

## **PASA Consultation response**

**FCA Consultation CP25/17: Supporting  
consumers' pensions and investment  
decisions: proposals for targeted support**

**August 2025**

**PASA** 



## PASA Consultation response

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## About PASA

The Pensions Administration Standards Association (PASA) was created to provide an independent infrastructure to set, develop, guide and assess administration standards.

PASA acts as a focal point and engages with industry and government to create protocols for understanding good administration - but also appreciates there's no one size fits all. PASA develops evidential Accreditation practices allowing benchmarking across and between the industry regardless of how the administration is being delivered.

As well as raising the profile of pension administration generally, PASA focuses on three core activities:

1. Defining good standards of pensions administration relevant to all providers, whether in-house, third party or insurers
2. Publishing Guidance to support those standards
3. Being an independent Accreditation body, assessing the achievement of good standards by schemes

There's no organisation providing such services across schemes, yet there's a demand for evidence of service quality from scheme trustees, sponsors, administrators, insurers, savers and regulators.

## 1 Summary

PASA welcomes the opportunity to respond to CP25/17 and share insights from occupational pension schemes. We aim to ensure targeted support proposals work in practice and deliver meaningful outcomes for savers.

### Scope and Segmentation

Savers in occupational schemes often fall outside FCA regulation, and segmenting them effectively is complex. We urge the FCA to recognise the diversity of scheme structures and avoid assumptions based on retail models. It's important the FCA continues to collaborate with the DWP for these reasons.

Schemes may not hold the same data as providers. This limits their ability to deliver targeted support without disproportionate effort. We recommend a flexible framework which reflects these operational realities.

Care needs to be taken where consumers have benefits in hybrid pension schemes, where a significant proportion of a consumer's benefits are defined benefit and guidance focused solely on defined contribution benefits could be misleading.

### Boundaries of Support

Schemes have long struggled with the boundary between 'guidance' and 'regulated advice'. A third strand will make this more complex. Schemes need clear boundaries and confidence guidance won't expose them to regulatory risk.

We support the development of tools to help savers make informed decisions. However, these tools must be proportionate, accessible, and designed with scheme capabilities in mind.

### Delivery and Practicality

Schemes are well placed to deliver targeted support, but they need clarity, confidence, and collaboration. We encourage the FCA to work with industry bodies to co-design practical solutions.

Targeted support should be actionable and easy to understand, especially for savers with limited financial literacy.

### Conclusion

We're committed to supporting the FCA's goals and ensuring targeted support works for all savers. We welcome further engagement and stand ready to collaborate on next steps.

## 1. Consultation questions and answers

**Questions 1 and 2: Do you have any comments on our proposed ‘better outcomes’ purpose statement?**

**Do you agree with our use of the term ‘better outcomes’ rather than ‘better position’? Would the choice of terms impact when and how you might expect to deliver targeted support?**

For firms and propositions regulated by the FCA, the term ‘better position’ is preferable to the term ‘better outcomes’, as the latter could cause confusion with Consumer Duty, which has a broader application beyond advice and guidance.

However, the more significant consideration for all providers is what is the position to be ‘better’ than. When a suggestion is made to a cohort of scheme members, it will be possible in the future to sample outcomes to determine whether they were as intended. However, as each scheme member might have chosen to do something completely different had they not received targeted support, and as we have no way of knowing what every course of action could have been, we have no basis for comparison.

The demonstration of ‘better’ needs to be based on modelling the scenario, including both the ‘before’ and ‘after’ scenarios at the cohort level, and documented appropriately in the event of future regulatory, Financial Ombudsman Service (FOS), or legal challenges.

How this part of the framework is defined is likely to determine which scenarios firms will then have the risk appetite to progress.

From the perspective of an occupational pension scheme trustee, requiring trustees to demonstrate a ‘better outcome’ for savers as a result of offering targeted support may be challenging to achieve because they, and their scheme administrators, may not necessarily possess the necessary data to support this claim. Also, the relationship between ‘better outcomes’ and the Consumer Duty (see paragraphs 2.22 to 2.26) doesn’t translate well to the occupational pension scheme context.

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

The three primary challenges which we see in delivering targeted support are:

- 1) FOS Consistency
- 2) Privacy and Electronic Communications Regulations (PECR) Constraints
- 3) Uncertainty as to the right level of granularity in terms of creating cohort-based solutions

Absolute consistency between the expectations set by the FCA for those designing targeted support conversations and those adjudicating on future complaints is a commercial imperative for all firms considering applying for this new permission. Much of this remains nebulous and theoretical; therefore, the best approach will be to have FOS actively engaged with the FCA and industry in creating the framework and working with those who receive approval

to develop early targeted support conversations. Rules should remain dynamic and evolve as the collective experience and understanding develops and matures.

Some targeted support conversations will be reactive in nature. For example, responding to a scheme member who wants to know the best way to use their pension pot(s). Other potential scenarios will be proactive, where a provider has data which suggests some of their savers are progressing in a suboptimal manner and wants to reach out to suggest a better alternative course of action. A carve-out from the PECR rules for targeted support conversations, recognising these will be a new approved and regulated activity, will be required to permit the 'proactive' group of conversations.

The consultation suggests having either too few or too many cohorts/solutions could be problematic. However, it's necessary to provide further guidance on these boundaries. Too few cohorts/solutions might be considered a blanket marketing campaign, while too many could look like personalised advice. An example of a simple scenario with a small number of likely cohorts and a more complex scenario with a larger number of cohorts could help set expectations for the upper and lower boundaries.

**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.**

Conversations with members of Occupational (Trust-Based) Pension Schemes are generally not considered a regulated activity. They're therefore not subject to FCA rules and supervision, provided conversations are restricted to choices and options available within the scheme.

In addition to considering the Consumer Duty, the future interaction with Default Decumulation proposals outlined in the draft Pensions Bill needs to be taken into account. Conversations in the lead-up to retirement, which require providers to help savers understand all the 'pensions freedoms' available to them, will likely benefit from a form of targeted support. Not all the 'freedoms' will always be available within the scheme, and discussion of options which sit outside of the scheme could therefore make any such conversation a regulated activity.

Consumer Duty does not apply to pension scheme providers which sit outside of FCA supervision. Therefore, there needs to be consistency with Consumer Duty for FCA regulated firms, plus a consideration of future default decumulation arrangements, so targeted support can be deployed in a way which permits trustees to facilitate the same level of saver support, outside of Consumer Duty, and without a need for Trustees to become dual regulated.

**Question 5: Are our proposed rules sufficiently future-proof and outcomes focused to accommodate changes in technology? If not, why not?**

The rules are not yet defined to a sufficiently granular level to make a determination, and end-to-end processes and user experiences have not been mapped to expose any pitfalls.

However, an audit trail of modelling, assumptions, and executed conversations against each scenario, as well as future customer complaints by scenario, are essential ingredients in any robustly executed targeted support framework. It should be easier to maintain such audit trails with greater consistency and accuracy using technology.

**Question 6: Are there any situations where firms want to deliver targeted support but based on our proposed rules would feel unable to do so? Please explain why.**

See response to Q3 above.

**Question 10: Do you agree with our proposal that firms can make reasonable assumptions when designing targeted support journeys? If not, why not? In your answer, please set out examples of assumptions you may choose to make when designing targeted support journeys.**

Yes, but these assumptions must be based on, or inferred from, data we already know to be true about the saver.

For example, reasonable assumptions may be based on age. A saver in their early 20s is less likely to want to take advantage of bonus sacrifice into a pension than someone in their 50s. Someone in their 30s may well be more interested in savings products with shorter time horizons than older savers. Similarly, age-related assumptions can be made regarding the benefits of factors such as pound-cost averaging and compound interest.

Other assumptions could include those linked to simple data points. For example, savers with spouses or cohabiting partners will have different tax situations from those who live alone.

More sophisticated data points could also influence our ability to make assumptions. If we know a saver has other pension provisions, for example, we may suggest consolidation could be beneficial for future planning.

Any assumptions which are inferred should be disclosed. For example, we may assume someone aged 65 is considering finding out more about how to draw their pension. That may not be the case and could mean the saver ends up discounting any targeted support suggested. The same would be true of assumptions made on attitude to risk.

Where saver segments offer support based on assumptions, the administrator of the scheme must be prepared and able to collect and provide the underlying data on which the assumptions are made. Additionally, if the administrator supports a scheme which outsources targeted support to a third party, the administrator must be aware of when assumptions made by the third-party change.

When considered from the perspective of an occupational pension scheme trustee, this raises the issue of data protection, particularly whether trustees (and their administrators, as data processors) can use 'legitimate interests' as a basis for processing data in this manner. The same challenge may not exist for FCA-regulated firms if they have a direct relationship with the consumer via a contract.



**Question 11: How could firms decide between when to make an assumption and when to pre-define a common characteristic of a consumer segment?**

There's a danger the two concepts could become conflated. It's essential to propose a clear definition of a common characteristic and an assumption. A common characteristic will be a data point, something which can be identified and compared against a template. For example, common characteristics could include age range, identified pension wealth, ownership of additional savings plans, salary, or marital status. Assumptions would be conditions reasonably inferred from the characteristics. For example, consumers over 60 will likely be interested in learning more about retirement products. Alternatively, savers who have just started a new job may want to consider transferring their old company pension pot into their new one.

The characteristics are immutable and allow a saver to be categorised into a particular segment. The assumptions are more subjective, but they logically follow from the conditions of the entire premise of targeted support. It's generally the assumptions made based on the characteristics which drive the suggestions.

The link between characteristics, assumptions and suggestions need to be available for the saver to consider. It would likely be the role of the administrator to identify which people fall into which cohorts based on identified characteristics. However, it's unlikely the administrator will be responsible for attributing assumptions to savers or allocating them to cohorts based on those assumptions.

If there's to be any potential for using automation or AI when moving between characteristics, assumptions and suggestions, it'll be essential to consider who is designing this route. Whether this is the firm, the administrator or the software being used. This is important because all parties involved in the targeted support chain will need to have clearly defined roles and responsibilities, both from a control (i.e. who decides what should happen) and a liability perspective (i.e. who is responsible if something goes wrong).

**Question 12: Do you agree with the rest of our proposals for the design of consumer segments in particular around excluding characteristics and the sufficiently granular principle? If not, what aspects do you consider need to be changed and why?**

Yes, we broadly agree with the proposals for designing consumer segments. However, more clarity is needed to help the industry define the boundaries of individualised advice. 'Segments must be neither too broad nor overly individualised' is a fine line to navigate. The difficulty arises when information about the saver becomes available as part of the targeted support process, which, by its nature, creates an overly individualised situation. Without the additional information, the saver may fit neatly within a target segment, but with the additional information, the process may inadvertently stray into the realm of individual advice. This will be difficult to manage.

The inherent pitfalls of overly granular information could lead firms to deliberately avoid asking savers about their circumstances or, worse, ignore information the saver volunteers. From an administrative perspective, new information provided must be captured, stored, and cannot be overlooked if collected as part of the targeted

support process. Where targeted support services are outsourced, thought will need to be given as to how this data passes from the provider to the administrator.

One way to prevent 'data avoidance' is to define the saver segments sufficiently carefully to allow for a range of additional information to be accommodated within the definition. This approach may lead segment design to tend towards broad categories and descriptions, and in turn, may result in more subjective interpretations. A review and audit process will be necessary to ensure consistency in the way savers are assessed and then allocated to segments.

**Question 13: Would it be valuable to produce illustrative case studies to support firms in determining whether consumer segments are sufficiently granular? Would our choice to do this impact your intention to deliver targeted support?**

Examples would be welcome. As mentioned earlier, guidance on where the boundaries of targeted support lie will help identify segments and design template pathways. Section 2.40 is helpful in understanding where targeted support fits between information and what would previously have been deemed advice or investment advice. Examples of where a segment characteristic would be considered too broad or where it would be considered too individual would be helpful. Without some parameters, examples, or rules to apply, we may see very different interpretations of the rules emerging, due to the highly subjective nature of the situation.

The available data will determine the level of granularity. The quantity of data itself may well become a triage factor, even before the data itself is evaluated. For example, a consumer for whom we hold only five data points may be allocated unambiguously to a particular segment. However, we may hold twenty data points on a different consumer, and data cannot be ignored. The sheer amount of data may immediately render targeted support inappropriate.

Designing the segments will be easier if there are clear guidelines and examples to follow. Such clarity is likely to encourage more schemes to offer targeted support. Lack of clarity will inevitably increase the risk of breaching the guidelines and discourage participation.

**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?**

We disagree with this position. While in some cases valuable benefits may be lost through consolidation, and safeguarding should be observed rigorously, the impact of decision-making and outcomes is likely to be significant for those savers who consolidate.

One way to strike a balance is to segment out the types of schemes which fall within the targeted support framework. For example, simple, post-stakeholder, pension contracts which have no hidden penalties or guarantees could reasonably be included, with minimal risk to the saver. Other, older, and more complex pension arrangements,

such as DB schemes, DC occupational schemes with underpins and guarantees, or old-style With Profits contracts could be excluded.

This approach would impose an administrative and operational burden on the sponsoring schemes to collate and evaluate any information the saver provides. It also imposes an unreasonable burden on the saver who may not be able to categorise the pension they wish to review or consolidate. However, it would be perfectly feasible for targeted support to clearly outline the criteria for those schemes which would confer the benefits of consolidation on the saver while exhibiting minimal risk.

In summary, consolidation is a fundamental and common question scheme members have, and it would be an oversight not to include this in some way within the targeted support framework. Offering consolidation as an action a saver can take and own may also encourage further pension engagement, and with targeted support in place, enhance saver outcomes.

**Question 20: Are there specific situations where firms might hold other information not covered by excluding characteristics that would render ready-made suggestions unsuitable?**

The verification mechanism for checking saver information addresses this situation, although, given the fluid nature of member circumstances, this is viewed as a critical step.

**Question 21: Do you agree with our proposals for firms handling additional information volunteered by consumers during the targeted support journey?**

We agree any additional information volunteered by savers during the targeted support journey should not lead to individualised advice but rather ensure a sense check on the saver's segmentation to ensure it remains appropriate.

We envisaged a discrete form of information gathering through tick/ text boxes with specific formats rather than any 'free form' information gathering. We'd caution against 'free form' gathering due to the risk of incorrect or subjective interpretation of the information being divulged, alongside a risk of missing this information entirely in providing targeted support.

**Question 22: Are there any other aspects of our proposed approach to the verification process which you consider need to be changed? Please explain your rationale.**

We agree with the approach to the verification process but are mindful of the importance of data quality in checking the characteristics of the segment. It's essential the consumer can clearly see the data held which led to their segmentation.

**Question 24: Do you agree with our proposal on monitoring outcomes and identifying significant adaptations of products? If not, why not?**

While we agree providers should wish to ensure targeted support is resulting in better outcomes, the definition of this could be highly subjective. What is deemed a better outcome for a saver may not align with the view of the provider or even the industry as a whole.

The proposal around identifying significant adaptations seems sensible, particularly for those in the process of receiving targeted support. For those who have already taken the support suggestions and are within a retirement product, considerations relevant for them should be noted. For example, the targeted support may have been applicable at the time, and the implications of changing may outweigh the advantages of any newly identified changes.

**Question 28: Are there any other aspects of our proposals around communications that you wish to provide comments on?**

No, the proposal seems clear and covers the key principles we expect. We encourage the use of industry-wide terminology to aid consumer understanding.

**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?**

All savers should be signposted to other forms of support unless a firm considers a different segment to be appropriate, which allows for fair and equal treatment of savers across all products.

**Question 45: Do you agree with our proposal to not introduce new record keeping requirements which relate directly to the provision and outcomes of targeted support? Please explain the reasons for your answer.**

Record keeping is a key area. It's not just recording why someone was included in a particular segment for targeted support at the time, but then reviewing what happened afterwards so it can be assessed (and a decision would need to be made on what information had to be retained after the targeted support, i.e. what info is relevant to the particular 'intervention' made).

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

As noted in our response to Question 24, the idea of good outcomes is highly subjective. If there's a reliance on savers to articulate through feedback whether the outcomes are being delivered, this could be difficult to assess effectively. It's also worth noting a saver's view of a good outcome may also change over time.

There is no universal definition of a complaint, and instances identified as such are likely to be cases of a mismatch between expectation and reality. Most savers won't have the skills or inclination to monitor the outcome themselves.

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