

CISI response to CP24-27

Response deadline 13th February

Introduction

The CISI is a charity, operating as a global membership body, under a Royal Charter. We welcome the opportunity to respond to this consultation. Our 53,000-strong membership is broad and reflects those in capital markets, operations, risk and compliance, wealth management and financial planning.

This consolidated response reflects the views of a broad membership, on key issues affecting both current and aspiring professionals. We are committed to setting high standards and promoting ethical practices to ensure consumers receive reliable financial guidance. Accessible, high-quality support is essential to engaging consumers, closing the advice gap, and building public trust.

Improving financial literacy and understanding is an important consideration and should feature as part of the AGBR approach – improved levels of financial literacy will improve consumer engagement and over time will help drive better outcomes.

Externally verified CPD for advisers is crucial in building consumer confidence, demonstrating a commitment to maintaining expertise. As a professional body, we mandate CPD for our members to uphold knowledge, skills, and behaviour, and would request that the proposals include acknowledgement of its role in maintaining professional competence.

Q1

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

The objective of targeted support to help more consumers is essential and needed to support the advice gap. Giving consumers clear boundaries on

	<p>whether they are receiving information or specific advice will be fundamental to the success of targeted support.</p> <p>The delivery of targeted support i.e face to face or digital will have its own unique challenges in relation to vulnerable clients. A face to face adviser / client dialogue will require firms to approach vulnerability in a different way to firms who will offer a digital targeted support solution.</p> <p>Targeted support does present an opportunity for additional categorisation for consumers to understand the difference between restricted and independent advice. Firms should ensure they follow this categorisation and not mislead consumers by saying they are independent when they are restricted.</p> <p>It's important that companies offering targeted support have systems in place to identify vulnerabilities and have triggers/flags to offering extra support where it might be required. Also, very important to have varying channels of communication for those clients where online solutions aren't suitable.</p>
Q2	<p>In the context of SIPPs, do you think we should differentiate between different types of consumers in the targeted support framework? If so, how?</p> <p>Yes – there will be a wide range of consumers who may consider using a SIPP and therefore the framework needs to recognise this.</p> <p>It may be likely that consumers with a SIPP require full financial advice rather than targeted support. A framework with supporting guidance with bands in place to signpost those more likely to require advice (eg don't fit in a segment) to seek out independent financial advice would be one approach to ensure that those who need full financial advice are signposted correctly.</p>
Q3	<p>Do you agree that there needs to be a threshold in place to provide targeted support? If so, do you think this should relate to delivering better outcomes or avoiding poor outcomes? Please explain your reasoning or alternative approach.</p> <p>Whilst thresholds are helpful, if you fall just above or below the set level this could lead to a scenario where someone who does require financial advice misses out due to them falling the wrong side of the threshold. One solution could be to utilise bands rather than set levels – this would give firms flexibility and consumers an understanding that targeted support, whilst helpful, has limitations and opening the door to full holistic financial planning.</p>
Q4	<p>How would you make a judgement of when the better outcome threshold was reached? What steps could the FCA take to support this judgement?</p>

	<p>Whilst subjective, the advisers' judgement along with their explanation and rationale should support any judgement made.</p>
Q5	<p>Considering the more diverse consumer journeys in retail investments, how could we set the qualitative threshold for targeted support being provided in retail investments?</p> <p>% of overall wealth so it is clear how the targeted support relates to the rest of the clients wealth. Consumer guidance on how they can measure this is needed and we would be happy to provide support from our members to help the FCA develop this.</p>
Q6	<p>Do you agree with our proposal not to prescribe specific scenarios where targeted support could be delivered?</p> <p>No – the FCA needs to give clear examples on where targeted support is appropriate. Case studies to illustrate this are needed.</p>
Q7	<p>Do you agree with our proposal on ready-made solutions including that firms could suggest a new product? Do you agree that it should generally only capture support that constitutes a personal recommendation in the current framework? Do you have views on whether the targeted support regime should facilitate suggestions not involving a personal recommendation, and if so, how?</p> <p>Yes, do agree that support needs to constitute a personal recommendation, otherwise how would it differ to guidance?</p>
Q8	<p>Do you agree with the three steps of pre-defining scenarios, consumer segments, and ready-made solutions? In particular we welcome views on the need to design these prior to the delivery of targeted support.</p> <p>Yes - Client segmentation that allows firms to select the appropriate targeted support solution. Practitioner input and from those firms likely to offer targeted support will be essential in order to design solutions that lead to good client outcomes. Firms who intend to operate this new targeted support model will need to ensure it offers commercial value and that they can deliver good outcomes to consumers.</p>
Q9	<p>Do you agree with our proposed approach to the verification process including the application of the better outcomes threshold?</p>

<p>Q10</p>	<p>Do you have any comments on the terminology, including 'targeted support' and 'ready-made solutions', we are using in this CP and its potential use in Handbook rules for firms?</p> <p>All terminology needs to be clear and jargon free so that consumers can easily understand the benefits of targeted support. If this is not the case client engagement with firms will be low and targeted support will not have the desired effect.</p>
<p>Q11</p>	<p>Does our proposed framework enable firms to provide targeted support where there is greatest customer need? Are there any examples where you would feel unable to provide targeted support based on the framework proposed? Would guidance around scenarios where targeted support could be delivered be helpful?</p> <p>Yes, guidance around scenarios where targets support would be delivered would be helpful.</p>
<p>Q12</p>	<p>Are there any other scenarios in which you envisage targeted supporting being provided in retail investments?</p>
<p>Q13</p>	<p>Do you agree with our proposals in relation to advised consumers? Are there different considerations where a consumer is receiving ongoing advice or where a consumer has received initial or one-off advice about their pension?</p> <p>Generally, if a consumer is receiving on going advice they shouldn't need targeted support and could be excluded as the advice should take account of their wider circumstances. If a consumer has only received one-off advice then there could be a need for targeted if they fit one of the pre-defined categories.</p>
<p>Q14</p>	<p>What are your views on our proposals for the design principles? In particular, do you have any comments on achieving appropriate oversight and competence?</p> <p>Externally verified CPD for advisers is a key part of building consumer confidence, as it clearly demonstrates that individuals have an ongoing commitment to keeping their expertise current.</p> <p>Continuing professional development will also be an essential way for professionals to keep their knowledge, skills and behaviour up to date. Professional bodies can support the FCA in implementing this, with suggested learning topics from the FCA outlining to firms the expectations, and ensuring</p>

	<p>CPD is relevant to role. This could follow the model currently used for RDR, with relevant activities confirmed within advisers' professional body CPD record.</p> <p>One example would be vulnerability, and training on this important topic. Ensuring a variety of learning and assessment formats would be important to validate learning</p>
Q15	<p>Do you agree with this approach to ready-made solutions, including the restriction placed on the annuity journey and the annual review of the process? Are there any other suggestions you think would not be appropriate due to targeted support being based on limited information? Please explain your reasoning.</p> <p>Yes, annuity purchase should involve personalisation.</p>
Q16	<p>Do you agree with our proposal for setting the general parameters around the definition of consumer segments? If so, what should this involve and how could it be framed effectively in light of the existing 'sufficiently granular' concept? Please explain your reasoning.</p>
Q17	<p>Do you agree with our preference to take an outcomes-based approach to verification, and how do you think this could work in practice? Would it be helpful if this approach was supported by rules or guidance on the data to use or not use? Please explain your views.</p> <p>It would be helpful if rules or guidance on data required was set out by the FCA, alongside case studies and prescribed scenarios.</p>
Q18	<p>If you do not agree, please provide your views on alternative approaches including whether to prescribe in rules data firms would need to use.</p>
Q19	<p>What level of data do you think would be perceived by a consumer as suggesting the provision of holistic advice? Please describe these data points and the linked scenarios.</p>
Q20	<p>Are there any specific considerations for restricting the use of data for targeted support in retail investments?</p>

Q21	<p>How might firms seek to use pensions dashboard data for targeted support? In particular, we would welcome views on how firms may seek to use dashboard data as part of a consolidation journey in targeted support.</p> <p>Visibility of client pensions would be helpful from the perspective of not advising a client in isolation. i.e understanding client pension exposure which may impact the targeted support given or whether a holistic advice relationship is needed.</p> <p>Pension dashboard would also help consumers understand their pension values and location of personal pensions.</p>
Q22	<p>Do you agree with our proposals with respect to stopping a targeted support journey above? What do you think is the best way to deliver requirements that achieve this? Please also share your views considering how consumers who share relevant protected characteristics would be impacted.</p>
Q23	<p>What is your view on the potential for variability in the provision of targeted support and do you consider that an industry standard or guidance may be helpful in providing a level of consistency?</p>
Q24	<p>Would any of these conduct standards not be appropriate to providing targeted support in retail investments?</p>
Q25	<p>Should we consider any other conduct standards which are specific to targeted support in retail investments?</p>
Q26	<p>Do you agree that these 3 touchpoints are the main times at which firms should disclose information to consumers? If not, why?</p>

Q27	Do you agree with the key aspects of the minimum prescribed level of information required at each touchpoint? Is there any information that all firms should disclose in addition to the key pieces of information in 6.24 and 6.25, or any other stage? Should all of this information be prominently shown and not layered?
Q28	Do you consider the conflicts of interests (SYSC 3 and 10) requirements sufficient to manage the risks from firms providing ready-made solutions which involve a specific product from their own product range?
Q29	Do you agree that the sourcebooks described above do not require any substantive changes to ensure the effective delivery of targeted support with appropriate consumer protection?
Q30	Do you agree with our proposals on the existing COBS 19 requirements? Are there any other aspects of our existing pensions regime we should be considering?
Q31	How do you consider targeted support and the annuity prompt rules could operate together to create a positive consumer experience?
Q32	Do you agree with our proposed approach to fees and charges, including on the issue of cross-subsidisation? If not, please explain why and if you have alternative suggestions?
Q33	For firms, based on our proposals, how do you intend to charge for your targeted support services, either directly or indirectly, and how do you anticipate your approach would affect existing fees and charges? Please provide as much detail as you can, including details about specific fees across your business?

Q34	<p>Do you consider that, in principle, all authorised pension providers should be able to provide targeted support? Are there any types of firms whose business model makes them less likely, or less appropriate, to provide it? We are particularly interested to hear from SIPP operators on their interest in providing targeted support.</p>
Q35	<p>Do you think that advisers could provide targeted support based on the conduct framework we have proposed? If so, how do you consider appropriate consumer understanding of the service could be achieved?</p> <p>The FCA will need to ensure adequate and effective marketing to consumers and messaging that is clear and easy to interpret. Communication channels should be varied to target different audiences and consider consumer vulnerability</p>
Q36	<p>Are there any types of advice firm business model you consider to be well placed to deliver targeted support? For example, a pension provider which has an 'advice arm' to their business. Please explain your answer, providing examples if possible.</p> <p>Delivery format (face to face or digital) vs cost and risk will determine which firms pursue targeted support. Whilst larger firms may be the obvious firms to offer targeted support, the evolution of tech and digital advice could give smaller firms the confidence and ability to adapt their business model.</p>
Q37	<p>Do you see any reason why advisers should be able to provide targeted support in relation to broader retail investments and not pensions?</p>
Q38	<p>Do you think there is a valid case for requiring all pension providers to provide targeted support? Please explain your reasons.</p> <p>No, as each firm will need to decide this.</p>
Q39	<p>Do you think consumers should be able to complain to the Financial Ombudsman and bring claims to the FSCS in relation to targeted support? If not, why?</p>

	<p>Yes – consumer confidence is vital so that the sector is trusted, however firms need to know that they have protection. Complaint timeframes could be one solution to avoid ongoing `risk' from targeted support that has been given. The risk vs reward balance will be an important consideration to firms who offer targeted support.</p>
Q40	<p>Do you think our proposed conduct framework gives enough regulatory certainty for firms to implement targeted support commercially, taking into account potential redress liabilities? Please explain your reasoning and where more detailed rules would be helpful.</p>
Q41	<p>In which aspect of the framework (eg verification process, aligning ready-made solutions to consumer segments) do you see the greatest liability risks arising? What controls would you put in place to manage these risks?</p>
Q42	<p>Do you think targeted support, as proposed in this CP, could be delivered effectively to a wide market of consumers based on the existing direct marketing regulatory framework? If not, why not and what would be helpful to enable this effective delivery?</p> <p>Yes, and is needed to help those not in a position to receive full regulated financial planning and advice.</p>
Q43	<p>Do you agree with our assessment of the harm in the market and drivers of it?</p>
Q44	<p>What other regulatory and economic changes in the pensions and financial advice space will impact the effectiveness of targeted support?</p> <p>Pensions reforms and auto-enrollment have been positive but have also created a need where more people require access to financial advice. Any changes to regulation needs to consider both immediate and future consequences.</p>
Q45	<p>Do you agree with our assessment of how targeted support could mitigate market failures and reduce harm?</p>

Q46	Given the proposed targeted support framework set out in this CP, what types of costs do you as a firm anticipate facing up front and on an ongoing basis? Please provide any evidence, indicative estimates or financial modelling that you have carried out as part of your response.
Q47	Based on the targeted support framework set out in this CP, do you think providers of targeted support services (both vertically-integrated and non vertically-integrated) would seek to differentiate their targeted support service to encourage adoption by mass-market consumers? For example, by differentiating the levels of investment in technology and data acquisition, the fees or charges levied (under all types of commercial models) or the scope / nature of targeted support propositions? Please explain your views, including any evidence you have used to inform these.
Q48	Do you agree with our assessment that targeted support may create risks related to mis-selling, biased selling or self-preferencing of products? If no, please explain why not. If yes, please outline scenarios or instances where risks may arise, and potential guardrails required to mitigate these consumer and competition harms.
Q49	Please outline any other ways in which you think introducing targeted support may affect competition in the wider market for consumer support, including any areas we should consider further in our assessment of competition impacts.
Q50	Please explain how you think providers of targeted support services could design their provision in a way that complements their current or future business strategies. Where possible, please outline how you think providers may view targeted support services as a potential commercial opportunity, and why.

