



Aiming for clarity

➤ **Paige Perrin examines why many firms remain cautious about offering members support beyond high-level guidance, and whether targeted support could shift attitudes across the pensions industry**

At the end of last year, the Financial Conduct Authority (FCA) published the near-finalised rules for the targeted support regime. This new service is designed to bridge the advice gap by providing tailored suggestions based on common consumer characteristics, helping individuals make better-informed decisions about managing their finances.

Targeted support is part of the joint FCA and HM Treasury Advice/Guidance Boundary Review (AGBR) launched in 2022 to review the boundary between regulated financial advice and unregulated generic financial guidance.

Many in the industry argue that these reforms could not come soon enough.

Only a minority of consumers take financial advice, and fewer seek advice specifically on retirement saving. Research from the Institute and Faculty of Actuaries (IFOA) revealed that nearly half (43 per cent) of respondents did not seek advice or guidance to understand and access their pension savings.

And despite the availability of free guidance through the government's Pension Wise service, only 20 per cent of survey respondents had used it. The findings from the IFOA also underscored that nearly a quarter (24 per cent) of those surveyed were worried about

Summary

- The Financial Conduct Authority's (FCA) targeted support regime aims to bridge the gap between generic guidance and regulated financial advice.
- While firms broadly recognise that pension members need more practical help, many remain cautious about liability, cost and regulatory uncertainty.
- Concerns persist around data availability, technology investment, Privacy and Electronic Communications Regulations (PECR) restrictions and how the Financial Ombudsman Service may assess complaints.
- The success will depend on clear FCA guidance, regulatory certainty and implementation that works for schemes of all sizes.

making the wrong decision and running out of money in retirement.

Yet, despite widespread recognition that members need more help, many pension schemes and sponsors remain

cautious about how far they can go without straying into regulated advice, raising questions about whether targeted support will actually hit its target.

Impact

“Historically, firms were often concerned that if they provided guidance that was anything more than very generic, it could be deemed as advice. Firms without advice permissions mustn’t cross the line into advice,” Aegon pensions director, Steven Cameron, explains.

The Society of Professional Pensions (SPP) Financial Services Regulation Committee chair, Amanda Cooke, echoes this, noting there “can sometimes be a reluctance due to the fear of inadvertently crossing into regulated advice and potential liability”.

Despite this, the Investing and Saving Alliance (TISA) head of policy, Sophie Legrand-Green, notes that after “extensive conversations” with pension providers on targeted support, there is “undoubtedly a recognition that members need greater levels of guidance and support”.

She highlights figures from the Department for Work and Pensions (DWP) that demonstrate the size of the problem – over a third of working-age people are under-saving for retirement, and 75 per cent of defined contribution pension holders aged 45 and over did not have a clear plan for how to take their money or know they had to make a choice.

“People clearly need greater levels of support when making decisions about their pension. They should be able to obtain this service from their pension provider,” Legrand-Green argues.

Standard Life retirement savings director, Mike Ambery, notes that the existing regulations “blur the boundary between advice and guidance”, as any personalised recommendations could currently be considered advice.

This ongoing struggle highlights a broader need for refined guidelines

that genuinely help consumers without placing undue burden on the providers.

Ambery argues that the pension industry has been “vocal in calling out the pitfalls of this system and there’s no lack of willingness to go further”.

“The government and regulators have been receptive to this challenge and, over the past couple of years, the concept of targeted support has been developed as a halfway house between advice and information. Targeted support will become a reality before too long, with firms able to apply for permissions from March this year,” Ambery says.

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“Firms will be able to apply for the regulated permission of offering targeted support without needing permission to offer full advice. This creates a new option that some firms will want to offer,” Cameron says.

Despite the pension industry’s willingness to go further, Legrand-Green acknowledges that some firms are “uncertain” about adopting targeted support models, due to the “sheer amount of proposed policy change in the pension space”.

In particular, Legrand-Green highlights that the timeline and sequencing of policy change are “uncertain, making it difficult for firms to make informed decisions”.

“For example, the timelines for megafunds could impact a pension provider’s willingness to offer targeted

support – if there will only be 10 pension schemes in five/10/15 years, this may impact capital expenditure projects,” she continues.

Additionally, Cooke explains that reluctance from providers “isn’t helped” by the current uncertainty about the FCA/Financial Ombudsman Service (FOS) interpretation of the advice boundary. Cooke notes that there are also concerns about cost, resource and technology constraints, especially for smaller schemes, as well as about limited access to full member data.

She is also sceptical about whether clarification of the advice/guidance boundary would help to reduce reluctance around offering advice, as she believes that reluctance will remain unless the FCA “provides clear, practical guidance, firms gain confidence on liability and FOS outcomes, and the new framework is simple enough to implement cost-effectively”.

Members benefit

Targeted support intends to “help consumers navigate their financial lives and make effective, timely and informed decisions about their pensions and retail investments, while ensuring they have the protection that comes from engaging with an authorised firm, rather than friends, family and social media”. But how much of this is truly to the consumer’s benefit, and will it go far enough to change behaviour?

“The proposals should allow members to receive more relevant, practical and timely support than is currently possible under high-level guidance alone,” Cooke notes. “Targeted support could help members make better decisions on contributions, investment choices and how they access their pension, particularly



for those who cannot afford full regulated advice.”

Ambery says that at retirement, many people face “complex decisions” about how to utilise their pension savings, often after limited engagement throughout their working lives.

“Some can access professional advice, while others rely on free guidance services that, although helpful, are not tailored to individual circumstances. Targeted support could allow firms to provide more tailored assistance, helping consumers make better informed decisions,” he adds.

Ambery points out that consumer research from the Standard Life Centre for the Future of Retirement on the impact of targeted support at the decumulation stage, found “strong consumer support for using targeted support to inform decumulation decisions and empower individuals to make more confident, informed choices”.

St. James’s Place public policy director, James Heal, says: “Someone who is not contributing enough to their workplace pension in accumulation may respond positively if they receive targeted

support. Similarly, someone who is decumulating unsustainably might benefit from targeted support if they receive it.”

However, Heal notes that this is dependent on the FCA/government “resolving the current data protection challenges that constrain the ability of scheme operators/trustees to contact members with targeted support”.

Cooke stresses the importance of aligned approaches between the DWP and FCA “to ensure that trust-based scheme members are not left behind”.

“The greatest impact is likely during decumulation, as retirement income decisions are complex, often irreversible and carry significant financial and tax consequences. As our consultation response on this made clear, the impact will depend on how wide the scope of targeted support becomes – limitations around consolidation and annuity choices could restrict its effectiveness if these aren’t adequately addressed,” she says.

The implementation of targeted support is expected to bring about significant changes, not only for members but also for the providers and firms involved.

As Cooke states: “Providers will inevitably start to move away from generic, one-size-fits-all communications towards more segmented and personalised messaging, based on member characteristics. Communications should become clearer about what type of support is being offered and its limitations, helping manage expectations.”

In particular, she highlights the increased use of digital tools and structured journeys, with prompts that guide members towards better decisions or towards full advice where appropriate.

Adding to this, Cameron says: “The consultations around targeted support have also made it clearer what can be offered under guidance, and this may lead to some firms developing new, more helpful guidance models”.

More to do

Despite all these benefits and potential for positively changing the system, like anything, this doesn’t come without its challenges. Many pension professionals have noted that both the AGBR and targeted support still leave significant uncertainty, even after the FCA policy statement clarified how targeted support will operate.

Heal says that “most of the rules [*for targeted support*] are relatively clear, but there remain some obstacles”.

Heal argues that the limitations of targeted support’s design, providing recommendations based on matching people against a limited set of data points and not being personalised advice, are what enables it to be delivered at scale, quickly and at a low cost.

However, Heal suggests that any extra information provided by users of targeted support could set “unrealistic expectations” on firms on what targeted support is and can do and make the system harder to deliver.

Meanwhile, Ambery suggests that “one of the main challenges” for targeted support will be around signposting and the joining up of communications between providers and their customers.

“Once targeted support is introduced, providers will be signposting customers to free guidance services such as Pension Wise, financial advice, and targeted support. There will be a challenge in explaining to customers what each of these services can and can’t help with, and in ensuring people are directed to the



right option depending on their needs,” he says.

In addition to this, Cooke highlights that “cost, technology investment, data availability and general data protection regulation considerations could all deter firms *[from offering targeted support]*, particularly smaller providers and trustees”.

“The FCA has promised some case studies on how granular cohorts of customers must be,” Cameron says, and he also explains that some concern remains around how the FOS will rule regarding complaints about targeted support.

Meanwhile, for workplace pensions, Cameron suggests that the “biggest outstanding aspect is around direct marketing and Privacy and Electronic Communications Regulations (PECR) rules”.

“The Treasury has committed to legislate to allow those offering workplace pensions to offer targeted support suggestions to auto-enrollees who have not specifically opted out of direct marketing, effectively creating a parallel with soft opt-in approaches which can be used elsewhere,” he says.

Legrand-Green says TISA believes that PECR is “essential to ensuring targeted support is successful”.

“The whole point of targeted support is to engage customers who are currently disengaged. This requires new, more targeted, proactive, engaging communications. PECR currently prevents this,” she states. “If the government can remove this barrier, then I would expect providers to change the way in which they communicate with members. It should be more engaging, relevant and directive.”

Legrand-Green also suggests that this new framework will undoubtedly lead to change, new technologies and cost, but warns of the impact of artificial intelligence (AI).

Supporting this, TISA polling showed that 34 per cent of UK adults are



confident in using AI for help with their personal finances, and Legrand-Green suggested that with only 9 per cent of the UK population receiving regulated financial advice, the industry needs to “adapt to stay relevant”.

“If firms aren’t able to provide trusted, engaging information to consumers, there is a real risk that consumers turn completely to these AI tools for information and support, leaving financial services firms as merely transaction/execution only services,” she argues.

Meanwhile, Ambery highlights recent industry polling, which suggests that data gaps will be the primary barrier to firms delivering robust targeted support in the short term. However, he notes that Standard Life expect most firms will be working to resolve this as soon as possible.

“Although the framework is conceptually clear, its success will depend on detailed FCA guidance,

regulatory certainty and proportionate implementation; otherwise, uptake may be limited to larger, well-resourced firms,” Cooke concludes.

Despite growing support for targeted support in principle, uncertainty remains a significant barrier to overcome. Concerns around liability, data availability, implementation costs and how the FOS will assess complaints continue to weigh on decision-making, particularly for smaller providers. For workplace schemes, reform of PECR rules will also be critical if targeted support is to reach disengaged savers.

Ultimately, the regime’s success will depend on regulatory certainty and practical, proportionate guidance from the FCA. Without this, there is a risk that targeted support will be adopted only by the largest and best-resourced firms, limiting its ability to close the pension advice gap it aims to address.

Written by by Paige Perrin