

# CP25/39: Adapting our requirements for a changing pensions market

Pensions UK response

February 2026

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## About Pensions UK

Pensions UK is the voice of pensions in the UK, trusted and heard by the government and the pensions industry. For more than 100 years we've delivered influential thought leadership, practical guidance and research for our members; pro-actively solving the sector's biggest issues and setting the future direction. As a not-for-profit organisation, we exist for the benefit of our members, and to deliver the best possible outcome for savers in the UK, so they can retire in confidence and with dignity.

### *Our membership and reach*

We're the voice of pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest £2 trillion in the UK and abroad. Our members also include asset managers, consultants, law firms, fintechs, and others who play an influential role in people's financial futures.

Across our work in strategic and regulatory policy development, advocacy, membership engagement, events and communications, we engage with over 2,500 organisations, with nearly 16,000 contacts within our membership and a further 17,000 in the pensions and financial services industries.

## Executive summary

Pensions UK welcomes the opportunity to respond to the Financial Conduct Authority (FCA)'s consultation paper on adapting its requirements for a changing pensions market. Pensions UK [previously responded](#) to the FCA's discussion paper on this topic last year, and we are grateful for the continued opportunity to engage.

The proposed reforms reflect longstanding industry concerns and represent a step toward improving consumer engagement, decision-making, and long-term member outcomes. However, achieving these benefits will require coordinated regulatory action, operational clarity, and alignment with broader reforms across the DC landscape.

While supportive overall, our response therefore highlights several significant operational and regulatory implications and practical considerations that require further attention.

Below is a summary of Pensions UK's key themes and recommendations, including:

1. Calls for a whole-market approach from regulators and government;
2. An explicit ban on transfer incentives;
3. Further consideration of the timing in the member journey;
4. Sequencing considerations against the broader reform in the pensions industry;
5. Communication concerns.

This is followed by specific answers to the questions posed in the consultation paper.

## Key Themes and Recommendations

### ***A Whole-market approach from regulators and government***

Pensions UK encourages a coordinated, industry-wide approach to these reforms. While the FCA's remit does not extend to trustees of trust-based DC schemes, the proposals have been designed to ensure compatibility across all DC pension types. The FCA has also indicated that the Department for Work and Pensions (DWP) will assess whether extending similar requirements to occupational pension schemes would be advantageous.

Although we appreciate pre-existing concerns over the timescales for pension transfers, the move towards digital solutions has already delivered improvements, and it is crucial that transfer timeframes are properly balanced against the need for informed decisions and strong scam protections.

We know that a significant proportion of transfers are from trust-based occupational DC schemes to FCA-regulated schemes, rather than between FCA-regulated schemes in isolation.

There has been particular concern around the fact that there are a significant number of transfers from workplace schemes to SIPPs, meaning that many members are moving away from a charge cap product.

Pensions UK therefore believes that there is a significant risk that the current drafting of the proposals, and lack of alignment with the broader pensions market, will not only result in uneven adoption and complex practicalities, but also means that the changes could fail to address the bulk of consumer risk. This would leave the vast majority of savers to navigate the complexities surrounding pension transfers without the guidance needed to make informed decisions. The impact of poorly informed decisions is clear; industry research suggests that projected losses from poorly informed pension transfer decisions are on the rise, indicating that consumers could be losing £1.7bn from their pension pots due to poorly informed transfers made in the year to 30 June 2025.

Whilst savers are supportive of speedier transfers, there is also overwhelming support for more information; nearly all pension savers (96%) think pension providers should be required to tell people about the impact of the charges they will pay if they transfer a pension to a new provider (People's Pension, 2025).

In addition to addressing regulatory arbitrage concerns, a whole of market approach could also prove less complex to implement, given concerns that the current drafting of the proposals may unintentionally draw trust-based schemes into scope regardless, risking uneven adoption.

Effective delivery of the proposals as drafted will require close collaboration across the industry and the development of updated, interoperable technology solutions. Without coordinated action, there is a risk of inconsistent practices and increased administrative complexity, which could impede the successful realisation of policy objectives.

Given this, Pensions UK believes that a unified, whole market strategy, supported by joint guidance and coordinated timelines, would reduce operational burden, ensure equitable treatment across DC savers, and improve delivery of policy intent. We therefore urge the DWP and The Pensions Regulator (TPR) to advance parallel proposals alongside the FCA's ongoing work.

***Explicit ban on transfer incentives:***

The FCA has elected not to introduce a direct ban on transfer incentives, relying instead on Consumer Duty. Although the FCA has said that it will monitor the market and may act if needed, this is an opportunity to act now.

Evidence shows that incentives can distort decision-making by exploiting behavioural biases and may mislead consumers into making transfers that harm

their long-term financial position. Previous research from the Behavioural Insights Team evidenced that offers of cash incentives make people ignore the fine print and switch their pension to a worse option.

Clear definitions and stronger enforcement would meaningfully reduce risks, better align with anti-scam objectives, and support coherent treatment across regulatory regimes.

This could also help ensure the anti-scam pension transfer disclosure regulations are more aligned with their policy intent, without having some reputable transfers delayed due to the involvement of incentives.

### ***Delivering a consistent consumer journey:***

The current wording of the proposals within the existing legislative landscape could create a fragmented and disjointed consumer journey without further consideration as to how it interacts with other requirements, that are triggered only once the legal definition of a transfer application has been met.

As drafted, consumers may receive comparison information and decide to transfer before encountering subsequent hurdles, such as scam related restrictions or stronger nudge requirements, both of which may ultimately mean that the transfer does not go ahead. This sequencing risks a confusing consumer experience and requires clearer legislative alignment and could risk some savers disengaging with their pension altogether.

### ***Regulatory sequencing:***

The proposals have significant overlap with wider reforms currently underway in the industry, including the Value for Money (VfM) Framework and small-pots consolidation. Without alignment, providers risk duplicated effort, inconsistent messaging and increased costs that could have unintended consequences for the push to consolidate small pots.

Whilst these proposals go some way to providing an intuitive comparison for end customers/scheme members, there is scope to consider how they could better link in explicitly with the VfM Framework in future, to provide a simpler point of comparison. Continuous user testing remains essential to ensure comparisons remain intuitive and genuinely informative.

### ***Communicating the full benefits:***

Comparisons built around charges and investment performance could risk missing employer-specific value (contribution tiers, employer-borne costs, integrated protection, in-scheme decumulation support), tilting outcomes against own-trust DC. There are also concerns that balanced guidance, which properly explains employer value, could look like suggestion-style retention comms and risk straying into regulated activity.

Given this, Pensions UK recommends providing explicit perimeter guidance for occupational trustees with worked examples of ‘balanced guidance’ vs ‘suggestions’ requiring authorisation; endorse partnership models where any suggestion-style journeys are delivered under an authorised firm’s Targeted Support permission.

**Self-invested personal pensions (SIPPs):**

We welcome the FCA’s plan to consult separately on due diligence and client asset rules for SIPPs in Q1 2026. The rapid expansion of the SIPP market increases the need for strong standards, scam protection, and accessible advice. Greater awareness of fees, risks, and suitability will also be essential given consumers’ increasing engagement with retirement products. We look forward to engaging with the FCA further on this issue.

## Response to consultation questions

### Tools and modellers for existing pension savers

Pensions UK strongly supports modernising digital tools and modellers, given their essential role in improving engagement and safeguarding consumer interests.

While we welcome ongoing enhancements to digital modelling, we remain concerned by persistent inconsistencies in how projections are treated across different regimes and tools. These issues are particularly pronounced between trust- and contract-based schemes, and across various regulatory standards. Despite acknowledgement from the FCA, the current scope does not address these disparities.

To move towards a more coherent regulatory environment, we recommend that the FCA, The Pensions Regulator (TPR), and the Financial Reporting Council (FRC) collaborate to establish unified guiding principles or a joint regulatory position for pension projection tools and modellers. This would help ensure that assumptions and methodologies are consistent, and that consumer communications are both accurate and accessible.

We believe it is essential for the Government to set and uphold high standards throughout the sector, ensuring that regulatory frameworks not only drive consistency and accuracy in projections but also prioritise straightforward and understandable communications for consumers. The consumer journey must remain central, with no disparity in retirement outcomes based on scheme type.

The FCA and DWP must continue to align their approaches and adapt to developments such as pensions Dashboards, ensuring equitable and effective outcomes for all savers.

While we welcome the progress being made in digital tools and modellers, we would also emphasise the need to complement digital tools with human engagement, with significant industry research suggesting that savers are more comfortable with a hybrid approach to engagement. Otherwise, there is a risk that a digital-only bias could crowd out critical engagement and trustee discretion. This human touch is often particularly helpful at the margins, protecting vulnerable members and supporting on complex cases, as well as in situations where digital tools flag uncertainty.

### DC to DC transfers and consolidation

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

We support the proposed threshold for non-advised transfers, which aligns with small pots rules, although monitoring will be necessary as transfer patterns and

thresholds evolve. However, it is important that these two thresholds do not become intertwined, as there could be a strong argument to maintain this £1,000 threshold, regardless of any changes to the small pot threshold increase.

However, broader scope concerns remain on the unintended implications for trust-based schemes and the risk of comparison activity encroaching into regulated advice (as discussed further under questions 2 and 3).

We are also concerned that the current scope, which would only apply to FCA-regulated schemes, could prevent the policy from having the desired policy outcome and leave a significant consumer risk, as the majority of consumers would continue to navigate complex pension transfers without the details they need to make an informed decision. This concern is also explored more extensively in our executive summary, which contains our full exposition of the associated risk.

**16. Do you agree with our proposed approach to obtaining the consumer's consent? • Is consent the appropriate lawful basis for processing the data?**

The proposed approach to consumer consent does present practical challenges created by differing regulatory regimes across scheme types (see answer to question 3).

There are also broader concerns around the proposed approach given existing practical concerns surrounding the use of a Letter Of Authority, and the potential for material delays to transfers if this is taken forward. Further consideration should therefore be given to the creation of an entirely new legal obligation.

**16.b. Do you foresee any practical challenges with our approach? If so, how might they be overcome?**

Existing variability in response times to letters of authority and processes creates difficulty for consistent service delivery. Stronger enforcement and clearer standards may be needed to ensure firms meet their obligations under Consumer Duty.

Letters of authority also add complexity where trust-based schemes must respond but are not required to provide the full information set. This risks a fragmented consumer journey and uneven adoption.

The dual operation of trust and contract-based schemes within single provider platforms further complicates implementation and risks uneven compliance.

A whole-market approach to the reforms could help to address this concern, ensuring parity across savers regardless of whether they are saving into a trust-based or contract-based pension.

The creation of a new legal obligation could also mitigate concerns, avoiding adding further delays in the existing system.

**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?**

We would encourage the FCA against including this acknowledgement step, which is not expected to add significant consumer value, and could instead create further delays and inefficiencies.

Instead, we believe further consideration should be given to having a single response SLA to information requests.

While some processes could be instant, not all existing systems will currently support real-time acknowledgements. Updates to transfer platforms are possible but will require industry collaboration and sequencing alongside Dashboards and small pots development.

Future monitoring may be required, however, as there is some concern that consumers will expect an instantaneous response, as seen in other financial services information requests.

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

This seems like a sensible timeframe for some situations, but only where the majority of transfers are processed digitally, as other forms, such as fax, may require further authentication and present further challenges.

Schemes are unlikely to be able to process all requests within 10 days in all reasonable circumstances unless there is 100 per cent take-up of a shared digital transfer platform across the sector.

Where manual requests are seen, schemes would typically need up to 20 working days, to properly account for peak periods, holiday periods, and unexpected events. This would also be in line with the most recent changes to plans to bring pensions into the scope of inheritance tax.

The timing of due diligence checks required under the anti-scam pension transfer requirements in relation to the 'Gather information from ceding schemes' step is also critical. There is a notable concern that doing both simultaneously may make it challenging to meet the 10-day deadline, while doing due diligence after could delay or reject transfers post-comparison, leading to poor user experience.

Clearer expectations and realistic timelines are required to give trustees confidence they are providing consumers with the right information at the right time.

**19. How might technology affordably support adoption of this timeframe?**

Currently there are no ready-made solutions ready and waiting for these reforms.

While existing IT platforms for pension transfers could be adapted to provide this functionality, these changes will require significant lead in time, with at least two years needed from the point of regulatory certainty for the necessary cross-industry collaboration on shared systems and standards.

Given the additional time needed to build the necessary digital infrastructure, it is also crucial that this work is aligned with broader work on small pots consolidation and Pensions Dashboards, to avoid over-stretching resources or duplicating technical work.

## **20. Do you agree with our proposed approach to presenting information back to consumers?**

There are some concerns around the presentation of the information back to consumers, particularly given responsibility for this will sit with the engaging firm.

Some standardisation in the presentation of information is crucial to ensure that marketing and advertising does not over-power the factual confirmation being shared.

Adopting some of the learnings from Dashboards could also prove beneficial, particularly in relation to concerns around the loss of employer-linked protections and how these should be communicated, as well as around the broader design/communication standards.

The ability of firms to provide additional guidance will depend on clarity from the Advice Guidance Boundary Review. Trustees, IGCs, and employers should retain responsibility for VfM assessments.

We encourage the FCA to share the findings from its user testing, undertaken during the consultation period, to help inform the presentation of comparison information. This should give specific consideration to issues such as the clarity of charges and potential loss of safeguarded benefits.

Plans for schemes to signpost to relevant advice and guidance services are also a crucial consideration, as it is essential that consumers are given the proper support to understand the comparative information they have been given. This will be particularly important when considering the interaction between these proposals and the stronger nudge to Pension Wise.

However, a firm's ability to provide additional guidance and support to as many savers as possible heavily hinges on the FCA's final rules on its Advice Guidance Boundary Review (AGBR). We encourage the FCA to think about saver advice and guidance holistically, including additional clarity on simplified and holistic advice (and how this will work with targeted support).

There is a particular concern that balanced guidance, which properly explains employer value, could look like suggestion-style retention comms and risk straying into regulated activity.

Given this, Pensions UK recommends providing explicit perimeter guidance for occupational trustees with worked examples of ‘balanced guidance’ vs ‘suggestions’ requiring authorisation; endorse partnership models where any suggestion-style journeys are delivered under an authorised firm’s Targeted Support permission. Building on previous calls from Pensions UK, we would also urge the FCA to introduce an appropriate Trustee Safe Harbour, to deliver further regulatory consistency and ensure that trust-based savers enjoy parity of support with contract-based savers.

**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.**

-Simple indicators, primarily charges and retirement options may offer more meaningful consumer-facing insights than extensive technical criteria.

There is particular doubt as to whether the typical customer has sufficient understanding of investments to compare the relative investment objectives, and therefore whether this is unnecessary. Instead, benefits such as guarantees, investment returns and charges look like the material components and can probably be presented in a way that can enable a customer to make an informed decision relatively intuitively.

However, comparisons focused solely on charges and investment performance risk overlooking employer-specific value, such as contribution tiers, employer-borne costs, integrated protection, and in-scheme decumulation support.

A dedicated “Employer Value” panel could be one option to address this, outlining illustrative examples of benefits forgone when transferring. This would help consumers understand the relative impact of charges versus employer contributions alongside member-paid charges, and including a ‘benefits you may lose by leaving the ceding trust’ box with worked examples.

Again, appropriate advice and guidance will be key in ensuring that members are properly able to make the most of the comparative information provided.

However, further regulatory shifts, such as clarity on trustee guidance during a transfer, will be important to give pension scheme trustees the confidence they need to properly support members.

**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?**

We believe that this is a realistic timeline, bearing in mind the broader timer considerations already outlined in relation to the interaction with due diligence checks and the use of digital processes.

However, there is also concern that even where schemes are able to provide this information sooner, the 10-day window given to the engaging firm could leave

room to further delay this information, creating unnecessary delays between the scheme receiving this information and playing it back to the consumer. This could risk some savers disengaging with their pension altogether.

**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?**

We agree with the proposed record-keeping requirements.

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

Pensions UK recommends an explicit ban on transfer incentives, rather than relying solely on Consumer Duty. In the meantime, stronger enforcement of the Consumer Duty, underpinned by a clearer definition of what constitutes an incentive, is needed to protect member outcomes.

Pensions are a long-term financial commitment and adverts offering cash incentives to individuals who transfer their pension may exploit people's present bias, neglecting the medium- to long-term financial implications. A recent study from People's Pension and the Behavioural Insights Team found that people who saw a £100 cashback incentive were almost 20% more likely to say they would transfer their pension to an option that would leave them £1,000 worse off over five years. Given the risks associated with pension transfers and saver susceptibility towards immediate cash reward – and in the absence of Government intervention to ban incentives – the FCA should consider an explicit ban on transfer incentives and be robust in its assessment of firms' continued intentions to offer incentives, despite the introduction of Consumer Duty. Stronger enforcement, underpinned by a clearer definition of what constitutes an incentive, is also needed to protect member outcomes in the interim.

## General questions

**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.**

As discussed in reference to question six, it will be important to consider where cross-industry collaboration could limit the cost on industry, and where pre-existing infrastructure could be updated to implement these proposals. Some industry providers are already working on options surrounding this.

Broader clarification around the positioning of this work in the overall member journey will also be needed to avoid unnecessary cost to industry, as the current wording means that schemes will likely be required to perform due diligence checks for pension scams after the information gathering stage under the new proposals. This could risk creating a high-volume, of standardised requests that create unfunded admin drag, privacy pressure, and duplication with Dashboards.

Given this, Pensions UK recommends defining a minimum-necessary dataset, confirming lawful bases and security standards, and phasing new duties alongside Dashboards, with exemptions for single-employer trusts.

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

We do not have specific comments on the cost-benefit analysis. Although we are concerned that the current proposals could fail to achieve the desired outcome, failing to cover the areas with the most significant consumer risk, including transfers from trust-based pension schemes.

Whilst these proposals are expected to bring significant benefit for those transferring between FCA-regulated schemes, it will not provide the protection needed for the many savers who are transferring from trust-based occupational DC schemes to FCA-regulated schemes, including SIPPs, often resulting in higher fees. This limited scope means there is significant concern that the proposals will fail to properly protect against the majority of consumer risk being seen in pension transfers.

Given the overlap with broader industry reforms, such as the Value for Money Framework and Small Pots consolidation, there is also concern that a delay in bringing forward a parallel framework from The Pensions Regulator would need to be done with some urgency, to avoid increasing the duplication risk and potentially the cost for industry.

The need for urgency in this area is clear; recent research from People's Pension estimates pension savers lost £1.7bn in the year to 30 June 2025 due to poorly informed transfers, and 96% of savers believe providers should be required to disclose the impact of charges when transferring.

Pensions UK therefore believes that a whole-market approach will be crucial to ensure that these proposals fully deliver on the potential benefits to savers and have the desired policy intent. Ensuring consistency, minimising duplication, and prioritising consumer understanding will be essential for successful implementation, and to strengthen consumer protection as the DC market grows in scale and complexity, with consumers receiving the same high standards regardless of where their pension sits. We therefore urge the DWP and TPR to progress aligned proposals alongside the FCA's work.

**For further information, please be in touch with [sophie.smith@pensionsuk.org.uk](mailto:sophie.smith@pensionsuk.org.uk).**

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