THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

The Society of Pension Professionals (SPP) response to the FCA consultation, “Adapting our requirements for a changing pensions market”

1. Introduction

1.1. Like the FCA, the SPP would very much like to see a pension market that helps consumers navigate their financial lives, where pensions deliver value for money and consumers have the ability to make informed decisions – as our longstanding strapline makes clear, the SPP is committed to “making pensions work”.

1.2. Our members are very supportive of much of the policy change that is under way, from the reinvention of the Pensions Commission, the establishment of a value for money framework for default workplace DC pension schemes, the roll-out of targeted support, and the introduction of pensions dashboards.

1.3. We have brought together a range of SPP technical committee representatives to produce the below response and hope that these constructive comments prove helpful in ensuring that policy intentions are met as best as possible and that unintended consequences are minimised.

2. Executive summary

2.1. **The SPP broadly agrees with the application and scope of the proposed regime.** However, the scope is currently limited to FCA-regulated providers of personal and stakeholder pension schemes, most of which are unlikely to hold significant benefits that would be lost on transfer (e.g. safeguarded benefits) which these proposals are looking to limit. If these FCA rules are to be introduced, it would make sense for the Department for Work & Pensions (DWP) to consider enacting equivalent rules within the trust-based market.

2.2. **It would be prudent for the FCA to consider guidance or limits on growth assumptions.** For example, setting high-level caps or reference bands grounded in long-term expected market returns to anchor expectations (similar to Statutory Money Purchase Illustrations) and/or requiring firms to disclose how their growth assumptions compare to established benchmarks, and where necessary explaining why assumptions differ.

2.3. **The SPP believes that stochastic models should be encouraged but must be properly explained, otherwise they risk confusing rather than empowering pension savers.**

2.4. **We generally support the FCA's intention to allow firms flexibility in how they communicate the outputs of pension modellers and digital tools.** However, we do have concerns that, even with the Consumer Duty in place, total flexibility could result in inconsistent consumer experiences across the market.

2.5. **The SPP agrees with the FCA's record keeping and regular review proposals as these appear proportionate and reasonable.**

2.6. **While we understand that broader work on alignment between SMPI and COBS projection rules is explicitly out of scope, we reiterate the importance of government departments and regulators addressing this in future work.** The inconsistencies between the two regimes continue to lead to confusion and complaints from savers.

2.7. **The point of modellers from the consumer viewpoint is to allow individuals to make decisions about their future, including consolidation of DC pots, and this end purpose needs to be kept firmly in mind when designing the digital options.** That means figures must be both useful and comparable (please see 3.7 for suggestions as to how this could be achieved).

2.8. **In isolation, a 12-month transition period to effectively implement the proposed regime for simulations in digital tools may appear reasonable.** However, given requirements around user experience, consumer testing and then a full build of new systems, 12 months appears to be overly ambitious, and a 24 month timeframe would seem more realistic.

2.9. **We agree that the proposed triggers for the application of the non-advised transfer rules are appropriate and reasonable.** However, we would welcome close alignment between the rules applying to contract-based DC pensions and occupational DC schemes.

2.10. **The SPP recommends that the FCA commit to monitoring the impact of the small pot exemption post-implementation.** This review should include metrics such as the incidence of lost safeguarded benefits and consumer complaints. If evidence of detriment emerges, the FCA should revisit the threshold or introduce additional safeguards.

2.11. **SPP members were not convinced that the "acknowledgement process" adds value.** Instead, it is viewed as being likely to simply add cost and complexity.

2.12. **For the majority of situations, 10 working days is a challenging but realistic timeframe to respond to information requests.** However, there will certainly be some circumstances in which this is not possible. The SPP therefore suggests a target of 90% of requests being responded to within 10 working days.

2.13. **The SPP would welcome greater clarity from the FCA on its expectations for how regulated entities could offer incentives, whilst adhering to the Consumer Duty.** In particular, we would welcome further guidance, and examples, from the FCA on how it considers the Consumer Duty would limit the detrimental use of incentives.

3. Consultation response

3.1. **Question 1: Do you agree with the application and scope of our proposed regime as set out above? If not, what are the challenges for firms or unintended consequences of this approach?**

3.2. The SPP agrees with the application and scope of the proposed regime. However, the scope is currently limited to FCA-regulated providers of personal and stakeholder pension schemes, most of which are unlikely to hold significant benefits that would be lost on transfer (e.g. safeguarded benefits) which these proposals are looking to limit. If these FCA rules are to be introduced, it would make sense for the Department for Work & Pensions (DWP) to consider enacting equivalent rules within the trust-based market.

3.3. We also note that the consultation does not make clear whether these proposals are only for uncrystallised transfers or if it also include transfers of crystallised benefits. This is an important distinction as the information needed to make a reasoned decision differs significantly depending on whether benefits are uncrystallised (where future options can still be selected) versus crystallised and in drawdown (where the member has already chosen an income pathway and perhaps taken lump sums). That distinction is important in practice for member communications and financial guidance, but the consultation does not explicitly tailor the proposed new information-gathering/disclosure process on that basis, instead treating all DC pension transfers the same from a scope perspective.

3.4. COBS13 was designed for static projections in printed Key Features Illustrations (KFI's). Interactive tools, designed to allow customers to explore their options and their retirement options require different rules.

3.5. We agree that scope should be limited as proposed, to "*where a firm offers a projection of an in-force pension contract or scheme, and the firm holds all the underlying information for that contract or scheme, presented in a digital format that allows consumer interaction*". This definition is clear.

3.6. We understand that the FCA are unable to extend the scope of the review to Statutory Money Purchase Illustrations governed by the Financial Reporting Council (FRC) Technical Memorandum 1 (TM1) and that a full review of COB 13 was not in scope, we do however have concerns that the adoption of different assumptions across the range of illustrations and projections that a saver will see. As a saver progresses from an annual statement or the Pensions Dashboard, through modelling tools and into new business illustrations, savers may see significant differences in projected levels of income which could undermine faith in any of the figures provided. We think there would be advantages to the FCA and FRC working together to better align the range of pension projections available more closely to pension savers.

3.7. We agree that tools should offer, as a minimum, the functionality for a customer to alter:

- For funds in accumulation, the point at which the customer starts accessing their pension benefits;
- Pension contributions during the simulation period;
- Different rates of return (for deterministic simulations);
- Decumulation options and the ability to choose a type or level of income.

3.8. **Question 2: Do you agree firms should have flexibility to present either a deterministic, stochastic or both types of simulation based on the understanding and engagement needs of their target consumers?**

3.9. Removing the requirement to present a deterministic illustration alongside a stochastic illustration, along with the requirement to present a deterministic more prominently than a stochastic one, appears reasonable.

3.10. The requirement to consider the understanding an engagement needs of the target consumers, in line with consumer duty, should ensure that the most appropriate illustrations are provided.

3.11. **Question 3: Do you agree firms should have flexibility to present deterministic simulations either individually (with at least a higher and lower option), or multiple simultaneously?**

3.12. The SPP agrees that this is a sensible approach. It will particularly help with the provision of clear information where modellers are accessed on mobile devices.

3.13. **Question 4: Do you agree with our proposed approach to the calculation and presentation of growth rates? If not, why not? Are there consumer risks with this approach that should be addressed through further requirements (such as setting a maximum cap on growth rates)?**

3.14. The proposed approach to the calculation and presentation of growth rates encourages innovation because a less prescriptive regime can encourage innovation in tool design, including the use of richer visuals or user-driven scenario planning, potentially increasing engagement. In addition, the approach offers a realistic reflection of uncertainty, recognising that future returns are uncertain and exposing consumers to a range of outcomes (rather than a single forecast) aligns better with financial realities — particularly after long periods of market volatility. The SPP believes that giving firms the ability to present growth in ways that match the understanding and engagement needs of their target users can make planning tools more useful and less overwhelming - allowing consumers to change assumptions and see the potential impacts, which deepens understanding.

3.15. Of course, there are risks. The proposals do not define clear limits on what growth assumptions are acceptable. Without caps or conservative guardrails, there is a risk firms could present overly optimistic scenarios that mislead less engaged consumers — especially if probability distributions or ranges are not clearly explained.

3.16. There is also the real possibility of inconsistent consumer experience if tools vary widely in how growth is calculated and presented. This could lead to consumers becoming confused when comparing outcomes from different providers, reducing trust and undermining decision-making.

3.17. Interactive tools may unintentionally bias users toward the more optimistic scenarios (e.g. by design or visual framing). Unless carefully designed with behavioural insights and tested with diverse user groups, there is a risk consumers will overweight favourable outcomes and this needs to be guarded against so far as is possible.

3.18. In short, it would be prudent for the FCA to consider guidance or limits on growth assumptions. For example, setting high-level caps or reference bands grounded in long-term expected market returns to anchor expectations (similar to Statutory Money Purchase Illustrations).

3.19. Alternatively,/additionally, the FCA should also consider requiring firms to disclose how their growth assumptions compare to established benchmarks, and where necessary explaining why assumptions differ.

3.20. **Question 5: Do you agree with our proposals for stochastic models? If not, why? If so, why?**

3.21. There is clear evidence from market history that shows long periods of deviation from averages due to events like financial crises (e.g. 2008), pandemics (e.g. Covid-19) and geopolitical shocks (e.g. the American imposition of widespread tariffs). Stochastic modelling captures such variability better than simple scenarios. This could lead to more informed decision-making by consumers.

3.22. However, the SPP has numerous concerns about their use. Our key concern relates to complexity and comprehension. We appreciate that previous feedback has raised concerns with the requirement to present 3 deterministic projections simultaneously because this can be deemed confusing but stochastic outputs (like percentile bands or probabilistic outcomes) can be very difficult for consumers to interpret without proper framing. If users cannot easily understand what a probabilistic projection means, this can be less useful than simple deterministic estimates.

3.23. So, we believe that stochastic models should be encouraged but must be properly explained, otherwise they risk confusing rather than empowering pension savers.

3.24. We also have concerns that smaller firms or tool developers may find stochastic projections more resource-intensive to build and maintain, potentially limiting adoption or leading to superficial implementations that do not add value.

3.25. **Question 6: Do you agree consumers should be given the choice to see and interact with the decumulation proposals set out above? If not, why? If so, why?**

3.26. No, we do not agree. Firms should have more flexibility in determining the interactive options presented to customers.

3.27. We are also conscious that decumulation is an area likely to see further innovation and that it will be increasingly common for firms to help customers use multiple retirement solutions in combination to get better outcomes. Greater flexibility will help future-proof these rules.

3.28. **Question 7: Do you agree with our communications proposals? If not, why? If so, why?**

3.29. We generally support the FCA's intention to allow firms flexibility in how they communicate the outputs of pension modellers and digital tools. Flexibility is important to enable innovation, accommodate different consumer needs, and allow firms to tailor communications to their customer base. The move away from overly prescriptive requirements should help firms present information in a way that is more engaging and accessible, particularly as digital channels become the norm.

3.30. However, we do have concerns that, even with the Consumer Duty in place, total flexibility could result in inconsistent consumer experiences across the market, especially in respect of member expectations and how consolidator firms position potential member outcomes with them.

3.31. **Question 8: Do you agree with our record keeping and regular review proposals? If not, why? If so, why?**

3.32. Yes, the SPP agrees with the FCA's record keeping and regular review proposals as these appear proportionate and reasonable.

3.33. **Question 9: Does our proposed regime (for pension simulations in interactive, digital tools as a whole) strike the right balance between relying on outcomes-focused rules, the Consumer Duty to enable more effective and engaging tools and specific rules to deal with harms? Are there any areas where we need more specific rules to deal with potential harms, such as lack of consistency across different tools or pension projections in the consumer journey?**

3.34. We think more flexibility should be offered to allow firms to determine what interactive options should be placed before a consumer. We expect that most of the time, in a standalone modeller, all the proposed options would be made available. But there could be circumstances where more focused options are appropriate. Greater flexibility will help future-proof these rules.

3.35. While we understand that broader work on alignment between SMPI and COBS projection rules is explicitly out of scope, we reiterate the importance of government departments and regulators addressing this in future work. The inconsistencies between the two regimes continue to lead to confusion and complaints from savers.

3.36. In addition, and to aid market consistency and efficiency, it would probably be useful to consider requiring firms to adhere to any guardrails that are introduced in respect of forward looking metrics following the latest proposals from the FCA in relation to its Value for Money framework[1] in respect of the assumptions used in their modellers and digital tools too.

3.37. **Question 10: Does our proposed regime (for pension simulations in interactive, digital tools as a whole) support the adoption of technology, including AI? Are there any proposed rules which may inhibit technology adoption?**

3.38. The SPP does not have any comments in response to this question.

3.39. **Question 11: Do you agree with our proposed approach for simulations in a PDS digital tool? If not, why not?**

3.40. The SPP does not have any comments in response to this question.

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[1] **Value for Money Framework: response to consultation, further consultation and discussion paper, Jan. 2026:** **https://www.fca.org.uk/publications/consultation-papers/cp26-1-value-money-framework-response-consultation-further-consultation-discussion-paper**

3.41. **Question 12: Do you agree with the proposals for how the new regime will apply to digital tools that include a broader range of retirement income? If not, why not?**

3.1. The comments below are made in respect of the whole market, both FCA-regulated and trust-based arrangements.

3.2. As a concept, and from an end user perspective, any tool bringing together pensions and savings information in one place is an excellent idea, and there are already examples where it works well e.g. where the provider also hosts the investment platform for the individual's other savings, or, in the banking space, the open banking facilities now offered on bank apps. From a user perspective, the information is immediately more meaningful when brought together.

3.3. However, the risk the consultation paper identifies is a very clear and real one. Including generic information about other savings vehicles which are, from a provider's perspective, actual and potential competitors for the individual's retirement savings will inevitably lead to comparisons being constructed in the way most likely to benefit the provider of the digital tool. Digital tools are ultimately marketing tools for the provider's products.

3.4. The point of modellers from the consumer viewpoint is to allow individuals to make decisions about their future, including consolidation of DC pots, and that end purpose needs to be kept firmly in mind when designing the digital options. That means figures must be both useful and comparable.

3.5. The open banking model solves the problem by just focusing on transactions and account balances. The impact of charges and interest rate models is fairly linear, banks have to be transparent on charges and changes to interest rates, and a customer has half a chance of doing their own comparison.

3.6. However, the pensions equivalent involves a much more complex, nuanced and future-focused, calculation. Pensions, and growth on pension pots, are by definition much more complex, with the result that the unadvised consumer has to rely almost entirely on what they are being shown. In that environment, it will not matter how much warning material is wrapped around the projections for other pension sources: consumers will still inevitably trust that the figures shown are comparing like for like, as why otherwise would they be presented side by side? That means there should be a serious attempt to ensure that figures are genuinely comparable.

3.7. We can see a number of possible routes for solving this very real problem. We have listed them below and them commented on them in more detail:

(a) creating an obligation on providers to share data so that the projections shown are based on more accurate underlying information (mandatory sharing);
(b) limiting the presentation to those other savings vehicles where the necessary level of information has been shared by providers with a statement saying that no projection can be made for the others (optional sharing); or
(c) limiting the presentation to those other savings vehicles where the member is able to populate the necessary fields (with pointers as to where to access the information) (consumer-led projections);

3.8. <u>Mandatory sharing</u>

3.9. This may be most easily delivered via the pensions dashboards. At present dashboards will show estimated retirement income, based on statutory money purchase illustration (SMPI) principles, which will produce different results to the simulation regime proposed in this consultation paper. Dashboards also do not cover pensions pots where drawdown has started, which is a fundamental component if planning for the later phases of retirement. So, the dashboards structure will not currently deliver the necessary information, but it could if, at a minimum a common regime for projections were adopted.

3.10. In this regard, we were disappointed with the FCA's approach set out in DP24/3 and repeated in this consultation paper, that a wider review of pension projections, beyond digital planning tools, is outside this work's scope. Sanctioning/authorising digital simulations without having solved that issue feels like putting the cart before the horse – if simulations are to be the way forward, then there should be a common view across the contract- and trust-based markets and regulatory regimes as to what constitutes a permissible, and comparable, simulation calculation.

3.11. We would therefore encourage DWP, HMT and the FCA to focus on this as a priority – if the future is to match the Government's vision of driving consolidation via quality of provision (VFM) and support to savers, savers have to be able to rely on the comparisons they are being shown. The reputational angle is obvious: if simulations under this proposed new sanctioned regime start off being inherently misleading, the inevitable consequential decisions by non-advised consumers will create a new regulatory scandal. If the FCA is going to set up a regime which is inherently flawed, there is a real risk of setting it up to fail. That does not chime well with Government policy of encouraging individuals to engage with their savings.

3.12. <u>Optional sharing</u>

3.13. This could be a more organic solution, akin to adhering to Origo, Compare the Market or Direct Line. With that sort of model, take up is more likely in the retail end of the market than in the not-for-profit single employer trust end, but could be a significant step in bringing information together. In this model, where a consumer identifies other savings with a provider that is not using the relevant sharing platform, the digital tool provider should be required to replace a projection with signposting to that scheme (as per dashboard scheme information, either direct from the dashboard or supplied by the consumer). That would approach would still allow pot values provided by the consumer to be shown as part of the overall package, but with clear instructions on where to go to get the missing piece of the jigsaw.

3.14. <u>Consumer-led projections</u>

3.15. This option is contemplated by paragraph 3.47 of the consultation paper. Essentially the digital tool provider would tell the consumer what additional information would be needed to make a simulation which had any actual value and leave the consumer to ask the question of their provider. The default if not all the information is provided could be the sort of standardised projection based on reasonable assumptions contemplated by paragraph 3.47, but with the consumer now owning the problem of lack of accurate data.

3.16. We recognise that the comments above would add further time and regulatory / market activity to the roll-out of this new regime but taking the opportunity now for greater alignment of regimes would be in the interests of consumers in both the FCA-regulated and trust-based sectors.

3.17. **Question 13: Do you agree a transition period is needed to effectively implement the proposed regime for simulations in digital tools? If so, is 12-months an appropriate timeframe?**

3.18. In isolation, a 12-month transition period to effectively implement the proposed regime for simulations in digital tools may appear reasonable. However, given requirements around user experience, consumer testing and then a full build of new systems, 12 months appears to be overly ambitious, and a 24 month timeframe would seem more realistic.

3.19. **Question 14: Do you agree with our proposal to exempt projections provided in SMPIs on how pension members can give themselves more money, as set out in DWP's statutory guidance? If not, please explain why.**

3.20. Yes, the SPP agrees with the FCA proposal to exempt projections provided in SMPIs on how pension members can give themselves more money, as set out in DWP's statutory guidance.

3.21. **Question 15: Do you have any comments on the proposed scope and trigger for our non-advised transfer rules?**

3.22. <u>General Support for the Proposed Triggers</u>

3.23. We agree that the proposed triggers for the application of the non-advised transfer rules are appropriate and reasonable. We consider that it right that the process should be initiated before a non-advised DC pension can be transferred, ensuring that consumers are provided with the necessary information to make an informed decision at the earliest possible stage.

3.24. <u>Concerns Regarding the Minimum Threshold and Small Pot Exemption</u>

3.25. However, we have some concerns reservations regarding the exemption for small dormant pension pots as defined in clause 22(2) of the Pensions Schemes Bill 2025. While we appreciate the rationale for reducing administrative burden, we are concerned that the exemption may inadvertently expose consumers to the risk of losing valuable rights highlighted throughout CP25/39, such as:

- Protected pension age
- Guaranteed annuity rates
- Guaranteed investment returns
- Protected tax-free lump sums

3.26. As highlighted in Chapter 5 of CP25/39, it is acknowledged that such rights can be significant, even where the pot value is low. The assumption that pots under £1,000 are unlikely to have material benefits may not always hold true, especially in relative terms to the consumer holding the DC pension.

3.27. The Pensions Schemes Bill 2025 provides that certain small dormant pension pots will be exempt from the requirement to consolidate them if the trustees/manager of the scheme determine it would not be in the best interest of the DC member. It would be sensible for the FCA to follow the same approach when the exemptions have been finalised as there is scope for significant overlap.

3.28. <u>Cross authority alignment and ongoing monitoring</u>

3.29. We would welcome close alignment between the rules applying to contract-based DC pensions and occupational DC schemes. We note that the FCA is in discussions with the DWP, and we strongly recommend explicit alignment between the rules applying to each to avoid fragmentation and regulatory arbitrage. This approach mirrors the collaborative stance taken in CP26/1 (The Value for Money Framework) and should be replicated here.

3.30. Finally, we recommend that the FCA commit to monitoring the impact of the small pot exemption post-implementation. This review should include metrics such as the incidence of lost safeguarded benefits and consumer complaints. If evidence of detriment emerges, the FCA should revisit the threshold or introduce additional safeguards.

3.31. **Question 16: Do you agree with our proposed approach to obtaining the consumer's consent?**
- **Is consent the appropriate lawful basis for processing the data?**
- **Do you foresee any practical challenges with our approach? If so, how might they be overcome?**

3.32. Yes – consent appears to be an appropriate lawful basis for requesting information about a consumer's existing pension arrangements from another provider. This reflects current industry practice. We suggest, however, that the FCA explicitly acknowledges existing mechanisms for obtaining such consent, which are well-established and widely used. A very large proportion of firms already rely on a common transfer declaration, used (with variations) across both Origo Options and TISA Exchange (TeX). These declarations provide consumer consent for the receiving firm to request and obtain transfer-related information from all relevant third parties. They are designed to avoid unnecessary "back and forth" in what is already an administratively burdensome process.

3.33. Under the FCA's proposals, however, the receiving firm would be permitted to capture consent solely for information-gathering purposes and cannot simultaneously accept a transfer instruction. As the consultation notes, "the act of instructing a transfer will be a distinct and separate process." This appears to mean that a common transfer declaration would not constitute a valid LoA for the purposes of the proposed rules.

3.34. This reintroduces friction that industry has invested significant time and cost to remove and risks confusing consumers who may expect that their original consent covers the full transfer process. Requiring a second consent for what consumers experience as a single transfer journey may be counterintuitive and risks disengagement at a point where continued engagement is crucial.

3.35. Although the proposals are well-intentioned, they sit awkwardly alongside current industry frameworks. A more consumer-friendly approach may be to retain a single consent mechanism covering both the information-gathering stage, and the subsequent decision to proceed with a transfer.

3.36. The existing process could be adapted to ensure that the consumer receives and considers the required comparison information before confirming the transfer. This approach also reduces the risk of consumers being encouraged to opt out of receiving the comparison information, which could occur if firms must "sell" the benefits of receiving it without standardised wording. Consumer Duty alone may not fully mitigate this.

3.37. We would also highlight that some existing industry practices around consent may not align with the policy intent. For example, some receiving schemes embed broad transfer-related consents within general product terms and conditions, enabling consolidation of all the customer's pensions into the new product without further reference to the customer. Our concern is that consumers may be unaware that these consents are embedded in small print, or that consolidations are taking place. While this is not a challenge caused by the present proposals, it may be relevant context for the FCA as it refines the consent model.

3.38. Finally, the consultation references the statutory transfer process. A significant proportion of transfers now proceed on a non-statutory basis, due to perceived issues with the statutory framework. We assume the intention is for the proposals to apply to both statutory and non-statutory transfers but would welcome confirmation. It would also be helpful to clarify whether and to what extent the proposals apply to occupational pension schemes, to avoid creating the potential for regulatory arbitrage. For example, firms operating SSAS business (occupational pension schemes) would appear to fall outside these requirements. If so, there would be a friction-free route to transfer to a SSAS (without comparison information etc) compared to much more highly regulated transfers to FCA regulated firms / schemes. This is concerning given that SSAS business (in fairness some not all) has been associated with scam and / or higher risk transfers.

3.39. **Question 17: Is our proposed acknowledgement process an unnecessary administrative step? Can issue and receipt of the information request be considered instantaneous? Are technological solutions available to make this possible?**

3.40. SPP members were not convinced that the acknowledgement step adds value. Instead, it is viewed as being likely to simply add cost and complexity.

3.41. If the policy intent is met, i.e. opt out rates are low, and large numbers of requests for data are made and received, we believe that an automated system of messaging and the secure provision of data will be required.

3.42. The data request and "letter of authority" could both be delivered electronically in a similar way to the request for payment of a transfer through the Origo system. Data could also be returned securely in a similar way. This secure transfer of data is an absolute requirement; the industry cannot rely on the provision of data via encrypted email attachments or by post if demand is high.

3.43. A system of secure messaging may mean that for many pension plans, data can be provided through automated systems, well within proposed timescales. However, there are likely to be some more complex products where information is not able to be provided through fully automated systems.

3.44. Automated systems will require funding and build, potentially at a time when the industry is also investing in revised systems and processes required to meet the requirements of the Pension Schemes Bill. It will be important to ensure that systems and processes are built based upon a reasonable idea of expected demand.

3.45. Too little development will result in excessive friction within the system, while gold plated solutions will divert resource and incur costs unnecessarily. For this reason, we believe it is important that the FCA conduct specific consumer testing to provide an accurate view of demand as well as to assess the impact the changes will have on improving consumer decision making.

3.46. This change, to encourage better decision making on transfers, has some similarities with the implementation of the stronger nudge to PensionWise, designed to improve decision making at retirement. That intervention was the subject of quite extensive consumer testing before being implemented and we would encourage the FCA to ensure testing of these proposals prior to implementation too.

3.47. One alternative worthy of consideration might be that instead of the ceding scheme acknowledging the information request from the engaging scheme, the ceding scheme could send an acknowledgement (on receipt of the request from the engaging scheme) to the transferring member to ensure they understand that they have triggered a transfer process.

3.48. **Question 18: Do you consider 10 working days a reasonable timeframe for ceding schemes to respond to information requests? If not, why not?**

3.49. For the majority of situations, 10 working days is a challenging but realistic timeframe to respond to information requests. However, there will certainly be some circumstances in which this is not possible owing to the nature of such requests. It may therefore make sense to have a target of 90% of requests responded to within 10 working days, which would allow for the minority that cannot realistically be dealt with in such a timeframe.

3.50. This inevitably prompts the question as to what should happen to the remaining 10%. They should also have a minimum response time to avoid facing unreasonable delays. How that should be set is a matter for the FCA to further consider but perhaps a longer timeframe such as 30 days would be appropriate here.

3.51. It is also worth considering that a 10-day turnaround may be a particular challenge for smaller providers that do not have the resources to build an automated process or for those schemes where they do not receive many transfers in and so it would not be cost effective to build an automated process.

3.52. **Question 19: How might technology affordably support adoption of this timeframe?**

3.53. There are various potential solutions, some are more practical than others. For example, industry data hubs could provide shared infrastructure to lower cost and complexity for individual firms, but this would not be the most practical solution.

3.54. The automation of data extraction and workflows - using automated tools to pull required pension data from internal systems - would be a more obvious starting point.

3.55. The use of secure digital communication platforms would be a cost effective approach that could see firms using secure portals or encrypted messaging to transmit complex pension details (a faster and cheaper approach than dealing with manual paperwork or email attachments).

3.56. The adoption of interoperable data standards (e.g. machine-readable pension records) so systems can easily ingest and return information, reducing manual review and transcription errors, is another approach that should be considered.

3.57. **Question 20: Do you agree with our proposed approach to presenting information back to consumers?**

3.58. SPP members have some concerns around the blanket exemption for small pots. The proposed small pots regime contains carve-outs for particular types of pot which are not suitable for automatic transfer to the consolidator. We consider that the FCA rules for pot information should apply to those exempt pots so that they can be properly considered by the consumer. A deliberate transfer with other pots to secure greater options/better pricing etc. may well be appropriate for a small pot where the reason for exemption from the automatic transfer system is outweighed by the expected benefits of consolidation within a savings vehicle chosen by the consumer.

3.59. We support the principle that the engaging firm not being permitted to distort the information from ceding schemes. However, preventing any amendment or modification may lead instead to ceding schemes presenting their information in a distorted way. We would suggest ceding schemes also be required to act in a fair, balanced and unbiased way.

3.60. The SPP also have concerns over the shortness of the timeline, allowing engaging firms to go ahead with their comparison communication on expiry of a two week window. We would prefer that this comparison information is more directly tied to the information that any ceding scheme would need to provide for a transfer and without which a transfer cannot be initiated. However, we also acknowledge the risk of conscious foot-dragging if a ceding scheme could slow down a transfer simply by failing to provide this comparison information. Perhaps the best way to protect the consumer is to create a second step where the consumer has to either request the information from the ceding scheme or actively decline to do so.

3.61. **Question 21: Do our proposals capture the appropriate benefits and features for consumers to consider ahead of transfer? Should any be added or excluded? If so, please explain why.**

3.62. We would recommend that it is made explicitly clear that contingent charges include charges for transactions such as UFPLS and Drawdown. We would also recommend that any relevant criteria/barriers should be included e.g. the number of UFPLS in a fixed period which are free, any minimum values required to access drawdown, what charges attach to changes in frequency or amount of drawdown etc.

3.63. Because the systems used for legacy schemes often lack the functionality for direct drawdown/UFPLS payments, ceding schemes should be explicit about the contingency charges and (as applicable) ongoing charges of the receiving product to which they would transfer the client in order to facilitate such a benefit request (as distinct from Open Market options).

3.64. Scheme pension could be added to the 'features list', requiring the basis upon which they are calculated and what ancillary benefits (joint life/indexation) are attached.

3.65. We believe that FSCS protection should not be ignored. A description of how such protection would be changed (or negatively impacted) by transferring should be a duty of the Engaging Firm and therefore should be a relevant data point for Ceding Schemes to provide. We would expect that such information will have been requested by, or given to, IGCs or GAAs and so should not be difficult to provide.

3.66. We believe that, in due course, VFM evaluations may also be useful data points for comparison (acknowledging that an element of subjectivity will always exist in those evaluations). If VFM evaluation rating is not considered to be a relevant data point, it may undermine their underlaying purpose.

3.67. **Question 22: Can this information be extracted and returned to the engaging firms in 10 working days? If not, what are the challenges and how might they be overcome?**

3.68. Please see our response to question 18 above.

3.69. **Question 23: Do you agree with our proposed record keeping requirements? Are there any additional types of information that firms should be required to retain as part of this process?**

3.70. Yes, we agree with the FCA's proposed record keeping requirements although we believe that it should be made clear that the requirement that 'Ceding schemes must retain copies of each completed information request form, *in the format provided to the engaging firm* ' allows Engaging Forms to use electronic records, e.g. scans of paper-based responses.

3.71. From a GDPR perspective, a statement from the FCA on appropriate retention periods would be helpful; the 'indefinitely' requirement that currently applies for advisory firms who conduct DB transfers might be considered excessive and require system and/or storage upgrades for some firms.

3.72. **Question 24: Do you agree with our proposed approach to incentives? Please explain your answer.**

3.73. The SPP would welcome greater clarity from the FCA on its expectations for how regulated entities could offer incentives, whilst adhering to the Consumer Duty. We believe that this would assist both providers and trustees in supporting their members and challenging inappropriate use of incentives by third parties. Clearer regulatory parameters for the use of incentives could ultimately enhance protection for consumers when they take potentially life changing decisions concerning their pension entitlements.

3.74. In particular, we would welcome further guidance, and examples, from the FCA on how it considers the Consumer Duty would limit the detrimental use of incentives. We believe that incentives are more likely to have a detrimental impact on members where they are cash-based, time limited, linked to irreversible outcomes, concern higher value entitlements, result in members incurring higher costs, or where members have inadequate information.

3.75. We would also welcome alignment between the views of the FCA and the Pension Regulator in relation to such guidance, to avoid trustees and providers having to navigate an inconsistent regulatory approach.

3.76. Nevertheless, we recognise that a blanket ban on incentives could have a chilling effect on supporting members in making decisions concerning their pension arrangements, such as offering additional tools, services and support in navigating their pension entitlements and reducing friction in their interactions with providers. We agree that consumers could therefore benefit from some flexibility in this area, where these resources are used to improve member outcomes.

3.77. We also note that the Consumer Duty will apply alongside other protections for consumers/ members. In particular, there is a red flag present where *"the trustees or managers of the transferring scheme decide that […] the member has been offered an incentive to make the transfer"*. This means that members who have received such an offer will not have a statutory transfer right (regulation 8(5) the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021). In this context, an "incentive" is defined so that it:

"(a) includes an offer of one or more free pension reviews, access to some or all of the member's pension savings before they attain normal minimum pension age, a savings advance or cashback from their pension savings; and
(b) does not include an incentive to make the transfer offered by the trustees or managers of the transferring scheme, or by the member's employer where that employer is a sponsoring employer of the transferring scheme, whether that incentive is provided directly by the trustees, managers or sponsoring employer, or by a person they have authorised to provide it;"

3.78. We also note that the industry has been grappling with the interpretation of this restriction since it was introduced. We would therefore welcome consistency and clarity in relation to both the application of this rule, and the FCA's approach to incentives.

3.79. **Question 25: Do you agree with our assumptions and findings as set out in this CBA on the relative costs of the proposals contained in this consultation paper? Please give your reasons.**

3.80. The SPP is not best placed to comment on the cost calculations relating to the proposals.

3.81. **Question 26: Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?**

3.82. The SPP is not best placed to comment on the cost benefit analysis.

4. About The Society of Pension Professionals

4.1. The SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry and its stakeholders.

4.2. The breadth of our members is a unique strength for the SPP. Our membership of 90 corporate organisations employs over 20,000 pension professionals including actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists.

5. Further information

5.1. For more information about this consultation response please contact SPP Director of Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.

5.2. To find out more about the SPP please visit the SPP web site: https://the-spp.co.uk/

5.3. Connect with us on LinkedIn at: https://www.linkedin.com/company/the-society-of-pension-professionals/

5.4. Follow us on X (Twitter) at: https://twitter.com/thespp1

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