



Cheat sheet—FCA’s new targeted support regime summary

CLIENT BULLETIN

The essence of the new regime is to enable a firm to make recommendations designed for groups of consumers, rather than having to conduct in-depth individual assessments.

FOUR KEY ELEMENTS IN THE PROCESS

SITUATIONS	CONSUMER ELEMENTS	READY-MADE SUGGESTIONS	DELIVERY
Identify specific situations consumers may face where targeted support could help put them in a better position.	Pre-define groups of consumers in a common situation and (where relevant) with common characteristics as relevant to the identified situation.	Develop a ready-made suggestion for each relevant segment.	Verify an individual consumer aligns with a pre-defined segment and deliver the relevant suggestion.

OTHER IMPORTANT OBLIGATIONS UNDER THE FCA FRAMEWORK

Monitoring outcomes— Firms must regularly review and monitor the outcomes of the service.	Product governance and Consumer Duty—Firms must ensure they deliver the new service in line with these two regimes.	Consumer “comms”—Certain key disclosure obligations apply in relation to targeted support—e.g., firms must communicate the nature and limitations of the service and the characteristics of the relevant consumer segment.	Record keeping—The FCA expects firms to maintain records to facilitate FCA supervision.
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If you would like further advice and/or information on the products we offer to assist firms gearing up to provide targeted support and project implementation, please let us know.

SOME KEY POINTS

- Firms will be required to label the service “Targeted Support” to help consumers research what the service does.
- Suitability is assessed at the segment level, rather than at an individual level.
- The framework is designed so that a consumer should receive a suitable suggestion when they are correctly aligned with a segment—i.e., one that matches their situation and (where relevant) characteristics.
- A firm should not provide a ready-made suggestion if it is, or ought reasonably to be aware of information about the consumer that indicates the suggestion may not be suitable. This applies to information held by a firm about the consumer already, as well as information the consumer volunteers during the targeted support process. Further guidance has been provided on this general subject.
- There is no ongoing monitoring for individual consumers.
- When defining segments, firms must specify “including” and “excluding” characteristics (similar to the idea of a target market and negative target market). “When a firm pre-defines an excluding characteristic, they should consider whether they can pre-define a new segment to capture a consumer with such a characteristic. If this is not possible, the firm should identify ways to direct such consumers to other forms of support.” NB: This is not mandatory, but the FCA has said they would expect firms to have a clear rationale if they do not do this. One goal is to reduce the risk that some groups (e.g., vulnerable consumers) fail to receive the support they need.
- Consumer segments must be “sufficiently granular” to support the suitability obligation, but at the same time, cannot be “overly individualised”. The FCA will publish further material to support firms on this, appearing to appreciate some concerns here.
- Firms must inform consumers about any assumptions made about individuals in the consumer segment, to support consumer understanding.
- Certain “signposting” obligations can apply—e.g., where a consumer is exited out of the targeted support journey, the FCA expects a firm to signpost alternative avenues of support.

FURTHER INFORMATION

What products or services are in scope for targeted support?

- In scope—Securities such as regulated funds and structured products, investment-based life insurance products, structured deposits.
- Out of scope—In general terms, any investment product that is subject to marketing or distribution restrictions under the FCA rules, e.g., unregulated funds and other types of non-mass market investments, restricted massmarket investments such as unlisted securities and qualifying crypto assets, investments which cannot be marketed to retail, etc. NB: Pensions consolidation is not in scope, nor is a suggestion on a particular annuity. Also, a firm providing a pensions dashboard service cannot offer or provide targeted support as a post-view service (PVS).

Does the FCA's suitability regime apply?

A suitability obligation will apply but is bespoke to targeted support.

To explain:

- The FCA's current suitability regime is set out in COBS 9 and 9A and applies to a firm that makes a personal recommendation.

- This will not apply. Rather, the FCA has introduced a new bespoke regime in COBS 9B for targeted support. Among other things, this includes an obligation on a firm to "ensure that any ready-made suggestion ... is suitable for an individual in the consumer segment for which it is developed" (COBS 9B.1(2)(b)).
- But as noted above, suitability is assessed at the segment level, rather than at an individual level.

Does the FCA's appropriateness regime apply?

No.

What product governance obligations apply?

- A firm that designs a targeted support service will be a manufacturer of that service and, when providing it, a distributor of that service.
- The firm will also be a distributor in relation to a product recommended as part of a targeted support service. The rules for distributors in PRIN and PROD apply in this respect.

REFERENCES

[fca.org.uk/publication/policy/ps25-22.pdf](https://www.fca.org.uk/publication/policy/ps25-22.pdf)

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