Targeted Support: Designing for Success

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Together Driving Change

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Our sector is productive, inclusive and essential to the UK economy and together, we are driving change to protect and build a thriving society.

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Targeted Support: Designing for Success

1. Introduction

Earlier this year the FCA consulted on a new regulatory framework for targeted support (TS) in pensions and retail investments in CP25/17. Under TS, firms will be able provide individuals with pre-defined suggestions developed for a group of consumers with common characteristics with the objective of delivering 'better' outcomes.

In October 2025 we, with the support of Baringa, conducted a short survey with eight of our life and pensions members to understand firms' views of:

- Readiness for implementation
- Key risks and challenges with implementation
- Where greater clarity would be beneficial from regulators
- Different approaches to TS (Situation-led v Suggestion-led).

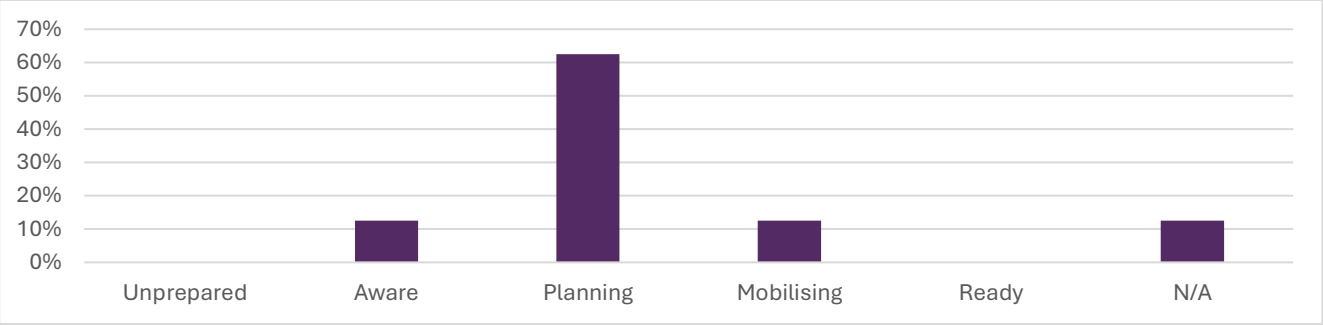
This report summarises the results of the survey.

2. Readiness, risks and concerns

As firms progress from interpretation to implementation of TS, ambitions are high, but readiness varies.

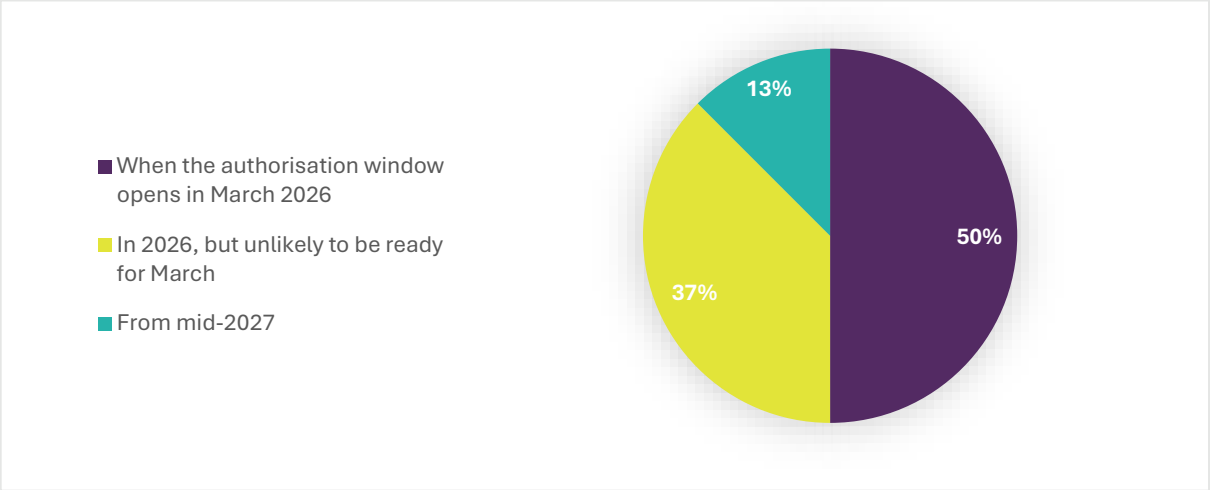
Most respondents are still in the planning or awareness stages [figure 1], yet many are aiming for a 2026 go-live [figure 2].

Figure 1: Readiness to engage in Targeted Support



Definitions: Unprepared: No clear case, ownership, or resources for TS; Aware: Leadership acknowledges opportunities/risks, but strategy and alignment are limited; Planning: TS strategy clearly defined with use cases and an operating model emerging; Mobilising: Roadmap, teams, and communications in place to start delivery; Ready: Organisation fully aligned, resourced, and committed to launch; N/A: My firm has decided not to provide TS at this time

Figure 2: Timeframe of when intending to seek FCA authorisation



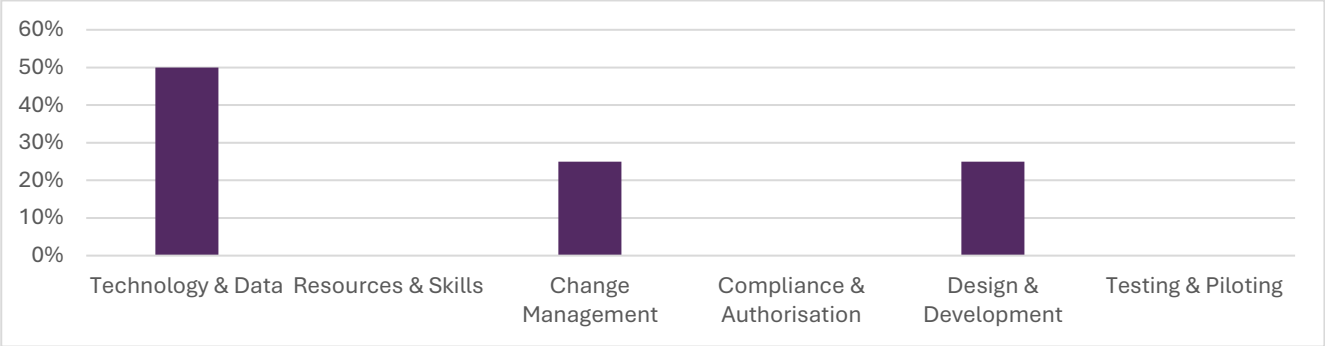
This demonstrates that firms want to deliver better support to their customers quickly, but highlights the incredible pace that early adopters will need to work at to deliver this in the face of some key issues:

Regulatory ambiguity: Lack of clarity around the application of Financial Ombudsman Service (FOS) redress and Privacy and Electronic Communications Regulations (PECR) restrictions is a major concern. Without clear guidance on these issues, firms struggle to fully assess the risks and opportunities associated with TS, making it difficult to build a business case for TS and design an offering that is effective and aligned with risk appetite. With regards to PECR, joint guidance from the Information Commissioner's Office (ICO) and FCA is required to help firms understand what is possible for customers who have not consented to direct marketing, as well as further consideration of the legal basis for using customer data to create consumer segments.

There is additional complexity for workplace pensions providers who must align their TS proposition for contract-based schemes with the Guided Retirement duty to be established via the Pension Schemes Bill. Guided Retirement will impact trust-based schemes too and while it is not yet defined by The Pensions Regulator, there will be significant overlap with TS. Coupled with the complex balance of stakeholders that workplace pension providers service, we are likely to see that life and pensions TS solutions arrive later than other sectors while they navigate this myriad of challenges.

Commercial sustainability: The biggest risk highlighted for most firms is whether the cost of implementing TS can be justified by commercial revenues [figure 5]. This is particularly dependent on direct marketing restrictions that limit direct consumer outreach. Data and technology are widely expected to be the largest cost drivers in delivering TS, with 50% of respondents identifying it as the greatest cost factor [figure 3].

Figure 3: Expected largest cost when implementing Targeted Support



For most respondents, investment in technology and data is critical to delivering TS effectively. We see that digital-led firms have a clear advantage, with established technology infrastructure, deeper insights into customer engagement, and richer data resources to inform their approach to TS. They are therefore able to move quickly by leveraging their existing operating models to deploy TS without significant change cost. However, there is a challenge for all firms in investing in, adapting, or procuring tools and infrastructure while key regulatory requirements and design decisions remain unclear. This uncertainty complicates investment decisions and creates a significant risk that substantial upfront spending may not deliver the expected returns.

For firms that require investment in technology, TS can be approached as a strategic initiative that supports broader organisational objectives. This can help the firm to unlock the true commercial potential of TS, which is linked to improved customer retention, increased assets under management, and improved long-term saving and investing behaviours.

Capacity and change fatigue: Although not included in the survey options, respondents in subsequent discussions highlighted capacity and change fatigue as a significant risk. Implementing TS will require substantial effort across multiple business areas, and this comes on top of the wide range of other regulatory initiatives already underway (e.g. the Consumer Duty, post-Budget 2025 ISA changes, CCI disclosure reform) and those upcoming (the Value for Money framework, guided retirement defaults, and small pots consolidation). For firms aiming to launch their TS offering as early as possible in 2026, these demands will stretch change capabilities. One key complexity is the overlap of existing regulatory requirements (e.g. investment pathways or retirement risk warnings) with TS journeys which will require a deft and considered approach. Speaking with those taking part in the survey it was clear that, with 2026 being a year of significant and complex change, the non-mandatory nature of TS has made engagement with finance and compliance functions more challenging. This is at odds with the enthusiasm seen from proposition teams that recognise the commercial opportunity TS could offer.

Pursuing first-mover advantage while mitigating change fatigue and investing in the right capabilities despite uncertainty around the final proposition's requirements requires careful balance. To effectively manoeuvre around these challenges, firms should define and utilise a minimum viable product approach, paired with a process of continuous improvement that gradually moves toward their ultimate goal for TS service provision. This will need to tie into the requirements for outcome monitoring built into the regime, as well as existing processes under Consumer Duty. Success will also depend on rigorous change management to ensure teams can sustain momentum and deliver within the tight timescales.

3. Design considerations – determining situations, segments and suggestions

When setting an approach for determining situations, segments and suggestions for TS, an intuitive starting point is to identify scenarios where consumers could benefit most and use these situations to define customer segments and suggestions. We are calling this a "**Situation-led**" approach.

An alternative is to take a **"Suggestion-led"** approach. Here, firms that have already developed products or solutions designed to meet the needs of a specific target market can identify customers who would experience "better" outcomes using these products. For example, firms may offer a stocks and shares ISA with a moderate risk investment solution for customers new to investing who have cash savings over £10,000. This group then becomes the defined customer segment for the product.

The survey found there was **a clear preference for a Situation-led approach over Suggestion-led** [figure 4]. Many firms felt that beginning with a solution could be perceived as "product-pushing" by customers and a less robust approach in the eyes of the regulator; these concerns were raised consistently in comments from respondents [figure 5].

Figure 4: Preferred Targeted Support approach

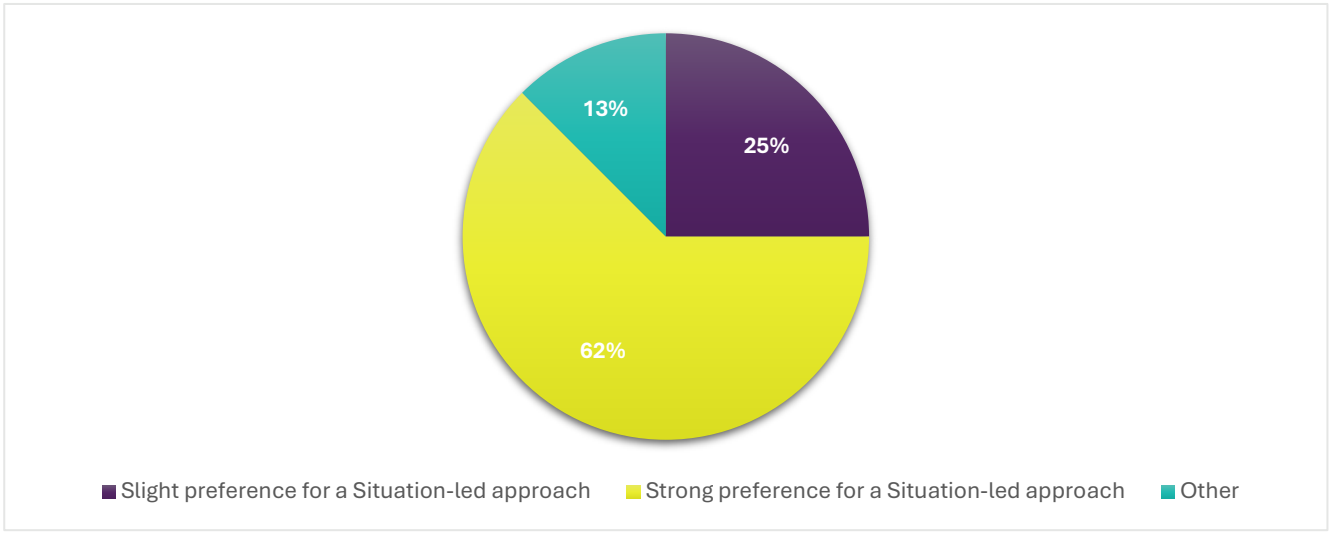
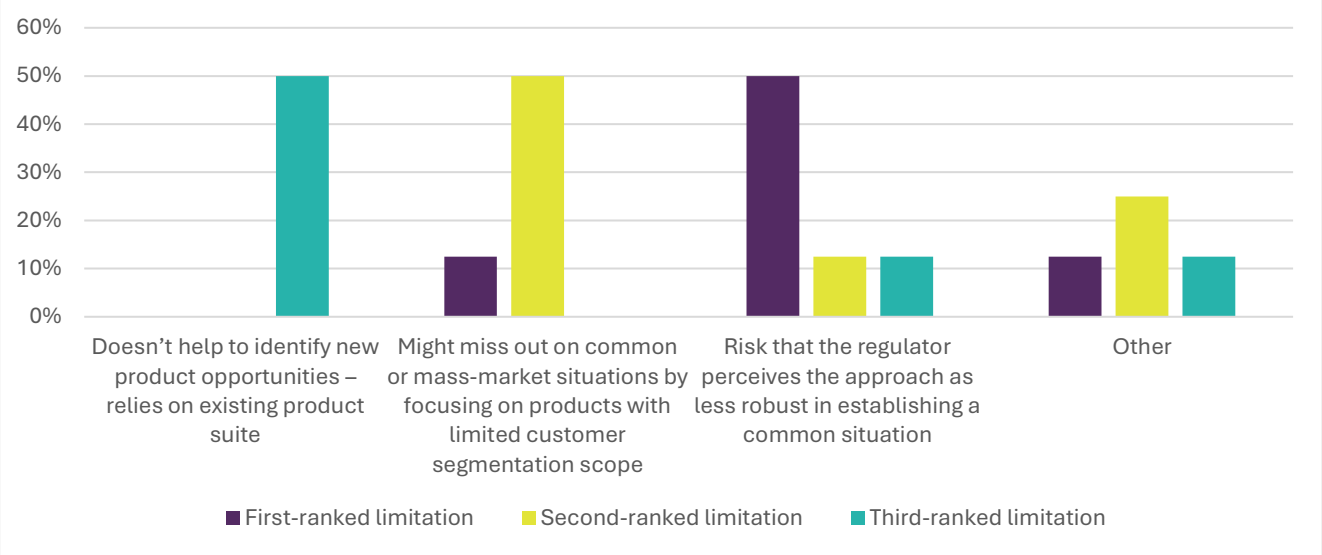


Figure 5: Limitations of a Suggestion-led approach



While this preference aligned with expectations, it was initially assumed that this would be due to a Situation-led approach providing a more intuitive foundation for building a business case and mobilising activity. In practice, most firms told us that their preference was due to the approach being a quicker route to establish 'better outcomes' for particular consumer segments [figure 6].

Discussions with surveyed firms revealed that many were prioritising high-value situations, where positive outcomes were easiest to deliver, or targeting "quick wins" that were less complex to implement. While respondents acknowledged that prioritising the most obvious use cases may exclude other customer groups who could benefit from TS [figure 7], this may be necessary in the first instance to get TS off the ground.

Figure 6: Benefits of a Situation-led approach

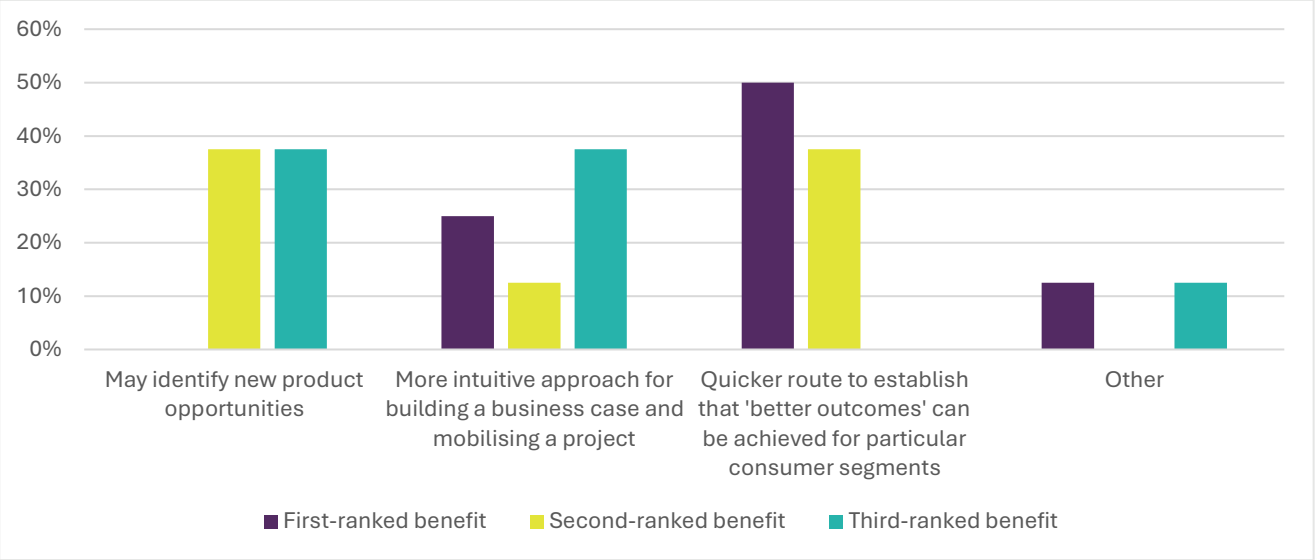
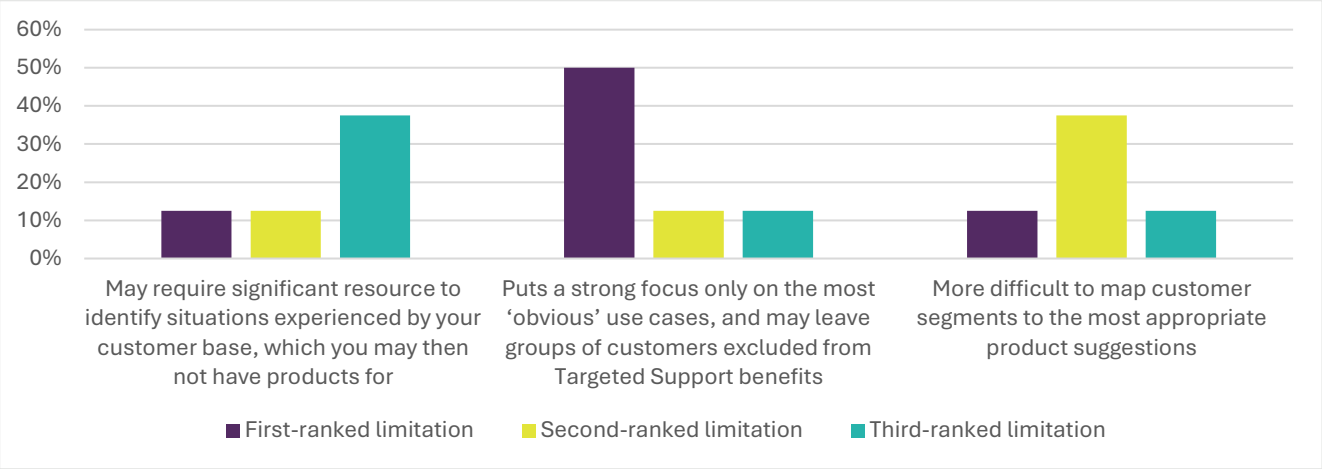


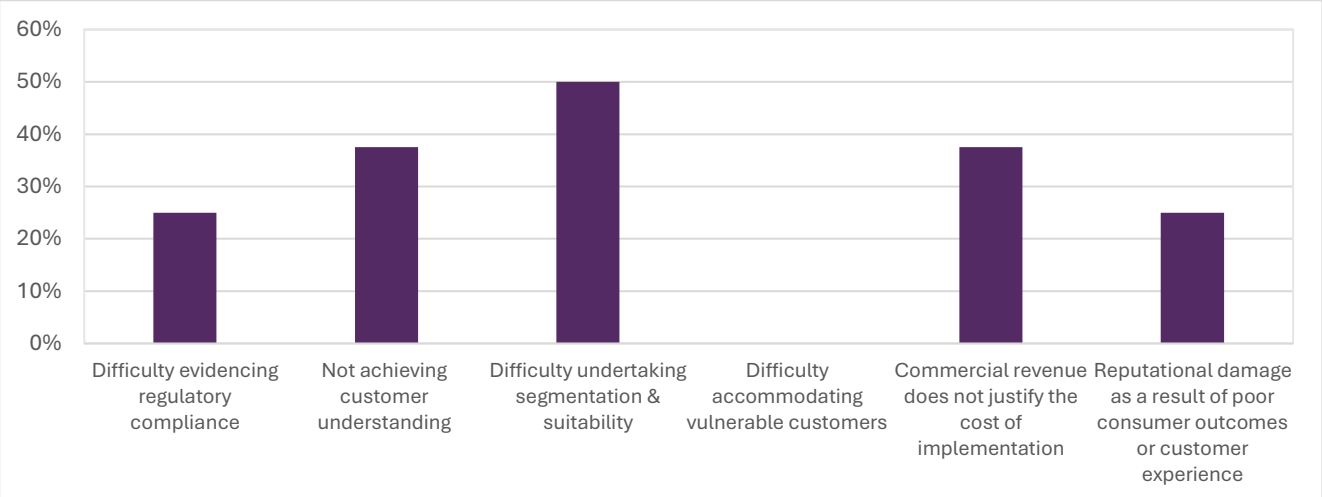
Figure 7: Limitations of the Situation-led approach



4. The challenge of consumer segmentation

Robust consumer segmentation lies at the heart of effective TS, yet it was the area most frequently identified as one of the top three risks respondents face in implementation [figure 8].

Figure 8: Respondents top risks when implementing Targeted Support



There are two clear reasons for this:

- Firms highlight the challenge of creating segments that are "sufficiently granular" to ensure relevant suggestions, while avoiding the need for customers to provide or validate excessive amounts of data – which could lead customers to view these suggestions as personalised advice.

- Many also anticipate difficulties with the quality and availability of consumer data required to support effective segmentation.

These challenges are evident in our survey results, where "Data" and "Customer Engagement and Understanding" ranked as the top areas of concern in implementing TS.

While the FCA's final policy statement will not specify the volume of data expected to support segmentation, it will likely stress the importance of clearly identifying cohort characteristics and demonstrating how data used in segmentation relates to these. To do this, firms will also need a solid grasp of the range of possible suggestions and the conditions required for them to deliver "better outcomes", even when using a Situation-led approach. This will allow firms to identify critical data points that define cohorts and validate the appropriateness of suggestions. We hypothesise that as TS is implemented and scaled, firms will gradually enhance their capabilities by refining data, assumptions, and cohort definitions. However, this process is likely to be iterative, with benefits realised slowly over time.

5. Conclusion

The industry-wide commitment to implementing TS is evident, with firms, regulators, and government unified in their aim to deliver better outcomes for customers. Yet, the scale of change required, and the absence of certain regulatory guidance has left firms striving to achieve the "Goldilocks" position (i.e. to get things "just right") while the path to successful implementation remains uncertain. This shared understanding of the importance of getting TS right means firms are acutely aware of the commercial and societal risks of missteps, which can complicate decision making.

To move forward effectively, firms should:

- Prioritise Situation-led TS design, but also develop a clear understanding of the factors that drive the success of suggestions and continually refine segments to ensure ongoing relevance.

- Develop a minimum viable product, that is built out with iterative improvements to the initial service and supported by continuous assessment of customer behaviour and insights on interactions with this new service.

- Leverage existing data and technology assets whilst investing where required to enable effective scaling of the service.

Regulators can support this progress by actively engaging with industry after the final rules are published and providing additional guidance as needed on key areas of uncertainty to help build a successful TS market. This is particularly relevant for workplace pension providers operating across the ever-evolving trust-based and contract-based regulatory landscapes. By working collaboratively and proactively, the industry can ensure that TS delivers on its promise of better outcomes for all consumers.

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