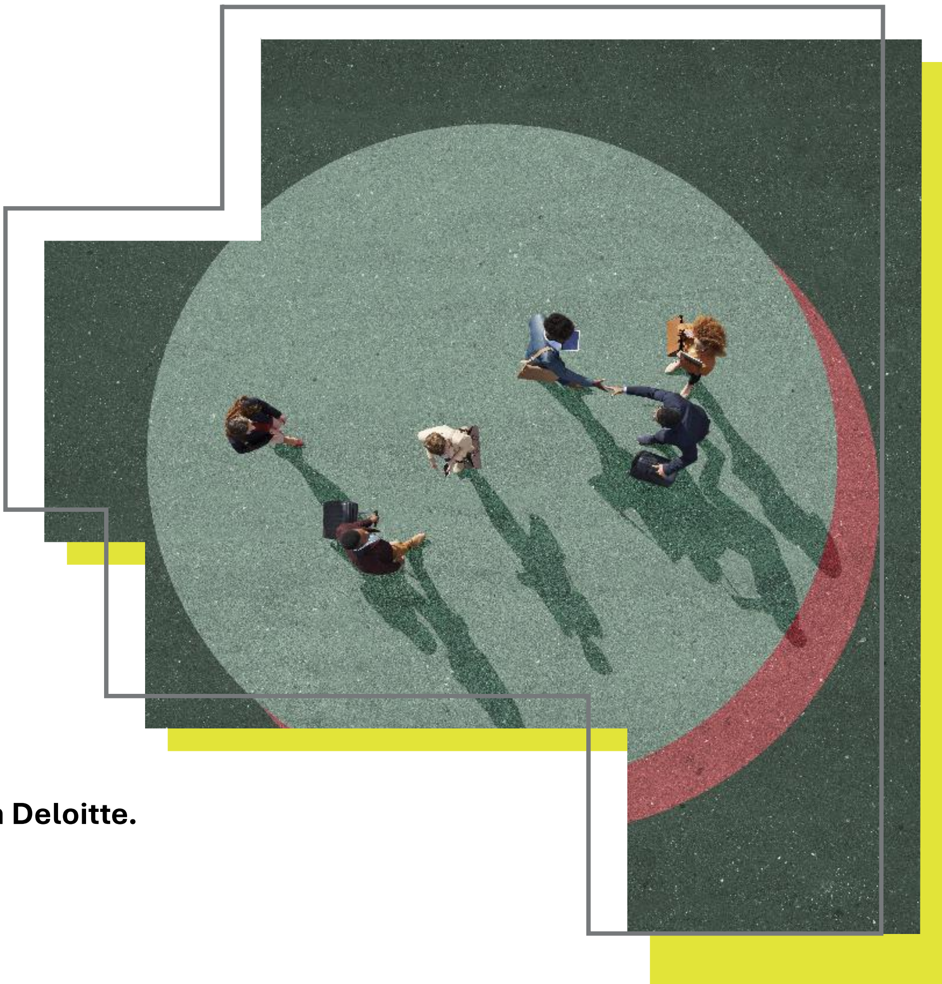
Targeted Support: the data challenge

Data driving diverse strategies

5 December 2025



A co-published report with Deloitte.

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Executive Summary

- **The FCA's Targeted Support (TS) regime offers a significant opportunity for Defined Contribution (DC) pensions, investment and savings providers** to enhance customer outcomes and improve client retention.

- **Operational readiness for TS varies significantly across the sector.** While nine out of 10 firms surveyed plan to offer TS, only seven are aiming for a 2026 rollout. Many highlight the operational complexity of implementing the regime, particularly around data capture, management, and upscaling their TS offering to wider customer groups. We identified differing levels of maturity on TS preparation: some respondents are already testing use cases, whilst others are awaiting the final rules before developing their TS strategies.

- **Data-readiness is a prerequisite for a successful TS approach.** Most respondents report having high-quality data but there is significant variation in the granularity of data held. All firms will need to obtain new datapoints to implement TS. Scaling-up is viewed as the most significant data challenge and high-quality customer data is a critical factor for success.

- **Emerging TS strategies:** based on the survey and interviews, we identified two distinct stylised TS strategies that firms plan to choose as a starting point to mitigate data gaps:

    - The *"Engagement-led"* approach focuses on designing broad, generic TS suggestions to engage large consumer segments. Through customer engagement at scale, firms would then be able to enrich their data and tailor their TS use-cases over time.

    - The *"Needs-led"* approach targets smaller customer segments to address specific needs and offers a relatively detailed journey and TS suggestions to meet those needs.

    - Many firms will blend these approaches to balance engagement, complexity, and compliance challenges whilst optimising their TS suite.

- **Regulatory challenges:** most firms highlight regulatory uncertainty, particularly around Privacy and Electronic Communications Regulations (PECR) and Financial Ombudsman Service (FOS) redress risks, as a key barrier for TS implementation. Clear guidance and clarity on segmentation, data use, and redress mechanisms will be essential to support innovation and ensure compliance, especially early on.

Some key considerations:

- **For firms:** invest in data infrastructure to address gaps, ensure scalability, and enable effective outcome monitoring. Balance customer engagement with data collection to build trust and minimise drop-off rates.

- **For regulators:** fast-track amendments to Information Commissioner's Office (ICO) direct marketing guidance and PECR, and establish case studies and guidance on consumer segmentation involving the FOS within that process.

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Targeted Support: the data challenge

Data driving diverse strategies

1. Introduction

The FCA's Targeted Support (TS) regime is rapidly taking shape with final rules expected by the end of the year. The new regime will offer a great opportunity for providers to engage with their customers and deliver better outcomes. But, as stressed by the FCA's Head of Department Buy-Side, Nike Trost, building the right TS design will require the utmost attention to data, and the right infrastructure to do so.

During October 2025, we, with the support of Deloitte, conducted a short survey of 10 ABI members[1] focusing on TS readiness and data. The survey takes stock of the progress made on TS planning and identifies key regulatory and operational challenges for prospective TS providers.

This report will highlight:

1. Trends identified around providers' data and operational readiness for TS.
2. How different starting points around data may shape firms' TS strategy.
3. Regulatory challenges around the draft rules and outcome monitoring regimes.

[1] One of the participants responded that it does not intend to offer TS. Responses from this participant have only been factored in for Figure 1 and for one data point in this report (see footnote 3). However, it has not been included in the sample for the rest of our analysis.

2. Targeted Support operational and data readiness

2.1 An ambitious operational challenge

The survey confirms that TS is perceived as a clear opportunity – nine out of 10 respondents currently intend to offer it, or explore offering it.

Larger firms are aiming to be ready to offer TS at launch in 2026 to increase the value of their customer support offering. For smaller firms (<£50 billion AuM), the operational effort and remaining regulatory uncertainty associated with TS is well-identified, but they may consider a longer time horizon for implementation (e.g., 2027 rollout, if at all).

Figure 1: Respondents' self-assessment of operational readiness to offer TS – by size

As a % of total respondents

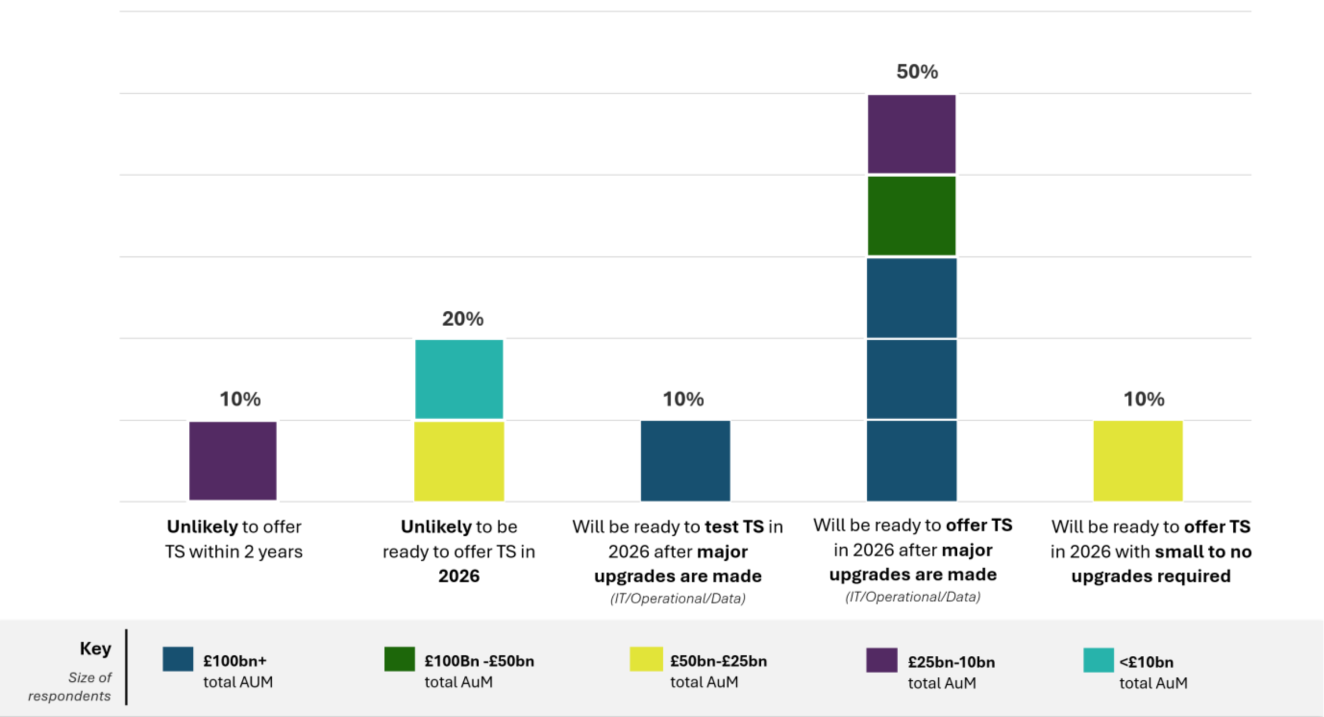
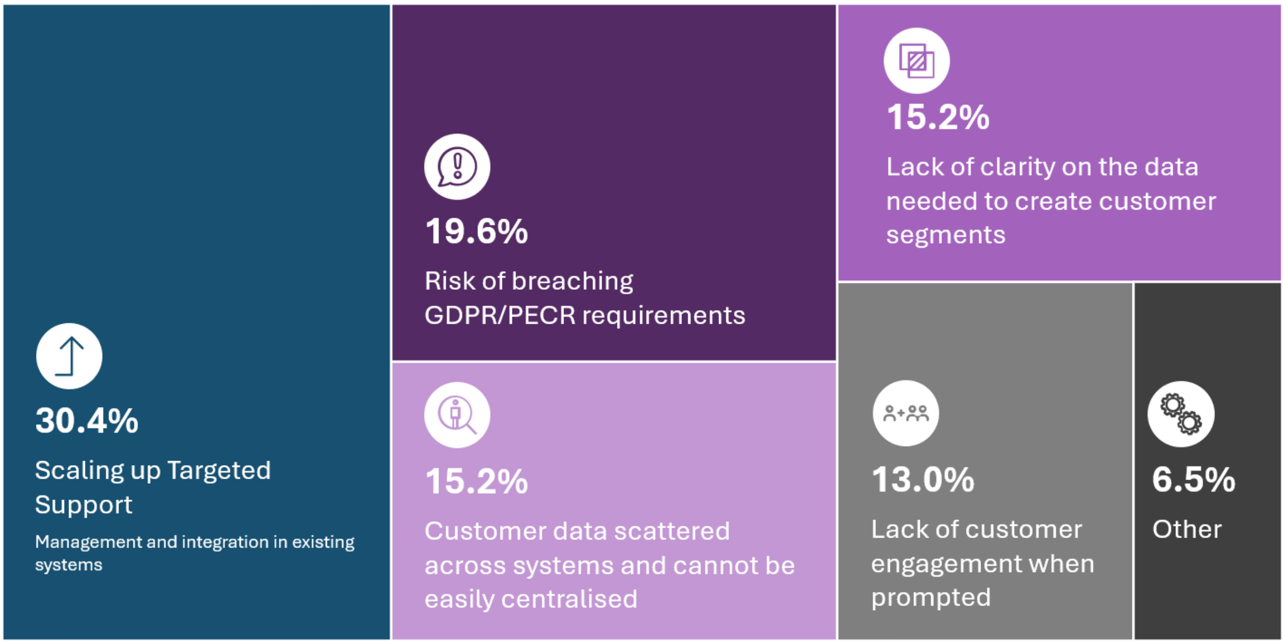


Figure 1 also implies that most respondents planning to offer or test TS in 2026 are of the view that the implementation of the regime will put significant pressure on their resources, operations and systems.

They highlight the need for major upgrades in data capture and management capabilities. As firms keep increasing the volume or granularity of the customer data they collect, having strong management information (MI) and risk processes to ensure high and up-to-date standards of data protection across data pools will be crucial. Half of respondents anticipate that the costs to them of entering the TS market at launch will exceed the FCA's estimates.[2]

Figure 2: What are the biggest data challenges identified in your expected implementation of TS?

Weighted breakdown of responses – as a % of total responses received



Respondents had the opportunity to rank their top five challenges – to reflect this ranking in the chart above, a weighting has been applied to responses received. A 300% factor has been applied to responses ranking first, 200% for responses ranking second, and 100% for subsequent responses.

We already note different levels of maturity among firms' approach to TS planning.

Some respondents have identified several TS use cases for 2026 and are completing testing. Others intend to wait for the final rules before drawing up a concrete TS plan.

This difference is equally visible in their approach to staffing. A third of respondents are establishing an agile, multidisciplinary TS taskforce to drive delivery, while others are mobilising key functions – product, client experience, and IT – separately to set up their TS journey(s).

[2] The FCA estimated annualised costs over 10 years (including ongoing and one-off) for implementing TS at: £1.1 million for large firms; £0.5 million for medium firms; and <£0.5 million for smaller firms in its Consultation Paper CP25/17.

Considerations for firms

- Upscaling is the most complex data challenge identified by respondents around TS (Figure 2). To tackle this challenge successfully, firms will need to factor in other regulatory developments to enable the scalability and connectivity of their whole customer support infrastructure. TS will be one building block in this support continuum which is set to become more complex (e.g., upcoming simplified advice, connecting with pensions dashboards and guided retirement). More details are yet to come about how these developments will fit together and firms will value any initiatives from regulators to ensure that they do.

- To prepare adequately, firms should take a holistic approach to data across the support continuum, avoiding siloes and making the most of the opportunities offered by the different ways to engage with customers. Collecting, managing and using data obtained through different interactions across this continuum will be a significant challenge but one that, if done well, should result in better outcomes and customer engagement.

- A core TS team, focused on strategy and delivery, can steer testing, analyse MI and data, and promptly feed insights back to senior leadership for action. Firms might initially see these teams as being small/temporary, but regulatory uncertainty and future TS upscaling opportunities may extend their relevance for longer than anticipated.

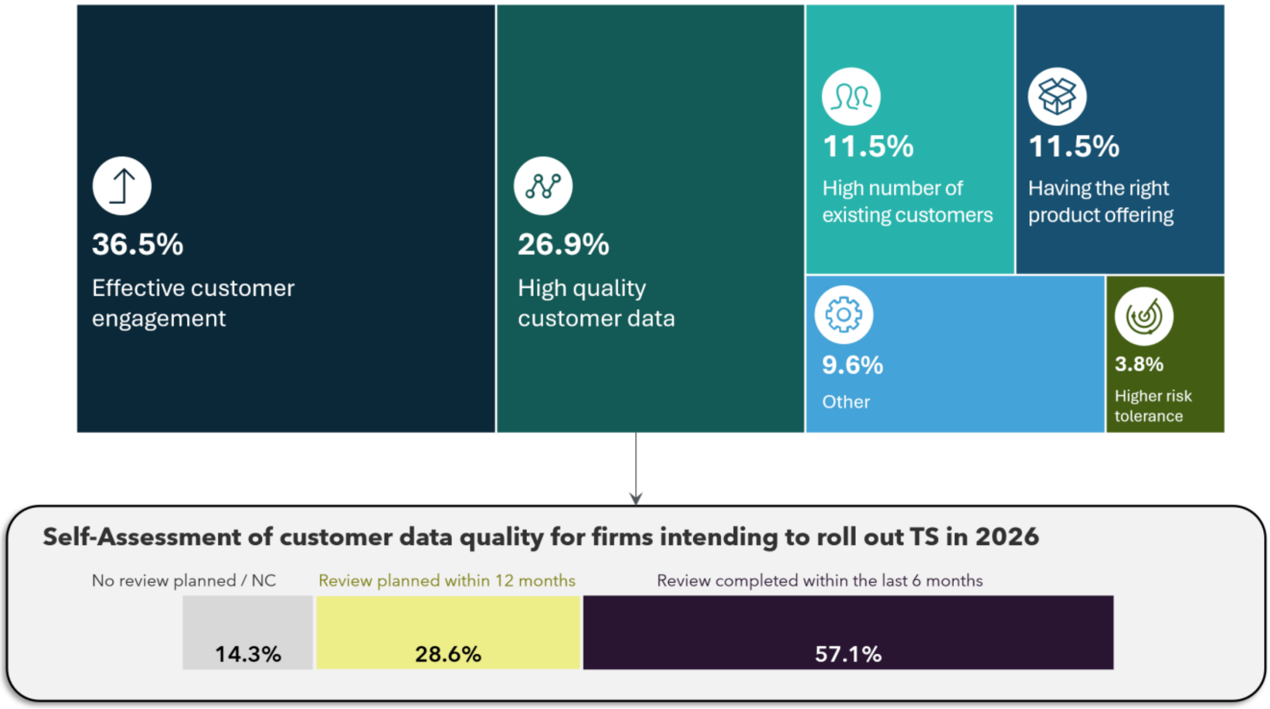
2.2 How wide are TS data gaps for providers?

Our survey's respondents see high customer data quality as a top priority for TS success (Figure 3).

This section will look further into firms' level of data readiness to roll out TS. Firms will need lots of detailed and good quality customer data if they are to create segments and suggestions that deliver good outcomes. But most are likely to need more customer data in the TS journey to reach that stage. For that reason, ensuring "*effective customer engagement*" is ranked as the top driver of TS success for respondents to ensure they can address data gaps.

Figure 3: What are the three most important factors to deliver TS successfully?

Weighted breakdown of responses – as a % of total responses received



Respondents had the opportunity to rank their top five factors – to reflect this ranking in the chart above, a weighting has been applied to responses received. A 300% factor has been applied to responses ranking first, 200% for responses ranking second, and 100% for subsequent responses.

So far, most firms are at the data assessment and planning stage of their TS journey; around 80% of large firms surveyed (>£50 billion AuM) have completed a customer data review to assess their readiness for TS, and around 40% of them have developed a high-level plan to enhance the volume, variety and quality of their customer datapoints.

Firms' high-level self-assessments already show different starting points around TS data maturity. Almost two thirds of respondents (62.5%) consider their existing customer data quality to be good, although some gaps in quality may remain between current and legacy products.

However, we note significant variations around the granularity of customer data held by respondents (Figure 4). Firms with extensive customer datasets will be better positioned to design TS use cases adapted to their existing customers without solely relying on their recent TS testing exercises.

Figure 4: Overview of firms' self-assessment of their TS data readiness

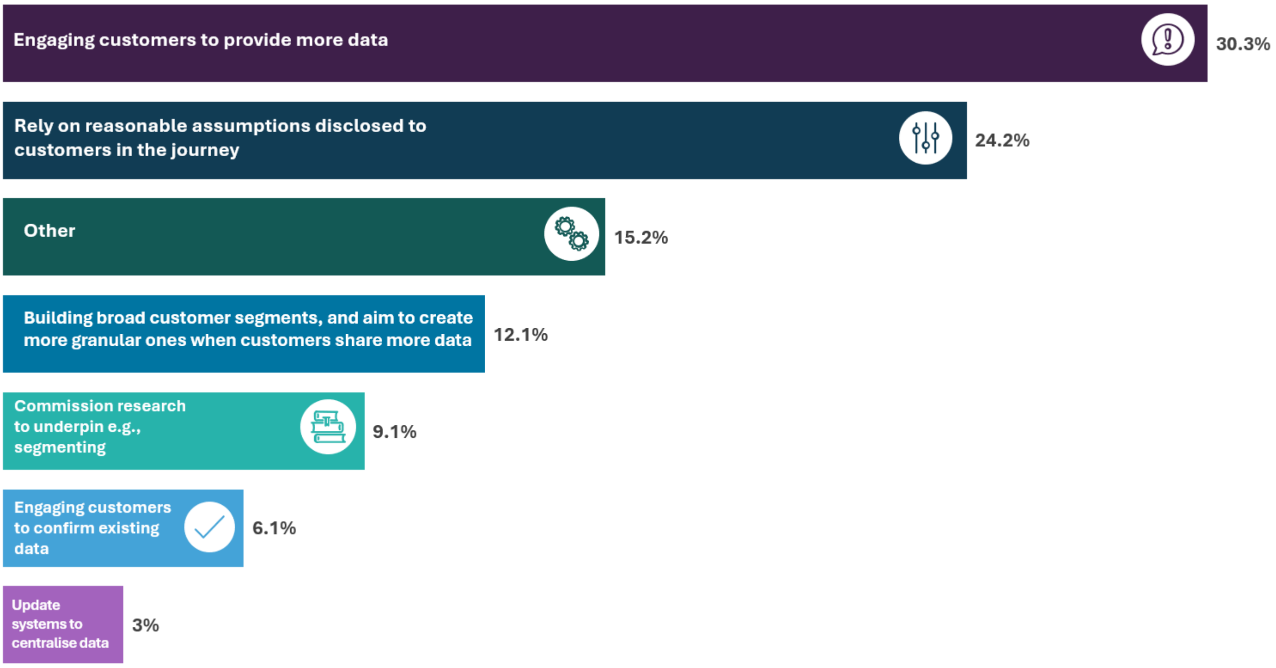
This visual combines two questions from the survey: "Please self-assess to what extent does your current customer data meet the data needs to offer TS - and how much new data will need to be collected to deliver TS (on a scale of 1-5)" and "How would you self-assess the quality of existing data which could be used to deliver TS and determine customer segments (on a scale of 1-5)". Responses to the first question are displayed on the x axis, whilst responses to the second are displayed on the y-axis.

The self-assessment of TS data gaps among firms vary considerably, ranging between 20-80% of the total data needed – meaning that all TS firms will need to obtain new data to narrow this gap.

Some firms have already started filling these gaps in the design phase (Figure 5). One in five respondents have already engaged with customers to provide or confirm some datapoints. Interestingly, some firms intend to commission research to underpin segmentation, matching or creation of TS suggestions and complement their existing datasets. However, none of our respondents considered using third-party data as part of their TS design phase.

Figure 5: What are your strategies to obtain new data to pre-design TS?

As a weighted % of total responses received



Respondents had the opportunity to rank the key components of their strategy – to reflect this ranking in the chart above, a weighting has been applied to responses received. A 300% factor has been applied to responses ranking first, 200% for responses ranking second, and 100% for subsequent responses.

Also, all firms intend to validate or obtain new data in their TS journey, with one even relying fully on new data acquisition in the early days. Finding the right level of friction in the customer journey, and the right blend between assumptions, questions and suggestion granularity will be key to success.

As already highlighted by the FCA, digital journeys will need the right level of "positive frictions" to ensure good customer understanding as well as trust in the support provided. Customers that are well-informed of the benefits of TS will be willing to share data to increase the granularity of suggestions, but are likely to drop off if presented with long and not very engaging journeys.

The two most commonly reported methods to capture and confirm data are:

- Directly asking customers to reduce matching risks and validate characteristics. Respondents' views on how many TS questions they can reasonably ask before customers drop off vary significantly (from 3-6 to 11+). Firms should be wary that 63% of customers abandon digital bank onboarding in the UK because of its length and complexity; similar considerations may apply to TS.

- Around a quarter of respondents are planning to rely on assumptions to pre-design their TS offering and streamline the customer experience. All respondents intend to validate these assumptions with customers, to different degrees: 85% would validate the majority and/or most important ones, whilst 15% intend to validate them all. Fims will need to develop and frequently review processes and controls to manage data and assumption verifications.

Considerations for firms:

- Having a robust data management infrastructure will ensure that firms can leverage the full value of their existing or new data to scale up safely and build more seamless journeys. Therefore, data centralisation is a critical factor of TS success. A third of firms have already embarked, or intend to embark, on such programmes, while another third identifies it as a top-five data challenge to tackle.

- Firms will also need to consider how their TS build will allow them to interact with Dashboards and Open Banking/Finance connections and to ensure TS will fit into the broader landscape of pensions guidance (e.g., PensionWise), Guided Retirement, Investment Pathways and fully regulated advice. Some of these rules may not allow firms to integrate TS with other developments (e.g. Pensions Dashboards), but firms will need to be ready to adapt as the rules iterate.

3. Emerging TS strategies and approaches to tackle data gaps

Getting customer segmentation right will be an operational challenge and is likely to be an iterative process.

Data gaps represent one of several operational and strategic challenges firms must address when shaping their TS strategy. Many firms are seeking to implement TS early, but need to make decisions on:

- volume of data needed to provide a suggestion
- size of segments
- length of journeys
- number of TS use cases

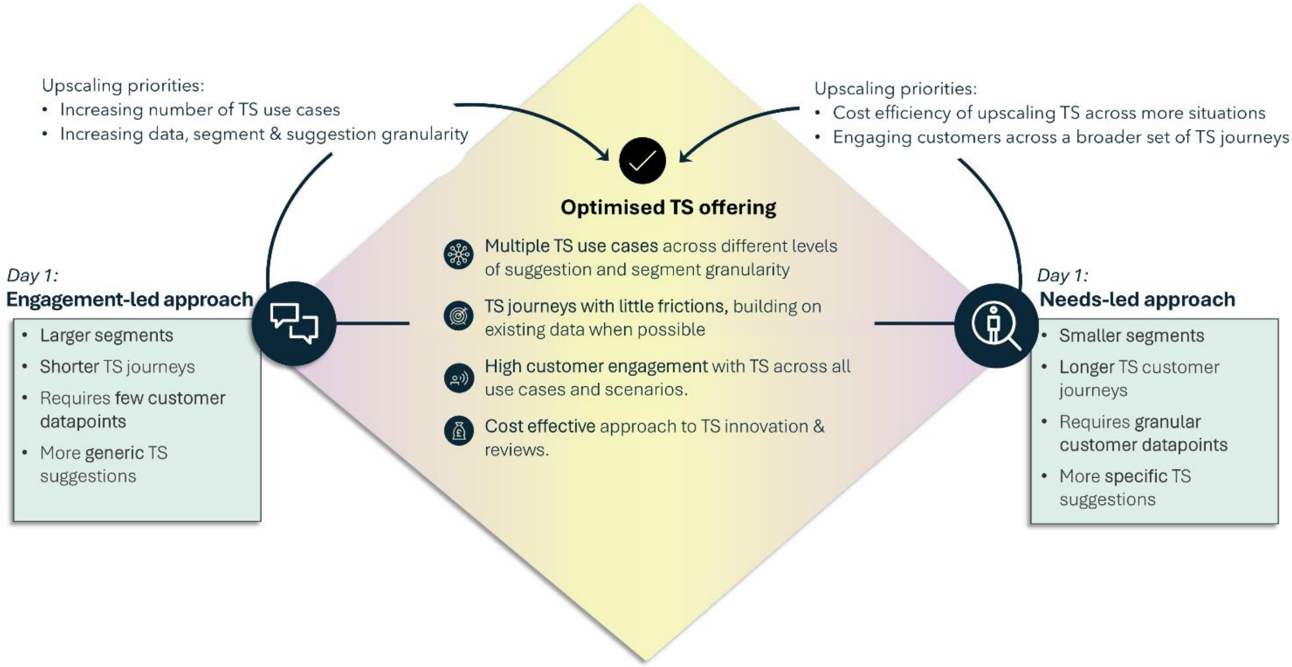
Therefore, firms with similar data gaps may take very different strategic approaches to tackle them in their Day 1 TS offering. Respondents' risk appetite will also determine differences between TS strategies. So, once firms have identified relevant situations, they can follow two stylised TS strategies which we identified from survey results and market interviews.

- "Engagement-led approach" (generic suggestions that fit many customers), initially using TS to nudge broader segments of customers into short digital journeys, to deliver broad/generic TS suggestions. This approach would help to engage and inform customers about TS, whilst obtaining new data to build a more granular TS offering over time.[3]

[3] For example, the 44% of respondents intending to build broader customer segments to acquire data and increase the granularity of their TS offering over time are likely to be closer to the engagement-led approach.

- "Needs-led approach" (specific suggestions to narrower segments), deploying TS to address well-identified needs of smaller segments of engaged customers (those who proactively ask for help). This approach would likely involve longer and more-data intensive journeys with humans in the loop to provide more value-adding suggestions[4]. Over time, firms using this approach may seek to scale up by identifying more use cases across their customer base and product suite to reach more customers with specific TS suggestions.

Figure 6: Overview of firms' self-assessment of their TS data readiness



Over the medium term, firms' TS offerings will expand to incorporate elements from both sides of this spectrum to reach an optimised TS offering.

Many respondents are already blending both approaches in their Day One strategy. However, using this polarised framework provides a helpful lens to identify some critical data needs, assess early-stage risks, and anticipate scaling challenges for different profiles of TS providers.

The table on the following page highlights some of these key considerations.

[4] For example, the 14.3% of respondents indicating that customers would likely drop out of the TS journey after 11 or more questions are likely to be developing such an approach.

ENGAGEMENT-LED APPROACH	NEEDS-LED APPROACH
Considerations for firms	
First impressions will count Offering generic nudges to large groups of customers will help build familiarity with TS. But overly generic prompts could be mistaken for marketing, leading customers to opt out from communications. A deep integration of TS into the customer support journey may mitigate this risk (i.e., if customers can easily access additional support alongside a simple TS nudge).	**Tackling the flipside of granularity** Offering granular TS solutions is likely to bear longer-term fruits but will be very complex to implement. Firms will also need to carry out extensive testing and reviews to find a commercial model that is both viable and compliant – granular but not so granular that it becomes full advice. Ensuring quick wins to maintain TS momentum internally and manage expectations whilst delivering customer value will be key.
Minding the gap between design and outcome monitoring data TS solutions involving larger segments and data-lite input will help to maximise reach. But such operational simplicity in the design and delivery phases may not enable effective outcomes monitoring. To comply with the Consumer Duty and ensure that no subgroups within a segment consistently experience poorer outcomes, firms may in any case need more granular data.	**Building today's tailoring with tomorrow in mind** Focusing TS on specific customer needs will allow firms to tackle areas of greatest customer harm directly. But the TS delivery process (e.g., human in the loop) and infrastructure used for these use cases may be very costly to deliver at scale. Investing early, to digitalise elements of the journeys, and centralise data collected will be crucial to ensure scalability.
Designing nested TS segments like Matryoshka Dolls Broader suggestions may remain the best solution when customers have not (or have refused) to share key information. Building nested TS segments and suggestions that depend on how much information the customer is willing to share in a situation could be an efficient upscaling approach; provided firms can justify better outcomes for all suggestions.	**Going from retaining existing customers to engaging new ones** Firms taking this approach are likely to focus on retaining engaged customers that seek specific support (e.g. decumulation product choice). As firms expand their TS offering, segments may include more customers that are not receptive to long journeys or unwilling to share data. Developing expertise and solutions early to catch customers' attention and streamline journeys will be essential to upscaling success.

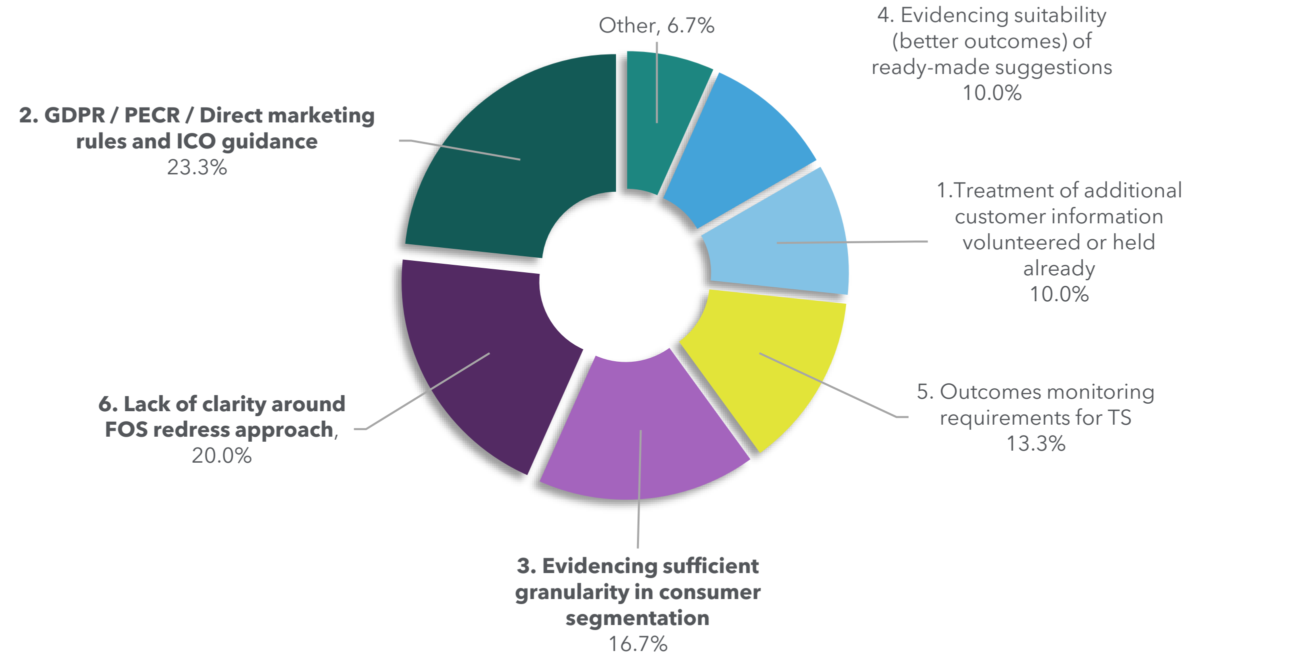
4. How are firms navigating regulatory uncertainty?

4.1 Remaining regulatory blind spots are slowing down TS rollout for some respondents

Regulatory uncertainty is mentioned by a majority of firms as a core challenge to their TS planning, slowing down the finalisation of their TS strategy. The publication of final rules and guidance is eagerly awaited by respondents to resolve these concerns to ensure that TS becomes the mass-market offering envisaged by the FCA.

> *"Scale, understanding, and communications will be the foundations upon which [...] TS proposition will be built. Underpinning all these, however, will be a satisfactory regulatory foundation. This foundation will be determined by final TS rules, FOS support and PECR alignment."*
>
> *Respondent to the survey*

Figure 7: From a regulatory perspective which challenges are the most material to TS rollout in your view?
As a % of total responses received



The overall potential of the TS opportunity will likely depend on the number of customers that can be proactively nudged without breaching PECR and direct marketing guidance. Uncertainty on this may be delaying firms' TS budgeting, planning, and strategy. Enhanced clarity on what firms can do within the current PECR framework would also be beneficial.

There is a concern that ready-made suggestions will be considered direct marketing, as they inherently promote specific actions or products. Firms will need to consider carefully the extent of their proactive nudges, which will likely need to focus on informing customers about the availability of TS, rather than directly promoting specific solutions. Suggestions may need to be introduced later in the customer journey. This clearly reduces the effectiveness and adds complexity to an engagement-led approach.

Considerations

- Firms would welcome further clarity on the ICO's direct marketing guidance on ready-made TS suggestions. In particular, clarification of whether ready-made suggestions in the form of electronic communications could be excluded from being interpreted as direct marketing. This clarification could be complemented by setting up appropriate limits on TS communications for firms, which could act as a consumer protection safeguard.

In addition, a lack of clarity around the required level of TS segment granularity increases the risk for firms seeking to innovate or offer more tailored TS solutions. While clear communication and testing are essential to help customers distinguish TS from advice, overly restrictive regulatory provisions may hinder innovation and reduce the benefits for customers. Firms' cautiousness of breaching the "overly individualised" aspect of the sufficiently granular rule could lead to overly simplistic customer journeys, diminishing the relevance and impact of the overall regime. It would clearly hinder a needs-based approach.

Considerations

- The current draft guidance on "overly individualised" consumer segments is subjective and risks limiting useful data collection. It would be beneficial for the definition to focus on TS being sufficiently distinct from financial advice, which is a more objective test. Clear signposting of TS being provided could be achieved through appropriate disclosures.
- Some additional FCA guidance may be beneficial to explore the "sufficiently granular rule", i.e. to establish the "goldilocks" zone, including principles and examples of where segmentation may be overly broad, and where it may be overly individualised.

Finally, a lack of clarity around the FOS redress approach creates risks for early adopters and innovators, potentially slowing market innovation and deterring smaller firms from entering the market due to uncertainty around redress risks.

As a new regime, the compliance, governance and risk aspects will be the key foundation to enable agile development and innovate"

Respondent to the survey

TS will fall within compulsory FOS jurisdiction, as consumers should be entitled to compensation for upheld complaints. But the uniquely transformative element of TS is that suggestions are designed for cohorts, not individuals. FOS, the FCA, and firms will need to get to grips with this new approach.

If firms conduct appropriate testing, ensure segments are sufficiently granular, and demonstrate a clear case for intervention to improve outcomes for the segment, there should be little-to-no basis for FOS to uphold complaints solely on the grounds that other individual characteristics (e.g. wider wealth) were not considered. Firms will be clearly failing to maintain appropriate standards if they incorrectly match a customer to a segment, or poorly design their situation-segment-suggestion offering.

Considerations

- The development of case studies, in conjunction with trade associations and the industry, to show how rules could be interpreted in the context of specific complaints would likely be beneficial to create a common understanding. The involvement of FOS in this exercise to understand firms' approaches to TS (and vice versa) would be critical.

4.2 Outcomes monitoring regime

Firms will need to design appropriate outcome monitoring metrics for TS that build on their Consumer Duty monitoring framework and integrate the data points set out in earlier FCA consultations (e.g. suggested actions, monetary value, referrals, fair value) as a foundation. This includes courses of action and product types suggested, the monetary value of all investment and contributions made as a result of suggestions, the number of customers referred to guidance services, and an assessment of fair value.

Monitoring too will be crucial for iterating TS offerings over time – for example, identifying that particular types of customers are dropping out early, or finding that some segments seem scarcely populated once people are already going through TS journeys. This reiterates the need for FOS to understand how TS can evolve, and to not retrospectively punish a firm's TS model if it was changed or improved later. Any previous iteration of a firm's TS model will need to have met the high regulatory standards to ensure appropriate consumer protection. Overall, further clarity on that aspect would help firms to prepare and upgrade their Duty monitoring processes for TS.

Considerations

- Primarily leveraging PROD rules and the Duty for outcome monitoring would limit the need for additional requirements whilst acknowledging firms' existing manufacturer/distributor obligations.

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