

# Pensions UK – Response to CP25/17: Supporting consumers’ pensions and investment decisions: proposals for targeted support

29<sup>th</sup> August 2025

## Pensions UK Response

### Introduction:

We are grateful to the FCA for progressing this work at pace. This helps the industry prepare for the forthcoming regime and assists with the consideration of interactions with Guided Retirement, where there will be some important areas of overlap.

The principles we set out in our previous consultation responses in 2024 and 2025 remain highly relevant. Our members are keen to increase the support they can provide to savers, and we believe that further clarification on the boundaries between advice, support, and guidance is essential to enable this in practice.

Material barriers remain to delivering these services effectively. These include restrictions on direct marketing, uncertainties around the scope of application to trustees, and ongoing concerns about liability and redress. While we are reassured to see that this consultation begins to address these challenges, further work will be needed to ensure that the new regulated activity of targeted support is truly operable and that it avoids creating imbalances across different types of scheme members—particularly when considered in conjunction with the new Guided Retirement requirements.

Our members are concerned that a new authorisation regime could effectively bar trust-based schemes from offering targeted support, so we would support you in exploring alternative routes for trust-based, targeted support-like solutions. If introduced, it would be more reasonable for TPR to supervise this activity. TPR and the FCA should jointly map how targeted support aligns with Fiduciary Duty and Consumer Duty, ensuring members of trust- and contract-based schemes can rely on a similar level of support. Finally, we continue to strongly support joined up working between the FCA, FOS, HMT, DWP, ICO and TPR on the issues raised in the consultation. We would also welcome a broader conversation about the Government’s and Regulators’ long-term ambitions for the workplace pensions sector, including forthcoming consultations on consolidation, transfers, disclosure, and communication across the consumer journey, and clarity on how these elements will be supervised.

## Key questions for Pensions UK

Question 8: Do trustees have any practical examples of the support you wish to provide? Do you believe this is deliverable in the existing framework (ie can be delivered currently)? If not, why not? (For example, are there concerns about inadvertently carrying out regulated activities such as arranging?)

We have continued to hear that trustees need more clarification on what they can and cannot do without requiring FCA authorisation for new proposed activities under targeted support, or previous activities such as financial promotions. This need for further clarification will only increase as the new Guided Retirement obligations come into place.

There are many reasons why trustees may not be able to provide support that are beyond the specific activities allowed under the existing regulatory regime. For example, trustees may face liability risks or feel unable to act beyond their specific prescribed duties to members. These factors, sat alongside the increasing complexity as a result of the Guided Retirement requirements, will increase the challenges for Trustees rather than resolve them. Trustees will need further clarification either through the new regime on Guided Retirement, through some equivalent to targeted support, or some combination of these two routes. The FCA should clarify what the intention is here. Such a clarification would be particularly helpful to own trust schemes, for whom some of these kinds of communications ‘to and through’ retirement may be completely uncharted territory.

Further clarification will be required in the following areas, including, but not limited to:

- The circumstances in which Trustees may rely on their Article 53 exemption, and where they may not, particularly in relation to decumulation activities anticipated under forthcoming Guided Retirement requirements. Some Pensions UK members are cautious that without clarification on support which may not be subject to Article 53 exemption they are likely to take a cautious approach. It is unclear whether the best place for this guidance will be as part of the FCA perimeter guidance or the Guided Retirement regulations and guidance.
- Where in the customer journey trust-based schemes need to make savers aware of the existence of pension freedoms and the options

and support available to them before they are defaulted into any decumulation option. Much of the support Trustees might want to offer may appear similar to the kinds of support available for FCA-regulated firms offering targeted support - for example relating to different product types, sustainable drawdown rates, basic personal circumstances relating to different kinds of appropriate products, and crucially, this support would be on a cohort – not individual basis – in both FCA and TPR worlds. Regardless of their decumulation solution schemes will need to communicate with members about what theoretical options are available to them. Some schemes feel it is currently unclear whether this kind of support could look too similar to regulated activities (such as targeted support) and therefore bring them into the regulatory perimeter.

- More specifically, were there to be no changes to current FCA rules on advice/guidance, some contract-based schemes would likely experience issues associated with the advice/guidance boundary under anticipated Guided Retirement rules where they ‘partner’ with a Master Trust or other (even FCA regulated) scheme to deliver any of their decumulation solutions. Trustees must consider liability and regulatory boundaries when members are transferring, and this could be especially difficult where members are – in effect - ‘defaulted’ into a transfer and where consent is not needed. In almost all circumstances Trustees or scheme decision makers will not wish to ‘test’ the boundary of what is and is not considered a personal recommendation in these cases through retrospective action taken by individuals, regulators, or – for example – the ombudsman.
- The specific regulatory treatment of undertaking assessments, communicating about and designing solutions for predefined segments of members where this is intended to deliver outside targeted support regime. For example, by trustees delivering guided retirement for their scheme members, but without the intention of delivering targeted support. As currently drafted it is possible that these kinds of activities could be interpreted as offering targeted support. Clarification is needed in relation to how this avoids cutting across the new Guided Retirement obligations without ‘forcing’ providers and trustees to become FCA regulated to deliver against those requirements. As currently drafted it appears that this might

be the inadvertent consequence of the two regimes acting together both directly (by intent) and indirectly (though the requirement to have permissions) on the same parties.

- How Trustees should act where additional information is offered but where – were it to be taken into account – it would limit their ability to offer support. (Similar to the query raised for firms in Question 21)
- Resolutions to the issues associated with Direct Marketing Rules and PECR. (Further on this in response to Chapter 7).
- Where providers are administrators to other schemes it is currently unclear what targeted support services they might be able to offer. We would encourage the FCA to engage with providers on this specific issue as the mechanics and permissions will need to be thought through in order to make the most of the opportunities this might present.

In general, we are reassured that the FCA is working with FOS to coordinate their approach to the targeted support framework. For example, it will be critical that the FOS understand that asking for further information may actually create a liability issue, and that judgements will need to be made on a cohort basis.

Question 7: Based on our proposals in this paper, do pension scheme trustees want to provide a form of support like targeted support to their members? If so, is this support intended solely for ‘in-scheme’ benefits, or does it also include FCA-regulated investments?

Yes, trustees of Pensions UK member schemes have long wanted to provide better guidance/support to their members, and the key principles of targeted support could facilitate this. But it should not be the case that members are able to receive different support in functionally similar scenarios, especially where they do not understand why this would be the case.

Moreover, the key difference between similar journeys in a Guided Retirement as compared with a targeted support journey into decumulation is that in Guided Retirement (as drafted) the individual isn’t taking the decision and therefore isn’t taking on the liability for that decision, whereas in targeted support (as drafted) they would be. Reading the two requirements together could, in some cases, therefore be quite complex. This also leads to a lack of clarity about the liability framework for any

given outcome as it relies on, firstly, who took the decision for the cohort or the individual, and, secondly, how ‘personalised’ the journey was.

As we have previously argued, it appeared that trustees of schemes that are not already FCA authorised would need to seek FCA authorisation to offer targeted support. As Pensions UK members expressed concern that a new form of authorisation would prevent trust-based schemes from offering targeted support at all, we have taken this question to imply that you will explore alternative approaches for trust-based schemes to offer targeted support-like solutions. We would reiterate that it would be more reasonable to expect TPR to supervise this activity, were it to be introduced. In our view this would mean that TPR and FCA would still need to work together to map how targeted support offerings would meet Fiduciary Duty and Consumer Duty, so that there are no substantive gaps across scheme types.

Question 6: Are there any situations where firms want to deliver targeted supported but based on our proposed rules would feel unable to do so? Please explain why.

To note – we have assumed that future rules on targeted support will apply once rules on Guided Retirement Products are also in place for regulated firms, in line with the Government’s proposed roadmap (though obviously this is subject to change). However, in our answer to this question we have therefore undertaken to determine where *firms* may want to deliver targeted support *alongside* their future obligations on Guided Retirement (i.e. we are not commenting on trustees in relation to this question).

Also to note – current Guided Retirement drafting is unclear whether it is a consent or non-consent-based model. As in our previous response to consultations on this matter, a non-consent based model for Guided Retirement is likely to present the most significant challenges to firms complying with rules that would then interact with ‘*Arranging an investment*’ and on this we would welcome more clarity from the FCA on their interpretation of these circumstances.

As per our response to question 43, our members see the PECR rules as a barrier to a large majority of defaulted workplace pension savers from benefiting from targeted support. As currently proposed, firms can only proactively reach out offering these services to savers who have opted into

marketing communications. If this is not addressed, with some exception made for targeted support, this initiative will only lead to a fraction of the positive change it has the potential for.

### Other consultation questions also relevant to Pensions UK members

#### *Better outcomes – Questions 1& 2*

We previously argued that targeted support could also be used to provide comfort that savers were on the right track, not just ‘deliver a better outcome’ or ‘avoid a poor outcome’. Particularly, we wanted to enable targeted support providers to reassure customers not to take an action where this is in their best interest, which we think would help increase confidence in their pension provider to do right by them in their best financial interests. We think the proposed approach on ‘better outcomes’ can accommodate this.

In general, the FCA could reduce the complexity for firms that wish to offer targeted support by offering a view on the counterfactual that they should use to test ‘better outcomes’ against (for example, is it savers not having taken any action, or taken a worse action, etc.) and over what timeline, both of which are particularly relevant in the context of workplace pensions. If the FCA could provide more information on the timeline and counterfactual, then we believe more may be willing to offer these services to members.

#### *Meeting the requirements, now and in the future – Questions 3, 4 & 5*

Some of our members are concerned that the proposals are not sufficiently clear on how they are anticipated to work in a post-Dashboards world. In cases where advisers or providers might have delegated access to full pension saving information, targeted support could theoretically go much further as additional segments could be developed, but this might not be permitted under the regime as proposed. We would encourage the FCA to consider this scenario further.

#### *Consumer segments – Questions 11, 12, 13 & 14*

We agree with flexibility in determining consumer segments.

If consumer segments are too broad firms run the risk of creating ‘winners’ and ‘losers’ within a consumer segment by not optimising for a specific

group effectively. However, if a consumer segment is too specific, and a firm starts optimising for too narrow of a segment (thereby screening out a whole ‘types’ of savers with specific characteristics), firms run the risk of discriminating against certain consumers. We still believe that the FCA could helpfully provide guidance to firms to help strike this balance, paying particular attention to those consumers with protected characteristics.

Further, this has important implications to consumer redress. If there is a risk of a large proportion of consumer segments submitting complaints to the FOS that they did not achieve an optimal outcome, firms may shy away from providing this form of support.

We believe it would be helpful for the FCA to provide some further indication on their expectations on the reasonable number of segments given certain parameters. Examples could be provided of simple scenarios that are simple ‘single segment’ cases, that might help reassure providers of targeted support that they are segmenting appropriately ahead of this being tested through redress.

#### *Annuities – Questions 15 & 16*

Several of our members had previously noted the suggestion of a specific annuity likely fits within a simplified advice journey rather than targeted support. Pensions UK members did note, however, that firms should be able to suggest annuities more generally, but a specific branded annuity would require the consumer to seek advice. We previously described that, after pre-defining relevant scenarios and consumer segments, the FCA expects firms would then design ready-made solutions to align with the common characteristics of the consumer segment they are designed for. This could involve an action related to an existing product or new product. Pensions UK members suggested that for most targeted support firms should generally be able to recommend:

- A ‘product type’ (i.e. an annuity or an income drawdown product);
- A ‘product shape’ (i.e. a joint-life annuity versus a single life annuity, or a recommendation for a maximum drawdown percentage); and
- A ‘product brand’ (i.e. a specific firm’s branded drawdown product).

Pensions UK members also noted that within targeted support, firms should be able to recommend all three “levels” within a product (type, shape, and brand) except for in the case of an annuity, where a firm might suggest this type of product and its shape, but not a specific brand.

It appears that the current recommendation on no ‘particular annuity’ is consistent with the principle of our previously proposed approach, as this relates to the granularity and ‘individualised’ nature of the support. For example, targeted support in relation to a particular annuity might eventually resemble robo advice, which is clearly considered a different consumer journey with a different regulatory treatment.

It is worth noting that building in a two-week delay could represent a consumer harm in some circumstances where people are in need of an income, though this may be justified to deliver your aim of enabling shopping around.

It is as yet unclear how annuities might fit within the Guided Retirement framework and – therefore – whether differences of treatment between the two regimes might lead to perverse outcomes for savers. For example, were it to be the case that targeted support cannot be used to deliver annuity journeys that are in members’ best interests, are materially similar to those available under Guided Retirement, and are well governed, then this might not be optimal. For example, in paragraph 2.75 targeted support providers are proposed to be restricted from signposting to an annuity bureau or brokerage, whereas Guided Retirement may permit this; in either case this could be helpful to savers that otherwise might pick drawdown even though this is not optimal for their circumstances.

#### *Consolidation – Question 17*

Our members have some different views on how appropriate it is to support members to consolidate through targeted support. In some circumstances providers will not have sufficient information about ‘both sides’ of the potential consolidation decision, and in these cases Consumer Duty will be unlikely to allow them to deploy a targeted support journey on consolidation. However, where the provider has information on ‘both sides’ then it may be appropriate for a provider to offer targeted support (though care would need to be taken about journeys designed to illicit further information where this might stray into more individualisation than is permitted in targeted support). This is then similar to the circumstances of upgrading to a new product where Consumer Duty can be relied on to undertake the activity in this circumstance.

Further guidance might also be needed on the concept introduced that consolidation is ‘integral’, given that a judgement would need to be taken about what constitutes ‘integral’ motive (or information) to take a decision.

#### *Riskier and restricted investments and products – Questions 18 & 19*

We agree with the proposed approach.

#### *Leveraging PROD and Consumer Duty – Question 25*

We agree with the approach set out in the consultation.

#### *Direct Marketing Rules - Question 43*

PECR is a very significant barrier to the success of targeted support. Our members cannot see many ways in which marketing and recommendations on a particular (both FCA regulated and non-regulated) product can be avoided when undertaking targeted support in some scenarios. This means that PECR will necessarily restrict these opportunities to undertake targeted support. Some of our members have suggested that PECR is such a material barrier that without being able to request data by email they will be unable to provide any targeted support data.

We would also note that attempting to resolve this issue just by carving targeted support out from PECR will provide for regulatory arbitrage; this would mean that those FCA regulated providers which are offering targeted support are uniquely able to deliver information that others, such as trust-based schemes, cannot. The issues with PECR therefore are much broader than for targeted support, but really relate to wider definitions of member or provider type – for example, all workplace pensions.

As a means of resolving this issue, we support the TISA amendment to the Pensions Schemes Bill which would enable firms to operate targeted support on an opt-out basis. This would mean a majority of workplace pension savers would be in scope, rather than – under current rules – a minority.

#### *Simplified advice – Question 47 & 48*

While we support the intent of simplified advice we would note that much of the available evidence suggests that as soon as consumers must pay for advice they will not take it, even when they most need it. There will be a

tension between consumers wishing to get more bespoke support and not wishing to pay for it.

We also await further consultation on this activity as we foresee situations where murky distinctions between the additional ‘tiers’ of advice and support become complicated to administer and differentiate between, leading providers to avoid certain activities entirely due to the risks of straying between and across lanes as part of a single consumer journey. For this reason, we are encouraged by the FCA’s continued engagement with the FOS.

### Conclusion

We support the FCA’s ambition to ensure that savers receive the right level of support at the right time, and we welcome the steps being taken to create a more joined-up regulatory framework.

FCA and TPR should operate as a coordinated regime, with a joint perimeter and common lexicon for advice, targeted support and guidance across trust- and contract-based schemes. They should adopt a shared supervisory approach—developed with FOS—covering liability, redress and evidencing standards, so there are no surprises for schemes. We support joint sandbox and pilot programmes with HMT and DWP to test real-world outbound and digital journeys and publish what “good” looks like. Communications, vulnerability and data/consent standards should be aligned so savers receive consistent protections and seamless information-sharing. Finally, a single public timetable for consultations and rules, plus formal FCA–TPR–ICO engagement on PEER, would avoid regulatory arbitrage.

Additional benefits of close working between FCA and other regulators, government departments and the ombudsman include schemes and providers being able to meet both Fiduciary Duty and Consumer Duty obligations without duplication or gaps. Pensions UK and its members are committed to working constructively with the FCA and other regulators to design solutions that will improve outcomes for savers and help build confidence in workplace pensions.

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