Response by TISA to FCA's consultation – proposed targeted support reforms for Pensions (CP24/27)

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About TISA

Supporting the financial journey through life

The Investing and Saving Alliance (TISA) is committed to improving the financial wellbeing of all UK consumers by working collectively with the financial services industry to deliver solutions and champion innovation, for the benefit of people, our industry, and the nation.

We do this by working with our member firms to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

We care about the entire financial life of consumers: from their first savings account opened to ensuring people can age and retire with dignity. TISA believes that savings and investments play a significant role in the lives of people and small businesses. Consumers benefit when they put aside money for their future. Saving and investing can provide a buffer for emergencies; help people achieve big and small goals throughout their lifetime; and give people quality of life in later years.

TISA is a not-for-profit membership organisation and a trusted partner of key industry stakeholders in helping shape the future of the UK financial services and the environment in which we operate. We have approximately 270-member firms involved in the supply and distribution of savings and investment products and associated services. Our members include the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, FinTechs, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

Our work, your influence

With a focus on four key workstreams that best support the consumer and UK financial services, TISA has become a leading industry voice and ally for delivering consumer focused initiatives.

Our policy work reflects TISA's broad scope of interests and aims on meeting the needs of UK consumers, members and our industry. From improving financial education, inclusion and accessibility, right through to savings, investments and retirement planning, the work we do with our members to **influence policy** is crucial in enhancing the industry we operate in and driving positive change.

As part of our commitment to delivering focused and impactful consumer outcomes, TISA's policy working groups have been structured into **four distinct workstreams**:

1. **Consumer Protection**
   Protecting the best interests of UK consumers in their financial journeys.

2. **Consumer Access**
   Considering issues that could directly impact access to financial products.

3. **Effective Products**
   Examining key considerations and legislation relating to products across the

investing and saving landscape.

4. **Corporate Responsibility**
   Exploring issues that directly impact society, the environment, and the economy.

All groups focus on both strategic and technical elements of policy/regulation. Key outputs from our workstreams can include recommendations to government and regulators on developing a financial services framework that protects and benefits UK consumers, finding solutions to operational/infrastructure challenges and developing standards of good practice on the interpretation and implementation of new regulation.

We provide a channel for firms to have their say on the policy we develop and present, contribute to our technical and regulatory interpretation work and, importantly, gain insights from other TISA members, policy makers, government and regulators.

Find out **more about TISA here: https://www.tisa.uk.com/about-tisa/**

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Introduction and Summary of Recommendations

TISA welcomes the opportunity to respond to the FCA's consultation on proposed targeted support reforms for pensions. We support the aims to:

- Ensure people have easy to access, trusted and affordable pension support
- Increase innovation and competitiveness in the market.

We agree that targeted support could provide a solution to the mass market, enabling millions of people to get help and support and ultimately improving the financial wellbeing of UK consumers. We strongly support the FCA's work on targeted support and the ambition of the policy proposals contained in the consultation paper.

We would like to draw out the following key points:

- We support the outcomes based approach taken by the FCA. For example, in relation to consumer understanding, we agree that this is central to ensuring the success of targeted support and we feel it is appropriate to require this outcome and leave it to firms to work out how to ensure and evidence that this outcome has been met. Similarly we agree with the key messages that must be disclosed to consumers, but the ordering and wording of those disclosures should be left to firms to determine and test with consumers to ensure they support consumer understanding and better consumer outcomes.
- We recommend that a degree of foreseeability is added to the targeted support definition and the better outcomes threshold. This reflects what it is reasonable to expect a firm to know at a point in time and will facilitate innovation and continuous improvement.
- We also recommend that the 'personalised recommendation' language is slightly tempered to allow space for the Simplified Advice proposal and to more accurately reflect the support being given to a customer when receiving targeted support. We propose the term 'targeted recommendation' is adopted, as this clearly signifies that the recommendation is not personalised to the individual customer, but the wider, consumer segment. It is vital that customers understand this distinction and that they can get additional support, through advice, should they wish to obtain a personalised recommendation.
- It is vital that targeted support is given its due prominence and focus in the overarching FSMA framework. We have a once in a generation opportunity to reduce the advice/support gap and to ensure targeted support is only conducted by appropriately resourced and skilled firms and individuals, we think it is essential that targeted support becomes a distinct permission under the RAO. Targeted support warrants its own permission and regime and should not be awkwardly shoehorned into existing permissions that do not adequately allow for business model innovation, new entrants and for an accurate reflection of the activity actually being conducted.
- We strongly recommend that FOS is brought closer into conversations about targeted support, so they can understand the features and scope of the regime. Ensuring that FCA and FOS are aligned on the scope and expected better outcomes will be vital to the successful implementation and ongoing delivery of targeted support. It is right that FOS should be able to review a firm's targeted support journey, as well as its pre-defined scenarios, consumer segments and ready-made solutions. However, FOS should not be able to rewrite these pre-defined elements unless there is a finding that the elements are in breach of the FCA's regime. This alignment will ensure confidence in the regime and overall ways in which FOS and FCA work together to get better outcomes for consumers.
- Finally, we would like to draw out that PECR poses a significant threat to the successful delivery of targeted support. With the rise in digital communication, the impact and relevance of PECR becomes increasing prevalent, notably with regards to the challenges that it creates for firms should they wish to send meaningful communications to their customers by email,

which could be construed as unsolicited marketing and required to comply with PECR. Without appropriate consent to issue such marketing communications, firms risk falling foul of PECR and being subject to the potential risk of significant fines issued by the privacy regulator. This issue extends beyond the known workplace pensions issue, impacting all products. Given targeted support aims to engage disengaged consumers and get them a better outcome and improved financial wellbeing, it is highly likely that firms are unlikely to have adequate consents to reach those that are the most disengaged and arguably require the most support. Without a change in the PECR position, the ability of targeted support to help consumers will be limited, as firms will simply be unable to contact impacted customers. We strongly recommend that PECR is amended to allow targeted support communications to be sent on an opt-out basis, in line with the FCA's intended proposal.

We would like to thank FCA for their engaging and proactive approach and for the opportunity to respond to consultation and would be happy to discuss these recommendations and any other aspects of our consultation response. We look forward to FCA and HMT progressing their work on the advice guidance review and realising the targeted support regulatory framework and we stand ready to engage, collaborate and lend out support to help achieve the policy objectives.

Question Responses

Question 1: In your view, do any of the proposals outlined in this CP adversely affect protected groups or vulnerable consumers and why?

There is a theoretical risk that firms will exclude people with protected characteristics or vulnerable customers from consumer segments and targeted support nudges simply because they are vulnerable. However, this approach is far too simplistic, is discriminatory and would also breach the FCA's vulnerable customer guidance and the Consumer Duty.

Vulnerability can impact all of our lives, in different ways and a nuanced, flexible approach should be adopted by firms. This does not preclude an individual from receiving targeted support. In fact, targeted support journeys, which are designed to engage unengaged customers, may increase the ability of firms to identify vulnerable customers and subsequently, tailor their communications and service as appropriate. Therefore, we think targeted support presents an opportunity to improve the support given to protected groups and vulnerable customers.

Question 2: In the context of SIPPs, do you think we should differentiate between different types of consumers in the targeted support framework? If so, how?

FCA DP24/3 has a section on SIPPs and FCA is concerned that some firms are not defining their target market appropriately and their customers are ending up in the wrong type of SIPP for them. Bespoke SIPPs have all bells and whistles and are most expensive vs Streamlined SIPPs, which are more aligned to mass market with less investment options (mainly standard assets) and ready-made SIPPs which have limited off-the shelf investment options.

We do not see any reason why the targeted support framework should operate differently for different SIPP customers. The individuals targeted support journey (i.e the consumer segment, comms and triggers) may differ but the fundamental point of achieving better outcomes through the process proposed should not differ.

Noting FCA's concern, we would expect firms to refresh the definition of their target market and as a part of this exercise they should identify which customers may have purchased an inappropriate SIPP. Targeted support could be use to suggest a more suitable SIPP product, ultimately addressing the FCA's concern.

Question 3: Do you agree that there needs to be a threshold in place to provide targeted support? If so, do you think this should relate to delivering better outcomes or avoiding poor outcomes? Please explain your reasoning or alternative approach.

Yes, we do think there should be a threshold to providing targeted support.

The avoiding poor outcomes threshold would require firms to identify customers that face foreseeable harm. Firms would then send (relevant) targeted support nudges to those identified customers. Arguably, this threshold would require firms to target customers that are most in need of support.

The better outcomes threshold requires a higher standard from firms – not only should the targeted support intervention aim to prevent harm, but it should lead the customer to a demonstrable, intended better outcome. This threshold is also more expansive as it would enable firms to not only nudge consumers that face foreseeable consumer harm, but also consumers who already have a good outcome, but through targeted support, may receive an even better position. The 'starting position'

of the customer receiving the targeted support should not just be linked to any potential foreseeable harm. This threshold also aligns with the Consumer Duty, PRIN 12, requiring firms to not only prevent harm but to go one step further and act to deliver good outcomes for their customers. Embedding this higher standard into firms could increase trust in financial services, as the level of service expected of firms is raised and firms are able to demonstrate value to the mass market.

We suggest that the threshold to determine when targeted support can be delivered should include a foreseeability limb – i.e. the threshold would be that the targeted support will deliver a foreseeable better outcome. This would align with the approach taken in the Consumer Duty and reflects what it is realistic to expect a firm to know at the time the targeted support is given. For example, several targeted support uses cases are likely to help consumers benefit from the current tax environment and framework (e.g. to use ISA allowances, to maximise tax efficiency in relation to pension drawdown). If the tax rules change, this should not undo or call into question targeted support that was given under the previous regime. We would expect firms to pause, review and update their targeted support journeys in light of any tax changes, but this would only impact targeted support journeys that follow the announcement tax changes. The reasonable foreseeability addition would set a clear limitation on the information a firm is expected to know and the time-appropriate accuracy of any targeted support journeys. This addition would also encourage firms to continuously develop and improve their targeted support offerings, without fear of retrospective redress.

Question 4: How would you make a judgement of when the better outcome threshold was reached? What steps could the FCA take to support this judgement?

Under the Consumer Duty, firms are required to define their target market for their products and monitor on an ongoing basis whether their products are distributed to customers in that target market. As a part of the Consumer Duty and Product Governance rules, firms need to monitor whether a product's intended benefits are being realised by customers, and to make changes where this is not the case. Firms are also required to have systems and processes in place to test and monitor the impact of communications on consumer understanding and using the outputs to improve their communications. These existing requirements would continue to apply to products taken out following a targeted support communication.

In addition, during annual review periods, we would expect firms to consider whether it continues to be reasonably foreseeable that the ready-made solution provides a better outcome for the consumer segment. The review would consider whether the pre-defined scenario, consumer segment and ready-made solution continue to hold true. This assessment should also be done at the segment level, rather than the individual consumer level, reflecting the distinction in support given by targeted support as opposed to advice. We also have to acknowledge that firms cannot control or guarantee how a specific consumer will react to a targeted support nudge. Of course, firms can conduct consumer testing and, in line with the Consumer Duty, should operate in good faith towards their customers. However, it is possible that a customer will read a targeted support recommendation and do the complete opposite. We have to acknowledge that a targeted support recommendation will not necessarily bring an actual better outcome for every single customer that receives the communication. This is an inherent limitation of the targeted support regime and this should be recognised. Aligning the scope of the annual review of targeted support journeys to the scope of the targeted support regime, firms should be able to make the judgement as to whether they continues to believe it is reasonably foreseeable that the ready-made solution will result in a better outcome for the consumer segment. We would expect firms to document their rationale as to why they are confident that it is reasonably foreseeable the consumer segment will obtain a better outcome due to the targeted support given.

That said, firms may wish to sample individual customer experiences of a targeted support journey, as a part of the annual review process. Ultimately, discretion should be given to firms to determine

whether this is appropriate in light of the particular targeted support journey. Examples of metrics that could be monitored include uptake of or withdrawal from particular products, customer feedback, whether particular product features are used to a greater or lesser extent, whether educational tools and resources are used more, customer complaints, customer loyalty and customer balances.

The specific features of the better outcome sought will depend on the particular targeted support that is given. For example, if a firm suggests that a customer with excess cash balances that are not needed within a 5 year time period invests in a S&S ISA in a diversified multi-asset fund, the firm should consider during the annual review of this journey, whether the fund is expected to outperform over a 5 year period. This assessment can be done at the consumer segment level, without requiring more individualised sampling or monitoring. Another example would be if a firm suggested a customer's pension withdrawal rate should be 3%, the firm should monitor whether this withdraw rate continues to be a sustainable rate on a market-wide basis. It is important to note that the judgement must be tied to whether the better outcome is likely to crystalise for the relevant consumer segment, and not the individual customer and this assessment should form part of the annual review process.

A potential complicating factor is where a firm makes a targeted support suggestion and the customer acts on that suggestion, but not with the firm that provides the targeted support. For example, the individual consolidates their pensions, but they consolidate them all with another provider; or the individual takes out an ISA with another firm. Here, the better outcome has been achieved, but the firm providing the targeted support will not know this. In addition, it is possible that a targeted support journey makes a customer informationally better off but does not result in them taking any particular action. For example, the targeted support journey could increase a customer's confidence and awareness, thereby improving their financial wellbeing. This doesn't necessarily result in the customer taking out any additional products, or making changes to existing product holdings, but it has resulted in a better outcome for the customer. These softer, intangible better outcomes may be particularly difficult to measure. More holistic, market-wide data may be particularly useful for some of these use cases. For example, the Hargreaves Lansdown Savings & Resilience Barometer provides a nationwide indicator of households' financial wellbeing over time, which could provide a valuable source of information when determining whether consumers are getting better outcomes on a macro scale. Similarly DWP analysis of future pensions income statistics can provide information on the country's retirement savings levels and the extent to which the adequacy issue is being addressed. The FCA's Financial Lives Surveys also provide a wealth of data, which could help determine whether consumers are getting better outcomes – for example, consumer access to products, use of savings and investments, and consumer confidence and trust in financial services. We would hope that all of these indicators would show signs of improvement following the introduction and implementation of the targeted support regime.

Question 5: Considering the more diverse consumer journeys in retail investments, how could we set the threshold for targeted support being provided in retail investments?

We think one threshold should be applied across all targeted support journeys. The purpose of targeted support is to engage currently disengaged consumers and nudge them towards better financial behaviours and decisions. This purpose applies universally.

Question 6: Do you agree with our proposal not to prescribe specific scenarios where targeted support could be delivered?

Yes.

Question 7: Do you agree with our proposal on ready-made solutions including that firms could suggest a new product? Do you agree that it should generally only capture support that constitutes

a personal recommendation in the current framework? Do you have views on whether the targeted support regime should facilitate suggestions not involving a personal recommendation, and if so, how?

We agree that targeted support may result in a ready-made solution and that depending on the targeted support journey, the ready-made solution could result in a firm suggesting one, new product to a consumer. In addition, there are instances where targeted support could be used to nudge consumers away from potentially unsuitable products, or where a product is maintained but particular features or behaviours are altered (e.g. a targeted support journey that encourages a potentially more sustainable pension drawdown rate).

Furthermore, members have indicated that whilst in some scenarios, they may feel comfortable recommending a specific product, action or inaction, in other scenarios, they are more likely to suggest that a consumer considers taking an action or inaction. This consideration, or suggestion is one step removed from a recommendation and enables clearer framing that the decision making responsibility rests with the customer, making the delineation of responsibilities easier to explain and more clearer to follow. If a firm is suggesting that a consumer considers a product, action, or inaction, then it is clear that the decision making responsibility lies with the consumer. This is less clear if the firm recommends a consumer does something. We think consumer testing on this matter would be beneficial.

We agree that it is important that the regulatory regime is clearly defined. In order to ensure the success of the targeted support policy proposal, it is vital that targeted support becomes a Part 4A permission. This will require clear definition. We recommend that targeted support is a separate permission, rather than being tied to existing Part 4A permissions, as this will allow for new entrants to the market. If the permission were to be tied to the existing advising on investing permission, this could impact insurance costs for firms, particularly those that do not currently offer advice. Having a separate permission would provide firms with confidence and clearly distinguish the separate liability regime.

We do not think that the legal and regulatory definition of targeted support should include a 'personal recommendation'. The purpose of targeted support is to make a recommendation to a customer that will result in a foreseeable better outcome for people with a pre-defined consumer segment. The customer receiving the targeted support must meet the criteria of the pre-defined consumer segment. The recommendation is not personalised to that specific customer. The recommendation is tailored to the consumer segment – a 'consumer segment recommendation' or a 'targeted recommendation'.

If the FCA/HMT is minded to include within the definition of targeted support a requirement that it includes a personal recommendation, we think it will be essential to also clarify what these, softer 'suggestions' and 'things to consider' would be classified as. Would the FCA expect these activities to targeted support or guidance? There needs to be clarity on what activity (guidance, targeted support, advice, other?) is being conducted by a firm that does the following:

- Provides a customer journey that results in multiple solutions – e.g. do not take out Product A, instead take out product B; or take out product C and D in combination. We suggest that these scenarios are still classed as targeted support. The first scenario (product A and B) helps provide the consumer with more information about what actions they should not take, leading them to make a more informed decision. The second scenario may be relevant where a firm offers products that complement or augment one another. Again, being able to provide information about both products may lead to a better, more holistic consumer understanding. It may also be the case that taking out product C or D alone would be unsuitable, this should be clearly disclosed to the customer where relevant and demonstrates why it may be necessary for a targeted support ready-made solution to suggest more than one product.

- Provides a customer journey that results in a recommendation to not act. For example, the customer is looking to take their entire pension fund as a lump sum which would move them into the higher rate tax bracket, and the firm issues a nudge recommending that the do not do this. Here, the customer is not being sold a product, they are being given a recommendation not to act. This activity could constitute a recommendation, and it is currently unclear if the FCA intend this to be captured within the targeted support regime, or whether it would instead classify this type of communication as guidance.
- Provides a consumer journey that results in a suggestion (not a recommendation) that the consumer consider a product. Here, decision making responsibility is clearly with the consumer, not the firm. If targeted support will require a personal recommendation, then this activity would not fulfil the definition. If the FCA does not intend to capture this activity as targeted support, it would be useful to have FCA Guidance that this activity constitutes guidance, and not targeted support or advice.

Firms will need clarity on what regulated activities are performing and where the delineations lie, in order to targeted support the be successful and for consumers to get better help and support.

We would also like to draw the distinction between the legal, regulatory definition of targeted support as a regulated activity, and the way in which targeted support is presented to consumers during a customer experience. As noted, we agree that there should be clear parameters and a clear definition on what activity constitutes targeted support and that this should not include other regulated activities. So, it should be clear, from a legal perspective, when a firm is conducting advice, targeted support and guidance.

To ensure the consumer is able to easily access the type of support they need, when the need it, we think it should be possible to combine guidance and targeted support in the one customer experience or journey. From a practical perspective, if a consumer wants help with a particular matter, they should be able to receive that in a seamless fashion. We strongly support the FCA's ambition to ensure that consumers are able to access trusted and affordable support when is suits them. In light of this, we think it should be possible for a consumer journey to include targeted support and guidance. For example, a targeted support use case of encouraging customers with potentially excess cash holdings to invest is identified. A consumer segment is formed e.g. of consumers who have potentially excessive cash deposits and have held those deposits for a number of months. The targeted support journey begins and during the data validation period, the consumer notes that the excess cash deposit will be needed in a short term time horizon because they will be buying a house soon. At this point, the targeted support journey could recommend an instant access cash saving account, it could also provide information and guidance on buying a house. All of this information may be of interest and assistance to the consumer. Being able to provide targeted support alongside guidance and information is more convenient and complete for the customer. It also makes the firm seem more joined up, which ultimately will increase the consumer's trust in the firm. It is important that the customer understand the scope, limitations and responsibilities associated with the support that they receive – and of course, that they actually receive help. Regulatory jargon should not be brought into the consumer journey: it will cause confusion, disengagement, and is not necessary. Obliging clear, fair and not misleading disclosures will enable consumers to access seamless, trusted support that spans information, guidance and targeted support.

Question 8: Do you agree with the three steps of pre-defining scenarios, consumer segments, and ready-made solutions? In particular we welcome views on the need to design these prior to the delivery of targeted support.

Yes, we agree with the three steps outlined in the consultation. We agree that the scenarios, consumer segments and ready solutions should be pre-set before a targeted support communication is given to

a customer. Scenarios, consumer segments and ready-made solutions should not be made up 'on the hoof'. They need to be subject to appropriate governance and oversight. We note that it should be possible to collect additional data from a customer, that allows them to be put into a specific segment, can be collected real time. The key is that the pre-defined elements are not created in real time.

One additional clarification we would make is that where a customer is receiving targeted support through a digital channel and during the data verification stage it becomes clear that the customer would benefit from alternative or additional targeted support (i.e. they fit another existing, pre-defined scenario and consumer segment), then it should be possible for the firm to provide the alternative/additional ready-made solution in real time. They would need to disclose the new scenario and consumer segment information, but if they have the technical capabilities to automate their pre-defined scenarios, consumer segments and ready-made solutions, the firm should be able to seamlessly react to customer verifications and provide ongoing targeted support in real time. AI technology and automation already enables this, so we would expect firms to be able to do this.

Question 9: Do you agree with our proposed approach to the verification process including the application of the better outcomes threshold?

We would like to clarify how the FCA sees the verification process working and exactly what a customer is verifying. Is the verification process checking that a customer understands the information that is being communicating to them (e.g. the limited scope of targeted support), or is the customer being asked to verify that they fall within the consumer segment, or both?

We think it is essential to be transparent about the key characteristics that form the consumer segment as this outlines why the targeted support communication is (potentially) relevant to the customer and what customer data has been used to generate the communication. In some instances, it may be appropriate for a firm to ask the customer to verify some of this information, to make sure it is up to date and accurate. In other instances, this will not be the case and has the potential to undermine the value and trust placed in targeted support – for example, if a firm were to ask a customer to confirm which fund they currently invest in, or what their current balance is. A customer would expect their provider to know this information better than they do and asking a customer to verify such information could cause confusion and distrust. Where the verification is superfluous – i.e. the firm feels confident that the information is correct and accurate enough for the purposes of the targeted support journey, then the customer should not be obliged to verify this information.

We would also propose caution is exercised in relation to obliging a customer verifies they have understood a targeted support communication. Of course, it is vital that the customer does understand the targeted support communication, but we do not want this to become a tick box exercise that ultimately disengages the customer. We agree that there should be a requirement to verify customer understanding, but discretion should be given to firms as to how this should be achieved. In line with the outcomes based approach to regulating, we think the verification requirement should require the provider to demonstrate that the customer understanding outcome has been achieved. Discretion is then given to the firm as to how they will demonstrate this in practice.

Question 10: Do you have any comments on the terminology, including 'targeted support' and 'ready-made solutions', we are using in this CP and its potential use in Handbook rules for firms?

We would draw a distinction between how these terms are used in a legal, regulatory setting and a consumer-facing setting. For the former, we think these terms are appropriate. In the latter, we would not expect firms to use the 'targeted support' and 'ready-made solutions' terminology when actually providing targeted support communications to customers.

In respect of the Handbook definitions and terminology, we would draw attention to our response to Q7. 'Targeted recommendation', or even 'ready-made, targeted solutions', would more accurately

align with the scope and purpose of targeted support, allowing for a cleaner delineation between targeted support and forms of advice.

We would also note that the term 'solution' implies a product is being recommended. This may be the case in some, but not all, instances of targeted support. There are many targeted support use cases that will nudge customers away from products, or to changing their behaviours in relation to an existing product, or simply seek to increase the customer's awareness. Changing the term solution to something broader, like 'intervention', may more accurately reflect the scope of possible options and suggestions. We also note that in the retail investments space, many firms have existing products that are termed 'ready-made investment funds' and additional uses of this phrasings could cause confusion in policy and product documentation.

Question 11: Does our proposed framework enable firms to provide targeted support where there is greatest consumer need? Are there any examples where you would feel unable to provide targeted support based on the framework proposed? Would guidance around scenarios where targeted support could be delivered be helpful?

We understand that it may take some time for firms to provide targeted support in relation to pension consolidation. This is due to the number of additional pieces of information, particularly the potential for customers to have several pension funds which may have protected benefits or guarantees. Firms are understandably nervous about nudging a customer towards consolidation, without understanding this wider set of information. Once Pension Dashboards are established and if firms are able to access this information, then targeted support could go further to support customers with consolidation decisions.

Working with our members over the past 3 years, we have identified the following risks that targeted support could seek to address:

Investing in an ISA, Lifetime ISA or GIA	Building, consolidating and investing in a pension	Decumulating in retirement	Protection
Customer holds excess balances in cash, where investing may be preferable option Customer invests when pension, emergency fund, debt repayment, protection may be preferable option Customer invests with a time horizon	Customer under-saves for retirement Customer stops saving towards retirement (from disillusionment) Customer commits additional savings without managing debt, adequate protection, emergency cash buffer	Accessing with poor tax efficiency Invest with under 5-year time horizon Investments not matching risk appetite / time horizon Poor diversification Investments not aligned to drawdown strategy	Over insuring Under insuring Taking out protection when debt repayment, emergency fund, workplace pension membership could be preferable Wrong type of cover

under than 5 years Lump sum invested by 1st time investor, which suffers a market fall outside customer's risk appetite Customer chooses investments that do not match their risk appetite or investment time horizon Investment leads to poor diversification Short-term holding periods Investment is subject to Infrequent rebalancing Customer perceives they've had advice Customers investing before they have a sufficient emergency fund / cash buffer for near term known expenses Customers end up in uncompetitively priced investments	Customer save into a pension when need access before the age of 57 Customer breaches allowances (MPAA / TAA, AA, LTA) Customer misses out on employer matching contributions Customer chooses investments that do not match their risk appetite or investment time horizon Investments don't suit retirement choice on run in to retirement Customer loses a valuable benefit by consolidating pensions Invest with less than 5-year time horizon Poor diversification Short-term holding periods Client perceives they've had advice	Other retirement options not considered e.g. annuity purchase ongoing in drawdown Income withdrawals too high (drawdown) Income withdrawals too low (drawdown) Short-term holding periods Infrequent rebalancing Client perceives they've had advice Cognitive decline Clients end up in uncompetitively priced investments NB: Proposed that personalised guidance regime cannot be used for Defined Benefit pension transfers	(decreasing Vs level Vs WOL) Taking out in wrong name Client perceives they've had advice

Customers ends up with suboptimal wrapper choice (ISA Vs LISA Vs Pension Vs Workplace Pension Vs GIA)	Clients end up in uncompetitively priced investments Customers ends up with suboptimal wrapper choice (ISA Vs LISA Vs Pension Vs Workplace Pension Vs GIA		

We note that these use cases are not definitive and as firms and markets innovate, we would expect the list of possible use cases to consequentially evolve.

Question 12: Are there any other scenarios in which you envisage targeted supporting being provided in retail investments?

Please see response to Q11

Question 13: Do you agree with our proposals in relation to advised consumers? ? Are there different considerations where a consumer is receiving ongoing advice or where a consumer has received initial or one-off advice about their pension?

We do not think that firms should be prohibited en masse from providing targeted support.

However, we are sympathetic to the concern that some advisers could use targeted support to place unnecessary risk on customers and devaluing advice services. We can also see that where a consumer is paying an ongoing advice fee, they should receive this higher quality service. If a consumer is paying for ongoing holistic advice, we do not see why it is the consumer's best interest to receive a lesser support service. In light of these two considerations, we think that where a firm is providing ongoing, holistic advice to a customer, the same firm should not provide targeted support to that customer. We would distinguish ongoing advice from one off advice, and holistic, ongoing advice where advice is given in respect of all aspects of a customer's financial life and ongoing advice that has an agreed, focussed scope – e.g. will only focus on a customer's pension, not their 'everyday' savings and investments. The targeted support restriction should only relate to matters that are subject to ongoing advice.

We would also note that any restriction should only apply to a firm that is providing ongoing holistic advice and this restriction should not apply universally. For example, if firm A is providing ongoing advice, but firm B is not, then Firm A would be prohibited from providing targeted support, but firm B would not.

In addition we do not think customer disclosures and risk acceptance would be sufficient to either allow Firm A to provide targeted support, or extend the prohibition to Firm B, because this would require a customer to have in-depth knowledge of the definition of advising on pensions and investments, (i.e. they would need to distinguish this from other types of advice such as mortgage or debt advice).

If the FCA is minded to increase the complexity of this restriction, it could consider placing additional checks on financial service providers. For example, the restriction could also apply where a provider is collecting an adviser charge on behalf of the adviser, has done so within the last 12 months, and an advice agency is on the customer's record. This would require the provider to check customer accounts and check customer records. We have suggested a 12 month look-back period, as this would capture annual and ad hoc ongoing advice fee arrangements. We are slightly nervous about the reliability of this additional limb of the restriction, given ongoing reviews into the application of ongoing advice fees and services. However, we hope the FCA's ongoing focus in this space will bring improvements to market practice and increase the reliability of these indicators. We would also caution that this approach would not distinguish customers that receive ongoing, focused advice from ongoing, holistic advice. For example, a customer who receives advice in respect of a pre-agreed scope – e.g. on their pension only – would pay ongoing advice fees. This customer would also have an advice agency on their record. This customer would not receive advice on their day to day savings and investments (in line with the agreed, focused scope of advice) and would also not receive targeted support, because the provider would assume any ongoing advice fee related to holistic, ongoing advice. Subsequently, this indicator could be used, but it is a rough assumption that will not always accurately reflect the exact nature of the services received by a customer. When you consider the potential consumer harm, we think the risk of harm posed by an advised customer receiving targeted support is low – the most likely outcome is that it will trigger the customer to speak to their adviser, and the adviser will simply explain the limitations of targeted support, and the comparative level of support given under advice. In light of this, it may be simpler for all parties to limit any restriction to firms providing ongoing, holistic advice to a customer.

Finally, we recommend that only the firm that is providing the ongoing advice is prohibited from providing targeted support. Other firms should need to include a standard disclosure that if a customer is receiving advice on the pre-defined scenario at the centre of the targeted support communication, then they should follow the advice given by their adviser, not the ready-made solution that is recommended in the targeted support communication. This preserves the hierarchy of support services and makes clear that consumers are able to get a higher level of support through advice services.

Question 14: What are your views on our proposals for the design principles? In particular, do you have any comments on achieving appropriate oversight and competence?

We agree that the FCA should look to leverage the Consumer Duty and existing rulebook, including PROD, to the fullest extent. This would align with the intention to move away from a prescriptive approach to an outcomes-focussed approach. We have long held the view that targeted support would enable firms to comply with the spirit of Consumer Duty, helping consumers receive better outcomes and improve consumer financial wellbeing.

Standard PROD requirements should be transposed to the targeted support regime. For example, there should be a requirement to maintain, operate and review a process for approvals of targeted support journeys (i.e. the pre-defined scenarios, consumer segments and ready-made solutions). Firms should also have to document the expected better consumer outcome that the targeted support aims to achieve, and ways in which the firm will measure whether the outcome has been achieved.

Question 15: Do you agree with this approach to ready-made solutions, including the restriction placed on the annuity journey and the annual review of the process? Are there any other suggestions you think would not be appropriate due to targeted support being based on limited information? Please explain your reasoning.

We agree with the FCA that targeted support should not be used to recommend a specific annuity provider to a customer. We do not believe that targeted support should be used to obtain and verify health data that may be pertinent to annuity selection. As such, even where firms have the ability to research the whole of market, it would not be possible to identify the most appropriate annuity provider. However, we think targeted support could be used to help customers with the decision points that arise before that final specific product purchase decision. If a consumer has decided to purchase an annuity, targeted support could provide support in helping members decide what features they should consider e.g. indexation, partner protection and guarantee periods. Currently, customers do not get this support unless they pay for advice and as such, the most popular lifetime annuity option currently purchased is a single, level annuity. For those customers that either cannot or will not take financial advice, targeted support could help them consider key features and types of annuities, going a step further than currently proposed, but stopping short of recommending a specific annuity product. This would enable customers to get better support than they currently receive and would also enable targeted support to operate alongside the annuity prompt rules. If anything, targeted support could help consumers have more informed conversations once they reach the annuity prompt rule stage.

We would also recommend that targeted support restrictions are created in respect of defined benefit transfers and recommending non-mass market investments (i.e. HRIs). It should be possible to use targeted support as a means of creating friction and recommending that customers do not invest in non-mass market products.

Question 16: Do you agree with our proposal for setting the general parameters around the definition of consumer segments? If so, what should this involve and how could it be framed effectively in light of the existing 'sufficiently granular' concept? Please explain your reasoning.

Yes, we agree that it would be useful for the FCA to set general parameters, and not the individual characteristics that underpin a segment. It would be useful for the FCA to specify that consumer segments are to be based on limited set of known and assumed, materially relevant characteristics that are validated with a customer. Consumer segments are not exhaustive lists of characteristics, akin to the level of detail derived from a full fact find exercise.

In line with PROD, we would expect there to be a requirement that firms define their consumer segments 'in the positive' and 'in the negative' – i.e. they should describe the key features that a customer must have, as well as the key characteristics that would prevent the customer from being included within the consumer segment. It is important that the consumer segment is sufficiently granular, but not so granular that a full consumer fact find is required in order to ascertain whether a customer falls within the segment, or not. Discretion should be given to firms to innovate in terms of the specific consumer segments and their defining characteristics – this will introduce competition into the market.

Requiring firms to evidence why the ready-made solution gets the consumer segment a better outcome, will ensure consumer segments are sufficiently granular. A firm would need to be confident that they can evidence that this is the case as a part of the targeted support approval process. Requiring appropriate oversight of this approval process and requiring there to be SM&CR responsible person for targeted support will also strengthen the control framework.

We accept that FOS may review a firm's consumer segments and we recommend that FOS' review can consider the following:

- Whether a characteristic of the predefined consumer segment is incorrect – i.e. someone with that characteristic would not have received a better outcome from the ready-made solution.
- The consumer segment is in breach of FCA requirements and therefore is insufficiently granular. Consequently, the relevant customer/complainant has been incorrectly included in

a consumer segment. For example, the underlying breach is that the firm has not followed governance and oversight arrangements when creating the consumer segment.

The FOS should not be able to amend a firm's consumer segment unless that consumer segment is in breach of the FCA's rules and guidance.

Question 17: Do you agree with our preference to take an outcomes-based approach to verification, and how do you think this could work in practice? Would it be helpful if this approach was supported by rules or guidance on the data to use or not use? Please explain your views.

In line with our response to question 9, we agree with the FCA's proposal to take an outcomes-based approach to verification. We would appreciate greater clarify on how the FCA sees the verification process working and exactly what a customer is verifying. Is the verification process checking that a customer understands the information that is being communicating to them (e.g. the limited scope of targeted support), or is the customer being asked to verify that they fall within the consumer segment, or both?

The FCA should require a firm to disclose the key characteristics that underpin the relevant consumer segment to the customer and that the firm may ask the customer to verify that they match those characteristics, where this is appropriate and needed to ensure that the provider is confident they have up to date and accurate information. The firm needs to playback to the customer what information they have been relied upon to generate the communication. We think this transparency is essential to ensuring targeted support is successful.

It would also be useful for the FCA to specify that the data verification stage can be used to verify the firm's existing data that is held on the customer and additional characteristics that make up the consumer segment. The firm's existing information and data should at least partially cover the consumer segment's underlying characteristics – i.e. the verification stage should not be used to collect data on all characteristics that underpin a consumer segment.

It would also be helpful for the FCA to specify that the firm must have reasonable grounds to believe that the customer will fit into the consumer segment prior to undertaking the verification exercise. This strikes a balance ensuring that targeted support is not used a fishing exercise, whilst recognising the benefits of targeted support and that firms may have incomplete data sets. This would also align with existing requirements under GDPR, where firms are only permitted to obtain necessary information and use the information for specified, explicit purposes. These legal requirements provide a limitation on the amount of information a firm can collect from a consumer, ensuring that data is relevant to the targeted support scenario.

We think an alternative, prescriptive approach would limit the applications of targeted support and consequently, the range of consumers that could be assisted. It would limit innovation and competition in the market.

Finally, for completeness, we would like to draw out the scenario where a firm holds data on a customer and does not require customer verification. For example, a firm is obliged to know customer balances. We can see that asking a customer to verify information that they would expect their firm to know (and that their firm is actually obliged to know) could irritate customers and undermine the value placed in targeted support. Here, if the firm is obliged to know information about their customer, the firm should not be obliged to verify this information with the customer. We would still expect the firm to outline the key characteristics of the pre-defined consumer segment, so the customer can understand how the communication is relevant for them. This transparency remains key to ensuring consumer understanding. However, we would not expect the customer to unnecessarily verify information. Another example of where this might be relevant is where a firm knows that a customer is withdrawing 10% of their pension a year. The firm should not need to verify this information with

the customer, rather they should simply play it back to them as a relevant characteristic. We think flexibility should be built into the targeted support regime to allow for these scenarios, so that firms can rely on information they are obliged to hold on record in an accurate manner, without requiring additional verification from consumers.

Question 18: If you do not agree, please provide your views on alternative approaches including whether to prescribe in rules data firms would need to use.

N/A

Question 19: What level of data do you think would be perceived by a consumer as suggesting the provision of holistic advice? Please describe these data points and the linked scenarios.

Given c.92% of the UK population have never received advice, the vast majority of consumers do not know what advice 'feels like'.

That said, there is a potential for consumers to think that a targeted support recommendation is a personal recommendation, if the disclosed consumer segment contains too many features and characteristics. This level is very difficult to prescribe and is likely to depend on the pre-defined scenario and individual customer. Consequently, we do not think the FCA should prescribe minimum and maximum numbers of data points.

We think there should be a FCA requirement that firms are obliged to disclose key characteristics that define consumer segments during a targeted support communication. The FCA may wish to consider providing guidance around the granularity firms provide on consumer segment characteristics. For example, if a firm uses precise data points (e.g. you have a surplus income of £274 a month), then the customer may be more likely to think that they are receiving a personalised recommendation that is purely tailored to them.

Firms may also wish to obtain verification from customer that they fit within the consumer segment profile (i.e. that they match the stated characteristics). This may not always be relevant and will depend on the data points. The FCA should also oblige firms to make it clear to consumers that they remain responsible for deciding if the targeted recommendation received during targeted support is something they would like to take forwards. This outcome should be disclosed and understood by consumers. How firms achieve this should be left to firms to determine. Consequently, firms should be given discretion to determine the relevant, sufficiently granular characteristics that define a consumer segment and ensuring that they comply with the Consumer Duty consumer understanding requirement. It would be useful for the FCA to set clear expectations that firms will test consumer understanding prior to implementing targeted support communications and will continue to monitor this.

We also think it is important that firms that have large data sets are not penalised and prevented from using them when defining their consumer segments. The counterfactual is that firms are obliged to offer an inferior level of targeted support, which would seem perverse.

Question 20: Are there any specific considerations for restricting the use of data for targeted support in retail investments?

Firms should have the flexibility to collect the data they deem appropriate to enable effective segmentation to take place. However, we need to be mindful that data becomes out of date and the consent required to collect this data electronically (which is likely to be the most common and preferred communication method for customers) will also become out of date. Whilst the associated data items will be played back to customers in targeted support communications, guidelines relating to consent expiry, which is linked to PECR would be helpful to ensure all firms apply a consistent

approach. Currently, this is open to interpretation and this uncertainty may prevent firms from confidently implementing targeted support.

Question 21: How might firms seek to use pensions dashboard data for targeted support? In particular, we would welcome views on how firms may seek to use dashboard data as part of a consolidation journey in targeted support.

An immediate question which many Dashboard users will ask is 'What am I supposed to do with this information?' For many, seeing their collective entitlement will be a surprise and they will need support to make future decisions including forthcoming retirement decisions, whether to change their contribution level and should they consolidate their entitlements into a single pot.

There needs to be a seamless way for users to access off-dashboard targeted support services from their pension provider(s). Expanding the Data Export permissions to enable firms authorised to provide targeted support to receive the data directly would help achieve this objective.

Question 22: Do you agree with our proposals with respect to stopping a targeted support journey above? What do you think is the best way to deliver requirements that achieve this? Please also share your views considering how consumers who share relevant protected characteristics would be impacted.

We would distinguish 2 scenarios:

1. During the targeted support journey a firm discloses the key characteristics that underpin a consumer segment and asks the customer to verify that they possess those characteristics. If the customer is asked to verify this information and they customer confirms that they do not have those characteristics, then the firm may ask for details (i.e. which characteristic do they not share) so they can accurately update the data they hold, they thank the customer and stop the targeted support journey.
2. During the targeted support journey a firm discloses the key characteristics that underpin a consumer segment and asks the customer to verify that they possess those characteristics. The consumer provides confirmation. In addition, during the targeted support journey, the customer discloses new information that is a separate, previously unmentioned characteristic. Because this separate characteristic does not relate to the pre-defined consumer segment and connected ready-made solution, the targeted support continues. It is made clear the basis upon which the targeted solution is made – i.e. it is reasonably foreseeable that a person matching the disclosed key characteristics of the consumer segment will receive a better outcome if they action the ready-made solution contained in the targeted recommendation. The targeted support communication also contains a disclosure prompting the consumer to carefully consider the suggestion and to think about whether any relevant information has not been considered. The targeted support communication may also contain information about seeking advice, should the customer wish to discuss in more detail.

In the first scenario, we agree with the FCA's proposal that the targeted support journey should cease, once the data verification stage has been completed.

In the second scenario, the targeted support continues. The alternative, and current FCA proposal risks is likely to curtail the possibility of targeted support being offered in person or over the phone. This is because the proposal requires the person providing the targeted support to recognise the new piece of information, and interpret how that impacts a customer's personal financial situation. This would essentially require qualified advisers to give targeted support over the phone. Targeted support is designed to engage disengaged consumers and provide customers with a better financial outcome. It is recognised that targeted support is not personalised to the individual consumer and their

particular background, aims and characteristics. In light of this, extraneous new information should not be taken into account during targeted support, because it is outside of the scope of targeted support. This is the purview of financial advice. Instead, targeted support tells customers about information, actions, products that can help people with certain, limited characteristics. The limited scope is fundamental to its design and should be maintained.

The FCA's proposal is unlikely to impact targeted support that is offered over digital channels, as the targeted support journeys will be built in such a way that this scenario will not arise. We recommend that the FCA changes its proposed position and instead, aligns the 2 scenarios outlined above.

Question 23: What is your view on the potential for variability in the provision of targeted support and do you consider that an industry standard or guidance may be helpful in providing a level of consistency?

We do not see variability in the provision of targeted support as being problematic. It is a consequence of the innovation and competition that targeted support will inject into the market. Under the FCA's proposals (which we agree with), firms will need to evidence that their ready-made solution will provide the consumer segment with a foreseeable better outcome.

In practice, the most prominent use cases are likely to be standardised (e.g. consumers holding large cash balances over time will receive prompts to consider investing in a S&S ISA. Low risk, "starter" investments such as model portfolios or diversified, multi-asset funds, or what is a reasonable pension drawdown rate).

We will work with our members to discuss ways in which TISA can assist firms with the implementation of the targeted support regime, including the need to set best practices.

Question 24: Would any of these conduct standards not be appropriate to providing targeted support in retail investments?

In line with our response to question 23, we see variability as being a natural response to innovation. The key is ensuring targeted support recommendations ensure a consumer receives a better outcome. TISA will work with members to assist them with the implementation of targeted support in respect of pensions and retail investments.

Question 25: Should we consider any other conduct standards which are specific to targeted support in retail investments?

No.

Question 26: Do you agree that these 3 touchpoints are the main times at which firms should disclose information to consumers? If not, why?

We think that the three touchpoints may appear in some targeted support journeys, but not all. The touchpoints may not be distinct, separate points in time – particularly in digital journeys where the entire interaction could take seconds. Touchpoint 2 may also be irrelevant where a firm does not need to gain extra information or verify existing information with a customer. For example, where a firm knows that a customer is withdrawing from their pension at a seemingly unsustainable pension withdrawal rate. In this example, no further information needs to be collected from the customer, so touchpoint 2 does not occur.

We would also draw out that Touchpoint 1 has the potential to cause customer confusion. At Touchpoint 1, the firm initiates the communication seeking to verify whether it is suitable to provide targeted support to that customer. At this point, the firm hasn't determined whether they will provide targeted support, as they need to complete the data verification stage. The firm will have reasonable grounds to believe a consumer falls within a pre-defined consumer segment and that it is reasonable

to expect members of the pre-defined consumer segment to get a better outcome through the targeted support. However, and importantly, the firm has reasonable grounds to believe the consumer will fall into the consumer segment, but they do not know this. Therefore, they also do not know whether targeted support will definitely be given. In light of this, it seems disjointed to provide a customer with information about a service the customer may or may not receive and a better outcome that may not be relevant to them. There is a risk that these disclosures are made, and then targeted support is not given, causing customer confusion and irritation.

In light of the levels of innovation and diversity of potential targeted support use cases, we propose that the 3 touchpoints are not adopted as essential steps in any targeted support use case as we do not think this will be the case.

Question 27: Do you agree with the key aspects of the minimum prescribed level of information required at each touchpoint? Is there any information that all firms should disclose in addition to the key pieces of information in 6.24 and 6.25, or any other stage? Should all of this information be prominently shown and not layered?

In line with our response to question 26, we agree that the information should be disclosed to customers, but the touchpoints they are currently assigned to may not be the most suitable point during the customer journey.

As mentioned, for some targeted support use cases, the touchpoints may be very close together, rather than distinct stages warranting separate treatment. For other use cases, some of the touchpoints may simply not occur.

We think the best route forwards would be for the FCA to require the proposed disclosures to be given, but for flexibility to be given as to precisely when each message should be given during a targeted support journey. Firms will need to test their targeted support journeys to ensure that customers understand them. This testing will be key to ensuring the messages cut through at the appropriate, most relevant time.

In addition, we wish to clarify that the FCA does not intend at para 6.14 to require firms to provide customers with records of every targeted support communication that they have received. Customers may want to refer back to a targeted support communication, so having the option to save it and come back to it a convenient time may be desirable. Customers should also be able to request copies of targeted support from a firm, but we do not think it is necessary for a customer to have a permanent record of all targeted support received. This may even cause harm where a consumer has verified that the targeted support communication is irrelevant or unhelpful to them. In contrast, we would expect firms to keep records of all targeted support communications they have given.

Question 28: Do you consider the conflicts of interests (SYSC 3 and 10) requirements sufficient to manage the risks from firms providing ready-made solutions which involve a specific product from their own product range?

Yes, particularly when read alongside the Consumer Duty.

Question 29: Do you agree that the sourcebooks described above do not require any substantive changes to ensure the effective delivery of targeted support with appropriate consumer protection?

Yes.

Question 30: Do you agree with our proposals on the existing COBS 19 requirements? Are there any other aspects of our existing pensions regime we should be considering?

We agree that as members approach retirement, targeted support could be particularly important and help members navigate through the complicated decision making required, as well as raising

awareness that it is not a one and done decision and reviews need to take places through retirement as circumstances change.

Where appropriate, the inclusion of the COBS19 requirements within a wider targeted support journey as opposed to a separate and disjointed journey should be what we are aiming to achieve.

Question 31: How do you consider targeted support and the annuity prompt rules could operate together to create a positive consumer experience?
We agree that the annuity prompt rules serve an important purpose and should continue to exist once targeted support has been implemented.

We agree with the FCA that targeted support should not be used to recommend a specific annuity provider to a customer. We do not believe that targeted support should be used to obtain and verify health data that may be pertinent to annuity selection. As such, even where firms have the ability to research the whole of market, it would not be possible to identify the most appropriate annuity provider. However, we think targeted support could be used to help customers with the decision points that arise before that final specific product purchase decision. If a consumer has decided to purchase an annuity, targeted support could provide support in helping members decide what features they should consider e.g. indexation, partner protection and guarantee periods. Currently, customers do not get this support unless they pay for advice and as such, the most popular lifetime annuity option currently purchased is a single, level annuity. For those customers that either cannot or will not take financial advice, targeted support could help them consider key features and types of annuities, going a step further than currently proposed, but stopping short of recommending a specific annuity product. This would enable customers to get better support than they currently receive and would also enable targeted support to operate alongside the annuity prompt rules. If anything, targeted support could help consumers have more informed conversations once they reach the annuity prompt rule stage.

Question 32: Do you agree with our proposed approach to fees and charges, including on the issue of cross-subsidisation? If not, please explain why and if you have alternative suggestions?

Yes, we agree with the FCA's proposal.

From conversations with our members, we understand that firms plan to offer targeted support on a free basis. In light of the fair value requirements under the Consumer Duty, we suspect that this will become the market standard approach, unless a firm that wishes to charge for the provision of targeted support is able to demonstrate that their offering provides materially better value and therefore warrants the alternative approach to charging.

Question 33: For firms, based on our proposals, how do you intend to charge for your targeted support services, either directly or indirectly, and how do you anticipate your approach would affect existing fees and charges? Please provide as much detail as you can, including details about specific fees across your business?

N/A

Question 34: Do you consider that, in principle, all authorised pension providers should be able to provide targeted support? Are there any types of firms whose business model makes them less likely, or less appropriate, to provide it? We are particularly interested to hear from SIPP operators on their interest in providing targeted support.
We agree that all pension providers should have the opportunity to provide targeted support. Different pension types will have different target markets, however the framework should have the flexibility to enable firms to design targeted support journeys (if they want) based on their underlying consumer base.

Whilst the AGB does not exist in the same way for Trust Based pensions schemes, this does not preclude them from liability for providing incorrect information and many may still wish to operate a support framework with the comfort provided by this being within an authorised regime. It should be considered how this could be extended to DC Trust Based schemes to ensure all members can experience the same levels of protection and support.

Question 35: Do you think that advisers could provide targeted support based on the conduct framework we have proposed? If so, how do you consider appropriate consumer understanding of the service could be achieved?

We do not think that firms should be prohibited en masse from providing targeted support.

However, we would note our response to Q12 in relation to restricting certain advised customers from receiving targeted support. Here, we would draw out the scenario where a customer has agreed a specified focus for the advice they receive – i.e. they receive holistic advice which takes into consideration all of their personal circumstances, but only in respect of a pre-agreed scope – e.g. on the pension. In this scenario, it may be possible for the adviser to give targeted support in respect of the customer's 'descoped' holdings – e.g. their day to day savings and investments. Any other firm would be able to do this, as the customer is not receiving ongoing, holistic advice on their personal savings and investments, so it should be possible for the adviser to also do this. We accept that advisers would needs to be very careful to ensure the customer understands the distinction in services provided and would expect advisers to undertake consumer testing on this point before offering targeted support to customers.

Question 36: Are there any types of advice firm business model you consider to be well placed to deliver targeted support? For example, a pension provider which has an 'advice arm' to their business. Please explain your answer, providing examples if possible.

We are concerned that trying to make the targeted support regulated activity a 'sub-permission' of an existing advising on investments/pensions permission could have negative, unintended consequences.

Firstly, this requires firms to have the existing 'parent' permission, which limits the ability for innovation and new entrants. It could require firms to obtain irrelevant permissions that they have no intention on using. There are also commercial implications associated with tying the targeted support permission to the advice permission, as this is likely to impact firm's insurance premiums. Even if they are not using the advice aspect of the permission, the fact they have obtained that permission will require them to notify their insurer and is likely to lead to an increase in insurance premiums. Creating a distinct targeted support permission would also align with the FCA's overall position on permissions – i.e. that firms should only obtain permissions that relate to activities they actually intend to perform.

In addition, the process for obtaining a new permission is more stringent, ensuring that firms go through a rigorous process to demonstrate they have adequate expertise, systems and controls that specifically pertain to the permission. We think it is important that firms go through this process before providing targeted support, as this will bring a degree of surety and trust in the regime. Whilst this may take additional time, it is important that the implementation of targeted support is done properly, with adequate supervision and oversight from the FCA.

If a distinct targeted support permission is created, this will create a secure baseline ensuring that only appropriately resourced and skilled firms are able to provide targeted support. This will ensure that only firms that are well placed to deliver targeted support actually do so.

Question 37: Do you see any reason why advisers should be able to provide targeted support in relation to broader retail investments and not pensions?

Please see our response to questions 13 and 35.

Question 38: Do you think there is a valid case for requiring all pension providers to provide targeted support? Please explain your reasons.

No, we do not think it is necessary to mandate all pension providers to provide targeted support. This should be a voluntary service implemented by providers that believe this can have a material and beneficial impact for their customers. Given this would compliment and help providers meet other regulatory obligations such as the Consumer Duty, we would expect take-up to be relatively high.

For those firms choosing not to implement TS, they will still need to comply with strong governance focused on consumer protection such as the Consumer Duty and forthcoming regulatory change such as the Value for Money framework.

We also have a pensions AE framework which is split across two regulatory regimes. The importance of consistent consumer journeys has been recognised and as such, we should be considering how this regime (or similar) could be accessed by DC trust based pension providers.

Question 39: Do you think consumers should be able to complain to the Financial Ombudsman and bring claims to the FSCS in relation to targeted support? If not, why?

We do think that consumers should be able to bring complaints to the Financial Ombudsman. Consumers ought to be able to receive redress for any targeted support that is unfair, unclear or misleading. We are supportive of the FCA proposal to use PROD and the Consumer Duty to set clear standards for the design of consumer segments. This will ensure that consumer segments, and the consumer characteristics and behaviours that shape them, are appropriately detailed. This is central to ensuring that the targeted support received by consumers is fair, clear and not misleading. It also minimises the risk of a 'harmful' targeted support nudge being given and acted upon. This in turn enables the FOS to take the position that complaints will not be upheld where they are based on consumer factors or characteristics that are extraneous of the consumer segment. In addition, we also note that it is important that firms can rely on responses consumers provide during the data verification stage, in order to confirm whether a consumer falls within a pre-defined consumer segment. In light of this, we recommend that FOS is brought closer into conversations about targeted support as the policy progresses.

It is unclear why a consumer would bring a claim to the FSCS in relation to targeted support. The FSCS would be relevant if the consumer has a product that is covered by the FSCS scheme – this is irrespective of whether the consumer decided to purchase a product following a targeted support nudge.

Question 40: Do you think our proposed conduct framework gives enough regulatory certainty for firms to implement targeted support commercially, taking into account potential redress liabilities? Please explain your reasoning and where more detailed rules would be helpful.

It is difficult to provide a determinative response to this question without seeing the details of the regulatory framework.

We think it is appropriate and right that consumers should have recourse to FOS and we accept that FOS may review a firm's pre-defined scenario, consumer segments, ready-made solution and the content of a firm's targeted support communication. It would be helpful if FOS' decisions aligned with the FCA's interpretation of the FCA's rules and guidance. The alternative places firms in a very difficult position and is likely to undermine firm confidence in providing targeted support. Without this alignment, it is difficult for the FCA to provide certainty.

In addition, we recommend that targeted support is a separate permission, rather than being tied to existing Part 4A permissions, as this will allow for new entrants to the market. Firms would need to demonstrate they had adequate expertise, systems & controls at the gateway. In addition, if the permission were to be tied to the existing advising on investing permission, this could impact insurance costs for firms, particularly those that do not currently offer advice. Having a separate permission would provide firms with confidence and clearly distinguish the separate liability regime, which may mitigate the risk of increased insurance costs for firms that currently do not provide advice, but would like to provide targeted support.

Question 41: In which aspect of the framework (eg verification process, aligning ready-made solutions to consumer segments) do you see the greatest liability risks arising? What controls would you put in place to manage these risks?

Liability	Controls
A firm cannot rely on consumer's word during verification stage.	FCA stipulates in rules that a firm can rely on the information and verification given by a consumer.
Requirement / FOS position that firm should have taken into account wider set of characteristics when setting consumer segment.	FOS finding should only occur where there is a breach of FCA rules and guidance (e.g. breach of PROD). Discretion given to firms to define their targeted support scenarios and consumer segments. Firm must also demonstrate that it is reasonably foreseeable that the ready-made solution provides a better outcome for the consumer segment.
A Finding that a firm is obliged to provide targeted support - liability arising from a scenario where a customer suffers harm which may have been prevented if they had received targeted support.	FCA is clear that firms authorised to conduct Targeted Support must conduct the regulated activity, but discretion left to firms to determine targeted support use cases, pre-define scenarios, consumer segments and ready-made solutions. Firms should face liability if their consumer segmentation is discriminatory, under Equalities Act 2010.
A firm offers targeted support to customer in breach of PECR.	Changes needed to PECR to allow firms to provide targeted support to customers, respecting the FCA's requirement that the targeted support regime is provided on an opt-out basis.

Question 42: Do you think targeted support, as proposed in this CP, could be delivered effectively to a wide market of consumers based on the existing direct marketing regulatory framework? If not, why not and what would be helpful to enable this effective delivery?

We are supportive of targeted support becoming a mass market solution that provides millions of consumers with support that is easy to access, trusted and affordable. We think the proposals contained in the consultation are ambitious and seek to achieve this aim.

However, we draw attention to our responses to questions 20.

The Financial Services regulatory landscape has changed considerably in recent years, with an increasing expectation placed on firms by regulators to provide meaningful support to help consumers make informed choices and avoid foreseeable harm. Combined with the rise in digital services and the customer expectation that interactions will be digital, PECR presents a fundamental barrier to the success of initiatives such as the Consumer Duty, Guided Retirement and Targeted Support. It is preventing people from getting support at the time of need, in an accessible and engaging way.

Given the wide-ranging nature of PECR and the various sectors and consumers that fall within its remit, we believe a wholesale review would be too lengthy and resource hungry at this time. Nonetheless, there is a very real danger that by not doing anything, PECR severely restricts the ability for firms to meet the consumer-focused regulatory changes that are being introduced within the Financial Services sector. From a pragmatic perspective, recognising that the change needs to be straightforward to implement and have the intended impact, we recommend introducing an exemption which enables firms that have obtained the Part 4A FSMA Permission to conduct targeted support to send electronic communications where a firm has reason to believe that the recommendation contained in the communication, if taken by the consumer, would deliver a better consumer outcome. This aligns to the principles associated to the proposed targeted support regime.

Question 43: Do you agree with our assessment of the harm in the market and drivers of it?

We agree with the FCA that consumers face difficult decisions throughout their lives that can have short and long term implications for their economic welfare. The implications of the time value of money may not be fully understood, and the increasingly short-term, instant gratification nature of the modern world can mean that long-term decisions are put off, or avoided.

During an individual's working life, they will need to make financial decisions, choices and trade-offs. At earlier stages of an individual's life there can be many competing priorities; for example, whether to pay bills, whether to buy a house, whether to go on holidays, whether to have kids. All of these decisions have financial implications. In later life, some of these competing priorities fall away, and it is at this point we tend to see people turning greater levels of attention to their retirement plans. We are reluctant to classify these competing priorities and trade-offs as potentially poor decisions being made by consumers. These decisions reflect the general living conditions of UK consumers, which are impacted by a number of external conditions. We need to be careful not to patronise consumers who may not make 'idealised' decisions, given the limitations of our individual, lived experience.

We would also note that during later life, an individual's capability to work and earn a living reduces. This factor also drives the direct harm identified by the FCA. When an individual is able to work, they have a degree of control over their economic welfare: they can increase their working hours, change jobs, retrain and upskill. When an individual is unable to work or needs to decrease their working hours, they lose that degree of economic independence and control. Naturally, this has a tendency to occur in later life, and signals the need for individuals to turn to pensions or savings to supplement or replace their salary. If an individual does not have an adequate pension or savings and is unable to work (or increase working hours), they have very limited control over their economic welfare. This can lead to severe harm and a great reliance on the social welfare safety net.

Question 44: What other regulatory and economic changes in the pensions and financial advice space will impact the effectiveness of targeted support?

The Financial Services regulatory landscape has changed considerably in recent years, with an increasing expectation placed on firms by regulators to provide meaningful support to help consumers make informed choices and avoid foreseeable harm. Combined with the rise in digital services and the customer expectation that interactions will be digital, PECR presents a fundamental barrier to the success of initiatives such as the Consumer Duty, Guided Retirement and Targeted Support. It is preventing people from getting support at the time of need, in an accessible and engaging way. Given the wide-ranging nature of PECR and the various sectors and consumers that fall within its remit, we believe a wholesale review would be too lengthy and resource hungry at this time. Nonetheless, there is a very real danger that by not doing anything, PECR severely restricts the ability for firms to meet the consumer-focused regulatory changes that are being introduced within the Financial Services sector. From a pragmatic perspective, recognising that the change needs to be straightforward to implement and have the intended impact, we recommend introducing an exemption which enables firms that have obtained the Part 4A FSMA Permission to conduct targeted support to send electronic communications where a firm has reason to believe that the recommendation contained in the communication, if taken by the consumer, would deliver a better consumer outcome. This aligns to the principles associated to the proposed targeted support regime.

It is important that targeted support is implemented prior to the public launch of Pension Dashboards. These are widely expected to drive uplevels of engagement and for many, the information provided of their pension entitlements in totality will be a surprise. The natural reaction will be to seek help in understanding the information and what appropriate next steps are. Targeted support will provide a crucial role here so it is essential that this can be accessed easily through post-view pension dashboard services from the outset.

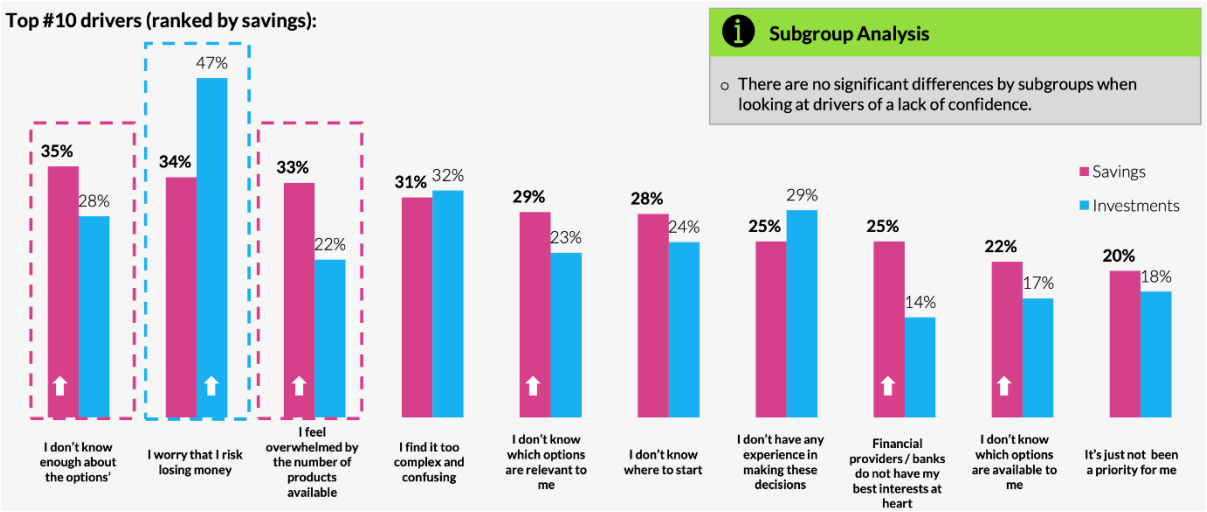
We would encourage the DWP and TPR to adopt a targeted support regime to bring workplace pension schemes into scope, increasing the potential for millions more consumers to receive easy to access, trusted and affordable support. This would align well to scheme trustees' fiduciary duty which has at its core an obligation of loyalty, trust and confidence and applies at a scheme rather than individual level. Targeted support would also help effectively deliver Guided Retirement which is aimed at increasing the support given to consumers as they approach, reach and go through retirement

Question 45: Do you agree with our assessment of how targeted support could mitigate market failures and reduce harm?

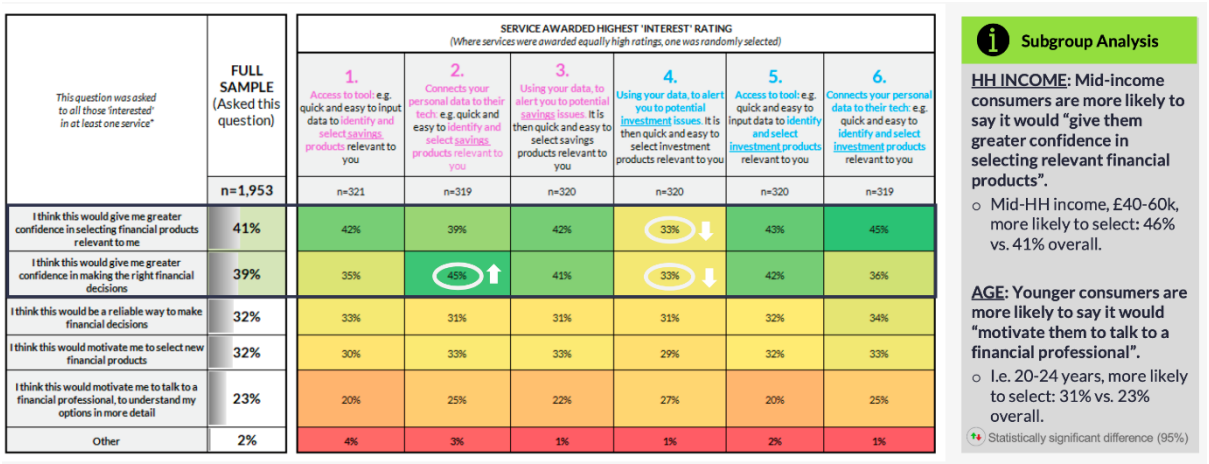
Yes we do.

TISA has also conducted research into the drivers of poor consumer confidence and ways in which greater support options could address this. This research supports the need for a targeted support type intervention.

For example, our research found the following drivers of lack of consumer confidence in their finances:



Targeted support could address multiple drivers and improve consumer confidence. Our research also found that consumers would welcome a greater of personalisation in the communications they receive from their financial providers, as well as the reasons this would be helpful:



Question 46: Given the proposed targeted support framework set out in this CP, what types of costs do you as a firm anticipate facing up front and on an ongoing basis? Please provide any evidence, indicative estimates or financial modelling that you have carried out as part of your response.

N/A

Question 47: Based on the targeted support framework set out in this CP, do you think providers of targeted support services (both vertically-integrated and non vertically-integrated) would seek to differentiate their targeted support service to encourage adoption by mass-market consumers? For example, by differentiating the levels of investment in technology and data acquisition, the fees or charges levied (under all types of commercial models) or the scope / nature of targeted support propositions? Please explain your views, including any evidence you have used to inform these.

N/A

Question 48: Do you agree with our assessment that targeted support may create risks related to mis-selling, biased selling or self-preferencing of products? If no, please explain why not. If yes, please outline scenarios or instances where risks may arise, and potential guardrails required to mitigate these consumer and competition harms.

Yes, but controlled by the regulatory framework proposed by the FCA, along with existing FCA rules, including inter alia, the Consumer Duty (particularly value for money requirements), regulation of conflicts of interest and PRIN.

Question 49: Please outline any other ways in which you think introducing targeted support may affect competition in the wider market for consumer support, including any areas we should consider further in our assessment of competition impacts.

As noted, we recommend that the FCA considers tweaking its 'personal recommendation' language, to 'targeted recommendation'. This more closely aligns with the service the consumer will receive when targeted support is given – the recommendation is not tailored to the individual customer, but the pre-defined consumer segment. If this amend is made, we can see think that there would be space for a Simplified Advice offering. Here, the consumer would remain responsible for decision making when the targeted support was given, and if the consumer wanted that extra level of comfort and for a firm to take that responsibility in respect of a specific question or matter, then Simplified Advice could provide that extra tier of support. We expect that firms would charge for a Simplified Advice service, but the amount charged would be materially less than full advice fees, provided provide qualifications and contained liability requirements were introduced.

Considering the wider consumer investments and pension market, targeted support alongside changes the FCA is currently consulting on in respect of the new pre-sale product disclosures, could improve competition and innovation. It is envisioned that targeted support will include a targeted recommendation of a ready-made solution that is 1 product. Firms will need to ensure that their ready-made solution offers a reasonably foreseeable better outcome and complies with the Consumer Duty value for money requirement. This will mean firms perform greater levels of analysis on which products constitute better value for money and will mean less competitively priced products are not recommended. In turn, this is likely to drive product providers to review their value for money propositions and adopt more competitively priced products. The new CCIs disclosure regime aims to simplify information given to consumers pre-sale and enable greater levels of comparability. We hope this will increase consumer understanding and ability to shop around. These two policies alongside each other are likely to increase competition in the wider market and the price consumers pay for their investment and pension products.

Question 50: Please explain how you think providers of targeted support services could design their provision in a way that complements their current or future business strategies. Where possible, please outline how you think providers may view targeted support services as a potential commercial opportunity, and why.

<u>Established regulated product providers</u>

- These firms would use the regime to provide targeted support to existing customers in products.
- Targeted support is likely to be offered for no additional separate cost to the consumer.
- It would help the firm's customer base achieve better outcomes with the products they have, driving better value for money. Targeted support would help product providers cross-sell products to existing customers.

<u>Established unregulated firms - product comparison websites or financial coaches</u>

- These firms would use the regime to better direct consumers to products most relevant, given they will be able to take personal circumstances into account.
- Such targeted support is likely to be offered for free whilst product providers pay for advertising on the websites. *NB: This business model exists now with the likes of MoneySuperMarket.com and MoneySavingExpert.com*
- Given the permission would need to be applied for, any such firms would need to become regulated and therefore be brought into the FCA's regulatory perimeter, including the new Consumer Duty.