

Targeted support policy team  
Financial Conduct Authority  
12 Endeavour Square  
London  
E20 1JN  
cp25-17@fca.org.uk

## Consultation Response

### **Which? response to the FCA's consultation on supporting consumers' pensions and investment decisions: proposals for targeted support**

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### **Summary**

Which? welcomes this opportunity to respond to the latest iteration of the FCA's proposals for targeted support and the broader advice and guidance landscape. As the UK's consumer champion, we are focused on ensuring that new advice services, like targeted support, lead to better consumer financial decisions, especially for vulnerable groups, while also mitigating the risk of unsuitable recommendations that could lead to poor outcomes.

Positively, the latest iteration of the FCA's proposal for targeted support starts to address some of this risk of consumer harm. It does this by proposing to establish targeted support as its own regulated activity that is subject to a balance of specific rules and higher level principles, with a discrete authorisation gateway, and with limits on some types of products that would require more individualised advice.

However, the FCA must make further improvements to the proposal for targeted support if it is to properly mitigate the risk of consumer harm and provide the right level of consumer protection. This includes:

1. The design of targeted support needs stronger consumer protections to more proportionately respond to the high risk of consumer harm.
2. The implementation of targeted support needs to be phased, with fewer eligible scenarios at the outset, to allow the FCA and firms to test, learn and improve from lower-risk scenarios, minimising the potential scale of harm to consumers if things go wrong.

More broadly, the overarching 'continuum of consumer support' put forward by the FCA needs to be more accurately developed and communicated. Making this clearer is instrumental to supporting better consumer understanding of the distinct purposes of targeted support, simplified advice and holistic advice, and will potentially support more

appropriate consumer take up of each service. Specifically, the suitability requirements for simplified advice, where individualised tailored advice is given, should be more akin to those for holistic advice, than targeted support, a cohort-level suggestion.

## Full response

Which? welcomes this opportunity to respond to the FCA's latest proposals for targeted support and the broader advice and guidance landscape. We are committed to ensuring that any new services, like targeted support, are well designed and implemented. If done well, we know that new services could support better financial decision making among consumers. However, if these services are poorly designed and implemented, they could, at best, make consumer financial decision making more complicated and unclear. At worst, through the delivery of unsuitable recommendations, they could lead to inappropriate financial decisions, causing significant consumer harm. There may also be other unintended consequences to the market of introducing a new service like targeted support that have not been considered. Therefore, it is critical that the FCA takes the time necessary to get it right.

Positively, the FCA's latest proposals for targeted support better recognise and respond to the high risk of consumer harm, building on the findings of new consumer research. We particularly welcome the following proposals:

- **Targeted support being its own regulated activity with an authorisation gateway and specific standards and rules.** The proposal to define targeted support as its own specified activity with a distinct authorisation gateway is important to give good regulatory oversight of who is offering the new service and how, and to distinguish it from individualised advice. Moreover, it is the right proposal by the FCA to use a balance of specific standards and rules alongside higher level principles, like the Consumer Duty, to establish and deliver targeted support. It would be premature to rely solely on the Consumer Duty to guide firms in delivering targeted support. This is because it is relatively new and there is little yet confirmed about its effectiveness.
- **Clear limitations on annuities, pension consolidation and high-risk products.** We agree that consumer decisions on these products require more individualised advice and whole-of-market comparison than targeted support can offer.
- **The initial information requirements for targeted support, developed based on consumer testing of the choice architecture.** The proposed requirements for firms to clearly communicate that targeted support is not individualised advice, and to disclose the data used to create suggestions, is a crucial step towards supporting consumer understanding of targeted support, informed consumer decision-making, and transparency.
- **Consumers having access to the FOS and FSCS for redress.** It is essential that consumers have this avenue for redress, especially given that targeted support is a new and relatively untested offering.

However, three areas of the FCA's proposal must be improved to provide the right level of consumer protection needed to mitigate the high risks of consumer harm. These are:

1. **Design of targeted support:** There need to be stronger consumer protections built into targeted support as they are not yet proportionate to the level of ongoing risk.

2. **Implementation of targeted support:** The implementation of targeted support should be phased, starting with fewer lower-risk scenarios, as the current pace of targeted support's development and proposed roll out is exposing consumers to high levels of unnecessary risk.
3. **The broader 'continuum of consumer support':** The proposed framing of the 'continuum of consumer support' needs to more accurately position simplified advice as individualised advice. This would likely support more accurate consumer understanding of the advice and guidance landscape and in turn, help to guide consumers in the appropriate usage of each of these services.

**1. Design: There need to be stronger consumer protections built into targeted support as they are not yet proportionate to the level of ongoing risk.**

Targeted support is proposed to have a very wide scope which means there is greater potential for consumer harm. Targeted support will extend to a wide range of new and existing financial products across the pensions and investment space, with no general limit on product values. In addition, the proposal allows firms to proactively suggest products to cohorts of consumers with a lower suitability threshold than existing advice services. This includes making suggestions to consumers who may not have explicitly sought to engage with targeted support and therefore may not have a pre-understanding that it is not individualised advice.

Given this intended scale of targeted support, the consumer protection framework must respond proportionately to support good consumer understanding of what targeted support is (and, importantly, what it isn't), to protect consumers from poor quality recommendations that lead to unsuitable decisions, and to provide sufficient and swift redress if things go wrong.

The FCA has made a start on this, but it needs to go further. Specifically:

- **There is a need for more clarity on how firms should assess suitability in practice.** There is currently no detail on what "a reasonable basis for determining that ready-made suggestions are suitable" looks like, nor how suitability should be assessed "with reference to the relevant common characteristics". This may hinder firm understanding and consumers' access to redress. Explicitly defining suitability, and how firms will practically determine how a ready-made suggestion is suitable, so that a consistent standard exists (potentially in the specific rules) in a similar way to the COBS 9/9A standard, will have many benefits. First, this will help to ensure that firms have an objective standard by which to deliver suitable suggestions, which will bring about consistency and firm confidence in delivering targeted support. Second, consumers will have greater clarity over the likelihood of successful redress if firms do not meet these standards. Third, the additional clarity on how to assess suitability in practice would enable the FOS to understand the FCA's expectations as to how firms approach such an assessment.
- **The information requirements must go further.** The proposed information requirements are not sufficient and as a result increase the risk of consumer misunderstanding, leading to potentially unsuitable decisions. Firms will not be required to communicate the assumptions they have made in determining the suitability of a suggestion for a cohort, nor will they be required to advise consumers to shop around or seek additional support, nor will firms have to share the currently

proposed required information with consumers at set points early in the consumer journey. We see all of these as critical information requirements to support consumer understanding of targeted support as a cohort-level suggestion and decision-making aid, not an individualised recommendation. These additional details are particularly crucial for outbound targeted support, where consumers have not actively opted in to the targeted support journey, as they may not have a baseline understanding of it being a cohort-level suggestion. We understand that these additional information requirements will need to be done in a way that does not overwhelm consumers with information. However, it's worth considering that the FCA's consumer research<sup>1</sup> found that additional information did not have a negative impact on consumers nor did it make them less likely to pursue the recommendation.

- **The FCA should prescribe firm review timeframes.** Currently firms have the discretion to define their own 'regular' review intervals of their targeted support offerings. A lack of prescription on the timelines for firm self-monitoring may mean issues are not identified and resolved swiftly. It may also lead to inconsistencies in reviews and limit the oversight by the FCA on firm offerings. In the previous consultation paper, the FCA was going to require firms to conduct annual reviews.

**Recommendation 1: Increase the consumer protections in targeted support to more proportionately respond to the level of risk of consumer harm.**

This should include:

- Providing further guidance on the FCA's intended meaning of 'suitability' and how it should be assessed, so that firms, consumers, and the FOS can benefit from further clarity.
- Extending the information requirements further to improve consumer understanding. Firms should be required to share with customers the 'reasonable assumptions' that have been used to develop a recommendation, include a statement advising consumers to shop around or seek individualised advice and include a signpost to other appropriate guidance services, where relevant (e.g. MoneyHelper and PensionWise). There should be greater prescription on when in the consumer journey these information points need to be shared, to ensure consumer understanding is supported from early in a consumer's interaction with targeted support. These additional information requirements should be tested with consumers once targeted support is being delivered to ensure they are achieving their intended purpose.
- Formalising a review timeframe or window for firms to ensure consistency across firms and increase the likelihood of issues being identified and resolved swiftly.

**2. Implementation: The implementation of targeted support should be phased, starting with fewer lower-risk scenarios, as the current pace of its development and roll out is exposing consumers to unnecessary risk.**

If new services are designed and rolled out too quickly, consumers face a higher risk of unnecessary, and potentially more severe, harm from misselling than if the services were introduced over a reasonable timeframe. This is because some unexpected issues that

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<sup>1</sup> Lessons learned from consumer testing in CP 25/17

would otherwise be picked up and addressed in pre-implementation and early testing will only be identified once the service is launched and consumers experience harm. Targeted support is being designed and rolled out at a pace that is setting it up for this risk. We know this because:

- **It appears that there has only been limited testing with firms by the FCA to date.** Some firms were involved in a six-week policy sprint considering how they might deliver targeted support. There has been little communication of the outcomes of this testing, or what it involved. This means that we do not have confidence that sufficient pre-implementation testing with firms by the FCA has taken place.
- **There doesn't appear to have been any FCA-led consumer testing of firm-designed targeted support recommendations.** Consumer testing to date has focused on hypothetical scenarios where targeted support may be used. This means that the FCA does not know how consumers will respond to real firm recommendations.
- **The FCA is still consulting on some critical parameters of targeted support while also aiming to finalise the regulatory framework by the end of year.** Because of this short lead time, there is a risk that critical decisions could be made too quickly, without full consideration of the potential impact on consumers. For example, the FCA has asked whether direct marketing rules (and as a result, the associated consumer data privacy protections) should be diluted, before being able to test whether or how these might actually impact firms in practice. This is also despite the consultation paper noting that some firms think that targeted support could be delivered effectively without change to the direct marketing rules. This means that there is a risk that important broader consumer privacy protections will be weakened in the name of enabling targeted support, when this might not even be necessary.
- **Targeted support is intended to be rolled out in full, rather than starting with lower risk scenarios.** Different parts of the targeted support offering are a higher risk for consumers than others. For example, it is more likely that a consumer proactively accessing targeted support through a firm will have a better understanding of what targeted support is and how it should be used as a decision-making aid, than a consumer who receives unanticipated outbound targeted support from, potentially, a number of different firms. Similarly, a targeted support suggestion for a low-value product is much lower risk in terms of the potential scale of harm than a high-value product. By launching the whole of targeted support in one go, rather than starting with lower risk scenarios, there is less opportunity for unintended issues to be picked up in lower-stakes situations. In addition, given the broader context of ongoing changes to the redress system, it seems risky to pursue a full rollout of a new service, like targeted support, when we don't yet know how the redress system for consumers will be operating when the proposals are launched

It is interesting to compare the timeframe for the design and rollout of targeted support to other new programmes that are being designed and launched. For example, the regulatory framework and design of Pensions Dashboards, which are intended to be used by a similar

volume of people to targeted support<sup>2</sup>, have gone through much more stringent testing to date and will be starting with a phased implementation to identify issues. With arguably a higher level of risk for consumers as they will be able to make financial decisions through targeted support, it is unclear why more testing or a phased implementation is not being done for targeted support.

It is therefore critical that the FCA slows down the pace of its design and roll out of targeted support to ensure unexpected issues can be identified and addressed in lower-risk situations before targeted support is extended to broader, more high-risk situations. We suggest establishing a phased implementation of targeted support to do this - such an approach would help identify any unintended consumer harm early and whether the proposed framework delivers the right level of consumer protection.

**Recommendation 2 | Establish a phased implementation of targeted support to avoid exposing consumers to unnecessary levels of risk of harm.**

A phased roll-out should:

- In the initial phase, only permit lower-risk targeted support situations. Lower-risk situations may include things like inbound targeted support requests and lower-value product recommendations.
- Have an FCA evaluation strategy, with formalised time frames, focused on learning and improvement, as well as testing the underpinning assumptions and outstanding questions of the targeted support framework. For example, the FCA should explore how it can navigate any concerns with the Direct Marketing Rules within the scope of the existing legislation before diluting data privacy rights in PECR, for example through more detailed guidance.
- Extend targeted support to higher-risk scenarios<sup>3</sup> (such as outbound targeted support and higher-value products) after learnings from evaluations have been implemented.

**3. Continuum of Consumer Support: The proposed ‘continuum of consumer support’ needs to more accurately position simplified advice.**

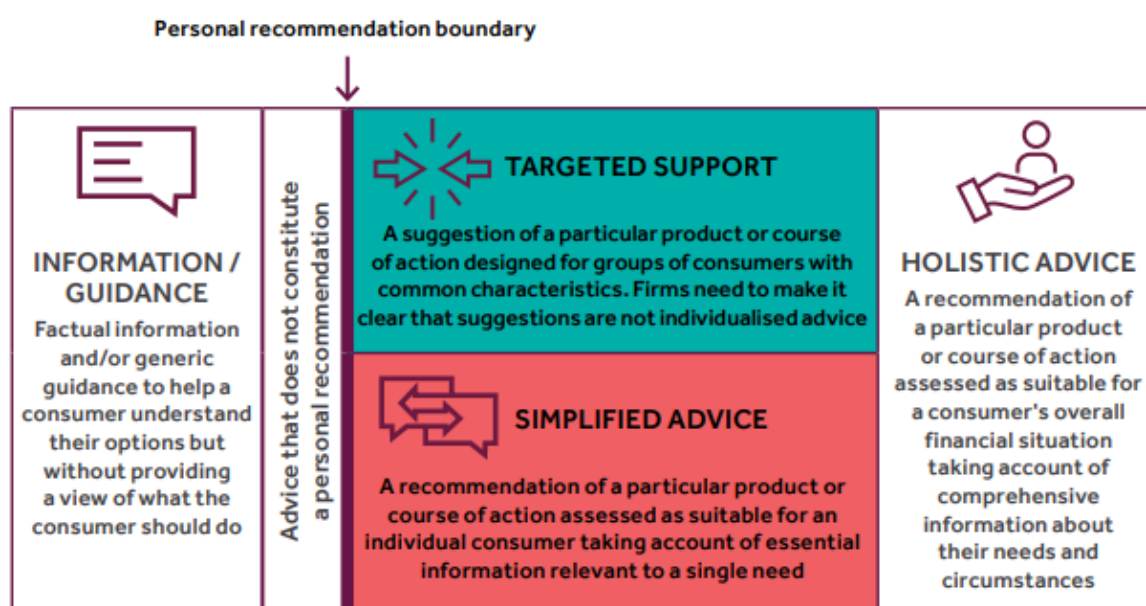
The FCA has introduced a new articulation of the consumer support options for financial decision-making. We refer to this as the ‘continuum of consumer support’. In this articulation, the FCA distinguishes between three types of personal recommendation - targeted support, simplified advice and holistic advice. This can be seen in **Figure 1** below.

<sup>2</sup> The CBA in the CP 25/17 anticipates that between 18.1 million and 30.6 million consumers could receive targeted support. [Research](#) from the National Audit Office suggests that 16.3 million people will use pensions dashboards.

<sup>3</sup> ‘Higher-risk scenarios’ does not mean ‘high-risk products’ as discussed in paragraphs 2.84-2.89 of the consultation paper.

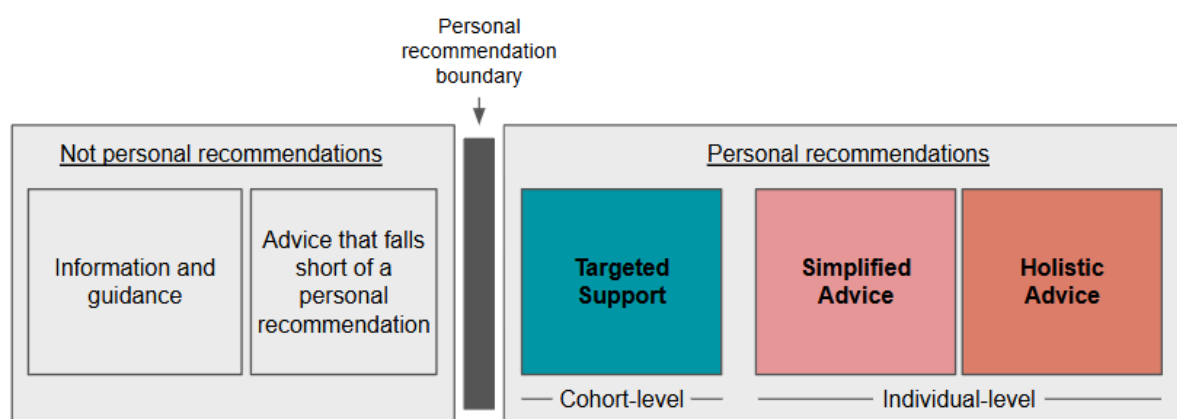


**Figure 1 | The FCA's framing of the continuum of consumer support**



This framing inaccurately positions targeted support and simplified advice as similar offerings, when in reality they are two very distinct services. Targeted support represents a cohort-level recommendation, whereas simplified advice, like holistic advice, represents an individual-level recommendation. Therefore, we believe a better articulation of the personal recommendation landscape presents this 'suite of options' as a continuum, and clearly delineates simplified advice from targeted support. This can be seen in **Figure 2** below.

**Figure 2 | Our proposed framing of the continuum of consumer support**



In addition, because simplified advice is providing individual-level advice, albeit assessed based on only 'essential information relevant to a specific need', providers of simplified advice would still need to conduct a suitability assessment akin to COBS 9/9A. Any dilution of these suitability standards for simplified advice would undermine the importance of strong consumer protection for individualised advice and may also lead to consumer confusion between targeted support and simplified advice, rendering them both less effective and potentially lowering the take up rates of individualised advice.

**Recommendation 3 | Redevelop the continuum of consumer support.**

The FCA should more clearly develop the continuum of consumer support to better reflect the distinction between targeted support, as a cohort-level offering, and Simplified and holistic advice, as individualised offerings. We suggest drawing on our visualisation of this above.

**Recommendation 4 | Do not dilute the suitability standards for simplified advice.**

Simplified advice must be subject to the existing COBS 9/9A requirements as it is delivering an individual recommendation which takes into account an assessment of essential information relevant to the individual in relation to a single need.

## 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.

**For more information contact:**

**Olivia Wood**

**Policy Adviser**

**[olivia.wood@which.co.uk](mailto:olivia.wood@which.co.uk)**

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## Annex 1: Responses to specific questions

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

There is a lack of clarity on what ‘a reasonable basis for determining that ready-made suggestions are suitable’ means, as well as how suitability will be assessed ‘with reference to the relevant common characteristics’. This could affect firm understanding and consumers’ access to redress. It is therefore critical that suitability, and how firms will practically determine a recommendation is suitable, is explicitly defined (potentially in the specific rules). This will help to ensure both that firms are best placed to deliver suitable suggestions, and that consumers have greater clarity over the likelihood of successful redress if firms do not meet these standards.

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

We think the balance of prescriptive rules and higher level principles is appropriate, especially as this is a new and largely untested service. It would be premature and inappropriate to rely solely on the Consumer Duty for targeted support as more time is needed to understand its effectiveness at enabling good consumer outcomes. In addition, consumer research<sup>4</sup> found that consistency in targeted support between firms was important. Relying on principles only, rather than a balance of principles and specific rules, risks increasing inconsistency in delivery, and therefore undermining consumer preferences, potentially leading to mistrust in the service.

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

Yes, we agree with banning suggestions for a particular annuity and redirecting consumers to MoneyHelper’s annuity comparison tool. However, we also feel that there may be value in having a more supported and integrated annuity journey beyond targeted support, to ensure consumers can more easily access suitable advice when pursuing an annuity purchase, given the irreversible nature of the decision.

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

Yes, we agree. Decisions around pension consolidation, particularly given the potentially significant sums they might involve, require a level of personalised advice that cannot, and should not, be offered by targeted support.

### **Question 18: Do you agree with our proposal to exclude investments subject to marketing/distribution restrictions from the targeted support proposals, except**

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<sup>4</sup> Standard Life Centre for the Future of Retirement, Better help, better outcomes?: Consumer perspectives on the FCA's proposals for Targeted Support, July 2025, [\[Link\]](#)

**where a component part of a suitable investment provides exposure to these products? If not, why not?**

Yes, we agree. We think decisions around these high-risk products require a level of personalisation that cannot, and should not, be offered by targeted support.

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

We do not think high-risk products, as set out in the consultation paper, should be included at any point. It would not be possible to ensure the suitability of a high-risk product suggestion in a targeted support context.

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

Firms should disclose any reasonable assumptions made. This is likely crucial to a consumer understanding that this is not a personalised recommendation and will feed in to any further steps they may wish to take, for example, whether they agree, disagree or would like to challenge the assumptions (as well as the common characteristics of the consumer segment to which they've been allocated) before make a decision in relation to a ready-made suggestion via the targeted support offering.

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

It would be appropriate to signpost consumers to other forms of support, such as MoneyHelper. We think at minimum, there should be a requirement to encourage consumers to seek further advice and shop around for the product that will be best for them. This would also better reflect the FCA's intended purpose of targeted support to act as a stepping stone to more individualised advice.

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

Yes.

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

Yes, this would help to support clarification of redress for consumers, as well as give clarity to firms. This is all the more important because a new bespoke suitability assessment is being proposed by the FCA as part of the targeted support framework (rather than the existing suitability requirements in COBS9/9A). The guidance should set out amongst other things, how the FCA and the FOS will be thinking about defining 'a reasonable basis for determining that ready-made suggestions are suitable', as well as how firms will assess suitability 'with reference to the relevant common characteristics. It would be welcome in

this time of significant flux for the FOS/FCA as well, given the proposed changes to the FOS set out by the HM Treasury and the FCA/FOS consultation papers.

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

Yes.

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

This does not represent a barrier, at least in the short term. We know this because, as noted in the consultation paper, some firms have stated that targeted support could be delivered effectively without change to the direct marketing rules. Firms should test how far they can deliver targeted support before any consideration around diluting PECR is pursued. If diluted, this would have significant consequences for data privacy rights of people in the UK, and therefore we'd expect a thorough impact assessment before any legislative proposals which might reduce consumer data privacy rights. The starting point is to work on detailed guidance which clearly sets out examples/use cases which show examples of the type of targeted support offerings which are not or are likely to breach direct marketing rules, so that firms can confidently navigate the existing rules.

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

Alongside firm assessments of their targeted support service, the FCA should implement a formal evaluation timetable for targeted support, as part of a phased implementation that starts with lower-risk offerings. This would allow for time to test, learn and improve the delivery of targeted support and would help to minimise the existing significant risks of consumer harm. Through the evaluations, the FCA should also be seeking to test its assumptions underpinning the design of targeted support (e.g. that it will lead to a bigger take up of advice, that it will provide meaningful support to consumers etc), not just whether it is being delivered well. This will better enable the design and delivery of targeted support to be adapted if it becomes clear that targeted support is not delivering the intended outcomes for consumers.

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

Simplified advice should be subject to the same suitability requirements as holistic advice. This is because both are giving an individualised recommendation. We recognise that the essential information required for simplified advice will be less than for holistic advice as it will relate to a single need. However, we believe the existing requirements can still apply, with clarification through guidance as to what 'necessary information', as written in COBS 9/9A, would look like for simplified advice.