Consultation Paper
CP25/39**

Adapting our requirements for a changing pensions market

December 2025

How to respond

We are asking for comments on this Consultation Paper (CP) by **12 February 2026**.

You can send them to us using the form on our website.

Or in writing to:

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

Email:
cp25-39@fca.org.uk.

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this form if you require this content in an alternative format.

Or call 0207 066 1000

Sign up for our **news and publications alerts**

See all our latest press releases, consultations and speeches.

Disclaimer

When we make rules, we are required to publish:

- a list of the names of respondents who made representations where those respondents consented to the publication of their names,
- an account of the representations we receive, and
- an account of how we have responded to the representations.

In your response, please indicate:

- if you consent to the publication of your name. If you are replying from an organisation, we will assume that the respondent is the organisation and will publish that name, unless you indicate that you are responding in an individual capacity (in which case, we will publish your name),
- if you wish your response to be treated as confidential. We will have regard to this indication, but may not be able to maintain confidentiality where we are subject to a legal duty to publish or disclose the information in question.

By responding to this publication, you are providing personal data to the FCA, including your name, contact details (including, if provided, details of the organisation you work for), and any opinions expressed in your response. This data will be used by the FCA to inform regulatory policy and rulemaking, in the public interest and in the exercise of official authority under FSMA and other applicable legislation. The FCA may share personal data where necessary to perform their public tasks and to support regulatory cooperation and joint policy development.

Please note that we will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Irrespective of whether you indicate that your response should be treated as confidential, we are obliged to publish an account of all the representations we receive when we make the rules.

Further information on about the FCA's use of personal data can be found on the FCA website at: https://www.fca.org.uk/privacy.

Contents

Chapter 1

Summary

Why we are consulting

1.1 The value of assets in Defined Contribution (DC) pensions now exceeds the Defined Benefit (DB) market. And in the DC market, growth is particularly evident in master trusts and self-invested personal pensions. Increased reliance on DC savings places greater responsibility on consumers to save enough for their retirement. It also presents significant, complex choices about how to use DC pension savings through retirement.

1.2 These changes raise important questions about how the pension system can best support consumers. We want to see a pension market that helps consumers navigate their financial lives, where pensions deliver value for money and consumers have the ability to make informed decisions.

1.3 A programme of policy change is already under way. This is via the Pension Schemes Bill, the Pension Commission, a value for money framework for default workplace DC pension schemes, the roll-out of targeted support, and the introduction of pensions dashboards.

1.4 In December 2024, Discussion Paper 24/3 opened a discussion on 3 areas of our regulatory framework that may need to evolve:

- the regulatory framework that governs projections produced in digital tools and modellers
- the process for DC-to-DC pension transfers and consolidation
- the regulatory framework for self-invested personal pensions (SIPPs)

1.5 Following stakeholder engagement and consideration of more than 40 responses to our Discussion Paper, we have developed a package of proposals that:

- Progress our strategic aims to support growth and to help consumers navigate their financial lives.
- Advance our operational objectives to protect consumers and promote effective competition in the interests of consumers.

Who this applies to

1.6 This paper will primarily interest:

- all firms that operate and provide pension products (both accumulation and decumulation)
- investment platform providers
- trustees of DC occupational pension schemes

- parties that promote or facilitate DC pensions transfers and consolidation
- trade bodies for regulated firms
- consumers and groups representing consumers' interests

What we want to change

Projections in tools and modellers

1.7 Our current projection rules, in Conduct of Business Sourcebook (COBS 13), set out how firms must calculate and present estimates of future benefits payable under a specific pension contract or policy. These rules were designed before online engagement was commonplace and did not envisage the emergence of pension projections in digital planning tools. Firms tell us the rules are limiting development of effective and engaging planning tools for consumers.

1.8 We are proposing a new regime for interactive digital pension pension planning tools for in-force pensions. This will give firms flexibility to tailor the projections in interactive digital tools to the understanding and engagement needs of their target market. Our proposals include measures to safeguard against risks to consumers such as over-optimistic growth rates or misleading information.

1.9 Our proposals aim to support the role of digital tools in helping consumers better understand the choices they have, and their potential impact on retirement outcomes. There might be demand for such tools when pensions dashboards and targeted support are available to consumers.

1.10 Our proposed regime aims to enable firms to develop tools that help consumers better engage with their pensions and understand:

- The range of choices they have (such as increasing contribution rates, or retiring later), and the potential impacts of different choices on their retirement outcomes.
- There are factors outside of their control (such as potential growth rates) that they should take account of when planning.

DC to DC transfers and consolidation

1.11 When consumers have multiple pension pots, consolidating some or all of them can be a reasonable option to consider. But the 2022 and 2024 Financial Lives Surveys (FLS) indicate that:

- Few consumers who transfer consider factors such as fees and charges, investment choices, decumulation options, or potential loss of guarantees or benefits.
- The convenience of a single plan motivates most consolidations.

1.12 We want to deal with this now. We also recognise that the launch of pensions dashboards will increase consumer awareness of their pensions and the potential for consolidation. So, we propose to introduce a new step in the non-advised transfer process. This would enable the consumer to compare certain core aspects of their existing scheme(s) and the potential new scheme, before they can formally request to start a transfer. Our aim is to enable consumers to identify, at a time when it can inform their decision:

- If any valuable benefits would be lost on transfer.
- How ceding and receiving schemes compare.

1.13 Through our new proposals, we want non-advised consumers to:

- Have information that is accurate, understandable, and broadly comparable.
- Engage with information and use it in their decision-making process.
- Be able to more easily and accurately decide whether a transfer is in their long-term interest, before reaching a decision to make a transfer.
- Identify where advice or guidance may be needed to determine appropriate next steps.

1.14 Additionally, our proposals will result in consumers being provided with information about their FCA regulated DC pensions in a single, coherent package from one source, rather than via multiple communications in varying formats from different providers at different times.

1.15 We recognise that our proposals build time into the consumer's transfer decision-making process. But we anticipate that they will also lead to some reduction in firms' processing times when transfer applications are made. This is because the proposals are likely to reduce the number of post-instruction checks required and to reduce post-instruction abandonments. In short, we consider our proposals will improve efficiency.

1.16 We also anticipate that normalising and standardising information comparison as part of the non-advised process will incentivise firms to compete more effectively in the interests of consumers. Over time this might result in better value products being offered to consumers.

SIPPs

1.17 DP24/3 included a discussion of due diligence and client asset requirements in the SIPP market. Our response to the feedback received on this and our proposals will be in a separate consultation in Q1 2026.

Measuring success

1.18 We intend to behaviourally test our non-advised DC to DC transfer proposals in parallel with this consultation. Our proposals are informed by evidence from the Financial Lives Survey and responses to our Discussion Paper. But the testing will help us to decide whether our proposals do, in practice, drive informed decision-making. This testing, alongside consultation feedback, will inform our final decisions on future rule changes.

1.19 We will measure success of the proposals in this paper by:

- Evaluating data from a variety of sources including the Financial Lives Survey, complaints data, supervision activities and intelligence.
- Reviewing data on firm and Financial Ombudsman complaints to understand how these proposals are affecting consumers.
- Monitoring the success of this work through our ongoing monitoring of the Consumer Duty to understand how these rules interact with the Duty in practice.

1.20 In time, we may also request data from firms, drawn from the records we are proposing that firms must keep.

Next steps

1.21 We invite your feedback on our proposals, including the draft Handbook text in Appendix 1. Send us your comments by **12 February 2026**.

1.22 We will engage with a wide range of stakeholders through the consultation period, as we develop our draft rules and guidance.

1.23 Subject to feedback and our consumer testing insights, we aim to publish a policy statement and final Handbook text in the latter half of 2026.

Chapter 2

The wider context

2.1 Our regulatory framework must meet the needs of pensions savers, from the most engaged to those who find engagement challenging. For the engaged or engageable, it is critical that a spectrum of support and a range of engagement opportunities exist throughout the journey, from starting a pension to taking a retirement income from it. Our framework must also work for those who find engagement difficult.

2.2 We have worked to tackle harm across the accumulation and decumulation stages of the pensions journey. We have introduced:

- investment pathways
- a stronger nudge to guidance
- requirements for DB transfer advice
- default investment options in non-workplace pensions

2.3 More recently, we have:

- Continued to progress the value for money (VFM) framework. We want to make sure that value in workplace pension schemes is maximised to provide better retirement incomes for scheme members.
- Made rules compelling pension providers to participate in the pensions dashboard initiative. We also confirmed our requirements for firms seeking to operate a private sector dashboard. Pensions dashboards will allow consumers to find their pensions and to view information about them.
- Made near-final rules for targeted support in pensions and retail investments. Through targeted support pension providers will be able to provide suggestions tailored to groups of consumers to help them make better decisions around their pensions.

2.4 In December 2024, our discussion paper (DP24/3) outlined our 3 areas of policy interest. We received over 40 responses from a broad range of respondents. These included industry representatives, pension providers, master trusts and consumer representatives. The feedback on each topic is summarised in subsequent chapters. This feedback has been very valuable, and we are grateful to all respondents. Our proposals are informed by feedback to DP24/3, and engagement with consumer and industry representatives.

2.5 We also met our relevant statutory panels when developing our proposals. The FCA Practitioner Panel, the FCA Smaller Business Practitioner Panel and the Financial Services Consumer Panel all provided valuable input and challenge.

2.6 Our work is set against the backdrop of the Government's wider pension reforms which will introduce further change in the pensions landscape. The Government's reforms are being delivered through the Pensions Schemes Bill. This is expected to receive Royal Assent in 2026, with most of its provisions coming into force between 2027 and 2030, following consultation on secondary regulations, where necessary. Key reforms include:

- DC Scheme Scale Requirement (the Government expects that multi-employer default schemes must manage at least £25bn by 2030 or have credible plans to reach £25bn by 2035).
- Automatic consolidation of small, deferred pension pots.
- Default pension plans (guided retirement) to help DC savers convert their pensions savings into income at retirement. In particular where they face challenges navigating the complex decisions involved in decumulation.
- Powers to enable The Pensions Regulator (TPR) to introduce the value for money framework for trust-based schemes in parallel with the FCA's proposed framework, on which we will be issuing a further consultation in the new year.

2.7 We will continue to work with the Government to ensure a cohesive approach across the pensions market.

How it links to our objectives

2.8 We want a market that supports consumer decision making and offers value for money throughout the journey from pension saving to retirement income. Regulation cannot reduce all risk of consumer harm to zero. But we want consumers to be appropriately protected by making sure our regulatory framework works well, both now and in the future.

2.9 Annex 3 explains why we consider the proposals in this paper:

- To be compatible with our general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with our strategic objective and advances one or more of our operational objectives.
- So far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA.
- Complies with the general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA.

Chapter 3

Tools and modellers for existing pension savers

Summary

3.1 DP24/3 sought views on how our current projection rules in COBS 13 might be limiting the development of effective and engaging tools that could improve support for consumers with pension planning. This chapter summarises respondent feedback and sets out our proposed new regulatory approach for interactive pension projection tools.

Background

3.2 As the pensions landscape evolves, with new initiatives like the launch of pension dashboards and the rollout of targeted support, we expect demand for digital planning tools to increase. Research, such as the Department for Work and Pensions Lessons on Pensions Engagement Report, suggests digital tools, especially those with interactive features, can help consumers better understand their pension options and make more informed decisions.

3.3 Our current projection rules under COBS 13 were designed primarily for static projections in printed key features illustrations (KFIs). Interactive tools, however, are designed to help consumers explore their options and see how different choices could affect their retirement outcomes.

Discussion paper feedback

3.4 In DP24/3, we asked which areas of our rules were limiting innovation and how a new regime for digital tools and modellers could enable more effective and engaging tools, with appropriate protections against potential harms.

Overarching feedback

Barriers in current rules: Almost 70% of respondents (and over 90% of pension firm respondents) told us our existing projection rules restrict firms providing effective and engaging pension planning tools. Key themes raised were concerns with the requirement to present 3 deterministic projections simultaneously and give deterministic projections prominence over stochastic ones. Respondents felt these can disengage and confuse consumers by presenting too much information that can be complex.

Enabling consumer understanding and engagement: A key theme of respondent feedback was that tools, particularly on small screens, are most effective at engaging consumers when they include simple, easy to understand outputs. Respondents also said it was important for consumers to interact with different variables (such as contribution rates and retirement age), to help them understand their options and support decision-making. Many respondents called for greater flexibility in how outputs are presented and the ability to tailor tools to different audiences, improving consumer understanding and engagement.

Potential harm: Some respondents noted the need for protections against consumer harms. Consumer bias, misunderstanding or misinterpreting outputs and unrealistic or misleading output were cited as key sources of potential harm.

Consistency: Most respondents raised concerns that the inconsistent rules for pension projections across different regulators may be confusing for consumers. For example, the rules for COBS 13 projections differ from those for Statutory Money Purchase Illustrations (SMPIs) in annual benefit statements.

3.5 After reviewing feedback from respondents, we are proposing the introduction of a new regime for interactive, digital pension projections for in-force personal or stakeholder pension schemes, guided by the following principles.

Key principles for proposed regime

Outcomes-focused and aligned with the Consumer Duty so firms can focus on designing tools that most effectively support consumers to engage with their pension and understand their choices.

Proportionate safeguards to reinforce our outcomes-focused approach where there are clear risks of consumer harm.

Flexible so firms can innovate and deliver tools that are best suited to the needs of their target market.

3.6 Our regime aims to enable firms to develop tools that can help consumers:

- Understand their choices (eg, increasing contributions or retiring later) and the impacts on retirement outcomes.
- Recognise certain factors beyond their control (eg growth rates) and consider this uncertainty when planning.

3.7 One of the advantages of our proposed outcomes-focused regime is that it gives firms flexibility to use technology, including Artificial Intelligence, in the design and delivery of their digital tools.

3.8 We acknowledge feedback on differences in regimes across regulators, which can lead to inconsistencies in pension projections across the consumer journey. For the proposed regime for digital tools, we do not see consistency with static pension projections as the primary objective. The purpose of interactive tools is to show a range of possible outcomes and encourage consumers to explore and understand potential options. This is distinct, and likely to be perceived differently by consumers, from static pension projections such as at point of sale or in annual benefits statements. So, while consistency with existing regimes hasn't been the key objective, we consider our proposed approach will benefit consumers through more effective and engaging planning tools.

3.9 We have shared feedback on the broader consistency issues with the Government and other stakeholders. However, as set out in DP24/3, a wider review of pension projections, beyond digital planning tools, is outside this work's scope.

Key features of the proposed regime

Scope and application

3.10 **Feedback received:** We sought feedback in DP24/3 on how digital tools and modellers should be defined for the purposes of a new regime. Although responses were limited, respondents suggested defining tools by their functionality, the information they provide and users' ability to interact or change assumptions.

3.11 **Our response and proposal:** We propose that where a firm offers a projection of an in-force pension contract or scheme, and the firm holds all the underlying information for that contract or scheme, presented in a digital format that allows consumer interaction, they must comply with our proposed regime. For example, where an interactive projection tool is presented to a consumer when they log into their pension account.

3.12 Our proposed regime would replace COBS 13 for interactive projections within scope, but COBS 13.5 would still apply to 'static' projections for in-force pension products, such as communications sent to consumers. To make this distinction clearer, this chapter uses the term 'simulation' (rather than 'projection') to refer to estimates of future pension benefits generated by digital tools (under our proposed regime) where consumers can set assumptions for personal use for pension planning.

3.13 Where a firm is communicating a digital, interactive projection but does not hold all the underlying information for the pension contract or scheme, this would be outside the scope of COBS 13 and the proposed regime for simulations in digital tools. In this scenario, firms must make it clear to consumers that any output is not based on, or specific to, the in-force pension product and includes the use of generic assumptions or consumer input. We also propose that for these types of projections firms do not enable a consumer to make a transaction directly within the tool. We consider this an appropriate safeguard where consumers are presented with a projection that is not based on all the underlying information for a pension contract or scheme.

3.14 We consider interaction with certain parameters is important to help consumers understand their options. We therefore propose firms offering a pension simulation within scope of this regime must present an initial simulation that meets our proposed requirements but then allow a consumer to interact (eg see different outcomes from changing pre-selected options or free text), as a minimum, with the following parameters:

- For a consumer with funds in accumulation, the point at which they start accessing their pension benefits.
- Pension contributions during the simulation period.
- Different rates of return (for deterministic simulations).
- Decumulation options and the ability to choose a type or level of income.

3.15 Firms can also choose to allow interaction beyond these minimum parameters, such as allowing consumers to select different fund strategies or levels of risk. When considering this, firms must take account of their obligations under the Consumer Duty, particularly regarding consumer understanding.

3.16 As the proposed regime does not apply to projection tools which are not interactive or accessible directly by retail clients, we don't expect tools used by advice firms when providing regulated advice to be in scope.

3.17 Where applicable, we are proposing that our rules will also apply to Gibraltar-based firms in relation to business carried on from an establishment in the UK.

Deterministic and stochastic simulations

In this chapter, we use the terms 'deterministic simulations' and 'stochastic simulations'. Deterministic simulations are the projected future benefits based on constant assumptions over the simulation period. Stochastic simulations show a summary of results from repeated simulations using an investment model. The model uses key financial parameters which are subject to random variations and are projected into the future. Deterministic simulations give a single point estimate, while stochastic simulations provide a range of possible outcomes and can give an indication of the likelihood of each outcome.

Question 1: **Do you agree with the application and scope of our proposed regime as set out above? If not, what are the challenges for firms or unintended consequences of this approach?**

Presenting pension simulations

Stochastic v deterministic simulations

3.18 **Feedback received:** DP24/3 asked how current rules may be limiting consumer engagement. Respondents suggested the requirement to present a deterministic simulation more prominently (than a stochastic simulation) disengages consumers by presenting them with too much information.

3.19 **Our response and proposal:** Our proposed regime gives firms flexibility to use deterministic, stochastic, or both types of simulations, based on the likely understanding of their target consumers. Some consumers may prefer a more simplistic deterministic simulation whereas more financially aware consumers may engage better with a stochastic simulation that estimates probability of possible outcomes. We think firms are best placed to determine the most effective and engaging model for their target consumers. When determining whether to present deterministic or stochastic simulations, firms must comply with their obligations under the Consumer Duty, including the consumer understanding outcome.

Question 2: **Do you agree firms should have flexibility to present either a deterministic, stochastic or both types of simulation based on the understanding and engagement needs of their target consumers?**

Presenting deterministic simulations

3.20 **Feedback received:** In DP24/3 we asked how our rules could evolve to support engaging digital tools while ensuring consumer protection. Respondents to DP24/3 said that the current requirement to present 3 deterministic simulations simultaneously can overwhelm or confuse consumers. This requirement is ill-suited for digital formats, particularly small screens. They also highlighted mixed views on growth rates. Some supported caps or banded rates to avoid overly optimistic assumptions, while others preferred flexibility to allow a more representative range of potential outcomes for consumers to interact with.

3.21 **Our response and proposal:** Having considered the feedback, we propose a more outcomes-focused approach that gives firms flexibility to meet consumers' engagement and understanding needs, with requirements to mitigate against key risks.

3.22 Presentation of deterministic simulations: we propose firms can format their tools to present deterministic simulations either individually, as a single initial simulation based on an initial growth rate (see paragraph 3.21), or simultaneously present higher, intermediate and lower rates alongside each other. If shown individually, firms must also offer consumers the option to view, at least, a higher and lower alternative to highlight the inherent uncertainty of outcomes. These alternative simulations must meet our growth rate requirements below. Firms should decide the format that best meets the needs of their target consumers, in line with Consumer Duty obligations.

3.23 Growth rates: we propose firms have a degree of flexibility to present rates for interaction that accurately and fairly reflect the expected investment potential of the pensions underlying assets. We are not proposing specific caps on growth rates as we consider these could limit the engagement benefits of digital tools. Caps would also need to be regularly reviewed reducing the efficiency of this approach. Our proposals aim to balance enabling the benefits of interaction and scenario planning with safeguards against unrealistic assumptions by requiring firms to:

- Use an initial growth rate, that accurately and fairly reflects the investment potential of the underlying investments, where presenting an individual simulation (and enable consumers to then interact with a higher and lower growth rate).
- Present growth rates (high, intermediate, low) which also accurately reflect the range of investment potential (of each of the product's underlying investments).
- Present the highest and lowest growth rate with an equal % rate difference to the estimated intermediate rate of return. For example, firms offering a range of rates (whether initially or for a client to select) where the upper rate is up to 4% higher than the intermediate rate, must include a range with a lower rate that is up to 4% less than the intermediate.
- Base the rates used on documented, justified methodologies subject to governance and regular review.

3.24 Our approach may mean consumers with multiple pensions see different rate ranges across provider tools, but we believe the benefit of consumers exploring simulations relevant to their pension, and the investments within it, outweighs this. Existing rules also provide some safeguards where consumers take certain actions after using a tool. For example, COBS 13, or as otherwise required in COBS 14.2, could apply if a consumer makes changes to their pension.

3.25 Firms may also allow consumers to explore different fund strategies or risk levels. For example, a consumer in a low-risk fund could be given the option to see what a higher-risk strategy might look like to help consumers understand the potential impact of adjusting their risk level. Firms are not required to offer this feature but if they do, it must be clear to consumers that the new simulations no longer reflect the potential of their current pension product.

Question 3: **Do you agree firms should have flexibility to present deterministic simulations either individually (with at least a higher and lower option), or multiple simultaneously?**

Question 4: **Do you agree with our proposed approach to the calculation and presentation of growth rates? If not, why not? Are there consumer risks with this approach that should be addressed through further requirements (such as setting a maximum cap on growth rates)?**

Presenting stochastic simulations

3.26 **Feedback received:** Respondents to DP24/3 noted that consumers can sometimes find stochastic simulations difficult to understand and had concerns around the quality of the underlying data. On the other hand, we also heard that stochastic models can be more useful and engaging for some consumers because they show the probability of different retirement outcomes.

3.27 **Our response and proposal:** We are proposing to incorporate the existing rule in COBS 13 that requires stochastic simulations to be based on a reasonable number of simulations, using reasonable assumptions supported by objective data. This will help make sure stochastic models are robust, credible, and grounded in evidence.

3.28 Firms should make sure the projected outcomes are balanced and not overly optimistic. Firms can comply with this by either presenting the 50th percentile, or a range centred around it (eg 10th to 90th percentile) and allowing consumers to interact with the tool to explore the different potential outcomes.

Question 5: Do you agree with our proposals for stochastic models? If not, why? If so, why?

Requirements that apply to all simulations

3.29 We are proposing requirements for communications, decumulation options and calculation of contributions and charges that apply for both deterministic and stochastic simulations.

Inclusion and calculation of contributions, inflation and charges

3.30 The regime for simulations in digital tools will broadly follow existing requirements in COBS 13 for the simulation period for the initial simulation, contributions, inflation and charges. We propose the simulation must take account of all contributions due during the simulation period and the expected charges, including any adviser fees.

3.31 Simulations must also be presented in real terms. The inflation rate used should be a reasonable indication of the impact of inflation over the simulation period, taking into account measures of inflation generally accepted in the UK. Including contributions, charges and inflation in simulations help present consumers with a realistic view of their potential retirement outcomes.

Decumulation options

3.32 The proposed rules apply whether or not a consumer has accessed their pension. Our 2024 Financial Lives Survey found that 75% of DC pension holders aged 45 and over did not have a clear plan for how to take their money or know they had a choice to make. Our rules propose firms can decide which decumulation option to use for the initial simulation. But consumers must also be given the choice to see and interact with the following range of decumulation options: an annuity (including a pension commencement lump sum), an uncrystallised funds pension lump sum (UFPLS), flexi-access drawdown (including a pension commencement lump sum), and withdrawing their pension in one go. This allows consumers to understand the range of options available to access their pension, including any that might not be offered by their provider, and the potential impact of each.

3.33 Firms should present annuity rates that reflect what a consumer could reasonably expect to receive, based on current market rates for their selected retirement age. Firms must initially offer the type of annuity they think is appropriate in the circumstances. Firms should consider consistency with other decumulation options when deciding what type of annuity to present. For example, if a firm is presenting an inflation-linked income withdrawal then they should consider presenting an inflation-linked annuity option. Firms are permitted, but not required, to provide a range of different types of annuities (eg single vs joint life) and rates.

3.34 When making decisions about decumulation, tax is often an important factor for consumers. To help them understand the potential tax impact, firms should consider showing net income (income after tax) when illustrating different decumulation options. Firms can use reasonable assumptions, such as those around state pension, or let consumers input their own details to provide a more accurate view of the tax implications of different options.

Question 6: **Do you agree consumers should be given the choice to see and interact with the decumulation proposals set out above? If not, why? If so, why?**

Communications

3.35 Feedback received: Respondents to DP24/3 suggested the level of prescription and volume of information required under COBS 13 is disengaging consumers. In particular, when tools are used on small digital screens such as mobile phones.

3.36 Our response and proposal: Our proposed rules provide firms flexibility to decide the best way to communicate information about simulations presented to consumers so that they understand them.

3.37 Our outcomes focused rules require that firms must communicate simulations in a way that enable consumers to understand them, including what the underlying assumptions are and that certain assumptions are inherently uncertain. Further, firms must ensure tools allow for effective engagement and support a consumer's ability to make decisions about their pension. However, firms can decide the best way to communicate this information to consumers. We also encourage firms to undertake appropriate consumer testing to assess whether consumers understand the simulation. This may be particularly relevant where firms are producing new tools or materially changing existing tools.

Question 7: **Do you agree with our communications proposals? If not, why? If so, why?**

Record keeping and review requirements

3.38 All FCA-regulated firms must keep orderly records of their business and internal organisation to enable the FCA to monitor their compliance with regulatory requirements and obligations to consumers as set out in SYSC.

3.39 In addition to these, we propose specific record keeping requirements. Digital simulation tools should be based on documented, justified methodologies subject to internal governance. This will support firms' ability to show they are complying with our rules.

3.40 Firms are also required to regularly review and, where appropriate, update their tools. Regular reviews are important to make sure tools still comply with our rules.

Question 8: **Do you agree with our record keeping and regular review proposals? If not, why? If so, why?**

Question 9: **Does our proposed regime (for pension simulations in interactive, digital tools as a whole) strike the right balance between relying on outcomes-focused rules, the Consumer Duty to enable more effective and engaging tools and specific rules to deal with harms? Are there any areas where we need more specific rules to deal with potential harms, such as lack of consistency across different tools or pension projections in the consumer journey?**

Question 10: **Does our proposed regime (for pension simulations in interactive, digital tools as a whole) support the adoption of technology, including AI? Are there any proposed rules which may inhibit technology adoption?**

Tools and modellers in a future pensions framework

3.41 Our proposals aim to support the use of digital tools in a future pensions landscape. This includes initiatives such as pensions dashboards and targeted support. For example, enabling firms to offer tools that help consumers understand what a targeted support suggestion might mean for them and enabling engagement through digital tools in private sector pensions dashboards.

Digital tools in a pensions dashboard service (PDS)

3.42 The Government's pension dashboard initiative will allow consumers to view basic information about their not-yet-accessed pensions in one place. The Money and Pensions Service (MaPS) will operate the MoneyHelper dashboard which will be made available to the general public. Subject to FCA authorisation and permission, private firms can also offer a PDS.

3.43 Our Pensions Dashboards Conduct of Business (PDCOB) rules allow private dashboard firms (PDS firms) to offer 'post-view services' within a PDS. These post-view services cannot be transactional but could include information, guidance and digital tools designed to help dashboard users better understand and engage with their pensions. Consumers can give consent for their dashboard data to be used in these post-view services. Our proposed rules for interactive simulations do not apply to digital tools offered as post-view services where these are not based on sufficient underlying information about an in-force pension contract or scheme. Dashboard view data includes the pension value and estimated retirement income but it doesn't include details about underlying investments, charges and contributions.

3.44 It must be clear to consumers that even though they are populated with the consumers pension dashboard data, the projections use generic assumptions and are not based on their specific pension product (because PDS firms don't have the underlying data). Our existing PDCOB and Consumer Duty rules will also apply to these tools. They include requirements for PDS firms to explain the nature, purpose and limits of any service offered.

3.45 We welcome feedback from firms considering offering a PDS on the types of post-view services they think would benefit consumers, and whether these include either in-force static projections or interactive projections.

Question 11: Do you agree with our proposed approach for projections in a PDS digital tool? If not, why not?

Digital tools that include a broader range of retirement income

3.46 Some firms may wish to offer retirement planning tools that allow consumers to include other potential income sources—such as additional pensions, investments, or the state pension. These tools combine:

- An in-force pension held with that firm (where the firm holds the underlying information about investments, charges, contributions etc.).
- Other income sources (where the firm relies on consumer input and generic assumptions).

3.47 For these tools, firms are required to comply with our rules for the in-force pension held with that firm because they hold all the underlying information for that pension. For example, information on charges, contributions, pot value and investments. However, our rules do not apply to other pension pots where firms do not have all of this underlying information. For these other income sources firms can rely on consumer input or make reasonable assumptions.

3.48 We support firms offering these more holistic retirement tools if they think consumers will benefit from them. However, there are risks to consumers, particularly if firms make the pension the consumer holds with them appear more attractive (eg through higher returns or lower fees) compared to other pensions or investments.

3.49 To mitigate these risks, firms must clearly explain that projections for other income sources (such as additional pensions or investments) are generic and not based on specific information about those products. Firms should also explain that consumers should not compare these figures with the in-force pension simulation, as they are calculated differently. In addition, firms cannot enable a consumer to make a transaction that relates to these other pensions, such as initiating a transfer, directly within the tool. We also note that existing rules provide safeguards when consumers take certain actions (eg making changes to their pensions), which further reduces these risks.

Question 12: **Do you agree with the proposals for how the new regime will apply to digital tools that include a broader range of retirement income? If not, why not?**

Transition period

3.50 Firms may need time to alter existing digital tools (or create new digital tools to replace those existing ones) to be compliant with our final rules. So, we propose a 12-month transition period. Throughout this period firms can continue to offer their existing COBS 13 compliant tools. They can also offer tools that are compliant with the new regime once these have been developed.

3.51 The proposed transition period will reduce the burden on firms by providing an appropriate timeframe for them to move to the new regime without delaying the rules coming into force so firms can move across once their tool meets the new rules. The transition period will also allow consumers to rely on existing COBS 13 compliant tools while firms implement the new regime.

Question 13: **Do you agree a transition period is needed to effectively implement the proposed regime for simulations in digital tools? If so, is 12-months an appropriate timeframe?**

Chapter 4

Pension projection exceptions

4.1 In this chapter, we propose a change to our rules so that pension schemes can include extra projections in annual benefit statements without needing to engage with us on a modification by consent. These extra projections will show how much more money someone could have at retirement if they increase their contributions or access their pension later. They would use the same assumptions as the statutory money purchase illustration (SMPI) that schemes already provide by law.

Background

4.2 The rules in COBS 13 do not apply to a projection for an in-force product which is consistent with the SMPI requirements in annual benefit statements.

4.3 In 2018, an industry working group designed a template for a simpler annual benefit statement. The template included a section which was not required in a SMPI. This section encouraged pension schemes to show an additional projection showing the effect on pension benefits if the consumer increased their contribution. There was widespread support for the new template across the pension industry.

4.4 We supported the objective of providing information to consumers in a simpler way so they are more likely to understand it and engage with it. We also recognised the value of the additional projection to help consumers to understand the potential impact of increasing their contributions. This additional projection was not required in the SMPI. So, it did not fall under the existing exemption for SMPIs in our rules. Consequently, we published a modification by consent to enable firms to provide this additional projection within a SMPI without it being subject to our projection rules. Firms who wanted to take advantage of the modified rule let us know and we confirmed to them that we had granted the modification. The modification was initially available for 2 years but has been subsequently extended. It currently expires in September 2026.

4.5 In the meantime, the Government amended the SMPI regulations. This set out more prescription of the required information for auto-enrolment schemes. It also required schemes to have regard to any guidance published, with effect from April 2022. The Department for Work and Pensions (DWP) also published statutory guidance on 'simpler annual pension benefit statements'. It included a section on what the member could do to give themselves more money at retirement. The statutory guidance encourages trustees and schemes to provide this information by including prompts to:

- Save more money into their pension plan with an illustration showing how saving more into their pension plan may generate an increased pension pot at retirement.
- Give their pension pot more time to grow.

4.6 The guidance signposted the modification by consent available to FCA-regulated firms. In practice, only a few firms took up the modification by consent. This means that many firms may not be using projections to supplement their prompts.

Our proposals

4.7 We consider that the prompts set out in DWP's guidance are a helpful way to engage consumers in the options available to them to increase their retirement income. We also see the benefits of firms doing this via a projection to show the potential numerical effect, to supplement a description. So, we are now consulting on making changes to our COBS 13 rules. Firms would not need to inform us that they are using the modified rule if they provide projections on how consumers could give themselves more money at retirement in SMPIs, as set out in DWP's statutory guidance. This will make it easier for more firms to provide this helpful information to consumers.

4.8 The wording we have proposed explicitly addresses both parts specified in the statutory guidance. We have not limited the exemption to auto-enrolled schemes so that firms can provide this additional information in a SMPI for any consumer if it is based on the same assumptions as the SMPI.

Question 14: **Do you agree with our proposal to exempt projections provided in SMPIs on how pension members can give themselves more money, as set out in DWP's statutory guidance? If not, please explain why.**

Chapter 5

DC to DC transfers and consolidation

Discussion paper feedback

5.1 In DP24/3, we invited feedback on 2 broad issues, focusing on how we can make sure that, in future:

- Consumers who ask to transfer or consolidate a pension do so on a well-informed basis and where it is in their interest to do so.
- Firms action these requests both diligently and efficiently.

5.2 More than 40 respondents commented on these topics. These respondents included pension providers, SIPP operators, pension distributors, trade associations, master trusts, FCA statutory panels, consultancies, and other industry bodies.

Informed decision making

Some industry respondents shared our concerns that some consumers are transferring without understanding the features of their ceding schemes or assessing them against the merits of the receiving scheme. A few respondents highlighted cases where consumers, using trace and consolidate' services, inadvertently triggered an instruction to transfer.

However, respondents observed that neither the provider of the receiving scheme nor the provider of the ceding scheme should be responsible for determining if a transfer is in a client's best interest. They recognised that doing so would require access to information they do not hold. It would also require insight into the individual's preferences and personal circumstances which is an assessment that would likely constitute regulated advice.

Around a quarter of respondents supported a consistent approach to highlighting key product features before a transfer. They recognised this as a way to improve regulatory certainty and encourage industry collaboration in consumers' interests. However, most were cautious about introducing new requirements that might further delay the transfer process.

Incentives

Many respondents acknowledged that financial incentives could create poor motivations for transferring. Some respondents were open to banning incentives outright. But a small number felt that 'appropriate incentives' could be acceptable, particularly where consolidation leads to increased consumer engagement.

Service efficiency

Many respondents said that inconsistent application by industry of the Department of Work and Pensions (DWP) scam-prevention legislation, the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021, was contributing to some of the more extensive delays in the transfer process. The feedback was broadly consistent with that reported in DWP's 2023 review of the Regulations. We have shared with DWP the issues raised in the DP feedback about the Regulations. A smaller proportion of respondents also raised concerns about firms continuing to require wet signatures or other manual processes as part of the transfer initiation process, which they argued can unnecessarily delay transfers.

Respondents generally agreed that transfers can now be processed more efficiently than in recent previous years. They highlighted key enablers such as:

- Increased use of digital services, such as the Origo Transfer Service, which is a widely adopted digital platform.
- Industry initiatives such as STAR, a transfer performance accreditation scheme.

However, a small number of respondents acknowledged the associated costs of these services can be prohibitive for smaller firms, or disproportionate for firms that do not handle significant transfer volumes.

Background and context

Context

5.3 As pension participation increases, so too does the possibility of pension transfers. And when consumers have multiple pots, consolidating some or all of them can be a credible option.

5.4 Many pension providers offer some form of transfer-in facility, though the extent to which they promote this varies significantly. For a small but growing number of firms, consolidation of individual pensions is their core pension business.

5.5 Consumer interest and market appetite for transfers and consolidation is likely to rise after the roll out of targeted support and the launch of pensions dashboards, which will help consumers to find their not-yet-accessed pensions. Both initiatives are likely to increase consumer awareness of multiple pension pots.

5.6 Where consumers transfer or consolidate pensions on an advised basis, the adviser must take reasonable steps to make sure their personal recommendation to transfer is suitable for the consumer, based on an assessment of a wide range of information. This includes the client's financial situation, objectives and risk tolerance.

5.7 However, where a client navigates this process without advice, they do not benefit from the same level of information or support, increasing the risks of uninformed decisions. And while targeted support suggestions will be capable of reaching a significantly greater number of consumers than current forms of advice, our final rules confirm that firms cannot give a ready-made suggestion to consolidate any of the pension pots they hold. Whether consolidation is right for a particular consumer is an inherently personal decision and depends heavily on their individual circumstances, including the specific features of the ceding scheme(s) and receiving scheme as well as the individual consumer's preferences. Such a personal decision is incompatible with ready-made solutions for groups of people.

5.8 Until recently most transfers were sold on an advised basis. However, Product Sales Data shows a considerable growth in the sale of new, single premium pension plans on a non-advised basis in the last 3 years. This has risen from just over 250,000 in 2022 to more than 400,000 in 2024. We expect that transfers (of one or many plans) constitute most of these sales. Meanwhile, the Department for Work and Pensions' (DWP) Planning and Preparing for Later Life 2024 survey records that one-third of respondents who consolidated in the past 3 years transferred all their pensions into a new scheme.

5.9 In addition, few consumers who consolidate undertake a comparison of the features and benefits of their ceding and receiving schemes. Simplicity remains the primary motivation. According to the Financial Lives surveys conducted in 2022 and 2024, over 75% of adults who consolidated in the previous three years did so to have their pensions in one place or for easier access. In 2024, only a minority of these survey respondents considered key factors such as fees and charges (32%), investment choices (21%), or the potential loss of guarantees or safeguarded benefits (7%).

Issue

5.10 Under the Consumer Duty, firms should act to empower consumers to make good choices by making sure they have the information and support they need, when they need it, to make and act on informed decisions.

5.11 Non-advised consumers often start a transfer process through a firm that is actively promoting and offering non-advised transfers or consolidation ('engaging firms' for the rest of this chapter). This may be a third-party rather than the operator of the receiving scheme. These firms only hold information about the potential receiving scheme. As such, they are unable to provide details to the consumer about the ceding schemes. Even when engaging firms highlight pre-transfer considerations to the consumer (which many do, though in varying levels of detail and prominence), consumers may not have or understand the necessary information sources about their existing pension schemes to independently identify whether and which considerations apply.

Diagram A: Current barriers to non-advised consumers making an informed decision

5.12 By contrast, ceding scheme providers typically only learn about a transfer request when they receive the consumer's instruction to transfer from the engaging firm. At this point, the ceding scheme provider's Consumer Duty obligations are triggered. This includes the requirements to a) avoid causing consumers foreseeable harm, b) enable consumers to pursue their financial objectives and c) communicate in a way that is likely to be understood and equips them to make effective, timely and properly informed decisions. Any information then provided to the consumer about the ceding scheme comes after consumer has decided to transfer. Providing information at this stage may reduce its efficacy and is sometimes perceived as sludge practice, by both consumers and engaging firms.

5.13 This means non-advised consumers are at risk of making decisions to transfer based on incomplete information and:

- Unknowingly giving up valuable benefits. For example, guaranteed investment returns, loyalty bonuses or protected pension ages.
- Transferring to products that do not meet their needs. For example, because they offer fewer decumulation options or incur higher charges than their existing scheme(s).

Proposed framework for non-advised DC to DC transfers

5.14 In broad terms, we propose that engaging firms cannot offer the facility to instruct a transfer until the consumer has been presented with the minimum necessary information to:

- Compare the receiving and ceding schemes.
- Make an informed decision whether to transfer or consolidate.

5.15 In this context, the facility to instruct a transfer includes circumstances where the consumer opens a new pension plan before, and specifically for the imminent purpose of, transferring-in assets or funds from another scheme.

5.16 Under our proposal the engaging firm would, acting with the consumer's consent, be responsible for gathering information from ceding schemes. They would then be required to present the information about ceding and receiving schemes back to the consumer in a clear and comparable format. This information must be provided to, and seen by, the consumer when it can meaningfully inform their decision, and must be presented separately and before the option to formally instruct a transfer.

5.17 The 3-step process to be followed by the engaging firm can be summarised as follows:

- **Step 1:** Consent to gather information – The engaging firm gets the consumer's written consent to gather their pension details from ceding schemes (for example in a Letter of Authority (LoA)). The firm also asks the consumer to identify the pensions they wish to transfer or are considering transferring.
- **Step 2:** Gather information from ceding schemes – The engaging firm sends confirmation of the consumer's consent and a standard information request to the providers of the relevant ceding schemes. This asks for details on valuable benefits, features, and core characteristics.
- **Step 3:** Information replay – Once responses are received, the engaging firm compiles and presents the information back to the consumer, including a comparison with the receiving scheme. The firm also signposts the availability of advice and guidance.

5.18 Our proposals place responsibility on the ceding firms and engaging firms to identify and disclose key information to the consumer. They are better placed than the consumer to accurately identify this information from existing sources. This approach makes sure the consumer receives the information at a point when it can genuinely inform and influence their decision, rather than after the transaction has been started. It also means consumers receive the information in a single, coherent package from one source, rather than through multiple communications in varying formats from different providers at different times.

5.19 We want to facilitate better informed decision making. Additionally, by exposing a wider range of relevant factors to consumer scrutiny, we aim to encourage firms to actively and effectively compete to acquire and retain customers based on features that drive value for money.

5.20 Our proposals add time to the consumer's transfer decision-making process (where previously too little may have been spent). But they also have the potential to reduce post-instruction abandonment rates. And in some cases, we expect the time it takes to complete a transfer from the date of instruction will reduce. Evidence from our multi-firm review of life insurers' pension transfer process highlights that where additional steps and checks were carried out by ceding schemes that received an instruction to transfer, 50% of firms in our sample took between 41-80 calendar days on average to complete these transfers. Whereas over 75% of firms completed these transfers within 10 calendar days where no additional checks were required.

Consumer testing

5.21 The proposals we detail below aim to reduce the risk of consumers making transfer decisions based on incomplete information and therefore unknowingly giving up valuable benefits or transferring to products that do not meet their objectives and needs. We intend to behaviourally test our proposals in parallel with the consultation to help us to determine whether our proposals do, in practice, drive informed decision-making. As an evidence-based regulator, any rules we ultimately make will be informed by what we learn through consumer testing, as well as consultation feedback received.

Scope and trigger

5.22 Our proposal is limited to non-advised transfers involving FCA-regulated DC pensions. The new rules will place distinct obligations on:

- FCA-regulated providers of personal and stakeholder pension schemes in their capacity as the customers' existing pension provider (ceding scheme).
- FCA-regulated pension providers (or third-parties through which the receiving pension is distributed) in their capacity as the party arranging the customer's potential new pension (engaging firms).

5.23 Where applicable, we are proposing that our rules will also apply to Gibraltar-based firms in relation to business carried on from an establishment in the UK.

5.24 While we cannot propose binding requirements for trustees of occupational DC schemes, we have drafted our proposals to be compatible with all DC pension types. So, occupational scheme trustees could choose to respond to an information request, if they accept the consumer's consent and authority to do so. DWP sets the requirements for trustees of occupational schemes. We are in discussion with DWP about our proposals and will keep them informed about the issues raised in the responses to our consultation. DWP will consider whether similar requirements for occupational pension schemes will be beneficial.

5.25 Finally, our proposal is triggered when an engaging firm becomes aware that a non-advised client is considering a transfer to a proposed receiving scheme operated or distributed by the engaging firm. As noted above, this includes instances where a consumer is establishing a new pension plan for the imminent purpose of receiving transfers from other schemes. The trigger precedes the point when a consumer can formally start (instruct) a transfer.

5.26 Where a ceding scheme is a deferred pension pot valued at or below the threshold at which small pots are defined in legislation, for the purpose of small pot consolidation measures, we propose that the ceding firm is not obliged to complete the full information request (although they may choose to do so). Current clause 22(2) of the Pensions Schemes Bill 2025 defines a pension pot of £1,000 or less as small.

5.27 We have selected this threshold to align with the proposed automatic consolidation of small pots under the Pensions Schemes Bill. DWP has identified over 13 million pension pots meeting these criteria since the introduction of Automatic Enrolment in its Small Pots Delivery Group Report. Requiring firms to provide full details of these pots for every non-advised transfer request would be disproportionately burdensome. This threshold acknowledges that any benefits and features associated with pots of this value are likely to have low quantifiable value, such that they are unlikely to meaningfully influence a consumer's decision to transfer.

Question 15: Do you have any comments on the proposed scope and trigger for our non-advised transfer rules?

Consent to gather information

5.28 In most cases, DC pension savers considering a transfer will have a statutory right to transfer their pension to another scheme, under the Pension Schemes Act 1993. However, to help prevent pension scams, the Occupational and Personal Pension Schemes (Condition for Transfer) Regulations 2021 include specific conditions that limit the exercise of this right in certain circumstances.

5.29 Our proposal respects the consumer's statutory right but requires that in all cases engaging firms must offer to gather for the consumer the information that is relevant and valuable to the consumer's decision-making. We acknowledge that firms cannot request information about a consumer's existing pension arrangements from another provider without the consumer's consent. To facilitate this, we propose that firms obtain clear and informed written consent, for example through a valid LoA, which is a well-established and widely used concept in financial services. We propose that consent would form the lawful basis for processing the personal data about the customer and their pensions.

5.30 The consent may be provided in electronic form and signed using electronic or digital signatures, which aligns with most current practices. Most firms will have existing processes to support specific requests. But we encourage firms to consider whether those processes are appropriate where the purpose is to authorise an information request rather than agency to act/transact. Firms should aim to achieve the appropriate level of both security and efficiency. We welcome views on how digital solutions could support more streamlined consent gathering across the industry.

5.31 It is important that the engaging firm presents the offer to gather information (and the request for consumer consent) in its proper context, indicating why it would be beneficial for the consumer. So, our proposals require engaging firms to explain that:

- Transferring a pension is a significant decision with long-term financial implications.
- Whether a transfer is suitable will depend on individual circumstances and objectives.
- Not all pensions are the same and that some features and benefits may be lost on transfer.
- There are certain matters the consumer can consider and compare to decide if they're likely to be better or worse off after transferring, and that the engaging provider can request that information directly from the ceding schemes on the consumer's behalf.

5.32 Our proposals do not prescribe the wording to be used by the engaging firm. In line with the Consumer Duty, engaging firms should make sure these communications are appropriate and comprehensible for the information needs of a consumer in their target market.

5.33 Our proposed rules specify that at this stage the firm can capture consent to authorise information gathering only. The firm cannot simultaneously accept instruction to transfer or to take any other action on behalf of the consumer. The act of instructing a transfer will be a distinct and separate process. In some cases, this may require a revised or further confirmation of consent. This limited scope must be clearly communicated to the consumer, along with the fact it does not commit the consumer to proceed with a transfer to that firm (ie it is obligation free).

5.34 Some consumers may not consent to the information-gathering process. For example, if they want a quicker transfer or feel confident in their understanding of the relevant information. Where a consumer declines to give consent, the proposed rules provide for an opt-out process. This process recognises that many consumers seeking a transfer will have a statutory right to transfer and enables them to exercise that right without impediment.

5.35 However, it is highly unlikely that an engaging firm will know what matters the consumer has previously considered. So, we propose that they must offer the information gathering process to all non-advised consumers. We consider that if firms adequately explain the benefits of information gathering (and the risks of transferring without comparing information) opt-outs are likely to be a minority exception. Consumer testing will help us test this.

5.36 Where a consumer opts out, engaging firms must provide clear warnings that:

- Valuable benefits may be lost.
- Proceeding without comparing the relevant features of the ceding and receiving schemes may result in poorer long-term outcomes.

5.37 Firms must also comply with Consumer Duty obligations, including significantly, requirements to avoid causing foreseeable harm and to communicate in a way which enables consumers to make effective, timely and properly informed decisions. Firms must highlight the importance of considering charges and the potential loss of employer contributions. Consumers should also be made aware that consolidation into an existing scheme that is receiving employer contributions might be possible and the consumer should contact their employer and the scheme administrator should they wish to explore this option.

5.38 It is only after all this information has been provided to the consumer that the engaging firm can make available the facility to instruct a transfer.

5.39 Firms must not actively encourage or otherwise bias the consumer towards opting out. To do so would likely be incompatible with the Consumer Duty requirement to act in good faith.

5.40 Where both the ceding and receiving schemes are operated by the engaging firm the engaging firm will need to decide whether it will need explicit consent to meet its obligations under data protection legislation.

5.41 Our consumer testing will provide insights on consumers' propensity to opt-out.

Question 16: Do you agree with our proposed approach to obtaining the consumer's consent?

- **Is consent the appropriate lawful basis for processing the data?**
- **Do you foresee any practical challenges with our approach? If so, how might they be overcome?**

Identifying pensions

5.42 To issue the information gathering request, engaging firms will need to ask consumers for relevant details about the existing pension arrangements for which they are considering a possible transfer, including provider names and policy numbers (where known). Most engaging firms would, in any case, ask the consumer to provide this information as part of a transfer application.

5.43 Where consumers are unsure of their pension details, we propose that the engaging firm highlight the availability of pensions dashboards (when these are available to the general public) as a tool the consumer can use to locate these, as well as to gain a broad understanding of the current value and estimated retirement income for those plans.

Gather information from ceding schemes

5.44 Only the consumer's ceding scheme(s) can accurately confirm the benefits and features of their schemes, including any that may be lost upon transfer. So, we propose that engaging firms be required to send a single, standardised information request to ceding schemes to get this information. The proposed template for this request is annexed to the draft rules at COBS 19 Annex 8R and will be downloadable for firms. This approach is intended to support automation and efficiency in information gathering.

5.45 We understand that in many cases the request can be issued by the engaging firm and received by the ceding firm almost simultaneously. But we can't assume that this is always the case so we've created an acknowledgement process - within 2 days of receiving the consent and information request template, the ceding firm must confirm to the engaging firm the date on which it received those documents. We recognise this creates additional processes for the ceding firm so we are keen to understand whether this step is necessary and /or whether there is an alternative and more efficient way of addressing this issue.

Question 17: Is our proposed acknowledgement process an unnecessary administrative step? Can issue and receipt of the information request be considered instantaneous? Are technological solutions available to make this possible?

5.46 We propose that where a ceding scheme receives a valid written consent and information request, it must complete the template with the relevant details about the consumer's pension and return it to the engaging firm. The completed form will identify any safeguarded or valuable benefits that may be lost on transfer, as well as any charges the consumer would incur if and purely because they transfer. It will also include certain details that enable a comparison of certain core features of the ceding and receiving schemes. We provide more detail about the information to be captured in the forms in paragraphs 5.63 to 5.82.

5.47 We acknowledge this proposal introduces a new administrative burden for ceding scheme(s). But we have sought to minimise these as far as appropriate. And some of these checks would have to be performed to process a transfer request, in any case, regardless of our rules:

- They will need to carry out identity and security checks to satisfy themselves that consent has been legitimately provided by the consumer. These checks are necessary to mitigate the risk of fraud and ensure compliance with obligations under data protection legislation, such as the UK GDPR and the Data Protection Act 2018.
- Our proposal requires firms to capture the information that would be provided to the consumer if they were to request it directly from the firm but shifts the administrative burden and investment of time to the firm, the party with direct access to accurate and complete information. We are not proposing the creation

of new information – we are drawing on information that firms ought to have easy access to, although in some cases not necessarily all from a single source.

5.48 We propose that ceding firms be required to return the completed template to the engaging provider within 10 working days of receiving the request. We accept this timeframe may be challenging, but we consider it strikes the appropriate balance between recognising that:

- Ceding schemes will need time to:
  - complete the security and identity checks on the consent provided.
  - retrieve the required information about the customer's pension.
- Consumers will be expecting a 'prompt' response – a significantly longer timeframe is likely to discourage consumers from consenting to the process – with the consequence that they continue to bear the risk of poor outcomes from uninformed decisions. In fact, as digital and instantaneous engagement with financial services becomes increasingly commonplace, consumers may perceive even 10 days to be inappropriately long. Our consumer testing will consider how the speed of the process might impact the consumer's willingness to obtain the additional information.

5.49 We are aware that the variable processes and timeframes for responding to letters of authority have been a source of considerable industry frustration in recent years. We are also aware that there have been industry efforts to introduce a level of standardisation and digital solutions. Reports from Origo and Pensions Lab suggest that these measures are driving improvements.

5.50 Robust safeguards throughout the transfer process are important and we would not expect firms to compromise their identity verification or security checks. However, in line with their obligations under the Consumer Duty to enable and support consumers to pursue their financial objectives, we would expect firms to be monitoring and addressing any inefficiencies in their processes. We also encourage firms to consider and prepare ahead for the uptick in letters of authority and other administrative requests that pensions dashboard usage might generate. We welcome views on alternative, proportionate methods for getting consumer consent. For example, an industry-wide solution aligned with the nature of our information gathering process.

5.51 Our proposed rules include provisions to make sure that, where ceding firms are unable to respond to the engaging firm within the required timeframe because information or contact from the consumer and/or the engaging firm is outstanding, the ceding firm would not be deemed non-compliant.

5.52 Where a ceding scheme is a deferred pension that would be considered 'small' under the legislative provisions for consolidation of small pension pots, the ceding firm may return a message stating that details were not provided because the relevant pot is below that threshold and it is not receiving contributions. The message should specify the current threshold defined in legislation, so the consumer understands why the information was not included and can assess whether the amount is material. The ceding scheme must also include a message indicating that the consumer may request additional information directly, should they wish to do so.

Question 18: Do you consider 10 working days a reasonable timeframe for ceding schemes to respond to information requests? If not, why not?

Question 19: How might technology affordably support adoption of this timeframe?

Presentation back to the consumer

5.53 To support informed decision making, we propose that engaging firms must present to the consumer all the information gained from ceding schemes alongside comparable details about the receiving scheme. For each ceding scheme, the engaging firm must also confirm whether:

- The receiving scheme can accept the transfer.
- Any identified valuable benefits will be lost, modified or matched upon transfer to the receiving scheme.

5.54 Our proposed rules are channel neutral (ie they can be delivered online, by phone, or in writing), enabling firms to present this information to the consumer via their existing channels and/or in line with the consumer's stated preference.

5.55 We do not intend to prescribe the design, format, or mechanism for this information-replay. Rather, in reliance on the Consumer Duty, we are giving firms the flexibility to decide the most effective approach to support consumer understanding, tailored to their target market.

5.56 Noting that engaging firms have a commercial incentive to secure the transfer, we intend to mitigate any conflict of interest by proposing specific requirements to make sure the information is presented in a fair, balanced and unbiased manner. This includes not altering or modifying the content provided by ceding schemes or distorting through presentation the meaning of their response.

5.57 We propose that, where engaging firms do not initially present the information-replay back to the consumer in a durable medium, they must also supply it in a durable medium. This approach makes sure the consumer can consider the contents of the information replay at their preferred pace and time. The consumer should not need to take an immediate decision or action.

5.58 When presenting the information, both initially and in the durable medium, we propose that firms must signpost the availability of guidance and direct consumers to where they can find out more about getting advice. Specifically, firms should signpost consumers to MoneyHelper for impartial guidance and to MoneyHelper's support on finding a financial adviser. This approach recognises that some consumers might not feel able to make an independent decision based on the information provided and may need additional support.

5.59 We propose that engaging firms must present this information to consumers within 3 working days of either receiving all responses from ceding schemes or the expiry of the 10-working day response period, whichever comes first. Where information from one or more ceding schemes is missing after the 10-working day period, the engaging firm must clearly indicate to the consumer which pension(s) do not have complete information and explain the risks of proceeding without that full information. Engaging firms should also advise consumers that they can contact the relevant firm directly to get the missing information.

Question 20: Do you agree with our proposed approach to presenting information back to consumers?

Appropriate friction

5.60 We note industry and consumer frustration about how long it can take for a transfer to be processed in some cases. Where long transfer times are due to inefficient processes, we actively encourage firms to review and improve their processes, in line with the expectations under the Consumer Duty.

5.61 We recognise that our proposals will build time into the consumer's transfer decision-making process, but they do not extend the time required to process a transfer request after a consumer formally starts the application process. In fact, by eliminating the need for certain post-instruction checks, our proposals could reduce the time it takes to complete a transfer in certain cases.

5.62 However, we also acknowledge that some friction is appropriate where it protects consumers from harm eg through due diligence in line with Government's scam prevention measures under the Occupational and Personal Pension Schemes (Conditions for Transfer) Regulations 2021. These regulations will continue to apply upon receipt of instructions. We are working closely with DWP, who we understand expect to consult on revisions to these regulations next year.

Information capture: relevant benefits and features

5.63 Our proposal includes a prescribed list of benefits and features that must be captured through the information request and presented to consumers to support informed decision-making and reduce the risk of harm.

5.64 Where a feature is present and further explanation is necessary, we expect ceding or engaging firms to explain its nature and the circumstances in which it applies. When completing the forms, firms should make sure the information they provide is appropriate and comprehensible for consumers in their target market, in line with the Consumer Duty consumer understanding outcome.

Benefits that could be lost on transfer

5.65 We propose that ceding schemes must check for the presence of benefits that may be lost upon transfer. We propose that ceding schemes must capture and return to the engaging firm (to communicate to the consumer), any of the benefits shown in the table below.

5.66 These benefits require a qualitative description and their nature could vary significantly between providers and products. So, we do not propose to prescribe the response the ceding firm must provide. Rather, we set broad parameters (minimum points that must be addressed) and allow firms to provide the information in a manner consistent with:

- The way it is captured on the firm's systems and existing documents.
- The way the firm would describe the benefit to the consumer if the consumer were to request this explanation directly.
- The firm's assessment of the communication needs of their target market / customer base, and in line with the firm's obligations under the Consumer Duty's consumer understanding outcome.

5.67 When playing the information back to the consumer, the engaging firm must indicate for each scheme:

- If the engaging firm (and the receiving scheme, if different) would accept a transfer of the customer's pension.
- Whether, upon transfer, each valuable benefit identified would be lost or matched in the receiving scheme (specifying any conditions or for this to happen).

Table 1: Benefits that could be lost on transfer

Feature	Content of ceding scheme response, where feature is present
Employer contributions: Are employer contributions currently being paid to the customer's pension?	Explain that employer is boosting the customer's pension savings. Clearly explain that future contributions may be lost if the consumer transfers into a new scheme*.
Safeguarded benefits: Does the customer's pension have any safeguarded benefits (as defined in legislation) which may be lost upon transfer	Clearly explain**: • That the pension contains 1 or more potentially valuable guarantees – including features, and how consumer can access. • That guarantees would be lost on transfer. • Any other circumstances which may be lost. • That if, at the time of transfer, the value of the safeguarded benefit(s) exceeds £30,000, Government legislation will require that the customer gets regulated financial advice before the transfer can proceed.

Feature	Content of ceding scheme response, where feature is present
Protected pension age: Can the consumer access their pension benefits before the normal minimum pension age 55 (or 57 from April 2028) without incurring unauthorised payment tax charges?	A clear explanation of: • The protected pension age that applies. • Any applicable conditions or restrictions on this benefit.
Guaranteed investment returns: Does the consumer have present or future entitlement to a guaranteed rate of investment income or growth that will apply regardless of market performance?	A clear explanation of the nature of the guaranteed investment return and the circumstances in which it applies.
Protected tax-free lump sums: Does the consumer have present or future entitlement to a tax-free lump sum exceeding normal statutory limit?	A clear explanation of the protected tax-free lump sum entitlement and the conditions in which it would be accessible.
Bonuses: Is the consumer's pension eligible for the payment of bonuses (eg reversionary, terminal, etc)?	A description of the specific type of bonus(es) that do or may apply to the customer's pension, the circumstances in which they become payable and the extent to which any bonuses are guaranteed or not.
Additional life cover: Does the scheme have guaranteed death benefits exceeding value of the member's pension.	A clear description of the level of support available to the consumer's beneficiaries and the circumstances in which it would be paid.
Waiver of premium or contribution: Will pension contributions continue to be paid if member becomes seriously ill or disabled and can't work for an extended period?	A brief explanation of the nature of the feature and the circumstances in which it would apply.

* Where a scheme indicates that it is receiving employer contributions, we propose that the ceding provider explicitly states whether the pension can accept transfers from other schemes. This is intended to prompt consumers to pause and consider whether consolidating into that scheme is appropriate, or whether remaining in the active scheme may offer a better outcome. Employer contributions represent a significant ongoing benefit that may be lost if a consumer transfers out.

** The information on safeguarded benefits is broadly in line with the narrative risk warnings required by regulations 8 – 8C of the Pension Schemes Act 2015 (Transitional Provisions and Appropriate Independent Advice) Regulations 2015, if triggered. Including this in the pre-transfer information-gather helps make sure a consumer can identify whether and what safeguarded benefits apply to their pension, whether the benefit would be lost on transfer and whether the engaging firm would accept a transfer of this pension. We invite stakeholder views on whether ceding schemes would consider receipt of the information gathering request as triggering the risk warning requirements under these regulations.

Core comparable features

5.68 We propose that both ceding and engaging firms should provide information about the core features of their schemes. To enable consumers to compare factors that inform the extent to which schemes represent value for money, we propose that the core features outlined in Table 2 below should be captured. We propose that firms need only capture the information in the way it would be described to the consumer currently if they were to request it directly from the firm.

5.69 However, a consumer could hold a diverse range of pension types entered at any point since the 1980s, some of which are no longer available on the open market. They could be a mix of workplace and non-workplace pensions, insured products and self-invested products and will reflect how the features of pensions products have evolved over time. As such, the responses provided by firms might not be directly comparable – or a consumer might struggle to understand how they compare. This limited comparability is compounded by the fact that there is no single, common disclosure, publishing or reporting metric and methodology that applies across the entire range of pensions in scope.

5.70 Comparability is a particular challenge for the information provided about a) costs and charges; and b) investment risk and performance.

Costs and charges

5.71 Our study of non-workplace pensions in 2018/19 revealed:

- The proliferation of charge types, charge names and charging structures in the period 1988 – 2017. These ranged from a single bundled inclusive charge to itemised unbundled charges, some expressed as a percentage of funds or assets, others expressed as a fixed fee, some as a combination of both. Additionally, some pensions are subject to tiered charging whereby the level of charges is determined by the value of accumulated funds.
- Many consumers are unaware of charges or misunderstand them. For example, some think charges are one-off and only payable at the outset. Many assumed that charges (initial or ongoing) were very low and broadly consistent across providers, and so of very little consequence. In reality, similar consumers can pay significantly different charges for broadly comparable products, and even small differences in charges can have a significant impact on pension outcomes.

5.72 However, we also recognise that introducing new prescribed requirements for the calculation and presentation of charges information specifically for the purpose of the non-advised pre-transfer information-gather would be:

- A significant and potentially disproportionate exercise for firms.
- Inconsistent with any other charges information the firm produces for customers of that pension. For example, on website pages and in annual benefit statements.

5.73 So, to allow firms to draw on existing charge terminology and explanations, while facilitating some level of comparison that at least highlights to the consumer a) that charges apply and b) charges can vary between schemes, we propose that firms should report their ongoing charges in 3 broad categories:

- administrative costs
- investment costs
- one-off and contingent costs

5.74 Where firms operate a single all-in cost, or cannot otherwise separate out investment costs, the costs should be reported in the administrative cost category only. We will use consumer testing to determine whether this level of comparison helps or confuses.

5.75 It has been repeatedly shown that consumers better understand the impact of costs and charges when they are expressed as £ and p rather than percentages. Some annual benefit statements include costs incurred by the consumer in the year to statement date. However, including this information in the information gather does not necessarily support comparison where the size of the consumers' pension pots is not the same.

5.76 In many financial services sectors, comparison of charges is facilitated by an expression in £ and p per fixed representative amount of product, for example per £10,000. We invite stakeholders' views on how challenging this would be to introduce for the purposes of non-advised pre-transfer information-gathering and any limitations of such an approach (for example, tiered charging).

Investment risk and performance

5.77 When considering a transfer, it is important that the consumer understands that not all pensions bear the same level of investment risk. Additionally, that the potential receiving scheme may carry a different level of investment risk (in terms of capacity for growth and potential for loss) to the consumer's existing schemes. The appropriate level of investment risk will vary according to individual consumers' attitudes. For the purposes of our non-advised transfer process, the description of investment risk for the receiving scheme will be based on the default fund or asset mix, unless the consumer expresses a particular interest in other investment options.

5.78 However, there is currently no single, mandatory, standardised risk rating system for all pensions across the UK. Individual pension providers use their own risk rating approach for the funds they offer, while some pensions offer access to investments that are subject to MiFID, PRIIPs or, going forward CCI risk disclosure metrics.

5.79 Standardised risk disclosures could most easily enable consumers to make assessments and comparisons on the risk profiles associated with different pensions. But introducing new prescribed risk metrics specifically and only for the purpose of the non-advised pre-transfer information-gather would be:

- A significant and potentially disproportionate exercise for firms.
- Inconsistent and therefore incomparable with other information about investment risk that the firm produces for that pension. For example, on website pages, fund factsheets and in annual benefit statements.

5.80 Risk and performance are interconnected factors. Past performance can help illustrate volatility and potential value. And when presented graphically, it can be a useful visual aide to help consumers make informed decisions. However, we are concerned that providing several years' past performance data for each ceding scheme could create information overload and exacerbate performance bias. Additionally, graphical representation of past performance from different schemes might prove difficult for the engaging firm to gather and play back in a clear and comparable manner without altering the information provided by ceding schemes.

5.81 For these reasons, and to enable firms to leverage existing materials that include details of risk and performance information, we propose that firms provide a:

- Concise narrative description of the objective of the consumer's fund, investment or portfolio, the associated level of risk and the factors likely to affect future returns. We anticipate that where the consumer's investment has a sustainability objective, ceding firms will want to flag this to the consumer.
- Clear signpost to where consumers can view past performance information for their fund, investment(s) or portfolio.

5.82 Our consumer testing will assess whether this approach negatively impacts consumer understanding of investment risk and performance.

Table 2: Core comparable features

<table>
<tr><th>Feature</th><th>Ceding firm response</th><th>Engaging firm response</th></tr>
<tr><td>Indication of recent pension pot value (to enable consumers to understand the relative scale and impact of features and benefits identified in the information-gather)</td><td>Firms can provide current values where they have the facility to easily generate it.
Where firms might struggle to calculate the current value in the 10-response period, they can instead provide the pot value:
• Included in an annual benefit statement issued within the last 12 months.
• The accrued value returned to the consumer on a pensions dashboard (if applicable and accessed within the preceding 30 days).
The calculation date must be included.</td><td>Clear explanation that the actual transfer value will depend on the value of the underlying investments at the time of transfer.</td></tr>
<tr><td>Can contributions be made to this scheme?</td><td colspan="2">Yes/No.
If yes, clearly indicate any conditions or limitations.</td></tr>
</table>

Feature	Ceding firm response	Engaging firm response
Current investment	Fund / investment / portfolio name Short description of the objective and risk reward profile of the fund / investment / portfolio that consumer is currently invested in. Signpost to where past performance information about the consumer's pension investments can be found. Where the fund / investment / portfolio has a particular sustainability objective, this can be flagged here.	Fund / investment / portfolio name (default fund / asset mix unless customer expresses preference for other investment choice) Short description of the objective and risk reward profile of the fund / investment / portfolio that the consumer would be invested in. Signpost to where past performance information about the pension investments can be found. Where the fund / investment / portfolio has a particular sustainability objective, this can be flagged here.
Other investment choices	A clear indication of whether other investment choices are currently available to this customer, in this scheme. Where other investment choices are available, the firm must explain how the consumer can find out more about these choices.	
Current charges	A description of the nature and amount of charges a consumer will or may be expected to bear in relation to the product and, if applicable, any investments within that product. Broken down, where applicable, into the following categories: • Administration costs. • Investment costs. • One-off, contingent charges. Where firms cannot split administrative and investment costs, firms should record costs under administration costs.	
Transfer related charges	Exit fees Market value adjustments	Initial set-up fee Transfer-in fee

Feature	Ceding firm response	Engaging firm response
What decumulation (access) options are available from normal or protected retirement age?	A clear indication of which decumulation options are available directly from the firm, or through partnership arrangements the firm has: • Pension Commencement Lump Sum (sometimes known as tax-free cash) • Flexi Access Drawdown (sometimes called income drawdown or income withdrawals) • UFPLS • Annuities • Full cash withdrawal NB: The firm should not include options that are solely available on the open market.	
Can the scheme accept transfers-in from other pensions?	Yes/No. If yes, clearly explain any conditions, limits or restrictions	
Does the firm provide access to an app and/or online portal?	Yes/No. If yes, explain what functionality it offers	

Question 21: Do our proposals capture the appropriate benefits and features for consumers to consider ahead of transfer? Should any be added or excluded? If so, please explain why.

Question 22: Can this information be extracted and returned to the engaging firms in 10 working days? If not, what are the challenges and how might they be overcome?

Record keeping requirements

5.83 All FCA-regulated firms must keep orderly records of their business and internal organisation to enable us to monitor their compliance with regulatory requirements and obligations to consumers (eg SYSC 9 and SYSC4.1.5B). In addition to these, we propose specific record keeping requirements. We also want to encourage firms to assess the effectiveness of their own processes and support continuous improvement. So, we propose requirements which will differ depending on whether the firm is acting as a ceding or engaging firm.

5.84 Engaging firms must retain copies of the comparison information presented back to the consumer. This will contain information of the receiving scheme and relevant ceding schemes. Recognising that this information is both commercially valuable and highly personalised, the proposed rules specify that it must not be used for any purposes other than:

- Presenting the information to the consumer.
- Retaining it as evidence for compliance monitoring and complaint investigation.

5.85 Engaging firms must also record the number of opt-outs, consents captured and nil-responses from ceding schemes. Additionally, engaging firms must document how the opt-out warnings were communicated to self-directed clients. This is to ensure appropriate due diligence and prevent firms from circumventing the rules.

5.86 Ceding schemes must retain copies of each completed information request form, in the format provided to the engaging firm. The ceding scheme must also keep a record of when the information request was received and when the corresponding response was sent. The ceding scheme must also record when it has not provided a full response because the customer's pension was a small, deferred pot.

5.87 Maintaining these records will support firms' ability to evidence and monitor compliance, and to identify opportunities for improvements. Where applicable, this evidence will support the investigation of complaints by firm or by the Financial Ombudsman.

Question 23: Do you agree with our proposed record keeping requirements? Are there any additional types of information that firms should be required to retain as part of this process?

Incentives

5.88 In DP24/3 we invited feedback on how to make sure that incentives do not undermine consumers' efforts to engage with their pensions and secure better outcomes in the long term. Some stakeholders raised concerns of behavioural distortions. For example, where incentives offered by engaging firms might cause consumers to decide to transfer or consolidate based only on the prospect of immediate or near-term reward. They might not consider the full financial implications of their decision.

5.89 Our proposals seek to bring to the customer's attention factors that might help them decide whether a transfer is in their interests. We consider it would unlikely be compatible with Consumer Duty requirements – such as the obligation to act in good faith – for firms to offer incentives where these have the effect of undermining the significance of the information presented to the consumer, or to encourage consumers to opt-out of the information gathering exercise.

5.90 At this stage we are not proposing an explicit ban on incentives. We consider adherence to the Consumer Duty will effectively limit their use in the non-advised market. However, we will monitor how the market responds to the new process and may make further changes where this is necessary to protect consumers.

Question 24: Do you agree with our proposed approach to incentives? Please explain your answer.

Annex 1

Questions in this paper

Question 1: Do you agree with the application and scope of our proposed regime as set out above? If not, what are the challenges for firms or unintended consequences of this approach?

Question 2: Do you agree firms should have flexibility to present either a deterministic, stochastic or both types of simulation based on the understanding and engagement needs of their target consumers?

Question 3: Do you agree firms should have flexibility to present deterministic simulations either individually (with at least a higher and lower option), or multiple simultaneously?

Question 4: Do you agree with our proposed approach to the calculation and presentation of growth rates? If not, why not? Are there consumer risks with this approach that should be addressed through further requirements (such as setting a maximum cap on growth rates)?

Question 5: Do you agree with our proposals for stochastic models? If not, why? If so, why?

Question 6: Do you agree consumers should be given the choice to see and interact with the decumulation proposals set out above? If not, why? If so, why?

Question 7: Do you agree with our communications proposals? If not, why? If so, why?

Question 8: Do you agree with our record keeping and regular review proposals? If not, why? If so, why?

Question 9: Does our proposed regime (for pension simulations in interactive, digital tools as a whole) strike the right balance between relying on outcomes-focused rules, the Consumer Duty to enable more effective and engaging tools and specific rules to deal with harms? Are there any areas where we need more specific rules to deal with potential harms, such as lack of consistency across different tools or pension projections in the consumer journey?

Question 10: Does our proposed regime (for pension simulations in interactive, digital tools as a whole) support the adoption of technology, including AI? Are there any proposed rules which may inhibit technology adoption?

Question 11: Do you agree with our proposed approach for simulations in a PDS digital tool? If not, why not?

Question 12: Do you agree with the proposals for how the new regime will apply to digital tools that include a broader range of retirement income? If not, why not?

Question 13: Do you agree a transition period is needed to effectively implement the proposed regime for simulations in digital tools? If so, is 12-months an appropriate timeframe?

Question 14: Do you agree with our proposal to exempt projections provided in SMPIs on how pension members can give themselves more money, as set out in DWP's statutory guidance? If not, please explain why.

Question 15: Do you have any comments on the proposed scope and trigger for our non-advised transfer rules?

Question 16: Do you agree with our proposed approach to obtaining the consumer's consent?

- Is consent the appropriate lawful basis for processing the data?
- Do you foresee any practical challenges with our approach? If so, how might they be overcome?

Question 17: Is our proposed acknowledgement process an unnecessary administrative step? Can issue and receipt of the information request be considered instantaneous? Are technological solutions available to make this possible?

Question 18: Do you consider 10 working days a reasonable timeframe for ceding schemes to respond to information requests? If not, why not?

Question 19: How might technology affordably support adoption of this timeframe?

Question 20: Do you agree with our proposed approach to presenting information back to consumers?

Question 21: **Do our proposals capture the appropriate benefits and features for consumers to consider ahead of transfer? Should any be added or excluded? If so, please explain why.**

Question 22: **Can this information be extracted and returned to the engaging firms in 10 working days? If not, what are the challenges and how might they be overcome?**

Question 23: **Do you agree with our proposed record keeping requirements? Are there any additional types of information that firms should be required to retain as part of this process?**

Question 24: **Do you agree with our proposed approach to incentives? Please explain your answer.**

Question 25: **Do you agree with our assumptions and findings as set out in this CBA on the relative costs of the proposals contained in this consultation paper? Please give your reasons.**

Question 26: **Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?**

Annex 2

Cost benefit analysis

Executive Summary

1. This CBA focuses on the Defined Contribution (DC) pension market, as our consultation is relevant to FCA-regulated firms involved in the provision, operation, or distribution of DC pensions. Our rules do not apply to the trustees or managers of occupational pension schemes, as these fall outside the FCA's remit and are regulated by The Pensions Regulator (TPR). Accordingly, our proposals do not apply to DB schemes, which are all occupational in nature.

2. The DC pension market is substantial, with almost £1.3 trillion held in contract-based DC pensions (Retirement Income Market data, 2024/25). According to our Retirement Income data (2023/24), we estimate that there are approximately 31 million DC pension plans in accumulation across 200 FCA-authorised DC pension providers.

3. Before making decisions relating to DC pension products, consumers must navigate a complex set of choices. These include deciding how much to contribute to their pension, selecting between workplace and personal pension schemes, or consolidating multiple pensions into a single plan. Many consumers also choose whether to transfer funds between schemes, which often involve different levels of charges or investment options. Given the complexity of these decisions, there is potential for consumers to make choices that result in harm.

The harm

4. We are concerned that:

- Existing Conduct of Business Sourcebook (COBS) 13 rules in the Handbook were not designed with modern digital pension tools and models in mind. As a result, when firms seek to develop engaging and effective tools, they face limitations that prevent them from realising their full potential. This means consumers currently miss out on the benefits of using high-quality, interactive tools that could help them better understand their pension options and the impact of their choices. The lack of suitable regulatory provisions may also discourage some firms from offering digital tools altogether, contributing to lower engagement and poorer consumer understanding of pension decisions.
- The current framework does not offer sufficient safeguards to ensure non-advised consumers make informed choices when transferring or consolidating their pension pots. If consumers are not provided with information about the features and benefits of their ceding schemes before deciding whether to transfer and where to, they may transfer their pensions into less suitable products, incur (higher) charges, or lose valuable benefits. This can lead to an increased risk of financial loss to consumers who are worse off following the transfer.

5. This CBA analyses the costs and benefits of two main policy proposals.

- **Digital tools and modellers:** We are proposing a new regime for digital tools, introducing greater flexibility for firms while ensuring appropriate consumer protections are maintained, such as permitting the use of a single projection for easier interpretation of outputs. This approach is designed to make digital tools more engaging for users and to lessen the risk of information overload, thereby supporting consumers in making more informed decisions that reduce the risk of financial loss.
- **Transfers and consolidation:** We are proposing to introduce an information collection process that engaging firms must follow before offering consumers the option to instruct a pension transfer. This process will guarantee that consumers are provided with straightforward, comparable details regarding both the ceding and receiving pension schemes, thereby reducing the likelihood of unsuitable transfers and financial loss.

Costs and benefits

6. We estimate £44.3m (PV-adjusted) costs from our proposals across both policy areas over a 10-year appraisal period. Costs are primarily driven by one-off expenses such as policy familiarisation, staff training, IT system changes, and strengthening internal controls and oversight. The estimated annual net direct cost to business (EANCB) is £5.2m.

Table 1: Total benefits and costs of proposals over 10 years, PV-adjusted

	PV Benefits	PV Costs	NPV (10 years)
Total impact	**Unquantified**	£44.3m	**Unquantified**

7. For the proposals in this CBA, we do not provide monetary estimates for the expected benefits. This is because the broad nature of the anticipated benefits, combined with limited available data, makes it impractical to produce reliable quantitative estimates. Therefore, we set these benefits out in qualitative terms. We identify the following main benefits from our proposed interventions:

- **For consumers:** Access to intuitive digital tools and clear information on consolidations should empower individuals to make informed choices, helping them achieve more sustainable retirement incomes and select investment strategies that align with their needs.
- **For firms:** Greater flexibility to provide engaging digital tools that strengthen customer satisfaction and engagement. With respect to consolidations, we expect to observe a reduction in transfer times (in the period following a transfer request) and increased system efficiencies in the long run.

8. To demonstrate the value of our proposals, we carry out a breakeven analysis. This helps to illustrate the scale of benefits needed for the measures to deliver a net positive outcome, providing a clear benchmark for assessing their effectiveness. This analysis expresses the estimated costs in terms of the minimum benefits per consumer needed for the intervention to deliver a net positive outcome.

9. Our breakeven analysis indicates that the proposed tools and modellers intervention will need to yield one-off benefits of £23-£78 per person to break even with costs. In this instance, the benefits represent improvements in sustainable retirement outcomes, such as more prudent drawdown decisions. Even small improvements in how individuals withdraw their pension, for example, avoiding overly rapid withdrawals, can preserve tens of pounds per person, meeting the breakeven threshold.

10. The consolidations intervention will need to deliver one-off benefits of £78-£156 per person to break even. In this case, the benefits represent better financial outcomes to consumers, such as lower annual charges or retention of valuable pension benefits.

Competition impacts

11. The new regime will give firms greater flexibility to innovate and improve digital pension tools. While early adopters with established digital infrastructure may initially benefit, the changes are designed to lower barriers for other providers, encouraging broader market participation and driving up the quality of digital engagement for consumers.

12. The introduction of a standardised information-gathering process for pension transfers will provide consumers with comparable information across schemes, reducing information asymmetry and enabling more informed decisions. This increased transparency is expected to intensify competition on value for money factors, such as annual charges, and make it easier for consumers to switch providers.

Rebalancing risk through our proposed interventions

13. Our proposals adopt a "rebalancing risk" approach, recognising that responsible risk-taking is essential for innovation and better consumer outcomes, while also ensuring appropriate safeguards. By granting firms greater flexibility in designing digital pension tools, the regime aims to foster innovation and engagement, though it acknowledges potential risks such as inconsistent information presentation across different tools.

14. Regarding transfers and consolidation, although consumers may need to spend more time considering key features and charges upfront, this approach is designed to better protect them, particularly those with lower financial literacy, from making unsuitable decisions and experiencing long-term harm.

15. For both proposals, we are willing to tolerate these changes in risk because they are, in our view, proportionate and targeted. Any short-term inconvenience to consumers is outweighed by the long-term benefit of better-informed decisions. By rebalancing risk in this way, we aim to protect consumers from greater financial harm while still encouraging innovation, where possible, in the market.

Monitoring and evaluation

16. We intend to measure the effectiveness of our proposals by monitoring supervisory cases and interventions in the DC market. In the case of pension consolidations, we will collect data on an ad-hoc basis to monitor outcomes and ensure that transfers are being carried out in the best interests of consumers. This will allow us to track the

effectiveness of our proposal while maintaining a proportionate reporting requirement for firms.

Introduction

17. 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'.

18. This analysis presents estimates of the significant impacts of the proposals set out in this Consultation. 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.

19. The CBA has the following structure:

- The UK pensions market
- Problem and rationale for intervention
- Our proposed intervention
- Alternative proposals considered
- Baseline
- Key modelling assumptions
- Summary of costs and benefits
- Assessment of costs and benefits
- Impact on competition and economic growth
- Monitoring and evaluation

The current market for DC pensions

20. This consultation paper focuses on the defined contribution (DC) pension market, as our proposals affect FCA-regulated firms involved in the provision, operation, or distribution of DC pensions, including SIPPs and other non-workplace pensions. Our rules do not apply to the trustees or managers of occupational pension schemes, as these fall outside the FCA's remit and are regulated by The Pensions Regulator (TPR). Accordingly, our proposals do not apply to defined benefit (DB) schemes, which are all occupational in nature, and they are excluded from this analysis.

21. Our proposals affect two aspects of this market:

- **Digital tools and models** – projections of outcomes of pensions pots in accumulation and decumulation to assist retirement planning.
- **Transfers and consolidation** – the movement of a DC pension to another provider, which can also combine two pots.

22. In Figure 1, we set out summary statistics and key features of these markets, including the main elements of competition.

Figure 1: The DC pensions market for tools and modellers, and transfers and consolidation

The UK Defined Contribution Pensions Market

Schemes in scope

This CP focuses on Defined Contribution (DC) contract-based pensions including SIPPs and non-workplace pensions but excluding trust-based and defined benefit schemes

Market overview

£1.3 trillion held in contract-based DC pensions[1]

200 contract-based DC pension **providers**, including life insurers and SIPP operators[2]

31 million DC pension plans in accumulation held by an estimated 13 million consumers[1]

The three largest firms administrate **40%** of all assets1

Consumer preferences

Consumers favour schemes offering limited, straightforward investment choices and prioritise protecting their pension over higher returns[3]**:**

58% of savers prefer a scheme that provides only a few simple investment options.

16% would rather have full control over their investments.

69% of consumers state that safeguarding their funds is more important than potentially increasing them.

Retirement readiness

Many **savers lack clarity** on the **income** their pensions will provide in **retirement**:

39% may fall short of 'target replacement rate'[4]

13% may fall short of 'minimum' standard of living (£13,400/year for singles; £21,600 for couples)[4]

32% don't understand their withdrawal options[5]

Tools and modellers

75 firms estimated to **offer digital pension tools or modellers** – interactive tools that help consumers plan for retirement.[2]

Engagement with DC pension **communications is modest...**[5]

56% recall **receiving their annual statement** in the last 12 months

39% reported using their provider's **online account**

...and **considerably lower** among adults who:[5]

Have low financial numeracy – **32%**

Have low financial capability – **38%**

Are younger (18-24 year olds) – **27%**

Transfers and consolidation

26% of UK adults report holding multiple DC pensions6

6% of DC pension holders consolidated in **2024** (up from 3% in 2020)[6]

Most pension consolidation is workplace-to-workplace, although **35%** moved their pension into a non-workplace arrangement.[1]

Competition

Focused on attracting members by offering a combination of **ease, investment options, and perceived value:**

78% of FLS respondents consolidated to have all their **pensions in one place** or for **easy access.**[5]

Sources:

Retirement income market data
Internal FCA data
Pensions UK
Institute for Fiscal Studies, Pensions Review
Financial Lives Survey 2024
DWP, Planning and Preparing for Later Life 2024

Problem and rationale for intervention

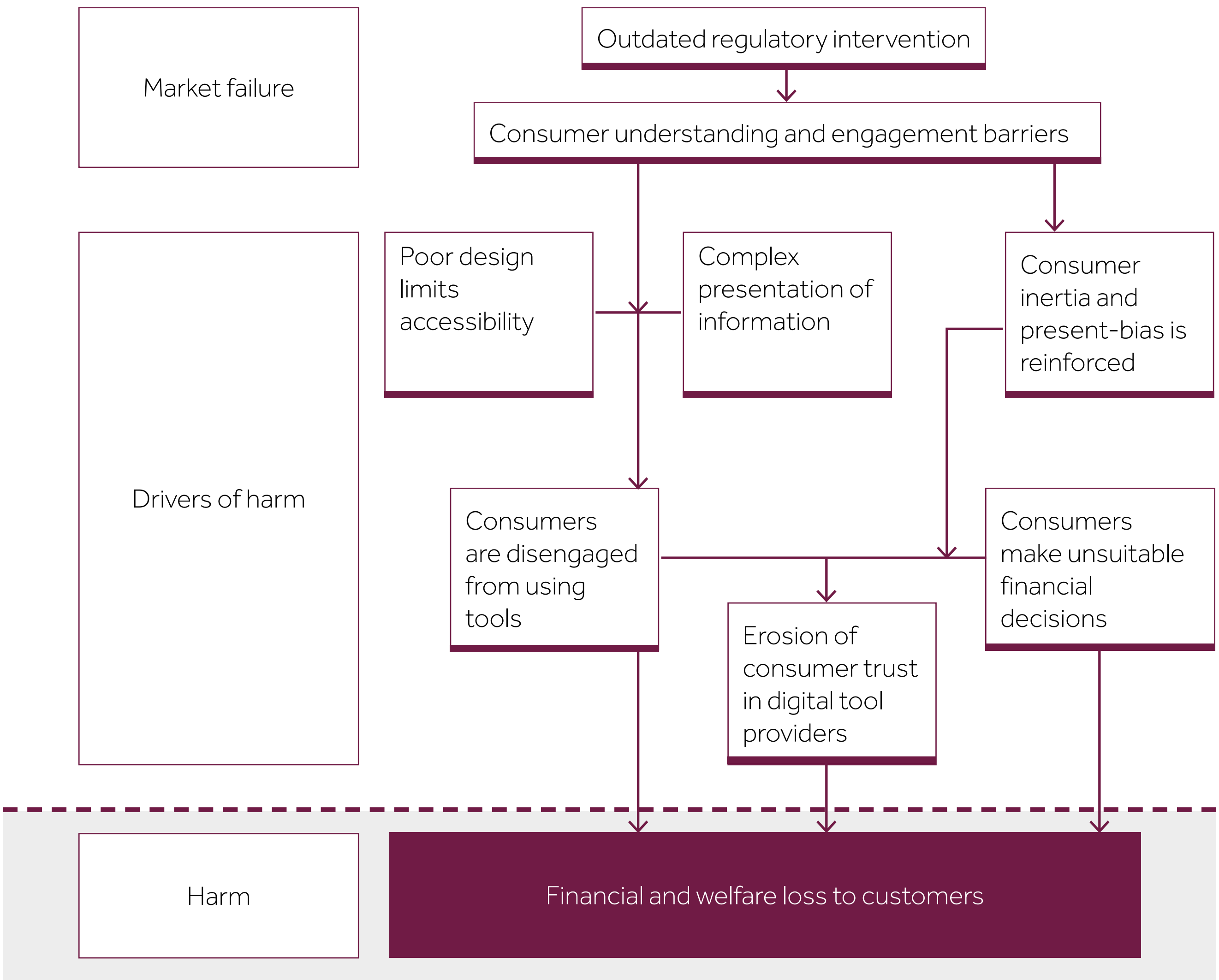
23. For each proposed intervention in this consultation paper, we set out a theory of harm chain which covers the following components:

- **Market failure** – identifies the underlying structural or behavioural features of the market that create conditions in which poor outcomes can arise.
- **Driver of harm** – sets out the specific behaviours or processes that stem from the market failure and actively contribute to poor outcomes for consumers or market integrity.
- **Harm** – the resulting negative outcomes for consumers, firms, or markets that justify regulatory intervention.

Tools and modellers

24. The diagram below outlines the theory of harm relating to the current regime for digital tools and modellers.

Figure 2: Theory of harm for tools and modellers



Market failure – outdated regulatory intervention

25. Within the FCA handbook, our COBS 13 rules set out how DC firms must present pension product information, including projections and illustrations, to clients and ensure that it is fair and not misleading. COBS 13 was designed for projections in printed key features illustrations (KFIs), alongside information on charges. Consumers could then use KFIs to compare products when buying a pension.

26. There is no reference in the historic rules of COBS 13 to interactive digital modelling or use of online calculators, indicating that the original framework was not designed explicitly for modern digital pension-modeller tools. Nonetheless, the broad nature of COBS 13 means that its rules still capture digital tools, even though they were not explicitly envisaged when the framework was drafted.

27. We are concerned that the prescriptive nature of these rules can limit the development of effective digital tools through the following channel.

Market failure – consumer understanding and engagement barriers

28. In the context of DC pensions, consumers face complex choices around contribution levels, investment options, and retirement outcomes. Digital tools and modellers can help improve understanding by providing personalised projections and interactive 'what-if' scenarios. However, as outlined above, the prescriptive nature of COBS 13 can constrain the development of these tools, limiting the ability of firms to deliver engaging, tailored guidance and potentially leaving consumers less informed and less able to act on their retirement plans.

29. Firm feedback to DP24/3 suggests that behavioural research on savers revealed around a third of participants disengaged from the tool after being shown COBS 13 projections. A commonly cited reason was the confusing layout of the tool, exacerbated by an overwhelming level of information provided. Consumers often access tools via mobile devices and presenting an overload of information, even with scrolling, creates a poor user experience that can deter engagement.

30. On that basis, the current level of disclosure does not guarantee positive outcomes. If consumers are presented with complex projections, it can lead to cognitive overload, reducing understanding and engagement rather than supporting informed decisions. In some cases, excessive disclosure creates a perception of unnecessary complexity, prompting consumers to disengage altogether. Our behavioural research supports this, showing that while transparency is important, disclosure proposals often deliver mixed results for consumers.

31. Further evidence from our research on digital design for financial products and services concludes that clear presentation and intuitive navigation help users make better-informed decisions and increase engagement. Conversely, overly complex or information-heavy formats reduce understanding, particularly when consumers are required to process large volumes of information before making decisions.

32. Many people find it difficult to plan adequately for their future retirement needs and tend to prioritise current spending over saving, a tendency linked to present bias. An NBER study found that over half of respondents (55%) exhibited present-biased preferences, demonstrating a stronger preference for immediate satisfaction over future benefits with regards to their retirement savings. If digital tools designed under COBS 13 requirements do not sufficiently engage consumers or help address these behavioural biases, they may inadvertently contribute to less-than-optimal saving decisions.

33. In tandem, these drivers of harm can lead to a broader erosion of consumer trust in digital tool providers as a means of supporting long-term financial planning. When tools are confusing, inconsistent, or fail to account for behavioural and knowledge-based barriers, consumers are less likely to rely on them, thus undermining their intended role in improving long-term financial outcomes.

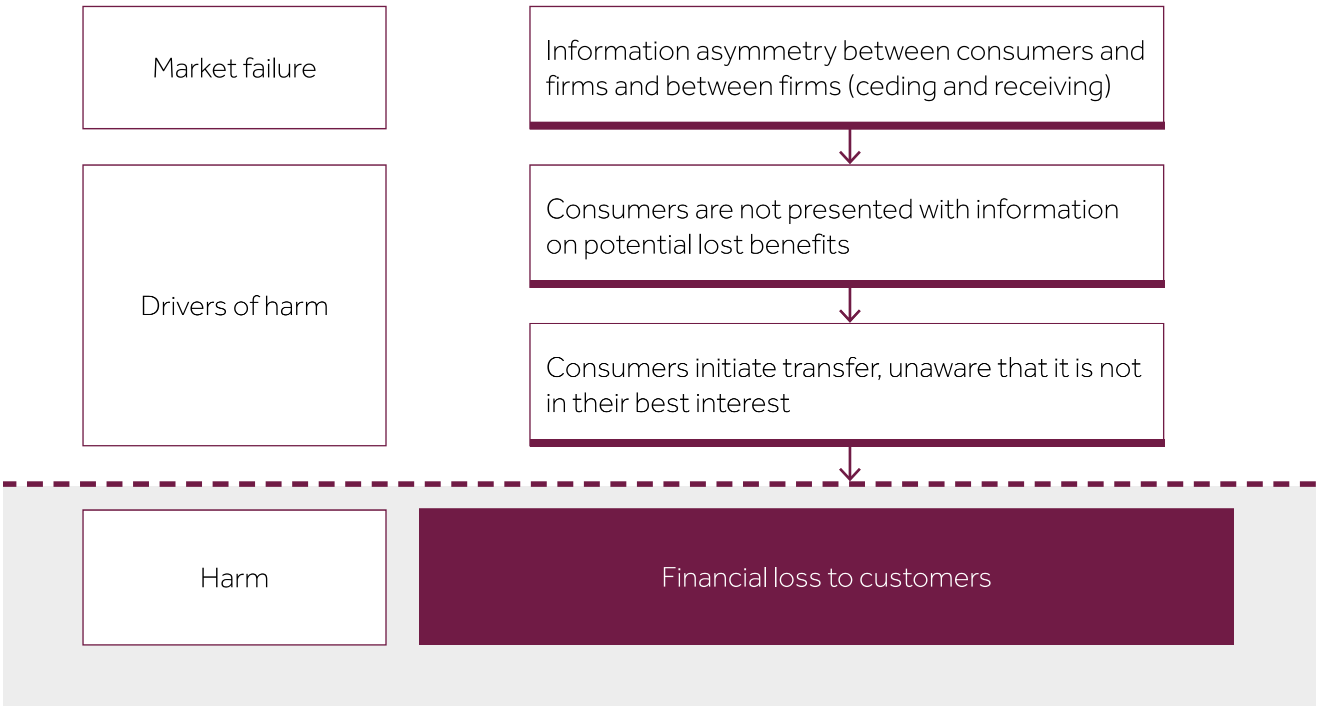
Harm – financial and welfare loss to consumers

34. These drivers collectively give rise to a key harm in the digital tools and modellers space, increasing the risk that consumers make suboptimal saving or investment decisions due to disengaging tools. Examples of where consumers may make suboptimal decisions include under-saving during the accumulation phase, selecting inappropriate contribution levels or investment strategies, and making tax-inefficient decumulation choices. These behaviours result in financial and welfare losses, as consumers may achieve lower lifetime financial returns and reduced wellbeing in retirement.

Transfers and consolidation

35. The diagram below outlines the theory of harm relating to non-advised DC pension transfers and consolidation.

Figure 3: Theory of harm for transfers and consolidations



36. As discussed in the *Introduction* section, with the upcoming launch of pensions dashboards, consumers will be able to locate forgotten pensions, potentially increasing consolidation demand. It is critical, however, that any transfer decisions are fully informed. We are concerned that existing processes do not support meaningful comparison of pension schemes and that non-advised consumers are at potential risk of making transfer decisions based on incomplete information.

Market failure – information asymmetry between consumers and firms

37. Prior to initiating a pensions transfer, a diligent and financially aware consumer is likely to request full information about the ceding and receiving scheme before proceeding, recognising the importance of understanding both sides of the transfer and the short-term financial implications of their decision. While such a consumer may ultimately incur financial losses in the long term, they are making an informed choice and are willing to bear this risk. As a result, we do not consider this consumer harm, as the decision reflects awareness and acceptance of potential outcomes.

38. On the other hand, non-advised consumers may not seek out or fully understand information about the ceding scheme, leaving them with an incomplete picture of the implications of transferring. Indeed, findings from the FLS reveal significant knowledge gaps and low levels of financial literacy regarding pensions. Around 38% of savers do not know how much they contribute, and 50% have not reviewed how much their pot is worth in the past 12 months. More critically, in the context of transfers, 57% of respondents were unaware that fees are charged on their pension pot.

39. These concerns regarding the financial literacy of pension savers are supported by qualitative research conducted by The People's Pension on pension savers who consolidated one or more pensions within the last six month. The study concluded that, overall, many savers are transferring pensions without fully understanding the financial implications, potentially resulting in smaller retirement pots. For example, respondents were unaware that even minor variations in firm charges (eg a 0.35% increase) could significantly affect their retirement funds.

40. In some cases, savers may be swayed by promotional offers that appear attractive in the short term but ultimately result in longer-term financial losses. As with tools and modellers, this behaviour reflects present bias, where individuals place disproportionate weight on immediate benefits and undervalue future consequences.

41. This is demonstrated through a study conducted by the Behavioural Insights Team who explored the impact of cash incentives on pension transfer decisions. The research found that participants were 20% more likely to say they would transfer their pension after seeing a £100 cashback offer even though the new scheme's higher charges would leave them over £1,000 worse off within just 5 years. We caveat that this experiment was conducted in an online lab setting, meaning the results may not fully reflect how people would behave in real-world conditions. Nonetheless, the findings provide a clear indication of how powerful short-term incentives can be in shaping consumer behaviour in this context.

42. These concerns also apply to scenarios where valuable or safeguarded benefits are at stake, requiring careful consideration before any transfer takes place. Examples of these benefits include:

- **Guaranteed Annuity Rates (GAR)** which enable members to convert their pension pot into an annuity at a guaranteed rate that is often significantly higher than current market rates.
- **Guaranteed Minimum Pension (GMP)** which was accrued by members of contracted-out DB pension schemes between 1978 and 1997, ensuring a minimum level of income broadly equivalent to what would have been earned under the State Earnings-Related Pension Scheme (SERPS).
- **Protected Pension Age (PPA)** which allows individuals to access their pension benefits before the government's Normal Minimum Pension Age (currently 55, rising to 57 in 2028), without incurring unauthorised payment tax charges.

43. When members transfer out of DC pension schemes, there is a risk that valuable benefits may be lost entirely. As discussed earlier, consumers are not always provided with key information about features of the ceding scheme that could be lost upon transfer until after they have decided to transfer. In some instances, information about safeguarded benefits is only disclosed once a transfer request has been made, at which point a statutory warning is issued. We note that statutory warnings apply specifically to safeguarded benefits, and not to all valuable benefits that may be lost. While post-instruction warnings can still play a role in informing consumers, providing this information only after a transfer has been initiated may be too late to effectively influence the consumer's decision.

44. We note that, where the value of safeguarded benefits, such as GAR or GMP, exceeds £30,000, consumers are required to obtain regulated financial advice from an FCA-authorised adviser before proceeding with a transfer. However, this requirement does not extend to safeguarded benefits under the £30,000 threshold or other key valuable benefits such as guaranteed investment returns.

45. When members transfer out of DC pension schemes, there is a risk that valuable benefits may be lost entirely. Consumers are not always provided with key information about features of the ceding scheme that could be lost upon transfer until after they have decided to transfer. In some cases, information about safeguarded benefits is only disclosed once a transfer request has been made, at which point a statutory warning is issued.

46. Where the value of safeguarded benefits such as GAR or GMP exceeds £30,000, consumers are required to obtain regulated financial advice from an FCA-authorised adviser before proceeding with a transfer. However, this requirement does not extend to safeguarded benefits under the £30,000 threshold, or to other valuable benefits such as guaranteed investment returns. While post-instruction warnings and advice requirements can play a role in informing consumers, providing this information only after a transfer has been initiated may be too late to effectively influence the consumer's decision, leaving consumers at risk of making uninformed choices.

Harm – financial loss to consumers

47. The drivers of harm set out above increase the risk of financial loss to consumers, who may lose out on valuable benefits from the ceding scheme that are not absorbed by receiving schemes. They may also unwillingly incur higher annual charges by transferring to the receiving scheme. An illustrative case study, at the individual-level, is provided below to conceptually demonstrate how this harm can arise in theory.

48. In the case study, we focus on potential financial losses arising from higher annual charges, as evidence from the 2024 FLS survey indicates that only 32% of respondents take the provider's fees and charges into consideration when consolidating pensions. This suggests that discrepancies in annual charges are likely to represent a more common source of harm compared with other factors such as awareness of safeguarded benefits (7%) or exit fees incurred by moving from their previous provider (13%).

Illustrative case study – higher annual charges from a transfer

49. Consider a scenario where a consumer holds a deferred Automatic Enrolment (AE) pension worth approximately £50,000 with Firm A, linked to a previous employer. AE is the system introduced by government requiring employers to enrol eligible workers into a workplace pension scheme and make minimum contributions on their behalf. At age 50, they choose to transfer this pot into a non-workplace pension scheme for better online access with Firm B.

50. Most features across the pension schemes for Firm A and B are assumed consistent. The key difference is that the annual charge is 0.4% for Firm A whereas it is 0.75% for Firm B. These figures are randomly selected for the purposes of this illustrative exercise. The annual charge represents the proportion of the pension fund deducted each year to cover administration and investment management costs.

51. While a difference of 0.5% in charges across schemes might appear insubstantial to a consumer, over time it compounds to a substantial reduction in the consumer's final retirement value, these differences are outlined below in nominal terms.

Table 1: Variations in pension pot value across firms – no growth or contributions

Year	Firm A pot value (£)	Firm B pot value (£)
0	£50,000	£50,000
5	£49,008	£48,152.9
10	£48,035.6	£46,374.1
15	£47,082.6	£44,660.9
Difference in pot value across schemes at Year 15	**£2,422**	

52. At age 65, the consumer would be approximately £2,422 worse off after 15 years due to a higher annual charge after transferring their pension from Firm A to Firm B. This assumes no further contributions and no annual investment growth.

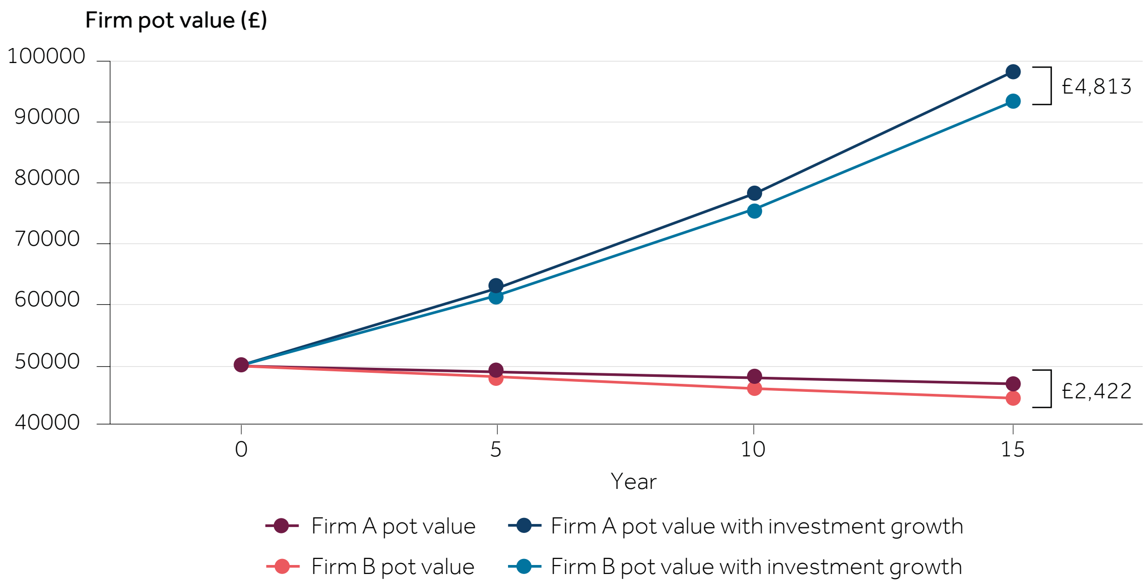
53. If we relax these assumptions and assume that investment growth is factored in at a consistent annual rate of 5% for both firms after charges, the compounding effect becomes more pronounced.

Table 2: Variations in pension pot value across firms – with investment growth and further contributions

Year	Firm A pot value (£)	Firm B pot value (£)
0	£50,000	£50,000
5	£62,607.8	£61,567.3
10	£78,394.7	£75,810.7
15	£98,162.4	£93,349.3
Difference in pot value across schemes at Year 15	**£4,813**	

54. The variations in pension pot value across the two scenarios are illustrated in the graph below. Over a 15-year period at an investment growth rate of 5%, a transfer to Firm B would leave the consumer approximately £4,813 worse off.

Figure 4: Variations in pension pot value across firms



55. We do not aggregate potential losses across the estimated population, as losses under different safeguarded features will vary significantly between consumers. In the absence of granular data on the distribution of features across consumers, an aggregated estimate would not be reflective of the true scale of potential losses.

Our proposed intervention

56. We are proposing the following 2 interventions which are intended to address the harms identified earlier. Without these interventions, the identified harms are expected to continue as there are no incentives on market participants to address them. For a full description of our proposals please refer to Chapters 3 & 5.

Tools and modellers

57. We propose a new regulatory framework for digital pension tools and modellers. This new regime builds on the principles of COBS 13 but is designed to give firms greater scope to develop more effective and engaging digital tools. The proposed framework will:

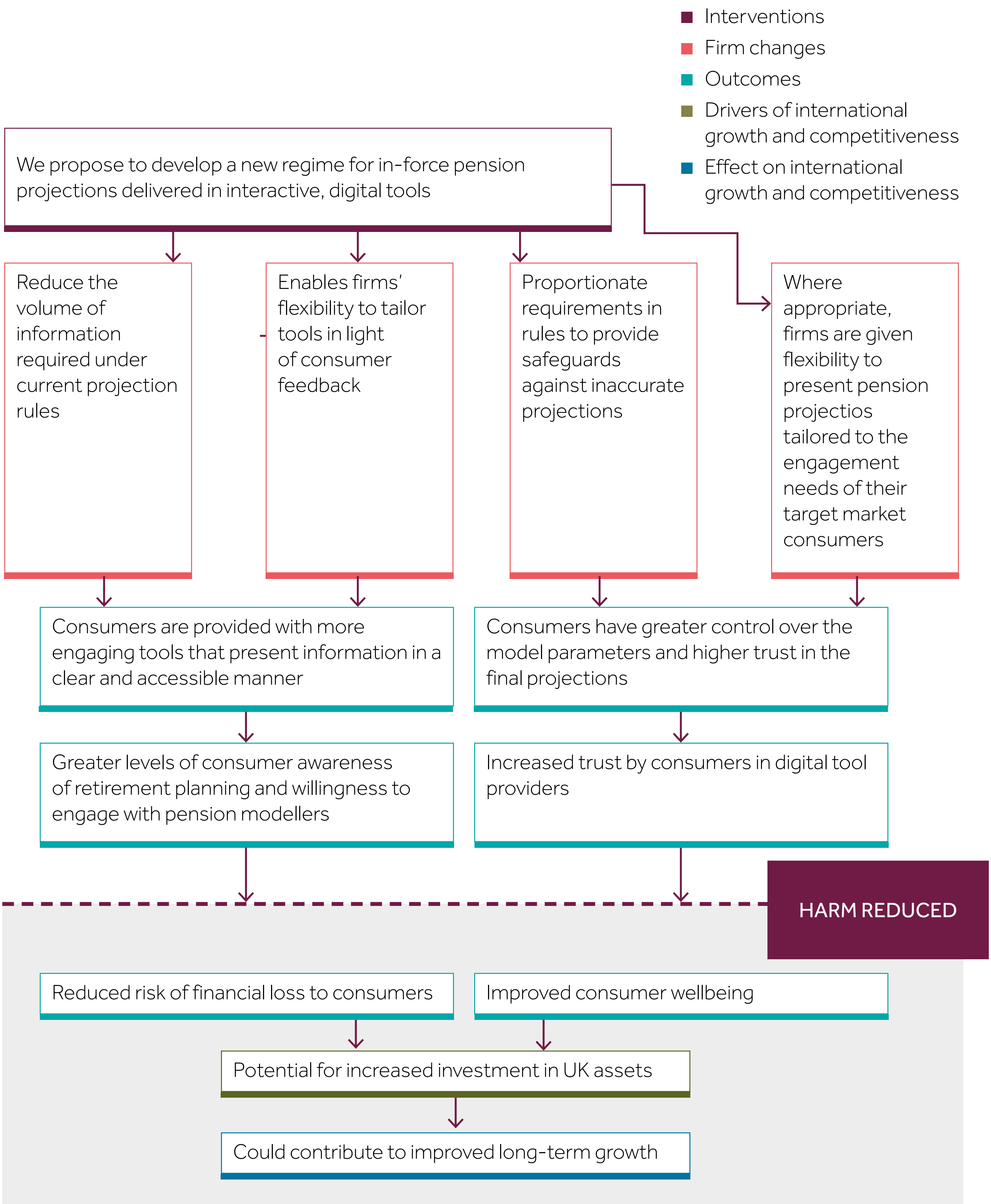
- Provide firms with greater flexibility to determine the most effective and engaging way to present projections to their target market. For example, allowing a firm to present a single deterministic projection could enable the design of more interactive tools that help prevent information overload.
- Allow consumers to interact with key parameters – such as, how much to save or when to retire. This will help consumers to understand the potential impact of the various decisions they can make. For example, requiring firms to present different decumulation options should help to address behavioural biases (eg present bias or consumer inertia) by illustrating the long-term impact of different retirement strategies.
- Replace prescriptive disclosure rules (with a more flexible, outcomes-focussed regime) should support shorter and clearer digital content that is better suited to mobile formats and needs of a firm's target market.

58. Figure 5 illustrates the causal pathway through which these changes are expected to improve consumer outcomes. Nodes within the chain have been informed by relevant behavioural literature and our understanding of consumers as discussed in the *problem and rationale for intervention* chapter. We assume that:

59. The proposed rules provide firms with sufficient flexibility to design more engaging digital tools that minimise reliance on heavy, prescriptive disclosure.

- Firms will choose to offer digital tools and modellers under the new regime, where it is cost-efficient for them to do so. The same assumption applies to DC firms that currently do not offer digital tools but may now be encouraged to enter the market as a way to retain existing customers or attract new ones.
- Greater consumer awareness and engagement with the tools will lead to more efficient allocation of savings, resulting in increased investment in UK-based assets over the long term.

Figure 5: Expected impact of our proposed rules on tools and modellers



Transfers and consolidation

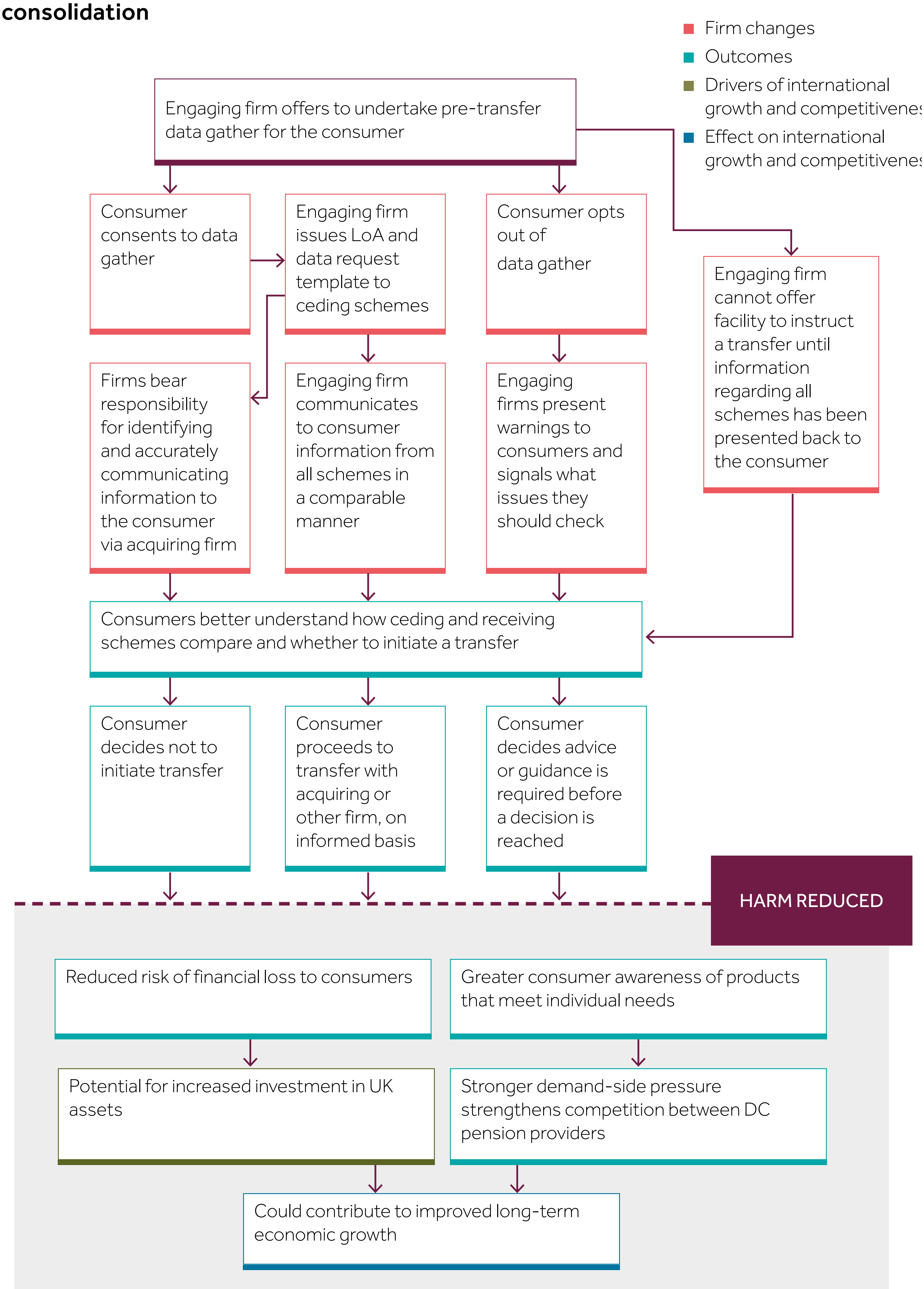
60. We propose that firms offering non-advised transfer or consolidation must offer to gather from the consumer's existing schemes, the minimum necessary information for the consumer to compare ceding and receiving schemes and determine whether or not transfer is in their interest. The firm cannot offer the facility for the consumer to instruct a transfer unless it has offered this process. Our proposal aims to:

- Ensure that consumers receive key information on multiple schemes in a consistent manner that enables them to identify if any valuable benefits would be lost on transfer and better understand how ceding and receiving schemes compare.
- Introduce a standardised approach that will ensure consistency and increase confidence in the process. Ceding schemes can be confident that consumers who consent to this process will receive all relevant information without the need for additional bilateral checks or confirmation (other than those required by legislation) if the consumer subsequently decides to transfer.

61. As before, Figure 6 illustrates the causal pathway through which these changes are expected to improve consumer outcomes. In this instance, we assume that a more prescriptive approach can provide important safeguards for vulnerable consumers with low levels of financial literacy and ensure that they receive necessary information about ceding and receiving schemes before initiating a transfer.

62. For financially aware consumers, we do not expect this proposal to alter behaviour. These individuals typically conduct the necessary checks as part of their decision-making process. In practice, it will remain business as usual for them, and they will retain the option to opt out of any additional data-gathering requirements they consider unnecessary. In that respect, the proposal is designed to provide additional support for those who need it, while preserving flexibility for those who do not.

Figure 6: Expected impact of our proposed rules on DC pension transfers and consolidation



63. The potential impacts of both proposals on firm competition and wider economic growth are discussed later in the *competition and growth impacts* chapter.

Rebalancing risk through our proposed interventions

64. In identifying how our proposals can support both FCA strategic and operational objectives, we consider our approach from a perspective of "rebalancing risk". This approach recognises the important role risk-taking plays in driving innovation and delivering benefits for consumers in financial services markets, whilst also reducing harm where needed.

65. In 'rebalancing risk' we look to assess the relationship between the benefits being sought and the potential harm that could be caused in pursuing these benefits. This approach is not about accepting harm, but rather about ensuring we make balanced, risk-informed decisions that reflect the real-world complexity of dynamic markets, and allow us to be a smarter, more adaptive regulator.

66. In the context of digital pension tools and modellers, balancing risk means allowing firms greater flexibility to design engaging, user-friendly tools, such as enabling a single, clear projection rather than multiple complex scenarios, while still requiring that essential information is presented fairly and accessibly. This flexibility should encourage innovation and improve consumer engagement. However, increased flexibility may also result in inconsistent presentation of information across providers, making it harder for consumers to compare options or spot important differences. There is a risk that the increased flexibility under the new regime may lead to firms prioritising engagement over accuracy.

67. Regarding transfers and consolidation, we propose introducing a standardised information-gathering process that may require consumers to spend more time upfront considering the key features and charges of both their current and prospective schemes. While this could be seen as an additional burden on consumers, it represents a deliberate and proportionate trade-off. By investing a bit more time at the decision stage, consumers, particularly those with lower financial literacy, should be better protected against the risk of unsuitable transfers that could result in greater harm over the long term.

68. We are willing to tolerate these changes in risk because they are, in our view, proportionate and targeted. Any short-term inconvenience to consumers is outweighed by the long-term benefit of better-informed decisions. By rebalancing risk in this way, we aim to protect consumers from greater financial harm while still encouraging innovation, where possible, in the market.

Alternative proposals considered

69. In deciding our proposed intervention, we considered alternative options. Options were assessed in terms of how well they would support the FCA's Strategy and Objectives, primarily in terms of protecting consumers. In each case, we set out why we have chosen not to take them forward as our preferred approach.

Tools and modellers

Replace COBS 13 by primarily relying on the Consumer Duty for tools and modellers, supplemented by guidance to clarify our expectations

70. Introducing new guidance under the Duty rules (and relevant COBS requirements) could support greater flexibility in the interests of consumers. The guidance could set out our expectations for firms, including the need to prevent or manage harms associated with digital tools and modellers. This would build on Duty requirements, including to deliver good outcomes, act in good faith, and the products and services and consumer understanding outcomes.

71. We chose not to pursue this option as we do not believe that financial losses to consumers could be fully mitigated by the Duty and guidance alone. It is our belief that certain risks inherent to digital tools and modellers require specific rules to effectively prevent or manage potential consumer harm. Therefore, while our proposed regime is heavily underpinned by the Consumer Duty, it is also supported by specific rules where we have identified the potential for consumer harm. Our approach balances flexibility with the necessary protections to ensure consumers are safeguarded effectively.

Do nothing (rely on targeted support)

72. Targeted support, as set out in CP25/17, is designed to provide consumers with more tailored guidance and suggestions at critical decision points. This can help consumers make clearer, more informed choices, such as adopting a sustainable approach to decumulating their pension over time. However, targeted support does not directly regulate or improve the quality of the digital tools themselves, meaning that unengaging tools may still fail to influence consumer behaviour effectively.

73. We view targeted support and our proposal as complementary. For example, if a targeted support prompt suggests increasing contributions by 2% to achieve a comfortable retirement, a consumer could subsequently use a digital tool to test different contribution levels and observe how this recommendation might affect their future retirement outcomes.

Transfers and consolidation

Focus on firms who offer a 'Trace and consolidation' service

74. We could narrow the scope of our proposals to apply only to firms offering a 'trace and consolidation' service. This refers to services provided by firms that help consumers identify existing pension pots across different providers and then consolidate those pensions into a single scheme. This alternative approach targets the most significant instances of information asymmetry, as consumers, who do not know which pensions they hold or where, clearly lack the necessary information to make informed transfer decisions. Limiting the scope in this way would also help contain costs as the proposal would only apply to a subset of c.10 DC providers currently operating this business model or potentially planning to do so.

75. However, the forthcoming launch of pensions dashboards is likely to alter the market dynamics for these services. Dashboards will allow consumers to view details of various pension entitlements in one place, reducing the need for third parties to carry out 'trace' activities. As a result, firms currently providing tracing functions may see reduced demand for this element of their service which could encourage them to pivot towards consolidation only. Over time, this narrowed approach would benefit very few consumers.

Do nothing (rely on Consumer Duty)

76. Leveraging the Consumer Duty in the context of pension transfers offers a robust means to ensure that firms act in the best interests of consumers and safeguard against potential harms throughout the transfer process. Relying on the Duty alone is unlikely to address the harms associated with the current transfer process. This is because, it remains structurally possible for a consumer to instruct a transfer before they have received relevant information from their ceding scheme. As a result, key information about the implications of consolidations may not be presented to the consumer prior to their decision, meaning the risk of unsuitable consolidation choices, and the associated financial harms, will persist.

Do nothing (rely on targeted support)

77. Targeted support could help by providing consumers with timely, relevant prompts, enabling them to make more informed decisions about their pension options at crucial stages. However, the near final rules published in PS25/XX explicitly restricts firms from using targeted support to make suggestions on consolidation. This is because the degree of personalisation needed to provide a suggestion is inconsistent with a model based on consumers with common characteristics.

Baseline

78. The costs and benefits of our proposals must be assessed against a baseline. A baseline is a reasonable assessment of the way the world would look without the proposed intervention (the counterfactual). The counterfactual is not necessarily the state of the world as it is now. This section covers our assumptions for the baseline.

79. As more people rely on DC pensions (due to closure of DB schemes or auto-enrolment) over time, the scale of the system naturally increases. This growing reliance amplifies the risk and magnitude of consumer harm. As set out in the *UK pensions market* section, more savers are entering the system, often with limited understanding of pension products or the decisions they will eventually need to make at retirement. The proliferation of pension pots and the variety of decumulation options available all increase the likelihood of poor outcomes.

80. In a business-as-usual scenario, these structural trends may not just sustain current levels of harm but could escalate them. A poll of UK pension schemes by Willis Tower Watson found that 38% of pension schemes are anticipating 10-30% increase in activity once members have access to the Pensions Dashboard, while a further 38% predict a substantial increase of 30-50%.

81. While not all of these additional consumers are expected to access digital tools, it is reasonable to assume that there will be increased usage among those engaging with firms that do currently offer such tools. This suggests that, even if adoption is not universal, firms providing digital access may see a notable rise in member activity once the Dashboard is made available. Therefore, while total member engagement may increase by a midpoint uplift of around 30%, we might theoretically assume that half of that incremental activity (i.e. a total increase of 15%) will be linked to the take-up and use of digital tools.

82. The future release of the Pensions Dashboard will also give savers a snapshot view of their pensions across multiple providers. We anticipate that this will create further demand for modelling tools and individual pot consolidations, as a greater proportion of savers start to engage more actively with their pension arrangements. Easier access to information is likely to encourage some individuals to simplify their pension holdings by bringing them together under fewer providers.

83. Overall, while the current state of the DC market serves as our baseline for analysis, we also consider scenarios in which a larger volume of consumers may be exposed to potential harm in the absence of intervention. For the reasons set out above, we think it is reasonable to assume that the number of consumers who choose to consolidate in the next decade will, at a minimum, double from existing levels (6%) to 12%.

Key assumptions

General assumptions that apply to both policy areas

84. To estimate the cost to firms of complying with our proposals, we have used a standardised cost model (SCM) which sets out assumptions regarding the type of changes firms would need to undertake to meet the requirements of the proposed changes. For more information, Appendix 1 of the FCA's publication on how it analyses the costs and benefits of its policies provides an overview of the SCM and when and why we use it.

85. We have relied on the SCM in estimating the costs, rather than undertaking firm surveys or conducting bespoke modelling specifically for the purpose of this CBA. Given the relatively small-scale nature of the interventions, we did not feel that it would be a proportionate use of resources and firm time to conduct such bespoke modelling or surveys. Instead, we judged that using a standardised modelling framework would provide a reasonable estimate of the likely cost impacts without imposing unnecessary burden on firms.

86. We assess the impact of our proposals over a 10-year appraisal period, in line with HM Treasury Green Book recommendations, starting from the point of implementation. While pension products and consumer outcomes can have effects that extend well beyond a decade, using a significantly longer appraisal period, such as 30 years, would introduce substantial uncertainty into the analysis. Over such an extended horizon, assumptions about market conditions, consumer behaviour, and technological developments become increasingly speculative, reducing the reliability of the estimates.

87. In estimating the net present value of costs and benefits, we apply a 3.5% discount rate for most economic and financial impacts, also in line with Green Book guidance.

88. Estimates are provided in nominal terms for the most recent year that data is available. Where applicable, we will use average costs/benefits per firm or consumer in the sector to estimate total costs and benefits. This avoids situations such as finding a net beneficial rule where only a small proportion of consumers benefit.

89. We conduct our calculations based on averages across the market. This CBA is not conducted at the individual firm or consumer level. We distinguish between one-off impacts (during policy implementation) and those expected to be realised across several years following implementation. We anticipate that the proposed interventions are expected to have impacts over an indefinite period of time.

Defining a firm population for each policy area

Tools and modellers

90. As with our existing rules, our new regime will apply to DC pension providers on a voluntary basis only. We assume that the firms who currently offer these digital tools will continue to voluntarily offer tools under the new regime, as they are incentivised to provide more engaging digital tools in light of potential increased customer demand. Although firms are not technically required to incur costs under the new regime, we expect they will choose to do so in order to realise the benefits of offering more engaging and effective digital tools. We therefore account for these costs in our analysis.

91. On the other hand, our cost analysis does not account for firms who may, following the intervention, subsequently choose to enter the market and offer digital tools to their customers. Given the optional nature of the rules, the potential costs of tool development that are incurred by market entrants are not considered an enforced cost on firms as a result of the proposal. We assume that firms will only choose to enter the market and implement digital tools under the new regime if they consider it to be net beneficial.

92. We do not currently collect data on the number of firms offering digital tools under the COBS 13 regime. However, we estimate that approximately 75 DC firms provide such tools. This assumption is based on the number of responses received to the digital tools and modellers section of Discussion Paper 24/3, extrapolated upwards to reflect the broader DC market.

93. In the absence of specific data for our sample, we assume that the distribution of firm sizes (by large, medium and small) within the sample mirrors that of the overall DC firm population.

Table 3: Breakdown of firms included in our cost calculations, by SCM size

Firm type	Small	Medium	Large	Total
FCA-regulated DC firm offering digital tools	45	21	9	75
% of DC firms	59%	27%	13%	

DC pension transfers and consolidation

94. The proposed introduction of an information-gathering stage, to take place before a transfer instruction is given, will apply to 200 contract-based DC firms regulated by the FCA in their capacity as ceding schemes.

Table 4: Breakdown of firms included in our cost calculations, by SCM size

Firm type	Small	Medium	Large	Total
FCA-regulated DC provider	119	55	26	200

Summary of costs and benefits

95. Tables 5 and 6 presents a summary of the estimated annual ongoing and one-off costs and benefits to stakeholders from our proposals overall. These figures represent the additional costs to firms arising from our proposals. We note that firms will continue to incur certain ongoing costs (eg IT maintenance of tools) under the proposal; however, as these costs also arise under the baseline, we do not consider them to be additional.

96. In the case of one-off costs, the total value is spread over the defined ten-year appraisal period on an equivalent annual basis. Across both proposals, the Estimated Annual Net Direct Cost to Business (EANDCB) is £5.2m.

Table 5: Summary table of benefits and costs

		Benefits (£)		Costs (£)	
Group affected	Item description	One off	Ongoing	One off	Ongoing
Tools and modellers (assuming firms who currently offer tools under COBS 13 choose to comply with new regime)					
Firms	Familiarisation & legal costs			£0.1m	
	Staff training			£0.4m	
	IT projects			£7.5m	

Group affected	Item description	Benefits (£) One off	Benefits (£) Ongoing	Costs (£) One off	Costs (£) Ongoing
	Project governance			£4.7m	
Consumers	Sustainable retirement income		Unquantified		
	Increased wellbeing		Unquantified		
	Increased consumer trust		Unquantified		
Total				**£12.7m**	
Consolidations & transfers (mandatory costs)					
Firms	Familiarisation & legal costs			£0.4m	
	Staff training			£1.2m	
	IT projects			£10.6m	
	Project governance			£19.4m	
	Loss of revenue			Unquantified	
	Efficient complaint handling		Unquantified		
Consumers	Reduced erosion of pension savings through informed decisions		Unquantified		
	Improved service efficiency		Unquantified		
	Reduced opportunity cost – better understanding of scheme features		Unquantified		
	Reduced opportunity cost – improved service efficiency		Unquantified		
Total				**£31.6m**	

Table 6: Total benefits and costs of proposals over 10 years, PV-adjusted

	PV Benefits	PV Costs	NPV (10 years)
Total impact across all proposals	Unquantified	£44.3m	Unquantified

97. For the proposals in this CBA, we do not provide monetary estimates for the expected benefits. Under the COBS 13 regime, firms offering digital tools and modellers are not supervised by the FCA. Therefore, we do not currently collect data on the precise number of firms who offer digital tools to their customers, nor on the exact number of consumers who actively make use of these tools. As such, we do not consider it reasonably practicable to quantify the financial benefits arising from better quality digital tools and models.

98. Regarding consolidations & transfers, we do not collect detailed information on the features of individual pension schemes. More specifically, due to a lack of granular data on consumer product mix, pot values and transfer objectives, we do not consider it reasonably practicable to quantify the financial benefits that arise from our proposal.

99. During the consultation period, we plan to conduct a behavioural experiment to demonstrate how our proposed consolidations intervention could help consumers make better-informed decisions and, in turn, reduce potential financial losses. The experiment will test different ways of presenting key information on pension transfers, including clarity of charges and potential loss of safeguarded benefits. By observing consumer responses to these formats, we aim to identify which approaches most effectively improve understanding and decision quality.

100. To better understand the value needed to justify proposals where quantification is challenging, we carry out a breakeven analysis. In the *benefit*s section, we also present a qualitative assessment of the expected benefits to illustrate how the proposals are anticipated to contribute to the policy objectives.

Breakeven analysis

101. This analysis expresses the estimated costs in terms of the minimum benefits per consumer needed for the intervention to deliver a net positive outcome. It provides a benchmark for assessing the scale of benefits necessary to support the case for these measures.

Breakeven analysis – tools and modellers

102. As set out in *the pensions market* chapter, we estimate that there are approximately 13 million pension holders covered by 200 DC pensions firms. In the absence of data on the digital tool firm population, we assume that the distribution of pension holders is uniform across firms and that 75 firms account for around 4.9 million pension holders.

103. From our retirement income market data in 2023/24, we estimate that approximately 31% of plans in accumulation were accessed by plan holders who took regulated advice. Therefore, the number of pension holders who were non-advised (69%) is assumed to be around 3.4 million pension holders.

104. A Pensions Dashboards programme survey of 60 FCA-regulated pension providers indicates that around 75% of providers enable digital access and that, of those 75%, 64% of users have engaged with the digital platform. On that basis, we assume that around 48% of non-advised pension holders engage with digital tools, producing a figure of 1.6 million pension holders. The survey caveats that the survey findings should not be considered statistically representative of the wider industry sector (i.e. all FCA-regulated DC providers). In the absence of alternative evidence, we consider this to be a reasonable proxy for overall pensions engagement among non-advised holders.

105. It is important to note that this estimate reflects the proportion of non-advised pension holders with digital access to information about their pensions, rather than those with access to interactive tools. The number of individuals able to use such tools is likely to be lower, as not all providers within the survey will offer these features to their customers. As the extent of digital tool usage among pension holders is not known, we therefore apply a conservative range of assumptions in our analysis to estimate the population of digital tool users.

- Upper bound: 30% of 1.6 million pension holders = **489k** digital tool users
- Midpoint estimate: 20% of 1.6 million = **326k**
- Lower bound: 10% of 1.6 million = **163k**

106. The present value of total estimated costs is £12.7m. Dividing this by the estimated range of affected non-advised pension holders implies that the intervention would need to deliver an average benefit within the range of £26-£78 per person to break even. This range represents the minimum value, expressed in monetary terms, that each individual would need to gain from the intervention for its overall costs to be justified.

107. As set out in the *baseline* chapter, if we apply an uplift of 15% to our population of digital tool users, we estimate around 187k-562k digital tool users. On that basis, the intervention would need to deliver an average benefit within the range of £23-£68 per person to break even.

108. Given the scale of potential harm established at the per-person level in the *problem and rationale for intervention* chapter, we believe the proposed intervention will generate benefits above the breakeven point. As noted earlier, unsustainable withdrawals are just one of several areas where tools can help consumers make better decisions, and while the scale of benefits may vary across different areas, the overall impact is expected to remain positive.

Breakeven analysis – transfers and consolidation

109. As set out in *the pensions market* chapter, we estimate that there are approximately 13 million pension holders covered by 200 DC pensions firms and that 6% of DC pension holders had consolidated their pensions in the past year. On that basis, assuming the rate of consolidations remains constant, we estimate that approximately 780,000 pension holders have consolidated in the past year.

110. We note that this figure does not represent the number of pension holders who would be impacted by the proposed intervention. Many individuals may be willing to accept the risks associated with consolidation – for example, choosing to forgo guaranteed benefits in order to transfer to a SIPP and potentially achieve higher investment returns. According to the 2024 FLS, 26% of respondents indicated that they did not consider any important factors (eg fees and charges or potential loss of benefits) when making the decision to consolidate. Therefore, we estimate that approximately 202,800 pension holders will benefit from the proposal.

111. The present value of total estimated costs is £31.6m. Dividing this by the estimated affected population implies that the intervention would need to deliver an average benefit of around £156 per person to break even. As before, this reflects the minimum value that each individual would need to gain from the intervention for its overall costs to be justified.

112. In practice, we expect the number of consolidations to increase over time, irrespective of our intervention. As discussed in the *baseline chapter*, we assume an upper bound of 12% for future consolidation rates. By applying this uplift in consolidations to the population of 13 million pension holders, we estimate that approximately 405,600 pension holders will benefit from the proposal.

113. This projected increase in consolidation rates yield an estimated break-even value of £78 per person. Given the scale of potential harm established at the individual-level through higher annual charges in the *problem and rationale for intervention* chapter, the intervention is expected to generate benefits significantly above the breakeven threshold. Again, we note that higher annual charges illustrate one situation where the introduction of an information-gathering stage for firms can make a difference. The specific impact (in terms of scale of loss) may vary across different scheme features, but the general impact of the intervention is likely to be positive.

Benefits

114. For each proposal, the benefits to consumers, firms and, where applicable, financial regulatory bodies have been highlighted.

Tools and modellers

Benefits to consumers

Sustainable retirement income

115. We expect that the proposed regime will support consumers in planning for a more sustainable retirement income. By providing clearer, more realistic projections of future pension outcomes, the enhanced model will help individuals understand the long-term implications of their choices, such as drawdown rates and investment strategies. This should reduce the risk of premature depletion of funds and encourage decisions that balance flexibility with financial security throughout retirement.

Increased subjective wellbeing

116. Beyond a beneficial financial outcome, improved digital tools under the new regime should provide greater clarity to individuals regarding their financial future. By simplifying pension projections, consumers should experience less stress over the potential long-term consequences of their actions. This is especially true of those pension holders who do not rely on financial advice.

Increased consumer trust

117. We expect that consumer trust in the firms who provide tools will be increased through the following channels:

- **Improved confidence** – consumers will be better informed about the retirement decisions they can make and the potential outcomes of those choices, which enhances their trust in the firm as a reliable provider of pension information.
- **Encouraging financial participation and inclusion** – consumers are encouraged to think about and better plan for retirement, for example, gaining insight into the sustainability of their funds under different decumulation decisions. By providing clear and engaging digital tools, firms build credibility and foster consumer confidence, which in turn supports long-term engagement with their services.

Benefits to firms

118. The introduction of a new regime for in-force pension projections provides firms with the flexibility to present pension information in ways that are tailored to consumer preferences, making projections simpler and more engaging. By providing a higher level of service and more meaningful insights, firms can strengthen customer satisfaction and engagement, which is an important part of their overall value proposition.

Benefits to the FCA

119. We do not anticipate any direct implementation benefits to the FCA as the development of tools and modellers under the new regime will remain voluntary, and firms choosing to offer them are not subject to a distinct supervisory regime specific to these tools. On that basis, we expect that it is business as usual from an FCA perspective.

Transfers and consolidation

Benefits to consumers

Reduced erosion of pension savings through informed decisions

120. Consumers will receive key information in a broadly consistent and comparable manner that enables them to identify if any valuable or safeguarded benefits would be lost on transfer. Following the intervention, we expect fewer consumers give up valuable benefits or incur unnecessary exit charges upon transfer by making decisions based on incomplete information.

121. Additionally, as consumers become more informed about the value of pension products, they are better equipped to compare annual charges and actively seek out options that deliver greater value for money. This increased awareness should lead to consumers selecting products with lower fees, ensuring that a larger portion of their pension savings is preserved for retirement rather than being eroded by excessive charges.

Reduced opportunity cost from better understanding of scheme features

122. The new scheme will provide consumers with the minimum information they need to make an informed decision, increasing the likelihood that if they decide to proceed with a transfer, they will transfer into a product that better aligns with their individual needs, such as offering flexible decumulation options or the ability to accept future contributions, helping them avoid being locked into less suitable products. This reduces the opportunity cost associated with remaining in a pension long-term that does not fully support their personal objectives, ensuring they can take advantage of more appropriate investment strategies.

Improved service efficiency post-transfer initiation stage

123. Creating an information-gathering stage before consumers consent to a transfer will ensure that key checks are completed earlier in the process, reducing delays and the need for follow-up after transfer instructions are given. For consumers, this could lead to faster processing of instructions to transfer.

Reduced opportunity cost from improved service efficiency

124. By ensuring that key information is gathered and assessed before a transfer is initiated, the administrative burden on consumers is reduced. With the engaging firm responsible for collecting and presenting the necessary information, consumers are less likely to have to chase missing details or navigate complex processes themselves. This approach helps ensure that important steps are not bypassed or overlooked, supporting better-informed decisions while making the transfer process more straightforward for consumers.

Benefits to firms

125. In respect of non-advised consumers that proceed to instruct a transfer, firms should see a reduction in transfer times and increased system efficiencies in the long run, especially in relation to the period between a consumer formally instructing a transfer and the funds being received by the new scheme.

126. By ensuring that consumers receive comparable information about both ceding and receiving schemes before initiating a transfer, firms can also reduce the likelihood of disputes arising from incomplete information. This proactive approach should not only minimise the number of complaints but also provide firms with a clear audit trail and documented evidence of the information provided to consumers. As a result, when complaints do occur, firms will be better equipped to resolve them swiftly and fairly, reducing administrative burden.

Benefits to the FCA

127. While there is no current ongoing supervisory requirement in this particular policy area, the proposed intervention would improve the quality and consistency of information provided to consumers across all FCA-regulated DC firms. Our record-keeping requirements enable supervisory scrutiny where concerns are identified, at firm or sector level.

Costs

Tools and modellers

Costs to firms

128. As previously discussed, firms aren't obliged to offer digital pension projection tools to consumers. As such, any costs associated with developing or adapting these tools in response to proposed changes are completely voluntary. In this CBA, we account only for costs relevant to firms who already offer digital tools and are required to adapt their systems to comply with the new requirements.

Familiarisation and gap analysis (one-off)

129. Firms will need, on a one-off basis, to familiarise themselves with the new rules and guidance that are consulted on and check their current practices against the rules, guidance and the examples of good and bad practice provided. We assume that the proposals will apply to the estimated 75 firms that currently offer digital tools and are expected to continue doing so, incentivised by the increased flexibility offered under the new regime.

130. We monetise the resource costs associated with firms familiarising themselves with the new rules and guidance, based on the number of people assumed to read the consultation paper at each firm and their hourly salary (including overheads). This assumption reflects standard practice in CBAs, where it is typically expected that a small number of relevant staff such as compliance officers, legal advisers, and senior managers will review the consultation to understand the implications for their firm. We assume that all of these staff are compliance staff, that they will need to read 50 pages and that they each read 20 pages per hour.

131. Our assumptions are summarised in the table below.

Table 7: Assumptions used in familiarisation cost modelling

Size of firm	Large	Medium	Small
Number of firms	9	21	45
Number of Full Time Equivalent (FTE) compliance staff assumed to read CP per firm	20	5	2
Average hourly cost of compliance	£68	£63	£52

Size of firm	Large	Medium	Small
Average reading speed, words per minute		100	
Average number of words per page		300	
Number of pages to be read		50	

132. We also estimate the costs to firms of performing a gap analysis. We assume that the gap analysis will require a legal/compliance team reading approximately 19 pages of legal text relating to the proposed legal instrument. The assumptions used in modelling the costs of gap analysis are summarised in the table below.

Table 8: Assumptions used in gap analysis cost modelling

Size of firm	Large	Medium	Small
Number of firms	6	14	30
Size (FTE) of legal team (or equivalent) reading legal text	4	2	1
Days per team member to review 19 pages of legal text	4	3	1
Average hourly cost of legal team (or equivalent) time	£79	£74	£70
Number of pages to be read		15	

133. Together, these assumptions imply total one-off familiarisation and gap analysis costs of £0.1m in total, or a cost of £1,631 per firm. Broken down by firm size, we estimate a cost of £6,766 per large firm, £1,967 per medium firm and £447 per small firm.

Staff training (one-off)

134. We assume that there will be staff training and support costs, particularly as firms will revamp their digital tools offering. Staff involved in customer support, compliance, and digital development will require training to understand how the new tools work and how they align with the intended consumer outcomes under the new regime.

135. We assume that a single day of bespoke training will be sufficient to ensure all staff members are familiar with the new tools and modellers regime. The estimated average number of staff to be trained is based on employee data from sampled DC firms. The assumptions used in modelling the costs of staff training are outlined in the table below.

Table 9: Assumptions used in staff training cost modelling

Size of firm	Large	Medium	Small
Average number of staff that need to be informed/trained	700	95	15
Average salary of staff member	£55k	£47k	£51k

Size of firm	Large	Medium	Small
Training time required per staff member		1 day	
Cost of external training per employee		£700	
Number of hours design per hour of training		8 hours	
Familiarisation time required after training course (as % of training hours)		25%	
Percentage of salary assumed to be revenue loss due to training attendance		100%	

136. These assumptions imply total one-off staff training costs of £0.4m or a cost of £5,502 per firm. Broken down by firm size, we estimate a cost of £33,924 per large firm, £4,361 per medium firm and £349 per small firm.

IT projects (one-off)

137. Firms will likely need to make IT adjustments to align with the new regime. For example, they will need to enable interaction on key modelling parameters (eg contribution rate or expected retirement age) and present a range of decumulation options to consumers. Presenting these changes in a user-friendly and visually accessible way, especially on mobile devices, may require front-end development and user testing to confirm that the tools are intuitive and support consumer understanding of projections.

138. The proposed rules for calculating different growth rates may require firms to re-engineer their underlying calculation engine to ensure consistency with the new regime. Depending on how projections are currently embedded in firms' systems, this could range from minor configuration changes to a complete rebuild of the modelling infrastructure.

139. We estimate that the project will require, across the standard IT project team structure, 1,092 person days to set up for large firms and 312 days for medium firms. We assume that small firms in our sample (who are unlikely to have in-house IT departments) will incur a cost of £5,000 per firm to hire external consultants to support them on any required changes. The assumptions used in modelling the costs of IT infrastructure are outlined in the table below.

Table 10: Assumptions used in IT project cost modelling

Firm size	Large firms	Medium firms with in-house IT
Project length (days)	120	80
Business analysis team (person days)	24	8
Design team (person days)	72	24
Programming team (person days)	792	176
Project management team (person days)	120	64
Test team (person days)	48	16
Senior management (person days)	36	24

140. Overall, these assumptions imply total one-off IT costs of £7.5m or a cost of £0.1m per firm. Broken down by firm size, we estimate a cost of £493,542 per large firm, £134,858 per medium firm and £5,000 per small firm.

Project governance (one-off)

141. Although the proposal offers firms greater flexibility with respect to tool design, firms will still need to ensure that their tools meet regulatory expectations regarding the new regime. This will likely involve legal review, internal governance processes, and the updating of consumer-facing disclosures and documentation. While this burden may be lower than under the current prescriptive COBS 13 rules, there is still a cost associated with ensuring compliant implementation.

142. Including a project team and manager, we estimate that the project will require 540 person days for large firms, 280 days for medium firms and 6 days for small firms. These numbers reflect the differing levels of complexity and scale of operations across firm sizes, with larger firms typically facing more extensive requirements and coordination efforts than smaller firms. The assumptions used in modelling the costs of governance are outlined in the table below.

Table 11: Assumptions used in governance cost modelling

Firm size	Large firms	Medium firms	Small firms
Total person days (project team and manager)	540	280	6
Board review, person days	0.7	0.6	0.1
Executive committee review, person days	1.1	0.9	0.3

143. Overall, these assumptions imply total one-off governance costs of £4.7m or a cost of £63,000 per firm. Broken down by firm size, we estimate a cost of £240,357 per large firm, £117,037 per medium firm and £2,284 per small firm.

144. Across all cost types, we estimate total one-off costs of £12.7m or a cost of £0.2m per firm. Broken down by firm size, we estimate a cost of £0.8m per large firm, £0.3m per medium firm and £8,080 per small firm.

Costs to consumers

145. While consumers may need to spend some time initially familiarising themselves with revised tools or projection formats, we do not believe that this constitutes a wholly new burden. Under the current regime, many consumers struggle to interpret and engage with existing projection models which can be opaque. The proposed changes aim to improve transparency and usability, meaning that time spent with the tools may ultimately prove to be less of a burden.

Costs to the FCA

146. There are no direct implementation or supervision costs to the FCA arising from this proposal. Since the development of digital tools and modellers under the proposed regime is voluntary, firms that choose to offer them are not subject to a distinct supervisory regime specific to these tools. As such, we do not anticipate any additional resource requirements as a result of these changes.

Transfers and consolidation

147. Our proposals apply to all FCA regulated pension providers in their capacity as ceding schemes and all FCA regulated engaging firms (pension providers or third parties through which pension consolidation is marketed and distributed). We expect the proposals to result in process design changes and administrative processes to support pre-decision information provision. Our proposed rules are drafted to allow firms to automate or otherwise implement the pre-transfer requirements in a manner that is cost-effective for them.

148. For many ceding schemes, the proposed change represents a redistribution of effort and resource from post-instruction checks, to pre-decision information provision. On that basis, we expect the costs to firms to be one-off as they seek to align their processes with the new requirements. While there may be minimal ongoing costs associated with maintaining the new processes, these are expected to be negligible and therefore not material for the purposes of this CBA.

Costs to firms

Familiarisation and gap analysis (one-off)

149. We expect firms affected by the intervention will read relevant changes put forward as part of the proposals in this consultation paper and will familiarise themselves with the detailed requirements of the proposed rules and guidance. We have estimated the costs of this to firms using assumptions on the time taken to read the document. We assume that the proposal is relevant to all 200 FCA-regulated DC firms who are required to implement an information-gathering process prior to transfer.

150. We monetise the resource costs associated with firms familiarising themselves with the new rules and guidance, based on the number of people assumed to read the consultation paper at each firm and their hourly salary (including overheads). We assume that all of these staff are compliance staff, that they will need to read 50 pages and that they each read 20 pages per hour.

151. Our assumptions are summarised in the table below.

Table 12: Assumptions used in familiarisation cost modelling

Size of firm	Large	Medium	Small
Number of firms	26	55	119
Number of Full Time Equivalent (FTE) compliance staff assumed to read CP per firm	20	5	2
Average hourly cost of compliance	£68	£63	£52
Average reading speed, words per minute	100		
Average number of words per page	300		
Number of pages to be read	15		

152. We also estimate the costs to firms of performing a gap analysis. We assume that the gap analysis will require a legal/compliance team reading approximately 23 pages of legal text relating to the proposed legal instrument. The assumptions used in modelling the costs of gap analysis are summarised in the table below.

Table 13: Assumptions used in gap analysis cost modelling

Size of firm	Large	Medium	Small
Number of firms	20	41	89
Size (FTE) of legal team (or equivalent) reading legal text	4	2	1
Days per team member to review 23 pages of legal text	4	3	1
Average hourly cost of legal team (or equivalent) time	£79	£74	£70

153. Together, these assumptions imply total one-off familiarisation and gap analysis costs of £0.4m or a cost of £1,870 per firm. Broken down by firm size, we estimate a cost of £7,475 per large firm, £2,214 per medium firm and £486 per small firm.

Staff training (one-off)

154. We expect that firms will train existing staff, particularly to ensure frontline teams understand the new process and are able to support consumers effectively. This includes recognising when sufficient scheme comparison information has been provided and managing the revised transfer journey.

155. We assume that 1.5 days of bespoke training will be sufficient to ensure that all staff members are sufficiently trained to navigate the updated processes confidently. The assumptions used in modelling the costs of staff training are outlined in the table below.

Table 14: Assumptions used in staff training cost modelling

Size of firm	Large	Medium	Small
Average number of staff that need to be informed/trained	700	95	15
Average salary of staff member	£55k	£47k	£51k
Training time required per staff member	1.5 days		
Cost of external training per employee	£700		
Number of hours design per hour of training	40 hours		
Familiarisation time required after training course (as % of training hours)	50%		
Percentage of salary assumed to be revenue loss due to training attendance	100%		

156. These assumptions imply total one-off staff training costs of £1.2m or a cost of £5,889 per firm. Broken down by firm size, we estimate a cost of £38,354 per large firm, £2,827 per medium firm and £211 per small firm.

IT projects (one-off)

157. IT systems will need to be adjusted to address the operational challenges posed by the new process. We anticipate that firms already hold or can generate the information that may be requested by consumers prior to transfer. However, firms will likely have to extract that information from a wide array of pension schemes, including legacy schemes. Different pension types and different age plans are likely to use different data formats, standards, and storage methods. Existing IT infrastructure may not be equipped to efficiently extract and securely store this diverse data, with additional checks required to prevent errors and compliance failures.

158. We estimate that the project will require, across the standard IT project team structure, 546 person days to set up for large firms, 156 days for medium firms and 12 days for small firms. The assumptions used in modelling the costs of IT infrastructure are outlined in the table below.

Table 15: Assumptions used in IT project cost modelling

Firm size	Large firms	Medium firms with in-house IT
Project length (days)	60	40
Business analysis team (person days)	12	4
Design team (person days)	36	12
Programming team (person days)	396	88
Project management team (person days)	60	32
Test team (person days)	24	8
Senior management (person days)	18	12

159. Overall, these assumptions imply total one-off IT costs of £10.6m or a cost of £52,921 per firm. Broken down by firm size, we estimate a cost of £246,771 per large firm, £67,429 per medium firm and £3,862 per small firm.

Project governance (one-off)

160. In implementing changes to support pension consolidation, firms will also need to ensure robust project governance arrangements are in place. This includes undertaking appropriate legal and compliance reviews to assess the impact of any regulatory changes on existing processes, contracts, and customer communications.

161. Internal governance processes, such as approval through risk, compliance, and senior management functions, will be followed to ensure changes are well-controlled. In addition, firms will review and update relevant disclosures, terms and conditions, and customer-facing documentation to reflect any changes to processes.

162. Including a project team and manager, we estimate that the project will require 800 person days for large firms, 420 days for medium firms and 12 days for small firms. The allocation of substantial person days across both the test team and senior management reflects the need for thorough internal governance, risk assessments, and board-level scrutiny to ensure robust and compliant implementation.

163. The assumptions used in modelling the costs of governance are outlined in the table below.

Table 16: Assumptions used in governance cost modelling

Firm size	Large firms	Medium firms	Small firms
Total person days (project team and manager)	800	420	12
Board review, person days	1.1	0.9	0.2
Executive committee review, person days	1.7	1.3	0.4

164. Overall, these assumptions imply total one-off governance costs of £19.4m or a cost of £97,202 per firm. Broken down by firm size, we estimate a cost of £356,179 per large firm, £175,555 per medium firm and £4,405 per small firm.

165. Across all cost types, we estimate total one-off costs of £31.6m or a cost of £157,880 per firm. Broken down by firm size, we estimate a cost of £0.6m per large firm, £0.2m per medium firm and £8,964 per small firm.

Loss of revenue via annual charges

166. Greater transparency around annual charges may also have the consequence of reducing consolidation activity. If consumers, now more aware of the true cost implications, perceive that transferring or consolidating their pensions would result in higher ongoing charges, they may opt not to proceed. Consequently, firms could experience a loss of revenue from consolidation activity that might previously have occurred when consumers were less informed about the comparative annual costs.

Costs to consumers

167. There is a risk that firms may seek to pass through some (or all) of their compliance costs to consumers, through increased charges or consolidation fees. Such actions could potentially make transfers less accessible for some consumers, particularly those with smaller pension pots in value who may be more sensitive to increased costs.

168. Though we anticipate that transfer times for non-advised transfers may reduce following introduction of the proposal, consumers may experience a slight increase in the time required decide whether or not to transfer, as they will be required to review comparative information that they might otherwise have been unaware of, or bypassed, before proceeding. However, this time investment is intended to support better-informed decision-making and reduce the risk of financial loss from unsuitable transfers. As discussed in the *rebalancing risk* section, we believe that these effects are proportionate to the protection benefits being delivered to consumers.

169. Our 2018 Retirement Outcomes Review indicated that requiring consumers to consider more complex or detailed information, particularly where multiple schemes are involved, could lead to decision fatigue or confusion. In such cases, consumers may rely on heuristics that do not support optimal decisions, potentially reducing the effectiveness of the proposed change.

170. In the case of non-advised transfers, we believe that this risk will be mitigated if the information-gathering stage is designed to present key comparisons across schemes as clearly as possible. In addition, firms will signpost the availability of guidance and direct consumers to sources of advice, recognising that some consumers may not feel confident or able to make independent decisions based solely on the information provided. This approach supports consumers in making informed choices while reducing the risk of confusion or ill-informed transfers.

Costs to the FCA

171. We do not anticipate material additional costs to the FCA as a result of this intervention. The proposed requirements primarily involve changes to firms' own governance and review processes, rather than introducing new regulatory responsibilities or significant ongoing supervisory burdens for the FCA. Any resource implications, such as policy development or industry engagement, are expected to be absorbed within existing operations. As such, costs to the FCA are expected to be minor relative to the baseline.

Question 25: Do you agree with our assumptions and findings as set out in this CBA on the relative costs of the proposals contained in this consultation paper? Please give your reasons.

Impact on competition and economic growth

172. This section explores how our proposals may shape competitive dynamics among DC pension providers and contribute to the UK's economic growth objectives.

Competition and growth impacts – tools and modellers

173. Under the current COBS 13 framework, only a portion (approximately 38%) of FCA-regulated DC providers have invested in interactive digital tools. These early adopters have an initial advantage as the regulatory changes from our proposal take effect. Their established digital infrastructure and experience should position them to respond swiftly to rising consumer expectations and the greater flexibility offered by the new regime. In the near term, incumbents with established tools may consolidate their advantage, capturing a larger share of digitally engaged consumers.

174. However, by removing prescriptive requirements that previously constrained innovation, the proposal aims to lower barriers for other firms. Greater flexibility in presenting projections and designing user experiences is expected to encourage broader market participation. Providers yet to invest in digital tools may now see a clearer business case, both to retain existing customers and to attract a growing segment seeking high-quality digital engagement. As a result, increased participation is expected to intensify competition, driving firms to enhance the quality of digital tools available to consumers.

175. Recent government and industry initiatives, such as the Mansion House Accord and upcoming pension reforms, have highlighted the strategic importance of mobilising pension capital to support domestic economic growth. These reforms encourage

pension funds to allocate a greater share of assets to UK-based investments, including infrastructure and clean energy. Among these reforms, the creation of more consolidated funds is expected to unlock economies of scale and enable more meaningful allocations to productive UK assets.

176. While the direct impact of COBS 13 on asset allocation will depend on how providers and consumers respond to the new regime, there is a clear policy direction towards harnessing the scale of UK pension savings to drive investment in the domestic economy. Improved digital tools can play a supporting role, as increased engagement and confidence in pension saving may, over time, translate into a larger pool of investable assets within the UK pension system.

Competition and growth impacts – transfers and consolidation

177. By introducing a standardised information-gathering process prior to transfer, the proposal aims to ensure that consumers receive clear, comparable information about both ceding and receiving schemes before deciding to consolidate their pension pots. We expect that this increased transparency will reduce information asymmetry and empower consumers to make more informed choices.

178. As a result, stronger demand-side pressure should incentivise engaging firms to compete more actively on the factors that drive value for money, such as annual charges. Providers that offer clearer information on the scheme are likely to be better positioned to attract and retain customers. Over time, this should encourage a shift away from competition based on short-term incentives such as cashback offers, towards improvements in long-term value where consumers are more likely to remain with providers that deliver better outcomes over the course of their retirement.

179. Furthermore, by making it easier for consumers to compare schemes, the proposal may lower barriers to switching, increasing competitive pressure on incumbent providers to improve their offering, such as lowering annual charges.

180. While the transfers and consolidation proposal does not actively encourage consolidation as an end in itself, it is designed to ensure that any transfers are initiated on a fully informed basis. From an economic growth perspective, facilitating more informed decisions may, where appropriate, lead to the consolidation of pension pots.

181. As pension funds grow in size and efficiency, they are better positioned to allocate capital towards a broader range of assets, including UK infrastructure, businesses, and other productive investments. This is consistent with wider policy objectives, such as those articulated in the Mansion House Accord, to mobilise pension savings in support of domestic economic growth and innovation.

Monitoring and evaluation

182. 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.

183. Given the relatively targeted and incremental nature of the proposals set out in this paper, we do not propose to undertake a full-scale ex-post impact evaluation. The changes under consideration are not expected to result in substantial costs or major shifts in market behaviour, and as such, the proportionality of conducting a large-scale evaluation would be limited.

184. Instead, we will monitor indicators within the Financial Lives Survey. For example, we will track the number of consumers who consider relevant factors (such as annual charges) when deciding to consolidate and determine if this increases over time. We will also monitor product sales data to see if there are significant changes in the volumes of consumers who consolidate into new products on an advised basis and those who consolidate without advice.

185. Compliance will be monitored through business-as-usual processes within existing resources. In the case of non-advised pension transfer and consolidations in the DC market, we do not propose introducing a formal regulatory return, in order to minimise additional burdens on firms. Instead, we propose to ask firms to keep certain records that we can request, on an ad-hoc basis, for supervisory purposes and to monitor outcomes. This will allow us to track the effectiveness of our proposal while maintaining a proportionate reporting requirement for firms.

Question 26: **Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?**

Annex 3

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 discharge its general functions (which include rulemaking) 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 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). This Annex sets out how we have complied with requirements under the LRRA.

The FCA's objectives and regulatory principles: Compatibility statement

Consumer protection objective

7. The proposals set out in this consultation are primarily intended to advance the FCA's consumer protection objective of securing an appropriate degree of protection for consumers. When considering what degree of protection for consumers may be appropriate, we have had regard to the matters listed in section 1C(2) FSMA.

8. Our proposals for the use and presentation of simulations in interactive tools will enable firms to develop innovative and engaging tools that can effectively encourage pension savers to think about and better plan for retirement in all stages of their pensions journey.

9. Non-advised consumers need to receive certain key information to make informed decisions on whether and how to transfer or consolidate their pension savings. Without receiving and considering this information, consumers could experience poor outcomes in retirement by unknowingly:

- Giving up valuable benefits (such as guaranteed investment returns, loyalty bonuses or protected pension ages).
- Transferring to products that do not meet their needs (for example because they offer fewer decumulation options or incur higher charges).

Competition objective and duty

10. Our proposals are relevant to the FCA's objectives of promoting competition. We have had regard in this consultation to the 5 matters listed in s. 1E(2)(a)(e) FSMA and consider our proposals to be compatible with our competition objective. We consider our approach complies with our competition duty while advancing our consumer protection objective – we must, under section 1(B)(4) of FSMA, so far as is compatible with our consumer protection objective, carry out our general functions in a way which promotes effective competition in consumers' interests.

11. Our proposed non-advised DC transfer process will encourage consumers to compare the pensions they hold with any potential receiving scheme and make it easier for them to do so than at present. We anticipate that bringing easily overlooked core features of ceding and receiving schemes to consumers' attention will result in:

- consumers being empowered to make well-informed decisions
- firms competing more effectively in the interests of consumers (seeking to attract consumers by providing good value, high quality products)

Secondary international competitiveness and growth objective

12. We believe our proposals are compatible with our secondary international competitiveness and growth objective (SIGCO).

13. Enabling firms to best meet the information and engagement needs of consumers can promote an environment where consumers can interact with financial services and pensions with more confidence. Wherever practical without compromising our intended outcomes, all of our proposals give firms design choice and flexibility to meet the needs of their target market. This demonstrates our commitment to ensuring our rules are proportionate.

14. Additionally, our proposals for interactive digital tools and modellers will allow firms to innovate and present new engagement options to consumers. They disapply the more prescriptive parts of existing rules that were stifling innovation in the interests of consumers. Proportionate regulation enhances competition and makes the UK a more attractive market to enter, improving the UK's competitiveness as a financial services hub.

Strategic objective

15. We consider the proposals in this paper are compatible with the FCA's strategic objective of ensuring that the relevant markets function well because they will drive higher service standards, provide greater consumer protection and promote competition. For the purposes of the FCA's strategic objective, 'relevant markets' are defined by section 1F FSMA.

Regulatory principles

16. 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

17. 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.

The principle that a burden or restriction should be proportionate to the benefits

18. We have considered the impact of our proposals on both firms and consumers. We have undertaken a costbenefit analysis which is included in Annex 2 of this CP. It concludes that the introduction of our proposals is expected to 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)

19. In developing this consultation, we have considered the environmental, social, and governance (ESG) implications of our proposals and our duty under s.1B(5) and 3B(c) of FSMA 2000 to have regard to contributing towards the Secretary of State achieving

compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under section 5 of the Environment Act 2021.

20. We considered how these proposals relate to the Sustainability Disclosure Requirements (SDR). Our non-advised transfer proposals allow firms to highlight where a customer's existing or prospective pension has a sustainability objective, so that this can factor into their decision making. Our proposals allow firms to integrate, where applicable to the consumer's pension investments, the investment labels from SDR documents or general sustainability information into product the information provided as part of the information-gathering exercise.

The general principle that consumers should take responsibility for their decisions

21. Information provision should enable non-advised consumers considering transfer of DC pensions to make better informed financial decisions and to understand the associated costs, rewards, and potential risks of their decision.

22. Engaging, interactive digital tools and models should enable consumers to explore options and the potential impact of pensions decisions they could take.

23. Both measures are designed to empower consumers to understand which in turn will better enable them to take responsibility for their decisions.

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

24. Our proposals recognise the differences in the nature and objectives of the businesses affected by these proposals.

25. All of our proposals are designed to be proportionate. The flexibilities contained within our proposals for tools and modellers recognise that different businesses may benefit from different approaches. While our non-advised transfer proposals allow firms to draw on information sources it has already produced, while enabling greater access and visibility of this information for the consumer at an appropriate time to inform their decision.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

26. Our proposals do not require firms to publish information. We do not expect that our proposals will result in firms publishing information regarding persons subject to requirements imposed under FSMA.

The principle that we should exercise of our functions as transparently as possible

27. In developing these proposals, we have acted as transparently as possible. We published a Discussion Paper (DP 24/3) in December 2024. Since then, and as we developed our proposals, we have engaged with stakeholders representing consumer and industry perspectives. We have attended the FCA statutory panels for early views on our policy proposals.

Financial Crime

28. 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).

Expected effect on mutual societies

29. The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies. Our proposed non-advised transfer rules apply equally to all pension providers in their capacity as ceding scheme and engaging firm.

30. Our proposals for digital tools are permissive. They do not compel any firm, including pension providers that are mutual societies, to produce digital interactive tools.

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 targeted only where action is needed.

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, to and foster good relations between people who share a protected characteristic and those who do not.

34. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. We have provided a summary of our analysis below.

35. Consumers' ability to engage with pensions and retirement planning 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.

Insights from Financial Lives Survey 2024

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

Women are almost twice as likely to report low financial capability than men.

Women retirees were less likely to have a pension in decumulation than men (69% of retired women versus 83% of retired men).

Ethnicity

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).

36. Our proposals enable firms to facilitate informed decision-making by consumers, some of whom may include protected characteristics. We believe our proposals have the potential to reach groups who might previously struggled to engage, or where engagement was ill-informed.

37. However, we recognise that our proposals are unlikely to be sufficient on their own to address the needs of consumers with highly complex personal circumstances where complexities arise from protected characteristics.

38. Digital exclusion remains a risk. Our rules enable the emergence of interactive digital tools which would not otherwise be available. While such tools will not be accessible to the digitally excluded, we are not mandating that firms must make such digital tools available. Firms will only offer these tools where they consider these serve the needs of their target market.

39. Our non-advised transfer proposals are channel-neutral, enabling firms to provide the process online, by telephone, by post or face-to-face – to accommodate varying digital capabilities. The proposals must also be delivered in line with the Consumer Duty and firms should follow 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 our proposals.

40. We have undertaken an Equality Impact Assessment (EIA) to consider how our proposals may affect consumers with protected characteristics, in line with our obligations under the Equality Act 2010 and the Public Sector Equality Duty.

41. We will continue to assess the equality and diversity implications of our proposals as the consultation progresses. We are particularly interested in feedback on how firms can design and deliver our proposals in ways that are inclusive, proportionate, and accessible for all consumers – especially those at greater risk of exclusion due to protected characteristics or structural disadvantage.

Annex 4

List of respondents to DP24/3

We include a list of the names of respondents to Discussion Paper 24/3 who have consented to the publication of their name. That list is as follows:

Association of British Insurers

Aegon UK

AJ Bell

Alltrust Services Limited

Association of Member-Directed Pension Schemes

Association of Pension Lawyers

Atsipp

Aviva

City of London Corporation

Enhance Support Solutions

Fidelity

Financial Services Consumer Panel

Hargreaves Landsdowne

IFGL Pensions

Investment & Life Assurance Group

Legal and General

Money Alive

Moneybox

Moret SIPPs

Mattioli Woods

Nest

Nucleus

PensionBee

Peoples Partnership

Phoenix Group

Quilter

Royal London

Scottish Widows

St James's Place

Smart Pension

The British Private Equity & Venture Capital Association

The Investing and Saving Alliance

The Society of Pension Professionals

TISA Exchange Limited (TeX)

Zurich

Annex 5

Abbreviations used in this paper

Abbreviation	Description
AI	Artificial Intelligence
AE	Automatic Enrolment
CBA	Cost Benefit Analysis
CCI	Consumer Composite Investments
CP	Consultation Paper
COBS	Conduct of Business Sourcebook
DB	Defined Benefit
DC	Defined Contribution
DP	Discussion Paper
DWP	Department of Work and Pensions
EANDCB	Estimated Annual Net Direct Cost to Business
EIA	Equality Impact Assessment
FCA	Financial Conduct Authority
FLS	Financial Lives Survey
FSMA	Financial Services Markets Act
FTE	Full Time Equivalent
GAR	Guaranteed Annuity Rate
GDPR	General Data Protection Regulation
GMP	Guaranteed Minimum Pension
IT	Information Technology

Abbreviation	Description
KFI	Key Features Illustration
LRRA	Legislative and Regulatory Reform Act
LoA	Letter of Authority
MaPS	Money and Pension Service
MiFID	Markets in Financial Instruments Directive
NBER	National Bureau of Economic Research
PRIIP	Packaged Retail Investment and Insurance-based Products
PDS	Pensions Dashboard Service
PPA	Protected Pension Age
PV	Present Value
SICGO	Secondary International Competitiveness and Growth Objective
SIPP	Self-Invested Personal Pension
SCM	Standardised Cost Model
SDR	Sustainability Disclosure Requirements
SERPS	State Earnings-related Pension Schemes
SMPI	Statutory Money Purchase Illustration
SYSC	Senior Management Arrangements, Systems and Controls
TPR	The Pensions Regulator
UFPLS	Uncrystallised Funds Pension Lump Sum
UK	United Kingdom
VFM	Value for Money

Appendix 1

Draft Handbook text

PENSIONS INTERACTIVE DIGITAL SIMULATIONS INSTRUMENT 202X

Powers exercised

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of the powers and related provisions in or under:

(1) the following sections of the Financial Services and Markets Act 2000 ("the Act"):

(a) section 137A (The FCA's general rules);
(b) section 137T (General supplementary powers); and
(c) section 139A (Power of the FCA to give guidance); and

(2) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA's Handbook.

B. The rule-making powers listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. Part 2 of Annex B of this instrument comes into force on [*date*].

D. All other parts of this instrument come into force on [*date*].

Amendments to the Handbook

E. 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
Conduct of Business sourcebook (COBS)	Annex B
Pensions Dashboards: Conduct of Business sourcebook (PDCOB)	Annex C

Citation

F. This instrument may be cited as the Pensions Interactive Digital Simulations Instrument 202X.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

Insert the following new definitions in the appropriate alphabetical position. The text is all new and is not underlined.

digital pensions calculator	a tool designed to run on any electronic device or digital media that creates an *interactive pension simulation*.
interactive pension simulation	a *projection* in relation to an in-force *personal pension scheme* or *stakeholder pension scheme* communicated to a *retail client* through a *digital pensions calculator* that: (a) uses information held by the *firm* providing the projection that is specific to the *retail client* and is sufficient to create an initial projection for that *retail client*; and (b) allows the *retail client* to interact with the information used in the initial projection and, at a minimum, the assumptions set out in *COBS* 19.13.5R.
standardised deterministic simulation	an *interactive pension simulation* which is produced in accordance with the assumptions contained in *COBS* 19 Annex 7.
stochastic simulation	an *interactive pension simulation* showing a summary of results from repeated simulations using an investment model, where the model uses key financial parameters which are subject to random variations and are projected into the future.

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Part 1: Comes into force on [*date*]

1 Application

…

1 Annex 2 Application to TP firms and Gibraltar-based firms (see COBS 1.1.1CR)

…

Part 2: Gibraltar-based firms				
1.	**Introduction**			
	…			
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:	
			…	
			(k)	*COBS* 19.10 (Drawdown, investment pathways and cash warnings) in relation to business carried on from an establishment in the *United Kingdom*; ~~and~~
			(l)	*COBS* TP 2 paragraphs 2.8G to 2.8J (Other Transitional Provisions) in relation to business carried on from an establishment in the *United Kingdom*~~.~~; and

			(m)	*COBS* 19.13 (Pensions interactive digital simulations) in relation to business carried on from an establishment in the *United Kingdom.*

13 Preparing product information

…

13.5 Preparing product information: other projections

Projections for in-force products

…

13.5.1A R …

13.5.1B R The *rules* in *COBS* 13.5 do not apply in relation to a *firm* that provides an *interactive pension simulation* (see *COBS* 19.13).

Projections based on generic assumptions

13.5.1C G Where a *projection* made in relation to an in-force *packaged product* is generated using generic assumptions, rather than being based on relevant information that would be required to comply with the *rules* in *COBS* 13 Annex 2, the rules in *COBS* 13.5 do not apply. A *firm* communicating such a *projection* will need to comply with all relevant requirements in the *FCA Handbook* including under *PRIN* 2A (The Consumer Duty) and *COBS*. For example, *firms* should present such a projection with a clear statement that it has been prepared using generic assumptions that may not reflect the *client's* situation.

13.5.1D R A *firm* providing a *projection* that is based on generic assumptions must not include in, or with, that *projection* any means by which the *firm* or any other *person* can arrange (which includes sending an application form) for the sale or purchase of any *investment* (including the product that is subject to the *projection*) to or for a *retail client*.

…

Part 2: Comes into force on [*date*]

13 Annex 2 Projections

13 Annex 2 Rule 1

…

R				
1.9	The *rules* in this Annex do not apply to:			
	(1)	a *projection* for an in-force product which is consistent with the *statutory money purchase illustration* requirements; ~~and~~		
	(1A)	a *projection* for an in-force product that is:		
		(a)	provided in the same document together with the *projection* in (1);	
		(b)	prepared using the same assumptions as the *projection* in (1) save that its purpose is to illustrate how benefits might be improved by either:	
			(i)	increasing regular contributions; or
			(ii)	changing the age at which the individual plans to retire; and
	(2)	a *safeguarded-flexible benefits risk warning*.		

…

Part 3: Comes into force on [*date*]

Insert the following new section, COBS 19.13, after COBS 19.12 (Non-workplace pensions: default options and cash warnings). All the text is new and is not underlined.

19.13 Digital pensions simulations

Application

19.13.1 R This section applies in relation to a *firm* that provides an *interactive pension simulation*.

19.13.2 G (1) The definition of an *interactive pension simulation* has several components:

(a) it must relate to an in-force *personal pension scheme* or *stakeholder pension scheme* and be communicated to a *retail client* through a *digital pensions calculator*;

(b) that a *firm* uses any information it holds about the *retail client* and their in-force pensions in order to enable that *firm* to create an initial simulation for them. The *FCA* expects that this underlying information will need to include information relevant to the assumptions set out in *COBS* 19.13.5R, as well as relevant information about the pension product concerned, the investments held within it, and charges;

(c) it must be provided in a way that enables the *retail client* to interact with it (and where this is the case a *firm* will then need to meet the minimum requirements in *COBS* 19.13.5R).

(2) Where a *projection* does not meet the necessary conditions in the definition of an *interactive pension simulation*, the *rules* in *COBS* 19.13 will not apply but the *rules* in *COBS* 13.5 may apply instead. Where neither *COBS* 19.13 nor *COBS* 13.5 apply, for example in the circumstances explained in *COBS* 13.5.1CG, *firms* may still need to comply with wider requirements in *PRIN* 2A and *COBS*.

Purpose

19.13.3 G The purpose of this section is to ensure that *firms* providing *interactive pension simulations*:

(1) support *retail client* engagement with pensions and retirement planning;

(2) give appropriate risk warnings about the limitations of an *interactive pension simulation*; and

(3) support a *retail client's* understanding and needs.

Consumer Duty and other COBS rules

19.13.4 G *Firms* are reminded that the *interactive pension simulation* and any related communications will also be subject to other general requirements in the *FCA Handbook* including:

(1) *PRIN* 2A.2 (Cross-cutting obligations);

(2) *PRIN* 2A.5 (Consumer Duty: retail customer outcome on consumer understanding);

(3) *PRIN* 2A.6 (Consumer Duty: retail customer outcome on consumer support);

(4) *PRIN* 2A.9 (Monitoring of consumer outcomes);

(5) *COBS* 2.1.1R (The client's best interests rule);

(6) *COBS* 4.2 (Fair, clear and not misleading communications); and

(7) *COBS* 19 (Pensions supplementary provisions).

Digital pensions calculator interaction: minimum requirements

19.13.5 R A *firm* must:

(1) provide an initial *interactive pension simulation* and allow a *retail client* to interact with at least the following assumptions contained in that *simulation*:

(a) (where relevant) the point in time the *retail client* will access their pension;

(b) the level of contributions;

(c) for *standardised deterministic simulations*, the level of the rate of return in accordance with *COBS* 19 Annex 7 1.2R; and

(d) the method or methods of accessing the *retail client's* pension or decumulation options; and

(2) follow the *interactive pension simulations rules* in *COBS* 19 Annex 7.

19.13.6 G (1) *Firms* are required to provide an initial simulation using default assumptions in accordance with *COBS* 19 Annex 7 which should include information the *firm* already holds about the *retail client* and then enable the *retail client* to interact with at least the assumptions in *COBS* 19.13.5R with a view to producing further simulations.

(2) For the purposes of *COBS* 19.13.5R, a *firm* should enable the *retail client* to either amend default assumptions included in the initial simulation or select from different assumption options provided.

(3) For example, a *retail client* may be offered the option to change a default date of when the *retail client* expects to access their pension that the *firm* has included based on information that *firm* has about that *retail client* in relation to the product, or select from a range of different dates provided.

(4) *Firms* may enable *retail clients* to interact with a wider set of assumptions than those listed in *COBS* 19.13.5R, such as information relating to costs and charges. Where *firms* do this, they should ensure that this function is consistent with relevant rules including the requirement in *COBS* 19.13.7R and *PRIN* 2A.5, including by testing this function appropriately to understand that making it available would be consistent with *COBS* 19.13.9R.

Presentation of an interactive pension simulation

19.13.7 R A *firm* must ensure that an individual *interactive pension simulation* is, or any combination of *interactive pension simulations* are, presented in a way that, from the perspective of the *retail clients* that the *firm* expects may access the simulations:

(1) is likely to be consistent with their information needs;

(2) enables them to understand the limitations of the data and outputs, including the inherent uncertainty of future pensions savings, and the assumptions used to generate these;

(3) is capable of being understood, including in particular the assumptions in *COBS* 19.13.5R;

(4) allows for effective engagement, including effective interaction, with the assumptions; and

(5) supports their ability to make a decision about their pension.

19.13.8 R Where an *interactive pension simulation* allows a *retail client* to select the type of simulation from those set out in *COBS* 19 Annex 7 1.1R, the *firm* must ensure there is adequate explanation of the nature of that simulation type and how it differs from the other type of simulation available.

19.13.9 R A *firm* must be able to demonstrate how it has designed the *interactive pension simulations* and how they are presented in order to be able to comply with *COBS* 19.13.7R and *COBS* 19.13.8R.

19.13.10 G For the purposes of *COBS* 19.13.7R(1) to (3), *firms* should consider, and aim to minimise, the risk of the *retail client* relying on:

(1) overly optimistic simulations;

(2) overly simplified simulations;

(3) illustrations, including graphs or charts, that risk giving a distorted view of potential performance or the desirability of the *retail client* taking actions to improve outcomes; and

(4) information presented in any other way that could be potentially misleading.

Testing and monitoring of digital pensions calculators

19.13.11 G (1) *Firms* should undertake appropriate testing and monitoring activities under *PRIN* 2A, and in particular *PRIN* 2A.5.10R and *PRIN* 2A.9, in relation to their *interactive pension simulations*.

(2) *Firm*s' testing should:

(a) be carried out on the *digital pensions calculator*; and

(b) be used by the *firm* to help it ensure it can comply with *COBS* 19.13.7R to *COBS* 19.13.9R,

before the calculator and any simulations are made available to *retail clients.*

(3) *Firms'* monitoring should include:

(a) the regular reassessment of any rates used to ensure they remain appropriate for use in an *interactive pension simulation;*

(b) obtaining information from *retail clients* about their experiences using the *digital pensions calculator* and interacting with simulations generally including the level of their understanding of:

(i) the *interactive pension simulations* they have received;

(ii) information provided about underlying assumptions; and

(iii) the limitations of the *interactive pension simulations*.

(4) Based on the results of both testing and monitoring, the *firm* should adapt the tool, assumptions and/or the way the simulations are presented, as necessary.

Record keeping

19.13.12 R In order to comply with the general record keeping obligations under *SYSC* 3.2 and *SYSC* 9 (as applicable), a *firm* must make and maintain a record of how it has complied with the *rules* in this section and under *PRIN* 2A, including the processes for approval of the *digital pensions calculator* both before the *firm* provides any *interactive pension simulations* to *retail clients*, and also in relation to any subsequent changes to the *digital pensions calculator*, assumptions and/or the way simulations are presented.

19.13.13 G (1) The record in *COBS* 19.13.12R should be sufficient to be able to demonstrate how the *firm* has met the requirements for the provision of *interactive pension simulations*.

(2) The record showing how the *firm* complies with *rules* in *COBS* 19 Annex 7 where rates of return are referred to should include at least documentation setting out:

(a) the basis of the method and calculation used for any rate, including the assumptions, models and inputs used;

(b) how the *firm* considered the basis in (a) was appropriate in light of obligations under *PRIN* 2A;

(c) decisions taken in relation to any rate to be used in *interactive pension simulations* including the data used for stochastic models;

(d) the regular reassessment of any rates to ensure they remain appropriate (see *COBS* 19.13.11G(3)); and

(e) any changes made to the rate(s) used, including in relation to the methodology, the basis for this change and how it was approved.

Insert the following new Annex, COBS 19 Annex 7, after COBS 19 Annex 6 (Value data requirements). All the text is new and is not underlined.

19 Annex 7 **Interactive pension simulations rules**

Type of rate of return

19 Annex 7 1.1 R An *interactive pension simulation* must be based on:

(1) a *standardised deterministic simulation*(s);

(2) a *stochastic simulation*; or

(3) a combination of (1) and (2).

Standardised deterministic simulation: presenting the rate(s) of return

19 Annex 7 1.2 R Where an *interactive pension simulation* includes a *standardised deterministic simulation*, the *firm* must present the *retail client* with:

(1) a single initial rate of return with the option for that *retail client* to view and interact with the additional higher and lower rates; or

(2) the upper, intermediate and lower rates together.

Standardised deterministic simulation: calculating the rate(s) of return

19 Annex 7 1.3 R A *standardised deterministic simulation* must:

(1) accurately and fairly reflect the investment potential of each of the product's underlying investment options over the *interactive pension simulation* period; and

(2) ensure the higher and lower rates of return required in *COBS* 19 Annex 7 1.2R maintain an equal percentage differential relative to the initial rate or, where all 3 rates are presented together, relative to the intermediate rate.

19 Annex 7 1.4 G (1) For the purposes of *COBS* 19 Annex 7 1.3R an illustrative example of the requirement is that an upper rate should be 3 percentage points higher than the intermediate rate and the lower rate should be 3 percentage points lower than the intermediate rate.

(2) The upper and lower rates should reflect a reasonable range of possible outcomes around the rate of return in the initial simulation.

19 Annex 7 1.5 G *Firms* should assess, on a regular basis, whether the rates of return used in the *interactive pension simulation* comply with the *rules* in *COBS* 19 Annex 7 and remain appropriate for inclusion.

Providing a stochastic simulation

19 Annex 7 1.6 R A *stochastic simulation* must be:

(1) based on a reasonable number of simulations and assumptions which are reasonable and supported by objective data; and

(2) a balanced and fair reflection of the anticipated investment performance.

19 Annex 7 1.7 G A *firm* may comply with *COBS* 19 Annex 7 1.6R(2) by presenting the 50th percentile, or a range centred on the 50th percentile, with the ability, in both cases, for the *retail client* to interact with different percentiles.

Additional requirements for calculating simulations

19 Annex 7 1.8 R (1) An *interactive pension simulation* must be:

(a) presented in real terms; and

(b) rounded down to the nearest pound.

(2) A *firm* must provide a simulation to at least age 99 where an *interactive pension simulation* relates to funds:

(a) that will remain invested beyond:

(i) (for the initial simulation) the contractual date at which; or

(ii) the date selected for when,

the *client* will access their pension; or

(b) that are already in a drawdown fund.

19 Annex 7 1.9 R An *interactive pension simulation* must be based on the most up-to-date value of the *retail client's* in-force *personal pension scheme* or *stakeholder pension scheme* available to the *firm* to use and, in any event, which is no more than 12 months old.

Assumptions to follow when calculating simulations: simulation date for when client will access their pension

19 Annex 7 2.1	R	(1)	An *interactive pension simulation* must be calculated to the same dates used in *COBS* 13 Annex 2 2.1R for *projections* unless (2) applies.
		(2)	Following an initial simulation provided in accordance with *COBS* 19.13.5R(1), an *interactive pension simulation* may be calculated to a simulation date chosen by the *retail client*.

Assumptions to follow when calculating simulations: contributions

19 Annex 7 2.2	R	An *interactive pension simulation* must be calculated on the same basis as the *rules* in *COBS* 13 Annex 2.2R(1) to (4), using the *retail client's* current contribution level for the initial simulation, and subsequently (if relevant) using any different contributions level selected by the *retail client*.

Assumptions to follow when calculating simulations: inflation

19 Annex 7 2.3	R	(1)	An *interactive pension simulation* must be calculated using inflation assumptions that reasonably reflect the impact of inflation over the projected period and take into account relevant measures of inflation generally accepted in the *United Kingdom* which might reasonably apply over the simulation period.
		(2)	In relation to a *standardised deterministic simulation*, when incorporating inflation, a *firm* must ensure that: (a) there is a meaningful difference between the medium and other real projected returns; and (b) the same inflation differential is used for the lower and higher rates of return required in *COBS* 19 Annex 7 1.1R.
19 Annex 7 2.4	G	(1)	*Firms* are not required to enable a *retail client* to interact with the inflation assumption used in an *interactive pension simulation*.
		(2)	For the purposes of *COBS* 19 Annex 7 2.3R(1), *firms* should consider the most appropriate inflation rate relative to the different rates of return to avoid the risk of overstating a simulation presented in real terms.
19 Annex 7 2.5	G		*Firms* should consider what measures of inflation may be relevant for the purposes of *COBS* 19 Annex 7 2.3R and determine what measure would be appropriate to use. In the *FCA's* view, the Consumer Prices Index is a national index of retail prices and so may be used as a measure of the current inflation rate where *firms* can demonstrate this would be appropriate to use.

Fees and charges

19 Annex 7 2.6 R (1) A *firm* must ensure that any *interactive pension simulation* takes account of and calculates:

(a) all charges in relation to the *personal pension scheme* and the *stakeholder pension scheme* in the way required under *COBS* 13 Annex 2 2.6R and (where applicable) *COBS* 13 Annex 4 1.1R(4); and

(b) any additional charges of which the *firm* is aware, including *adviser charges*.

(2) Where a *firm* does not know the charges that would apply in relation to a particular decumulation option, the charges must be calculated based on a reasonable estimate of the charges for the relevant decumulation option.

Additional requirements: decumulation options – pension in accumulation

19 Annex 7 3.1 R (1) Where the *interactive pension simulation* relates to a pension in accumulation, a *firm* must, as a minimum, provide the *retail client* with the ability to select, and interact with, each of the following decumulation options:

(a) a *pension commencement lump sum* and a *pension annuity*;

(b) a *pension commencement lump sum* and *income withdrawals*;

(c) a single or multiple *uncrystallised funds pension lump sum* payment calculated in accordance with *COBS* 19 Annex 7 1.8R(2); and

(d) withdrawal of the *retail client's* entire pension in one transaction.

(2) A *firm* must determine and present an appropriate decumulation option as a default for an initial simulation. This may include presenting options in combination, for example a *pension commencement lump sum* and *pension annuity* purchase.

19 Annex 7 3.2 G When determining which decumulation option to present as a default for *COBS* 19 Annex 7 3.1R(2), *firms* should take into account at least the following:

(1) an option aligned to the *retail client's* current investment strategy;

(2) the option most commonly taken by the *firm's retail clients* holding the same pension product;

(3) whether, based on information already held, an option would be impossible for the *retail client* to take out; and

(4) any option that is included in the pension scheme contract.

19 Annex 7 3.3 G The effect of *COBS* 19 Annex 7 1.8R(2) and *COBS* 19 Annex 7 3.1R(1)(c) is that a simulation for a single or multiple *uncrystallised funds pension lump sum* payment(s) should be provided to at least age 99.

Additional requirements: decumulation options– pension in decumulation

19 Annex 7 3.4 R (1) When presenting an *interactive pension simulation* for a pension in decumulation, a *firm* must offer a *retail client* the choice of viewing and interacting with any decumulation option in *COBS* 19 Annex 7 3.1R that is available and relevant for that *retail client*.

(2) For the purposes of (1), the options in *COBS* 19 Annex 7 2.7R(1) should be included for the *retail client* to view and interact with where the options are offered by the *firm* or would otherwise be available to the *retail client* from another person, unless based on information available to the *firm*, it is impossible for the *retail client* to pursue that option.

Additional requirements: decumulation options – guidance

19 Annex 7 3.5 G (1) When presenting a decumulation option, *firms* should include a clear statement to *retail clients* that there are a range of different decumulation options and the *retail client* may wish to consider alternative decumulation options.

(2) *Firms* can include additional decumulation options to those listed in *COBS* 19 Annex 7 3.1R(1) where the *firm* can demonstrate this is appropriate for its *retail clients*, including that it is consistent with *rules* elsewhere in the *FCA Handbook*.

(3) *Firms* should enable *retail clients* to interact with *pension commencement lump sums* and any other lump sums by varying the amount of lump sum that may be withdrawn. This should include a range from zero up to the maximum lump sum permitted. Where a lump sum is presented alongside a *pension annuity* (or other decumulation option) the *retail client* should be able to see the option of taking out a *pension annuity* alone by setting the lump sum amount to zero.

(4) A *firm* should use an appropriate rate of return for any decumulation option to ensure the simulation of that option accurately reflects its potential return. For example, the rate of return that may be appropriate for a *personal pension scheme* in accumulation that is investing in an annuity lifestyling fund may not also be appropriate to use for a drawdown option due to a difference in the risk profiles of those arrangements.

19 Annex 7 3.6	G	(1)	Where practicable, *firms* should consider using net income when presenting the different decumulation options as this can help *retail clients* understand the tax implications.
		(2)	*Firms* can make reasonable assumptions and/or allow *retail clients* to input information to inform the net income assessment.
19 Annex 7 3.7	G		Following the initial *interactive pension simulation*, *firms* should offer *retail clients* the choice of viewing a simulation for one or more decumulation options each time the *retail client* interacts with any the assumptions.
19 Annex 7 3.8	G		*Firms* should consider what annuity options would be appropriate to enable the *firm* to present consistent decumulation options. For example, where the *firm* provides an inflation-linked drawdown option, it should consider whether the annuity option should also be inflation-linked.
	Additional requirements: decumulation options – annuities		
19 Annex 7 3.9	R	(1)	For the purposes of *COBS* 19 Annex 7 3.1R(1)(a), a *firm* must offer the *retail client* the ability to interact with any *pension annuity* type that is: (a) consistent with the needs, objectives and characteristics of a typical *retail client* of the *firm*; and (b) would be available to the *retail client* (whether offered by the *firm* or another *firm*. (2) Any *pension annuity* option must be based on current open market annuity rates.
		(3)	A *firm* must explain, when presenting a *pension annuity*, that there are different types of *pension annuities* available, whether from the *firm* or another provider, that may be better suited to the *retail client*.
19 Annex 7 3.10	G	(1)	A *firm* may provide a *retail client* with the option to view different types of *pensions annuities*. Where a *firm* does so, it should, when determining what different types of *pension annuities* to include, consider which *pensions annuities* will best support the *retail client's* understanding of, and engagement with, the range of *pension annuities* that the *retail client* could obtain.
		(2)	When communicating annuity rates, *firms* should consider how they communicate to *retail clients* that the annuity rate: (a) is uncertain and may change over time; and (b) will depend on additional factors such as the *retail client's* health information.

		(3)	*Firms* should be able to demonstrate how they have considered and, where appropriate, included options for the *retail client* to interact with different annuity rates (high, medium and low) and the different types of *pension annuity*.
	Additional optionality in digital pensions calculators: fund strategies/level of risk		
19 Annex 7 4.1	G	(1)	The *rules* in this Annex on rates of return will require *firms* to provide an initial *interactive pension simulation* that is based on the investment potential of the underlying assets and that should reflect the pension fund and/or fund strategy of the *retail client's* in-force product.
		(2)	*Firms* may provide additional options following the initial *interactive pension simulation* to enable the *retail client* to interact with the impact of changing their current fund strategy.
		(3)	*Firms* that offer the additional options in (2) should ensure, in order to meet the requirements in *COBS* 19.13, that such options are communicated in a way that supports *retail clients'* understanding including, at least, by informing *retail clients* that: (a) investment outcomes are uncertain; and (b) if the *retail client* is interacting with different fund strategies, the rates no longer reflect the investment potential of their existing pension product.
	Additional optionality in digital pensions calculators: holistic tools		
19 Annex 7 4.2	R	(1)	For the purposes of *COBS* 19 Annex 7 4.2R to *COBS* 19 Annex 7 4.4R, a 'holistic tool' is a *digital pensions calculator* that: (a) provides an *interactive pension simulation* for an in-force pension product; and (b) enables a *retail client* to add in additional retirement income streams, such as other pension pots, other investments or the state pension (the generic components).
		(2)	For holistic tools *COBS* 19.13.5R does not apply to the generic components in (1)(b).
19 Annex 7 4.3	G	Whilst the *rules* in *COBS* 19.13 do not apply to the generic components in a holistic tool, *firms* should consider their obligations under *PRIN* 2A including communicating to *retail clients* that:	
		(1)	the generic components being displayed do not convey or communicate a reliable projected outcome of the *retail client's*

other specific pension product because the *firm* does not have access to the underlying data for those products; and

(2) the *retail client* should not compare the in-force product simulation component with the generic components such as the additional pension pots or investments that have been added in.

19 Annex 7 4.4 R Where a *firm* provides a holistic tool, the *firm* must not, in relation to the generic components of the simulation, offer to the *retail client* any means (including the sending of an application form) by which the *retail client* can buy or sell an *investment* (including the product that is subject to the generic simulation).

Amend the following as shown.

TP 2 Other Transitional Provisions

(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
	Material to which the transitional provision applies		**Transitional provision**	**Transitional provision: dates in force**	**Handbook provisions: coming into force**
…					
2.49	…	…	…	…	…
2.50	*COBS* 19.13	R	A *firm* need not comply with *COBS* 19.13 until [12 months after the date in column (6)]. Where a *firm* communicates an *interactive pension simulation* before [the date 12 months after the date in column (6)], *COBS* 13.5.1R will apply where that *rule* would have applied on [the day before the date in column (6)].	From [*date*] to [*date*] [for a period of 12 months]	[*date*]
2.51	*COBS* 19.13	G	A *firm* may elect to comply with the *rules* in *COBS* 19.3 earlier than the expiration of the transitional provision in 2.50. Where a *firm* does so, it should make and retain a	From [*date*] to [*date*] [for a period of 12 months]	[*date*]

			record of when it has elected to comply with those *rules*.		

Sch 1 Record keeping requirements

…

Sch 1.3 G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
…				
COBS 19.2.3R	…	…	…	…
COBS 19.13.12R	*Interactive pensions simulations*	How the *firm* has complied with *COBS* 19.13	(1) Before the *firm* provides any *interactive pension simulations*, and (2) in relation to any subsequent changes to the *digital pensions calculator,* assumptions and/or the way simulations are presented	Not specified
COBS 19.13.13G	*Interactive pensions simulations*	As above for *interactive pensions simulations* including information relating to rates of return in	As above for *COBS* 19.13.12R	No specified

		COBS 19 Annex 7		
…				

Annex C

Amendments to the Pensions Dashboards: Conduct of Business sourcebook (PDCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

12 Post-view services

…

12.5 Disclosures to be provided to customers in relation to post-view services

…

12.5.2 G …

Pensions dashboards and digital pensions simulations

12.5.3 R Where a *firm* carrying on *regulated pensions dashboard activity* provides a *projection* in relation to an in-force *personal pension scheme* or *stakeholder pension scheme* that is based on generic assumptions due to the *firm* not holding the relevant information in relation to the specific pension product, the *firm* must explain:

(1) that the *firm* does not hold the underlying information on the relevant pension product in order to present the amount of any future benefit payable under the relevant in-force *personal pension scheme* or *stakeholder pension scheme*;

(2) where a *projection* is not based on underlying information, that the *projection* uses generic assumptions; and

(3) that, as a result, this is not intended to be a *projection* on which the *retail client* should rely.

Appendix 2

Draft Handbook text

CONDUCT OF BUSINESS (NON-ADVISED PENSION TRANSFERS) INSTRUMENT 202X

Powers exercised

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 137T (General supplementary powers); and
(3) section 139A (Power of the FCA to give guidance).

B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [*date*].

Amendments to the Handbook

D. The Glossary of definitions is amended in accordance with Annex A to this instrument.

E. The Conduct of Business sourcebook (COBS) is amended in accordance with Annex B to this instrument.

Notes

F. In the Annexes to this instrument, the notes (indicated by "*Editor's note*:") are included for the convenience of readers but do not form part of the legislative text.

Citation

G. This instrument may be cited as the Conduct of Business (Non-Advised Pension Transfers) Instrument 202X.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

Amend the following definition as shown.

personal pension product	(1)	(except in *COBS* 19.11 and *COBS* 19.14) a contract under which rights to benefits are obtained by making contributions to a *personal pension scheme* other than a *personal pension policy*, a *personal pension contract*, a *personal pension deposit* or a *SIPP*.
	(2)	(in *COBS* 19.11 and *COBS* 19.14) a *retirement annuity* contract, a *pension buy-out contract* including a 'section 32' buy-out policy that was approved under section 32 of the Finance Act 1981 (when that Act was in force) or an *FSAVC*.

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

[*Editor's note*: This Annex takes into account the changes proposed in Pensions Interactive Digital Simulations Instrument 202X, which are being consulted on in CP25/39, as if they were made.]

1 Application

…

1 Annex 2 Application to TP firms and Gibraltar-based firms (see COBS 1.1.1CR)

Part 1: TP firms

1.	**Introduction**			
…				
2.	**Application of COBS**			
2.1	R	In addition to those *rules* specified in *GEN* 2.2.26R, a *TP firm* must also comply with:		
		…		
		(2)	(to the extent that the *rule* does not already apply to such a *TP firm* as a result of *GEN* 2.2.26R) the provisions in:	
			…	
			(k)	*COBS* 19.10 (Drawdown, investment pathways and cash warnings) in relation to business carried on from an establishment in the *United Kingdom*; ~~and~~
			(l)	*COBS* TP 2 paragraphs 2.8G to 2.8J (Other Transitional Provisions) in relation to business carried on from an establishment in the *United Kingdom*~~.~~; and
			(m)	*COBS* 19.14 (Non-advised pension transfers) in relation to business carried on from an establishment in the *United Kingdom*.
	…			

Part 2: Gibraltar-based firms

1.	**Introduction**				
…					
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:		
			…		
			(l)	*COBS* TP 2 paragraphs 2.8G to 2.8J (Other Transitional Provisions) in relation to business carried on from an establishment in the *United Kingdom*~~; and~~	
			(m)	*COBS* 19.13 (Pensions interactive digital simulations) in relation to business carried on from an establishment in the *United Kingdom*~~.~~; and	
			(n)	*COBS* 19.14 (Non-advised pension transfers) in relation to business carried on from an establishment in the *United Kingdom*.	

Insert the following new section, COBS 19.14, after COBS 19.13 (Digital pensions simulations). All the text is new and is not underlined.

19.14 Non-advised pension transfers

Definitions

19.14.1 R In this section:

(1) a 'ceding firm' is the *operator* or provider of the ceding scheme that the self-directed client is considering transferring;

(2) a 'ceding scheme' is a self-directed client's existing *personal pension scheme* (which, for the avoidance of doubt, includes a *personal pension product*) or *stakeholder pension scheme* that the self-directed client is considering transferring;

(3) an 'engaging firm' is a *firm* communicating with a self-directed client with a view to that client transferring to a proposed receiving scheme *operated*, provided or distributed by it, and may include:

(a) a receiving firm; or

(b) an intermediary through which the self-directed client can instruct a transfer to a proposed receiving scheme offered by a receiving firm;

(4) the 'normal minimum pension age' is the normal minimum pension age as defined in primary legislation from time to time;

(5) a 'proposed receiving scheme' is a *personal pension scheme* (which, for the avoidance of doubt, includes a *personal pension product*), whether existing, newly opened or yet to be opened, into which the self-directed client proposes to transfer;

(6) a 'receiving firm' is the *operator* or provider of a self-directed client's proposed receiving scheme;

(7) a 'self-directed client' is a *retail client* in relation to whom an engaging firm has not been able to determine, on reasonable grounds, that the *retail client* has received, or will receive, a *personal recommendation* or *targeted support* in relation to that client initiating a transfer;

[*Editor's note*: The above text takes into account the proposed insertion of 'targeted support' into the Glossary of definitions by the consultation 'Supporting consumers' pensions and investment decisions: proposals for targeted support' (CP25/17) the as if it were made final.]

(8) a 'transfer' is a transfer of:

(a) rights in or accrued under one or more ceding scheme; or

(b) rights accrued under the existing arrangement(s) of one or more ceding scheme.

(9) 'written consent' is consent given in writing that:

(a) authorises the engaging firm to obtain, on behalf of a self-directed client, the information set out in *COBS* 19 Annex 8 from the ceding firm(s); and

(b) is reasonably considered to give the relevant ceding firm authorisation to provide that information to the engaging firm.

19.14.2 G Written consent may be provided by email or other electronic means. It may include, but is not limited to, a letter of authority. A wet signature is not required.

Application

19.14.3 R This section applies in relation to:

(1) the role of an engaging firm regarding the potential transfer by a self-directed client from a ceding scheme to a proposed receiving scheme; and

(2) the role of a ceding firm, a receiving firm, or both regarding that potential transfer.

19.14.4 G This section does not apply to a *firm* giving regulated advice or targeted support to a *retail client* in relation to that *retail client* seeking to initiate a transfer.

Purpose

19.14.5 G The purpose of this section is to enable a self-directed client to receive relevant and adequate information at an appropriate time and in an appropriate format to support them in making an informed decision about whether to transfer out of their ceding scheme(s) into a proposed receiving scheme.

19.14.6 G *Firms* may choose the design, language and presentation of information provided to self-directed clients in accordance with this section. In doing so *firms* are reminded of their obligations in relation to:

(1) *Principle* 12, which requires *firms* to act to deliver good outcomes for *retail customers*; and

(2) the obligations in *PRIN* 2A (The Consumer Duty), including, in particular the rules in *PRIN* 2A.2 (Cross-cutting obligations), *PRIN* 2A.5 (Consumer Duty: retail customer outcome on consumer understanding), *PRIN* 2A.6 (Consumer Duty: retail customer outcome on consumer support) and PRIN 2A.7 (General).

Restriction on charging in relation to complying with this section

19.14.7 R A *firm* must not impose any direct or indirect charge, and must take all reasonable steps to ensure no third party imposes any direct or indirect charge, on a self-directed client in relation to complying with any aspect of this section.

Trigger: when does a firm have to follow the steps?

19.14.8 R Subject to *COBS* 19.14.9R, an engaging firm:

(1) must take the steps outlined in *COBS* 19.14.11R and *COBS* 19.14.13R as soon as reasonably practicable after it becomes aware that a self-directed client is considering a transfer to a proposed receiving scheme; and

(2) must not:

(a) provide a self-directed client with the facility to transfer to a potential receiving scheme;

(b) undertake any action to transfer to a potential receiving scheme; or

(c) commit a self-directed client to transfer to a potential receiving scheme,

until after the steps in *COBS* 19.14.21R to *COBS* 19.14.23R are completed.

19.14.9 R *COBS* 19.14.8R(2) does not apply if the self-directed client opts out in accordance with *COBS* 19.14.28R.

19.14.10 G The steps specified in this section will involve the processing of personal data. *Firms* are reminded of the need to comply with the *General data protection regulation*, the Data Protection Act 2018 and the Privacy and Electronic Communications (EC Directive) Regulations 2003.

Step 1, part 1: engaging firm explains the importance of a decision to transfer

19.14.11 R The engaging firm must explain to the self-directed client that:

(1) deciding whether to transfer, which ceding scheme to transfer from and which proposed receiving scheme to transfer into are important decisions that can have long-term financial implications for them;

(2) whether a transfer is suitable will depend on individual circumstances and objectives;

(3) there are factors that self-directed clients should consider and compare as a minimum, before deciding whether to transfer and which schemes to transfer from and to;

(4) the engaging firm can request relevant information about those factors from the relevant firms on the client's behalf, and present it to them in a way that will inform and support their decision-making; and

(5) to make the information request in (4), the engaging firm will require:

(a) the self-directed client's written consent; and

(b) certain basic information about the ceding scheme(s) the self-directed client is considering transferring out of.

19.14.12 G The engaging firm may explain to the self-directed client that they can use a *pensions dashboard service* to identify the information in *COBS* 19.14.11R(5)(b) and to help trace any forgotten or lost pensions.

Step 1, part 2: engaging firm requests written consent

19.14.13 R (1) The engaging firm must ask the self-directed client to provide written consent.

(2) In complying with (1), the engaging firm:

(a) must not ask the self-directed client for consent to initiate the transfer;

(b) must explain to the self-directed client that:

(i) at this stage, consent is only sought to obtain information from the ceding firm to inform and support the self-directed client's decision-making; and

(ii) providing such consent does not commit the client to initiating a transfer; and

(3) The engaging firm must be satisfied that any details it already has about the ceding scheme(s) or the potential receiving scheme, in order to comply with *COBS* 19.14.14R and *COBS* 19.14.15R, are accurate and up to date and, if not, or if it does not have any details, obtain relevant confirmation or further details from the self-directed client and/or the receiving firm.

Step 2, part 1: engaging firm contacts ceding firm(s)

19.14.14 R Once the engaging firm has obtained the written consent in *COBS* 19.14.13R(1) and the details in *COBS* 19.14.13R(3), it must send:

(1) an information request using the template in *COBS* 19 Annex 8; and

(2) the written consent,

to each ceding firm in respect of each ceding scheme that it operates or provides.

Step 2, part 2: engaging firm contacts receiving firm

19.14.15 R Where the engaging firm is not the receiving firm and does not already have such information as is necessary to comply with *COBS* 19.14.22(1)(a)(ii), it must request, from the receiving firm, the information under the heading

'Ceding scheme and receiving scheme comparison details' in the template in *COBS* 19 Annex 8.

Step 3, part 1: ceding firm sends information to engaging firm

19.14.16 R Once a ceding firm receives a request under *COBS* 19.14.14R, it must:

(1) notify the engaging firm, within 2 *business days*, of the date on which it received the documents set out in *COBS* 19.14.14R;

(2) complete the information request in respect of the self-directed client's ceding scheme(s) operated or provided by the ceding firm, in accordance with *COBS* 19 Annex 8; and

(3) send the completed information request to the engaging firm within 10 *business days*, starting on the date notified to the engaging firm in accordance with (1).

19.14.17 G (1) Where the ceding firm does not consider that what the engaging firm has provided is written consent because it would not be reasonably considered to authorise it to provide any information, it should:

(a) notify the engaging firm of this as soon as reasonably practicable; and

(b) in any event do so within 2 *business days* of receipt of the request.

(2) Failure to consider the adequacy of the written consent within 2 *business days* risks the ceding firm being in breach of *COBS* 19.14.16R(1).

(3) The ceding firm and the engaging firm should work together to rectify any deficiency in the consent.

19.14.18 R Where a ceding firm receives an information request in relation to a ceding scheme that is a small dormant pension pot, as defined in section 22(2) of the Pension Schemes Act 2026, the ceding firm may, but is not obliged to, send the completed information request to the engaging firm in relation to that ceding scheme.

[*Editor's note*: This provision anticipates changes introduced by the Pension Schemes Bill, which is currently before Parliament.]

19.14.19 R Where a ceding firm decides not to send the completed information request to the engaging firm in relation to a ceding scheme because it falls within *COBS* 19.14.18R, it must notify the engaging firm of that decision within the period set out in *COBS* 19.14.16R(3).

Step 3, part 2: receiving firm sends information

19.14.20 R If the engaging firm issues a request in accordance with *COBS* 19.14.15R, the receiving firm, once it receives such a request, must:

(1) notify the engaging firm, within 2 *business days*, of the date on which it received that request;

(2) respond to the request in respect of the self-directed client's proposed receiving scheme, in accordance with *COBS* 19 Annex 8; and

(3) send the response to the engaging firm within 10 *business days*, starting on the date notified to the engaging firm in accordance with (1).

Step 4: engaging firm presents the information

19.14.21 R An engaging firm must comply with the requirements in *COBS* 19.14.22R:

(1) within 3 *business days* of receiving the information in respect of the request it sent in accordance with *COBS* 19.14.14R(1), or if it sent more than one information request, the date of receiving the last completed information request; or

(2) within 13 *business days* of the date notified to the engaging firm in accordance with *COBS* 19.14.16R(1) or *COBS* 19.14.20R(1), or if it sent more than one information request, the latest date notified to it,

whichever is the earlier.

19.14.22 R (1) The engaging firm must notify the self-directed client that the information is available and provide them with a presentation ('the presentation') that:

(a) sets out:

(i) the information received from ceding firms about each ceding scheme; and

(ii) comparable information about the proposed receiving scheme; and

(b) includes:

(i) the information listed in (2) in relation to each ceding scheme;

(ii) the information listed in (3) if the engaging firm has not received a completed information request for one or more ceding schemes;

(iii) the warnings listed in (4), in a prominent position in the presentation; and

(iv) a statement explaining to the self-directed client that:

(A) they may wish to consider taking advice from an *FCA*-regulated financial adviser; and

(B) information about the types of support that may be available can be accessed on the *MoneyHelper* website at www.moneyhelper.org.uk.

(2) The information for the purposes of (1)(b)(i) is:

(a) whether the receiving scheme can accept a transfer from that ceding scheme; and

(b) whether any identified valuable benefits would be lost, modified or matched upon transfer to the receiving scheme.

(3) The information for the purposes of (1)(b)(ii) is:

(a) a description of the information that is not available for inclusion in the presentation, and to which ceding scheme(s) it relates;

(b) if information has not been included in the presentation due to the ceding firm notifying the engaging firm in accordance with *COBS* 19.14.19R, an explanation that:

(i) the information has not been provided because the pension pot is a small dormant pension pot as defined in section 22(2) of the Pension Schemes Act 2026;

[*Editor's note*: This provision anticipates changes introduced by the Pension Schemes Bill, which is currently before Parliament.]

(ii) the current value of that small dormant pension pot; and

(iii) the self-directed client can request additional information directly from the provider;

(c) an explanation that deciding to transfer without this information carries risk, and a description of that risk; and

(d) an explanation that the self-directed client can contact the ceding scheme directly to obtain the information not yet provided.

(4) The warnings for the purposes of (1)(b)(iii) are that:

(a) the value of the self-directed client's pension can fall as well as rise;

(b) the self-directed client may get back less than they have paid in;

(c) the value of the self-directed client's pension at retirement depends on several factors, including the total amount transferred and contributed, investment performance, fees deducted and the timing of retirement; and

(d) the normal minimum pension age represents the earliest point at which benefits can be accessed and that this age may differ from the age at which the provider understands the self-directed client intends to retire.

19.14.23 R If an engaging firm provides a presentation to a self-directed client other than in a *durable medium*, it must also provide it in a *durable medium*.

Guidance in relation to step 4

19.14.24 G In complying with *COBS* 19.14.22R(1)(a), an engaging firm should not distort or undermine the presentation of a ceding scheme's information, for example by giving undue prominence to a receiving scheme's information or otherwise negatively influencing how the comparison is perceived.

19.14.25 G The warnings provided to the self-directed client in accordance with *COBS* 19.14.22(1)(b)(iii) are relevant to all of the ceding and receiving schemes in the presentation and are provided so the self-directed client can contextualise the information they receive about those schemes.

19.14.26 G Where a presentation is provided to a self-directed client other than in a *durable medium*, it should not be so different from the *durable medium* copy that the self-directed client could be misled or confused.

19.14.27 G If the presentation shows information on multiple pages or screens, it should make clear to the self-directed client that there are multiple pages or screens, and these should be easy to identify and navigate.

Opt-out

19.14.28 R A self-directed client may opt out of the information gathering process in *COBS* 19.14.14R by declining to provide written consent.

19.14.29 R Where a self-directed client opts out, an engaging firm must provide them with opt-out warnings stating that:

(1) proceeding without first comparing the relevant features of the ceding and receiving schemes may result in:

(a) poorer long-term outcomes; and

(b) the loss of valuable benefits; and

(2) it is important that they consider the charges and employer contributions in respect of the ceding and receiving schemes, and that proceeding without doing so may also lead to poorer long-term outcomes.

19.14.30 R When communicating the opt-out warnings, an engaging firm must:

(1) explain to the self-directed client the importance of reading the warnings and understanding them;

(2) inform the self-directed client that it may be possible to consolidate their ceding scheme into an existing scheme that is receiving employer contributions in respect of that self-directed client; and

(3) allow the self-directed client a reasonable time to consider the warnings and to reconsider their decision to opt out.

19.14.31 G The *FCA* expects engaging firms to:

(1) inform self-directed clients that they should contact their employer and their scheme administrator should they wish to explore the option in *COBS* 19.14.30R(2); and

(2) enable a self-directed client to give written consent to information gathering where that self-directed client reconsiders their decision to opt out in accordance with *COBS* 19.14.30R(3).

19.14.32 G As the rule in *COBS* 19.14.29R does not specify a particular form of words to be used, an engaging firm has a discretion to determine the language and presentation of the opt-out warnings provided to a self-directed client provided the engaging firm ensures that the self-directed client is able to review and understand the information.

19.14.33 R Whatever the means of communication, an engaging firm must ensure that the self-directed client cannot initiate the transfer unless the relevant warnings and signposting have first been communicated to them.

19.14.34 G An example of behaviour that would contravene *COBS* 19.14.33R is where an engaging firm positions, next to the opt-out warnings, a call-to-action button prompting self-directed clients to proceed to a transfer.

19.14.35 R An engaging firm must not encourage a self-directed client, either directly or indirectly, to opt out of the information gathering process.

19.14.36 G Examples of behaviour by an engaging firm that are likely to contravene *COBS* 19.14.35R, include:

(1) indicating in any way that the information gathering process in *COBS* 19.14.14R is unnecessary, would not be beneficial or might result in unnecessary delays in the transfer; and

(2) obscuring, de-emphasising or underplaying in any way the benefits of being presented with:

(a) the relevant information in relation to the ceding scheme and the comparable information about the proposed receiving scheme; or

(b) any other information relevant to assisting the self-directed client with their decision.

19.14.37 R Where a self-directed client opts out of the information gathering process, an engaging firm must take reasonable steps to ensure that the opt-out does not otherwise compromise the self-directed client's ability to initiate a transfer to a receiving scheme offered by a receiving firm.

19.14.38 R Where a self-directed client opts out of the information gathering process, an engaging firm must explain to the self-directed client that:

(1) they may wish to consider taking advice from an *FCA*-regulated financial adviser; and

(2) information about the types of support that may be available can be accessed on the *MoneyHelper* website at www.moneyhelper.org.uk.

Record keeping: engaging firm

19.14.39 R An engaging firm must maintain copies of the comparison information presented to a self-directed client in accordance with *COBS* 19.14.22R(1)(a) for a period of at least 6 years from the end of the calendar year to which the information relates.

19.14.40 R The information in *COBS* 19.14.22R must not be used for any purpose other than:

(1) presenting the information to the self-directed client; or

(2) retaining the information as evidence for monitoring, compliance and complaint investigation.

19.14.41 R An engaging firm must also make and maintain a record of the following for a period of at least 6 years from the end of the calendar year to which the information relates:

(1) the number of self-directed clients who opted out of the information gathering process in accordance with *COBS* 19.14.28R;

(2) how the opt-out warnings in *COBS* 19.14.29R were communicated to self-directed clients;

(3) the number of written consents completed;

(4) the number of information requests sent;

(5) the number of nil responses from ceding firms; and

(6) the number of completed responses from ceding firms.

Record keeping: ceding firms

19.14.42 R A ceding firm must make and maintain the following for a period of at least 6 years from the end of the calendar year to which the information relates:

(1) a record of when the request was received by the ceding firm;

(2) a copy of each completed information request form in the format provided to the engaging firm;

(3) a record of when the response was sent to the engaging firm; and

(4) a record of the number of notifications provided to an engaging firm that the information has not been provided because the pension pot is a small dormant pension pot, in accordance with *COBS* 19.14.19R.

19.14.43 G Maintaining the records in *COBS* 19.14.41R and *COBS* 19.14.42R will:

(1) support an engaging firm's and a ceding firm's investigation of complaints; and

(2) enable a ceding firm to identify if the information has previously been provided to the self-directed client and, if so, when.

Insert the following new Annex, COBS 19 Annex 8, after COBS 19 Annex 7 (Interactive pension simulations rules). All the text is new and is not underlined.

19 Annex 8 **Information request template**

This Annex belongs to *COBS* 19.14.

Introduction

19 Annex 8 1.1	G	The purpose of this Annex is to provide the information request template and specify the information that ceding firms and receiving firms must include when completing that template.

Definitions

19 Annex 8 2.1	R	The definitions in *COBS* 19.14.1R are applied to this Annex, including to the template found in *COBS* 19 Annex 8 4.24R.

Information request template

19 Annex 8 3.1	R	The template referred to in *COBS* 19.14.14R and *COBS* 19.14.15R is found *COBS* 19 Annex 8 4.24R.

Completion: unique ceding scheme features – safeguarded benefits

19 Annex 8 4.1	R	Where a ceding scheme has a *safeguarded benefit*, the ceding firm must:

(1) explain that the self-directed client's pension contains one or more potentially valuable guarantees;

(2) detail the features of the *safeguarded benefit*;

(3) detail how the self-directed client can access the *safeguarded benefit*;

(4) highlight that transferring a *safeguarded benefit* to another pension scheme will result in losing those guarantees, detailing any other circumstances in which they will be lost;

(5) explain how the guarantees provided by the *safeguarded benefit* can be taken by the self-directed client and any material restrictions that apply;

(6) explain that if the value of the *safeguarded benefit* is above the amount specified in regulations made under section 48 of the Pension Schemes Act 2015, the self-directed client would be required to obtain independent financial advice from an *FCA*-authorised adviser before they could proceed with a transfer; and

(7) explain that guarantees can be taken and any material restrictions that apply.

Completion: unique ceding scheme features – valuable benefits

19 Annex 8 4.2	R	Where a protected pension age applies, the ceding firm must specify the protected pension age and set out any conditions or restrictions attaching to that protected pension age.
19 Annex 8 4.3	R	Where a ceding firm is aware that the normal minimum pension age will change at a particular date, the ceding firm must provide a response separately for pre and post that particular date.
19 Annex 8 4.4	R	In relation to a present or future entitlement to guaranteed investment returns, a ceding firm must:
		(1) answer either 'Yes' or 'No'; and
		(2) if 'Yes', also provide a description of the nature of the guaranteed investment return and the circumstances in which it would be payable or accessible.
19 Annex 8 4.5	R	In relation to a present or future entitlement to a protected tax-free lump sum in excess of 25% of benefits, a ceding firm must:
		(1) answer either 'Yes' or 'No'; and
		(2) if 'Yes', also provide a description of the protected tax-free lump sum entitlement and the circumstances in which it would be accessible.
19 Annex 8 4.6	R	In relation to bonuses specific to with-profits plans, a ceding firm must:
		(1) answer either 'Yes' or 'No'; and
		(2) if 'Yes', also provide a description of the specific type(s) of bonus(es) that do or may apply to the self-directed client's ceding scheme, the circumstances in which such bonus(es) would become payable, and the extent to which such bonus(es) are guaranteed or not.
19 Annex 8 4.7	R	In relation to additional death benefits, a ceding firm must:
		(1) answer either 'Yes' or 'No'; and
		(2) if 'Yes', also provide a description of the level of support available to the self-directed client's beneficiaries, and the circumstances in which that support would be paid.

19 Annex 8 4.8	R	In relation to a waiver of premium/contribution, a ceding firm must:
		(1) answer either 'Yes' or 'No'; and
		(2) if 'Yes', also provide a description of the nature of the waiver and the circumstances in which it would apply.
	Completion: unique ceding scheme features – charges or reductions that apply upon transfer	
19 Annex 8 4.9	R	In relation to an exit fee, a ceding firm must:
		(1) answer either 'Yes' or 'No'; and
		(2) if 'Yes', also provide a description of the exit fee and the circumstances in which it would apply.
19 Annex 8 4.10	R	In relation to a market value adjustment, a ceding firm must:
		(1) answer 'Yes' where a transfer, at the time of completing the information request, would necessitate a market value adjustment to be applied, or 'No' where that is not the case; and
		(2) if 'Yes', also explain that a market value adjustment might not be applied when market conditions are less volatile.
	Completion: unique ceding scheme features – value and contributions	
19 Annex 8 4.11	R	In relation to an indication of recent value, a ceding firm must:
		(1) provide a recent calculation of the pension pot value, using one of the following sources:
		(a) the current value determined upon request;
		(b) an annual benefit statement issued within the last 12 *months*; or
		(c) if applicable, the accrued value returned to the self-directed client on a *pensions dashboard service* within the 30 days prior to the information gathering request being received;
		(2) provide the date of calculation; and

(3) explain that the recent calculation of the pension pot value may not reflect the exact amount that may be transferred as the actual transfer value will depend on the value of the underlying investments at the time of transfer.

19 Annex 8 4.12 R In relation to whether employer contributions are currently being paid in, a ceding firm must:

(1) answer either 'Yes' or 'No'; and

(2) if 'Yes', explain:

(a) that the employer is boosting the self-directed client's pension savings;

(b) that those contributions may be lost if the self-directed client transfers out; and

(c) whether it is possible for the self-directed client to transfer existing pension pots into that scheme.

Ceding scheme and receiving scheme comparison details

19 Annex 8 4.13 R In relation to whether contributions can be made to the scheme, a ceding firm or receiving firm must:

(1) answer either 'Yes' or 'No';

(2) if 'Yes', identify any minimum or maximum permitted contribution amounts and specify whether contributions can be made by the self-directed client, by an employer, or both; and

(3) explain any conditions on, or limits to, contributions being made.

19 Annex 8 4.14 R A ceding firm must provide the following information about how the self-directed client's pension contributions are currently invested:

(1) the name of the fund/investment/portfolio in which the self-directed client's contributions are currently invested;

(2) a short description of the objective and risk/reward profile of that fund/investment/portfolio; and

(3) where past performance information about that fund/investment/portfolio can be found.

19 Annex 8 4.15	R	A receiving firm must provide the following information about how the self-directed client's pension contributions would be invested:
		(1) the fund/investment/portfolio in which the self-directed client's contributions would be invested;
		(2) a short description of the objective and risk/reward profile of that fund/investment/portfolio; and
		(3) where past performance information about that fund/investment/portfolio can be found.
19 Annex 8 4.16	G	The *FCA* expects that the fund/investment/portfolio the receiving firm provides information about in accordance with *COBS* 19 Annex 8 4.15R(1) would be the default fund unless the self-directed client has expressed interest in other investment choices.
19 Annex 8 4.17	G	In addition to the information in *COBS* 19 Annex 8 4.14R and 4.15R, a ceding firm and a receiving firm may provide details of any particular sustainability objective of the fund/investment/portfolio.
19 Annex 8 4.18	R	In relation to other investment choices, a ceding firm and a receiving firm must indicate if other investment choices are available to the self-directed client and, if so, explain how the self-directed client can find out about those choices, including about risk and performance.
19 Annex 8 4.19	R	In relation to current charges, a ceding firm and a receiving firm must:
		(1) provide a description of the nature and amount of charges the self-directed client currently bears or may be expected to bear in relation to the product and, if applicable, any investments within that product; and
		(2) where applicable, break down the charges into the following categories:
		(a) initial set-up fees for the receiving scheme, including any transfer-in fee;
		(b) administration costs;
		(c) investment costs; and
		(d) one-off, contingent charges.
19 Annex 8 4.20	G	When complying with *COBS* 19 Annex 8 4.19R, if a ceding firm and a receiving firm cannot separate administration and investment costs, it should record them as administration costs.

19 Annex 8 4.21	R	A ceding firm and a receiving firm must list, excluding any decumulation options that are solely available on the open market, the decumulation options available to the self-directed client through: (1) the ceding firm or the receiving firm directly; and (2) any other partnership arrangements the ceding firm or the receiving firm has.
19 Annex 8 4.22	R	In relation to whether the scheme can accept transfers in from other schemes, a ceding firm and a receiving firm must: (1) answer either 'Yes' or 'No'; and (2) if 'Yes', explain any conditions on, or limits to, transfers being made.
19 Annex 8 4.23	R	In relation to whether an app, online portal or other digital service is available, a ceding firm and a receiving firm must: (1) answer either 'Yes' or 'No'; and (2) if 'Yes', explain what functionality the app, online portal or other digital service offers.
		Information request template
19 Annex 8 4.24	R	

Basic scheme details	
Ceding firm name	
Ceding scheme name	
Customer details	
Customer name	
Policy number	
Unique ceding scheme features – safeguarded benefits	
Safeguarded benefits	[See *COBS* 19 Annex 8 4.1R.]
Unique ceding scheme features – valuable benefits	

Earliest age the consumer can access their pension benefits without incurring unauthorised payment tax charges	[This will be the normal minimum pension age or, if lower, a protected pension age. See *COBS* 19 Annex 8 4.2R and 4.3R.]
Present or future entitlement to guaranteed investment returns	[See *COBS* 19 Annex 8 4.4R.]
Present or future entitlement to a protected tax-free lump sum in excess of 25% of benefits	[See *COBS* 19 Annex 8 4.5R.]
Bonuses specific to with-profits plans (e.g. regular, loyalty, final and/or terminal)	[See *COBS* 19 Annex 8 4.6R.]
Additional death benefits	[See *COBS* 19 Annex 8 4.7R.]
Waiver of premium/contribution	[See *COBS* 19 Annex 8 4.8R.]
Unique ceding scheme features – charges or reductions that apply upon transfer	
Exit fee	[See *COBS* 19 Annex 8 4.9R.]
Market value adjustment	[See *COBS* 19 Annex 8 4.10R.]
Unique ceding scheme features – value and contributions	
Indication of recent value	[See *COBS* 19 Annex 8 4.11R.]
Are employer contributions currently being paid in?	[See *COBS* 19 Annex 8 4.12R.]
Ceding scheme and receiving scheme comparison details	
Can contributions be made to this scheme?	[See *COBS* 19 Annex 8 4.13R.]

Investment choices	[See *COBS* 19 Annex 8 4.14R, *COBS* 19 Annex 8 4.15R, *COBS* 19 Annex 8 4.16G and *COBS* 19 Annex 8 4.17G.]
Other investment choices	[See *COBS* 19 Annex 8 4.18R.]
Current charges	[See *COBS* 19 Annex 8 4.19R and *COBS* 19 Annex 8 4.20G.]
What decumulation (access) options are available at retirement?	[See *COBS* 19 Annex 8 4.21R.]
Can the scheme accept transfers-in from other schemes?	[See *COBS* 19 Annex 8 4.22R.]
Is an app, online portal or other digital service available?	[This refers to an app, online portal or other digital service that allows the self-directed client to view, manage or interact with their pension savings. See *COBS* 19 Annex 8 4.23R.]

Pub ref: 1-008416