

FCA CONSULTATION - PROPOSED REGULATORY FRAMEWORK FOR PENSIONS DASHBOARD SERVICE FIRMS

PLSA RESPONSE

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EXECUTIVE SUMMARY

1. The PLSA has long been a supporter of the pensions dashboard initiative, and so we are glad the programme is now at the stage where we are discussing the finer points of Pensions Dashboard Services (PDS), including how they behave and how they will appear to the consumer. On this latter, we have put forward the views of the PLSA membership in our submission to the concurrent consultation on design standards from the Pensions Dashboards Programme (PDP).
2. The purpose of the FCA's regime to regulate PDS firms is primarily to ensure that users' savings are not put at any risk through the use of dashboards, and as such, the harms outlined in paragraph 2.16 are the right ones. Security of data, reliability of PDS firms, and messaging to ensure consumers understand the service they are using, are all paramount to ensure they act on the information in the right way, and do not take irreversible decisions that could lead to long term poorer outcomes. It is therefore clear that only authorised firms should be able to provide a PDS; the starting point needs to be quality, with a focus on saver protection, and on the whole, we welcome that the bar to authorisation has been set high. Naturally, however, there is a balance to be struck between prescribing a safe and secure market, and allowing firms the flexibility to innovate with their dashboard propositions and engage with their users in a more tailored manner; we will address this balance below.
3. We are in favour of the restrictive controls placed around data export. We flagged in our submission on dashboard standards in 2022¹ that our members were concerned about the security of exported data, and we are confident that restricting this to firms within the same group as the PDS firm will go a long way to providing confidence over such concerns.
4. We have not answered every question in this consultation and have instead focussed on the key themes which our members have highlighted. With this in mind, we cover chapters 3, 4, 6, 7 & 8 together, as these all pertain to the authorisation and supervisory approach. We then discuss the FCA's proposed regime surrounding the export of data and the use of this data by 'post-view services'.

¹ <https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2022/Dashboards-Standards-Consultation-PLSA-response.pdf>

Chapters 3, 4, 6, 7 & 8: Supervision, prudential requirements, Senior Managers Regime & authorisation

1. Together, these elements make up the regulatory landscape that firms providing a PDS will need to fit into. As above, we fully support the fact that PDS firms will require FCA authorisation, and the proposed application of the various sourcebooks and controls used within the FCA's wider remit are therefore, broadly, appropriate. The regime sets a **high standard for the authorisation** of PDS firms which we welcome; it is vital that only reputable and trustworthy PDS firms come to market and have access to savers' pension data. The availability of this data will naturally present a greater opportunity for fraud and scams, so consumers need to be sure they are accessing it in a safe environment, so as FCA has emphasised to us in direct discussions, an appropriate level of consumer protection must be provided. As nascent dashboards come to market, this will also help ensure confidence in the service grows from positive experiences.
2. As a new regulated activity, it makes sense that certain **specific PDS criteria** are included, such as the reporting requirements, some of which form part of the Supervision Manual, but some of which are, themselves, new. For instance, with data the core commodity of a PDS, any compromise must be reported; likewise, any scam activity detected and any changes to post-view services, as these will directly impact users. Reporting information, including complaints, to the Money & Pensions Service is also a necessary step. This data will feed into the overall view of the dashboards ecosystem, and so indirectly provide the Pensions Regulator (tPR) with vital information for its monitoring of schemes' matching and compliance with the Pensions Dashboard Regulations.
3. In terms of the **prudential requirements** on PDS firms, we recognise there has been consideration of the overall financial burden of authorisation, and it makes sense that given dashboards will not be involved in financial transactions – or hold any consumer funds – that there should be no requirement to hold capital or liquidity. This, of course, would need to be revisited should dashboards ever become more of a gateway to advisory services or transactions in future, something which would require government intervention. We understand that the £40,000 of core capital resources required up front are therefore to cover contingencies or fund a wind-up, though this does need to be borne in mind in addition to the £5,000 for authorisation, regular £10,000 for supervision, and other fees such as the Financial Ombudsman's Compulsory Jurisdiction General Levy. Together these will create a significant cost for PDS firms starting out. We therefore support the decision not to require Professional Indemnity Insurance, which, as noted in paragraph 4.16 could be problematic (and costly) for new firms undertaking a new regulated activity.
4. The **financial costs of authorisation and supervision** – as well as the considerable process requirements – have led to concerns among some of our members that running a PDS will be the preserve of banks and insurers who are already authorised and have the necessary resources to deal with this burden. Indeed, there is a fear that this will limit the market, and consequently create a monopoly where only sizeable incumbent firms are able to provide a PDS and that they then benefit from any resultant consolidation or profits. Expected (or intended) profits from post-view services are required to be disclosed in the Variation of Permission application form, and this may, in due course, give some indication of the size of this monopoly. We support the intention (paragraph 3.23) that PDS-only firms will hold a limited scope status within the Senior Managers and Certification Regime, though it remains to be seen whether this will prove sufficient for a market to develop.

5. Further to this point, the level at which the bar has been placed at may impede dashboard **innovation and development** of user experience. As per both this and the PDP's Design Standards consultation, PDS firms are expected to optimise communication approaches through testing with users, but some of our members have flagged that the more onerous the authorisation regime, the more limited such testing and innovation will inevitably be. Careful monitoring will be necessary as PDS firms come to market, to ensure the right balance between security and innovation to allow reputable firms to invest in aspects which will improve user experience.
6. Overall, as stated at the outset, saver protection remains paramount, so we agree that high standards must be upheld. However, we would urge pragmatism in both the regime, and too its enforcement, wherever possible in order that firms do not feel too limited to enter the market altogether.
7. Separately, chapter 7 addresses dispute resolution, an area that we feel across the wider dashboards ecosystem would benefit from more clarity. It is clear that complaints over the behaviour, e.g., as outlined at paragraph 7.7, will go to the Financial Ombudsman. However, it would seem logical that complaints about data provided, i.e., a fault from a scheme, instead go to the Pensions Ombudsman, while as per this PDP consumer protection publication², complaints about the MaPS dashboard would go to the Parliamentary & Health Services Ombudsman. This dispersed approach, with different routes to recourse is not as clear and holistic as we would hope, raising the possibility of 'buck passing', while it remains unclear where complaints about the CDA or ID verification service would go.

² [Consumer protection | Pensions Dashboards Programme](#)

Chapter 5 – conduct controls (data export & post-view services)

8. Chapter five of the consultation is the most relevant to the experience users will have when using a PDS. The warnings and cautions surrounding the information presented to users are vital so that people correctly interpret the information they are presented with, while it is of paramount importance that the rules around data export and post-view services both protect users from fraudulent or exploitative activity, while allowing PDS firms to provide services which guide and assist users' retirement decision-making.

Disclosures, signposts and warnings

9. As per our 2022 Standards submission – and our 2023 Design Standards submission – one of the most important warnings to be shown on dashboards is the caveat that 'figures are indicative', and so we welcome the fact FCA has decided to require this prominently (paragraph 5.26). We also support firms having a degree of flexibility on the presentation of warnings (5.12). We would suggest that the mandatory testing PDS firms carry out covers their approach to warnings so that they can be assured that users digest and understand them effectively.
10. Such testing will be of particular importance given the risk – as the consultation acknowledges (paragraph 5.21) that users may be overwhelmed by warnings. It is important, especially early on, that users are not discouraged from using dashboards as we seek to build confidence in both their functionality and utility, so PDS firms need to be able to accompany warnings with positive messaging about the benefits of the dashboard. The ability to collapse warnings is also important (5.28), this perhaps becoming a user option following confirmation of understanding, to minimise the risk of complaints.
11. Finally, there are certain warnings which we feel should be more prominent. One which we would like dashboards to display, but is not covered by either FCA or PDP consultation, is that pensions in payment will not be shown. Pensions will inevitably form a large user base for dashboards, so it is important they understand this, likely unexpected, limitation. Similarly, the *warning that discourages consumers from making financial decisions based only on view data* (5.30) needs to be strengthened; we would suggest it reads **must not**.
12. Regarding all warnings, it is not clear from the regulations whether these will need to be repeated at the point of data export; this is a necessary step and should be clarified as such.

Data export

13. PLSA members have consistently raised concerns about data export, and the danger that the availability of valuable pensions information could lead to individuals being exploited. Therefore, limiting export to the user, the PDS firm, or a firm in the same group does provide reassurance that it will not end up in the hands of bad actors, although we would like assurance that this security will not be watered down in the future, and that any changes considered involve full industry consultation.
14. However, the handling of data export may become more complicated when a PDS firm is engaged with a third party, and paragraph 5.40 addresses some of these issues. As a first step, we strongly support limitations such as PDS firms not being permitted to market or promote products to users, or to charge for the dashboard service. These are fundamental controls to ensure users are not influenced in any particular direction when simply seeking to find out factual information.

15. The uncertainty around data occurs when the contracted third party is itself the authorised entity, i.e. the PDS firm, so for instance if a non-authorised Master Trust contracts an authorised fintech PDS firm to provide its dashboard. In this scenario, the Master Trust would have no access to user data from the dashboard, and as such would not be permitted to transfer it, or to use it to prepopulate its own modellers or retirement planning tools. It is unclear from the regulation whether this is the policy intent, and whether there is any proposed way around this, because currently drafted the rules would prevent a tPR regulated scheme providing such services to its members. Various workarounds and possible solutions have been proposed, such as the scheme contracting the third party to build its modeller into the PDS it provides, as well as asking users to manually export data and populate modellers themselves, but we are concerned about weak engagement resulting from poor user experience in these scenarios. We have already raised the point directly with FCA colleagues, and but would welcome further engagement on this point.
16. Furthermore, we believe the draft rules outlined in the example above might lead to a perverse scenario if the fintech PDS firm happened to be owned by, say, an insurer or other competitor of the Master Trust. Theoretically, in this scenario, while the Master Trust could not view the data from its own dashboard, that data could meanwhile be exported to the competitor firm, given it is from the same group as the fintech. FCA has assured us this would not be possible, though reassurance would be welcomed from clarification of this in the rules.

Post-view services

17. We agree with the majority of the rules proposed around post-view services and believe they will allow for such services to develop safely and not put consumer outcomes at risk. There is however one area where we would like some further clarity – this regards where a user’s journey through a post-view service begins and ends, and this is a crucial question when a firm or scheme is designing and building the service.
18. If, for instance, a PDS firm uses dashboard data to prepopulate a modeller or retirement planning tool, it is not clear what onward links are permitted from that service, aside from the fact that the modeller cannot directly pass the data onward to product webpages. Realistically, provider websites have product information and links throughout, so if no such links were permitted anywhere on a post-view service, it would effectively need to be completely isolated from the rest of a transactional website. One helpful addition to the FCA guidance would therefore be some case studies/examples which demonstrate where the threshold at the end of a post-view journey lies. Alternatively, if the post-view journey is only deemed to have finished when the user exits the website entirely, this could be more clearly spelled out.
19. Similarly, further detail on the beginning of the dashboard journey itself is required. At present it would appear that a firm could link customers from a product/transactional/marketing part of their website directly to their dashboard, essentially building the dashboard into a transaction which has been encouraged prior to the user entering a dashboard. This would appear at odds with the other controls around the dashboard ecosystem, and be a source of great concern in terms dashboards’ role as an impartial source of information and the potential for them to be used as a commercial tool which may influence savers. The Consent & Identification step may provide a natural hand-off and transition step here, but PDS firms would be glad of more guidance from the regulator on this point.

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