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## Consultation Response

**Which? response to the FCA and TPR's consultation on The Value for Money Framework: Response to consultation, further consultation and discussion paper**

**Submission date: 06/03/2026**

### Summary

- **Which? continues to strongly support the introduction of a Value for Money (VFM) framework for DC workplace pension schemes.** The introduction of a whole-of-market framework requiring schemes to disclose metrics on their investment performance, costs and charges and quality of services will enable more reliable comparisons on the performance of pension schemes. With robust supervision and enforcement by the regulators, it will also ensure underperforming schemes improve their performance, or consider consolidating or exiting the market if they are continually failing to offer their members good value for money, supporting good outcomes for savers in the long term.
- **We also support many of the latest proposals in the framework.** These include:
  - **Moving to a 4-point RAGG system.** The original proposal (RAG) risked confusing users as it meant that an amber rating could encompass both value and not value schemes. By splitting out this intermediate rating into amber and light green, it is much more intuitive which schemes have been assessed as providing value or not. This should enable users to more easily consider the VFM ratings in their decision making.
  - **Introducing a commercial comparator group, rather than allowing providers to select three comparison firms.** This will support greater consistency between assessments, allow easier comparison between firms and reduce the risk of gaming that was a likely possibility under the original proposal.

- **Creating a central VFM database.** A central database will make it easier for all users to find and compare assessments. It will also better support third-party organisations to review and use the data to conduct their own research and to provide guidance and advice to others, as appropriate. A central database should also make any connection of VFM information to pensions dashboards smoother in future.
- **Requiring providers to move savers in red-rated schemes to value arrangements.** It is not a good outcome for savers to be in schemes that are consistently not delivering value, and can cause significant consumer harm in the long term. This proposed requirement is a necessary formalisation of existing duties on trustees and providers as it removes any ambiguity for trustees and providers on appropriate next steps, ensuring long-term consumer harm is minimised.
- **Using a limited set of quality of service metrics at launch (and potentially ongoing).** We recognise that assessing member engagement and satisfaction is a particularly challenging area. It is right that the regulators take the time needed to get this right. However, we do not firmly believe that it is necessary to assess these two areas to form a view on quality of service. This is for two reasons. Firstly, the primary objective of a quality of service assessment is the identification and mitigation of poor service that causes member harm, rather than the incentivisation of above-average service levels. This is best captured through the proposed negative perception metrics. Secondly, member engagement is not necessarily a relevant measure of scheme quality or good consumer outcomes, particularly given the high levels of saver disengagement with pensions in the UK.
- **We agree that introducing forward looking metrics (FLMs) could be valuable, but we propose introducing stronger guardrails to further minimise the risk of gaming.** We propose that where a pension scheme's VFM assessment leans more heavily on FLMs in step 1, the trustees or providers should be required to obtain independent verification of their FLM assumptions and results and/or be required to disclose their assumptions to the relevant regulator. This would increase the consumer protections in an area where there is a clear risk of gaming while ensuring the burden on firms is proportionate to the degree to which an assessment relies on the use of FLMs to determine the overall rating.
- **We continue to urge the FCA and TPR to extend the VFM framework to decumulation, especially once guided retirement obligations are in force.** We recognise that there are unique complexities in designing a value for money framework for decumulation. However, extending the framework to include decumulation will better support consumers, and employers on behalf of their employees, to make informed decisions by enabling provider comparisons. It will also enable regulators and third parties to weed out underperforming providers in decumulation. This will be particularly critical once guided retirement provisions come in, when more savers than ever will be navigating provider-led decumulation

journeys. It will help to ensure even the least engaged consumers can be confident that they are receiving good value for money.

- **Lastly, we wish to emphasise that the ultimate success of this framework rests on the approach to supervision taken by the FCA and TPR.** We understand the necessity of placing the primary responsibility for these assessments on trustees and Independent Governance Committees (IGCs). Given the current number of in-scope schemes<sup>1</sup>, a direct, regulator-led assessment of every arrangement is likely to be impractical. However, for this model to be effective, there must be rigorous regulatory oversight to ensure these assessments are accurate and genuinely identify and rectify poor performance. We also propose that as the market continues to consolidate (driven by the broader set of reforms designed to lead to fewer, larger, better schemes), there would be a strong case for the regulators to transition to a more active role in part of the assessment process, as has been adopted by some other countries (e.g. Australia). A model with greater regulator-involvement would likely be more reliable and better trusted by the public.

## Answers to relevant questions

### Scope and thresholds

#### ***Question 1: Do you have any comments on the proposed scope? Do you believe any further exemptions should be considered?***

We continue to urge the FCA and TPR to extend the value for money framework to include DC pensions in decumulation, in the future. Savers often engage the most with their provider when drawing from their pension savings but it can be hard for individuals to know they are receiving good value for money in decumulation. Extending the framework to include decumulation will better enable consumers, and employers on behalf of their employees, to make informed decisions through provider comparisons. It will also enable regulators and third parties to weed out underperforming providers in decumulation.

This change will be especially critical once guided retirement provisions come into force and many savers are defaulted into decumulation journeys. Under guided retirement, more people than ever will be navigating formal decumulation products and it will be essential to ensure that even the least engaged consumers can be confident that they are receiving good value for money.

We do recognise that there will be complexities in developing a value for money framework for the decumulation phase. For example, there may need to be changes to the design of the investment performance metrics that take into account the unique circumstances of decumulation and perhaps there will need to be greater weight given to quality of service as the average person will be engaging more with their provider during decumulation than they

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<sup>1</sup> According to our estimates, over 900 schemes will be currently in scope for VFM assessments at launch (comprising more than 900 non-micro trust-based schemes and around 30 major contract-based providers).

are likely to in accumulation. However, these complexities do not mean a decumulation value for money framework should not be developed.

## Investment performance – forward-looking metrics

*Answering questions 13, 14 and 15 together.*

- **Question 13: Do you agree with the proposed FLM disclosures and the use of own assumptions? Why or why not?**
- **Question 14: Do you agree with the proposed requirement to obtain and consider external advice? Why or why not?**
- **Question 15: Are the proposed guardrails sufficient to reduce the risk of gaming and ensure the FLMS disclosed are credible for use in the assessment process? If not, what alternatives/ additions would you propose?**

We agree with the potential value in introducing forward-looking metrics (FLMs) into the VFM framework. We recognise that they are particularly useful as a way to support firms who are making changes to their investment strategies in the interests of their members to avoid being ‘penalised’ for performance lags in their backward-looking metrics (BLMs). We also understand the logic behind proposing to allow discretion in the assumptions used to develop and calculate FLMs, as set out in the consultation paper. If done properly, this would produce more relevant data than a standardised model which will in turn support more accurate VFM assessments.

We remain wary, however, of the clear risks of gaming that come with FLMs and the resulting possibility of over-optimistic FLMs that may inaccurately skew final VFM ratings. Given the proposed flexibility in how FLMs can be calculated outlined above, this risk is even higher. This, in turn, risks undermining the comparisons and benchmarking that are core components of the VFM framework. With this in mind, we are not convinced that the existing guardrails go far enough to sufficiently mitigate the high risks of gaming.

Therefore, we propose that the FCA and TPR introduce a more stringent but tiered approach to the guardrails, where stronger, more onerous requirements are set for those who will rely heavily on FLMs in their overall assessment of VFM. To do this, we propose that where a pension scheme’s VFM assessment that more heavily weights its FLM in step 1 of the assessment process (e.g. it sits closer to a 50-50 weighting between FLMs and BLMs), the trustees or providers should be required to:

- **obtain independent verification of their FLM assumptions and results.** This would help to ensure that FLM assumptions and calculations are reasonable. As this is a more onerous and costly requirement than the current proposed requirement to obtain and consider advice, it may also help to minimise the number of firms heavily weighting their FLMs. This may help to ensure that only the firms for whom it makes sense to rely heavily on FLMs (e.g. those who have recently changed their investment strategy) will do so and firms who may have considered leaning on FLMs because they are more easily manipulated, will be disincentivised from doing so.

- **be required to disclose their assumptions to the relevant regulator.** This would give the regulators clear supervisory oversight on who is weighting their FLMS closer to the maximum amount, and make it simpler for the regulator to evaluate how a provider reached their conclusions.

## Quality of services

***Question 22: We would be interested in views on whether our proposed approach to negative perception metrics will provide relevant data to indicate saver concerns.***

We support the proposed approach to negative perception metrics. Negative perception metrics are particularly important to identify those providers with consistently poor service performance which can negatively impact consumer outcomes. The use of proportional metrics for negative perception is a critical component of how the metrics are reported as this will allow for meaningful comparison between providers of different scales.

However, while formal complaints will offer an insight into the service quality of firms, there is a risk of under-reporting. Some savers, particularly those with limited financial literacy or other vulnerability characteristics, may experience poor service but lack the time, confidence, or knowledge to navigate a formal internal dispute resolution procedure. We suggest that it may be useful for the FCA and TPR to further consider whether there are other channels that may help to complete the assessment of negative consumer perceptions - such as external review platforms. We do recognise, however, that there is a balance to be struck between additional burden on trustees and IGCs to gather information and the value that this additional information can provide.

## ***Answering questions 23 and 24 together***

- ***Question 23: Does our revised approach to engagement metrics seem appropriate? Additionally, we would be grateful if you could provide us with an explanation of what surveys/data gathering exercises you currently undertake for member engagement. If you would be willing to share a copy of your member engagement survey(s) with us, please tell us.***
- ***Question 24: We welcome feedback on our revised proposals for engagement metrics and how that engagement generates specific outcomes.***

We support the revised proposals for engagement metrics - both pausing the introduction of a customer satisfaction survey and only using one measure of engagement at the launch of the framework. This is a particularly challenging area and it is right that the FCA and TPR take the time needed to get this right. Therefore, we support the FCA and TPR continuing to explore whether there are further satisfaction and engagement metrics that will meaningfully contribute to a VFM assessment.

However, we also do not believe that these additional quality of service metrics are strictly necessary for an effective VFM assessment. This is for two reasons:

1. **The primary objective of assessing quality of service is the identification and mitigation of poor service that causes member harm, rather than the incentivisation of above-average service levels.** Therefore, data points like negative perception metrics, as outlined in the previous question, are the most critical indicators to obtain as they act as red flags for systemic failure. Conversely, satisfaction scores gathered via a proposed member satisfaction survey could instead reflect just a lack of friction in basic administrative tasks. Therefore, if a satisfaction metric is eventually introduced, it must focus on experiences of ‘meaningful’ engagement (e.g. transfers or death benefit nominations) rather than more superficial interactions like password resets. This is because it is in these high-stakes moments that poor performance leads to tangible consumer detriment.
2. **Member engagement is not necessarily a relevant measure of scheme quality or good consumer outcomes, particularly given the high levels of saver disengagement with pensions in the UK.** The UK pension system is intentionally built on inertia via auto-enrolment. Expecting schemes to overcome deep-seated psychological and structural barriers to member engagement is unrealistic and would more likely be attributable to the specific cohort of a scheme, than the efforts of the scheme itself to generate engagement.

Therefore, we are comfortable that the ‘middle ground’ reached in this proposal captures the essential elements of service quality as part of a holistic VFM assessment.

## **Assessment process**

***Question 25: Do you agree with our proposal for comparisons against a commercial market comparator group and the criteria for it? Why or why not?***

We strongly support the proposal for comparisons to be made against a commercial market comparator group, as opposed to three providers of the trustees or IGC’s choosing. This will provide a much more objective and comparable benchmark for firms to be compared against, helping to ensure the VFM assessments are as reliable and meaningful as possible.

## ***Answering 27 and 34 together***

- ***Question 27: Do you agree with the approach for weighting of BLMs and FLMS? Why or why not?***
- ***Question 34: Do you agree with the proposed use of FLMS in step 1, alongside BLMs? Or should FLMS be considered in a different way in the assessment process?***

We agree with the proposed weighting of BLMs and FLMS, particularly that FLMS cannot be given more weight than BLMs in the assessment at step 1. There would be too significant a

risk of gaming by providers if FLMs could carry more weight and this would undermine the value for money framework and prevent it from being a reliable and meaningful assessment of value. We also agree that FLMs and BLMs should be considered together in step 1 as both are relevant to the assessment of a firm's investment performance in the context of their ongoing investment strategies.

We also support varying the weighting of BLMs and FLMs depending on their usefulness to a meaningful assessment of investment performance. However, we underscore that this must be supported by clear guidance from the FCA and TPR to ensure it is clear how the regulators intend this discretion to be used. This will help to ensure firms do not inappropriately overweight FLMs, and can be held to account if they do.

***Question 32: Do you agree with the proposed guardrails? Do you believe other guardrails would be appropriate?***

We support the proposed guardrails for the consideration of FLMs in the assessment process. We also support the FCA and TPR's intentions to keep the assessment process, particularly the use of FLMs, under review as the framework is implemented to determine if it is working appropriately and as intended.

We do however propose more stringent requirements for the calculation of FLMs where more weight is given to them in the assessment at step 1. Please refer to our answer to questions 13, 14 and 15 together for more detail and justification. In summary, if near equal weight will be given to FLMs and BLMs, we propose a requirement to independently certify the FLM calculations and/or to proactively disclose the assumptions used to the relevant regulator.

***Question 35: Do you agree with the proposed approach to considering service value in step 2? Why or why not?***

We agree with the proposed approach to considering service value. Most importantly, we strongly support that a good quality of service standard alone cannot improve a provisional not value rating. We would maintain this stance even if a more comprehensive set of quality of service metrics are developed. This is because quality of service is not the core function of a pension scheme - it is to operate in a way that supports savers to build a pension pot that enables an adequate income in retirement. Therefore, the overall focus of value for money should always primarily be on strong financial returns to consumers for a given level of risk, with good quality of service an additional factor in the overall value offered by a scheme.

***Question 36: Do you agree with the proposed approach to considering overall value in step 3 and rationalisation? Why or why not?***

We agree with the proposed approach to considering overall value in step 3. In particular, it is important to consider any special features and options within an arrangement if this makes a material difference to the value a saver receives. We also agree that other contextual information should be able to be used to explain a rating, but not alter a rating as

providers should be operating in a way that accounts for potential or unexpected risks to their business model.

***Question 37: Do you agree with the proposed updated RAGG ratings? Why or why not?***

We support the proposed move to RAGG ratings, instead of RAG ratings. The original proposal (RAG) risked confusing users as it meant that an amber rating could encompass both value and not value schemes. By splitting out this intermediate rating into amber and light green, it is much more intuitive which schemes have been assessed as providing value or not. This should enable users to more easily consider the VFM ratings in their decision making.

**Actions for arrangements offering poor value**

***Question 39: Do you agree with the proposed transfer requirements for red rated arrangements? Why or why not?***

We strongly agree with the proposed transfer requirements for red rated arrangements. In cases where schemes are consistently providing poor value for money, and cannot or will not improve this within a reasonable period of time, transferring savers to a different arrangement or provider that is more likely to deliver consistent, long-term value is the only credible way to protect savers' best interests.

This proposed requirement is a necessary formalisation of existing obligations on trustees and providers. It aligns with both the fiduciary duty on trustees to act in the best interests of members and the consumer duty on FCA-regulated firms to act to deliver good outcomes and prevent foreseeable harm. Formalising these obligations through a regulatory backstop, rather than relying on firms to act proactively in accordance with their duties, is critical due to the high risk of harm facing savers who remain in red rated schemes. It also removes any ambiguity for trustees and providers around when to wind-up or transfer and ensures that firms cannot indefinitely 'monitor' poor performance and say this is in the best interests of members.

***Question 40: Do you agree with the actions proposed for not value arrangements? Why or why not?***

We agree with the actions proposed for not value arrangements. Particularly, it makes sense to disclose to all employers if a provider has a scheme that is not delivering value. This is because it may be an indicator of the provider's overall ability/willingness to provide value for money.

We also support that schemes rated as 'not delivering value' should not be allowed to accept new business. We agree that to accept new business would not be in line with the existing obligations on trustees and providers under their fiduciary duties and under the Consumer Duty, respectively. It would not be in a member's best interests nor represent a

good outcome for new members to join an underperforming scheme on the speculative hope that it will deliver value in future.

We do not agree that firms making improvements might be unfairly penalised or ‘doomed’ by this restriction. The existence of two intermediate ratings (amber and light green) ensures that the framework is sophisticated enough to distinguish between ‘improving’ schemes who are still delivering value and therefore should remain open to new business (light green) and ‘not improving’ schemes who are not demonstrating a trajectory of improvement and therefore should be closed to new business (amber).

***Question 42: Do you agree with our proposals for the central VFM database?  
Why or why not?***

We strongly agree with the proposals to establish a central VFM database. A central database will make it easier for users to find and compare assessments. It will also enable third-party organisations to locate and use the VFM data to help provide guidance to others.

We would also welcome future iterations of pensions dashboards to include information regarding a scheme’s value for money. A central database is a good first step in setting up the infrastructure for this information sharing.

***Question 44: Do you have any comments on the suggestion that firm/ IGC or trustees should also add a link to the final VFM assessment report on to the proposed central VFM database?***

We strongly support this suggestion. It would enable users to make more fully informed decisions that accounts for additional context surrounding an assessment. It would also enable easier public access to, and scrutiny of, reports which will offer an additional layer of supervision on the quality of VFM assessments.

## **About Which?**

Which? is the UK’s consumer champion, here to make life simpler, fairer and safer for everyone. Our research gets to the heart of consumer issues, our advice is impartial, and our rigorous product tests lead to expert recommendations. We’re the independent consumer voice that works with politicians and lawmakers, investigates, holds businesses to account and makes change happen. As an organisation we’re not for profit and all for making consumers more powerful.

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