

# The Targeted Support starting gun has fired: Key considerations from the FCA's consultation paper

**The wait is over.** The FCA has published its detailed consultation paper (CP25/17) on Targeted Support (TS), firing the starting gun for firms ready to engage an untapped market of UK investors. The proposals, largely validate the strategic direction we anticipated. However, the paper is packed with details that move the conversation from theory to action.

For the early movers, this detail provides the confidence to finalise designs and plans. For others, it creates an imperative to act or risk being outmanoeuvred.

We distil the key takeaways from the FCA's paper and explain what they mean for the design of firms' TS propositions.

# Key takeaways from the FCA's draft rules

The FCA has provided a clear blueprint. While relying heavily on the Consumer Duty, the paper outlines specific new requirements that will define the success of any TS proposition.

## **"Better outcomes" are paramount**

The core principle is that firms must design support that delivers a "better outcome" for consumers than if they received no support at all. This is the fundamental test for any proposition. The entire framework is underpinned by the Consumer Duty, meaning a focus on avoiding foreseeable harm and enabling customers to meet their financial objectives is non-negotiable.



# Precision in segments and suggestions

The FCA has clarified the mechanics of building a TS service:



## Consumer segments

Firms must define consumer groups at a "sufficiently granular" level, ensuring they are not too broad or so specific that they become individualised advice. Crucially, segments must be built using both **"including characteristics"** and **"excluding characteristics"**.



## Ready-made suggestions

The regime is explicitly designed to cover support that would currently be a 'personal recommendation'. This gives firms the green light to go beyond generic guidance and suggest a specific course of action or product.



## Product scope and limitations

The paper sets firm boundaries on what can be recommended:

- **No high-risk investments:** TS cannot be used to recommend products subject to marketing or distribution restrictions.
- **No pension consolidation:** Recommending the consolidation of pensions into or out of a *specific* product is prohibited under this framework due to the complexity involved.
- **Annuities with care:** Firms can suggest the *type* of annuity and its features but cannot recommend a *particular* annuity product. Any such suggestion must be accompanied by signposting to the MoneyHelper comparison tool and a clear break in the consumer journey.

# Getting the messaging right

Consumer understanding is a cornerstone of the proposals. Firms must clearly communicate that targeted support is not individualised advice and is based on limited information. Firms will be required to disclose the common characteristics of the segment the consumer belongs to and test communications to ensure they are understood.

## Charging and Cross-subsidisation

### Free service expected

As anticipated, the FCA expects most TS services to be offered free of charge to the consumer.

### Cross-subsidisation allowed

The regulator has explicitly allowed for cross-subsidisation, provided this delivers fair value under the Consumer Duty.

### Charging permitted (to a point)

While charging is permitted, a strict ban on receiving commissions will apply.



# Turning our playbook into reality

The phased approach we outlined in our "Seizing the Targeted Support opportunity" playbook is validated by the FCA's proposal set out today. The new details now allow firms to add the necessary granularity to each phase:

1

## **Strategic alignment & opportunity sizing**

The FCA's requirement for "better outcomes" and defined consumer segments makes the data analysis, segmentation, and opportunity sizing we described more critical than ever. Firms can now map specific FCA use cases - like addressing under-savers or those with excess cash - directly to their own customer data.

2

## **Proposition & "ready-made solution" design**

The explicit product guardrails around annuities and pension consolidation provide the clear parameters needed to build the "ready-made solution" architecture. Firms' messaging strategy must now incorporate the FCA's mandatory disclosures on the nature of TS.

3

## **Technology & data architecture**

The FCA's focus on using "including" and "excluding" characteristics directly informs the data strategy. Firms' technology must be able to accurately align customers with the correct segment and, just as importantly, exclude those for whom a suggestion would be unsuitable.

4

## **Compliance, governance & risk management**

The deep integration of the Consumer Duty into the TS framework confirms that our playbook's focus on "Consumer Duty embedding" is the correct approach. Firms' governance framework must now include plans for testing consumer understanding of communications, a specific FCA requirement.

# What next...

The FCA has laid a clear path forward. The consultation period to 29 August offers a window to refine your strategy, but the direction of travel is set. Firms that have already begun strategic planning are now in a prime position to move into design and build.

The opportunity to engage millions of new and existing customers, deepen relationships, and drive growth is significant. But the window for securing an early-mover advantage is closing rapidly.

# How we can help

The detailed proposals provide the certainty needed to accelerate a Targeted Support development programme. Whether you require an impartial review of the plans you are developing, or need help expediting your launch, our sector expertise and programme accelerators can help you seize this opportunity with confidence. Please get in touch for a discussion on how we can help you lead the conversation in this new landscape.