits from advice was avoiding costly, but often straightforward, mistakes. Therefore, we use this figure as a reference point and apply a cautious downward adjustment to reflect that targeted support is not fully personalised and may be more limited in scope. Our estimates are anchored in this analysis and supported by evidence on expected returns from moving cash holdings to investments.

- Lower estimate: 5%.
- Central estimate: 6%.
- Upper estimate: 7%.

Value of consumer time

19. Consumers who choose to take advice in the form of targeted support will face a time cost from engaging with targeted support and acting on recommendations. To value consumer time, we apply the Department for Transport's latest Value of Travel Time Savings (VTTS) of £6.60 per hour.

Time spent by consumers engaging with targeted support and acting on recommendations

20. To calculate the opportunity cost of time lost to consumers engaging with targeted support, we can multiply the assumed hours spent. In our scenario where targeted support has a lower impact, we assume receiving and acting on targeted support take more time:

- Lower estimate: 6 hours.
- Central estimate: 4 hours.
- Upper estimate: 2 hours.

Proportion of new investment into UK domiciled firms

21. We assume that increased investment by consumers into pensions and retail investments could support UK growth and competitiveness, recognising that this may reduce the volume of deposits available to banks for lending. A paper by Bijlsma et al. (2018) found that funded pensions can be beneficial for economic development, suggesting that increasing pension savings will positively impact economic growth. Given the support among industry for this and the relatively modest amount of money to be invested we don't expect this to materially impact the ability of banks to lend. We estimate the following proportion of new investments (including into pensions) are allocated to UK domiciled firms in our scenarios:

- Lower estimate: 2%
  - This reflects historic behaviour by institutional investors including pension funds.
- Central estimate 10.5%
  - This is the midpoint between investment behaviour of institutions and retail investors, reflecting that we expect increased investment from both increased pension contributions and increased retail investment.

- Upper estimate: 19%
  - This reflects historic behaviour by retail investors.

Impact of macroeconomic events on the benefit from targeted support

22. Future macroeconomic events could impact the benefit consumers experience from targeted support. For example, they could affect investment returns. Under our central estimate, we assume future macroeconomic developments do not significantly impact the effectiveness of targeted support, relative to the baseline of not receiving any support. While outcomes are likely to change for targeted support users dependent on macroeconomic events, their outcomes would also have changed if they had not used targeted support but experienced the same macroeconomic events. Research shows that during the global financial crisis, households that maintained a relationship with a financial adviser fared better than those who did not (Benefits of consistent and comprehensive financial advice during the Great Recession, Sunder et al, 2015; Changes in Household Net Financial Assets After the Great Recession: Did Financial Planners Make a Difference? Goetz et al, 2020). This suggests that economic downturns may, in fact, increase the size of the benefit of increasing access to support. We reflect these possibilities by adjusting the consumer benefit in each of our scenarios:

- Lower estimate: 10% decrease in the benefit from targeted support.
- Central estimate: no change to the benefit from targeted support.
- Upper estimate: 10% increase in the benefit from targeted support.

Proportion of consumers experiencing a problem related to targeted support

23. We expect some consumers may experience problems with the support they are given, which could lead to distress and harm. For example, 23% of investors said they experienced a problem with any of their investments, the online platform they use, or with any advice related to these in the last 12 months (FLS, 2024). We look at subgroups of these based on the harm they experienced from the problem:

- Upper estimate: 18%
  - 20% of consumer investors who experienced a problem in the last 12 months said they suffered no negative consequences as a result, and 80% said they did or did not know. Those who experienced more than one problem in the last 12 months were asked about the consequences of the most serious problem they experienced.
  - 80% x 23% = 18%
- Central estimate: 6%
  - Of those with an investment who experienced a problem in the last 12 months, 25% said they lost money as a result. Those who experienced more than one

problem in the last 12 months were asked about the impact of the most serious problem they experienced.
  - 25% x 23% = 6%

- Lower estimate: 2%
  - 2% of investors said the main problem experienced in the last 12 months related to poor advice, the investment being mismanaged, sales pressure or the provider not following instructions. Of all those with an investment who had a problem, the main issue was poor advice, the investment being mismanaged, sales pressure or the provider not following instructions.

24. These figures feed into our estimates of the cost to consumers of experiencing problems related to targeted support. Drawing from relevant data such as this, when developing the targeted support framework presented in the consultation paper, we have aimed to limit the problems that consumers experience. Because targeted support is a new form of support, we use existing data as a reference point rather than a forecast.

Consumer harm from problems with targeted support

25. The average amount of redress paid per complaint upheld in the second half of the year (H2) in 2024 was £562.90 for the decumulation and pensions product group and £563.90 for the investment product group according to FCA complaints data (Redress paid | FCA). We use this figure as an estimate for the average value of harm caused by targeted support, where a firm fails to meet its obligations towards the consumer. Where a consumer is unaware, they are entitled to redress, and does not complain, we take this average figure as a proxy of their loss (although it is more likely an upper bound, as consumers are more likely to claim redress where their loss is greater).

Consumer complaints rate

26. Our complaints data shows that between 2021 and 2024, there was a complaints rate of 1.1%, or 1 complaint for every 100 pensions or investment products sold. As targeted support will support consumers to make better pensions and investment decisions, we use the existing complaint rate in pensions and investments to calculate how many complaints could result from a consumer buying a product having received targeted support at some point in their journey:

- Lower estimate: 0.1% x 95,000 consumers = 118 complaints per year.
- Central estimate: 0.1% x 326,000 consumers = 408 complaints per year.
- Higher estimate: 0.1% x 1,377,000 consumers = 1,722 per year.

Key pieces of research informing the inputs

27. To inform our analysis of the market, and estimation of the costs and benefits of targeted support, we draw from our 5 main sources:

- FCA conducted research,

- FCA commissioned research,
- FCA bespoke surveys,
- Financial Lives 2024 survey (FLS 2024), and
- Feedback to CP24-27.

FCA conducted research

28. We have conducted two pieces of econometric analysis and two behavioural experiments to inform this project this consultation paper:

- Value of Advice research,
- Demand Estimation research,
- Pensions engagement field trials, and
- Consumer investment and pensions behavioural experiments.

Value of advice research

29. This econometric research aims to robustly quantify the impact of financial advice on consumer outcomes, particularly focusing on investments, pension accumulation, and decumulation.

30. Using data from the ONS Wealth and Assets Survey (WAS), a difference-in-differences (DiD) approach is used, comparing the change in outcomes over time between those that received financial advice (the treatment) and those that did not receive financial advice (the control group).

31. We find that receiving financial advice is associated with increased wealth in future periods, compared to those who don't receive advice. The analysis suggests an increase in wealth of up to 10% in the years following financial advice, relative to those that do not receive it though this relationship diminishes over time, with estimates becoming smaller and more uncertain.

Demand estimation research

32. This research asks two main questions: (1) what observable factors (for example, price, firm size, recent technology investments, and business model characteristics) influence consumers' choice of financial adviser; and (2) based on these preferences, would more consumers seek financial advice if new and different forms of support (such as targeted support) were available.

33. Data from the ONS WAS and FCA-held data on advisers (these include aggregate data on the choices consumers made, the prices they paid (for financial advice) and the characteristics of the advisers chosen) is used to estimate a model of consumer demand for financial advice (understanding how advisers' observable and unobservable characteristics affect consumer choice, and understanding how these choices may change if new sources of advice are introduced and/or how changing the characteristics of advice (for example, quality) may impact consumers' choice).

34. We find there is evidence of demand for new low-cost, but less comprehensive forms of advice, similar to targeted support and simplified advice among people already looking for an adviser. We find a new form of advice with characteristics similar to targeted support would attract between 82,000 and 470,000 of these consumers.

35. We find some evidence of a preference for financial advice from larger firms (or advisers affiliated with larger firms), and from firms that have recently made investments in improving their business (for example, technology implementation). On price, there is some evidence that, overall, higher prices are associated with lower demand for advice and that consumers with smaller pots are slightly more price sensitive. However, our model suggests that much of what determines consumers' choice is unobservable, for example advisers' reputation or perceived trustworthiness.

Consumer investment and pensions behavioural experiments

36. See Annex 8 for a summary of this.

FCA commissioned research

37. We commissioned two pieces of consumer research to understand potential pensions and retail investments targeted support consumers.

Pensions consumer research

38. This qualitative research by NMG Consulting, involving 74 participants, explored the needs of non-advised consumers with defined contribution pensions. The research report was published in December 2024. This research was conducted through focus groups and 1:1 depth interviews. The findings showed that there was interest from consumers in targeted support, who saw the value it could provide. A key driver of interest was the fact it is expected to be provided primarily by firms for free.

Retail investment consumer research

39. This research was a mix of qualitative and quantitative analysis, conducted by Thinks Insights. The research found a large portion of consumers could benefit from targeted support, as they are not seeking or receiving sufficient advice, and do not know the benefits of investing. Therefore, they are not investing when they could be. They identified a cohort of inappropriate and misaligned investors who may be seeking and reading a lot of advice, but are often overconfident in their ability and act with risk that doesn't necessarily reflect their preferences.

FCA bespoke surveys

40. To help inform the costs and benefits of this CBA, we sent out three surveys in the spring to a sample of FCA-authorised firms:

- **Intention to offer (ItO) survey:** This survey aims to understand the likelihood that firms will offer targeted support under the proposed regulatory framework that the FCA is looking to introduce.
- **Firm strategy (FS) survey:** This survey aims to assess which firms in the market are considering offering targeted support under the proposed regulatory framework that the FCA is looking to introduce and how policy design choices influence a firm's decision to offer it.
- **Compliance cost (CC) survey:** This survey aims to understand the one-off and ongoing costs to firms from implementing and offering targeted support.

41. We have used the findings from these surveys to help inform a number of inputs and calculations in the CBA such as:

- We have used responses from the ItO and FS surveys to give us an estimate of the number of firms in the market that are likely to provide targeted support, and what type of firms are likely to offer it (by portfolio and FCA fee block status).
- We have analysed the questions from the FS on how they (firms) expect to charge for targeted support (for example, cross-subsidisation) to produce a firm benefit / consumer cost around revenue, with some commentary on how we expect that revenue to be gathered.

42. We identified our population based on firms with advising permissions. For retail investments, this includes firms whose primary portfolio is 'Platforms'. For pensions, our population is based on firms with either a personal pension permission or stakeholder pension permission and are currently active.

43. For retail investments, we sampled firms from the following sectors: advisers and intermediaries, asset management, building societies, credit unions, crowdfunders (investment), Lloyd's and London Market Intermediaries (including managing general agents), mainstream consumer credit lenders, mortgage intermediaries, mortgage third party administrators, non-bank lenders, personal and commercial lines insurance intermediaries, platforms, price comparison websites, retail bank, retail finance providers, SiPP Operators, and wealth management.

44. For pensions, we sampled firms from the following sectors: advisers and intermediaries, asset management, life insurance, personal and commercial lines insurers, platforms, retail bank, SiPP Operators, and wealth management.

Financial Lives 2024 survey (FLS)

45. Financial Lives is our flagship, nationally representative survey of UK consumers. The survey asks consumers about the financial products and services they have used, their experiences with them and broader attitudes towards financial services. We ran our most recent full survey in May 2024.

Feedback to CP24/27

46. In CP24/27, we asked a series of questions (questions 43-50) in the *Evidence and supporting analysis* chapter, seeking input from stakeholders to help inform this cost benefit analysis (CBA) chapter.

47. Respondents agreed that a lack of support was leading to harm to consumers and recognised that targeted support could improve outcomes. Respondents suggested that financial literacy is important to delivering targeted support, in a way which reduces the risk that consumers misunderstand (the limitations of) targeted support or expect too much from it.

48. Firms pointed to a number of regulatory and economic changes that would impact targeted support, such as the rise of AI and how firms are responding to and taking account of the Consumer Duty.

49. Whilst respondents recognised that targeted support had a role to play in helping consumers and mitigating the harms they currently experience, some stated that it may not necessarily become a mass market solution to the problem(s) and will come with its own set of potential risks (such as customers not shopping around or biased selling).

50. Some firms anticipate the costs of introducing targeted support will be relatively low (in part due to the Consumer Duty), but some expect the costs to be significant. There was agreement that delivering targeted support digitally would be much more cost effective.

51. Some respondents envisaged the service offer could differ significantly by firms (due to the aforementioned factors) and that firms will compete primarily based on the scope of support offered to clients and pricing (such as tiered pricing models). There was some feedback that suggested the introduction of targeted support could encourage new entrants into the market (thereby improving competition) though some noted that smaller firms may find it too burdensome to provide the service.

Annex 6

Targeted support use cases

1. In this section, we set out likely typical use cases for targeted support, to explore the types of consumers that might be involved in the new market. These use cases are not exhaustive, not everyone within each group will benefit from taking action, and they reflect our best estimate of the consumer characteristics most likely to benefit from targeted support.

2. Typical use cases for consumer investments:

- **Under investors:** Encouraging consumers with significant savings held in cash, and some risk appetite, to consider investing.
- **Misaligned investors:** Helping consumers with misalignment between a lower risk appetite and higher investment risk level to rebalance their portfolio in line with their preferences.
- **Disengaged investors:** Helping particularly disengaged consumers who are in poor value investment products switch to better value or more appropriate ones.
- **Over investors:** Encouraging consumers who may struggle to deal with everyday or emergency expenses with their liquid savings to decrease the amount they are investing.

3. Typical use cases for pensions:

- **Under accumulators:** Helping consumers choose an accumulation rate that will help them achieve the lifestyle they want in retirement.
- **Disengaged accumulators:** Helping consumers in a default fund consider if they would benefit from switching to a fund that better matches their preferences and goals.
- **Uninformed accessors:** Helping consumers make the right access decisions when they first access their pension.
- **Over decumulators:** Helping consumers in retirement choose a decumulation rate which will provide them a comfortable and sustainable income throughout their whole retirement.

4. Below, we outline what consumers who fall into these categories may look like, the firms they interact with, and those likely to deliver targeted support to them. We do this using information from our 2024 Financial Lives Survey. We do not expect the cohorts we have produced to capture all individuals who would benefit from each of the use cases, and expect they will contain a significant number who will not. Instead, these use case cohorts are groups of consumers who show characteristics which indicate they may benefit from targeted support.

5. Some consumers may be saving for their pension through a 'self-invested personal pension'. The use cases for this product are likely to cross between pensions and retail investment use cases. We clarify where we think these customers, firms and their interactions are different from those for retail investment.

Consumer Investment use cases

6. These use cases outline ways in which targeted support could be used to help consumers navigate investment decisions, what those consumers look like, and the firms they are likely to interact with.

Under investors

7. We observe a cohort of 7.0 million consumers with enough cash to cover emergency expenditure and some level of risk appetite who are not currently investing.

8. These consumers do not currently access investment products. They could do so through a number of channels:

- direct to consumer (D2C) investment platforms or apps,
- through an independent financial adviser or advice network,
- through a financial service firm, like a retail bank or building society,
- through a digital wealth manager and guidance service.

9. We believe this group of consumers (under investors), who are not currently engaged in the investment market, are more likely to be engaged by firms they already have a relationship with. This could be their pension provider, if they offer consumer investments, but is more likely to be their retail bank as they will have the required information to determine they are in a position to invest proactively.

10. We have used FLS data to form a picture of the type of consumer who might benefit from this use case. This is unlikely to capture all consumers who would benefit, and may include many who do not, but we expect the cohort to be representative of those who will.

11. To form this cohort, we look at UK adults who:

- have not taken regulated advice in the last 12 months,
- do not currently hold any investment products, and
- have £10,000 or more in cash savings

Misaligned investors:

12. The next two use cases (misaligned and disengaged investors) focus on people who have characteristics which suggest investing is appropriate for them, but the way they are doing it is potentially suboptimal.

13. We see a cohort of 2.1 million consumers who are investing in HRIs like cryptocurrencies, who do not seem to have the risk appetite or financial numeracy to indicate that this is the right choice for them. These consumers invest through D2C channels like investment platforms. If they were to receive targeted support, it would most likely be from the platform they are engaged with.

14. We identify this cohort with the following conditions in our FLS dataset:

- has not taken regulated advice in the last 12 months,
- holds an HRI product (Cryptoassets, Shares in unlisted companies, Investment-based crowdfunding, Peer-to-peer lending, Contract for Difference (CFD), Innovative Finance ISA (IFISA) or Mini bond),
- but shows at least one characteristic to suggest HRIs are not suitable for them:
  - has no or very low-risk appetite (0 to 3 out of 10), or
  - Does not have high financial numeracy (scores less than 3 out of 3 when answering FLS financial numeracy questions)

Disengaged investors:

15. For this group of investors, investing is likely to be a suitable choice for them. However, they show signs that they are disengaged from their investment, not making active choices to ensure they continue to receive good value and are invested in a way which meets their preferences. We estimate this cohort of consumers totals around 4.2 million.

16. This group may have received advice in the past but have not recently. They may be invested through investment platforms, retail banks, or have taken advice in the past and are invested through an adviser.

17. We identify this cohort using the following conditions in our FLS dataset:

- has not taken regulated advice in the last 12 months,
- holds an investment product,
- but shows signs that they are not engaged with their investments:
  - has not used any source of information in the last 12 months to research investing or keep up to date

Over investors:

18. We have identified a cohort of 5.3 million consumers, who are investing but who may not have the emergency cash savings or appetite for risk. For many of these consumers, they may better meet their financial goals by increasing their cash savings and reducing their investments.

19. These consumers will be unadvised consumers, likely investing through a D2C channel like a retail bank or investment platform. Retail banks may be better placed to offer this use case proactively as they will be able to observe whether investing is suitable for them based on their financial health. However, platforms may be able to prompt consumers to share more data where they feel consumers could benefit from this use case.

20. We have identified what this cohort might look like, based on the following conditions in our FLS dataset:

- has not taken regulated advice in the last 12 months,
- holds an investment product,
- has characteristics which might make it unsuitable for them to be investing:
  - has stated they have a risk appetite of 0 (out of 10), or
  - has less than £10,000 in cash savings

21. As with the under-investors, we do not expect to capture all individuals who would benefit from this use case and expect it will contain a significant number who will not.

Pensions use cases

22. Like retail investments, pension decisions are complex, and difficult to make as the impact of them is often felt many years in the future. The use cases below identify how targeted support might help consumers navigate these decisions, which firms they might receive targeted support from and what these consumers look like.

Under accumulators:

23. We observe a cohort of 12.5 million consumers who are failing to contribute to their pension pot at a rate which would support a comfortable retirement. They may be struggling to contribute adequately to their pension for a number of reasons, including meeting short term bills and expenses. However, we expect some of these consumers would benefit from receiving targeted support to help them find an accumulation rate that better balances their short- and long-term preferences. We expect in these cases, consumers would receive targeted support from their pension provider (which may be an adviser, SIPP operator or pension firm).

24. We use the Department for Work and Pensions' (DWPs') Analysis of future pension incomes report to understand what these consumers look like. They use 'target replacement rate (TRR) before housing cost (BHC)' to measure whether someone is contributing enough to maintain a standard of living which is similar to their pre-retirement standard of living. For the median earner, their retirement income should be 67% of their pre-retirement income, for lower earners this is 80% and for higher earners 50%.

25. They model future working and retirement incomes and find that 38% of the working age population (12.5 million) are failing to contribute enough to their pension to meet their TRR BHC. These people are spread consistently across common demographics, however, there are some variables across which under accumulating is more common. We observe that under accumulators are more likely to be…

- **…wealthy,** with 55% of individuals in the top income band (more than £61,500 gross pre-retirement earnings per year) undersaving compared to 14% of individuals in the lowest earnings band (earning less than £14,500 per year).

- **...reaching state pension age in the 2030s and 2040s.** About 43% of working age people who will reach the State Pension age (SPa) in the 2030s and 42% in the 2040s are undersaving. This compares to 31% for those retiring in the 2060s.
- **...renting their home,** with 42% of renters under accumulating compared to 37% of those who own their home.
- **...have no private pension, or no DB pension,** with 75% of people without a private pension under accumulating, and 44% of people with only a DC pension(s).

Disengaged accumulators

26. A large number of people are not engaged with their pension. A driver of this for workplace pensions has been Automatic Enrolment (AE). AE has led to a large increase in the number of people with a workplace pension. However, it has also meant a large increase in the number of people who do not engage with their workplace pension. We therefore expect a cohort of consumers with a workplace pension(s) to benefit from targeted support. In this case, we expect targeted support to be provided by their workplace pension provider. Where a consumer is not engaged with a private pension, then we expect the private pension provider is likely to be the firm to provide targeted support.

27. We identify the cohort for this use case using the following conditions:

- has not taken regulated advice in the last 12 months,
- has a DC pension in accumulation,
- is less than 55 years old, and
- shows signs they are not engaged with their pension:
  - does not know pension pot size.

28. We estimate this cohort of consumers totals around 4.7 million.

Uninformed accessors:

29. The decisions consumers face on how to access their pensions are complex and have significant financial implications. Taking decisions without support could have serious consequences. Targeted support could be provided by pension firms at the point of access to help consumers make the right choice.

30. We identify the cohort for this use case using the following conditions:

- has not taken regulated advice in the last 12 months,
- has a DC pension in accumulation,
- is aged 55-74, and
- shows signs that they are uninformed or have lower financial literacy:
  - does not know pension pot size, or
  - does not have high financial numeracy.

31. We estimate this cohort of consumers totals around 2.6 million.

Over decumulators:

32. We observe approximately 50,000 consumers who seem to be withdrawing from their DC pension at a rate which is unlikely to provide them with a sustainable income throughout all of their retirement. In these cases, their pension provider, be that a pension firm, adviser, or SIPP operator may be able to use targeted support to reach out to the consumer and support them in finding a sustainable way to decumulate their pension.

33. To identify the cohort who may benefit from this use case, we use the following conditions:

- has partially encashed a DC pension between April 2015 and March 2020 and has less than 75% of that pension pot remaining,
- has no pension in accumulation,
- has no DB pension in decumulation, and
- has not annuitised or cashed in another DC pension

Annex 7

Estimating the proportion of consumers that act on targeted support recommendations

1. To inform our estimate of the proportion of consumers who act on the targeted support recommendations they receive, we draw on our six key pieces of evidence (more detail on these in the 'Key pieces of research informing the inputs' section):

- demand estimation research,
- recent behavioural experiments,
- pensions engagement field trial,
- cash savings market review,
- 'Intention to Offer' survey, and
- FLS targeted support use cases (Annex 6).

2. Our demand estimation research identifies a subgroup of consumers who are currently considering or taking advice who may take targeted support. We estimate that *up to* 470,000 consumers currently considering advice could take up targeted support in an optimistic scenario, where it is delivered in a high-quality way that meets consumer preferences. To reflect a more realistic assumption with some reduction in quality compared to holistic advice, we use a central scenario estimate of 131,000 consumers currently considering advice who would opt for targeted support annually.

3. For consumers not actively seeking advice, we estimate the proportion of consumers who are likely to respond to prompts of the nature of targeted support, based on evidence from previous FCA trials and our behavioural research (see Reading between the lines: Understanding of targeted support in retail investments and Reading between the lines: Understanding of targeted support in pensions, or Annex 8 for a summary). We estimate upper and lower bounds, and a central estimate, based on our cash savings review, pensions field trials and behavioural experiments.

4. Our cash savings market review found that generic, untargeted prompts from firms to customers to switch from lower interest to higher interest savings accounts, led to 1-3% of customers switching. More personalised and well targeted prompts led to action from between 10% and 50% of consumers – this is likely to be comparable to the approach taken for targeted support communications. There are limitations to applying the cash savings market review engagement rates directly to targeted support:

- Targeted support relates to more complex products like pensions and investments, which may prompt more considered consumer behaviour than simple savings decisions.
- It is not designed to immediately present a range of product options, but to provide a guided suggestion with an explanation of the rationale and limitations.
- Firms may frame targeted support as a form of guided help rather than a direct call to switch, and this framing could affect how consumers respond.

- There are causality challenges in trying to isolate the impact of the communication sent by firms on consumers' decisions. External factors that may also be occurring at the same time, such as interest rates changing, especially in a rising rate environment, which was the case during the review.
- There will be significant variation in engagement rates across firms, but some firms could only report gross actions, making data hard to compare.

5. In 2024, our pensions engagement field trial (Occasional Paper 65: Testing when to engage UK pension customers) tested how features of communication prompted actions around preparing for and making decumulation decisions. We found that only 1% to 7% of consumers acted based on prompts to engage with their pension decisions, with age groups closer to retirement being more likely to engage. The trial confirmed that engagement is harder for pensions than cash savings and experimental results likely overestimate real-world effects.

6. Our recent behavioural experiments found that in pensions, the following proportion of people said they would make changes to their financial habits after receiving a targeted support prompt:

- Up to 39% when encouraged to increase their contribution rate.
- Up to 44% when provided with a suggestion on how they should access their pension.

7. Among participants who said they wouldn't take the main suggested action, only around 6% reported they would take no further action. Most said they would do something else – such as seek more information, seek advice, or take some time to consider their decision. This suggests that even where consumers do not follow the recommendation, they are likely to engage meaningfully with the support.

8. In our recent consumer investments experiment, participants were asked to share basic financial characteristics (for example, savings, debt, risk appetite, age and goals). Those deemed likely to benefit from investing were progressed to the next phase and received a suggestion to invest a portion of their savings. Among these participants:

- 22% of consumers said they would invest, and
- 37% wanted to explore further options (such as seeking more information or advice).

9. These findings suggest that while a relatively small proportion of consumers act immediately on prompts, 86% of participants either act or seek further information. While self-reported, this supports our central and upper bound assumptions. As with the pensions experiment, even among those not taking up the main suggestion, a large majority reported some form of further engagement. The research also found that clear, targeted prompts can shift behaviour and reduce misunderstanding when disclosures clarify scope and limitations of the targeted support.

10. There is some difficulty translating the figures from these behavioural experiments into real-world expectations for two reasons:

- Consumers in the experiment were already engaging with a financial services interface, making this more similar to a reactive prompt rather than an unsolicited real-world nudge.

- Consumers in the experiment may say they will make a decision in a simulated environment, but this may not translate into real-world action, where the stakes are higher, as shown by our pensions engagement field trials.

11. However, the difference in outcomes between baseline and treated groups remains meaningful. The findings suggest that well-designed targeted support messages and disclosures can meaningfully influence consumer behaviour, even among a relatively engaged audience.

12. Taken together, the behavioural experiments suggest that a significant number of consumers would either take the suggested actions or steps that could lead to an action (conducting further research or seeking advice). While immediate uptake may be modest, these results support the underlying assumptions in our central and upper estimates.

13. Given that targeted support provides a tailored suggestion based on consumer characteristics, and that full disclosure improves understanding and uptake, we expect uptake to be closer to the higher uptake rates observed in the cash savings review and pensions field trials.

14. The evidence we have considered is consistent with the expectations of firms. As part of our firm strategy survey, we asked: "What percentage of your consumer base do you expect will actually use this service, if your firm were to proactively offer it?" While only 7 out of the 24 firms who responded to the survey answered this question, their responses provide directional insight:

- 5 firms expected between 1% and 40% of their customers to engage.
- 1 firm anticipated very high uptake (81-90%).
- 1 firm expected no engagement.

15. Drawing this evidence together, we estimate a lower, upper and central bound for uptake rates:

- **Lower bound (7%)** reflects engagement levels from the pensions field trial, which is the best available comparator for a targeted prompt related to complex financial products.
- **Upper bound (45%)** reflects the highest rates of engagement seen in the cash savings market review and our behavioural experiments, where clear and well-targeted communications prompted stronger immediate action. Although high, this figure is not implausible given that many targeted support related actions are less burdensome than, for example, switching a current account – and may be perceived as more beneficial.
- **Central estimate (15%)** reflects a midpoint between the lower engagement observed in complex decision contexts like pensions, and the higher engagement seen in simpler contexts such as cash savings. It draws on evidence from behavioural trials and experiments in both pensions and savings contexts to represent a plausible average uptake rate for targeted support.

16. These bounds capture a range of realistic behavioural responses and reflect the best available empirical evidence for financial engagement with prompts of this nature. We expect uptake to vary across use cases. For example, consumer research reveals that consumers invested in high-risk investments tend to be less trusting of traditional financial services firms, and therefore less likely to engage with the support. In these cases, we apply the lower bound of 7% rather than the central estimate.

Annex 8

Lessons from Behavioural Testing for Targeted Support

1. We conducted consumer testing to understand the potential impact of the policy designed as part of the Advice Guidance Boundary Review (AGBR) using a series of online experiments. This document summarises some of the key lessons learned, which have informed our policy design. Further details on our methodology and approach are provided in our Pensions and Investments Research Notes.

Methodology

2. This behavioural research tested how consumers respond to targeted support communications. In this research, our focus was on exploring how consumers understand targeted support, rather than the effectiveness of targeted support. We ran 3 online experiments in 3 distinct financial contexts, with targeted support suggestions (also known as a 'ready-made suggestion') tailored to each scenario:

- **Investment experiment:** a suggestion to invest cash savings in a Moderate Risk, Ready-Made Investment portfolio.
- **Pension Contribution Rate experiment:** a suggestion to increase pension contributions.
- **Pension Decumulation experiment:** a suggestion to drawdown from their pension.

3. The Investment and Pensions experiments were independently designed to suit their respective contexts, and explore different research questions, but they share many common design features. In the Investment experiment we looked at one scenario but were able to measure the effect of discrete 'components' of information. Whereas, in the Pensions experiments we were able to test two scenarios but only measured the effect of 'full' verses 'baseline' information. We report the results separately in the Pensions and Investments Research Notes; however, this Annex brings together insights from the experiments. While the results are not directly comparable, triangulating findings across the studies allows us to explore how context may influence the effectiveness of targeted support communications.

4. In each experiment we showed participants a targeted support communication in the form of a mock email or message from a bank or pension provider. This targeted support communication included (1) a targeted support suggestion and (2) additional information about the suggestion and how it was made. The communications were designed as an early illustration of what targeted support could look like. They were not designed to reflect our draft rules around consumer segmentation or delivery of targeted support.

5. After seeing the targeted support communication, participants were asked a series of questions to assess the outcomes presented in Table 13.

Table 13. Outcomes and how they were measured

<table>
<tr><th>Outcome</th><th>Investment</th><th>Pensions</th></tr>
<tr><td rowspan="2">Understanding of the targeted support suggestion and how it was made</td><td colspan="2">We measured overall understanding by asking a series of multiple-choice questions about the targeted support communication.</td></tr>
<tr><td>In the Investment experiment, this consisted of four sub-levels of understanding that made up the overall understanding measure:
understanding of the main message
key information recall
interpretation of the information, and
ability to apply the new knowledge to future problems.
The purpose of these levels was to test different aspects of understanding and measure more than comprehension alone.</td><td>In the Pensions experiment this consisted of 9 understanding questions.
This included a sub-level of key information recall.</td></tr>
<tr><td>Uptake of the suggestion</td><td>In the Investment experiment, we asked participants whether they would choose to invest, consider their other options, or not invest based on the suggestion.</td><td>In the Pensions experiments, we asked participants how likely they would be to take up the suggested action (decumulation or increasing contributions).</td></tr>
<tr><td>Confidence</td><td colspan="2">We asked participants how confident they felt to make an informed decision based on the information provided by the targeted support communication.</td></tr>
<tr><td>Sentiment</td><td colspan="2">We asked participants whether they found the targeted support communication easy to understand, clear, supportive, invasive to their privacy, or pressuring.</td></tr>
</table>

Information provided

6. Within each experiment all participants were shown the same targeted support suggestion. However, participants were randomly assigned to see different information about the suggestion and how it was made. This random assignment allows us to infer that any differences in outcomes across groups, within each experiment, are attributable to the variations in the additional information shown. However, it is important to note that differences across the three experiments – in context, sample characteristics, and design – may also have influenced these outcomes, limiting direct comparability between experiments.

Baseline information

7. In all experiments, all participants were given minimal 'baseline information' about the targeted support (Figure 4, Figure 5), to accompany the targeted support suggestion. The exact baseline information varied across the 3 experiments, reflecting the different scenarios.

8. The baseline information used in all experiments highlighted to participants that the targeted support suggestion was designed for groups of consumers based on common characteristics.

9. In the Investment experiment, the baseline information additionally told participants that the suggestion provided was based on the understanding that they held sufficient emergency savings, the recommended holding period, and that the value of their investment could go up or down.

Figure 4. Investment experiment 'baseline information'

> This suggestion is based on key information we hold about you, and is designed for people in similar circumstances. It's based on our understanding that you have an emergency fund of savings to cover 6 months of regular outgoings. Remember – investments should be held for at least 5 years and their value can fall as well as rise, so you might not get back what you invest. If unsure, please seek independent advice.

Figure 5. Pension Decumulation and Pension Contribution experiments 'baseline information'

> This suggestion is considered appropriate for people in similar circumstances as you.

Full Information and individual information components

10. Participants were randomly assigned to different groups, some of which received additional information beyond the baseline.

11. The Investment Experiment included testing three additional information components to accompany the suggestion and baseline information, referred to as 'Limited information' (Figure 7), 'Data points' (Figure 8), and 'Careful consideration' (Figure 9). These components were tested both collectively as 'full information' and individually by excluding each component from the full information.

12. In the two Pensions experiments, we did not test individual information components. We only compared the full information communication (Figure 10 and Figure 11) against the baseline information (Figure 5).

13. In all experiments, the full information communication stated that the suggestion was based on limited information held about the participant and did not consider their full circumstances. It also replayed the data points used to make the suggestion, though the delivery of this varied across experiments. Additionally, it reminded participants that other factors had not been considered.

14. The Pensions and Investment experiments were independently designed to reflect the different consumer journeys and contexts. Unlike the Investment experiment, the Pensions experiments replayed the data points used to make the suggestion at a group or 'consumer segment' level. Data was presented as ranges (like income range) or by framing them as fitting within certain groups (like the estimated retirement age group). In contrast, the Investment experiment primarily presented specific data points such as 'have no existing debts', except for age, which was presented as a range in both Pensions and Investments experiments

Figure 6. Investment experiment 'full information' – comprised of all 3 additional information components

Figure 7. Investment experiment: 'Limited information' information component

This suggestion is based on the limited information that we have about you, and it does not fully consider your individual circumstances.

Figure 8. Investment experiment: 'Data points' information component

This suggestion is based on the details we hold, we understand that you:

- Have cash savings of approximately 6 months of your regular outgoings as an emergency fund;
- Are [age group] years of age; and
- Have no existing debts.

We also understand that you:

- Will not need these cash savings for any purposes including emergencies within the next 5 years;
- Will continue to hold an emergency fund;
- Intend to hold your investments for at least 5 years;
- Have a moderate risk tolerance.

Figure 9. Investment experiment: 'Careful consideration' information component

You should carefully consider the suggestion, which is based on the information we have about you. There may be other information which we have not included (such as cash savings or investments held with other firms) which may impact this suggestion.

Figure 10. Pensions Contribution experiment 'full information'

Important things to consider:

- **This is not personalised advice.** Our suggestion is based on the limited information we have about you and does not consider your full financial situation or individual circumstances.
- **What we've considered:** We've made our suggestion because you fit into these groups:
  - **Age:** [age group]
  - **Estimated retirement age:** 65-68
  - **Current salary:** [income group]
  - **Current charges:** You currently pay 0.5% – 0.75% a year in pension scheme charges
  - **Fund investment:** Your workplace pension is invested in the default fund
- **What we haven't considered:** There may be other factors we don't know about you, such as other pensions you are contributing into or existing debts you are repaying. We encourage you to consider your personal circumstances to decide whether this suggestion is right for you.

What's next?

- **See how increasing your contributions could help:** click here for our online calculator and modelling tool to explore the impact this suggestion could have on your future retirement savings.
- **Get personalised advice:** If you would like a recommendation that considers your full individual circumstances, click here to find out more about receiving **regulated financial advice**.

Figure 11. Pension Decumulation experiment 'full information'

Important things to consider:

- **This is not personalised advice.** Our suggestion is based on the limited information we have about you and does not consider your fullfinancial situation or individual circumstances.
- **What we've considered:** We've made our suggestion because you fit into these groups:
  - **Flexible income preference:** People who prefer to take money from their pension as needed, rather than receiving a fixed amount.
  - **Secure income sources group:** People who have other sources of secure income available, such as another pension or part-timework.
- **What we haven't considered:** There may be other factors we don't know about you, such as your health status or an upcoming major lifeexpense. We encourage you to consider your personal circumstances to decide whether this suggestion is right for you.

What's next?

- **Want to explore your options further?** If you would like a recommendation that considers your full individual circumstances, click here to find out more about receiving **regulated financial advice**.

Lessons Learned

Here are the four key lessons we've learned and an overview of our results:

1. Context matters – testing communication design is important.
2. Showing consumers the data used to make the targeted support suggestion can enhance their understanding and boost confidence in decision-making.
3. Consumers can distinguish targeted support from individualised advice, but careful thought in design and testing is required.
4. In the Investment experiment, participants found targeted support more supportive, easy to understand and clearer than guidance.

Table 14. Overview of results: Impact of providing full information compared to baseline information

Outcome	Investment (full information)	Pension Contribution Rate (full information)	Pension Decumulation (full information)
Understanding			
Overall	No significant impact		
Sub-level: Information recall			
Uptake			
Taking up suggestion action (or related action)	No significant impact		No significant impact
Confidence			
Confidence in decision-making	No significant impact		
Sentiment			
...clear	No significant impact		
...supportive	No significant impact		
...easy to understand	No significant impact	No significant impact	No significant impact
...useful	No significant impact		
...pressuring	No significant impact	No significant impact	
...invasive to privacy	No significant impact	No significant impact	No significant impact

Note: For each scenario, we show whether providing full information significantly improves consumer outcomes compared to the baseline information. Green blocks indicate a statistically significant impact

Key Lesson 1: Context matters – testing communication design is important.

15. Consumers' overall understanding of targeted support was generally good, even among those shown only the baseline information. However, providing additional information didn't universally increase overall understanding. Additional information improved consumer understanding in the Pensions experiments but not in the Investment experiment, which may reflect differences in the baseline information tested between experiments (see Methodology section).

16. In the Investment experiment, changes to the additional information provided had no impact on overall understanding. This may be because the baseline information alone effectively conveyed the core messages, with additional information components offering limited marginal benefit. The full information provided in the Investment experiment provided some new elements – it replayed the data held by the bank including the participants age, debt status, and risk tolerance. But much of the content that was useful for answering the understanding questions was available in the baseline information. For example, the time horizon for how long the money should be invested, reference to the need to have access to emergency savings and that the suggestion was based on information the bank held about them.

17. In contrast, the full information tested in the Pensions experiments added meaningful information which was not included in the baseline information, such as: the source of the information, what information was (and wasn't) considered, and a clear statement that the suggestion was not 'personalised' advice. This information was relevant to the understanding questions asked.

18. Notably, differences in the additional information provided were only one of several factors, which may explain why the full information was impactful in one context but not the other. Other potential influences include the characteristics of people in our samples, the criteria we used for screening participants, how the suggestion was delivered (simulated phone interface vs email), and the specific questions used (see the Pensions and Investments Research Notes for more details about the experimental design and questions used).

Additional information had a neutral or positive impact on uptake and confidence

19. Sometimes providing too much information can be overwhelming, and cause information overload (Roetzel, 2017). However, here we did not find that providing additional information had a negative impact. Across the Investment and Pensions experiments, we found that providing additional information had a neutral or positive impact on confidence and stated uptake. In the Contribution Pensions experiment, the full information communication improved confidence in decision-making by 25% and made participants approximately twice as likely to say they would take up the suggestion. This evidence suggests that there may be no detriment to consumer understanding as a result of providing additional information.

20. Overall, triangulating our findings across experiments highlights the importance of well-designed consumer communications and the value of testing how to best inform consumers in different contexts. This supports the policy approach taken in this consultation paper to principally rely on the Consumer Duty in setting our standards and expectations for how firms communicate throughout a targeted support journey.

Key Lesson 2: Showing consumers the data used to make the targeted support suggestion can enhance their understanding and boost confidence in decision-making.

Replaying the data points used improved key information recall, but not overall understanding, in the Investment experiment

21. In the Investment experiment, we tested the impact of combinations of additional information components on understanding. Omitting the 'Data points' component did not have a significant impact on overall understanding but reduced key information recall by 9.3%. Removing the other information components had no impact on the sub-levels of understanding.

In the Pensions experiments, providing the full information improved overall understanding.

22. In the Pensions experiments we found that presenting the full information improved overall understanding and participants' confidence in their decision-making. In both the Contribution and Decumulation scenarios, showing the full information led to small improvements in understanding, 6.3% and 7.6% higher than the baseline information respectively.

23. **This effect may have resulted from including the characteristics of the consumer segment used to generate the targeted support suggestion.**

24. Beyond simply replaying the data points used and the assumptions made, we found evidence which supports the hypothesis that providing this information at the segment level (for example income between £25,000 – £35,000) may be more effective.

25. We hypothesise that highlighting the common characteristics of the of the consumer segment plays an important role in the full information's impact on consumer understanding by making the basis of the suggestion – demographics groupings – more transparent and salient.

26. We asked participants how they thought the suggestion was made. In the Pension Contribution and Decumulation experiments, showing the full information increased the proportion of participants who were correctly able to identify that it was based on a similar group or profile by 12 percentage points (pp) and 19pp respectively. In the Investment experiment, the full information did not improve performance on this specific question in comparison to removing the 'Data points' component.

27. Notably this may be because the Pensions experiments presented this data in ranges, whereas the Investment experiment presented this as specific data points (except for age range). By presenting the consumer segment characteristics in ranges, it may signal that it does not reflect an individual suggestion (or individualised advice).

28. In the Pensions experiment, we can't be certain that the improvement in understanding in the group seeing the full information was driven by the presentation of segment characteristics upon which the targeted support suggestion was made, because there were other changes to the communication. As discussed, there were also differences in how the common characteristics were presented in the Investment and Pensions experiments. However, taken together, the findings provide evidence of the value of highlighting the common characteristics of the segment consumers belong to. We used this evidence to propose a specific rule in our recent consultation paper requiring firms to communicate the common characteristics of the consumer segment to which the consumer has been allocated.

Key Lesson 3: Consumers *can* distinguish targeted support from individualised advice, but careful thought in design and testing is required

Participants demonstrated a mixed understanding of individualised advice and how to differentiate between individualised advice and the targeted support shown

29. In the Investment experiment, we compared a targeted support communication (including the full set of information components) with guidance. Here, the guidance communication provided general information about investing (benefits and how to invest) rather than a suggestion tailored to the relevant consumer segment (see Pensions and Investments Research Notes for full example). We found that even among those shown guidance instead of targeted support, 33% believed the suggestion was financial advice or a free version of it, while only 54% correctly identified the guidance shown as being more general than financial advice.

30. We used several questions to assess whether participants understood that the suggestion differed from individualised advice. These were worded slightly differently in the Investment and Pensions experiments. The Investment experiment referred to "**financial advice,**" while the Pensions experiments used "**personalised advice**". We refer to these terms collectively as 'individualised advice'. For the purpose of these experiments, these terms were described to participants as 'personalised recommendations for you to take given your circumstances'. It is possible that consumers interpreted these terms differently. For example, consumers may interpret "financial advice" in the non-regulatory, everyday sense – for example, as any recommendation or suggestion about money, whether from a friend, website, or tool. In this informal understanding, advice doesn't have to come from a regulated professional or be tailored to their full financial circumstances. Qualitative consumer research supports this interpretation (Thinks Insights & Strategy, 2025). Therefore, targeted support is likely to be most successful when delivered alongside other interventions that support financial literacy and understanding, such as financial education offerings that will help consumers differentiate between targeted support and advice.

Participants in the Pensions experiments appeared to be better able to differentiate between individualised advice and targeted support, while Investment participants were less clear

31. On average across the Pensions experiments, 76% correctly identified targeted support as more general than personalised advice, and only 6% mistook it for individualised financial advice or a 'free form' of it. In contrast, just 46% in the Investment experiment correctly identified the targeted support they saw as 'more general' than financial advice, while 41% incorrectly believed it was a form of financial advice.

32. When asked how the suggestion was made, 61% in the Pensions experiments correctly identified that it was based on a similar group or profile, compared to 47% in the Investment experiment. Encouragingly, only 28% in the Pensions experiments incorrectly believed it was based on unique and complete personal data. This was higher in the Investment experiment, at 34%. This indicates that mostly, people can understand that targeted support is not individualised advice which takes into account their complete situation.

33. Finally, 28% in the Pensions experiments believed the suggestion made was intended to provide individualised advice, whereas 50% in the Investment experiment believed the intent to was to provide financial advice.

Several factors may explain these differences, but fundamentally, the experiments involved different markets, samples, tasks, and targeted support designs

34. It's important that consumers understand targeted support is not a fully personalised solution based on their complete circumstances. While the majority of participants did grasp this, differences across our experiments mean we can't be certain how widespread that understanding is. Our findings show that consumers can distinguish targeted support from advice, but doing so requires careful thought in design and testing.

35. Several design choices can offer explanations for the variation in results across experiments. Each experiment used different eligibility questions to identify consumers likely to benefit from targeted support in that context. The Investment experiment targeted participants who had excess cash, no unsustainable debt, and weren't active investors. The Pension Contribution experiment targeted 30–55-year-olds contributing under 8% to a workplace pension and not receiving advice. The Pension Decumulation experiment focused on 50–66-year-olds with defined contribution pensions, also not receiving advice.

36. These criteria shaped the sample profiles. For example, Investment participants had lower financial literacy than those in the Pensions experiments, likely due to the exclusion of active investors and the younger age range. This is important, as we found that those with lower financial literacy were less likely to identify that the targeted support suggestion was more general than individualised advice.

37. Alternatively, the screening questions themselves may have influenced participant perceptions. The Pensions experiments asked relatively general questions (for example employment status, pension participation), while the Investment experiment included more personal ones (for example debt levels, cash savings). In the Investment experiment, this personal data (for example savings balance) was replayed or explicitly referenced in the scenario, reinforcing that this information had been collected. In contrast, the Pensions scenarios included some participant data (for example age group) but also introduced new values (for example retirement age) not gathered in screening. This contrast may have contributed to Investment participants perceiving the suggestion provided as more personalised than those in the Pensions experiments.

38. Additionally, the Pensions experiments asked participants whether they had previously considered financial advice and provided a definition, likely improving their understanding of what qualifies as individualised advice and leading to more accurate distinctions.

Key Lesson 4: Participants found targeted support more supportive, easy to understand and clear than guidance.

39. In the Investment experiment, we compared targeted support (with full information) with guidance.

40. Compared to guidance, participants were more likely to agree that targeted support was clear (80% agreed vs 73%), easy to understand (82% agreed compared to 75%), and supportive (73% agreed vs 66%). They were also more likely to perceive targeted support as intended to support them to make an informed investment decision (63% agreed vs 57%).

41. However, these benefits to consumer experience came at a trade-off: targeted support was perceived as more invasive (39% agreed vs 32%), and participants were less able to identify that what they were seeing was more general than individualised financial advice. Participants shown guidance were more likely to identify that what they saw was more generalised than financial advice (54% compared to 47%) and less likely to see it as financial advice or a free form of financial advice (33% compared to 41%).

42. Given guidance is more generic and factual than targeted support, these findings are unsurprising. However, if targeted support providers can clearly communicate that targeted support is not a fully personalised solution, it can deliver meaningful benefits to the consumer experience.

What's next? Some suggestions for future research

43. These experiments highlight the potential value of offering consumers targeted support. Compared to generic guidance, participants responded positively to the suggestions. However, many consumers struggle to understand what qualifies as individualised advice. This underscores the importance of carefully testing targeted support communications to help consumers recognise that it is not a fully personalised solution based on their full financial circumstances. The evidence suggests that communicating the characteristics of the consumer segment may be a helpful step in addressing this.

44. One potential avenue for future research is to explore consumer understanding of targeted support in a broader range of contexts. This research examined targeted support in a limited set of scenarios, focused on specific financial products and using consumer samples tailored to those contexts. As a result, the findings may reflect the particular characteristics of those scenarios. For example, due to exclusion criteria, the study sample skewed older than the general population, and younger consumers may

respond differently to targeted support in other use cases. Further research is needed to understand how targeted support can be most effectively delivered across different products and demographic groups.

45. We found evidence to suggest that financial literacy may play a role in participants' ability to distinguish between targeted support and individualised advice. Future research could investigate how to best support consumers with varying levels of financial literacy to understand targeted support. One avenue may be to explore how financial literacy initiatives could be effectively integrated into targeted support journeys.

Annex 9

Compatibility statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).

2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules (a) is compatible with its general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA is also required by s.138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to, so far as is compatible with acting in a way which advances the consumer protection or the integrity objective, discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.

4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s.1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.

5. This Annex includes a summary of our assessment of the equality and diversity implications of these proposals.

6. Under the Legislative and Regulatory Reform Act 2006 (LRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules).

The FCA's objectives and regulatory principles: Compatibility statement

7. The proposals set out in this consultation are intended to advance the FCA's operational objectives of protecting consumers, market integrity and promoting effective competition in the UK market.

8. The proposals, the Advice Guidance Boundary Review (AGBR) and related work, aim to be transformative and exemplify our determination to deliver smarter regulation, underpinned by the Consumer Duty, that helps consumers and supports innovation and growth. Key to their success is rebalancing how we think about and manage risk, as we outlined in Our Strategy 2025-2030. This theme is central to our approach.

9. The proposals set out in this consultation advance the FCA's operational objective of securing an appropriate degree of consumer protection. We believe our proposals, on the basis of the evidence we have collected to date, can help more consumers receive the support they need to engage with investment opportunities and to make informed, responsible and timely decisions about their pensions and investments, within a framework that delivers an appropriate degree of regulatory protection. We recognise that there are limits to what a targeted support service could deliver, and we need to manage potential risks to consumers from its delivery. We propose a proportionate conduct framework that does not seek to eliminate all risk, but which appropriately protects consumers while enabling effective support to be delivered to large numbers of consumers.

10. Our proposals also advance our operational objective of protecting and enhancing the integrity of the UK financial system. Our proposals recognise that lack of engagement in pension and investment decisions could undermine confidence in UK financial markets, and that enabling improved consumer understanding and good investment decisions increases trust in the system and ultimately encourages further use.

11. Consequently, we consider these proposals to be compatible with the FCA's strategic objective of ensuring that relevant markets function well. For the purposes of the FCA's strategic objective, "relevant markets" are defined by section 1F FSMA.

12. This consultation's proposals also advance our secondary objective of supporting the competitiveness and growth of the UK. Our proposals aim to increase consumer engagement with markets and support better decision-making, including a rebalancing of risk, which in turn will boost productive investment and support the UK's growth.

Compatibility with the duty to promote effective competition in the interests of consumers

13. The proposals also seek to promote effective competition in the interests of consumers in the market, as consumers currently face barriers in accessing appropriate pension and investment support. As well as improving consumer outcomes, our proposals provide a framework that could enable firms to create new services to support consumers in achieving their investment and retirement goals. By providing a flexible framework and improving engagement, these proposals are designed to support decision-making

amongst consumers by providing them with a choice of how they interact with the market. Informed consumers who can make well-informed and timely decisions are important in driving competition in markets.

In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles set out in s.3B FSMA.

The need to use our resources in the most efficient and economic way

14. Our proposals are consistent with, and would foster, an efficient and economic use of our resources. We have sought to leverage existing approaches, including the Consumer Duty, to introduce new rules in a proportionate manner and reduce complexity in the Handbook.

The principle that a burden or restriction should be proportionate to the benefits

15. Our proposals are designed to facilitate the provision of new types of services for the benefit of consumers, within a proportionate regulatory framework, with clear expectations on firms. Overall, we expect there to be minimal substantive changes to existing requirements on firms, and we have proposed a consistent supervision and prudential approach to manage any risk of harm that may arise from the new activity.

16. Our cost benefit analysis (CBA) in Annex 4 sets out our assessment of the costs and benefits of our proposals, the alternatives we considered as well as potential risks and trade-offs, concluding that the introduction of targeted support will create a net positive benefit.

The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) and section 5 of the Environment Act 2021 (environmental targets)

17. In developing this Consultation Paper, we have considered our duty under section 3B(1)(c) of FSMA to have regard to the need to contribute towards the Secretary of State achieving compliance with the net zero target, in section 1 of the Climate Change Act 2008 and the Government's environmental targets, in section 5 of the Environment Act 2021. We believe our proposals may help to support compliance with the Government's net zero and environmental targets, but this will depend on the extent to which consumers' sustainability preferences are incorporated in the targeted support offerings provided by firms. Overall, our aim is to increase levels of consumer engagement and confidence in the decisions consumers make about their pensions and investments.

The general principle that consumers should take responsibility for their decisions

18. Our proposals provide a framework that would enable the provision of services to support consumers with a choice of how they interact with the market in the pursuit of their investment and retirement goals.

19. We recognise that some risks arising from this framework will fall on consumers, for example if they misunderstand the nature of a targeted support service or take actions beyond what is suggested to them. We have sought to mitigate these risks in our proposals through measures including our disclosure requirements. However, we recognise that rebalancing our approach to risk is necessary to ensure that more consumers receive vital support to make decisions on their pensions and investments.

The responsibilities of senior management

20. Our proposals would not alter the responsibilities of senior management and we are content that our proposals do not undermine the principle of senior management responsibility for compliance with the requirements which we are proposing.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

21. Our proposals recognise the differences in the nature and objectives of the businesses affected by these proposals that the FCA regulates. We acknowledge that the proposals may potentially favour those firms whose businesses are vertically integrated. However, after carefully considering the trade-off between competition and our policy aim of increased consumer engagement, on balance we believe these proposals are appropriate and accompanied by effective consumer safeguards.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

22. This principle is not relevant to the matters covered in this Consultation Paper.

The principle that we should exercise our functions as transparently as possible

23. In developing these proposals, we have acted as transparently as possible. In 2023, with the Treasury, we opened a discussion in DP23/5 under the AGBR on whether and how we could build a framework that better supports a range of consumers. We subsequently consulted on how to take forward some of the AGBR proposals in pensions in CP24/7. Since that publication, we have engaged extensively with stakeholders, including through our policy sprint which involved a number of stakeholders including firms, trade associations as well as representatives of the regulatory family.

24. Throughout the process, we have engaged with the Financial Services Consumer Panel, the Small Business Practitioner Panel and the Practitioner Panel, including in advance of publishing this consultation. Their insights have helped us to develop our evidence base and shape our proposals, and we will continue to engage with them throughout this consultation and as we progress our work on simplified advice and clarifying the boundary.

25. In formulating these proposals, the FCA has had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention **of the general prohibition, to be used for a purpose connected with financial crime (as required by s.1B(5)(b) FSMA)**.

26. We do not expect the proposals in this paper to have any meaningful impact on the extent to which businesses can be used for a purpose connected with financial crime.

Treasury recommendations about economic policy

27. In our view we believe our proposals are consistent with the aspects of the Government's economic policy to which we should have regard.

28. In the remit letter from the Chancellor of the Exchequer to the FCA on 14 November, 2024, the Chancellor recommended that the FCA should pursue our operational objectives, whilst also pursuing a growth agenda supported by informed and responsible risk-taking by both firms and customers, and enabling consumers to access appropriate advice and products that will allow them to benefit from economic growth.

29. We have had regards to the letter and its recommendations, and we have worked closely with the Treasury. We consider that our proposals in this consultation, which build upon those set out in CP24/27, reflect an appropriate balance of these objectives, including improving consumer access to advice and products by focusing on a segment of the market who currently struggle to gain access to existing avenues of support, whilst ensuring a more proportionate regulatory burden. We believe our proposals will help consumers make more informed, timely and effective decisions whilst supporting a rebalancing of risk to ensure it is considered more accurately.

Expected effect on mutual societies

30. The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies, though we recognise some mutual societies may choose to offer targeted support.

Legislative and Regulatory Reform Act 2006 (LRRA)

31. We have had regard to the principles in the LRRA for the parts of the proposals that consist of general policies, principles, or guidance. We consider that our proposals are transparent, accountable, proportionate, and consistent. For example, we are proposing a proportionate framework that enables support to be derived effectively to a large number of consumers.

32. We have had regard to the Regulators' Code for the parts of the proposals that consist of general policies, principles, or guidance. We consider that our proposals are consistent with the principles of the code. This consultation is a way for firms to let us know their views of our proposals. We have identified the potential risks of not taking action by articulating potential harms. This consultation paper and instrument will allow firms to understand the requirements applicable to them. We are also transparently setting out what our policy aims are so that firms can take those into account.

Equality and diversity

33. We are required under the Equality Act 2010, in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, and to foster good relations between people who share a protected characteristic and those who do not. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered, and have provided a summary of our analysis below.

34. Consumers' ability to access support around pensions and retail investments is influenced by a range of social and structural factors, including income, employment type, and protected characteristics such as age, sex, ethnicity, and disability. These factors contribute to disparities in financial resilience and engagement with long-term financial planning.

35. In developing our proposals, we have carefully considered findings from our Financial Lives 2024 survey which identified disparities in investment participation, asset ownership, and vulnerability:

Capability

- In May 2024, 12% (6.5 million) of UK adults had low financial capability, rating their knowledge of financial matters or confidence in managing money as very low or because they strongly disagreed that they are a confident or savvy consumer with regards to financial services and products.

Gender

- Men (43%) remained over one-and-a-half times more likely to invest than women (28%).

- 9% of adults held an investment fund or endowment, with men more than twice as likely to do so than women.
- Men, on average, held more investible assets than women in May 2024. Almost half (49%) of men had £10,000+ in investible assets. In contrast, only 39% of women had £10,000+ in assets. The gender gap in asset ownership has widened over time.
- Women retirees were less likely to have a pension in decumulation than men (69% of retired women versus 83% of retired men).
- Women are almost twice as likely to report low financial capability than men.
- In 2024, men were still more than twice as likely to hold high-risk investment products than women.

Ethnicity

- Black adults (54%) were twice as likely as White adults (27%) to have no investible assets or less than £1,000. 38% of mixed/multiple ethnic adults and 32% of Asian adults were also in this position.
- Retirees from a minority ethnic background were less likely to have a pension in decumulation (47% versus 77% of retirees not from a minority ethnic background).
- Between 2022 and 2024, the overall proportion of adults holding high-risk investment products fell by 2%, with the most notable declines amongst Black adults (7%).

Vulnerability

- 41% of adults with high-risk investment products showed characteristics of vulnerability, compared with 38% of all investors and 49% of all UK adults.

36. Our proposals are designed to enable firms to offer meaningful support to segments of consumers with shared characteristics, some of which may include protected characteristics, helping to fill gaps between regulated advice and generic guidance. We believe our proposals have the potential to reach groups who have historically had lower levels of financial engagement and resilience, especially women and ethnic minority consumers. By offering well-timed, accessible suggestions tailored to common needs, targeted support therefore has the potential to improve decision-making and outcomes across a more diverse population.

37. However, the nature of targeted support as a mass-market service means consumers with highly complex personal circumstances may not fully benefit, particularly where complexities arise from protected characteristics. We recognise, in paragraph 2.51, that consumers with protected characteristics have a greater likelihood of being unable to be aligned with a segment. We therefore expect firms to consider whether they can build segments to capture these groups, and if they cannot, they should consider whether they should signpost consumers to relevant support services. We have also asked a question about whether firms should be required to signpost those who cannot be matched with a ready-made suggestion to other forms of support.

38. Digital exclusion also remains a risk. Whilst we do recognise a risk that some digitally excluded consumers may not benefit from targeted support if firms do not provide this in non-digital ways, we do not think it is proportionate to require firms to make targeted support available in non-digital ways. Instead, our proposals are channel-neutral, enabling firms to provide targeted support through multiple channels – including online, the telephone or face-to-face – to accommodate varying digital capabilities. Targeted support must also be delivered in line with the Consumer Duty and our guidance on the fair treatment of vulnerable customers (FG21/1), and firms are expected to ensure that these standards are met throughout the design and delivery of support. Targeted support is not a replacement for existing forms of investment advice, but it presents an opportunity to reduce current disparities in access to financial support by providing particular suggestions on actions or products designed for groups of consumers with common characteristics. With thoughtful design and implementation, it has the potential to narrow participation gaps and promote better outcomes beyond existing forms of support.

39. We have undertaken an Equality Impact Assessment (EIA) to consider how our targeted support proposals may affect consumers with protected characteristics, in line with our obligations under the Equality Act 2010 and the Public Sector Equality Duty (PSED). Our assessment draws on multiple data sources, including bespoke consumer research and FCA Financial Lives Surveys. These show that financial vulnerability and disengagement are more prevalent among consumers with certain protected characteristics. We believe that targeted support can improve engagement and decision-making for these groups by offering structured, proportionate support based on shared characteristics, helping to reduce participation gaps in pensions and retail investments by offering a more flexible alternative to existing forms of regulated advice.

40. We are particularly interested in feedback on how firms can design and deliver targeted support journeys that are inclusive, proportionate, and accessible for all consumers – especially those at greater risk of exclusion due to protected characteristics or structural disadvantage. We will continue to assess the equality and diversity implications of our proposals as the consultation progresses.

Question 50: Do you have any comments on our equality and diversity considerations?

Annex 10

List of non-confidential respondents to CP24/27

Aberdeen

Aegon UK

Age UK

AJ Bell

Altus Consulting

Aon

Association of British Insurers (ABI)

Association of Consulting Actuaries (ACA)

Association of Member Directed Pension Schemes (AMPS)

Association of Pension Lawyers (APL)

Association of Professional Pension Trustees (APPT)

Atsipp

Aviva

Barclays

BlackRock

Canada Life UK

Chartered Insurance Institute (CII)

Enhance Support Solutions

Equity Release Council

EV

Eversheds Sutherland

FCA Consumer Panel

FCA Small Business Practitioner Panel

Forester Life

In Partnership

Independent Governance Group (IGG)

Innovate Finance

interactive investor

Invesco

Investment & Life Assurance Group (ILAG)

Just Group

Legal & General

Life Moments

M&G

Mercer

Money and Pensions Service (MaPS)

Money Means

Moneybox

Monzo

My Pension Expert

NFU Mutual

Nucleus

Octopus Money

Oxford Risk

Pensions Administration Standards Association (PASA)

Pensions Policy Institute

Personal Investment Management & Financial Advice Association (PIMFA)

Phoenix Group

Royal London

Sackers

SimplyBiz

Smart Pension

St James's Place

The City of London Law Society (CLLS)

The Financial Inclusion Centre (FIMC)

The Investing and Saving Alliance (TISA)

The Investment Association (IA)

The Society of Pension Professionals (SPP)

threesixty services

UK Finance

Wake up your wealth

Which?

Zurich Assurance

Annex 11

Abbreviations used in this paper

Abbreviation	Description
AGBR	Advice Guidance Boundary Review
CP	Consultation Paper
DC	Defined Contribution
DISP	Dispute Resolution sourcebook
DP	Discussion Paper
DSIT	Department for Science, Innovation and Technology
DWP	Department for Work and Pensions
EEA	European Economic Area
EPF	Exempt Professional Firm
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
FEES	Fees manual
FG	Finalised Guidance
FIT	The Fit and Proper Test
FLS	Financial Lives Survey
FS	Feedback Statement
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services Markets Act
GDPR	General Data Protection Regulation
GEN	General Provisions sourcebook

Abbreviation	Description
ICO	Information Commissioner's Office
IPRU-INV	Interim Prudential Sourcebook for Investment Business
ISA	Individual Savings Account
LDII	Life Distribution and Investment Intermediation
LRRA	Legislative and Regulatory Reform Act
LTAF	Long-Term Asset Fund
MiFID	Markets in Financial Instruments Directive
PASS	Pre-Application Support Service
PECR	The Privacy and Electronic Communications Regulation (EC Directive) Regulations 2003
PERG	Perimeter Guidance manual
PRA	Prudential Regulation Authority
PRIN	Principles for Business
PROD	Product Intervention and Product Governance sourcebook
PROF	Professional Firms sourcebook
PSD002	Product sales data reporting
RAO	Regulated Activities Order
REP015	Retirement income flow data
REP016	Retirement income stock and withdrawals flow data
RMAR	Retail Mediation Activities Return
SIPP	Self-Invested Personal Pension
SM&CR	Senior Managers and Certification Regime
SYSC	Systems and Controls sourcebook
TPR	The Pensions Regulator
VJ	Voluntary Jurisdiction

Appendix 1

Draft Handbook text

ADVICE GUIDANCE BOUNDARY REVIEW (TARGETED SUPPORT) INSTRUMENT 2025

Powers exercised by the Financial Conduct Authority

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 137A (The FCA's general rules);
(2) section 137R (Financial promotion rules);
(3) section 137T (General supplementary powers);
(4) section 139A (Power of the FCA to give guidance);
(5) section 213 (The compensation scheme);
(6) section 214 (General);
(7) section 226 (Compulsory jurisdiction); and
(8) paragraph 13 (FCA's rules) of Part III (The Compulsory Jurisdiction) of Schedule 17 (The Ombudsman Scheme).

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

C. The FCA approves the making of the Voluntary Jurisdiction rules and guidance and the fixing and varying of the standard terms for Voluntary Jurisdiction participants by the Financial Ombudsman Service, as set out in paragraph D below.

Powers exercised by the Financial Ombudsman Service Limited

D. The Financial Ombudsman Service Limited ("Financial Ombudsman") makes and amends the rules and guidance for the Voluntary Jurisdiction and fixes and varies the standard terms for Voluntary Jurisdiction participants, as set out in Annex H to this instrument, and to incorporate the changes to the Glossary of definitions as set out in Annex A to this instrument, in the exercise of the following powers and related provisions in the Act:

(1) section 227 (Voluntary jurisdiction);
(2) paragraph 8 (Information, advice and guidance) of Schedule 17;
(3) paragraph 18 (Terms of reference to the scheme) of Schedule 17; and
(4) paragraph 20 (Voluntary jurisdiction rules: procedure) of Schedule 17.

E. The making and amendment of the Voluntary Jurisdiction rules and guidance and the fixing and varying of the standard terms for Voluntary Jurisdiction participants by the Financial Ombudsman, as set out at paragraph D above, is subject to the consent and approval of the FCA.

Commencement

F. This instrument comes into force on [*date*].

Amendments to the FCA Handbook

G. The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
Training and Competence sourcebook (TC)	Annex C
Prudential sourcebook for MiFID Investment Firms (MIFIDPRU)	Annex D
Interim Prudential sourcebook for Investment Businesses (IPRU-INV)	Annex E
Conduct of Business sourcebook (COBS)	Annex F
Product Intervention and Product Governance sourcebook (PROD)	Annex G
Dispute Resolution: Complaints sourcebook (DISP)	Annex H
Collective Investment Schemes sourcebook (COLL)	Annex I
Investment Funds sourcebook (FUND)	Annex J

Notes

H. In the Annexes to this instrument, the notes (indicated by "**Note:**" or "*Editor's note:*") are included for the convenience of readers but do not form part of the legislative text.

Citation

I. This instrument may be cited as the Advice Guidance Boundary Review (Targeted Support) Instrument 2025.

By order of the Board of the Financial Conduct Authority
[*date*]

By order of the Board of the Financial Ombudsman Service Limited
[*date*]

[*Editor's note*: The following Annexes take into account the proposals and legislative changes suggested in the consultation papers 'Consultation on the new public offer platform regime' (CP24/13), 'The MiFID Organisational Regulation' (CP24/24) and 'Consultation on further changes to the public offers and admissions to trading regime and the UK Listing Rules' (CP25/2), in each case as if they were made final.]

[*Editor's note*: References in the following Annexes to the new regulated activity of providing targeted support are to be confirmed once legislation has been laid before Parliament.]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

common characteristics	the *including characteristics* and *excluding characteristics* of a *consumer segment*.
consumer segment	has the meaning given in *COBS* 9B.4.4R.
excluding characteristic	in connection with a *consumer segment*, a characteristic specified by a *firm* by reference to which an individual, who has that characteristic, is excluded from that *consumer segment*.
including characteristic	in connection with a *consumer segment*, a characteristic specified by a *firm* by reference to which an individual, who has that characteristic, may be aligned with that *consumer segment*.
providing targeted support	the *regulated activity*, specified in article [*Editor's note*: insert the article number] of the *Regulated Activities Order*, which is in summary: [*Editor's note*: summary of new regulated activity to be inserted once legislation has been laid before Parliament.]
ready-made suggestion	a recommendation specified, and made by a *firm* to a *client*, in the course of *providing targeted support*.
targeted support	the service of providing *ready-made suggestions* to *clients* which are designed and delivered by a *firm*: (1) carrying on the *regulated activity* of *providing targeted support*; and (2) pursuant to the *rules* in *COBS* 9B (Targeted support).

Amend the following definitions as shown.

designated investment business

any of the following activities, specified in Part II of the *Regulated Activities Order* (Specified Activities), which is carried on by way of business:

…

(mb) …

(mc) *providing targeted support*, but only in relation to *designated investments* (article [*Editor's note*: insert the article number]);

…

insurance distribution activity

any of the following *regulated activities* carried on in relation to a *contract of insurance* or rights to or interests in a *life policy*:

…

(e) …

(ea) *providing targeted support* (article [*Editor's note*: insert the article number]);

…

intermediation of structured deposits

(in *COMP* and *FEES* 6) any of the following:

…

(2) in relation to *structured deposits*:

…

(e) *managing investments*; or

(f) *providing targeted support*.

investment advice

(other than in relation to *providing targeted support*) the provision of *personal recommendations* to a *client*, either upon the *client's* request or at the initiative of the *firm*, in respect of one or more transactions relating to *designated investments*.

[Note: article 4(1)(4) of *MiFID*]

personal recommendation

(1) (except in *CONRED*, ~~and~~ in relation to *advising on investments (except P2P agreements)* and in relation to *providing targeted support*): a recommendation that is *advice on P2P agreements*, *advice on conversion or transfer of pension benefits*, or *advice on*

a home finance transaction and is presented as suitable for the person to whom it is made, or is based on a consideration of the circumstances of that person. A recommendation is not a personal recommendation if it is issued exclusively to the public. For the purposes of this definition, references in the *Handbook* to making *personal recommendations* on, or in relation to, *P2P agreements* should be understood as referring to making *personal recommendations* involving *advice on P2P agreements*.

…

(3) …

(4) (in relation to *providing targeted support*) this definition does not apply to, or include, *providing targeted support* pursuant to *COBS* 9B, except that (3) applies for the purposes of the definitions of:

(a) *investment service*;

(b) *investment services and/or activities*; and

(c) *investment services or activities*.

…

regulated activity

…

(B) in the *FCA* Handbook: (in accordance with section 22 of the *Act* (Regulated activities)) the activities specified in Part II (Specified activities), Part 3A (Specified activities in relation to information) and Part 3B (Claims management activities in Great Britain) of the *Regulated Activities Order*, which are, in summary:

…

(pg) *advising on conversion or transfer of pension benefits* (article 53E);

(ph) *providing targeted support* (article [*Editor's note*: insert the article number]);

…

(C) in *DISP*, except *DISP* 1.1: (in accordance with the *FCA's* power under section 226 of, and paragraph 13 of Schedule 17 to, the *Act* to specify the activities to which *DISP rules* apply) all activities included as *regulated activities* in the *Regulated Activities Order* as at [*Editor's Note*: insert date of entry into force of the new instrument – either this instrument or the relevant statutory instrument that adds the new regulated activity, whichever is the later] unless expressly excluded in *DISP* 2.3.1R.

securities and futures firm	a *firm* whose *permitted activities* include *designated investment business* or *bidding in emissions auctions*, which is not an *authorised professional firm*, *bank*, *MIFIDPRU investment firm*, *building society*, *collective portfolio management firm*, *credit union*, *friendly society*, *ICVC*, *insurer*, *media firm* or *service company*, whose permission does not include a *requirement* that it comply with ~~*IPRU(INV)*~~ *IPRU-INV* 5 (Investment management firms) or *IPRU-INV* 13 (Personal investment firms), and which is within (a), (b), (c), (d), (e) , (f), (g) or (ga): … (c) a *firm*: … (ii) for which the most substantial part of its gross income (including commissions) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the *firm's financial year* preceding its *authorisation* under the *Act*): … (G) activities related to *spread bets*; ~~or~~ (H) *operating an electronic system for public offers of relevant securities*; or (I) *providing targeted support;* …

Annex B

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text.

27 Senior managers and certification regime: Certification regime

…

27.8 Definitions of the FCA certification functions

…

Client-dealing function

…

27.8.22B G …

(4) …

(5) The client-dealing *FCA certification function* does not apply to roles involved in *providing targeted support*.

…

Annex C

Amendments to the Training and Competence sourcebook (TC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Competence

2.1 Assessing and maintaining competence

…

Qualification requirements before starting activities

…

2.1.8A	R	…
<u>2.1.8B</u>	<u>G</u>	<u>There are no qualification requirements for *employees* involved in *providing targeted support*.</u>

…

4 Specified modified requirements

4.1 Specified requirements for MiFID investment firms and for third country investment firms

4.1.1	R	<u>(1)</u>	For a *firm* in relation to its *MiFID or equivalent third country business* the *rules* set out in column 1 of the table in *TC* 4.1.4R below are amended as set out in column 2.
		<u>(2)</u>	<u>The amendments in (1) do not apply in relation to *providing targeted support* where this would constitute *MiFID or equivalent third country business*.</u>

…

4.2 Specified requirements for firms carrying on insurance distribution activities

4.2.1	R	<u>(1)</u>	For a *firm* which carries on *insurance distribution activities* the *rules* and *guidance* set out in column 1 of the table in *TC* 4.2.5R below are amended as set out in column 2.
		<u>(2)</u>	<u>The amendments in (1) do not apply in relation to *providing targeted support* where this would constitute *insurance distribution activity*.</u>

…

App 1.1 Activities and Products/Sectors to which TC applies subject to TC Appendices 2 and 3

App 1.1.1 R

Activity	Products/Sectors		Is there an appropriate qualification requirement?
Designated investment business carried on for a *retail client*			
Providing basic advice	1.	*Stakeholder products* excluding a *deposit-based stakeholder product*	No
Providing targeted support	1A.	*Providing targeted support* on *designated investments* and *structured deposits*	No
…			
Notes:			
…			
2.	…		
2A.-1.	The activity of *providing targeted support* is covered by activity number 1A. References in this table to giving *personal recommendations* do not include *providing targeted support*. Activity number 1A includes *employees* engaged in either or both of the design and delivery of *targeted support*.		
2A.	…		

Annex D

Amendments to the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4 Own funds requirements

…

4.4 Permanent minimum capital requirement

4.4.1 R ~~(1)~~ ~~Where a *MIFIDPRU investment firm* has *permission* to carry on any of the *investment services and/or activities* in (2), its *permanent minimum capital requirement* is £750,000, unless *MIFIDPRU* 4.4.6R applies.~~ The *permanent minimum capital requirement* is the highest of the applicable requirements in the following table:

	Application		*Permanent minimum capital requirement*
(1)	A *firm* appointed to act as the *depositary* of a *UK UCITS* or an *authorised AIF*.		£4 million
(2)	A *firm* with *permission* for the *investment services and/or activities* of:		£750,000
	(a)	*dealing on own account;*	
	(b)	underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis; or	
	(c)	*operating an organised trading facility*, if the *firm* is not subject to a *limitation* that prevents it from carrying on the activities otherwise permitted by *MAR* 5A.3.5R.	
(3)	A *firm* appointed to act as a *depositary* of an *unauthorised AIF* in accordance with *FUND* 3.11.10R(2).		£750,000
(4)	A *firm* with *permission* to *provide targeted support*.		£500,000
(5)	A *firm* with *permission* for:		£150,000
	(a)	*operating a multilateral trading facility*;	

	(b)	*operating an organised trading facility*, if the *firm* is subject to a *limitation* that prevents it from carrying on the activities otherwise permitted by *MAR* 5A.3.5R;	
	(c)	holding *client money* or *client* assets in the course of *MiFID business*.	
(6)	A *firm* with *permission* for the *investment services and/or activities* of:		£75,000
	(a)	reception and transmission of orders in relation to one or more *financial instruments*;	
	(b)	*execution of orders on behalf of clients*;	
	(c)	*portfolio management*;	
	(d)	*investment advice*; or	
	(e)	placing of *financial instruments* without a firm commitment basis.	

~~(2)~~ ~~The relevant *investment services and/or activities* are:~~

~~(a)~~ ~~*dealing on own account*;~~

~~(b)~~ ~~underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis; or~~

~~(c)~~ ~~*operating an organised trading facility*, if the *firm* is not subject to a *limitation* that prevents it from carrying on the activities otherwise permitted by *MAR* 5A.3.5R.~~ [deleted]

~~(3)~~ ~~Where a *MIFIDPRU investment firm* is appointed to act as a *depositary* of an *unauthorised AIF* in accordance with *FUND* 3.11.10R(2), its *permanent minimum capital requirement* is £750,000, unless *MIFIDPRU* 4.4.6R applies.~~ [deleted]

4.4.3 R ~~(1)~~ ~~Where a *MIFIDPRU investment firm* satisfies the conditions in (2), its *permanent minimum capital requirement* is £150,000~~.

~~(2)~~ ~~The relevant conditions are:~~

~~(a)~~ ~~the *firm* has *permission* for any of the following:~~

(i) ~~*operating a multilateral trading facility*;~~

(ii) ~~*operating an organised trading facility*, if the *firm* is subject to a *limitation* that prevents it from carrying on the activities otherwise permitted by *MAR* 5A.3.5R;~~

(iii) ~~holding *client money* or *client* assets in the course of *MiFID business*;~~

(b) ~~the *firm* does not have *permission* for any of the following:~~

(i) ~~*dealing on own account*;~~

(ii) ~~underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis;~~

(iii) ~~*operating an organised trading facility*, if the *firm* is not subject to a *limitation* that prevents it from carrying on the activities otherwise permitted by *MAR* 5A.3.5R; and~~

(c) ~~the *firm* is not appointed to act as a *depositary* in accordance with *FUND* 3.11.10R(2) or *COLL* 6.6A.8R(3)(b)(i).~~ [deleted]

4.4.4 R (1) ~~Where a *MIFIDPRU investment firm* satisfies the conditions in (2), its *permanent minimum capital requirement* is £75,000.~~

(2) ~~The relevant conditions are:~~

(a) ~~the only *investment services and/or activities* that the *firm* has *permission* to carry on are one or more of the following:~~

(i) ~~reception and transmission of orders in relation to one or more *financial instruments*;~~

(ii) ~~*execution of orders on behalf of clients*;~~

(iii) ~~*portfolio management*;~~

(iv) ~~*investment advice*; or~~

(v) ~~placing of *financial instruments* without a firm commitment basis; and~~

(b) ~~the *firm* is not permitted to hold *client money* or client assets in the course of *MiFID business*; and~~

~~(c)~~ ~~the *firm* is not appointed to act as a *depositary* in accordance with *FUND* 3.11.10R(2) or *COLL* 6.6A.8R(3)(b)(i).~~ [deleted]

…

4.4.6 R ~~Where a *MIFIDPRU investment firm* is appointed to act as the *depositary* of a *UK UCITS* or an *authorised AIF*, its *permanent minimum capital requirement* is £4 million.~~ [deleted]

4.4.7 G For example, a *firm* with *permission* for *portfolio management* and *investment advice*, but which also holds *client money*, would have a *permanent minimum capital requirement* of £150,000.

…

9 Reporting

9 Annex 2G Guidance notes on data items in MIFIDPRU 9 Annex 1R

MIF001 – Adequate financial resources (Own funds)

…

8A – Permanent minimum requirement (PMR)

If completed on an individual basis, FCA investment firms should enter one of the following numbers:

• 75 if the firm has a PMR of £75,000

• 150 if the firm has a PMR of £150,000

• 500 if the firm has a PMR of £500,000

• 750 if the firm has a PMR of £750,000

• 4000 if the firm has a PMR of £4,000,000

…

Sch 6 List of Part 9C rules

…

Sch 6.2 G (1) …

(2) The following provisions are not Part 9C rules:

(a) *MIFIDPRU* 4.4.1R(1), (3) and (4);

(b) ~~*MIFIDPRU* 4.4.3R(2)(c);~~ [deleted]

(c) ~~*MIFIDPRU* 4.4.4R(2)(c); and~~ [deleted]

(d) ~~*MIFIDPRU* 4.4.6R.~~ [deleted]

Annex E

Amendments to the Interim Prudential sourcebook for Investment Businesses sourcebook (IPRU-INV)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3 Financial resources for Securities and Futures Firms which are not MiFID Investment Firms

…

Absolute minimum requirement – General rule

3-72 R A *firm's* absolute minimum requirement is <u>the highest of the applicable requirements in the following list</u>:

(a) for an *arranger* ~~to which (aa) does not apply~~: £10,000

(aa) for an *arranger* with *permission* to operate an electronic system by means of which a *qualifying public offer* is made, in accordance with article 25DB of the *Regulated Activities Order*: £75,000

…

(f) for a *broad scope firm* other than one within (b) to (eb) above: £100,000~~.~~<u>; or</u>

<u>(g)</u> <u>for a *firm* with *permission* to *provide targeted support*: £500,000.</u>

…

Appendix 1 GLOSSARY OF TERMS FOR IPRU(INV) 3

…

…

arranger means a *firm* -

(a) whose sole *investment business* consists of activities within the following articles of the *Regulated Activities Order* -

…

(iv) article 53 (advising on investments);

<u>(v)</u> <u>article [*Editor's note*: insert the article number] (*providing targeted support*);</u>

…

…

…

investment business means any of the following regulated activities specified in Part II of the *Regulated Activities Order* and which is carried on by way of business:

…

(l) advising on investments (article 53);

(la) *providing targeted support* (article [*Editor's note*: insert the article number]);

…

5 Financial resources

…

5.4 Financial resources requirement

…

Own funds requirement

5.4.3 R The **own funds requirement** for a *firm* subject to *IPRU-INV* 5.4.2R is the ~~higher~~ highest of:

…

(ib) for a *firm* which is a *depositary* of a *UCITS scheme*, the higher of:

…

(B) £4 million; ~~and~~

(ic) £500,000 for a *firm* with *permission* to *provide targeted support*; and

…

…

Liquid capital requirement

5.4.10 R The **liquid capital requirement** for a *firm* subject to *IPRU-INV* 5.4.1R is:

(i) for a *firm* whose **permitted business** includes *establishing, operating or winding up a personal pension scheme*, the ~~higher~~

highest of: ~~(A) £20,000, and (B) the calculation from *IPRU-INV* 5.9.1R; and~~

(A) £20,000;

(B) the calculation from *IPRU-INV* 5.9.1R; and

(C) for a *firm* with *permission* to *provide targeted support*, £500,000; and

(ii) for any other *firm*, the ~~higher~~ highest of ~~(A) £5,000 and (B), its total capital requirement calculated in accordance with *IPRU-INV* 5.4.12R.~~:

(A) £5,000;

(B) its total capital requirement calculated in accordance with *IPRU-INV* 5.4.12R; and

(C) for a *firm* with *permission* to *provide targeted support*, £500,000.

…

13 Financial Resources Requirements for Personal Investment Firms

…

13.13 CAPITAL RESOURCES REQUIREMENT FOR A PERSONAL INVESTMENT FIRM

…

Requirement

13.13.2 R (1) A *firm* to which *MIPRU* does not apply must calculate its capital resources requirement as in (2).

(2) The *firm* must calculate its capital resources requirement as the ~~higher~~ highest of:

(a) £20,000; ~~and~~

(b) the amount equivalent to the applicable percentage of its *annual income* specified in table 13.13.2(2)(b), depending on the type of *firm*~~.~~; and

(c) for a *firm* with *permission* to *provide targeted support*, £500,000.

…

13.13.3 R (1) A *firm* to which *MIPRU* also applies must calculate its capital resources requirement as in (2).

(2) The *firm* must calculate its capital resources requirement as the ~~higher~~ highest of:

(a) £20,000; ~~and~~

(b) the sum of:

…

(ii) the capital resources requirement in *MIPRU* 4.2. (Capital resources requirements), after excluding the fixed amounts specified in table 13.13.3(2)(b)(ii)~~.~~; and

(c) for a *firm* with *permission* to *provide targeted support*, £500,000.

…

13.13.4 G (1) *IPRU-INV* 13.13.4G(2) illustrates how a *firm* that is subject to this section and *MIPRU*, but does not *provide targeted support*, calculates its capital resources requirement under *IPRU-INV* 13.13.3R.

…

13.13.5 R A *firm* whose *permission* includes *establishing, operating or winding up a personal pension scheme* must calculate its capital resources requirement as the sum of:

(1) the capital resources requirement that is applied under *IPRU-INV* 13.13.2R(2) or *IPRU-INV* 13.13.3R(2); and

(2) the financial resources requirement calculated in accordance with *IPRU-INV* 5 (Investment Management Firms), disregarding *IPRU-INV* 5.4.10R(i)(C) and *IPRU-INV* 5.4.10R(ii)(C).

Annex F

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

1 Application

1.1 General application

…

Deposits (including structured deposits)

1.1.1A R This sourcebook applies to a *firm* with respect to activities carried on in relation to *deposits* from an establishment maintained by it, or its *appointed representative*, in the *United Kingdom* only as follows:

	Section / chapter	**Application in relation to deposits**
…		
(4)	…	…
<u>(4A)</u>	<u>*COBS* 9B (Targeted support)</u>	<u>*Providing targeted support* in relation to *structured deposits*.</u>
…		

…

1 Annex 2 Application to TP firms and Gibraltar-based firms (see COBS 1.1.1CR)

…

Part 2: Gibraltar-based firms

…			
2.	**Application of COBS**		
2.1	R	In addition to those *rules* applying by virtue of *GEN* 2.3.1R, a *Gibraltar-based firm* must also comply with:	
		…	

		(2)	(to the extent that the *rule* does not already apply to such a *Gibraltar-based firm* as a result of *GEN* 2.3.1R) the provisions in:	
			…	
			(f)	…
			(fa)	*COBS* 9B (Targeted support);
			…	

…

3 Client categorisation

3.1 Application

Scope

…

3.1.2 G This chapter relates to parts of the *Handbook* whose application depends on whether a *person* is a *client*, a *retail client*, a *professional client* or an *eligible counterparty*. However, it does not apply to the extent that another part of the *Handbook* provides for a different approach to *client* categorisation. For example~~,~~:

(1) a separate approach to *client* categorisation is set out in the definition of a *retail client* for a *firm* that gives *basic advice* (*COBS* 9.6); and

(2) the *rules* on the provision of *targeted support* do not differentiate between different categories of *client* (*COBS* 9B.3.4R).

…

3.4 Retail clients

…

3.4.2 R …

3.4.3 G A *firm providing targeted support* is required to treat its *client* as a *retail client* in relation to the provision of that service, even if it would otherwise be categorised as a *professional client* or an *eligible counterparty* for other purposes (*COBS* 9B.3.4R). This chapter is not therefore relevant to a *firm* in relation to *providing targeted support*.

…

6.1A Adviser charging and remuneration

Application - Who? What?

…

6.1A.2A R …

<ins>6.1A.2B G This section does not apply to a *firm* in relation to *providing targeted support* (save as specified in *COBS* 9B.8).</ins>

…

6.2B Describing advice services

Application

…

6.2B.3 G <ins>(1)</ins> *P2P agreements* are neither *financial instruments* nor *retail investment products*. This section does not apply to a *firm* when it is advising on *P2P agreements*.

<ins>(2) *Providing targeted support* is not included within the scope of the *Handbook* definition of *investment advice*. This section does not apply to a *firm* in relation to the provision of *targeted support*.</ins>

…

8 Client agreements (non-MiFID provisions)

8.1 Client agreements: non-MiFID designated investment business

…

Providing a client agreement

8.1.2 R If a *firm* carries on *designated investment business*, other than *advising on investments*<ins>,</ins> ~~or~~ *advising on conversion or transfer of pension benefits* <ins>or *providing targeted support*</ins>, with or for a new *retail client*, the *firm* must enter into a written basic agreement, on paper or other *durable medium*, with the *client* setting out the essential rights and obligations of the *firm* and the *client*.

…

8A Client agreements (MiFID provisions)

8A.1 Client agreements (MiFID, equivalent third country or optional exemption business)

…

Providing a client agreement: retail and professional clients

8A.1.4 R (1) This *rule* applies to a *firm* that provides to a *client*:

(a) an *investment service*; or

(b) the *ancillary service* in paragraph 1 of Part 3A of Schedule 2 to the *Regulated Activities Order* (safekeeping and administration of financial instruments).

(2) A *firm* must enter into a written basic agreement with the *client*, on paper or in another *durable medium*.

(3) The requirement in (2):

(a) only applies to a *firm* that provides *investment advice* where the *firm* will undertake a periodic assessment of the suitability of the *financial instruments* or services recommended;

(b) does not apply to a *firm* in relation to *providing targeted support*.

…

…

9 Suitability (including basic advice) (other than MiFID and insurance-based investment products)

9.1 Application and purpose provisions

Application

…

9.1.1A G …

9.1.1B G The *rules* in this chapter do not apply to a *firm providing targeted support*.

…

9A Suitability (MiFID and insurance-based investment products provisions)

9A.1 Application and purpose

Application

9A.1.1 R …

9A.1.1A G The *rules* in this chapter do not apply to a *firm providing targeted support*.

…

Insert the following new chapter, COBS 9B, after COBS 9A (Suitability (MiFID and insurance-based investment products provisions). All of the text is new and is not underlined.

9B Targeted Support

9B.1 Purpose

9B.1.1 G (1) This chapter sets out the framework for the provision of *targeted support*.

(2) The purpose of the *targeted support* framework is to enable *firms* to provide support to *clients*:

(a) in relation to decisions about investments and pensions;

(b) at scale;

(c) on the basis of limited information;

(d) in common situations, involving a common financial support need or objective;

(e) through the delivery of a *ready-made suggestion* by reference to the *client's* alignment with a pre-defined *consumer segment*; and

(f) that is designed to enable them to achieve a better outcome than if they had not received *targeted support* from the *firm*.

(2) A *firm* should not provide *targeted support* in circumstances where it does not have reasonable grounds to consider that the provision of *targeted support* would achieve a better outcome for the *client* than if that support were not provided.

9B.1.2 G The cross-cutting obligations under *Principle* 12 (Consumer Duty) do not require a *firm* to provide *targeted support* (whether reactively or proactively).

9B.1.3 G Notwithstanding the more limited nature of *targeted support*, as compared with other types of advice, *firms* are reminded of their obligation not to seek to exclude or restrict any duty or liability they may have to a *client* under the *regulatory system* (*COBS* 2.1.2R).

9B.2 Application

Who? What?

9B.2.1 R This chapter applies to a *firm* with respect to the provision of *targeted support* in relation to:

(1) a *designated investment* other than a *pure protection contract*; or

(2) a *structured deposit*.

9B.2.2 G Notwithstanding *COBS* 9B.2.1R, *COBS* 9B.4 includes restrictions on certain types of *ready-made suggestion*. The effect of these restrictions is that certain types of recommendation may not be provided within the *targeted support* framework.

9B.2.3 R (1) This *rule* applies to a *firm providing targeted support* in relation to a type of *specified investment* which is beyond the scope of application of this chapter or in relation to which a *ready-made suggestion* may not be provided.

(2) In *providing targeted support*, a *firm* in (1) must comply with the *rules* which would apply to that *firm* if it were *advising on investments*.

9B.2.4 G The effect of *COBS* 9B.2.3R is that a *firm* carrying on the *regulated activity* of *providing targeted support* in relation to a *general insurance contract*, for example, would need to comply with the *rules* applicable to a *firm advising on investments* in relation to such contracts in *ICOBS*.

Where?

9B.2.5 G This chapter applies in accordance with the general territorial scope of this sourcebook.

Guidance

9B.2.6 G (1) A *firm* may provide support to a *consumer* in accordance with the framework set out in this chapter but that does not involve the *firm providing targeted support*. This may be because, for example, the *ready-made suggestion* does not involve a recommendation in relation to a particular investment.

(2) A *firm* delivering support in the manner described in (1) should ensure that the *consumer* understands the nature of the support they are receiving.

(3) (a) Alternatively, in *providing targeted support* a *firm* may specify a *ready-made suggestion* incorporating elements which:

(i) provided in isolation, would not involve the *firm providing targeted support*; and

(ii) are sufficiently closely connected to the *targeted support* as to be integral to the recommendation as a whole.

(b) Where this is the case, the *firm* should consider whether it would be appropriate to treat the elements of the recommendation that do not amount to *targeted support* as forming part of the *ready-made suggestion* and design and deliver the full *ready-made suggestion* in accordance with the *rules* in this chapter.

9B.3 General provisions

Overview of targeted support

9B.3.1 G *Targeted support* involves the delivery of *ready-made suggestions* to *clients* in common situations, involving a common financial support need or objective, by reference to the *client's* alignment with a pre-defined *consumer segment*.

9B.3.2 G (1) The nature of *targeted support* means that it may involve:

(a) the provision of an *investment service* within the scope of *MiFID* (for example, where the *ready-made suggestion* is in respect of one or more transactions relating to *financial instruments*);

(b) *insurance distribution activity* (for example, where the *ready-made suggestion* is in relation to a *life policy*).

(2) *PERG* 13 contains *guidance* on the scope of business to which the *UK* provisions which implemented *MiFID* apply.

(3) *PERG* 5 contains *guidance* on *insurance distribution activities.*

9B.3.3 G (1) *Providing targeted support* is not subject to the suitability requirements in *COBS* 9 or *COBS* 9A.

(2) *Principle* 9 applies to a *firm providing targeted support* and requires that a *firm* takes reasonable care to ensure the suitability of its advice for any *customer* who is entitled to rely on its judgment.

Client categorisation

9B.3.4 R A *firm* must treat a *client* to whom it provides *targeted support* as a *retail client* in relation to the provision of that service even if it would otherwise be categorised as a *professional client* or *eligible counterparty* for other purposes.

9B.3.5 G (1) The effect of *COBS* 9B.3.4R is that, in relation to its provision of *targeted support*, a *firm* must apply other parts of the *Handbook* on the basis that the *client* is a *retail client*.

(2) *COBS* 9B.3.4R does not prevent a *firm* from categorising a *client* differently for other purposes (*COBS* 3.7.7G).

Interpretation

9B.3.6 R Unless the context otherwise requires, in this chapter:

(1) 'individual' is used in relation to the design of *consumer segments* to refer to a notional natural *person* by reference to whom a *consumer segment* is defined; and

(2) '*client*' is used in relation to the delivery of *ready-made suggestions* to refer to a natural *person* to whom a *firm* provides, intends to provide or has provided, a *ready-made suggestion*.

General requirements

9B.3.7 R A *firm* must:

(1) in its design of *targeted support* act with due skill, care and diligence in:

(a) identifying those situations, involving common financial support needs or objectives, for which to specify *ready-made suggestions*;

(b) defining *consumer segments*; and

(c) specifying suitable *ready-made suggestions* which meet the common financial support need or objective of the *consumer segment* for which they are designed;

(2) in its delivery of *targeted support* act with due skill, care and diligence in:

(a) establishing whether a *client* aligns with a *consumer segment*; and

(b) communicating with *clients*, including in relation to the nature, limitations and risks of a *ready-made suggestion*; and

(3) always conduct itself in a manner that is consistent with its obligation to act in good faith towards *retail customers* (*PRIN* 2A.2.1R).

Customers with characteristics of vulnerability

9B.3.8 G (1) FG21/1 (Guidance for firms on the fair treatment of vulnerable customers: https://www.fca.org.uk/publication/finalised-guidance/fg21-1.pdf)) is relevant to *firms'* relationships with their *clients*, including in the design and delivery of *targeted support*.

(2) *Firms* also need to consider their obligations under the Equality Act 2010 (or equivalent legislation in Northern Ireland). *Principle* 12 and *PRIN* 2A support existing legal requirements, such as those in the Equality Act 2010, by requiring *firms* to monitor whether any group

of *retail customers* is experiencing different outcomes than other *customers* and take appropriate action where they do.

9B.4 Design of targeted support service

Introduction

9B.4.1 G (1) *Targeted support* involves the delivery of *ready-made suggestions* to *clients* by reference to the *client's* alignment with a pre-defined *consumer segment*.

(2) Before a *firm* begins providing suggestions to *clients* in the delivery of its *targeted support* service, it must identify one or more *consumer segments* and allocate to each a suitable *ready-made suggestion*.

(3) This section contains *rules* and *guidance* relating to the design of a *firm's targeted support* service by reference to the definition of *consumer segments* and allocation to those *consumer segments* of *ready-made suggestions*.

9B.4.2 G (1) A *firm* designing its *targeted support* service will be a *manufacturer* of that service (and when providing it, will be a *distributor* of that service). Therefore, beyond the requirements in this section, a *firm* will also be subject to *rules* elsewhere in the *Handbook*.

(2) For *manufacturers* of services, relevant *rules* include *PRIN* 2A.3 (Consumer Duty: retail customer outcome – products and services) and *PRIN* 2A.4 (Consumer Duty: retail customer outcome on price and value).

(3) Where a *firm* recommends a product, as part of a *targeted support* service, the *firm* will be a *distributor* in relation to that product and the relevant requirements on *distributors* in *PRIN* 2A.3, *PRIN* 2A.4, *PROD* 3 and/or *PROD* 4 will also apply. The arrangements the *firm* has in place should enable the *firm* to obtain all necessary information from the product *manufacturer* to understand the product throughout its life cycle.

9B.4.3 G In the *FCA's* view, the following are particularly relevant considerations for a *firm* in the design of its *targeted support*:

(1) in identifying the situations for which to develop *ready-made suggestions*, the commonality of the relevant situation to its *clients*;

(2) in defining *common characteristics*, the ease with which a *firm* would be able to identify a particular *client* as aligning with a *consumer segment*; and

(3) in specifying *ready-made suggestions*, the ease with which such a suggestion may be communicated to the *firm*'s *clients*.

Consumer segments

9B.4.4 R For the purposes of this chapter, a *consumer segment* refers to a group of individuals:

(1) in a common situation involving a common financial support need or objective; and

(2) where relevant, sharing *common characteristics*.

9B.4.5 R Before a *firm* provides a *ready-made suggestion* to a *client*, it must:

(1) define at least 1 *consumer segment*; and

(2) specify a single *ready-made suggestion* for that *consumer segment*.

9B.4.6 G (1) The *rules* in this section afford *firms* a degree of flexibility in the way that they define their *consumer segments*.

(2) In defining its *consumer segments*, a *firm* may choose to:

(a) identify the common situation (involving a common financial support need or objective) with which to support *clients* before defining groups of individuals with *common characteristics* for the purposes of specifying *ready-made suggestions* to meet that need or objective; or

(b) undertake that exercise concurrently.

(3) A *firm* might reasonably conclude that it is sufficient to define a *consumer segment* by reference only to a situation involving a common financial support need or objective. For example, a *firm* might identify a situation in which *clients* are invested in a product where an equivalent product charging lower fees is available and the common financial support need of those *clients* would be to invest in that equivalent product. In this case, a *firm* may determine that a *ready-made suggestion* could be defined without the need to consider any *common characteristics* of *clients*. This explains the reference to a *consumer segment* being defined by reference to *common characteristics*, where relevant, in *COBS* 9B.4.4R.

(4) Where it identifies changes in the common needs, objectives or characteristics of its *clients*, *COBS* 9B.4.5R does not preclude a *firm*, at any time, from:

(a) defining additional *consumer segments*;

(b) modifying existing *consumer segments*; or

(c) retiring existing *consumer segments* (provided always that the *firm* maintains at least 1 *consumer segment* before providing a *ready-made suggestion*).

9B.4.7 R A *firm* must ensure that, in a particular situation, it is only possible for an individual to align with 1 *consumer segment*.

Assumptions about consumer segments

9B.4.8 G When defining *consumer segments*, *firms* may make certain assumptions about individuals for whom the *consumer segment* is designed for the purpose of defining a suitable *ready-made suggestion*.

9B.4.9 R (1) This *rule* applies to a *firm* that makes assumptions about individuals in a *consumer segment* for the purpose of specifying a suitable *ready-made suggestion*.

(2) A *firm* must ensure that any assumptions are reasonable and referable to evidence about the type of individuals covered by the *consumer segment*.

Granularity of consumer segments

9B.4.10 R A *firm* must define a *consumer segment* at a sufficiently granular level that enables the *firm* to assess whether a *ready-made suggestion* would be suitable for an individual within that *consumer segment*.

9B.4.11 G (1) In defining a *consumer segment*, a *firm* should be mindful that it does not define a *consumer segment* that is:

(a) so broad as to give rise to a foreseeable risk of harm from *clients* receiving *ready-made suggestions* which are not suitable for them; or

(b) overly individualised, meaning that a *clien*t is likely to misunderstand the nature of the service that they have received when the *firm* provides the *client* with *targeted support*.

(2) A *consumer segment* would not be at a sufficiently granular level if the *common characteristics* used to define the *consumer segment* did not enable a *firm* to determine whether a *ready-made suggestion* was suitable for an individual in that *consumer segment*. This could be because the *consumer segment* was defined by reference to:

(a) an insufficient number of *common characteristics*; or

(b) *common characteristics* which were not relevant to determining the suitability of a *ready-made suggestion* to address the common financial support need or objective of individuals for whom it was designed.

(3) The types of *common characteristics* that a *firm* should use to define a *consumer segment* should not be overly detailed or complex meaning that the information needed from the *client* is similarly overly detailed or complex.

General data protection regulation

9B.4.12 G *Firms* are reminded of their obligation to comply with the principles of data minimisation and data accuracy in Articles 5(c) and 5(d) of the *General data protection regulation* respectively.

Application of client's best interests rule and the Consumer Duty

9B.4.13 G The *client's best interests rule*, *Principle* 12 and the *rules* in *PRIN* 2A mean it may not be appropriate to provide *targeted support* in those situations which would likely require the *firm* to obtain a level of information about a *client* that would be likely to lead that *client* to consider that they were receiving more individualised and comprehensive advice than was in fact the case (for example because the complexity of the common financial support need or objective necessitated more complex advice).

Situations

9B.4.14 G (1) In identifying the situations to be met through the provision of *targeted support*, *firms* should have regard to:

(a) the circumstances commonly encountered by their *clients* and whether these can reasonably be expected to be met through the provision of *targeted support* in compliance with the *rules* in this chapter; and

(b) the purpose of *targeted support* (*COBS* 9B.1.1G).

(2) A *firm* may define multiple *consumer segments* which reference the same situation. This is because individuals with different characteristics might require different suggestions in equivalent situations.

(3) A *firm* is able to determine the range of situations in which it will provide *targeted support*. In specifying that a *firm* must define at least one *consumer segment*, the *FCA* recognises that a *firm* could provide *targeted support* for only one particular group of individuals in one situation.

Common characteristics

9B.4.15 G (1) Where relevant, the *common characteristics* by reference to which a *consumer segment* is defined refer to those characteristics which a *client* must either have (in the case of *including characteristics*) or not have (in the case of *excluding characteristics*) in order to be aligned with a *consumer segment*.

(2) *COBS* 9B.4.6G(3) explains why *common characteristics* will not always be relevant in defining a *consumer segment*.

9B.4.16 R To the extent that *common characteristics* are relevant to the definition of a *consumer segment*, they must:

(1) include both:

(a) *including characteristics*; and

(b) *excluding characteristics*; and

(2) be relevant to the:

(a) common financial support need or objective that the *consumer segment* is designed to meet (*COBS* 9B.4.4R(1)); and

(b) *firm*'s assessment of the type of *ready-made suggestion* that could reasonably be expected to be suitable for an individual within such a *consumer segment*.

9B.4.17 R (1) A *firm* must specify, in respect of each *consumer segment*, the information which it requires about a *client* in order to identify whether that *client* aligns with the *consumer segment*.

(2) The information in (1) must enable the *firm* to determine whether the *client*:

(a) has all of the *including characteristics*; and

(b) none of the *excluding characteristics*.

9B.4.18 G When defining any *common characteristics* for a *consumer segment*, a *firm* should have regard to the factors that:

(1) (in the case of *including characteristics*), would make a suggestion suitable; and

(2) (in the case of *excluding characteristics*), could or would make a suggestion unsuitable,

for an individual within the *consumer segment*.

Excluding characteristics

9B.4.19 G (1) *Excluding characteristics* are those characteristics which are attributed to a *consumer segment* and which, if identified in a *client*, would prevent that *client* from being aligned with the *consumer segment*.

(2) *Excluding characteristics* refer to those characteristics of an individual that would be likely to render a *ready-made suggestion* unsuitable for an individual in the situation which the *ready-made suggestion* is

designed to address, for example because that *ready-made suggestion* would be ineffective, inappropriate or unduly risky.

(3) The effect of *COBS* 9B.5.5R(2)(c) is that if a *client* is identified as having any *excluding characteristic* of a *consumer segment*, they cannot be aligned with that *consumer segment* and provided with the associated *ready-made suggestion*.

(4) Where a *firm* has identified the *excluding characteristics* for a *consumer segment*, it should:

(a) consider whether to define a *consumer segment* for individuals with that *excluding characteristic*; or

(b) where it considers that (a) is not reasonably practicable and where appropriate, identify ways to direct the individual to other forms of support. For example, a *firm* should consider signposting the individual to guidance services (such as *MoneyHelper*).

Ready-made suggestions

9B.4.20 R A *firm* must have a reasonable basis for determining that the *ready-made suggestion* that it specifies for a *consumer segment* is suitable for all individuals in that *consumer segment*.

9B.4.21 G A *firm* will have a reasonable basis for reaching the determination required by *COBS* 9B.4.20R if it has reasonable grounds to consider that, in relation to the individuals in the *consumer segment* for which it is defined, the *ready-made suggestion* will address the common financial support need or meet the common objective.

9B.4.22 G (1) The effect of *COBS* 9B.4.20R is that a *firm* must assess the suitability of a *ready-made suggestion* by reference to an individual with the relevant *common characteristics*.

(2) As part of determining whether a *ready-made suggestion* is suitable for an individual in a *consumer segment*, a *firm* will need to consider whether the suggestion would meet the common financial support need or objective of such an individual.

9B.4.23 G In their design of *ready-made suggestions*, *firms* are reminded of their obligation under *Principle* 12 (Consumer Duty) to act to deliver good outcomes for *retail customers*.

9B.4.24 G When designing a *ready-made suggestion*, a *firm* should be able to demonstrate how, for any product it intends to recommend, it has considered, at least, the following:

(1) the costs and charges of the product;

(2) whether the target market of the product is consistent with the common financial support need or objective of the relevant *consumer segment* and the nature of the *ready-made suggestion*; and

(3) the financial strength of the product provider.

9B.4.25 G While a *firm* must specify a single *ready-made suggestion* in relation to a *consumer segment*, that *ready-made suggestion* may include reference to different suitable products and options which the *client* might consider.

Annuities

9B.4.26 R In this section 'annuity' means all annuities that are *designated investments*, including those that are *pension annuities*, *short-term annuities* and fixed term annuities.

9B.4.27 R A *firm* may only recommend an annuity as, or as part of, a *ready-made suggestion* where the following conditions are met:

(1) the recommendation:

(a) does not expressly refer to a particular annuity; and

(b) is restricted to a recommendation relating to the features of an annuity;

(2) the *ready-made suggestion* does not include, or is not accompanied by, any quote for an annuity (including a guaranteed quote or market-leading *pension annuity* quote, as defined in *COBS* 19.9.1R(2) and *COBS* 19.9.1R(3)); and

(3) the *ready-made suggestion* includes a direction to the *client* to visit the comparison facility provided by the *MoneyHelper* website [https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/compare-annuities] and no other service which enables the *client* to compare annuities.

9B.4.28 G A *firm* may provide information or guidance about annuities generally to a *client* when not *providing targeted support* and *firms* are reminded of the guidance in *PERG* 8.28. Where information or guidance takes on the nature of advice in the circumstances in which it is provided (see *PERG* 8.28.4G to 8.28.9G in particular) *firms* are reminded of their obligations under *COBS* 4.2.1R and *Principle* 9, in particular.

9B.4.29 G *Firms* are reminded of the *guidance* in *PERG* 8.26 as to the meaning of a particular annuity for the purposes of *COBS* 9B.4.27R(1)(a). For example, a particular annuity will include a clearly identified, available product.

9B.4.30 G For the purposes of *COBS* 9B.4.27R(1)(b):

(1) a *firm* is restricted to providing a recommendation relating to the features of an annuity, so a *firm* can go no further than this. But it means a *firm* is therefore able to provide a recommendation in relation to annuities more generally, including a recommendation to consider buying an annuity; and

(2) a recommendation to a *client* relating to the features of an annuity should ensure the *client* aligns with a particular *consumer segment* in relation to which the features have been assessed as suitable, in accordance with *COBS* 9B.4.20R and *COBS* 9B.5.5R.

Additional requirements for annuities

9B.4.31 R When a *firm* has provided a *ready-made suggestion* which includes a recommendation relating to an annuity in accordance with *COBS* 9B.4.27R(1) and (2) to a *client* and the *firm* has complied with *COBS* 9B.4.27R(3), it must:

(1) ensure that the interaction with the *client* is brought to an end;

(2) communicate to the *client* that the interaction has ended, unless the *client* requires subsequent clarification or explanation or the circumstances in (4) below apply;

[*Editor's note:* For the purposes of this consultation, there are 2 alternative drafts of *COBS* 9B.4.31R(3). Both versions are set out below.]

[(3) unless (4) or (5) applies, ensure that, apart from the communication in (2), no further marketing material, *financial promotion* or other communication relating to annuities, other than those that are to clarify or explain the *targeted support* that has been provided, are communicated to the *client* for a period that is reasonable and in line with the *firm's* obligations in *PRIN* 2A;]

[(3) unless (4) or (5) applies, ensure that, apart from the communication in (2), no further marketing material, *financial promotion* or other communication relating to annuities, other than those that are to clarify or explain the *targeted support* that has been provided, is sent or made to the *client* for at least 2 weeks;]

(4) only provide another *ready-made suggestion* which includes a recommendation relating to an annuity in accordance with *COBS* 9B.4.27R to a *client* within the period described in (3), where the following conditions are met:

(a) the *client* initiates contact with the *firm* after the interaction referred to in (2) has ended; and

(b) the *client* provides additional information such that their circumstances are different to those which were taken into account when the *targeted support* was provided;

(5) only sell an annuity to a *client* within the period described in (3), where the following conditions are met:

(a) the *firm* has complied with (1) and (2); and

(b) the *client* initiates contact with the *firm* after the interaction referred to in (2) has ended.

Pension Consolidation

9B.4.32 R A *ready-made suggestion* must not include a recommendation to consolidate any of the pension arrangements that a *client* holds.

9B.4.33 G *Firms* are reminded of the *guidance* in *COBS* 9B.2.6G about circumstances where, in providing *targeted support*, a *firm* incorporates an element (such as in relation to pension consolidation) which in isolation would not involve the *firm* providing *targeted support* but which is sufficiently closely connected as to be integral to the recommendation as a whole.

Investments subject to restrictions on retail distribution

9B.4.34 R A *ready-made suggestion* must not include a recommendation to buy or subscribe for:

(1) a *restricted mass market investment*;

(2) a *non-mass market investment*; or

(3) an *investment* subject to a restriction on distribution or promotion in *COBS* 22.

9B.4.35 G (1) *COBS* 9B.4.34R does not prevent a *firm* from recommending a suitable *investment* which has a component part that provides exposure to an *investment* of a type referred to in that *rule,* such as a *packaged product* or a *default arrangement* in a *qualifying scheme*.

(2) The fact that a type of *investment* is not subject to the restriction in *COBS* 9B.4.34R does not mean that it will be appropriate for it to be the subject of a *ready-made suggestion* that is provided on the basis of limited information. For example, it is unlikely to be appropriate for *targeted support* to be used to recommend *investments* which:

(a) are, or may become:

(i) leveraged or structured in such a way that an investor could lose more than their invested capital;

(ii) particularly illiquid or for which market prices are not readily and regularly available; or

(iii) particularly volatile; or

(b) are otherwise designed for a narrow *target market*.

(3) *COBS* 9B.4.34R does not prevent a *firm* from specifying a *ready-made suggestion* that recommends that a *client sells* an *investment* of a type referenced in that *rule*.

9B.4.36 G A *ready-made suggestion* may recommend an *investment* of which the *firm* providing the *targeted support* is the manufacturer or an *investment* that is manufactured by another *person*. In either case, a *firm* providing *targeted support* will be a distributor for the purposes of the requirements in *PROD*.

9B.5 Delivery of targeted support

General

9B.5.1 G This section contains *rules* and *guidance* relating to the delivery of *targeted support* to *clients.*

9B.5.2 G A *firm* may provide a *targeted support* service to a *client*:

(1) at the request of that *client*; or

(2) at the initiative of the *firm* (but note *COBS* 9B.5.3R).

Delivery at the initiative of the firm

9B.5.3 R (1) Unless the condition in (2) applies, a *firm* must not approach a *client* with a view to the provision of *targeted support* where that approach:

(a) is not initiated by the *client*; and

(b) does not take place in response to an express request from the *client* for the provision of:

(i) *targeted support*; or

(ii) other support relating to *investments* of a type which could be met by the *firm's targeted support*.

(2) The condition is that the *firm* has reasonable grounds to consider that the *client* is in a situation which may be met by the *firm's targeted support*.

9B.5.4 G A *firm* that approaches a *client* other than in compliance with *COBS* 9B.5.3R may be in breach of its obligations to the *client* under *PRIN*

2A.2.1R (act in good faith) and may also be in breach of its obligations under *PRIN* 2A.2.8R (avoid causing foreseeable harm) and *PRIN* 2A.2.14R (enable and support retail customers).

Alignment with a consumer segment

9B.5.5 R (1) A *firm* must only deliver a *ready-made suggestion* to a *client* where it identifies, using reasonable skill and care, that the *client* aligns with a *consumer segment*.

(2) For the purposes of (1), a *client* aligns with a *consumer segment* where the *firm* confirms that the *client*:

(a) is in the situation covered by the *consumer segment*;

(b) (where relevant) has all of the *including characteristics* of the *consumer segment*; and

(c) (where relevant) has none of the *excluding characteristics* of the *consumer segment*.

9B.5.6 G The effect of the requirements in this chapter is that a *client* should receive a suitable *ready-made suggestion* where:

(1) the *firm* has aligned that *client* with a *consumer segment* in accordance with the *rules* in this section;

(2) the relevant *consumer segment* and associated *ready-made suggestion* were specified in compliance with the *rules* in *COBS* 9B.4; and

(3) there is no other information about the *client* of which the *firm* is aware, or of which it ought reasonably to be aware, that would indicate that the *ready-made suggestion* may be unsuitable for the *client.*

9B.5.7 G (1) A *firm* may identify such alignment by reference either to information which it holds about that *client* or which it collects about that *client* (or a combination of both).

(2) The *rules* in this section recognise that not every *targeted support* journey will be the same. The *rules* afford *firms* flexibility in the way that they engage with *clients*, save that certain information must be disclosed to a *client* in connection with a *ready-made suggestion* (*COBS* 9B.6.3R).

9B.5.8 R (1) A *firm* must take reasonable steps to ensure that the information about a *client* by reference to which the *firm* aligns that *client* with a *consumer segment* is accurate and up to date.

(2) Where a *firm* holds sufficient information about a *client* to indicate a possible alignment with a *consumer segment* but considers that the relevant information may not be accurate or up-to-date, the *firm* must verify that information with the *client* before the *firm* is able to confirm the alignment of the *client* with a *consumer segment*.

9B.5.9 G Where a *firm* cannot align a *client* with a *consumer segmen*t because the *firm* does not have enough information about the *client*, the *firm* may request from that *client* such information as it requires to enable the *firm* to attempt to align the *client* with a *consumer segment*.

Consideration of additional information

9B.5.10 G (1) The effect of *COBS* 9B.5.5R is that a *firm* must not provide a *client* with a *ready-made suggestion* specified for a *consumer segment* where:

(a) the *client* is not in the situation covered by the relevant *consumer segment*;

(b) (where relevant) the *client* does not align with all of the *including characteristics* of the relevant *consumer segment*; or

(c) (where relevant) any of the *excluding characteristics* of the relevant *consumer segment* apply to the *client*.

(2) *COBS* 9B.5.11R specifies further circumstances in which a *ready-made suggestion* must not be provided to a *client*. This is where the *firm* is aware of information that indicates that a *ready-made suggestion* may not be suitable for a *client* (notwithstanding their alignment with the relevant *consumer segment*).

9B.5.11 R A *firm* must not provide a *client* with a *ready-made suggestion* when the *firm* is, or ought reasonably to be, aware of information about that *client* that indicates that a *ready-made suggestion* may not be suitable for that *client*.

9B.5.12 G (1) For the purposes of *COBS* 9B.5.11R, it would not be reasonable to expect that a *firm* will access and use all of the information that it may happen to hold about a *client*.

(2) The information of which it would be reasonable to expect a *firm* to be aware and have regard in providing *targeted support* is likely to depend on the particular circumstances of the *targeted support*. For example:

(a) the medium by which the *targeted support* is provided;

(b) the context in which the *targeted support* is provided; and

(c) the nature of the situation which the *targeted support* is designed to address.

(3) For example, if a *client* gave the *firm* information when taking out a mortgage several years prior to receiving *targeted support*, the *client* could not reasonably assume that the information was being accessed and made use of by the *firm* as part of providing *targeted support* to the *client*.

9B.5.13 G (1) Where a *client* volunteers information beyond that which is requested by the *firm* during a *targeted support* journey, the *firm* may:

(a) consider the additional information and determine that it would make the *ready-made suggestion*, with which the *client* would otherwise align, unsuitable. In these circumstances a *firm* may either:

(i) seek to align the *client* with a different *consumer segment*; or

(ii) terminate the *targeted support* journey for the *client*; or

(b) continue to provide a *ready-made suggestion* if it is reasonably satisfied that the additional information does not indicate that the *ready-made suggestion* may be unsuitable for the *client*.

Clients opting-out of targeted support

9B.5.14 R A *firm* must provide the means by which a *client* can, at any time, elect not to receive *targeted support* from the *firm*.

Client instruction inconsistent with ready-made suggestion

9B.5.15 G In determining what steps to take where a *client* requests that a *firm* executes a transaction which is inconsistent with a *ready-made suggestion* provided by the *firm*, the *firm* should have particular regard to:

(1) the *client's best interests rule*; and

(2) its obligations to support *retail customer* understanding (*PRIN* 2A.5.3R) and to design and deliver support including by giving *retail customers* sufficient opportunity to understand and assess their options (*PRIN* 2A.6.2R(3)).

9B.6 Disclosure

9B.6.1 R A *firm* must ensure that any *ready-made suggestion* is communicated in a way that is likely to be understood by an individual in the relevant *consumer segment*.

9B.6.2 R A *firm* must only refer to a service as being *targeted support* when the service is one that has been designed and delivered in compliance with the *rules* in this chapter.

9B.6.3 R (1) In connection with the provision of *targeted support* to a *client*, a *firm* must:

(a) disclose to the *client* the nature and limitations of the *targeted support* service (and, therefore, any *ready-made suggestion*), including that this is not a type of investment advice that involves more comprehensive, individualised advice (for example, following a holistic review by an independent financial adviser);

(b) where the *firm* provides a *ready-made suggestion*, disclose:

(i) the *common characteristics* (both *including characteristics* and *excluding characteristics*) of the *consumer segment* with which the *firm* has aligned the individual;

(ii) that the *ready-made suggestion* was designed for the *consumer segment* with which the *firm* has aligned the *client*; and

(iii) the nature of any limitations on the scope of products considered by the *firm* in developing its *ready-made suggestions* including, where applicable, that the *firm* has only considered products issued or provided by the *firm* or its *associates*.

Additional disclosures

9B.6.4 G In connection with providing a *client* with a *ready-made suggestion*, a *firm* should, where appropriate:

(1) signpost the *client* to tools or modellers that could assist the *client* in understanding the implications of the *ready-made suggestion*;

(2) inform the *client* about the availability of guidance services (such as *MoneyHelper*) and other types of advice, including more comprehensive, individualised advice;

(3) consider providing information about any relevant assumptions that the *firm* has made about the *consumer segment* for the purposes of *COBS* 9B.4.9R; and

(4) encouraging the *client* to consider other products which might be available in the market before making a decision.

Client understanding

9B.6.5 R A *firm* must test its disclosures around the provision of *targeted support* and take reasonable steps to ensure consumer understanding of those disclosures.

9B.6.6 G (1) *Firms* are reminded of their obligations under *Principle* 12 (Consumer Duty) and *PRIN* 2A.5.3R (Communications to retail customers) in relation to supporting *retail customer* understanding.

(2) *PRIN* 2A.5.3R(3) requires a *firm* to equip *retail customers* to make decisions that are effective, timely and properly informed.

(3) In complying with *PRIN* 2A.5.3R(3), a *firm* should consider whether to disclose:

(a) any other relevant information (beyond that required by *COBS* 9B.6.3R) that would support consumer understanding of the *targeted support* service or a *ready-made suggestion*; and

(b) information separately or to consolidate information.

9B.6.7 G A *firm* should ensure that the information required by *COBS* 9B.6.3R is given due prominence and presented in plain and intelligible language (*PRIN* 2A.5.7G).

Timing of disclosures

9B.6.8 G (1) *PRIN* 2A.5.5R requires a *firm* to communicate in good time for *retail customers* to make effective decisions, including before the purchase of a *product*.

(2) In complying with *PRIN* 2A.5.5R, a *firm* should consider when it is appropriate to make disclosures to a *client* in connection with the provision of *targeted support*. It is likely to be appropriate to disclose relevant information to a *client*:

(a) when the *firm* has initial contact with the *client* in relation to the provision of *targeted support*;

(b) where applicable, at any point at which the *firm* contacts the *client* to request, or verify the accuracy of, information for the purpose of aligning the *client* with a *consumer segment*; and

(c) where applicable, when the *firm* provides the *client* with a *ready-made suggestion*.

Guidance

9B.6.9 G (1) *Firms* are reminded of their obligations under *COBS* 6.1 and *COBS* 6.1ZA (Information about the firm and compensation information).

(2) To the extent applicable, *firms* are reminded of their obligations under *COBS* 2.2 (Information disclosure before providing services (other than MiFID and insurance distribution)) and under *COBS* 2.2A (Information disclosure before providing services (MiFID and insurance distribution provisions)).

(3) If a *ready-made suggestion* involves a recommendation of a particular *investment*, a *firm* may be subject to requirements in:

(a) *COBS* 13 and *COBS* 14 relating to product information; and

(b) for *consumer composite investments*, a requirement under *DISC* to provide *retail investors* with a *product summary*.

(4) When providing information to a *client*, a *firm* should have regard to its obligation under *COBS* 4.2.1R to communicate information to *clients* in a way which is fair, clear and not misleading.

9B.6.10 R (1) This *rule* applies where another *rule* in this sourcebook (the 'relevant rule') requires a *firm* to provide information to a *client* in a manner, or at a time, that is incompatible with the nature of *targeted support*.

(2) A *firm* must provide the information required by the relevant *rule* in a manner that is consistent with *PRIN* 2A.5.5R.

Financial promotions

9B.6.11 G (1) A *ready-made suggestion* will generally incorporate a *financial promotion*.

(2) *Firms* are reminded of their obligations under *COBS* 4 in relation to the *communication* and *approval* of *financial promotions*, including the *fair, clear and not misleading rule*.

Advised clients

9B.6.12 G (1) It is important that *clients* understand the nature of the support they are receiving. It is particularly important that *clients* who have received, or are receiving, *investment advice* (as defined in the *Handbook*) understand the ways in which *targeted support* differs from that service.

(2) *Firms* are reminded of their obligation to support *retail customer* understanding so that *firms'* communications equip *retail customers* to make decisions that are effective, timely and properly informed (*PRIN* 2A.5.3R).

(3) *Firms* should pay particular regard to the information needs of any *client*:

(a) to whom the *firm*:

(i) has provided *investment advice*;

(ii) is providing *investment advice of an ongoing nature*; or

(b) whom the *firm* is aware, or ought reasonably to be aware, is receiving, or has received, *investment advice* from another *person*.

(4) Before providing a *ready-made suggestion* to a *client* in (3), a *firm* should take reasonable steps to ensure that the *client* understands the difference between *targeted support* and the *investment advice* already received by the *client*.

Form of disclosures

9B.6.13 R A *firm* must provide the disclosures in *COBS* 9B.6.3R to a *client* in a *durable medium*.

Guidance

9B.6.14 G Where a *firm* has interacted with a *client* via a software program it should send email confirmation to the *client* of the information in *COBS* 9B.6.3R.

9B.7 When a ready-made suggestion cannot be provided

9B.7.1 G (1) A *firm* may only deliver a *ready-made suggestion* to a *client* where it has identified that the *client* aligns with a *consumer segment* (*COBS* 9B.5.5R).

(2) This section sets out the steps which a *firm* should take where it is unable to align a *client* with a *consumer segment*.

Guidance

9B.7.2 G Examples of reasons why a *firm* might be unable to align a *client* with a *consumer segment* include because the *firm* has:

(1) been unable to identify the *client* as being in a situation covered by a *consumer segment*;

(2) (where relevant) been unable to identify the *client* as having all of the *including characteristics* necessary to align the *client* with a *consumer segment*;

(3) (where relevant) identified that the *client* has an *excluding characteristic* which means that they cannot be aligned with a *consumer segment*; or

(4) been unable to confirm that a *client* lacks all of the *excluding characteristics* necessary to align the *client* with a particular *consumer segment*.

9B.7.3 G (1) In considering the appropriate course of action in relation to a *client* whom a *firm* has been unable to align with a *consumer segment*, a *firm* should have regard to its obligation to design and deliver support to *retail customers* (*PRIN* 2A.6.2R).

(2) A *firm* should consider what alternative support (information, guidance or assistance), if any, it could usefully provide to a *client* where the *firm* has been unable to align the *client* with a *consumer segment*. This may include directing the *client* to support (including *investment advice*) provided by other *persons*.

(3) *Firms* are reminded of their obligations under *Principle* 12 (Consumer Duty) and *PRIN* 2A, in particular to act in good faith towards *retail customers* (*PRIN* 2A.2.1R) in a manner that is consistent with the reasonable expectations of those *retail customers* (*PRIN* 2A.2.2R).

9B.8 Charging and remuneration

9B.8.1 G (1) A *firm* may elect whether to charge a *client* for the provision of *targeted support*. *Targeted support* may be provided without charge to the *client*.

(2) The *rules* in this section:

(a) prohibit *firms* from receiving commissions and other benefits in connection with their business of *providing targeted support*;

(b) require *firms*:

(i) which do not levy an express charge for the provision of *targeted support* to ensure that *clients* understand the basis on which that *targeted support* is provided; and

(ii) which charge for *targeted support* to ensure that *clients* understand what they will pay and receive fair value.

(3) Save as specified in this section, the *rules* on adviser charging and remuneration (*COBS* 6.1A) do not apply to *firms providing targeted support*.

Rule against commissions

9B.8.2 R (1) A *firm* must not solicit or accept (and ensure that none of its *associates* solicits or accepts) any fees, commissions, monetary or non-monetary benefits in connection with its business of providing *targeted support* or any other related services which are paid or provided by:

(a) any third party; or

(b) a *person* acting on behalf of a third party.

(2) Reference in (1) to a *firm's* business of providing *targeted support* refers to its activities of designing and delivering *targeted support*.

(3) Paragraph (1) applies regardless of whether the *firm* intends to refund the payments or pass the benefits on to the *client*.

(4) 'Related service(s)' for the purposes of (1) includes:

(a) *arranging* or *executing* a transaction which has been the subject of a *ready-made suggestion* provided by the *firm* or an *associate* or conducting administrative tasks associated with that transaction; or

(b) managing a relationship between a *client* (to whom the *firm* provides *targeted support*) and a *discretionary investment manager* or providing a service to such a *client* in relation to the investments managed by such a manager; or

(c) recommending a *discretionary investment manager* or *person* providing *investment advice* to a *client* (to whom the *firm* provides *targeted support*).

9B.8.3 R *COBS* 9B.8.2R does not prevent:

(1) a *firm* from accepting any payment made:

(a) by or on behalf of a *client*; or

(b) by an *associate* which is reasonably representative of the cost of providing *targeted support*;

(2) a *firm* or its *associates* from accepting any minor non-monetary benefits which meet the requirements of *COBS* 6.1A.5AR.

9B.8.4 G In relation to the acceptance of minor non-monetary benefits, a *firm* should have regard to the relevant *guidance* at *COBS* 6.1A.5BG.

Firms which do not charge for targeted support

9B.8.5 R (1) This *rule* applies to a *firm* that does not charge the *client* a fee for the provision of *targeted support*.

(2) In meeting its obligation to equip *retail customers* to make decisions that are effective, timely and properly informed (*PRIN* 2A.5.3R), a *firm* must ensure that the *client* understands the basis on which the *firm* is remunerated for its provision of *targeted support*.

(3) A *firm* must ensure that the arrangements by which it is remunerated for its provision of *targeted support* are consistent with its obligation to ensure that its *products* provide fair value (*PRIN* 2A.4.2R).

9B.8.6 G (1) The purpose of the disclosure required by *COBS* 9B.8.5R is to ensure that *clients* are able to consider the potential of a *firm's* financial arrangements to impact the *targeted support* which it provides.

(2) A disclosure made under *COBS* 9B.8.5R may describe the relevant arrangements in a generic way and need not set out specific details of the *firm's* arrangements to cover the costs of providing *targeted support*.

Charging for targeted support

9B.8.7 R (1) This *rule* applies to a *firm* that charges a *client* in relation to the provision of *targeted support*.

(2) A *firm* must ensure that:

(a) any charges which it applies to the provision of *targeted support* are consistent with its obligation under *PRIN* 2A.4.2R to ensure that a *product* provides fair value; and

(b) it provides *clients* with sufficient information about those charges as to meet its obligation under *PRIN* 2A.5.3R to meet the information needs of *clients*.

(3) As early as practicable before the *firm* provides chargeable *targeted support*, any charge(s) relating to the provision of that service must be disclosed to, and agreed with, the *client*.

(4) The disclosure required by (3) must:

(a) be in *cash terms* (or otherwise convert non-cash terms into illustrative cash equivalents); and

(b) be in a *durable medium*, or through a website (if it does not constitute a *durable medium*) if the *website conditions* are satisfied.

9B.8.8 G (1) In determining and disclosing its charges for the provision of *targeted support*, a *firm* should also have regard to its duties under the *client's best interests rule* and the *fair, clear and not misleading rule*.

(2) In particular, a *firm* should not vary its charges inappropriately according to provider or, for substitutable and competing products, the type of product.

9B.8.9 G In determining its approach to charging for *targeted support*, a *firm* may find it helpful to consider the *rules* and related *guidance* around using an appropriate charging structure for calculating *adviser charges* (*COBS* 61A.11R to *COBS* 6.1A.15G).

Other relevant requirements

9B.8.10 G *Firms* are reminded of their obligations:

(1) relating to the identification and management of conflicts of interest under *SYSC* 3.3 (for insurers) and *SYSC* 10 (for other firms);

(2) to act honestly, fairly and professionally in accordance with the best interests of their *clients* (*COBS* 2.1.1R);

(3) under the rules on inducements in *COBS* 2.3 and *COBS* 2.3A, in so far as they relate to the payment or provision of monetary and non-monetary benefits; and

(4) *COBS* 6.1 and *COBS* 6.1ZA in relation to the disclosure of information, including concerning a *firm's* costs and charges.

9B.9 Systems and controls

Policies and procedures

9B.9.1 R A *firm* must establish and maintain systems and controls to ensure compliance with the requirements in this chapter relating to the design and delivery of *targeted support*.

9B.9.2 G In addition, *firms* are reminded:

(1) of their obligations in *SYSC* to implement and maintain relevant systems, controls, policies and procedures. *Firms* should ensure that

these are sufficient to enable them to ensure compliance with the *rules* in this chapter; and

(2) that in considering the competence and capabilities of relevant individuals involved in the design and delivery of *targeted support*, they should consider relevant provisions, including *SYSC* 3.1 (Systems and controls), *SYSC* 5.1 (Skills, knowledge and expertise) and *TC*.

9B.9.3 G In complying with its obligations under *SYSC* and *TC*, a *firm* should ensure that *employees* involved in the design or delivery of *targeted support* are appropriately trained, supervised and supported, in particular so as to be able to:

(1) identify when a *client* can be aligned with a *consumer segment*; and

(2) appropriately consider, and respond to, any information provided by a *client* which is beyond that necessary to determine whether the *client* aligns with a *consumer segment*.

Ongoing monitoring and review (general)

9B.9.4 R *Firms* must test their *targeted support* communications and take reasonable steps to ensure *consumer* understanding.

9B.9.5 G As part of a *firm's* general obligation to monitor the outcomes that *retail customers* experience from its products (*PRIN* 2A.9.1R and *PRIN* 2A.9.1.8R), a *firm* should particularly monitor, on an ongoing basis, the outcomes which are generated by its *targeted support*. In particular, a *firm* should use this monitoring to:

(1) identify whether *clients* are at risk of receiving unsuitable *ready-made suggestions* as a result of:

(a) the *firm's* design of its *consumer segments*;

(b) the specification of the *firm's ready-made suggestions*; or

(c) the *firm's* processes to align *clients* with *consumer segments*;

(2) understand whether *clients* in particular situations or with particular characteristics are routinely unable to be aligned with a *consumer segment* to inform the potential development of new *consumer segments*; and

(3) consider whether any product being used for a *ready-made suggestion* remains aligned with the relevant *consumer segment* including, for example, where the product *manufacturer* has made a significant adaptation to that product.

9B.9.6 G Given the potentially broad customer base for the provision of *targeted support*, a *firm* should act quickly to amend its *targeted support* processes where it identifies any concerns in relation to *retail customer* understanding (*PRIN* 2A.5.10R(2)).

Ongoing monitoring and review (products recommended in ready-made suggestions)

9B.9.7 R (1) A *firm* must, in relation to a product that has been or may be recommended in a *ready-made suggestion*, have appropriate arrangements in place to:

(a) review information made available to it by the *manufacturer* of the product in relation to:

(i) any significant adaptation to the product;

(ii) any other changes to the product; or

(iii) mitigating actions a product *manufacturer* has taken or proposes to take in relation to the product;

(b) consider whether any circumstances in (a):

(i) mean the product should no longer be recommended in that *ready-made suggestion*;

(ii) have led or may lead to harm for any *client* who has relied on that *ready-made suggestion*.

(2) Where a *firm* identifies actual or potential harm, the *firm* must take all reasonable steps to address or at least mitigate that harm.

9B.9.8 G (1) Where a *distributor* recommends a product as part of a *targeted support* service, it will need to ensure the arrangements it has to meet requirements in *PRIN* 2A.3, *PRIN* 2A.4, *PROD* 3 and/or *PROD* 4 enable it to obtain all necessary information from the product *manufacturer* to understand the product, including its features, risks and costs.

(2) For the purposes of *COBS* 9B.9.7R(1), *firms* should have in place arrangements with the product *manufacturer* to obtain information about any significant adaptation to the product within the meaning of *PRIN* 2A.3, *PROD* 3 or *PROD* 4 (as appropriate).

(3) When considering whether a significant adaptation (or other change) to a product means that it should no longer be recommended in a *ready-made suggestion*, *firms* should take into account the potential impact it could have on *clients* in the *consumer segment,* for example, the effect of features being added to, or removed from, the product or changes to the target market.

(4) For the purpose of *COBS* 9B.9.7R(1)(b), a *client* will have relied on the suggestion where, as a result of the *targeted support* service

provided, that *client* acted in accordance with that suggestion including where they:

(a) retained a product (including where they acquired additional rights under that product);

(b) surrendered a product;

(c) purchased a new product; or

(d) exercised any options under a product in the way suggested, for example to change the withdrawal rate from that product.

9B.9.9 G *Firms* will need to consider what mitigating action would be necessary to meet *COBS* 9B.9.7R(2). For example, the *firm* may consider, where it is appropriate, to notify the *client* of the changes to the product, and prompt them to consider taking further action including potentially further *targeted support* (including from the *firm*) or other advice, to enable the *client* to take appropriate steps.

9B.9.10 G The requirement to monitor outcomes under *PRIN* 2A or *PROD* 3 (in relation to *distributors*) does not require the *firm* to undertake ongoing suitability assessments for *clients* who have previously received *targeted support* (unless the *firm's* service to the *client* includes periodic assessment of suitability).

Regular review

9B.9.11 R A *firm* must review its processes for the provision of *targeted support*, including the *ready-made suggestions*:

(1) regularly; and

(2) with appropriate frequency.

9B.9.12 G When undertaking the review in *COBS* 9B.9.11R, a *firm* should at least consider whether to update its *consumer segments* to reflect any gaps that have been identified. For example, when a *firm* has been unable to provide a *ready-made suggestion* to a *client* because it was not able to align that *client* with a *consumer segment*.

9B.9.13 G The frequency with which the review in *COBS* 9B.9.11R is undertaken should be determined having regard to such matters as:

(1) the number of *consumer segments* used by the *firm*;

(2) the complexity of the *consumer segments*;

(3) the complexity of the *ready-made suggestions* provided as part of *targeted support*;

(4) the number of *clients* to whom the *firm* has offered *targeted support*;

(5) the nature of the *products* distributed in connection with the *ready-made suggestions;* and

(6) any other relevant external factors such as:

(a) changes to the relevant regulatory requirements, including to the *FCA Handbook*;

(b) relevant technological developments; and

(c) relevant changes to the market.

Record-keeping

9B.9.14 G (1) *SYSC* 3 and *SYSC* 9 (as applicable) contain high level requirements in relation to record keeping.

(2) *Firms* should ensure that the records which they retain are sufficient to enable the *FCA* to monitor the *firm's* compliance with the requirements relating both to the design and delivery of *targeted support*.

Amend the following text as shown.

10A Appropriateness (for non-advised services) (MiFID and insurance-based investment products provisions)

10A.1 Application

…

~~Application~~

10A.1.1 R This chapter applies to a *firm* which:

(1) provides *investment services* in the course of *MiFID or equivalent third country business*; or

(2) carries on *insurance distribution* in relation to *insurance-based investment product,*

other than when the firm makes a *personal recommendation*<u>, is *providing targeted support*</u> or carries out *portfolio management*.

…

10A.6 Assessing appropriateness: when a firm need not assess appropriateness due to suitability assessment

10A.6.1 G A *firm* need not assess appropriateness if it is receiving or transmitting an order or carrying on *insurance distribution* in relation to an *insurance-based* *investment product*, for which it has assessed suitability under *COBS* 9A (Suitability (MiFID and insurance-based investment products provisions))~~.~~ or it has assessed suitability under *COBS* 9B (Targeted support).

…

14 Providing product information to clients

…

14.3 Information about designated investments (non-MiFID provisions)

Application

14.3.1 R This section applies to a *firm* in relation to:

…

(2) any of the following *regulated activities* when carried on for a *retail client*:

…

(f) *operating a POP*; or

(g) *providing targeted support*,

except to the extent that the carrying on of such a *regulated activity* constitutes *MiFID, equivalent third country or optional exemption business*.

…

…

Annex G

Amendments to the Product Intervention and Product Governance sourcebook (PROD)

Insert the following new section, PROD 1.8, after PROD 1.7 (Application of PROD 7). All of the text is new and is not underlined.

1.8 Application of PROD 8

1.8.1 R *PROD* 8 applies to a *firm* that *manufactures* a product that is subject to the *rules* in:

(1) (in relation to insurance products) *PROD* 4 (Product governance: IDD and pathway investments);

(2) (in relation to *financial instruments*) *PROD* 3 (Product governance: MiFID);

(3) (for any other product) *PRIN* 2A.3 (Consumer Duty: retail customer outcome – products and services).

1.8.2 G *PROD* 8 supplements product *manufacturer rules* elsewhere in the *FCA Handbook* setting additional expectations where the product is available for distribution to recipients of *targeted support*.

Insert the following new chapter, PROD 8, after PROD 7 (Product governance: funeral plans). All of the text is new and is not underlined.

8 Product governance: additional provisions for products available for targeted support recipients

8.1 Manufacture of products

8.1.1 G Where a *firm manufactures* a product that:

(1) it will use as part of its own *ready-made suggestion*; or

(2) will be available for other *firms* that provide *targeted support* to recommend as a *ready-made suggestion*,

it should ensure its arrangements under *PRIN* 2A, *PROD* 3 or *PROD* 4 appropriately take account of that purpose including in relation to the product approval process, target market requirements, product testing, distribution arrangements and the monitoring and review of the product.

8.1.2 G The arrangements that a product *manufacturer* has in place to provide, or make available, information to *distributors* should, where the product is part of a *ready-made suggestion* of that *distributor*, ensure the information includes at least adequate detail of:

(1) any significant adaptation to the product;

(2) any other changes to the product the *manufacturer* considers the *distributor* should be aware of;

(3) any mitigating action taken by the *manufacturer* in relation to the product and the circumstances that led to the action being taken.

8.1.3 G Where a *manufacturer* is contacted by a *distributor* that is a *targeted support* provider, the *manufacturer* should:

(1) respond promptly; and

(2) provide appropriate support and information given the nature of any query.

Annex H

Amendments to the Dispute Resolution: Complaints (DISP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Jurisdiction of the Financial Ombudsman Service

…

2.5 To which activities does the Voluntary Jurisdiction apply?

2.5.1 R The *Ombudsman* can consider a *complaint* under the *Voluntary Jurisdiction* if:

…

(2) it relates to an act or omission by a *VJ participant* in carrying on one or more of the following activities:

(a) an activity (other than *auction regulation bidding*, *administering a benchmark*, *meeting of repayment claims*, *managing dormant asset funds (including the investment of such funds*) ~~and~~, *regulated pensions dashboard activity* and *providing targeted support*) carried on after 28 April 1998 which:

…

…

(c) activities, other than *regulated claims management activities*, activities ancillary to *regulated claims management activities*, *meeting of repayment claims*, *managing dormant asset funds (including the investment of such funds)* and *regulated pensions dashboard activity*, which (at ~~30 November 2024~~ [*Editor's note*: insert the date on which this instrument comes into force]) would be covered by the *Compulsory Jurisdiction*, if they were carried on from an establishment in the *United Kingdom* (these activities are listed in *DISP* 2 Annex 1G);

…

or any ancillary activities, including advice, carried on by the *VJ participant* in connection with them.

…

2 Annex 1 Regulated Activities for the Voluntary Jurisdiction at ~~30 November 2024~~ [*Editor's note*: insert the date on which this instrument comes into force]

This table belongs to *DISP* 2.5.1R

G The activities which were covered by the *Compulsory Jurisdiction* (at ~~30 November 2024~~ [*Editor's note*: insert the date on which this instrument comes into force]) were:

…

The activities which (at ~~30 November 2024~~ [*Editor's note*: insert the date on which this instrument comes into force]) were *regulated activities* were, in accordance with section 22 of the *Act* (Regulated Activities), any of the following activities specified in Part II and Parts 3A and 3B of the *Regulated Activities Order* (with the addition of *auction regulation bidding*, *administering a benchmark* and *dealing with unwanted asset money*):

…

(29B) *advising on conversion or transfer of pension benefits* (article 53E);

(29C) <u>*providing targeted support* ([*Editor's note*: insert the article number]);</u>

…

…

Annex I

Amendments to the Collective Investment Schemes sourcebook (COLL)

In this Annex, underlining indicates new text and striking through indicates deleted text.

6 Operating duties and responsibilities

…

6.6B UCITS depositaries

…

Depositaries appointed under COLL 6.6A.8R(3) (non-bank depositaries): Capital requirements

…

6.6B.8	R	[deleted]
		[*Editor's note*: this requirement has been moved to ~~*MIFIDPRU* 4.4.6R.~~ *MIFIDPRU* 4.4.1R.]

…

Annex J

Amendments to the Investment Funds sourcebook (FUND)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3 Requirements for alternative investment fund managers

…

3.11 Depositaries

…

Additional requirements for depositaries of authorised AIFs

3.11.16 R [deleted]

[*Editor's note*: this requirement has been moved to ~~*MIFIDPRU* 4.4.6R~~ *MIFIDPRU* 4.4.1R.]

…

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