TISA

Response by TISA to:
Small Pots: a pathway for consolidation

Renny Biggins
Head of Policy: Products & Long-Term Savings

November 2026

About TISA

Supporting the financial journey through life

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

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

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

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

Our work, your influence

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

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

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

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

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

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

Executive Summary

TISA supports the Government's ambition to address the growing challenge of deferred small pension pots and welcomes the opportunity to respond to the consultation. Without intervention, the number of small pots is expected to continue increasing significantly, creating inefficiencies for savers, providers and the wider pensions system.

Transfers are a critical enabler of a number of key government initiatives, including Guided Retirement, Value for Money, Scale, Pensions Consolidation and the wider development of connected consumer journeys. Transfer activity is also likely to increase significantly following the rollout of the MoneyHelper Pensions Dashboard.

Against this backdrop, small pots should not be considered in isolation. Government should adopt a more strategic approach, recognising that the solution must support better consumer outcomes across the wider pension transfers ecosystem. As regulators increasingly seek consistent consumer journeys, disclosures and outcomes across product wrappers, the framework should also be capable of operating across pensions, ISAs and other products such as GIAs. The underlying infrastructure should be designed with interoperability and future scalability in mind.

We strongly believe this requires an open standards framework. An open standards approach enables participation by multiple technology providers, generating competition, innovation, choice and resilience which all support the delivery of good consumer outcomes. In contrast, a closed or proprietary model risks creating a monopoly position, reducing market innovation, limiting pension provider choice and introducing unnecessary concentration risk into a critical piece of industry infrastructure. It is essential that pension providers are not compelled to rely on a single provider or proprietary technology and that the solution is capable of supporting future evolution across the savings and retirement landscape.

We believe the solution should be guided by a number of additional core principles: improving member outcomes, preserving consumer trust, operational simplicity, leveraging existing industry infrastructure and delivering value for money. The framework that is introduced should minimise complexity for savers whilst avoiding unnecessary costs that could ultimately be borne by pension scheme members.

We support a Multiple Default Consolidator model as the most practical, scalable and competitive solution. A multiple consolidator approach avoids the market risks associated with a single consolidator model, while maintaining consumer protections, promoting choice and encouraging competition and innovation.

As mentioned, a successful small pots framework should build upon existing pension transfer infrastructure rather than focusing on the creation of a new centralised system. Existing and proven electronic transfer processes and interoperable industry standards that support thousands of product transfers everyday should be enhanced to facilitate consolidation efficiently and cost effectively. This approach reduces implementation risk, enables faster delivery, supports government ambition to reduce administrative burdens for the sector and supports consistency across the pensions ecosystem.

The identification and allocation of consolidators through a carousel model should be underpinned by a simple and transparent mechanism that operates consistently at pension scheme level. Any unintended consequences or inconsistent outcomes would be identified and addressed through MI.

We support the use of a robust legal and governance framework to provide confidence, security and accountability across the market. A TISA member that acts as a major third-party administrator for occupational pension schemes has advised that many of the trustees of schemes it administers will not participate in existing electronic transfer solutions where no common legal framework or contractual agreement is in place. The small pots framework will need to address the legal and governance arrangements underpinning transfers, in addition to the technical solution itself.

Participation should be restricted to authorised entities operating within agreed standards and controls, ensuring high levels of consumer protection and scheme oversight. Again, we should be leveraging an existing and proven framework which is currently operating where possible.

The success of any small pots solution will depend on high-quality member data and effective matching processes. While no system can guarantee complete accuracy at all times, the proposed framework should support improved data quality and maximise matching success through the use of existing industry data standards and verification processes.

Finally, implementation should remain proportionate and practical. New employer obligations should be minimised wherever possible, with policymakers seeking to leverage existing initiatives such as the Pensions Dashboards Programme rather than introducing significant new administrative burdens.

Question responses

Question 1: Do you agree with the proposals set out in this chapter? Are there any unintended risks or consequences that may arise from these proposals outlined above?

It is proposed that the Multiple Default Consolidator (MDC) solution will only apply to pension pots held within defined contribution, charge-capped default funds created since the introduction of Automatic Enrolment (AE) on 1 October 2012.

Could it be clarified whether this would include pots relating to earlier periods of employment or pension accrual that have subsequently been transferred into a small-pot qualifying arrangement after October 2012? In addition, given that automatic enrolment duties were staged over a number of years, it may be challenging in practice to determine which pots fall within scope and which do not without undertaking more detailed investigations at employer level. Clarification on how schemes and providers are expected to identify in-scope pots would therefore be helpful. We would also ask for confirmation that the scope only extends to uncrystallised pots and not those which are in Drawdown.

We recommend including pots where investments have been self-selected. While these members may have engaged sufficiently at the outset to make an active investment choice, it is unlikely that the same level of engagement remains if the pot has subsequently become eligible under the Small Pots definition. Excluding such pots could result in disengaged members being treated differently solely because of a historic investment decision.

Providing schemes with discretion over the eligibility of pots containing guarantees is likely to result in inconsistent outcomes for consumers and create potential liability concerns for schemes. We therefore recommend establishing clear rules that enable schemes to determine with certainty whether pots with guarantees are in or out of scope.

The existence of clear eligibility rules would not remove member choice, as individuals would still retain the ability to opt in or opt out of consolidation where appropriate. However, a discretionary approach would require schemes to explain and justify their decisions to members. Given the often highly technical nature of pension guarantees and protections, these explanations are likely to be complex and may be difficult for many consumers to understand.

Prescriptive rules would support more straightforward and accessible communications, helping members understand the process and their options without the need for detailed explanations of technical pension provisions. This would also promote greater consistency in member experiences across the market.

If the scope does extend to older forms of pension protection, we would recommend that supporting guidance is developed on the communications used where such protections are present. This would help ensure that members receive clear, consistent and balanced information about the potential implications of consolidation, while reducing the risk of differing interpretations and approaches across schemes.

If eligibility is limited to pension accrual from October 2012 onwards within an automatic enrolment qualifying scheme, many historic protections, such as protected tax-free cash entitlements and protected pension ages below 55, are unlikely to be relevant. If eligibility extends beyond this period, such protections could exist, although they are likely to be relatively uncommon. In either case, given the proposed Small Pot threshold and the limited potential for consumer detriment arising from consolidation, the value of many such protections is likely to be minimal. In these instances pots could remain eligible but communications provide the opportunity for members to opt out.

One notable exception is the protected pension age of 55 (or, in certain circumstances, 56) arising from the increase in the Normal Minimum Pension Age (NMPA) to 57 from April 2028.

We expect a meaningful number of small pots to benefit from this protection. Importantly, its value extends beyond the protected pot itself because members can transfer additional pension savings into the arrangement and preserve access to the protected pension age across the combined benefits.

We would welcome further detail on how MDCs will be expected to preserve and administer protected pension ages, and how this will interact with existing transfer regulations. In particular, clarification is needed on the treatment of members whose consolidated arrangements contain a mixture of benefits, some of which carry a protected pension age and some of which do not.

For example, where several small pots are consolidated into a single MDC arrangement and only one of those pots benefits from a protected pension age, it is unclear whether the protection would apply solely to the transferred pot or whether it could apply more broadly across the member's consolidated benefits. Clear rules will be required to ensure consistent treatment across providers and to avoid unintended consumer detriment.

We would also welcome clarification on how the differing protected pension age regimes will be treated. There are important distinctions between historic protected pension ages below age 55 and the protection granted to certain members following the increase in Normal Minimum Pension Age from 55 to 57 in April 2028. The proposed framework should clearly set out how each form of protection is to be identified, preserved and communicated.

To maintain protected pension age rights under current legislation, transfers must generally be undertaken as a block transfer. While the detailed operating model for small pot transfers has yet to be determined, we anticipate that many schemes may undertake small pot transfers in batches for operational efficiency, potentially resulting in transfer exercises that satisfy the existing block transfer requirements.

However, if protected pots are instead transferred individually to an MDC, there is a risk that members may not be able to realise the full value of their protection. Although the transferred pot itself may retain its protected pension age, the receiving arrangement could be unable to extend that protection to other benefits held within the arrangement if the transfer does not satisfy the conditions for a block transfer.

We therefore recommend that legislation explicitly provides that all small pot transfers involving a protected pension age are deemed to satisfy the block transfer requirements. This would ensure members retain the full value of their protection while also providing operational flexibility for schemes in determining the timing and administration of consolidation exercises.

Such an approach would support both consumer protection and the efficient operation of the small pots framework. It would also provide greater certainty for schemes and providers when designing transfer processes and member communications, reducing the risk of inconsistent outcomes across the market.

Question 2: Can schemes reliably identify pots that have guarantees attached? Are there operational or administrative risks that could threaten the effective retention of guarantees for members. For example, data quality?

We have no strong concerns in this regard.

Question 3: Are there any guarantees or protections that should automatically be out of scope from trustee and scheme manager discretion?

The scope of Small Pot eligibility will ultimately determine which guarantees and protections may be present within pots that fall within the framework. Whatever approach is adopted, we recommend that the rules explicitly define which protections and guarantees are in scope and which are out of scope, for the reasons set out in our response to Question 1.

Providing schemes with discretion in this area would be likely to result in inconsistent outcomes, increased operational complexity and potential liability concerns. Clear and prescriptive rules would provide greater certainty for schemes, support consistent treatment of members, and enable simpler and more accessible communications. The member's ability to opt in or opt out of consolidation would continue to provide an appropriate safeguard where protections are present.

Furthermore, the proposed Small Pot threshold limits the potential value at risk in any individual transfer. As a result, the potential consumer detriment arising from the loss of many guarantees or protections is inherently constrained by the relatively small size of the pots concerned

Question 4: How frequently does the situation arise where preservation of a PPA must be considered? Do you think the proposed approach would work administratively, or is there a better way of achieving the same outcomes for members?

The scope for pot eligibility will determine which guarantees and protections may be present. If relevant, many of these older protections will rarely exist within the Small Pot community. However, PPA 55 is likely to feature on a more frequent basis. Please see our response to Q1 for our recommendations on how these should be dealt with within the Small Pots framework.

Question 5: Are there any additional guarantees or protections that will need to be considered that have not been outlined in this consultation?

We have nothing further to add here.

Question 6: Do you agree that the proposed content of the pre-consolidation notice would provide members with sufficient information to understand the consolidation process and support informed decision-making, while remaining clear, proportionate and accessible? How do you consider what would be best to test and review this communication?

At a high level, communications should be proportionate and designed to avoid overwhelming members through excessive frequency, complexity or volume of information. It is important to remember that this policy is dealing with Small Pots and, as such, the member experience should be as streamlined and straightforward as possible.

The proposed Small Pot threshold already mitigates much of the potential consumer harm associated with a default consolidation approach. Communications should therefore focus on supporting informed decision-making without introducing unnecessary complexity or creating barriers to the policy's objectives.

The inclusion of Value for Money (VfM) data, charges, investment approaches and other scheme features does not appear proportionate given the target population and the size of pots that this policy is intended to address.

Under the proposed framework, members will only be consolidated into MDCs that have met the relevant qualifying criteria. As a result, presenting detailed information on areas such as investment strategy, VfM assessments and scheme features is unlikely to support effective consumer decision-making. Many members will have limited interest in, or understanding of, these factors, particularly in relation to a small dormant pension pot.

There is also a risk that providing this information could have unintended consequences. In practice, charges may become the most visible and easily understood metric, leading members to place disproportionate weight on a single factor rather than considering outcomes more holistically. This could undermine the rationale for a framework that has already assessed and approved consolidators against a broader set of criteria.

TISA has developed a standardised set of consumer-facing wording for use within non-advised DC transfer journeys (see Appendix). In the interests of simplicity, consistency and consumer understanding, we recommend that this wording, or an approach aligned with the same principles, is used to support member decision-making within the Small Pots framework.

More broadly, communications should focus on the key information members need to make an informed choice, rather than seeking to provide comprehensive product disclosure. This would be consistent with the objective of delivering a simple and efficient consolidation process while recognising that the proposed Small Pot threshold already significantly mitigates the potential for consumer harm.

Question 7: In your view, is there any additional information that should be included in the notice, or any information proposed that is unnecessary, overly complex, or could be presented differently? Please provide reasons and evidence where possible.

Please see our response to Question 7.

Question 8: In your view, where a member already has an allocated consolidator scheme, should they be able to choose an alternative consolidator for subsequent consolidations (option 1), or should subsequent eligible deferred pots transfer by default to their existing consolidator scheme (option 2), subject to the member's right to opt out and the scheme remaining an authorised consolidator?

It is important that the framework supports an innovative and competitive MDC market, with an appropriate balance struck between this and simplicity. Whilst members should be defaulted into the existing consolidator where no alternative selection is made, they should be given the opportunity to make this decision.

Question 9: Do you have any other views on the proposed member communications journey, including the design, timing, format, delivery, accessibility or operation of communications under the Multiple Default Consolidator solution?

Clarity will be needed on the timing of member communications. Given schemes are proposed to have up to 12 months from the point a pot becomes eligible for consolidation to complete the transfer, it may not be appropriate to require communications to be issued at the eligibility date itself. Instead, communications should be aligned to key points within the transfer process and provide members with sufficient notice of any action being taken.

More broadly, consideration should be given to how any new communication requirements can be integrated into existing member communications. This would help minimise duplication, reduce member overload, and support a more proportionate approach, particularly given the small balances involved and the policy objective of delivering efficient consolidation at scale.

Question 10: Do you agree with the proposals set out in this chapter? Are there any unintended risks or consequences that may arise from these proposals outlined above?

We believe that providers which meet the eligibility requirements to operate as a MDC should have flexibility to determine the most appropriate arrangement into which a member is placed. This should include providers whose propositions span both Group Personal Pensions (GPPs) and Master Trusts. Provided an arrangement is delivering Value for Money and meets the required standards, there should be no material distinction between transferring a member into an existing arrangement or into a dedicated consolidator arrangement established for this purpose.

This flexibility is particularly important where a member already holds an arrangement with the MDC. In such circumstances, a Small Pot transfer should be capable of being consolidated into the member's existing arrangement, rather than requiring the creation of a new account. This would support greater consolidation efficiency, reduce administrative complexity, and avoid unnecessary proliferation of pension arrangements. This issue is closely linked to the proposed approach to same-scheme consolidation. For GPP providers in particular, consolidation can be challenging where members are invested through different employer-sponsored arrangements with varying charges and product terms. Providers are unlikely to be able to exercise discretion to consolidate arrangements at provider level where doing so could expose them to liability or result in potential minor consumer detriment through movement to arrangements that are not demonstrably equivalent. Allowing providers flexibility over the receiving arrangement would help mitigate these challenges while still delivering the policy objective of effective consolidation and good member outcomes.

In line with the above, we would support a broader review of market-wide charging structures to ensure the framework remains fit for purpose and supports value for money across the market.

Question 11: Do you consider that there should be other terms of the scheme that are explicit requirements in order to act as a consolidator scheme?

As MDCs could fall within either the TPR or FCA regulatory perimeter, we recommend that authorisation requirements are aligned to ensure consistency across the market and to avoid creating unnecessary regulatory burdens or competitive distortions between different scheme types.

Question 12: Do you consider the existing requirements relating to financial sustainability to be sufficient as an assessment of the scheme's ability to absorb the operational and financial implications of acting as a consolidator?

Broad assumptions will need to be made in assessing whether a prospective MDC could absorb the associated impacts. Much of the cost and operational burden will depend on detailed policy decisions that have yet to be made, including the transfer solution that is adopted. Given these uncertainties, it is not currently possible to determine with confidence whether the existing requirements are sufficient, proportionate, or appropriate for the proposed regime.

Question 13: Which approach to scale do you consider most appropriate to support positive member outcomes, and why? Are there alternative approaches that should be considered? How should this be monitored and updated over time to ensure they remain appropriate as the market develops?

We recommend aligning this threshold with the existing scale reform thresholds to provide consistency across the regulatory framework. Establishing separate thresholds would create unnecessary complexity and could lead to confusion and additional administrative costs for schemes.

Question 14: Do you agree that the most appropriate and equitable approach is to review the flat fee de minimis threshold across the market as a whole, with any changes implemented ahead of the introduction of the Multiple Default Consolidator solution? If not, which of the options discussed do you consider most effective in delivering strong member outcomes, and why?

Yes, we agree that a market-wide review would be appropriate.

Question 15: Do you think schemes should be prohibited from acting as a consolidator scheme if they do not receive a specific VFM rating, if so, what rating do you consider to be an appropriate level of value?

Delivering value for money should be a fundamental requirement of MDC status. Accordingly, only schemes assessed as Dark Green or Light Green under the VfM framework should be eligible to operate as an MDC.

Question 16: Do you agree that consolidator schemes should undertake same scheme consolidation, and that option 1 presents the best safeguards for savers? Do you agree with the proposals on exclusions from same scheme consolidation?

Please see our response to Question 10.

The Pension Dashboard is due to launch before the first VfM reports are published and will present consumers with a consolidated view of their pension entitlements, including an estimated retirement income. It is important that the pensions framework evolves to take advantage of the efficiencies this creates and avoids duplicative disclosure requirements. As such, we do not consider there to be a strong case for the production of Single Benefit Statements where equivalent information is available through the Dashboard.

Question 17: Do any of the options explored in this chapter present potential challenges specifically for contract-based schemes if the FCA were to introduce identical requirements in its rules?

GPPs typically comprise multiple charging structures across participating employers. As a result, proposals for same-scheme consolidation and the production of a single benefit statement may be considerably more complex to implement in the GPP market than in other scheme types. Any framework will need to recognise these operational and structural differences to avoid unintended consequences and excessive implementation costs.

Question 18: To what extent do you agree that existing regulatory powers and supervisory frameworks, together with the proposed supervisory and intervention powers, provide a sufficient basis for the effective ongoing oversight of consolidator schemes? Please provide reasons for your answer, including whether there are any additional supervisory or intervention powers that should be considered, or any proposed interventions that you do not support.

We believe the existing proposals are sufficient to achieve the intended policy objectives.

Question 19: To what extent do you agree with the proposed approach to the treatment of members' pots following the loss of consolidator status? Please provide reasons for your answer, including whether you consider a single approach, or an alternative approach, would better support member outcomes.

We believe Option 1 is the only viable approach, as it provides schemes with the flexibility to determine the most appropriate course of action based on their particular circumstances.

Option 2 may not be operationally feasible where a Small Pot is transferred into an existing arrangement, unless the transferred amount is ring-fenced from the member's other assets. This could introduce additional complexity and administrative costs.

We consider Option 3 to be disproportionate. Under the proposed VfM framework, schemes assessed as Amber or Red would not be subject to equivalent intervention or restrictions. Applying additional requirements solely to MDCs would therefore create an uneven regulatory treatment and could discourage otherwise suitable schemes from seeking MDC status, potentially reducing competition and innovation in the market.

Question 20: To what extent do you agree that decisions on the removal of consolidator status should remain subject to regulatory judgement on a case-by-case basis? Are there any breaches that you consider should automatically result in the removal of consolidator status? Seems fair.

We believe the proposals to be a proportionate approach.

Question 21: To what extent do you agree with the proposed approach for schemes wishing to voluntarily exit the consolidator market? Please provide reasons for your answer, including whether you consider an alternative approach, would better support member outcomes.

We believe the proposals to be a proportionate approach.

Question 22: How do you consider this process should be delivered for smaller schemes that are unlikely to transfer significant volumes of small pots and for which investment in dedicated digital infrastructure may not represent good value for their wider membership?

Small schemes are already out of scope.

The use of a federated approach, building on existing frameworks and operating models, should help minimise implementation costs across the industry. The final solution should be proportionate and not impose undue operational or financial burdens on schemes.

Whilst some investment will be required, schemes operating in this market should be capable of meeting the necessary standards and requirements. Where schemes are unable to do so, it may be appropriate to consider whether they have the scale, governance and operational resilience needed to continue operating effectively in the market.

Question 23: To what extent do you agree with the government's proposed approach of a federated model supported by a central oversight body? What factors should the government consider when determining where the central oversight function should sit, including whether it should be delivered by a public body, an existing organisation, or an industry-led body operating within a statutory framework?

We fully support the proposed approach for a federated model, supported by a central oversight body.

The final solution should build on proven processes and infrastructure that already operate successfully within the regulated transfers market. It should harness the benefits of competition and innovation by enabling multiple technology providers to participate and develop interoperable solutions based on common operational standards. Importantly, the cost per transfer, which may be passed onto members must be very low.

Crucially, this should not be designed as a standalone solution solely for Small Pot transfers. As policymakers seek to improve efficiency across the pensions transfer landscape more broadly, the proposed framework should act as an enabler of wider transfer reform rather than creating an additional, separate process.

Looking further ahead, there may be merit in exploring greater alignment of transfer processes across different product wrappers. Establishing a consistent approach across regulated financial services products could reduce complexity, lower costs and improve consumer outcomes by creating a more streamlined and familiar experience for consumers and industry.

Question 24: Do you agree that detailed technical and operational standards should be capable of being updated outside legislation, subject to appropriate governance and consultation?

Whilst the legislation should establish the requirement for common standards, the detailed standards themselves should sit outside of primary or secondary legislation. This would enable them to be updated through an agreed industry and government governance process, providing the flexibility needed to respond to changing market conditions and technological developments without the delay and complexity associated with legislative change.

Question 25: To what extent do you agree that legislation should require pension schemes to comply with common data standards when participating in the Multiple Default Consolidator solution? In particular we are keen to understand:

Common data standards should be a mandatory component of the MDC solution. Without them, interoperability between schemes becomes effectively impossible, as different participants could adopt different approaches to transferring and processing data. This would undermine the core objectives of the framework, increase costs and complexity, and impede the development of an efficient, automated transfer ecosystem.

what matters should be included in legislation, and what matters should be left to technical standards or statutory guidance?

The requirement for common data standards should be established in legislation, providing a clear and consistent expectation across the market. However, the detailed content of those standards should be developed and maintained through an ongoing, collaborative industry-led process rather than being prescribed in legislation.

This approach would provide the flexibility to update standards in response to evolving market practices, technological developments and operational experience without requiring further legislative change. A well-established precedent already exists through UKETRG's governance of ISO 20022 messaging standards, where industry participants work collectively to develop, implement and maintain common standards that support interoperability across transfers in the financial services sector supported by SWIFT.

Adopting a similar model for the MDC framework would help ensure standards remain relevant and effective over time while preserving the consistency and interoperability that are essential to the successful operation of the transfer ecosystem.

what data items are likely to be essential to support accurate matching and transfer activity under the Multiple Default Consolidator solution?

The matching criteria will need to support effective straight-through processing, meaning that only a very small proportion of cases should result in partial matches or require manual intervention. If the criteria are too restrictive, transfer volumes will be adversely affected, reducing the efficiency gains that the policy is intended to deliver.

Consideration should therefore be given to aligning the matching approach, where appropriate, with the standards and principles being developed for the Pensions Dashboards ecosystem. Leveraging existing industry experience and matching frameworks could promote consistency across the pensions landscape, improve consumer outcomes and reduce implementation costs for schemes and technology providers.

Question 26: To what extent do you agree that pension schemes should be required to use approved messaging standards when participating in the small pots framework? In particular we are keen to understand:

This should be a mandatory component of the MDC solution. Without them, interoperability between schemes becomes effectively impossible, as different participants could adopt different approaches to transferring and processing data. This would undermine the core objectives of the framework, increase costs and complexity, and impede the development of an efficient, automated transfer ecosystem.

what role should legislation play in establishing messaging requirements, and what matters should be left to standards or governance arrangements?

The requirement for messaging requirement should be established in legislation, providing a clear and consistent expectation across the market.

However, the detailed content of those standards should be developed and maintained through an ongoing, collaborative industry-led process rather than being prescribed in legislation.

how should the framework ensure that approved messaging arrangements are accessible to schemes and providers across the whole market?

A well-established precedent already exists through UKETRG's governance of ISO 20022 messaging standards (sent through SWIFT), where industry participants work collaboratively to develop, implement and maintain common standards that support interoperability across transfers within the financial services sector. These standards are publicly available and can be accessed by all market participants.

We believe a similar model should be adopted for the MDC framework. While the requirement for common standards should be established in legislation, the standards themselves should be maintained through an inclusive industry governance process and be freely accessible to all participants. The central oversight body should be responsible for publishing and maintaining these standards, ensuring unrestricted access, transparency and consistency across the market. This will support interoperability, promote competition amongst technology providers and reduce barriers to participation.

Question 27: To what extent do you agree that pension schemes should be required to apply a common data matching framework when participating in the small pots consolidation process? In particular we are keen to understand:

As above, this is a crucial requirement for an effective solution.

are there specific aspects of data matching that should be prescribed in legislation, or should detailed matching criteria be set through standards overseen by the central oversight body?

This process should be clearly defined and, wherever possible, prescribed in legislation to ensure consistency of approach across the market. A robust governance framework will be essential to providing certainty for schemes, reducing the scope for divergent practices and supporting effective oversight.

The central oversight body should be responsible for collecting and monitoring management information on the operation of the framework. This should be used to identify instances where schemes are not adhering to agreed standards, service levels or operational requirements, enabling issues to be addressed promptly and supporting continuous improvement across the ecosystem. Clear escalation and remediation processes should also be established to ensure non-compliance is identified and resolved in a timely and transparent manner.

what safeguards should apply where a possible match is identified but cannot be confirmed automatically?

Cases that do not meet the agreed matching criteria should be routed into a manual process for investigation and resolution. However, the matching standards should be designed to support high levels of straight-through processing, with only a very small proportion of cases requiring manual intervention.

The objective should be to minimise exceptions and dropouts, ensuring the transfer process remains efficient, scalable and cost-effective. Where significant volumes of cases are falling out of the automated process, this may indicate issues with data quality, matching criteria or adherence to agreed standards, which should be monitored and addressed through the framework's governance arrangements.

what information should schemes be required to exchange in order to identify the correct destination consolidator while minimising unnecessary data sharing?

This will depend on the criteria used to determine the default MDC. We envisage this being facilitated through a discovery message, which could be incorporated into the start of the existing electronic transfers process and sent to all operating MDCs.

The discovery message must contain sufficient personal information to enable an MDC to identify the individual and determine whether it is the default consolidator. Where an MDC is not the default consolidator, but does hold a pot for the individual, it should provide details of the pot value and arrangement status to help the originating scheme identify the appropriate default MDC.

Where no MDC is identified as the default consolidator, the scheme holding the Small Pot should allocate an MDC using the carousel approach. This should operate at scheme level but be applied consistently across the market to ensure a fair distribution of pots between MDCs.

Question 28: To what extent do you agree that a carousel allocation process should be used where a member does not already have a pot with a consolidator? In particular we are keen to understand:

We agree with this approach.

what factors should be taken into account when designing the carousel to ensure that it is fair, transparent and effective?

The carousel would need to operate at provider level, but in a consistent manner across the market, to ensure all MDCs receive an equitable allocation of Small Pots.

In practice, this could be achieved by all schemes maintaining the same ordered list of authorised MDCs. Each time a pot requires allocation to an MDC, it would be assigned to the next provider on the list, with allocations rotating sequentially through all MDCs. This approach would provide a simple, transparent and fair mechanism for distributing pots evenly across the market while avoiding competitive distortions or concentration risk.

what information should be used to determine which consolidator holds the member's largest pot, and how should that information be verified?

This would be verified through the discovery message at the outset of the transfer process. Sufficient information would need to be provided to both the participating MDCs and the scheme holding the Small Pot to enable the correct default MDC to be identified and the transfer routed accordingly.

The discovery response should provide confirmation of whether an MDC is the default consolidator and, where relevant, details of any existing pot held by the member. This information would allow the originating scheme to determine whether a default MDC exists and, if so, ensure the Small Pot is transferred to the correct consolidator. Where no default MDC is identified through the discovery process, the originating scheme would allocate an MDC using the agreed carousel mechanism.

Question 29: To what extent do you agree that a central digital interface should maintain a list of consolidator schemes, including verified contact details and relevant information?

We do not envisage a central digital interface forming part of the federated model. Instead, the electronic transfer process should leverage existing interoperable transfer processes and frameworks, allowing multiple providers to offer digital solutions that operate using common standards. This approach would support competition and innovation while avoiding the cost and complexity associated with building and maintaining a central platform.

A centrally maintained list of authorised MDCs will, however, be required to support the process. This should be publicly available and published in a similar manner to the register of authorised Master Trusts. The central oversight body should be responsible for maintaining and publishing this list, ensuring that schemes and service providers have access to an up-to-date record of eligible MDCs. The list would also support the operation of the carousel mechanism by providing a definitive source of participating MDCs and their agreed allocation order.

Question 30: To what extent do you agree that a central digital interface should issue, or enable the issuing of, security credentials, certificates, keys or tokens to support secure communications between participating schemes and consolidators?

The MDC model should operate within a clear legal and governance framework that provides schemes and providers with the confidence and certainty required to exchange member information electronically. Participation in the framework should be restricted to authorised entities that meet the required standards, ensuring data can be shared securely and appropriately to support the end-to-end transfer process.

Only organisations that are authorised to participate in the framework should be permitted to operate these processes. A centrally maintained register of participating MDCs and other authorised schemes should therefore be maintained and published by the central oversight body. This would provide schemes with a trusted source against which to verify participants before exchanging information or initiating transfers.

This approach is consistent with existing automated transfer frameworks, which already operate successfully through defined legal agreements, common standards and controlled participation. Building on these established models would provide a proven and proportionate foundation for the Small Pots consolidation process while supporting secure and efficient straight-through processing.

Question 31: To what extent do you agree that the proposed requirements provides a proportionate basis for pot matching and contact? Please provide reasons for your answer. Are there any additional data fields that should be included in the requirements to support more effective pot matching, and if so, why?

Whilst there is no single source that can be relied upon to enable complete and accurate member data to be held at all times, we believe the proposed framework will help drive improvements in data quality across the pensions industry.

The introduction of Pensions Dashboards should also support this objective.

Question 32: To what extent do you agree with the proposed approach to improving member data quality through enhanced employer data requirements? Please provide reasons for your answer, including whether the proposed 12-month interval and information requirements are proportionate, whether any additional information should be included or any proposed information is unnecessary, and how any administrative burden on employers could be minimised.

We broadly agree with the proposed approach. However, it will be important to recognise the varying capacity of employers to absorb additional responsibilities and administrative requirements. Any new obligations should therefore be carefully assessed to ensure they remain proportionate, particularly for smaller employers with limited pensions resource and expertise.

Where possible, existing infrastructure should be leveraged to minimise the burden on employers. In particular, the Pensions Dashboards ecosystem should be utilised where appropriate to support access to information, reducing the need to introduce additional employer-led processes.

Question 33: To what extent do you agree with the proposed approach requiring employers to provide information where an individual is temporarily absent from work but intends to return and resume pension contributions? Please provide reasons for your answer, including whether you agree that such information should be used to help schemes avoid incorrectly treating pots as dormant.

This may have some limited value; however, pension scheme engagement is unlikely to be a priority for most employers. Whilst notification of an extended temporary absence could help schemes identify potentially exempt pots, it is unrealistic to expect employers to consistently notify schemes when a temporary absence becomes permanent.

As a result, there is a risk that schemes could continue to treat a pot as exempt when it is no longer eligible for exemption. Any framework relying on employer notifications should therefore recognise that the information provided may not always be complete or up to date. The rules will need to account for this risk.

APPENDIX

Before you transfer your pension: questions to ask yourself

Moving your pension can be a good decision. It might give you more choice, lower costs or make your savings easier to manage and access. But you may also lose valuable benefits. These questions are here to help you make sure a transfer is right for you.

Why do you want to move?

- Does the new pension give you benefits that your current one doesn't? For example, more investment control, more ways to take your money, or having your pensions in one place.
- Would the new pension still suit you if your plans, health, job or family situation changed?

What benefits could you lose?

- Some pensions have special features or benefits that could be lost on transfer.
- Check with your current provider for guaranteed income, guaranteed annuity rates, protected tax-free cash, protected pension age or with-profits bonuses.
- If you're moving from a workplace pension, will it affect any contributions or other benefits linked to your pension from your employer?

What will it cost?

- Have you compared the total costs of both pensions? This includes yearly charges, investment fund charges, potential exit fees for leaving your current pension and any charges to set up a new one.

How will your money be invested?

- Have you compared the investment options available with both providers?
- Workplace schemes may have selected an investment for you.
- Your new provider may may give you more investment choice and control. Are you comfortable making investment decisions?

What are your retirement options?

• Have you compared the retirement options available to ensure they meet your needs?

Have you had help?

- A key scam warning sign is feeling pressured to make a quick decision. Always take time to check information and consider seeking impartial guidance before transferring.
- Are you confident making this decision on your own? If not, you can seek free, impartial guidance from MoneyHelper, or speak to a regulated financial adviser.

Find out more (for details specific to your plan, please contact us)

- Our funds and how your money could be invested (link to webpage)
- Our general charges (link to webpage).
- Our general options for taking money from your pension with us (link to webpage)
- MoneyHelper: free, impartial pensions guidance, backed by the government