

8 May 2024

FCA Consultation Paper CP24/4 – The regulatory framework for pensions dashboard service firms: further consultation

About the Pensions and Lifetime Savings Association

The Pensions and Lifetime Savings Association (PLSA) is the voice of workplace pensions and savings. We represent pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest more than £1.3 trillion in the UK and abroad. Our members also include asset managers, consultants, law firms, fintechs, and others who play an influential role in people's financial futures. We aim to help everyone achieve a better income in retirement.

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The PLSA appreciates the opportunity to respond to the FCA's most recent consultation on the regulatory framework for pensions dashboard service (PDS) firms. We responded to the FCA's first consultation on the proposed regulatory framework for PDS firms in February 2023.¹

In this response, we build on many of our previous points, including the need to keep positive consumer outcomes at the forefront of rules related to running a pensions dashboard.

Though we appreciate that the changes proposed in this consultation – both related to the choices offered to consumers (Chapter 4) and to data exports (Chapter 5) – aim to give consumers control of their next steps and to reduce their bias towards certain actions, until we know precisely how consumers interact with the information presented to them via dashboards, it is too early to make assumptions or prescribe specific rules to firm behaviour.

Chapter 3: Perimeter Guidance on the Scope of Regulated Activity

PLSA members stressed that consumer testing – once firms are operating or connecting to a PDS – will be important to finalizing any draft guidance in the

¹ <https://www.plsa.co.uk/Policy-and-Research/Document-library/Proposed-regulatory-framework-for-pensions-dashboard-service-firms>

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Perimeter Guidance manual (PERG). A principles-based approach, followed by additional guidance further down the line as needed, could act as an interim solution.

Firms with different regulatory requirements will have varied saver journeys in operating a PDS, and consumer testing will help clarify in what scenarios more guidance is needed. At this stage, consumer-testing should be prioritized over formalizing specific, theoretical rules. However, where our members are likely to play the role of “Firm A” in Scenario 2 (related to third-party dashboard arrangements), they found the outlined structure helpful.

More generally, our members emphasized the need for co-branding – in instances of third-party dashboard arrangements and others like it – to build trust and to create transparency for consumers.

The FCA should also continue to bear in mind any firm bias that might provide unintended competitive advantages. Should the government proceed with the current, proposed regulatory interventions for master trust retirement offerings, this is especially important.

For example, FCA-regulated firms can offer a PDS, however, TPR regulated master trusts must connect to a third-party provider that is FCA regulated to do the same. Given this disparity, the FCA should consider approaches that reduce biases towards FCA regulated firms, such as creating a standard menu of post-view services that are beneficial to consumers.

Chapter 4: User’s Next Steps: Presenting Initial Choices

Related to the introduction of a choice architecture – and in the same vein as PLSA member comments regarding the proposed PERG amendments – there is concern that, at this stage, the consultation is overly prescriptive in attempting to determine the consumer journey after initially viewing a pensions dashboard.

Although it is important to determine where there is *unhelpful* friction in the user experience, including when exiting a PDS, it is equally important to learn how different consumers across different firm types engage with various dashboards, so that firms can innovate and improve the consumer journey using concrete and real-life user experiences.

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The consumer journey should balance helpful friction – that works to mitigate consumer harm – with unhelpful friction, which would prevent consumers from effectively engaging with the dashboard to help them achieve better retirement outcomes. Again, consumer testing will be critical to help firms collect and analyse data on each step of the saver journey, to determine if the choices offered have the intended effect on consumers (rather than leading to either unintended disengagement or over engagement).

Specific to exit communications, we understand and support the efforts to protect consumers when leaving the FCA-regulated space of a PDS. However, we feel it is unnecessary for consumers to be informed of which regulated activity they are leaving or entering. Instead, the onus should be on ensuring that consumers are clear when they are entering unregulated spaces – and the implications of this – after leaving a PDS, rather than which regulated activity the firm is undertaking at any given time. In addition, efforts should be made to ensure that consumers are not unintentional drawn towards entirely unregulated offerings, where they have little or no protection.

Chapter 5: Revisions to Data Export Proposals

Although the revision to the FCA’s data export proposal does help to eliminate the competitive advantage of an FCA-regulated PDS firm to offer advice (over a non- authorised scheme), it does not streamline the experience of the consumer in accessing this. The option to offer delegated access as the sole and secure mechanism for accessing advice makes sense, however, consideration should be given to how to streamline the delegated access process from a consumer experience perspective. More information from the Pensions Dashboards Programme will be necessary.

Additional Comments – Consumer Outcomes

As a first step, pensions dashboards aim to help consumers see – all in one place – the retirement savings they have earned over the course of their working life. It would follow that once consumers see what they have, they may want to understand if they are on track for their retirement and/or if there are actions they should take to help them achieve this.

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Though consumer action may be beneficial in certain circumstances, it is important that consumers not automatically be prompted to take action or access advice at a cost if it is not necessary for them. The option to automatically prompt consumers to permit a qualified adviser to access their dashboard through delegated access should therefore be considered from a consumer perspective, as this may act as a kind of ‘prompt’ to do so inadvertently or unnecessarily. This is especially important in the context of the current ongoing review of the Advice/Guidance Boundary.

In addition, the interplay between the FCA’s Advice Guidance Boundary Review and the launch of pensions dashboard services should be thought through. Consideration should be given to how the choices offered to dashboard users aligns with targeted support, especially if targeted support (as proposed) applies only to one pot. The same consideration should be given to how pensions dashboard services interact with offers of simplified or holistic advice. Ultimately, consumer outcomes should remain at the forefront of FCA consideration as it determines appropriate choices offered to consumers while within – or exiting – a pensions dashboard.