TISA

# Response by TISA to FCA consultation on supporting consumers' pensions and investment decisions: proposals for targeted support

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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 work, your influence

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. 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: **www.tisa.uk.com/about-tisa**

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## Summary of Recommendations

TISA welcomes the opportunity to respond to the FCA's consultation on targeted support. We would like to thank the FCA for pursuing this policy at pace and for adopting a collaborative, constructive way of working. Targeted Support will provide a mass market solution that enables millions of people to get help and support and ultimately, will improve the financial wellbeing of UK consumers.

We would like to emphasise the following key points:

- We strongly recommend that the FCA adopts a consistent approach across the Targeted Support regulatory framework. We agree with the principled approach put forward by the FCA, but feel there are some areas of inconsistency that need to be reconciled so that the regime can be confidently delivered by firms and consumers can understand the service they are receiving. We have concerns that the approach taken to new, additional information that is shared during a Targeted Support journey is inconsistent and will ultimately lead to a reduction in the non-digital Targeted Support offerings. We recommend that the FCA should adopt an approach that aligns with the principles of Targeted Support namely, that the service has key pre-defined elements and that the decision making responsibility sits with the consumer. Our alternative approach aligns with these principles and relies upon the consumer segment and verification elements of Targeted Support. It also leverages existing Consumer Duty requirements and the FCA's existing approach and guidance in relation to Vulnerable Customers. We strongly urge the FCA to adopt our alternative approach: it will ensure a consistent approach, enhance consumer understanding and increase the reach of Targeted Support.
- We support the FCA's approach to leverage the Consumer Duty and adopt outcomes-focussed regulation. The approach will inject competition into retail investment and pension markets, helping firms design innovative, engaging journeys that put consumers into better positions and ultimately, improve financial wellbeing and economic growth. We would note that there are some areas in the draft Handbook text, notably in respect of disclosures, where this approach has not been adopted. We would encourage the FCA to consider whether it would be better to draft requirements that focus on the outcome received by a consumer (i.e. what they should understand), rather than what a firm must disclose. It would also be helpful for the FCA to clarify in the Handbook text that disclosure requirements are not prescribed. We have also noted the wider FCA aim and project to remove duplicative provisions and cross references from the Handbook. Throughout the TISA response, we have identified areas where this aim could be furthered.
- We do not agree with the FCA's proposals around communicating remuneration where a firm does not charge for Targeted Support. We are concerned that the FCA's current proposal is likely to cause consumer confusion and distrust, undermining Targeted Support. The FCA's proposed approach does not align with any other remuneration disclosure approaches taken to cross-subsidisation, outsourcing or insourcing. Instead, the FCA should rely on its other proposal to require a firm to disclose any limitations on the recommendations they have given (i.e. that they have only considered their own products).

This disclosure provides a much more direct, clear piece of information that a consumer can assess. We would also note that firms will also be subject to FCA rules on Conflicts of Interest, which applies to existing (and future) cross-subsidisation.

- Ensuring that the FOS is aligned with the Targeted Support regime remains key. The nature of Targeted Support will require some additional clarifications to DISP to ensure the redress regime aligns with the scope of the Targeted Support regime. We also welcome the recent HMT, FCA and FOS publications. Proposals that seek to increase transparency, consistency and trust are particularly welcome and could be piloted for Targeted Support.
- TISA has conducted extensive work with its members on the impact of the Privacy & Electronic Communications Regulation (PECR). It is our view that PECR presents a material barrier to the success of Targeted Support. It contradicts the "opt-out" nature in which the FCA envisions the regime working. We are not convinced that ICO guidance will fix this issue. The FCA and ICO approaches are fundamentally different: the ICO is prescriptive and narrow in its approach to Guidance and the FCA has adopted a flexible, outcomes-based approach to regulation. These two approaches are incompatible, meaning that ICO guidance will not provide firms with the confidence to operate the Targeted Regime on a pro-active, opt-out basis in respect of all of their existing customers. We continue to strongly urge the Government to adopt a legislative fix.
- We support the FCA continuing to work on Simplified Advice. It seems perfectly reasonable that a customer would want to receive financial advice in respect of one element of their financial life. The regulatory regime and industry should enable these consumers to get the support they want. Fundamental to achieving this is recognising that holistic advice offers the best outcome and that simplified advice can provide the best outcome given the agreed, restricted scope of services. There needs to be an acceptance that the latter may result in different recommendations, because the customer has opted for a specific service, rather than an all-encompassing one. The Consumer Duty provides a very helpful framework to ensure that the services firms offer are fair in terms of their scope and value, and that consumers understand the service they receive. Consumer Duty could also be leveraged to ensure that firms staff these services with appropriately qualified individuals. Relying on an outcomes-focussed, principled based approach would facilitate greater levels of innovation and would align with the approach taken to Targeted Support. When conducting its review, we encourage the FCA to consider the ways in which Simplified Advice can build from Targeted Support, recognising the hand-offs and limitations of Targeted Support can uncover essential use cases for Simplified Advice.

The TISA response reflects extensive discissions with TISA members, which span financial services industry. We would also like to thank FCA for attending several TISA working group sessions. We would be happy to discuss our recommendations and any other aspects of our consultation response. We look forward to FCA and HMT finalising their policy work on the targeted support regulatory framework and we stand ready to engage, collaborate and lend out support to help achieve successful policy implementation and the policy objectives.

## Responses to Consultation Questions

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

We think the purpose statement is useful commentary outlining the purpose and desired outcome for the Targeted Support regime. Firms will also take comfort in the inclusion of 9B.1.2G.

9B.1.1G (2(a) could be complemented by the FCA clarifying that recommendations in respect of savings products continue to be outside of the regulatory perimeter, but that firms can include recommendations about savings products within their overall Targeted Support journeys. One of the central Targeted Support use cases pertains to helping people to make better informed decisions about how to allocate their money between cash and investment. This includes decisions relating to rainy day funds and when it may be appropriate to keep money in cash savings. Providing clarification that firms can do this without conducting regulated activity would be helpful. It would also be useful to clarify the application of the Targeted Support requirements associated with disclosure, durable medium receipt, ongoing monitoring and complaints processes etc. to savings recommendations. For example, does it follow that because the recommendations are outside of the regulatory perimeter, that these Targeted Support requirements would not apply?
We would also refer to our response to question 2, in relation to the "better outcome" wording that is used in 9B.1.1G(2)(f) and 9B1.1G(2). We also note that there are currently 2 pieces of guidance labelled 9B.1.1G(2).

**Question 2: Do you agree with our use of the term 'better outcomes' rather than 'better position'? Would the choice of terms impact when and how you might expect to deliver targeted support?**

We prefer the term "better position". We agree with the FCA that firms providing Targeted Support should look to act to help customers protect or improve their financial position. This would mean putting consumers in a better position in their financial lives – this includes making the consumer better financially aware and informed. We think this provides a clear, pre-definable situation. We also agree with the FCA that a better position is capable of only being informational – i.e. the consumer that has received Targeted Support feels more informed about their financial position and decisions. The term "better outcome" is potentially open-ended – do we mean an immediate better outcome, or the outcome received 5, 10, 50 years later? It may also take several Targeted Support communications to get a consumer an overall better outcome. For example, each individual Targeted Support communication could be designed to improve an individual's accumulation journey. However, the overall outcome of whether the consumer will have an adequate sum at retirement will take years to come to light and can be influenced by many decision points and additional Targeted Support Communications during that intervening period.
A "better position" seems more tangible and measurable, providing clarity for firms and consumers: when the Targeted Support is delivered, is it reasonable to expect that if the customer acts on the Targeted Support ready-made solution, they will be in a better position.

We are also sympathetic to the potential for confusion and a blurring of expectations if there are requirements to facilitate "better outcomes" under Targeted Support and "good outcomes" under Consumer Duty. Using the term "better position" for Targeted Support would create a distinct term and would remove this potential for confusion.

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

We are concerned that the proposed draft rules and guidance do not align with the intended scope of the Targeted Support regime. Targeted Support is supposed to provide communications that are suitable for the consumer segment, not an individual customer. Currently, the drafting in COBS 9B.4.20R. 9B.4.21G and 9B.4.22G does not align with this approach, in particular the use of wording such as 'an individual' or 'all individuals' is causing confusion and fears that the suitability test for Targeted Support will require firms to ensure that the ready-made suggestion is suitable for each individual consumer within the consumer segment. Unless a firm undertakes a detailed fact find with every customer, they will be unable to determine this. It is simpler and clearer to tie the suitability test to the consumer segment, rather than all individuals contained within the consumer segment. This implies that the Targeted Support will provide a better outcome for every customer that receives Targeted Support. Given the high level nature of Targeted Support, it is not anticipated that this will be the case.

Instead, COBS 9B.4.20R should be drafted as follows:

> *A firm must have a reasonable basis for determining that the ready-made suggestion that it specifies for a consumer segment is suitable for that consumer segment.*

Similarly, we recommend that COBS 9B.4.21G is amended to the following:

> *A firm will have a reasonable basis for reaching the determination required by COBS 9B.4.20R if it has reasonable grounds to consider that the ready made suggestion will address the common financial support need or meet the common objective of the consumer segment for which it is designed.*

Finally, we recommend that COBS 9B.4.22G is drafted as follows:

> *(1) The effect of COBS 9B.4.20R is that a firm must assess the suitability of a ready-made suggestion by reference to an individual with only the relevant common characteristics.*

Paragraph (2) is no longer needed as it repeats COBS 9B.4.21G.

This drafting would remove references to individuals, or all consumers, making it clear that Targeted Support will not always provide a better outcome for every customer.

We also note that the proposed Guidance at 9B.3.3G(2) is confusing. It does not provide clarity as to how the Targeted Support suitability requirements sit alongside PRIN 9. At present we do not understand the intended effect of the Guidance, so we recommend that the FCA redrafts to make the position is clear, or alternatively removes this guidance, if it is simply stating that PRIN 9 applies.

**Question 4: When considering our proposals as a whole, are there any proposed requirements you think we do not need, where we can rely instead on the Consumer Duty? If so, please explain why the additional requirements contained in our proposals are not needed.**

We have indicated a couple of draft rules and guidance that we think are superfluous:

- We think COBS 9B.7.3G(2) and COBS 9B.9.5G(2) would be more elegant if they were redrafted to remind firms of existing FCA Guidance on Vulnerable Customers.
- COBS 9B.6.2R can be removed given PRIN 7.

Additional information on the rationale for these recommendations is contained in response to questions 24, 26 and 29.

There are many places in the draft rules and guidance which duplicate or cross reference existing FCA principles, rules and guidance. In line with the FCA's overarching aim to simplify and streamline the FCA Handbook, these duplicative references could be removed. For example, please see Annex G, 9B.9.7R and 9B.9.8G, 9B.6.6G and 9B.6.7G.

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

There are elements of the regime that could limit the incorporation of technical advancements into Targeted Support journeys. The FCA's current proposal in relation to additional, new information that is not pertinent to a consumer segment, is likely to limit the use of free text AI tools and functionality in digital journeys. These tools can enable a customer to engage with the firm in a way that works for them – asking direct questions and answering in a way that feels right for them. TISA research has demonstrated how these tools can materially increase consumer confidence and understanding. However, these tools opens up the possibility that a customer could tell a firm a new, additional piece of information that is not linked to the common situation, and where relevant common characteristics, of a consumer segment that the firm would be obliged to take into consideration. This judgement should be made by the consumer, rather than the firm, in line with overarching principles of the Targeted Support framework. It is highly likely that the consumer will think they have received a tailored service – because they have – creating uncertain liabilities and redress risk for firms. This will mean that firms may not incorporate these more innovative, intuitive AI tools into their Targeted Support journey. Please see our response to question 6, which outlines an alternative proposal that will enable the adoption of these tools and more broadly, will provide firms with certainty when handling new, additional information.

In addition, there are elements of the Targeted Support regime that could make it difficult to leverage the full capabilities of Generative AI. This may be a desirable and reflects the natural limitations of the Targeted Support regime, but may have broader implications for the guidance, support and advice universe. Generative AI could create elements of Targeted Support in real time that under the proposed rules should be pre-defined. Firms could ensure there is no black box, so

this information would be recorded and made available. However, if a firm is required to put pre-defined elements of the Targeted Support offering through governance, this could limit future developments, as firms may struggle to put newly generated elements of Targeted Support through governance processes in real time. Instead, firms could set the limitations for any generative AI tool, and the setting of these parameters could be subject to governance and approvals. However, the live generation and deployment of specific, new Target Support communications by the generative AI tool is unlikely to be subject to pre-approval or governance procedures. We are not requesting any changes to the regulatory regime to specifically deal with this, but it may be an area of technological development that is kept under review.

In due course, governance checks could be carried out by AI tools. Again, the parameters, rules and ongoing monitoring of the AI tools would be controlled and understood by humans, but this process would enable certain, pre-defined levels of sign-off to be delegated to AI. Appropriate checks and controls, such as testing, documentation and ongoing monitoring would be needed, but this activity is feasible today. For example, in wholesale markets, HFTs and systematic investment strategies already operate in this way.

The extent to which the FCA is comfortable permitting or even facilitating such AI use cases should be considered.

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

Yes. Many TISA members have indicated that they may be unable to deliver Targeted Support via non-digital delivery channels due to FCA requirements in relation to customers volunteering additional, new information. The requirements to pre-define situations, consumer segments and ready-made suggestions for Targeted Support, may seem inconsistent with also requiring firms to make judgements about any additional information that a consumer may provide during a Targeted Support journey. The former requirement obliges a pre-defined structure whilst the latter requires flexibility.

Firms are comfortable handling new information where that directly pertains to the consumer segment (i.e. to the common situation or common characteristic(s) that underpin a consumer segment). The difficulty arises when firms are asked to consider whether new, additional information is irrelevant or not. There is an implication that this could broaden the pre-defined, set scope of the Targeted Support journey. Many members have indicated that they are uncomfortable with call centre or in-branch staff having to make this judgement call.

This concern predominantly impacts in-person delivery channels because firms can design digital journeys in such way as to constrain the ability of customers giving new information, albeit this will limit the use of free-language, digital functions, such as AI chatbots. These requirements have a disproportionate impact on non-digital delivery channels, contradicting the FCA's statements that its proposals are channel-neutral.

We also have concerns that the current proposal would blur the lines between Targeted Support and Advice, as the firm is required to consider information that is outside of the pre-defined common characteristics. The firm would also need to consider information that is specific to a particular individual, making the service individualised. This would increase the likelihood of consumers thinking that the service they have received is advice, because it has taken into account information that is personal to them. It may be very difficult for firms to consider this individualised information whilst also ensuring that the customer has understood the limited nature of Targeted Support. It is essential that the FCA clarifies their proposal, so that firms are obliged to consider new information that is pertinent to the defining circumstance and characteristics of a consumer segment. The FCA should also clarify that if the new information that is volunteered by a customer is outside of this scope, then it can be deemed irrelevant and treated in the same way that firms and their staff treat this type of information when it is received over the phone or in branch. For example, if a customer informs the member of staff that their mother is 87, this could mean that the customer will shortly receive inheritance, or it could mean the customer will need liquid funds to pay for their mother's care. We would not expect the call centre operative to discuss how this new piece of information impacts the customer's personal finances more generally. Targeted Support is a point in time service, with pre-defined limitations. We would expect the call centre operative to outline the common situation and, where relevant, common characteristics of the consumer segment and ask the customer to verify whether they meet that criteria, or whether they think the new, additional information means that they do not meet any of the criteria. The judgement is being made by the customer, not the call centre operative. If the customer determines that the new information is irrelevant, the call operative can treat it as such. If the customer determines that it is relevant, then the call operative can handle accordingly. This could mean that the customer is placed into another consumer segment, receives a different form of Targeted Support, or is signposted to alternative forms of support. This approach respects the pre-defined nature of Targeted Support, the verification stage of Targeted Support and the position that decision making responsibility remains with the consumer. It is worth noting that the Consumer Duty and the overarching requirement not to cause consumer harm will apply to this process. The FCA existing Vulnerability Guidance would also apply.

Some TISA members have indicated that maintaining the FCA's current position in relation to the scope of information that must be considered – including the relevancy of any new information that does not pertain to the customer segment - would require a qualified financial adviser to consider and determine whether the additional information would make the ready-made suggestion unsuitable, as required under COBS 9B.5.13G. It is anticipated that there will be no direct charge for Targeted Support, so if firms deem that a form of Targeted Support requires delivery by a financial advisor, it will consequently make this form of Targeted Support commercially unviable.

As a result, the requirements under COBS 9B.5.13G and COBS 9B.9.3G(2) will mean that some firms will not offer Targeted Support via telephone and face-to-face. This would be very disappointing, meaning digitally excluded portions of society would be unable to receive targeted support services. This is particularly concerning in light of the recent progress that was reported in the FCA's Financial

Lives Survey 2024, which found that the proportion of adults exhibiting characteristics of low capability has declined, partly due to a reduction in digital exclusion. We would not want Targeted Support to reverse these improvements to digital exclusion levels. Instead, we want Targeted Support to reach all customers, including digitally excluded and vulnerable portions of society. The same FCA survey found that 23% of UK adults feel overwhelmed and stressed when dealing with financial matters, rising to 50% of adults with low financial capability, underlining the importance of Targeted Support across all delivery channels, to enable firms to have more personalised, engaging interactions with customers to improve consumers' financial positions and capabilities.

Clarifying the scope of new information and how it should be treated can address this issue. Firms should consider information that is relevant to the consumer segment definition. Where a customer volunteers new, additional information during a Targeted Support journey, the consumer should verify whether this information impacts whether they fall within the consumer segment or not. The firm should be able to rely on this information and verification. Where the consumer verifies that the information is not relevant to a consumer segment, we would expect a firm to handle this information in the same way they currently handle this type of information. For clarity, we are not requesting that the FCA prescribes the targeted support journey, but rather that they allow the verification stage, clear disclosure requirements and customer decision making responsibility deal with this situation.

We would also note that targeted support communications may also contain 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.

Please also see our response to Q13 and our comments on the drafting in COBS 9B.5.11R, 9B.5.10G(2) and 9B.5.6G(3). It should be a consistent FCA position that the scope of any consumer segment and ready-made suggestion should be pre-defined and set. Adding in-journey flexibility or uncertainty to these pre-defined elements causes confusion and scope for unknown liabilities and redress.

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

TISA members that are pension schemes have indicated that they would like to offer targeted support to their members. Many pension schemes are single employer schemes, who will partner with an external provider in order to offer decumulation solutions. These schemes will want to provide targeted support about out of scheme benefits, products and services. This will include FCA regulated investments. We are also aware that there are not an insignificant number of master trusts which have not partnered with a FCA regulated firms. These master trusts may also wish to provide Targeted Support but may be unwilling to become dual authorised.

We are conscious that the Draft SI does not clarify whether it is the nature of the firm providing the targeted support, or the nature of the ready-made solution that is critical to understanding whether a firm is required to obtain FCA authorisation to provide targeted support. From an outcomes, consumer-centric perspective, the delineation of regulatory responsibility between TPR and the FCA should not prevent consumers from receiving Targeted Support to help them make better financial decisions. We urge the FCA and HMT to work with DWP and TPR to resolve this matter in order to maximise the reach of Targeted Support and ensure that consumers are able to receive better support irrespective of the legal structure of their pension scheme(s). Thought should be given to the consumer protections afforded through the FCA's regime and whether these will extend to members of TPR-authorised schemes.

The Guided Retirement policy will also mean that pension schemes will need to provide default decumulation solutions that will not be "in-scheme". This will require a new solution rather than continuing to rely on the in-scheme exemption. In light of this, we strongly urge the FCA to work collectively with the DWP and TPR and consult industry early and throughout the process of implementing this policy. The way in which Guided Retirement is implemented could also provide a model to enable pension scheme trustees to provide Targeted Support in relation to out of scheme products.

We believe there are two options for the FCA to consider: the first would be for the FCA & TPR to issue joint guidance setting out that TPR regulated pension schemes can provide Targeted Support without requiring FCA authorisation. This should extent to the schemes providing recommendations to out of trust assets. Due consideration should be given to ensuring all consumers are afforded appropriate protections. The second, alternative option is for these pension schemes to partner with FCA authorised firms to provide Targeted Support. This could be handled via outsourcing or via an Appointed Representative arrangement. It would be helpful for the FCA to clarify that this is permissible.

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

Types of use cases could relate to pension accumulation, which are likely to fall within the existing framework. In addition, pension trustees may also wish to provide Targeted Support in relation to decumulation options and solutions. This latter category of use case could fall outside of the existing framework, as the options and solutions may fall outside of the trust.

TISA shares the FCA's view that there is a strong need for consumers to receive more help throughout their pension journey. Our underlying concern is that consumers should not receive differing levels of support depending on the regulatory framework and responsibilities, particularly given consumers do not choose their workplace pension provider and whether their pension will be subject to TPR or FCA regulation. The FCA's research has shown how urgent the

support need is, so we would hope that all pension providers have clarity and incentives to provide Targeted Support to their members.

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

We reiterate the sentiment that the FCA should not pre-define situations.

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

We agree that it should be possible for firms to make reasonable assumptions when designing targeted support journeys. This recognises that the targeted support framework is based on limited information, rather than a full fact find.

Whilst TISA will not offer Targeted Support, we can envision that firms may not hold information on a consumer's savings objectives and associated time horizons. As a result, firms may wish to make assumptions to underpin common characteristics, such as the consumer does not intend to need large sums of money held in cash in the next 5 years.

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

Being able to make reasonable assumptions when quality data is not readily available, will be needed in order for firms to provide Targeted Support. The assumption is not an alternative to a common characteristic, but it may underpin it.

When designing a consumer segment, a firm should pre-define the common situation and where relevant, common characteristics. Some of the characteristics are underpinned by objective factual data which the firm will have (e.g. the customer's age). The firm may not have data to underpin all relevant common characteristics. Where this is the case, the firm will need to make reasonable assumptions.
This could be in relation to common characteristics link to attitudes, for example to risk, or factual pieces of information (the number of pensions someone has). The key is that the firm may not have this data and if it were obtained, it would make the service too personalised.
The data available to a firm is likely to change over time – for example, the pension dashboard and open finance could increase the wealth of data available to firms, decreasing the need for assumptions and increasing the reliance on data to underpin common situations and characteristics.

The FCA could also consider providing clarifications as to whether it is acceptable for a firm to embed risk tools (i.e. (new or existing) tools that enable a customer to assess their own risk appetite) into a Targeted Support journey, or if this would make the Targeted Support journey overly personalised.

**Question 12: Do you agree with the rest of our proposals for the design of consumer segments in particular around excluding characteristics and the sufficiently granular principle? If not, what aspects do you consider need to be changed and why?**

We agree with the FCA's proposal to allow firms to define a consumer segment by only having a common situation or circumstance. Where common characteristics are relevant, firms may also include these within the definition of the consumer segment. We do think the FCA could further enhance flexibility, by allowing firms to set consumer segments that have a common situations and only one type of common characteristic. For example, we think it may be possible to define a consumer segment by reference to a common situation and excluding characteristics only. This could include scenarios where a consumer is invested in a particular type of fund, but does not qualify for a particular benefit or tax treatment. Similarly, you could have a scenario where a consumer holds a certain investment, and has the including characteristic of having a medium term investment horizon. This could be relevant to pension accumulation targeted support journeys.

In light of this, the drafting of COBS . 9B.4.4R, 9B.4.15G(1), 9B.4.16R and 9B.5.5(2)will need updating. Irrespective of whether the FCA is minded to change its policy position, we would note that the current drafting of the aforementioned rules and guidance are inconsistent with the current FCA policy position. From para 2.48 of CP 25/17, we understand that the FCA's current position is that it is possible to define a consumer segment by reference to only a common situation, but where a firm would also like to add common characteristics, they must include both including and excluding characteristics. This position is laid out in COBS 9B.4.4R and 9B.4.16R. However, the use of the "or" in 9B.4.15G(1) is not consistent with the policy position and confuses matters. Instead, the "or" should be replaced with an "and", if the FCA wishes to maintain their policy position.

We agree with the concept of excluding characteristics. These types of characteristics will be particularly helpful in identifying whether a Targeted Support communication could cause harm to a sub-set of consumers, thereby increasing consumer protection controls. We also note out response to question 11 and the data or assumptions that underpin common characteristics.

The guidance given at COBS 9B.5.6G(3) is unhelpful, because it specifies that firms should perform a subjective judgement that expands the scope of Targeted Support beyond the information that is necessary to create a consumer segment. If a consumer segment has been created in compliance with the Targeted Support framework, there should not be a need for a firm to check whether it has any other information on each consumer that is placed within that segment that indicates that the ready-made suggestion may be unsuitable for each consumer. This expansive approach is inconsistent with the limited nature of Targeted Support.

The same issue arises in COBS 9B.5.11R and the linked guidance at COBS 9B.5.10G(2) – this rule and associated guidance should be directly linked to the relevant circumstances and characteristics of the consumer segment. Currently, they are drafted in such a way as to imply that Targeted Support is an individualised, personal service, which is not the policy intention. A firm will define the

consumer segment – and must do so in compliance with the FCA's rules and guidance – they will then place the customers that share the features of the consumer segment into that segment. They should not have to also undertake additional checks on all information they hold, or ought reasonably to hold, on each client that has been placed into the consumer segment. Instead, reliance should be placed on a firm correctly identifying the common situations, and where relevant, the common characteristics of a consumer segment. The customer will undertake verification on this too. This would be consistent with the limited nature of Targeted Support, rather than requiring detailed checks in respect of every customer.

These rules and guidance are also inconsistent with COBS 9B.5.12G, which says that a firm doesn't need to access and use all of the information that it holds on a client. This is not consistent with the aforementioned rule and guidance which refer to a firm being unable to provide a ready-made suggestion where they are aware of any information or ought to be aware of information that indicates unsuitability .

COBS 9B.5.12G(3) suggests there is a timing factor to take into consideration, but no reassurances are given as to the scope of the information. So, taking that guidance, it is the fact that the information was given to the firm several years prior that is key, not that information is about someone's mortgage. This implies that it is reasonable to expect a provider of Targeted Support to be aware of someone's mortgage position. Our recommendation is that this guidance is deleted and the scope of relevant data is limited to the definition of a consumer segment. This data would only be relevant if it pertained to a common situation or where relevant, a common characteristic that defines a consumer segment.

In light of this we recommend that COBS 9B.5.11R, 9B.5.10G(2) and COBS 9B.5.6G(3) are deleted. They expand the scope of Targeted Support, diluting the importance of the consumer-segment definition process and adding excessive personalisation into the Targeted Support regime. Instead, the requirements set out in 9B.5.5R, 9B.5.6G(1)-(2), 9.5.7G, 9B.5.8R 9B.5.9G are sufficient. This will enable firms to have confidence providing Targeted Support where their consumer segments have been appropriately defined.

We expect the principle of 'sufficient granularity' will be one which different firms interpret in different ways as the Targeted Support regime is implemented and evolves. A lack of clarity around FCA expectations may discourage some firms from offering targeted support. For example, if the FCA's intention is to link this directly to consumer understanding outcomes under the Consumer Duty, it would be useful for the drafting 9b.4.10R 9B.4.11G to set this out.

**Question 13: Would it be valuable to produce illustrative case studies to support firms in determining whether consumer segments are sufficiently granular? Would our choice to do this impact your intention to deliver targeted support?**

We think it may be useful for the FCA to provide some illustrative case studies that specifically highlight what insufficiently granular may look like. The FCA should consider the impact case studies

could have on competition and innovation, so should be clear that any case studies set a baseline, rather than a ceiling on Targeted Support.

An area where illustrative case studies could support firms is in relation to insufficiently granular case studies. It is possible that firms wish to assign very few common characteristics, this may be the case where there is very clear signs of widespread harm. Simply holding a specific product may be enough for a firm to provide Targeted Support (e.g. a customer is new to investing and has selected a very expensive and low value fund). Ensuring firms feel confident acting in these instances is important. We recommend that the FCA produces illustrative use cases that focus on this end of the spectrum, rather than overly granular segments, where firms can more easily sense and test whether the segment has become overly individualised. Case studies could consider whether it is possible to provide Targeted Support to a customer recommending a diversified investment strategy, where the customer only holds one equity or when recommending a customer considers investing. In addition, we have received feedback that relevant firms would find case studies that focus on pension use cases (e.g. sustainable drawdown or increasing pension contributions) useful.

We think firms are a little more comfortable understanding where a consumer segment may become overly granular – essentially it is the line where a consumer believes the service is individualised to them. This can be tested by firms. The FCA has already proposed useful Guidance on this point. If the FCA were minded to provide case studies, the case studies or guidance could cover:

- Whether it is possible to include within the ready-made solution, a recommended amount that the customer should consider investing (e.g. you could consider investing £100 a month). It is not clear whether providing a specific amount would be overly individualised, or not.
- Whether firms can embed existing calculators and modeller tools into Targeted Support journeys.
- Sustainable drawdown Targeted Support use case

As an alternative, if the FCA is not minded to provide case studies, they could consider providing guidance covering these points in a post-implementation market review.

**Question 14: Do you agree with our proposals around the scope of ready-made suggestions, in particular, our proposal that the targeted support regime only captures support that constitutes a personal recommendation? In your response, please explain whether our proposal impacts how you wish to deliver targeted support to your customers?**

Having clarity on the borders between Guidance, Targeted Support and Advice will enable firms to do business with confidence. To further this, we recommend that the FCA provides guidance that confirms that the personal recommendation (i.e. a recommendation to act or omit to act in respect of an investment) is the essential element that distinguishes Guidance and Targeted Support. It would be helpful for the FCA to confirm that guidance can be personalised. So, where a firm provides support or recommends action to clients that is in relation to decisions about investments and

pensions, that is based on limited information, common situations, and consumer segments, but does recommend a named, specific investment, this is Guidance. So Guidance can include recommending a particular asset class or investment strategy (e.g. the firm recommends a client adds exposure to equities to their investment portfolio without recommending specific, named equities or equity funds; or the firm recommends the client invests in a managed portfolio service, without specifically identifying and naming a specific MPS).

We understand that it is HMT's intention to avoid brining any unregulated activity within the regulatory permitter – i.e. Guidance shall continue to stay outside the perimeter. However, we have also received indications that it is HMT's intention to capture within the Targeted Support FSMA Part 4A permission recommendations that include a lesser degree of specificity (e.g. recommending an asset class or type of product, rather than a specific, identified investment or product). These two intentions are incompatible and the latter would have implications for many use cases, We also think the FCA could be clearer in terms of what activity constitutes Targeted Support, and what would be Guidance, in relation to annuities. It will be imperative for guidance providers – be that financial service firms or MaPS – to have clarity on the perimeter. Having clarity and consistency across the SI and FCA rules will be of fundamental importance when the FCA undertakes its work on PERG and as HMT finalises its SI.

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

We agree with the FCA's proposal in relation to the scope of targeted support on annuities. We would note our response to question 14 and the need for greater clarity in relation to annuities Guidance and Targeted Support on annuities.

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 from a named provide. 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 understand that the FCA has some concerns about firms collecting health information during a Targeted Support journey, but we think it should be possible to do this in a higher level way (e.g. segmenting the customer dependent on whether they have any major long term health issues, or are in good health). Firms will also ned to do this for the purposes of product fulfilment. We would also note that this type of information may be collected and used in other Targeted Support use cases (e.g. in relation to (un)sustainable drawdowns). Firms should be able to innovate within the

constraints of the Targeted Support regime – if they are able to provide a Targeted Support journey that has pre-defined sufficiently granular consumer segments and they are comfortable that there are reasonable grounds to believe that the annuity, ready-made solution will lead to a better position for that consumer segment, then firms should be able to innovate, deliver and monitor this.

We see value in the MoneyHelper annuity service – it provides useful information on annuity types and features. It also provides indications of indicative income and pricing, which can help consumers make trade-offs between different annuity types. We think Targeted Support should be able to provide the same level of information to consumers, to support their decision making. This would not include actionable quotes, but firms should disclose open market-sourced indicative incomes and prices to help consumers understand the trade-offs between different types of annuities and encourage them to shop around. We also recommend that the FCA works with MaPS to understand any capacity constraints: if all providers of annuity-related Targeted Support journeys signpost to MoneyHelper. this could lead to a material increase in site traffic. It is also worth considering how these two services will interact from a consumer experience and understanding perspective. An alternative, that recognises the extent of overlap between the information that could be provided during Targeted Support and the information provided by MoneyHelper, would be for a firm to only point to MoneyHelper if they are not using a whole of market broker. We would also note that the MoneyHelper tool does not currently quote best in market prices. Ideally, this feature would be adapted so that consumers are not pointed to worse outcomes and instead, this tool better enables consumers to shop around and get competitively priced options.

While the MoneyHelper tool can help consumers understand the different types of annuities and their features, it does not allow individuals to actually purchase an annuity. We don't see the rationale for banning the signposting to other annuity services or bureaus, and instead, recommend that firms signpost to a whole of market broker. Brokers can help consumers shop around and obtain competitively priced products. They can in many circumstances offer a fuller service than MoneyHelper – for example, helping a consumer to consider their position across all of their pension pots, which can ultimately secure a better value annuity. Firms offering access to such services should already be making sure they manage any conflicts of interest, including through any remuneration agreements. Where firms do signpost whole of market brokers, we recommend that they disclose details of any commission arrangements to consumers.

Finally, we would note that there is a policy irregularity between the Government's position in respect of the Guided Retirement policy, where someone may be defaulted into an annuity, and the FCA's position in respect of Targeted Support, where a firm cannot use Targeted Support to assist an engaged customer with making an active choice to purchase a specific annuity. These two policies should be reconciled.

**Question 16: Do you agree with our proposals for introducing a break between an annuity suggestion and the subsequent sales journey, to encouraging shopping around? If not, why not?**

We agree with the scope of the FCA's annuities proposal, but we do not agree with the additional proposal to create a new, fixed break in the customer journey. This break does not exist today and it is unclear why the creation of Targeted Support would necessitate this, particularly given the scope of any Targeted Support journey and the requirement to signpost alternative information sources.

We think the fixed break is likely to lead to a reduction in the number of annuities taken out, most importantly in scenarios where they are appropriate for the customer. Customers may prioritise their own time, and wanting to reach a quick resolution (that often will enable them to quickly access their tax-free lump sum). Taking a cash free lump sum (which is also an irrevocable decision) and entering pension drawdown have comparatively less friction, which may lead to consumers deciding not to opt for them over the purchase an annuity. There needs to be a careful balance that provides consumers with timely, accurate and intelligible information so that they can make informed financial decisions. Consumers should be able to receive the support they want, when they want it. It is not clear that imposing a 2 week break will lead to consumers using that time to conduct research and shop around. If a consumer wishes to conduct research, they will do so. If the consumer does not wish to spend 2 weeks conducting research, they may instead may make poor financial decisions. The existence of the 2 week break will not force unwilling consumers to shop around and conduct research.

Currently, a fixed break is not currently in place, despite the MaPS tool providing an indicative income and enabling provider comparison. As noted in our response to question 15, we are aware that these indicative incomes are not competitively priced, meaning that consumers are receiving a lower quality of information than the information a broker or firm would be obliged to disclose. We recommend that MaPS addresses this.

A break would also be very difficult to implement, monitor and enforce in practice and is likely to lead to unintended consequences. For example, a consumer may interact with Provider A, Provider A may offer the best priced annuity that is suitable for the consumer. The 2 week break – and the consumer's overriding desire to access their tax free lump sum – may mean that they purchase a less competitively priced annuity from Provider B. The 2 week pause gets the customer a worse outcome. Alternatively, a consumer may interact with Provider A's website. They spot the 2 week break, but try phoning Provider A's helpdesk. The helpdesk does not have oversight of whether this consumer has received relevant Targeted Support and so sells the consumer an annuity within the 2 week period.

Our alternative proposal is, the firm provides annuity-related Targeted Support journey. It is likely that the consumer will have also received Targeted Support in relation to additional retirement options and decisions, such as taking a tax-free lump sum and pension drawdown. When / if the consumer completes the annuity-related Targeted Support journey, they will be signposted to MoneyHelper and a whole of market broker. The firm should provide a brief description of each of these, so that the consumer can understand that the MoneyHelper tool provides information and the whole of market broker can help them purchase an annuity. The Targeted Support journey

ceases. The customer can then decide to use MoneyHelper and / or engage the broker. The customer may also decide that they do not wish to use a broker and instead, wish to go direct to a firm. These options exist today. Targeted Support should signpost to the first and second options, but should not signpost to the "direct to firm" option. This is in line with the wider push to encourage consumers to shop around. When the consumer engages with the broker or firm, the annuity prompts and sales process with commence and operate in the same way as it currently does. We believe an effective journey should be seamless.

We acknowledge that good progress has been made to encourage consumers to shop around when deciding what annuity to purchase, via the Annuity Prompts. Whole of market brokers provide key services to support consumers in shopping around and throughout the annuity journey. Targeted Support should build on this progress by incorporating prompts to shop around, signposts to MaPS' annuity tool and to at least one whole of market broker.

**Question 17: Do you agree with our proposal to prevent firms from suggesting consolidation into or out of a particular product for the purpose of pension consolidation? If not, do you see any way in which targeted support could be used to help consumers with decisions about pensions consolidation including when given in conjunction with support that constitutes a personal recommendation?**

The government's overarching policy is to encourage consolidation. The Pensions Regulator has also recognised the benefits of consolidation, putting this a the heart of their three-year corporate plan. Policies such as VfM, small pots and mega funds all see to increase consolidation. The methods deployed in these policies often do not rely on consumer engagement or active consumer decision making. Therefore, we would note an inconsistency between this overarching policy aim and the current position under Targeted Support.

That said, we think the information that a firm will be required to collect from a customer is likely to be personalised to the individual – the number of pots, details of any protected benefits, the fees paid on each pot. The underlying data may not be limited or common to a group of consumers. This does not seem in-keeping with the nature of Targeted Support, but over time, particularly as more data sets come online, firms may be able to innovate and find a way to deliver Targeted Support journeys that encourage pension consolidation, where appropriate.

With this in mind, the FCA could commit to reviewing the current prohibition on the use of targeted support to facilitate pension consolidation when the pension dashboard has been established. It is likely that the dashboard will include an indication of whether a pension pot has any associated protected benefits. The first iteration of the dashboard will not contain specific details of any benefits, but will flag their existence. This information, along with additional data and assumptions, could be used to underpin targeted support journeys. Open Finance could also increase the types of information that is available to firms, which could also increase Targeted Support use cases. These initiatives have yet to come to fruition so it is difficult to determine with certainty exactly what impact they will have on the potential to provide appropriate targeted support journeys. In light of

this, the FCA may wish to commit to reviewing this matter once these initiatives have been implemented.

An alternative option would be for the FCA to remove the express prohibition in relation to pension consolidation targeted support journeys. Instead, the FCA could rely on the consumer segment requirements as a means of policing and controlling this Targeted Support use case. It may be that firms are able to innovate and create compliant Targeted Support journeys.

TISA is certainly willing to continue to engage on this matter with the FCA and industry and we will continue working with our members on improvements to pension transfers and the FCA's expected consultation following on from DP 24/3.

**Question 18: Do you agree with our proposal to exclude investments subject to marketing/distribution restrictions from the targeted support proposals, except where a component part of a suitable investment provides exposure to these products? If not, why not?**

We agree.

**Question 19: If high-risk products were included, what products should be included? How would firms ensure the suitability of suggestions given these suggestions would be designed for consumer segments based on limited data?**

If HRIs were included, it would be imperative that consumers could demonstrate that they understood the specific risks involved, including where relevant, that they could lose all of the money they invest. This would need to be a common characteristic or verified assumption in any targeted support journey. If consumers are investing surplus money that they can sustain losing, then they should be given the opportunity to access these types of investments. Consumers need to be made aware of the risk they are taking and the sums they are seeking to invest should not be material to the customer's overall financial standing.

We note the Government's recently announced intention to allow ISA wrappers to hold LTAFs. Consistent with the FCA's financial promotions rules, there could also be merit in people allocating a small amount of their savings and investments to LTAFs. However, if a consumer were to allocate the majority of their holdings to LTAFs, then this is less likely to be generally 'suitable'. We would not expect Targeted Support to encourage this type of investing behaviour; instead, Targeted Support should be used to recommend a more balanced approach.

We would welcome FCA consideration as to whether additional mitigations are required to ensure that consumers are not exposed to overly complex products that are nor suitable for mainstream retail distribution. This could also extend to products that are structured in non-complex wrappers, but have underlying investment strategies that pose heightened or outsized risk to retail consumers. These considerations could have knock-on effects for the whole population of firms providing TS, whether through reputational or direct financial impacts through FSCS liability.

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

Firms may hold inside information that would render ready-made suggestions unsuitable. The inside information could pertain to a particular investment or the firm providing the targeted support. We presume that firms should not use inside information to shape the design and delivery of targeted support.

Financial crime information may also render a ready-made suggestion unsuitable, or even illegal. For example, where a firm knows or suspects that a customer is laundering money, or where a customer is subject to sanctions.

Manufacturers will specify appropriate distribution channels for their products under existing target market definition requirements. It would be helpful to understand if product not currently recommended for non-advised, or execution only distribution are able to be included in a ready-made suggestion.

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

No, we do not agree. This is not consistent with the fundamental principles of the Targeted Support framework, that firms should pre-define consumer segments and ready-made suggestions, that consumers retain decision making responsibility.

The requirements to pre-define situations, consumer segments and ready-made suggestions for Targeted Support may seem inconsistent with also requiring firms to make judgements about any additional information that a consumer may provide during a Targeted Support journey. The former requirement obliges a pre-defined structure whilst the latter requires flexibility and introduces uncertainty.

Firms are comfortable handling new information where that directly pertains to the consumer segment (i.e. to the common situation or common characteristic(s) that underpin a consumer segment). The difficulty arises when firms are asked to consider whether new, additional information is irrelevant or not. There is an implication that this could broaden the pre-defined, set scope of the Targeted Support journey. Many members have indicated that they are uncomfortable with call centre or in-branch staff having to make this judgement call.

This concern predominantly impacts in-person delivery channels because firms can design digital journeys in such way as to constrain the ability of customers giving new information, albeit this will also limit the use of free-language digital functions, such as AI chatbots. These requirements have a

disproportionate impact on non-digital delivery channels, contradicting the FCA's statements that its proposals are channel-neutral.

We also have concerns that the current proposal would blur the lines between Targeted Support and Advice, as the firm is required to consider information that is outside of the pre-defined common characteristics. The firm would also need to consider information that is specific to a particular individual, making the service individualised. This would increase the likelihood of consumers thinking that the service they have received is advice, because it has taken into account information that is personal to them. It may be very difficult for firms to consider this individualised information and ensure that the customer has understood the limited nature of Targeted Support. It is essential that the FCA clarifies their proposal, so that firms are only obliged to consider new information that is pertinent to the defining circumstance and characteristics of a consumer segment. The FCA should also clarify that if the new information that is volunteered by a customer is outside of this scope, then it can be deemed irrelevant and treated in the same way that firms and their staff currently treat irrelevant information that is received over the phone or in branch. For example, if a customer informs the member of staff that their mother is 87, this could mean that the customer will shortly receive inheritance, or it could mean the customer will need liquid funds to pay for their mother's care. We would not expect the call centre operative to discuss how this new piece of information could impact the customer's personal finances. Targeted Support is a point in time service, with pre-defined limitations. We would expect the call centre operative to outline the common situation and, where relevant, common characteristics of the consumer segment and ask the customer to verify whether they meet that criteria, or whether they think the new, additional information means that they do not meet (any of) the criteria. The judgement is being made by the customer, not the call centre operative. If the customer determines that the new information is irrelevant, the call operative can treat it as such and the Targeted Support communication can continue. If the customer determines that it is relevant, then the call operative can handle accordingly. This could mean that the customer is placed into another consumer segment, receives a different form of Targeted Support, or is signposted to alternative forms of support. This approach respects the pre-defined nature of Targeted Support and position that decision making responsibility remains with the consumer.

Some TISA members have indicated that maintaining the FCA's current position in relation to the scope of information that must be considered – including the relevancy of any new information that does not pertain to the customer segment - would require a qualified financial adviser to consider and determine whether the additional information would make the ready-made suggestion unsuitable, as required under COBS 9B.5.13G. It is anticipated that there will be no direct charge for Targeted Support, so if firms deem that a form of Targeted Support requires delivery by a financial advisor, it will consequently make this form of Targeted Support commercially unviable.

As a result, the requirements under COBS 9B.5.13G and COBS 9B.9.3G(2) will mean that some firms will not offer Targeted Support via telephone and face-to-face. This would be very disappointing, meaning digitally excluded portions of society would be unable to receive targeted support services. This is particularly concerning in light of the recent progress that was reported in the FCA's Financial

Lives Survey 2024, which found that the proportion of adults exhibiting characteristics of low capability has declined, partly due to a reduction in digital exclusion. We would not want Targeted Support to reverse these improvements to digital exclusion levels. Instead, we want Targeted Support to reach all customers, including digitally excluded and vulnerable portions of society. The same FCA survey found that 23% of UK adults feel overwhelmed and stressed when dealing with financial matters, rising to 50% of adults with low financial capability, underlining the importance of Targeted Support across all delivery channels, to enable firms to have more personalised, engaging interactions with customers to improve consumers' financial positions and capabilities.

Clarifying the scope of new information and how it should be treated can address this issue. Firms should consider information that is relevant to the consumer segment definition. Where a customer volunteers new, additional information during a Targeted Support journey, the consumer should verify whether this information impacts whether they fall within the consumer segment or not. The firm should be able to rely on this information and verification. Where the customer verifies that the information is not relevant to a consumer segment, we would expect a firm to handle this information in the same way they currently handle this type of information. For clarity, we are not requesting that the FCA prescribes the targeted support journey, but rather that they allow the verification stage, clear disclosure requirements and customer decision making responsibility deal with this situation.

Consumer protections are built in by requiring consumer understanding of the scope and limitations of targeted support, as well as firms needing to ensure that the data they hold on customers is compliant with GDPR. We would also note that targeted support communications may also contain 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.

Please also see our response to Q13 and our comments on the drafting in COBS 9B.5.11R, 9B.5.10G(2) and 9B.5.6G(3). It should be a consistent FCA position that the scope of any consumer segment and ready-made suggestion should be pre-defined and set. Adding in-journey flexibility or uncertainty to these pre-defined elements causes confusion and scope for unknown liabilities and redress.

**Question 22: Are there any other aspects of our proposed approach to the verification process which you consider need to be changed? Please explain your rationale.**

We would expect the requirement in COBS 9B.5.8R(2) to align with existing requirements on firms to hold up to date data under GDPR. We would be grateful if the FCA could confirm that this is their expectation, or if this is not their expectation, provide guidance to clarify their expectations.

We support the flexibility in the current drafting, as we are mindful that there is a risk that if the verification process is detailed, the consumer may assume that the Targeted Support service has

been personalised to them or disengage from the process. Firms can determine whether they will require a digital receipt of this verification, or whether this is something for the consumer to determine for themselves without requiring specific receipt. Verification provides a degree of comfort that the consumer has read and understood the common characteristics, rather than requiring them to confirm personal information.

**Question 23: Do you agree with our intention around leveraging PROD and Consumer Duty to ensure consumer protection and that targeted support services are of high quality?**

Yes.

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

We are supportive of the proposals on monitoring, subject to the FCA providing additional clarity that the better position test is a point in time test. Targeted Support is not a product, but a point in time service so it would be helpful to clarify that in line with PRIN 2A.9.1R and PRIN 2A.9.1.8R, the scope of the guidance contained in COBS 9B.9.5G pertains to monitoring to ensure that the recommendations contained in Targeted Support journeys remain suitable for the consumer segment. This would align with the approach the FCA takes to one-off advice, as opposed to ongoing advice which is a separate service that comes with an additional cost. There are existing ongoing monitoring requirements under the Consumer Duty that apply to a firm's products, these will continue to apply irrespective of whether a customer bought the product after receiving Targeted Support, or not. COBS 9B.9.7R(1) is duplicative of monitoring that a firm undertakes in relation to its products. The provision of Targeted Support should not change this – either by removing or duplicating monitoring requirements. The only new requirement needed in the Targeted Support regime, is that firms must conduct ongoing monitoring to ensure that Targeted Support recommendations remain suitable for the consumer segment.

It is not clear what the intention is of COBS 9B.9.5G(2). Under the Equality Act 2010, firms must consider their impact on individuals with protected characteristics. Under the FCA's Vulnerability Guidance, firms must understand the needs to vulnerable customers, and take practical action in respect of product and service design, customer service and communications. In addition, a firm may have strategic, commercial reasons for targeted particular segments of society. If COBS 9B.9.5G(2) is merely duplicating existing Guidance, we would suggest that it can be removed or at most, a cross reference to existing guidance can be made. If COBS 9B.9.5G(2) is going beyond existing guidance, it would be useful for the FCA to be clear about any additional steps firms should take. We also note that we do not think it is appropriate for the FCA to more generally guide firm business development.

We also recommend that the FCA considers expanding its supply side measures so that it can track the extent of Targeted Support providers and the nature of the Targeted Support offerings that are in the market.

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

We are comfortable if the drafting aligns with the stated policy intention.

The proposed Guidance at COBS 9B.5.15G is confusing. The better outcome, or better position, test applies to the provision of Targeted Support. The Consumer Duty's good outcomes test also applies more holistically to a firm. Adding the client's best interests rules is unhelpful and does not recognize the limited nature of Targeted Support recommendations. Targeted Support recommendations are based on limited information. The consumer is able to make a decision based on all of the information that is available to them. If a firm tells a customer that they will not action their instructions because they are inconsistent with a Targeted Support recommendation, that is highly likely to lead to customer complaints. We recommend that COBS 9B.5.15G(1) is removed. COBS 9B.5.15G(2) duplicates existing FCA principles. If the FCA wishes to remove duplicative provisions from the Handbook, this proposed piece of Guidance could be removed.

We also note that the drafting uses the undefined terms "suitability" and "advice". TISA members have expressed a degree of nervousness about these terms being used in respect of Targeted Support, with a particular emphasis on the potential for these terms to be misconstrued during any FOS complaint. This can also make the substantive meaning of the rules and guidance unclear (for example see COBS 9B.3.3G(2) and our response to question 3. If possible, it would be appreciated if alternative terminology could be used in the draft Handbook text.

**Question 26: Do you agree with the information that we are proposing firms would be required to disclose as part of a targeted support journey? Are there any additional aspects you think firms must disclose, for example, any reasonable assumptions made?**

The disclosure requirements are COBS 9B.6.3R(1) are clear and helpful, albeit they are not drafted in a way that is outcomes focused. The FCA could consider redrafting these provisions so that they emphasise what a consumer should understand following a Targeted Support communication, rather than the information that a firm must communicate. It is clear in the policy chapters of CP 25/17 that the FCA does not intend to prescribe disclosure content. It would be helpful for the FCA to set this out in the Handbook text in respect of the disclosure requirements at COBS 9B.6.3R(1)(a) and 9B.6.3R(b).

In addition, the FCA has helpfully stated that is will not prescribe when firms communicate disclosure elements to customers. However, we note that COBS 9B.6.8G(2) does not respect this policy position. The Guidance specifies when it likely to be appropriate to disclose information to a customer, rather than leaving this for firms to design, innovate and test. We think this Guidance is likely to lead to poor outcomes and consumers not completing Targeted Support journeys. For example, COBS 9B.6.8g(2)(a) covers when a firm has initial contact with the customer in relation to the Targeted Support – this could be a notification that is pushed to someone's phone and ideally,

should be at most, one line. Having to add disclosures to these type of push notifications is likely to make them unsuccessful. In light of this we recommend that COBS 9B.6.8G(2) is removed, as COBS 9B.6.8G(1) sufficiently reflects the policy intention.

Common characteristics will be underpinned by either data or assumptions. For example, the common characteristic of a 5+ year savings time horizon is underpinned by an assumption (e.g. because the customer has had a large cash balance for a number of years). Similarly, in the unsustainable pension drawdown use case, a firm may set a common characteristic as the customer only has one pension pot, or the customer does not have any health conditions that impact their life expectancy. These characteristics may be underpinned by data (e.g. the customer has told the firm this information), or by an assumption (because the firm does not have underlying data). The key information that a consumer needs to understand is the common characteristics of a consumer segment, not the underpinning data or assumptions that inform those characteristics. There's a risk that if all of this information were disclosed, it would start to resemble a detailed fact find and advice. Therefore, we suggest that firms are not obliged to disclose any assumptions that they make and that the FCA should retain its existing approach in underlining the importance of disclosing the common characteristics of a consumer segment.

We think the draft rule in COBS 9B.6.2R is superfluous. This rule states that a firm must only refer to a service as being targeted support when the service is one that has been designed and delivered in compliance with the rules in this chapter. PRIN 7 already requires firms not to communicate in a way that is clear, fair and not misleading. Misrepresenting the service you are delivering to a customer would clearly be misleading. The rule also suggests that firms will label Targeted Support as 'Targeted Support', which in turn will require consumers to understand this term. We do not think this is necessary or appropriate and this requirement seems to be misaligned with more outcomes-focussed disclosure requirements such as COBS 9B.6.3R (1)(a) and (b)(iii). We also think it is useful for firms to blend Guidance and Targeted Support into seamless consumer journeys. Firms should be able to do this, albeit they will need to put all content through the higher standards required by the Targeted Support regime.

Please see our response to question 15 in relation to annuity Targeted Support journeys and additional disclosure requirements to assist individuals to shop around. In essence, COBS 9B.6 could be removed, given the Consumer Duty consumer understanding outcome. Our response to Q30 on disclosure of cross subsidies is also relevant to this topic.

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

TISA is very supportive of the encouraging statements the FCA has made in the CP in respect of risk warnings. TISA research has demonstrated the impact contextualised, balanced risk warnings can have, including empowering lesser represented groups make better informed decisions. The FCA has provided useful clarifications that only certain HRIs have prescribed risk warnings and the

support shown to firms providing contextual or education information about the potential benefits of investing over the long-term.

However, we are sympathetic to views that the FCA's current fin prom guidance in respect of prominence and standalone compliance present barriers to firms making the types of changes the FCA outlines in the CP. In particular, firms are sensitive to diminishing capital risk warnings by including additional information and ensuring all messages are compliant on a standalone, rather than more contextualised, basis. If we are to see the market adopt more balanced, contextualised risk warnings, it would be useful for the FCA to provide additional guidance, particularly in respect of COBS 4.2.1R COBS4.2.4G, COBS 4.5A.344(2)(e), COBS 4.5A.7 44(3)(a), COBS 4.5.2R, COBS 4.5.8R, COBS 4.5A.9UK. Standalone compliance Guidance and expectations contained in FG24/1 should also be reviewed and updated. It would also be useful for the FCA to set expectations in relation to the evidence base required in order to substantiate additional statements. This Guidance should make it clear that it supersedes previous guidance (including statements from supervisors and individual guidance firms may have received in the past that have informed compliance policy). This would provide all firms with the confidence to act.

In line with the Chancellor's Mansion House speech, we also recommend that the FCA considers the outcomes of the cross-industry Investment Risk Warnings Delivery Group and its conclusions on the need for further guidance on the use of risk warnings for mainstream investment products.

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

We question whether COBS 9B.6.4G(4) is helpful. Targeted Support is intended to provide consumers with confidence to act and improve their financial position. A firm will already be required to disclose the limitations of their Targeted Support recommendations – i.e. that they are only recommending their own products. We are not convinced that this additional disclosure to consider other products that might be available in the market is helpful. It could undermine the recommendation and increase consumer inaction – i.e. in scenarios where action would put the consumer in a better position. In light of this, we recommend that this Guidance is deleted.

We are unclear what the policy intention is behind COBS 9B.6.14G. We would note that emails are not currently within the scope of the FCA's definition of a 'durable medium'. It would be useful to understand whether the intention is to expand this definition via COBS 9B.6.14G and we suggest that if this is the intention, perhaps a more appropriate alternative would be to amend the FCA definition of 'durable medium'.

We would also question the blanket approach taken in COBS 9B.6.13R which requires firms to provide customers with the disclosures given during a targeted support communication in a durable medium. We can see that the customer may value having a record of these disclosures, particularly if they act, or intend to act, on the Targeted Support recommendation. However, if a customer has determined that the recommendation is either not relevant or not of interest to them, then we do

not see the value of a customer receiving these disclosures again, in a durable medium. Further, the natural read of COBS 9B.6.3R(1)(b) is that the durable medium disclosures are provided if a ready-made suggestion is given, they should not be provided where a customer drops out or is existed from the journey. This may irritate customers, leading them to opt out of receiving all Targeted Support communications. We also have concerns that providing the disclosures in a durable medium implies a permanence to the Targeted Support communication that may be inappropriate. If the customer has a permanent record of the Targeted Support communication, they could decide to act on this many months, even years after the initial recommendation is given. During the intervening period, changes to products, tax policy, regulation etc. may mean that the recommendation has gone stale and would no longer be given that customer.
In light of these concerns, we think it would be more suitable for customers to determine whether they would like to receive the disclosures in COBS 9B.6R in a durable medium. This allows the customer to determine whether they would like to receive this information.

**Question 29: Should we require that every consumer exited from a targeted support journey must be signposted to other forms of support? Or do you agree is it sufficient for firms to consider whether this is appropriate? Are there particular scenarios where this needs to be required?**

We agree with the FCA's proposal that discretion should be given to firms to determine appropriate forms of support depending on the targeted support use case and exits.

We note that the drafting of COBS 9B.7.3G(2) is unclear. The question specifically refers to clients who have exited a TS journey, but draft handbook text has a much wider scope. It appears to propose that where a customer cannot be aligned with any consumer segments (and therefore does not receive any targeted support), the firm should consider giving them alternative forms of support. If we work this guidance though using the potentially unsustainable pension drawdown Targeted Support journey example, customers who appear to have an unsustainable drawdown rates will receive Targeted Support, the firm should also consider the support needs of customers who appear to have a sustainable drawdown rates. It is not clear what these needs are or the support that a firm should provide. This does not appear to align with the overarching principle that firms are not obliged to provide Targeted Support and may act as a deterrent on firms providing Targeted Support – as they will need to consider the support needs of all customers for whom the Targeted Support need is not relevant. This seems disproportionate and unclear as to the FCA's expectations. If the underlying concern is ensuring that firms consider the needs of Vulnerable Customers, it would be better if the drafting referred to relevant, existing FCA guidance on Vulnerable Customers, rather than retaining the current, unclear guidance. If the underlying concern extends beyond support considerations for vulnerable customers, we would ask the FCA to be clearer and more precise in the drafting of this guidance so that firms can understand what is expected of them when delivering Targeted Support. One option for the FCA to consider is removing all guidance under COBS 9B.7 given the degree of duplication. Instead, the FCA could provide this information in non-Handbk Guidance or a Policy Statement.

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

We do not agree with the FCA's proposals around communicating remuneration where a firm does not charge for Targeted Support. We do not understand the FCA's desire to make consumers understand the basis on which targeted support is provided – i.e. to understand cross-subsidisation. This could also extend to explaining internal and external outsourcing and supplier relationships (e.g. for large corporate groups, or where a pension administrator provides Targeted Support to a pension trust). This is not explained to consumers when they open free current accounts, non-vulnerable customers are not informed that they are cross subsidising the additional costs associated with serving vulnerable customers. We do not understand why an exception should be made for Targeted Support. We are concerned that the FCA's current proposal is likely to cause consumer confusion and distrust, undermining the purpose of Targeted Support. Even a generic statement about cross-subsidisation is likely to cause more confusion than clarity amongst the target market for Targeted Support.

Targeted Support is trying to engage customers and support them in their financial decision making. Inherent within this is the implication that recipients' current financial understanding and financial behaviours can be improved. We think it is highly unlikely that a customer will understand the firm's business model, or consider the potential of a firm's financial arrangements to impact the targeted support which it provides. A firm that provides Targeted Support will be obliged to disclose any limitations on the recommendations they have given (i.e. that they have only considered their own products). This disclosure provides a much more direct, clear piece of information that a consumer can assess. In addition, the firm will also be subject to FCA rules on Conflicts of Interest.

Given this, we think the rules and guidance set out in COBS 9B.8.1G – 9B.8.6G should be reviewed and revised to remove any requirement on firms to disclose their remuneration structures where they do not charge for targeted support.

In addition, the current drafting in COBS 9B.8.1G(2)(a) could be interpreted as preventing firms from providing Targeted Support. It holds that a firm cannot receive any other benefits in connection with their business of providing targeted support. Where a firm recommends one of their products, and the recipient of the Tarted Support buys that product, the firm will receive a benefit. The profits made from the sale is a benefit. The drafting needs to be amended to allow firms to recommend their own products in a ready-made solution, otherwise Targeted Support will not work.

For completeness, we do agree with the FCA's proposal to require firms who do charge for targeted support to disclose this, as well as the prohibition on commission. We also recommend that the FCA should set an expectation that firms should not offer differential pricing on their products – i.e. one price for a customer that receives Targeted Support and another price for a customer that does not receive Targeted Support.

**Question 31: Do you agree with the proposed application of existing Handbook requirements to targeted support? If not, please specify where additional considerations should be taken into account.**

Yes, we agree. Please also see our response to Question 33.

**Question 32: Are there potential risks with Appointed Representatives providing targeted support during the initial stages of the regime? Where risks could arise, please explain how those risks could be mitigated and/or balanced by the potential benefits of Appointed Representatives providing targeted support.**

There are pros and cons to allowing Appointed Representatives to provide Targeted Support.

Allowing Appointed Representatives (ARs) to provide Targeted Support may reduce the effectiveness of some of the consumer protection features of the regulatory regime. The Appointed Representatives model may pose risks if the authorisation process is insufficiently robust, as the Principal, not the AR, will go through the FCA authorisation process. The FCA could mitigate this risk by increasing the robustness of the Authorisation process, for example the FCA could add an additional notification or registration processes for the Principal, when an AR wishes to provide Targeted Support. This would increase the visibility of the ARs and the FCA's overall understanding of the practical implementation and delivery of Targeted Support.

We have noted in our response to Q36 and 37 that the proposed prudential requirements are likely to impact the ability of small firms to offer Targeted Support and may dissuade new market entrants. One way in which these types of firms could provide Targeted Support is via an Appointed Representatives model. This would mean that the Principal is required to hold the relevant prudential capital, not the AR. This would permit additional business models and firm types to provide Targeted Support. Existing firms may also utilise AR models to deliver consumer-facing delivery, so permitting ARs to provide Targeted Support may also increase the extent of in person offerings.

**Question 33: Do you agree with the proposed application of the MiFID business, IDD, and designated investment business regimes to targeted support, including the proposed application of the COBS framework?**

We agree that COBS 9 and 9A on suitability and COBS 10/10A on appropriateness should not be applied, given there are distinct requirements for Targeted Support.

We understand and support the intention behind COBS 9B.6.9G – i.e. to remind firms that existing disclosure requirements continue to apply where a customer has received Targeted Support. It would be helpful if the FCA were to include within this Guidance a statement that explicitly clarifies that the intention is not to duplicate these existing disclosure requirements.

We would welcome FCA consideration as to whether additional mitigations are required to ensure that consumers are not exposed to overly complex products that are nor suitable for mainstream retail distribution. This could also extend to products that are structured in non-complex wrappers, but have underlying investment strategies that pose heightened or outsized risk to retail consumers. These considerations could have knock-on effects for the whole population of firms providing TS, whether through reputational or direct financial impacts through FSCS liability.

**Question 34: Do any of our positions relating to COBS 19 adversely impact your intention to bring targeted support to market, or the effectiveness of your targeted support customer journeys? Are there any other areas of COBS 19 that you wish to raise?**

We recommend that the FCA adopts an outcomes-based approach, which enables firms to design customer journeys that include relevant disclosures at the right time, to support consumer decision making. This approach will future proof the regime, which given the extent of proposed regulatory change would be highly appreciated. This approach would emphasise the importance that these messages are disclosed to customers, but would not prescribe the exact placement in a customer journey. This would avoid unnecessary duplication, whilst retaining important disclosures.

**Question 35: What specific changes are needed to investment pathways to enable the effectively delivery of targeted support to consumers when accessing their tax-free cash? Please consider how such changes can benefit consumers in light of the important role investment pathways currently serves.**

We urge the FCA to clarify whether a customer that has received a relevant Targeted Support recommendation (what would currently be caught as a personal recommendation under the investment advice regime) would count as a advised clients for the purposes of COBS 19.10.1(5)(b). If this is the case, no changes are needed to the Investment Pathways. Firms may want to make use of investment pathways in their ready-made suggestions, but any amendments they may want to make to them as a result should not be at the expense of the non-advised consumers for whom they were designed. We think the relevant Targeted Support journey should contain at least the same level of information as an investment pathways journey. In line with this, we reaffirm the recommendation that the FCA takes an outcomes-focussed approach. The key is ensuring that a firm has provided the relevant information to customer – this is irrespective of whether it is through a Targeted Support journey, an advice journey or a separate investment pathways journey.

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

We agree that firms offering targeted support should hold a minimum amount of regulatory capital. We also agree that targeted support is designed to be a mass market solution and therefore could be offered to large numbers of customers. We are also aware that both big and small firms may create significant consumer harm.

Notwithstanding this, we would flag that the £500,000 minimum prudential requirement is likely to pose a significant barrier to entry for new entrants, IFAs and individual pension schemes. If the FCA (and HMT) would like all pension schemes to have the ability to provide Targeted Support to members – something TISA supports in order to help all consumers with their pension and retirement decisions – then the FCA may wish to consider adopting an alternative approach that presents less of a barrier to entry. Similarly, if the FCA would like to encourage new entrants, who can increase competition and growth in the market, then an alternative approach should be considered.

**Question 37: Do you believe that a bespoke scalar is required for targeted support, and if so, what metrics should the scalar be based on?**

As noted in our response to question 36, we are concerned that some firms, particularly new entrants, IFAs and pension schemes, may be unable or unwilling to provide Targeted Support because of the proposed prudential requirements. A bespoke scaler could provide these firms with a lower starting requirement, then provide them with a glidepath to achieving the full £500,000 requirement. This could provide these firms with time to obtain the (additional) capital.

**Question 38: Do you agree with our approach to apply our complaint handling rules and guidance in DISP, including the compulsory jurisdiction of the Financial Ombudsman, to all authorised firms providing targeted support?**

We agree, although we think the drafting could be improved by making it clear that people receiving targeted support should be able to raise complaints with the FOS where they have relied upon the recommendation. This would prevent frivolous complaints.

It is essential FCA rules set out that the FOS must assess whether it was reasonably foreseeable to expect the Targeted Support to provide a better outcome (or put the consumer in a better position) when the Targeted Support was delivered. The outcome must be reasonably foreseeable at the point at which Targeted Support is provide. This position gives a clear, known point in time reference that can drive consistency in decision making.

**Question 39: Do you think that the FCA and the Financial Ombudsman should publish specific guidance setting out how cases about targeted support will be considered?**

Yes. We recommend that the following scenarios are adopted as case studies:

- Where a client confirms that they have a common characteristic but they actually do not. The position should be made clear irrespective of the wider data set that a firm may have on a customer.
- Where a firm recommends a ready-made suggestion and it is not reasonably foreseeable that the suggestion will put the consumer segment into a better position. This is caused by a firm missing out a common characteristic.

- Where a firm recommends a ready-made suggestion and it is not reasonably foreseeable that the suggestion will put the consumer segment into a better position. This is caused by a firm making a poor product recommendation.

**Question 40: Is anything else needed to give firms and/or consumers sufficient clarity and certainty about how cases regarding targeted support will be handled?**

In recognition of the extent of the FOS' powers, we recommend that the FOS should specify the key factors that they take into consideration when the FOS makes a determination. This transparency as to how they exercise their powers would be useful for consumers and firms, enabling everyone to understand how a complaint is handled and how decisions are reached. We do not think this is an unreasonable fetter to place on the FOS' powers, given the wide-reaching, precedent setting implications their decisions can have, which will be particularly pertinent in relation to Targeted Support. In CP 25/22, the FCA notes that the FOS will create digital decision frameworks. We welcome this and recommend that the digital decision framework for Targeted Support is prioritised. We also recommend that the FOS works collaboratively with the FCA and industry on the creation of the FOS decision frameworks for Targeted Support.

In addition, we recommend that the FOS publishes key themes and trends in Targeted Support complaints. This will be a valuable source of information that will enable firms to continuously improve.

Finally, in light of the changes outlined by HMT in their Review of the FOS, we recommend that the FCA and FOS consider running a pilot in line with the introduction of the Targeted Support regime. This would mean piloting the adapted "fair and reasonable" test and FCA referral mechanism in respect of any Targeted Support related complaints. It could also be used to test the relevant FOS decision framework. This proposal would leverage the collaborative and constructive way in which the official sector and industry have worked together throughout the AGBR and would enable the FOS, FCA and HMT to test and adapt the policy changes, providing real time insights in relation to a new regime.

**Question 41: Do you agree with the Financial Ombudsman's proposal to (a) exclude pre-regulation activities from the VJ and (b) expand the scope of the VJ to cover activities carried on after regulation day from an EEA or Gibraltar establishment?**

Yes.

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

Yes. In addition, we recommend that the FCA clarifies that a firm is not liable for providing ongoing Targeted Support. This is consistent with the position that firms are not obliged to provide Targeted Support.

It would also be helpful to clarify that Targeted Support does not give rise to an additional product claim, where a product provider enters insolvency. It should not matter whether the customer received Targeted Support or not. The purchase of the product is the nexus of the claim and compensation payment.
Given Targeted Support is a free service that firms are not obliged to provide, there should be no direct requirement for FSCS coverage in respect of the TS service itself. FSCS coverage would only be required in relation to any compensation due as a result of complaints about the TS service the client has received.
Consequently, it would be appropriate for the FSCS limits and approach to align with those for financial advice and not those for the product to which the TS related. For example, personal pensions are covered to 100% without limit but advice on pensions is covered to a maximum of £85,000.

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

PECR continues to present a fundamental barrier to the success of Targeted Support. It will prevent people from getting support at the time of need, in an accessible and engaging way. Given Targeted Support contains a personal recommendation, we expect most (if not all) Targeted Support communications to be classed as marketing communications under PECR. In order to provide these communications in a PECR-compliant fashion, firms need either consent or a soft opt in. TISA members (including platforms, banks and wealth managers) have indicated that they may only be able to offer Targeted Support to c.25% of their customers, because of the PECR requirements. It is likely that these customers that are already engaged with their finances and are not the customers that are most in need of Targeted Support. Consequently, PECR will severely restrict the ability of firms to provide Targeted Support, unless a solution is found. We continue to believe that legislation is required in order to remove the barriers presented by PECR and make Targeted Support successful.

To provide an interim solution, the FCA could consider creating a requirement that would be capable of forming the basis of a Regulatory Communication under ICO Guidance. The requirement could specify that a firm that is authorised to provide Targeted Support must contact relevant customers to seek their consent to receive Targeted Support communications. The requirement could be tied to customers that the firm has identified as potentially benefitting from receiving Targeted Support, or that have been identified as aligning to a consumer segment. Communications could be issued in line with an appropriate time frame (e.g. on an annual basis, or no more frequently than on a quarterly basis), or the timing could be tied to a particular event (e.g. aligning a customer with a consumer segment). The FCA would need to also work with the ICO to establish that this communication requirement is considered a Regulatory Communication under ICO Guidance. This would mean that this communication would be outside of the scope of PECR. We note that the using electronic communication methods to seek a consumer's consent to receive Targeted Support would otherwise be deemed to be a marketing communication under PECR. Whilst this suggestion would not provide a complete solution to the issues posed by PECR, it would at least enable firms

to raise awareness about Targeted Support and attempt to proactively engage customers so that they could consent to receive Targeted Support. We note that there has been a range of views expressed by TISA members on this suggestion, with some supporting this proposal and others being uncertain about the burden such a requirement may impose.

As mentioned, we continue to urge the Government to provide a legislative fix to ensure that Targeted Support successfully realises its policy objectives.

**Question 44: Do you agree with our agreed proposed approach to authorising firms who wish to provide targeted support? Can you suggest any ways in which our approach might be streamlined, whilst retaining the necessary robustness of our gateway?**

Yes, we agree.

The FCA could facilitate a (non-regulatory) notification process whereby firms could indicate their intention to apply for authorisation to provide Targeted Support. Where such notification is given, and the relevant firm is already an FCA-authorised firm, it would be useful for the relevant FCA Authorisation cash handler to be assigned the firm and for them to engage with the relevant Supervision team to gain an understanding of the firm's existing systems & controls frameworks, senior managers and governance processes. This information is already held within the FCA and would provide useful context, enabling the case handler to get a head start.

It would also be helpful for the FCA to provide information on the documentation that Authorisations will require, so that firms can prepare accordingly. We recommend that the Authorisations team focus on the framework, process and controls a firm will operate in relation to Targeted Support, rather than trying to understand every possible Targeted Support use case that a firm may adopt. Ensuring a firm has the right systems and controls should be the priority. This should include considerations of applications that cover several legal entities within the same corporate group that may adopt the same, or very similar, governance and control frameworks.

We agree with the FCA's helpful suggestion that firms can have in-person meetings with their Authorisation case handler.

In order to further expedite the Authorisations process and increase proportionality, the FCA could consider removing its current proposal to require firms to have already completed customer testing before applying for authorisation. Firms may want more regulatory certainty that they will be granted permission before reaching the stage where the development process is completed and tested. Instead, testing could be run concurrently or confirmation could be given that testing will be completed and acted upon could be deemed sufficient at authorisation stage.

**Question 45: Do you agree with our proposal to not introduce new record keeping requirements which relate directly to the provision and outcomes of targeted support? Please explain the reasons for your answer.**

Yes.

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

TISA will not provide Targeted Support, but we understand that this will depend on the particular Targeted Support use case and the pre-defined "better position(s)" or "better outcome(s)" that the Targeted Support aims to achieve.
Firms will monitor whether the customer has acted on the particular recommendation. Where the firm has recommended an action in relation to their own product, this monitoring would be limited to action being taken with the firm. Where a firm recommends another firm's product (e.g. where a pension trust recommends another firm's decumulation solution), there may be a contract in place between these firms which may enable a degree of oversight and monitoring.

In addition, firms may conduct feedback surveys, ongoing consumer testing, as well as considering more macro data such as the results of market-wide surveys and indicators, such as the FCA's Financial Life Surveys or HMRC data on S&S ISAs.

**Question 47: Which specific advice and suitability requirements do you think should be reconsidered or modified in a revised COBS 9/9A to give firms the confidence to offer simplified advice while maintaining an appropriate level of consumer protection?**

Firstly we are supportive of the FCA's proposal to adopt the terminology of "Focussed Advice" rather than "Simplified Advice". That said, we have used the term Simplified Advice throughout our responses.

We agree that consolidation and removal of duplicative provisions is helpful, including across COBS 9 and 9A. This can help achieve a consistent advice regime.

When conducting the review we think key issues to consider and resolve are:

- Recognising that holistic advice offers the best outcome and that simplified advice can provide the best outcome given the agreed, restricted scope of services. There needs to be an acceptance that the latter may result in different recommendations, because the customer has opted for a specific service, rather than an all-encompassing one.
- The requisite degree of qualifications required to provide Simplified Advice.
- The Consumer Duty provides a very helpful framework to ensure that services firms offer are fair in terms of their scope and value, and that consumers understand the service. Consumer Duty could also be leveraged to ensure that firms staff these services with appropriately qualified individuals.
- Relying on an outcomes-focussed, principled based approach would facilitate greater levels of innovation and would align with the approach taken to Targeted Support. Considering how Simplified Advice can bridge from Targeted Support, or fill gaps in the framework due

to the scope of Targeted Support services, is a helpful way of considering this solution, It helps set a target population of consumers that we can design for. This approach would also mean the FCA doesn't have to regulate for precise business models and delivery channels.

We have conducted an initial review of the requirements in COBS 9 and 9A and indicated how the aforementioned considerations might be relevant:

- It should be permissible to provide Simplified Advice in respect of pension transfers, conversions, opt-outs, income withdrawals, annuities and lump sum payments.
- COBS 9.2.2R(1) and COBS 9A.2.1R: it should be clearer that for Simplified Advice, these requirements should be limited to the scope of service agreed by the advisor and customer. This would mean that the investment objective would only pertain to any objective that is directly linked to the scope of the Simplified Advice. Thus, if someone was obtaining Simplified Advice about investing via an ISA, their risk tolerance in relation their pension is out of scope and should not be considered. Similarly information on a client's situation – their assets, income and financial commitments need only be sought where this is relevant to the scope of the Simplified Advice service. The customer's knowledge should also be restricted to considering their knowledge of the relevant products (this guiding principle would also require COBS 9A.2.6 UK and COBS 9A.2.6AR to be modified – where the initial sentences contain provisions about limited scopes of services, but the items listed in (a)-(c) and (1)-(3) respectively, do not). The drafting in COBS 9A.2.1R(1)(a) is slightly more helpful in this regard. More generally, in the current drafting in these rules, phrases such as "where relevant" are doing a lot of heavy lifting. We recommend that distinct, clear and certain requirements are created for Simplified Advice, so that all parties can understand the requirements and expectations.
- COBS 9A.2.7UK and CPBS 9A.2.7AR need to be modified in light of Simplified Advice. These considerations may be relevant, but this will depend on the nature of the specific Simplified Advice service. This flexibility is not present in the current drafting.
- We would note that the current drafting of COBS 9A.2.8A is confusing. There is an inference that this information must be included, yet this is only the case where relevant. This drafting seems incompatible – either something is required, or it may be required where this is relevant. This drafting could be clarified.
- COBS 9.2.3R: it should be clear that all of these requirements are directly linked and limited by the agreed scope of any Simplified Advice service. For example, the nature, volume, frequency of a client's transactions in designated investments may bey irrelevant if the consumer is seeking Simplified Advice on pension consolidation. Again, the current drafting is trying to capture any and all advice services. Whilst this might simplify the drafting, it does not help firms understand what is expected of them in respect of the different types of advice that they could offer. This is why we suggest this rule is maintained for holistic advice, but is revised to specifically cover Simplified Advice.
- COBS 9.2.6R, 9.2.7G, COBS 9A.2.4 UK and COBS 9A.2.4A R: the FCA could consider the utility of case studies. Given the parameters of the Targeted Support regime, we recommend that use cases focus on providing Simplified Advice in relation to pension consolidation, or where

a consumer has been exited from a Targeted Support journey (e.g. because they meet some but not all elements of a consumer segment).

- COBS 9A.2.9 UK 54(7)(b): this needs to be amended to allow for tools that are limited in line with a Simplified Advice service. It is possible that a firm could create a too that is to be used in specific Simplified Advice services. This limitation should not be identified and actively managed through the suitability assessment process. This position should be made clear.
- COBS 9A.2.9 UK 54(7)(c): for Simplified Advice, this requirement needs to be clearly linked to the agreed, limited scope of the relevant Simplified Advice service.
- COBS 9.3.2G and 9A.2.21G(2): these pieces of guidance should be clarified for Simplified Advice. It is possible that a customer has obtained Simplified Advice on numerous occasions. This could be with the same firm, or with multiple firms. In either situation, the firm should be under no obligation to apply this guidance to multiple instances of Simplified Advice. This position should be made clear.
- COBS 9A.2.10UK: similarly, it needs to be clear that receiving several instances of Simplified Advice does not equate to an on-going relationship and thus this requirement does not apply.
- COBS 9A.2.11UK and COBS 9A.2.11A: when a firm outlines the limited nature of the Simplified Advice and that they will not consider any information outside of the agreed scope of services, this could be considered discouraging the provision of information. The firm is discouraging the customer from providing information that is outside of the agreed scope of service. The guidance should allow for firms to do this, as it is essential to conveying the nature of the service and its limitations to the customer.
- COBS 9.3.3G: this Guidance should be modified so that when it applies to Simplified Advice, it is clear that these circumstances do not relate to matters outside of those directly relevant to the income withdrawal, short-term annuity or uncrystallised funds pension lump sum payment. For example, the client's attitude to risk is limited to the risk they are willing to take in respect of any income withdrawal – as opposed to the risk they are willing to take when investing to use their annual S&S ISA allowance.
- COBS 9.4.2AR – for Simplified Advice, the information contained in the 1 page summary mentioned at COBS9.4.2A may be a useful feature to apply to other areas of advice, outside of the pension transfer context.
- COBS 9A.3.1UK and COBS 9A.3.1AR: this needs to be modified for Simplified Advice. The firm is acting in the client's best interest on the basis of the information that aligns with the limited, agreed scope of services. There needs to be a recognition that the personal recommendation may differ depending on whether the customer obtained simplified or holistic advice. The limited input data for Simplified Advice will mean that wider information and considerations are not taken into account. The firm will act in the client's best interest given the agreed scope of the Simplified Advice service and the data collected in line with this. The personal recommendation will be constrained in line with the agreed scope of the Simplified Advice service.
- COBS 9A.2.23 and 9A.2.24 are negatively defined clauses. They call out the risks and additional considerations for firms wishing to use automated or semi-automated systems. It

would be helpful for there to be a clear statement that firms can use systems to automate any, including all, elements of their advice services.

- COBS 9.4.7R, COBS 9A.3.2R, COBS 9A.3.3 UK and COBS 9A.3.3A: for Simplified Advice, the scope of service should be disclosed. Then any client demand or need should be limited to that scope of service. For example, the Simplified Advice focussed on pension consolidation, and the customer was seeking to transfer all pension pots in a manner that prioritises any protected benefits and is cost effective. There should also be a requirement for firms to include within the suitability report a clear statement explaining that the service has a limited natures meaning that the advisor has not considered matters outside of the agreed scope of service. Holistic advice should be signposted as an alternative service that may be suitable if the customer wishes to receive a recommendation that is based on data that is pertinent to their entire financial life. Some of these elements exist in relation to abridged advice in relation to pension transfers, but the principles should apply to all forms of Simplified Advice.

The FCA could also consider the approach taken to the Basic Advice regime as a potential model for Simplified Advice.

We also recommend that the drafting is updated to make it gender neutral, rather than assuming that any client is a man.

We would also like to take the opportunity to note that the FCA's review of COBS 9/9A and existing guidance may lead to some improvements, but we think it is unlikely to materially decrease the advice gap. There is a paucity of advisors. The FCA's retail intermediary market data shows that the number of retail investment adviser posts across all firms is falling. There have also been reports that advisers are struggling to serve low-asset clients following the implementation of Consumer Duty. In this environment, it is difficult to understand the economic incentives advisors have to take on Simplified Advice as a service offering. Simplified Advice would require advisors to take on new business that increases their risk and is not as profitable as holistic advice. Given this, there needs to be a recognition that a reliance on advisors to provide the bulk of any Simplified Advice service will not lead to meaningful change in the levels of support consumers can receive.

Digital innovation alone may be insufficient to reduce the costs associated with the provision of advice. Digital innovations can create efficiencies, but they require up front capital investment and take time to implement. The experience with Robo Advice demonstrates how difficult this can be to implement and scale in practice. It is worth noting that many advisors are already exploring digital efficiencies, such as using AI and automation in respect of suitability reports. However, they often see the time savings as helping them to have better conversations with existing customers (thereby further improving the holistic advice offering) and potentially meaning they can take on more holistic advice customers. The digital innovations help them improve their existing offering, rather than expanding their offerings. Advisers often value the in person connections they form with their clients, so moving them to a role that predominantly involves approving operational processes and recommendations that can be automated may be an unattractive career move. This means new

entrants are the key to unlocking Simplified Advice. New entrants will also be sensitive to capital investment requirements and the levels of risk associated with providing Simplified Advice.

Considering how Simplified Advice can be a bridge from Targeted Support offerings is helpful. Having a regulatory regime that clearly recognises and articulates the limitations of Simplified Advice, in terms of the input data required and the consequent limitations on any personal recommendation is essential. This will provide certainty as to the potential liability costs associated with providing Simplified Advice. It will also give firms clear parameters in which they can innovate.

Given the paucity of advisors and in order to maximise the potential for Simplified Advice to address the advice gap, we recommend that the FCA also reviews the qualification requirements currently contained in T&C. The advisor population continues to shrink, so we cannot rely on advisors to materially address the advice gap. Even if advisor numbers did increase, they are likely to prioritise servicing holistic advice clients over offering simplified advice. The review should seek to link the qualifications requirements to the scope of Simplified Advice service, which would increase the level of firm interest in providing Simplified Advice. This would mean, for example, someone providing Simplified Advice on ISAs would not need pension-related qualifications. If the FCA were to adopt this proposal, it would make providing Simplified Advice commercially viable to more firms. It would also increase the diversity of offerings available to customers, enhancing competition and innovation in the market.

We have also received feedback that the FCA's review should also give consideration to COBS 6A on adviser charging.

We would encourage the FCA to build on the current AGBR momentum and deliver an ambitious review that seeks to materially address the advice gap, bridging from Targeted Support and increasing opportunities for innovation by providing a firm and clear perimeter around Simplified Advice. If the FCA is able to create a regime that sets a clear, set framework for liability and responsibility, firms will be able to confidently build Simplified Advice models that can meet consumer demand. TISA continues to value the open dialogue with the FCA on this matter and remains ready to support this endeavour.

**Question 48: Are there specific aspects of FCA guidance (such as aspects of FG17/8) which you think are helpful (or unhelpful) and could inform our approach when proposing clearer rules and updating our Handbook guidance?**

We would note the same overarching considerations and issues as noted in our response to question 47.

We have also conducted an initial review of the guidance contained in FG18/8 and would note the following potential application of the aforementioned considerations:

2.6 should recognise the differences between simplified and holistic advice. As mentioned in our response to Question 47, the personal recommendation that someone receives following holistic advice may differ from the personal recommendation that someone receives following simplified advice. The scope of the data that informs the recommendations is different. The firm will provide the best personal recommendation in light of the information that is within scope of the service. This means that a consumer may get an even better outcome if they receive holistic advice, than if they receive simplified advice, but this will come at an additional cost and will take into account all information that is relevant to an individual's financial life. Consequently, these two different services cannot be held to the same standard. They need different standards that recognise the fundamental differences in the services.

2.15 should be consumer-centric. The current drafting is product-centric, considering ways in which firms can advise clients on particular products. We think this approach is inconsistent with the Consumer Duty and would recommend that instead, firms should consider the needs their consumers have and how they can best meet those needs. This would align with the approach taken to Targeted Support – considering the circumstances and characteristics of customers and how firms can better support them to make financial decisions.

2.16 should recognise that pension consolidation and transfers should be suitable for Simplified Advice. We would expect transfers in relation to DB pension schemes to remain out of scope. We would note that Abridged Advice for DB pensions works well and the principles that underpin it could be transferable to Simplified Advice.

2.17-2.22 should be consumer centric. Understanding the financial decisions that consumers are trying to make and how to support them with making those decisions should be prioritised. This is consistent with the Consumer Duty and approach taken to Targeted Support.

2.24: the phrase "the suitability requirements for streamlined advice are the same as for all other forms of investment advice" is unhelpful and does not recognise the fundamental differences between holistic advice and simplified advice. This drafting should be removed, but the channel neutral guidance can remain.

It would be helpful to add a case study to complement the guidance in 2.26. The case study should draw on models deployed by firms like Octopus Money or Moneyfarm to demonstrate how qualified and unqualified personnel can deliver different aspects of simplified advice.

2.32-2.35: Again, there should be a recognition that the suitability standards associated with simplified advice will differ from those required of holistic advice. there needs to be an express acceptance that the simplified advice personal recommendation will be provide a suitable recommendation on the basis of the information that is provided by the customer. Information that is not provided will not be considered. The extent of the information that will be provided and considered will be determined by the agreed scope of service. Under the Consumer Duty, the firm

needs to offer fair value services that meet their customers' needs, safeguarding against a firm adopting improper services and practices.

2.39 could be more definitive. If a customer has confirmed that they wish to receive advice about their ISA and they do not intend to use their ISA for retirement purposes, then the process does not need to capture any information about the client's pension provision. The current drafting is unreliable and unhelpful, as it suggests that some pension information may still be needed, without specifying when or why this may be, or the type of information that should be collected.

2.36-2.37: as above, suitability standards should align with the scope of service.

2.43-2.45 should be updated to align with the final FCA position on existing information under the Targeted Support regime. Alignment in approaches will help firms build Simplified Advice journeys that bridge from Targeted Support and ensures a consistent experience for consumers.

2.47-2.48: should respect the customer's request. The firm will still be required to have a substantiated, credible and reasonable justification for providing a personal recommendation. If they do not have such a justification, they will not give a personal recommendation.

2.51-2.53 should be reviewed in light of the cross-industry efforts to improve risk warnings.

4.10-4.12: we would expect this guidance to be updated in line with ongoing reviews of the FOS. The FOS statement on Simplified Advice is unhelpful because it does not provide any confirmation as to whether the FOS will respect a scope of services that has been agreed by the firm and customer. Without this clarity, firms will be reluctant to provide Simplified Advice given the consequential uncertain liabilities.

4.15, and in particular option 3 in 4.16 should be supplemented with case studies demonstrating practical implementation and operation.

The entire professional standards section and linked T&C requirements should be reviewed and modified to permit personnel that deliver simplified advice to need only the qualifications that are relevant to the scope of services. Thus, a para planner may be able to deliver some simplified advice journeys, or advice on an ISA that is not being used for retirement purposes could be delivered by a member of staff that does not have retirement-related qualifications. If the qualifications align with the service provided, this would allow for a more proportionate, cost effective regime. It would reduce the reliance on fully qualified advisors to provide Simplified Advice, which as mentioned is desirable given the paucity of advisors. This would also ensure that consumers receive advice from appropriately qualified individuals – if the consumer does not wish to receive advice on their pension, then the individual providing the advice should not need to have pension-related qualifications. These are superfluous to the customer's needs and the scope of the specific simplified advice service. It also costs less money to employ a lesser-qualified member of staff, making the overall Simplified Advice service cheaper. These cost savings can be passed on to customers, making

Simplified Advice accessible to more people, thereby more likely to materially impact the advice gap.

4.22-4.30 should be consolidated, rather than having separate requirements for MiFID and non-MiFID business. As mentioned, there also needs to be a clear recognition of the different suitability outcomes for simplified advice and holistic advice.

The following paragraphs of FG 17/8 could be deleted:

- Chapter 1
- 2.1-2.5, 2.7-2.14,
- 2.40 as it effectively makes any illustrations meaningless.
- 3.1-3.4
- 4.44-4.45 should not be required if an appropriate Simplified Advice regime is created.

The following guidance in FG 17/8 could be removed given the Consumer Duty is in place:

- 2.25
- 2.29
- 3.1-3.7, 3.9, 3.10-3.16

**Question 49: Do you agree that we should update our guidance on the advice boundary at the same time as we set out perimeter guidance for firms providing targeted support? Which FCA guidance on the boundary should we focus on keeping, reviewing and/or simplifying?**

To successfully close the advice gap, HMT and the FCA should consider the interaction and relationship between the home (buying, upgrading, smoothing borrowing, releasing equity, downsizing, bequeathing), the workplace pension, insurance, and investments.

The future regulatory approach needs to be sufficiently flexible to allow firms to respond to the behaviours that customers exhibit rather than from a product-by-product perspective. Currently, by limiting the scope of the AGBR to specific product decisions a customer might take (e.g., pensions, use of cash, high risk investments), the framework does not allow firms to respond holistically to mass market needs, for example, more than half of UK households are expected to rely on unlocking housing wealth to maintain retirement living standards by 2040. The forthcoming review of the Perimeter Guidance (PERG) on the boundary between financial guidance and advice should consider how firms can use existing rules, and the new rules on Targeted Support to layer guidance holistically.

Given the complexity of the proposed Targeted Support rules, the FCA could provide greater support to firms in PERG by outlining how it can compliantly build journeys that might encompass more holistic financial guidance with Targeted Support. For example, there should be consideration of the interaction between investment and savings recommendations within a Targeted Support communication and how these can be delivered in tandem.

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

Please see our response to Question 6 which outlines our concerns that the current proposals may lead to the exclusion of consumers who are not digitally engaged. The ONS and the Digital Inclusion Research hub has some useful statistics on the demographics of individuals that are digitally excluded that can underpin the assessment of the proposal's impact on individuals with protected characteristics.