

PASA Consultation response

Advice Guidance Boundary Review –
proposed targeted support reforms for
pensions

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PASA 



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David Fairs (DC Board Sponsor)	PASA Board Director	Gareth Stears (IPC co-Chair)	Aries
Jessica Rigby (DC Chair)	Independent	Ross Wilson (IPC co-Chair)	Gallagher
Andy Cheseldine	Capital Cranfield	Grant England	Mercer
Catalina Esler	Evolve	Rosie Kwok	LCP
David French	Heywood	Uche Egenti	First Actuarial
David Porter	Independent		
Ferdy Lovett	Sackers		
Gary Graham	Independent		
Gillian Bell	Hymans Robertson		
Glen Bown	Scottish Widows		
Helen Ball	Sackers		
Helen Hurst	Hymans Robertson		
John Simmonds	CEM Benchmarking		
Jonathan Sharp	Baker McKenzie		
Lesley Carline	KGC Associates		
Michael Ambery	Standard Life		
Peter Glancy	Lloyds		
Sharon Cairney	Fenner Group		
Shri Krishnansen	WealthOS		
Stephen Coates	Mercer		
Tony Brown	Muse Advisory		

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

The following response concentrates on areas relevant to our remit in raising pension administration standards. While we haven't addressed questions outside our focus, such as those concerning retail investments, our responses cover:

- **Quality of Recommendations Matters:** It's essential any suggested solutions genuinely benefit savers, rather than offering minimal improvements over inaction. Recommending subpar products with poor investments and high charges is unacceptable
- **Importance of Trust:** Administrators with close saver interactions, risk damaging trust if the underlying products recommended are inadequate. Providing appropriate, high-quality solutions is crucial to maintaining confidence
- **Unified Approach Preferred:** A consistent framework which avoids unnecessary complexity and confusion is crucial. Over-segmenting savers can complicate processes without adding real value
- **Clarity and Transparency:** Clear communication, including straightforward terminology and transparent disclosure of information and charges, empowers savers to make informed decisions
- **Data Privacy and Compliance:** Adopting an outcomes-based approach to data use protects savers' privacy and ensures regulatory compliance. Clear guidelines on data handling are necessary

2 Consultation questions and answers

Q1 - In your view, do any of the proposals outlined in this CP adversely affect protected groups or vulnerable consumers and why?

While the proposals don't directly disadvantage protected groups or vulnerable savers, it's crucial industry standards are established. Targeted support must be available to all, and the framework should allow these groups to access the same services. How would someone with a disability preventing them from accessing the service be catered for? The current rules around vulnerable customers should be used as the basis for ensuring there are no adverse impacts, and these standards will provide a sense of security and confidence to all stakeholders.

Q2 - In the context of SIPPs, do you think we should differentiate between different types of consumers in the targeted support framework? If so, how?

Individuals with SIPPs are likely to be more engaged than others. However, within SIPPs, there are several different types, ranging essentially from a Personal Pension to those offering the full range of investment choices. There should be no differentiation between the types to avoid confusion and convoluted processes. There may also be situations where the saver holds both SIPP and non-SIPP policies simultaneously, which would be difficult to administer.

Q3 - Do you agree that there needs to be a threshold in place to provide targeted support? If so, do you think this should relate to delivering better outcomes or avoiding poor outcomes? Please explain your reasoning or alternative approach.

There should be some threshold for providing targeted support, which should be related to delivering better outcomes rather than avoiding poor ones. This would have a greater overall impact and be more practical to determine.

It would be helpful to communicate with savers making decisions or taking actions which show good decision-making. The first example 2.16 refers to a saver drawing down unsustainably, being warned they could run out of money. However, if a saver was drawing down at an appropriate rate, it would still be beneficial to communicate this to them as it would provide reassurance and confidence in their actions. This type of communication wouldn't meet the threshold of "delivering better outcomes," so an alternative test would be needed.

Q8 - Do you agree with the three steps of pre-defining scenarios, consumer segments, and ready-made solutions? In particular we welcome views on the need to design these prior to the delivery of targeted support.

We broadly agree with the three steps of pre-defining scenarios, saver segments, and ready-made solutions. However, we acknowledge not every individual would fit into pre-defined scenarios. Careful communication and explanation will be needed for those savers who don't fit within a segment with a ready-made solution. This may be perceived as unfair and potentially discriminatory.

We encourage regularly reviewing the pre-defined segments to identify and serve newly emerging saver segments, as well as potential improvements following experience.

Q9 - Do you agree with our proposed approach to the verification process including the application of the better outcomes threshold?

The proposed approach seems reasonable. The key will be to give firms clarity on the standards expected. This should be consistent to make it user-friendly and easier to administer the service. The term 'verification' is likely to cause confusion as this is used more commonly to undertake ID checks. A different term, such as 'targeted support eligibility' or 'support pathway check' is preferable.

Q10 - Do you have any comments on the terminology, including 'targeted support' and 'ready-made solutions', we are using in this CP and its potential use in Handbook rules for firms?

Generally, we agree with the terminology, which has good connotations. However, it's worth noting there may be some confusion. For example, 'targeted support' could imply the support is more tailored to the saver, which isn't the case as the solutions offered are 'ready-made' for saver segments. The definition of the word 'support' should be explicitly established, and the difference between 'support,' 'guidance,' and 'advice' clarified.

This adds additional terminology into an environment which may not always be considered saver friendly. Robust testing with end users should be undertaken beforehand to ensure the terminology and messaging can be/is understood.

Q11 - Does our proposed framework enable firms to provide targeted support where there is greatest customer need? Are there any examples where you would feel unable to provide targeted support based on the framework proposed? Would guidance around scenarios where targeted support could be delivered be helpful?

The proposed framework provides scope and flexibility for providers to develop their products to deliver targeted support within the overall parameters. The FCA could provide helpful guidance around scenarios where targeted support could be delivered and potential next steps. This will give providers confidence if they follow those examples, they'll likely be operating within the framework. It'll also give providers a clearer idea of further scenarios (and how) targeted support could be delivered.

Q13 - Do you agree with our proposals in relation to advised consumers? Are there different considerations where a consumer is receiving ongoing advice or where a consumer has received initial or one-off advice about their pension?

At present, providers won't necessarily know whether (and what level of) advice has been received. If the FCA's intention is for a different approach to be taken in relation to these individuals, this should be included as part of a fact-finding process.

There are advantages and disadvantages of including/excluding advised savers in a targeted support process. However, from an administration perspective, whichever approach is taken, firms shouldn't be in a position where they have to determine the specific area and nature of advice someone received before deciding how they should be treated. For example, having to decide on the relevance of advice received several years ago, or whether the

advice is relevant to the particular area which relates to a ready-made product. Instead, if a saver indicates as part of the information gathering they've received advice, the provider shouldn't need to investigate further exactly what advice was received and when, and the FCA should specify what approach should be taken in this situation.

A time limited 'opt-out' route may represent the simplest approach to manage advised savers.

Q16 - Do you agree with our proposal for setting the general parameters around the definition of consumer segments? If so, what should this involve and how could it be framed effectively in light of the existing 'sufficiently granular' concept? Please explain your reasoning.

Setting general parameters is the right approach. In defining the saver segments, the parameters should remain at a high level. The parameters should include age, health, income, assets (liquid and non-liquid), as well as family circumstances, if available. If the parameters are too granular, the exercise will become more like a full fact find, defeating the objective, becoming more time-consuming, and likely impacting the saver.

There's also a risk a granular approach to parameters will restrict levels of innovation in this area, ultimately harming savers.

Q 17 - Do you agree with our preference to take an outcomes based approach to verification, and how do you think this could work in practice? Would it be helpful if this approach was supported by rules or guidance on the data to use or not use? Please explain your views.

Q 18 - If you do not agree, please provide your views on alternative approaches including whether to prescribe in rules data firms would need to use.

An outcomes-based approach would be preferred as it would limit the data required to provide the targeted support and offer structure in collating the data. It should also avoid open-ended questions or a search for in-depth information on an individual saver, as this could result in a provider obtaining irrelevant data, leading to non-compliance with data protection regulations.

It would be beneficial for the FCA to provide Guidance to support what data to use or not, providing clear support for firms concerning boundaries/limits on data retention and relevance to help ensure data protection and the Consumer Duty requirements continue to be adhered to.

Data is precise and has a specific purpose for its use here. Therefore, if there is guidance on the data firms can collect, it'll provide reassurance to the saver any ready-made solution is based on accurate and up-to-date data which has been provided to the provider or the firm already held on them.

However, while the guidance from the FCA is helpful, it shouldn't be too prescriptive concerning what is and isn't permitted, as there's a separate UK GDPR regime which already sets out requirements for the use of data. It would be too complicated for providers to consider two sets of requirements under different regimes and could lead to saver determine through provider conservatism.

In relation to data collection, it should be possible for providers to obtain consent for the use of data at the point it's collected in the future as part of targeted support. However, firms would need to review their existing data processing agreements, data protection policies, and Privacy Notices in relation to data which has already been collected and how that can be used.

Q 19 - What level of data do you think would be perceived by a consumer as suggesting the provision of holistic advice? Please describe these data points and the linked scenarios.

Open-ended questions and requests for in-depth data could lead savers to think they're getting more holistic advice rather than a suggested ready-made solution. For example, asking for a breakdown of the saver's monthly outgoings could lead to an assumption their current drawdown level is unsustainable, and the suggestion could be to change their drawdown rate. The saver could assume, as they've provided details of how much money they require each month, this suggestion would ensure they receive this amount for life.

There would also be complications for firm/administrators to interpret copious amounts of data from savers, which could lead to misinterpretation and inaccurate data held by the provider on the saver. Verifying such data without further questioning them would also be challenging

Q21 - How might firms seek to use pensions dashboard data for targeted support? In particular, we would welcome views on how firms may seek to use dashboard data as part of a consolidation journey in targeted support.

Download of pensions data from pensions dashboard isn't due for a while, nor is third party access. If a future version of pensions dashboards could allow firms to access savers' pensions data, the targeted support could be more accurate and potentially more helpful for the saver's overall financial situation. It'd also be a way of checking the accuracy of the data held by comparing it to pensions dashboards.

However, if all firms had access to pensions dashboards data but then provide different targeted support and suggestions, this will confuse the saver rather than help them in making their decision. there would also need to be changes to Data Protection legislation to facilitate this.

Question 23 - What is your view on the potential for variability in the provision of targeted support and do you consider that an industry standard or guidance may be helpful in providing a level of consistency?

Some parameters for the provision of targeted support are helpful. Industry consensus around specific key data required and the format in which it's obtained would provide consistency and an easy understanding for savers. For example, asking for information about other income. However, there must be freedom for providers to develop products which meet the overall requirements as this encourages innovation and competition between providers, so there should not be too much prescription.

Q26 - Do you agree that these 3 touchpoints are the main times at which firms should disclose information to consumers? If not, why?

The three touchpoints are the main times at which firms should disclose information to savers. Should firms take a proactive approach, this should also be a touchpoint clearly stating it's not unsolicited advice or 'cold calling'.

Q27 - Do you agree with the key aspects of the minimum prescribed level of information required at each touchpoint? Is there any information that all firms should disclose in addition to the key pieces of information in 6.24 and 6.25, or any other stage? Should all of this information be prominently shown and not layered?

Yes, we agree with the key aspects of the minimum prescribed level of information required at each touchpoint.

The suggested key information outlined in 6.24 and 6.25 is sufficient. If charges are applicable, figures should also be explicitly stated to ensure transparency. This information would ensure the saver has all vital facts early in the process and may save time and resources for firms or the administrators providing the service.

All information should be prominently displayed upfront for full transparency and for the saver to establish if they'll require either guidance from MoneyHelper or holistic advice early in the process. However, the amount of information provided upfront could be substantial, and it's crucial the layout and content are considered carefully so as not to overwhelm or confuse the saver.

Q34 - Do you consider that, in principle, all authorised pension providers should be able to provide targeted support? Are there any types of firms whose business model makes them less likely, or less appropriate, to provide it? We are particularly interested to hear from SIPP operators on their interest in providing targeted support.

This effectively creates another uneven playing field between FCA regulated and TPR regulated. This will likely confuse master trusts and schemes which could and should be offering this kind of support - most will not want to go through the pain of another regulator. It would therefore will favour vertically integrated firms.

Q39 - Do you think consumers should be able to complain to the Financial Ombudsman and bring claims to the FSCS in relation to targeted support? If not, why?

Yes, savers should be able to complain as it'd be a regulated activity, and therefore, the same jurisdictions should be applied. Some thought should be given to the jurisdictional overlap between the Financial and Pensions Ombudsmen as disputes with trust-based schemes on similar topics would land with the Pension Ombudsman.

Q41 - In which aspect of the framework (e.g. verification process, aligning ready-made solutions to consumer segments) do you see the greatest liability risks arising? What controls would you put in place to manage these risks?

The greatest risks will arise in aligning the ready-made solutions to the saver segments. However, this is interconnected with the verification process, which will determine whether:

a) The targeted support is available, and

b) The appropriate ready-made solution is available.

The administration of this will be critical, and controls will need to include keeping clear records of conversations, ensuring savers understand their responses will have a major impact on the outcome, and documenting how the solutions were deemed appropriate.

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Get in touch:

info@pasa-uk.com

www.pasa-uk.com