



## Targeted Support for FCA regulated schemes

The Financial Conduct Authority (FCA) has published [Consultation Paper CP25/17](#) setting out proposals to introduce a new form of support, called targeted support. The intention is that FCA-regulated firms will be able to provide suggestions designed for groups of consumers with common characteristics to help them make financial decisions and deliver better outcomes for them.

The consultation also sets out the FCA's early thinking and direction of travel on simplified advice and how it intends to clarify the Advice Guidance Boundary, which is whether guidance given falls into the domain of regulated advice, with potentially serious sanctions for any non-compliance with the detailed FCA requirements.

### Rationale behind targeted support

The choices that individuals make determine their financial wellbeing in later life. These choices can range from whether and when to save or invest, the type of investments to invest in, the amount to save, and the type of income to be taken in retirement. The challenge is that research has shown that change needs to happen because:

- 38% of the working age population (12.5m people) are under saving for retirement.
- The take up of regulated advice is very low with only 9% of people receiving regulated advice on their pensions and investments in the 12 months to May 2024. Instead, people look to government sources (including MoneyHelper), consumer groups, friends and family, and social media for guidance.
- Similarly, 59% did not use information, guidance, or advice on investments, pensions or retirement planning in the last year.
- 61% of adults with £10,000 or more in investible assets hold these mostly in cash.
- 40% of savers said that a lack of knowledge was the main barrier to investment.

For those that could invest and for those faced with complex decisions, there is seen to be a gap in the support available.

### What is targeted support?

Targeted support is a way of helping consumers, narrowing the gap between information and existing forms of investment advice. It should help savers with decisions about pensions and investments by providing suggestions about products or courses of action designed for groups of consumers with common characteristics. These suggestions will be based on limited information, and regulated firms will need to make it clear to consumers that targeted support is not individualised advice.

The idea is that targeted support should be designed to help consumers achieve better outcomes than if they had not received targeted support. The FCA recognises that targeted support may not be as beneficial as more personalised recommendations provided by regulated advice but is willing to make this compromise because many savers are currently experiencing harm in the absence of support. Consumers receiving ongoing advice will not be excluded automatically from targeted support.

Under the proposals, a firm may provide targeted support at the request of a consumer or at the firm's initiative. In theory, targeted support will therefore involve a firm completing the following activities:

Deciding which activities will have targeted support. These will usually be either situations posing a risk of foreseeable harm to customers or the potential for customers to better meet their financial objective (e.g., at the point of taking benefits from a DC scheme). The FCA does not prescribe the situations in which firms can provide targeted support, but is clear that firms will not be able to use targeted support models to provide recommendations on giving up safeguarded pension benefits (such as final salary pensions).

- Segmenting its customers by grouping those in a common situation and/or sharing common characteristics with sufficient granularity that it should only be possible to align a consumer with one consumer segment within each pre-defined situation. When segmenting into categories, this can include so called 'excluding characteristics', i.e. a fact or characteristic which would mean any ready-made suggestion was unsuitable. Having an excluding characteristic would prevent a person with it from falling into a particular category and so no targeted support suggestion should be made to them.
- Creating a ready-made suggestion for each segment based on reasonable assumptions and with due skill, care and diligence.

Delivering a ready-made suggestion to those consumers who are aligned to the consumer segment. This will involve careful identification of who that suggestion is for (or not for) so that the ready-made suggestion is not mis-delivered and verifying that the consumer falls into the relevant segment before the suggestion is made.

## What might targeted support look like?

The table below sets out what some ready-made suggestions may be:

Issue being addressed	Suggestion
Under-saving for retirement	More suitable contribution rate
Struggling to make decumulation decisions	An appropriate retirement choice based on the individual's segmented consumer group
Unsustainable drawdown rates	More suitable drawdown rate
Not yet investing	A specific investment product
Choosing between a pension or investment product	A specific investment or pension product
Existing investment product risks	An alternative, more suitable, investment product
Cheaper alternative funds available	An alternative, better value, fund

### Annuity suggestions

Under targeted support it will not be possible to recommend a 'particular annuity' to a consumer. This is because to do so would require significant personalised information which would result in overly granular consumer segments. Without such detailed personalised data, it would be inappropriate for firms to make an express recommendation for a lifelong product that is irreversible.

However, firms operating targeted support would be able to suggest features of an annuity (e.g., guarantee income, escalation in payment for inflation protection, a survivor's pension, etc.) in certain circumstances provided that they did so without naming any specific annuity product. As firms will not be able to expressly refer to a particular annuity, they will not be able to provide an annuity quote.

These measures will not prohibit firms from selling annuities. However, there will need to be a sufficient break in the consumer journey between a ready-made suggestion and an annuity sale. This includes a

provision that providers of targeted support will not be permitted, for a period, to send any annuity-related communications, (such as marketing or financial promotions) to consumers to whom the firm has recommended ready-made suggestions, to allow sufficient time for the consumer to approach MoneyHelper. The FCA may introduce a minimum period of two weeks but that is under consideration as part of the consultation.

Further, in a bid to prevent conflicts of interest, the FCA proposes to prohibit firms that give targeted support on annuities from signposting or referring consumers to commercial services, such as annuity brokerages.

### **Pension consolidation**

Because of the degree of personalisation needed to suggest a solution, the FCA propose that firms would not be allowed to use targeted support to suggest that consumers consolidate any pensions out of or into a particular product. The consultation asks if respondents agree with that.

## **Communications**

The FCA proposes to introduce specific requirements for a firm to communicate:

- the nature of targeted support including that it is based on limited information and therefore that it is not individualised advice
- the common characteristics of the consumer segment for the targeted support to which the consumer has been allocated, i.e. the factual data points that the segment is based upon
- that the ready-made suggestion was designed for the relevant consumer segment
- any limitations on the scope of products considered by the firm, for example where the firm has only considered its own products or connected firms' products
- that there is an option to opt-out of any suggestion.

It is proposed that certain suggestions will have additional disclosure requirements; for example, for annuity feature suggestions, there would be a requirement to also signpost consumers to MoneyHelper's annuities comparison tool.

Under the proposals, firms can decide how and when to communicate these elements to customers. However, there will be requirements for firms to test their targeted support communications and take reasonable steps to ensure consumer understanding.

## **Charges**

The FCA proposes to allow firms to provide targeted support for free, although it would not prevent firms charging for this service. Firms may fund this work by relying on cross-subsidies from other products or services, provided that, overall, this delivers good outcomes for ordinary retail consumers involving fair value products at a reasonable price for the benefits provided.

Where targeted support is provided for free of charge, there will be a disclosure requirement to advise customers how the firm will be remunerated for the provision of the service. Where firms choose to charge for the service, they will be required to disclose charges and ensure these are agreed to by the individual.

## **Governance**

Firms will be required to review their targeted support service regularly. The FCA proposals include that a firm must monitor whether any suggested product remains appropriate for that purpose. This will need to include being able to identify where there are changes to that product, such as a significant adaptation, and if so whether the suggested product remains appropriate for inclusion. They will need to take appropriate action to address the risk of harm should that become an issue for anyone who took up the ready-made suggestion.

The FCA plans to ask firms for data related to the provision and outcome of targeted support; and will carry out a post-implementation review to measure the effectiveness of this reform.

## Guided retirement & default pension benefit solutions

The Pension Schemes Bill provides for the introduction of default pension benefit solutions for occupational money purchase pension schemes. The FCA will be required under the Bill to also develop its own policy for what it is terming guided retirement for contract-based pension schemes. Targeted support seeks to support savers in making informed choices, whilst default pension benefit solutions, as part of guided retirement, seek to create a default decumulation option for those that do not or cannot engage. Guided retirement will be mandatory unlike targeted support which will be permissive.

As part of the consultation, the FCA is asking whether trustees would want to provide targeted support and if there are barriers to providing this because they are worried it may be considered to be a regulated activity or financial promotion.

## Next steps

The consultation closes on 29 August 2025. There will be a further consultation later in the year on any consequential changes and the FCA intends to publish a policy statement with final rules by the end of 2025.

Under the current regulatory framework, targeted support would fall within the existing definition of a 'personal recommendation' as set out in the Regulated Activities Order (RAO). Therefore, the Government proposes to amend the legislation to create a new specified activity of targeted support. This will establish targeted support as a new service, different to existing forms of advice. Firms will need to apply for permission to provide targeted support even if they hold an existing permission to provide investment advice.

### Simplified advice

The FCA will also consult separately on simplifying the existing advice rules and guidance (in the Conduct of Business Sourcebook) to create a clearer distinction between simplified and more holistic advice. They plan to do this without creating a bespoke simplified advice regime. The intention is for simplified advice to be used alongside targeted support where a customer has straightforward needs and provide a stepping stone to more complex or holistic advice where this will benefit, such as those with greater wealth or more complex circumstances.

## Capita comment

We welcome the proposals on introducing targeted support as a key next step in helping consumers make the most of their financial options in savings and investment to create better outcomes. Given the low take up of holistic financial advice, this step is clearly necessary, and it is positive that such care is being taken in design of the new reforms. We will be participating in pensions industry discussions on this issue to provide feedback to the FCA.

We think it is important that the FCA rules give firms confidence to provide these solutions and also progress the regulation of simplified advice so that it can feature more prominently going forward. Well-designed analysis and communications will be absolutely crucial in making a success of targeted support and, so delivering improved outcomes for savers, particularly those who are less informed and more dependent on others to make the most of opportunities and secure their future.

Please contact your usual Capita contact if you would like to discuss this further.

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