equisoft

Solving the Small Pots Challenge

A federated, open standards approach to low-cost, scalable small pots consolidation using existing industry infrastructure

White Paper

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Executive Summary

The UK defined contribution pensions market is carrying millions of deferred small pots that are costly to administer and deliver poor outcomes when left fragmented. Without coordinated consolidation, this problem will continue to grow rapidly, increasing operational burden across the industry while eroding value for members.

A solution is required that is scalable, secure, and deliverable within the government's targeted timeframe. However, with policy and legislative detail still evolving, the industry is at a critical point: decisions taken now will shape the long-term structure, cost, and competitiveness of the market.

There is a risk that approaches adopted prematurely, or outside of an open and interoperable framework, could introduce unnecessary cost, create dependency on single providers, or require rework as the regulatory model becomes clear. Given the scale of the challenge, it is essential that any solution aligns with the direction of government policy, preserves competition, and remains adaptable as requirements evolve.

This paper sets out a practical and deliverable alternative: a standards-based, federated Small Pots Consolidation model. Rather than relying on a new centralised infrastructure or proprietary service, this approach builds on established industry capabilities — including ISO 20022 messaging over SWIFT and the existing governance and legal frameworks already supporting electronic transfers.

By leveraging proven infrastructure and open standards, the federated model:

- Minimises build risk and accelerates time to market
- Maintains competition and avoids dependency on a single provider
- Aligns with the likely direction of government policy and regulatory oversight
- Delivers consolidation at a cost proportionate to the size of small pots
- Provides flexibility to evolve alongside future legislative and market developments

Crucially, this approach allows the industry to begin progressing towards consolidation in a way that is consistent with long-term objectives, avoiding the need for duplication or transition as the regulatory framework is finalised.

The choice facing the industry is not whether to act, but how to act. A federated, open standards model provides a low-risk, cost-effective, and future-proof path to delivering better outcomes for both providers and members.

1.1 The problem

The administrative burden of deferred small pots, driven by auto-enrolment and increased job mobility, continues to grow at pace. As the number of pots increases, so too does the cost of servicing them, while member outcomes deteriorate as savings remain fragmented across multiple providers.

The scale of the issue is already significant and accelerating:

- Over 13 million small pots existed in 2024
- More than 3 million have been created since 2020
- The total is expected to reach approximately 17.5 million by 2030
- The average value of a pot worth less than £1,000 is around £330

Without a coordinated and scalable consolidation approach, this trajectory will continue to increase costs across the industry while diminishing the value delivered to members.

1.2 The solution in brief

A standards-based, federated Small Pots Consolidation model provides a practical and deliverable solution that builds on existing industry infrastructure rather than introducing new centralised systems.

In this model, schemes and approved/default consolidators interact directly — either in-house or via competing service providers — using established ISO 20022 message definitions transmitted over the highly secure SWIFT network. Matching is performed by consolidators, with ceding schemes applying a simple and transparent allocation approach only where no match exists. Transfers are then executed using existing electronic transfer mechanisms already widely adopted across the industry.

This approach is supported by a shared legal, governance, and trust framework, building on the structures already in place for electronic transfers. This provides clarity of roles, service levels, auditability, and appropriate protections for all participants.

The model is deliberately designed to avoid unnecessary complexity and structural dependency:

- No requirement for bilateral integrations between providers
- No central database or orchestration service
- No reliance on a single commercial or government-owned provider
- Use of secure, proven infrastructure already operating at scale
- Compatibility with evolving regulatory requirements

By reusing existing standards and infrastructure, the federated approach enables the industry to move forward in a way that is both cost-effective and aligned with long-term policy direction, without introducing unnecessary transition risk or future rework.

1.3 Strategic flexibility, future-proofing and great foundations

Given that the Government has yet to finalise the detailed requirements for both the digital infrastructure and the small pots consolidation process, flexibility is critical. Any solution adopted ahead of full regulatory clarity must be capable of evolving without introducing unnecessary cost, duplication, or rework.

Building on the Pensions UK digital feasibility review (September 2025), the federated model is deliberately designed to support multiple potential policy outcomes. It avoids assumptions about final design choices while providing a practical foundation that can be adapted as requirements are confirmed.

By contrast, approaches that rely on centralised infrastructure or proprietary service models risk creating structural dependency, limiting flexibility, and requiring transition as the regulatory framework matures. In a market of this scale, such outcomes could introduce avoidable cost and complexity for both providers and members.

The federated model avoids these risks by design. It removes single points of dependency, prevents vendor lock-in, and allows providers to determine how they participate — whether through in-house capability or via competing service providers. This preserves competition and ensures that the market evolves around value and efficiency rather than structural constraint.

Crucially, this approach enables progress to be made ahead of full legislative certainty, while remaining aligned with the likely direction of Government policy. It allows the industry to move forward in a coordinated way without committing to solutions that may later need to be unwound or replaced.

“The federated approach is proven, deliverable, and — crucially — drives the competition that benefits consumers”.

Matt Smith
Product Manager, Equisoft

In addition, by building on established industry standards, governance frameworks, and operational processes, the federated model reduces the need for extensive new legislative or technical prescription. Rather than defining and mandating a detailed centralised solution, Government can set clear policy outcomes, boundaries, and safeguards, allowing the industry to deliver within an existing, proven framework. This creates the potential to accelerate progress while reducing the complexity, cost, and risk typically associated with large-scale, centrally defined infrastructure programmes.

This model builds on mechanisms the industry already uses at scale:

- **SWIFT** handles over 45 million messages daily across global financial services, demonstrating that it is secure, resilient, and capable of operating at the scale required for small pots consolidation
- **ISO 20022** is already used across ISAs, GIAs, and pensions for account transfers and in-specie asset re-registrations, as well as forming the standard for UK pension fund trading
- **TISA Exchange (TeX)** provides the legal, governance, and operational framework for electronic transfers across the UK market, supporting over 420 financial services organisations through an open, interoperable model
- **ViaNova** has long established a federated approach for interaction between schemes, administrators, platforms, and asset managers, including widespread adoption across corporate DC pension schemes and master trusts for trading, and more recently supporting the extension of open transfer standards into the occupational pensions space

By leveraging these established capabilities, the federated approach provides a secure, scalable, and immediately accessible foundation for small pots consolidation — without the need for new central infrastructure or a single controlling entity.

> **"Service-provider markets form quickly where open standards and/or interoperable frameworks exist"**

1.4 The financials

1.4.1 The background

The average small pot is worth only around £330. Any consolidation model must therefore be commercially proportionate to the value of the pot itself. If the cost of identifying, negotiating, and transferring a pot becomes too high, member outcomes are eroded and provider participation becomes more difficult to justify at scale.

This creates a clear constraint for the market. A viable solution must avoid high fixed entry costs, excessive per-pot charges, or structural pricing disadvantages for providers that do not move early. In a market characterised by large volumes of low-value pots, cost efficiency is not a secondary consideration — it is fundamental to success.

Solutions that introduce material cost per pot, or create uneven cost dynamics across participants, risk undermining both the commercial viability of consolidation and the fairness of outcomes for members.

This constraint should therefore act as a primary benchmark against which any proposed approach is assessed. A successful model must reduce friction and cost across the market, not introduce a new layer of expense.

1.4.2 The costs

Industry experience shows that service-provider markets form quickly where open standards and/or interoperable frameworks exist. This has already been seen in areas such as pension dashboards connectivity and the wider electronic transfers market, where competition has helped drive down costs while still allowing providers to build in-house where they choose to do so.

Using dashboards as a point of comparison, fixed one-off setup costs for connectivity through a vendor or service provider could be in the region of:

- £10,000–£15,000 for a ceding pension provider
- Low tens of thousands of pounds for a consolidator

Ongoing all-in costs per small pot — including consolidation negotiation and the electronic transfer of the pension — would be expected to begin at most in the single-digit pounds and, with scale, could fall towards or below £1 per pot.

For providers that already have their own SWIFT connectivity and choose to build in-house, costs could be lower still. Based on current SWIFT messaging

charges of around €0.04 to €0.05 per message, the cost per successful small pot negotiation and transfer could be in the region of approximately £0.09 to £0.12 for a consolidator, and around £0.52 for a ceding provider, assuming eight authorised/default consolidators. These figures include both the small pots consolidator negotiation and the transfer itself.

At these levels, the cost of operating a federated, open model remains modest relative to the ongoing cost of administering fragmented small pots. It also creates the conditions for fair competition between service providers, while preserving the option for schemes or platforms to participate directly where that offers better value.

1.5 The decision

The industry now faces a clear choice in how it approaches the small pots challenge.

One path is to adopt an open, standards-based, federated model that builds on existing infrastructure, preserves competition, and aligns with the direction of Government policy. This approach allows the industry to progress in a coordinated way, while maintaining flexibility and avoiding unnecessary cost, duplication, or future transition.

The alternative is to pursue centralised or proprietary solutions that introduce new infrastructure, concentrate control, and create dependency on a single provider or model. While such approaches may appear to offer a more immediate route to action, they risk misalignment with the evolving regulatory framework, increased long-term cost, and the potential need for rework as policy requirements become clearer.

Experience from previous industry initiatives reinforces the importance of aligning delivery models with what Government can realistically support and mandate. In 2018/19, the Association of British Insurers led a pensions dashboards pilot based on a centralised, commercially operated service. While technically viable, this model proved difficult to sustain within a legislative framework, ultimately resulting in a shift to a government-owned solution.

By contrast, the industry's response to the Retail Distribution Review (RDR) provides a strong example of how open, federated approaches can be delivered effectively and at pace.

> **A federated model is viable and preferable. It will allow ceding schemes and approved consolidators to interact directly or through intermediaries.**
>
> Pensions UK,
> Small Pots Digital Feasibility Review

Over a period of approximately two years, an industry group led by TISA established a standards-based framework for electronic transfers, underpinned by shared legal, governance, and operational agreements. This model, now delivered through TeX, supports interoperability across hundreds of providers, platforms, and asset managers, either through competing technology vendors or in-house solutions.

This experience demonstrates that complex, industry-wide change can be delivered quickly without the need for centralised infrastructure, while preserving competition and avoiding dependency on a single provider.

A federated approach builds directly on this foundation. It provides a practical, deliverable route that leverages established standards, governance, and operational frameworks already in use across the industry. It supports innovation and competition, while ensuring that outcomes remain consistent, auditable, and aligned with regulatory expectations.

Importantly, it also allows progress to begin without locking the industry into a model that may not reflect the final regulatory position. This reduces the risk of fragmentation and ensures that effort invested today continues to deliver value as the framework matures.

The question for the industry is therefore not whether consolidation should happen, but how it should be delivered. An open, federated model offers a low-risk, cost-effective, and future-aligned path that can meet both current needs and long-term objectives.

The background

2.1 Pension Schemes Bill timeline & uncertainty

Government aims to implement Multiple Default Consolidators (MDC) with an operational start targeted for delivery around 2030, according to the published roadmap. While this provides a clear direction of travel, the detailed requirements for both the consolidation process and supporting digital infrastructure have yet to be finalised.

The design and implementation of a small pots consolidation solution requires clear guidance and rules. Without these, any solution attempting to predict or pre-empt the final model risks misalignment, potentially resulting in rework for both schemes and consolidators.

Given the number of providers in scope for this industry transformation, it is important that the goal and boundaries of delivery are clearly defined, and that any technical solution remains sufficiently flexible to accommodate change. The industry must be able to progress in a way that allows it to get it right first time, rather than committing to approaches that may need to be revisited.

Whilst in a perfect world the full proposition would be defined and ready to implement, there is an opportunity to build on existing frameworks ahead of final legislation. In particular, TeX could extend its role beyond transfers ahead of the existing timetable, helping to establish the legal, governance, and trust environment required to support small pots consolidation.

This creates the potential for the industry to begin progressing in advance of 2030, while remaining aligned to the eventual legislative framework and consistent with the direction of Government policy, helping to inform its development through practical implementation.

2.2 The existing landscape and oversight

Building on and re-using the existing electronic transfer market, the federated small pots model described in this paper extends both the standards-led transfer ecosystem and the legal framework under which transfers are currently completed.

Open and interoperable transfers have been taking place using ISO 20022 messaging over SWIFT in the UK for over a decade, with millions of

accounts transferred. This established, paper-free process is supported by a combination of industry standards, governance frameworks, and operational agreements.

These include:

- **UKETRG (UK Electronic Transfers and Re-registration Group)** – the industry-led group responsible for defining and maintaining the free to use technical standards and ISO 20022 message sets used to transfer wrappers between providers
- **TISA Exchange (TeX)** – the contract-based framework providing legal, governance, and operational structures required for providers to interact electronically on agreed terms. It establishes clear roles, service levels, and trust arrangements, and maintains a single source of truth for transfer participants
- **ViaNova** – the industry body responsible for pensions trading standards since the mid-2000s, which has also supported the adoption of UKETRG transfer standards across occupational DC schemes and master trusts. It provides an established forum for defining and governing industry-wide standards and could be extended to support the development of the additional messaging layer required for small pots consolidation, including enquiry and transfer request messaging

"When it came to maintaining standards, and dealing with more technical matters like SLAs, it was felt industry bodies may be the most appropriate to lead."

Pensions UK,
Small Pots Digital Feasibility Review

Together, these frameworks form a federated, interoperable ecosystem that already supports secure, auditable, and repeatable transfer processes at scale across the UK market.

The federated small pots model builds directly on this foundation, using established standards, governance, and processes rather than introducing new infrastructure. This allows consolidation to be delivered through mechanisms that are already proven, widely understood, and increasingly adopted across the industry.

In parallel, the Pensions Dashboards Programme has led to the development of a network of Integrated Service Providers (ISPs) supporting connectivity and matching services for a significant proportion of UK pension schemes. While the dashboards infrastructure itself is not directly applicable to the small pots use case, these organisations now operate at scale, maintaining large volumes of

pension data, performing matching activity, and delivering secure, high-performance services across the market.

This creates a further opportunity for the federated model. ISPs are well positioned to support consolidators in delivering matching and enquiry services and could also assist schemes in identifying eligible small pots with minimal extension to existing capabilities. By leaning on this established ecosystem, the industry can accelerate implementation while avoiding the need to build new capability from scratch.

2.3 What the open federated model delivers

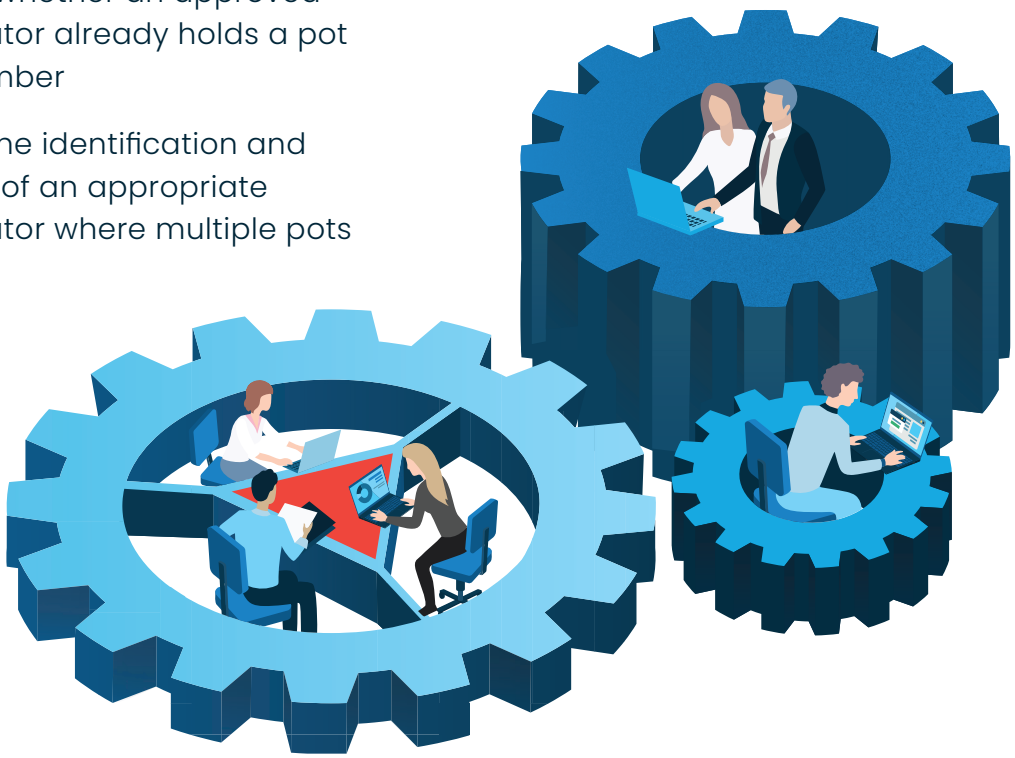
TThe open, federated model provides a repeatable, secure, and auditable approach to small pots consolidation, building on existing standards and infrastructure.

It enables the industry to:

- Discover whether an approved consolidator already holds a pot for a member
- Support the identification and selection of an appropriate consolidator where multiple pots exist, based on defined rules or criteria
- Allocate pots in a fair and transparent manner where no existing relationship is identified
- Initiate consolidation using established electronic transfer mechanisms
- Record outcomes to support audit, reporting, and regulatory oversight

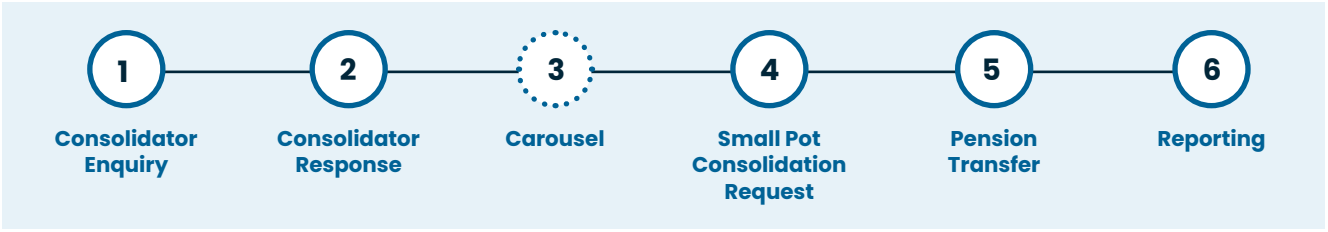
This approach ensures that consolidation can be delivered consistently across the market, while maintaining flexibility in how providers implement and operate within the model.

By leveraging this foundation, the model avoids unnecessary complexity and supports scalable adoption across both ceding schemes and consolidators.



How it works

3.1 Process Overview



1. Consolidator Enquiry

- The ceding scheme issues an enquiry to each approved consolidator to determine whether they already hold a pot for the member
- Using SWIFT messaging, each provider maintains a single connection, removing the need for point-to-point integrations

2. Consolidator Response (Match Decision)

- Each consolidator returns either MATCH MADE or NO MATCH
- Where a match is identified, the response includes:
  - Whether the consolidator is already the default consolidator
  - The value of the existing pot
  - Whether the pot is active

3. Carousel

- If no matches are identified, and subject to any member preferences (if required by legislation) the ceding scheme allocates the pot using a simple round-robin approach (see: 3.3 Carousel Distribution)

4. Small Pot Consolidation Request

- The ceding scheme confirms the selected consolidator and instructs them to initiate the transfer

5. Pension Transfer

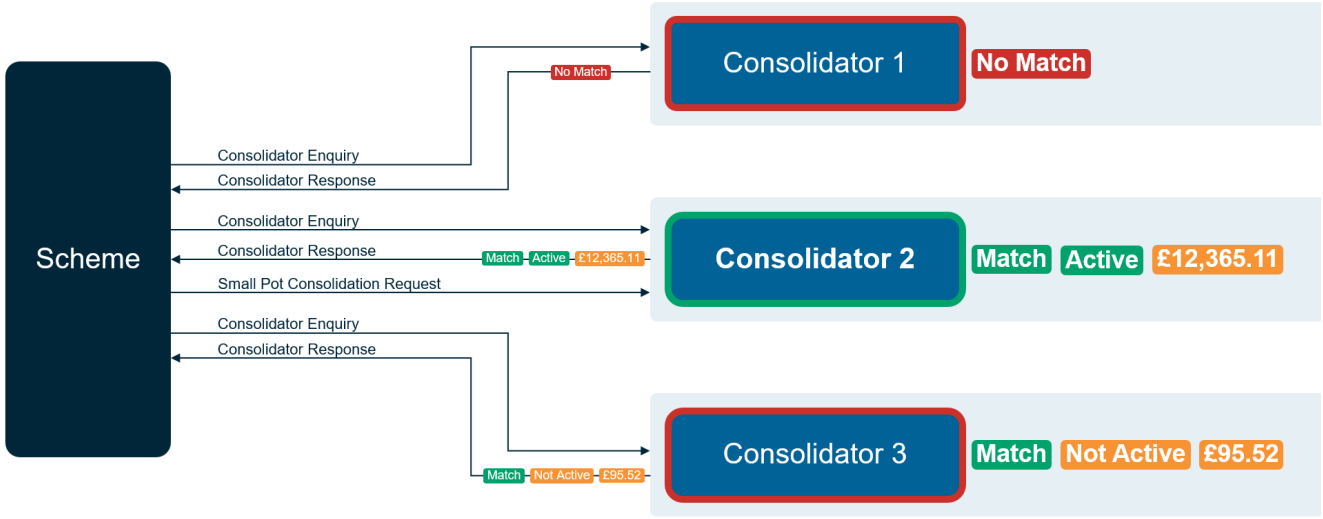
- "Stock" historic small pots will be transferred using a managed bulk process supported by a one-off project with data provided via the mechanism preferred by the provider (API, file exchange, etc.)
- Ongoing "flow" of new small pots (as they become eligible) will be processed in BAU through the existing open transfer mechanism used for member-led transfers today, reutilising automation and without the need for a supporting project

6. Reporting

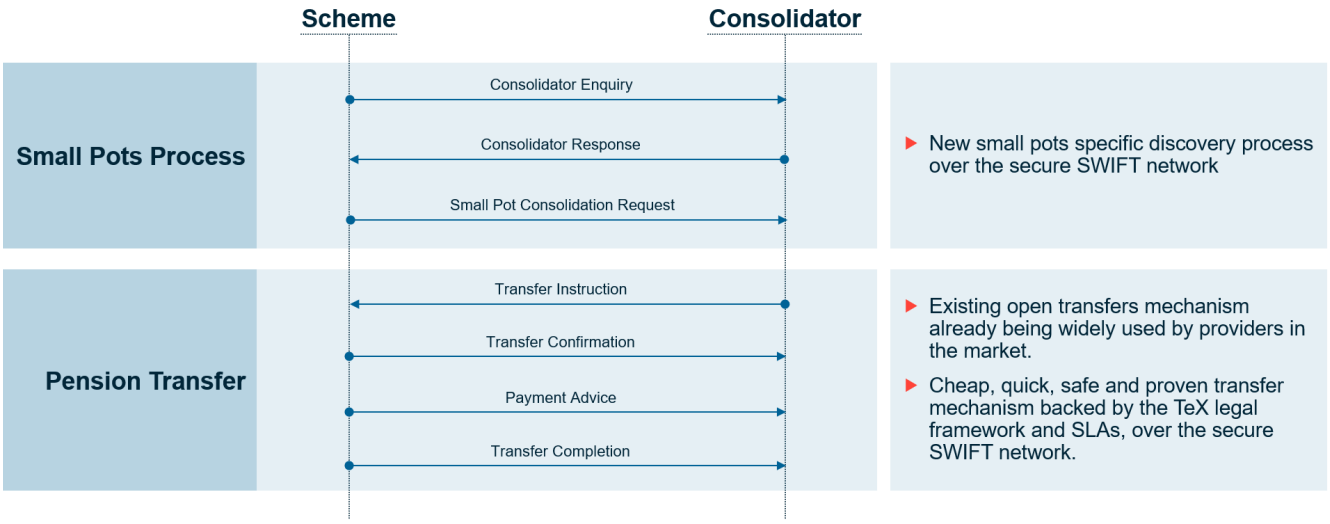
- Outcomes are captured to support audit requirements and regulatory management information (MI), in line with agreed standards

3.1.1. Process flows

3.1.1.1 Small pot consolidator negotiation



3.1.1.2 End to end process including transfer



3.2 Matching

While the Pensions Dashboards Programme (PDP) provides a useful reference point for large-scale data matching, it is not directly applicable to the small pots use case. Government has indicated that matching for small pots is likely to be simpler, prescribed, and applied consistently across all providers.

The federated model supports this approach by allowing matching to be performed at the consolidator. Each consolidator, or their service provider, applies the agreed matching criteria when responding to a consolidator enquiry.

This ensures that matching can be implemented in line with rules defined by Government or regulators, without requiring a centralised matching service. It also supports a low tolerance for false positives, helping to ensure that consolidation decisions are made safely and accurately.

The model is deliberately flexible in how matching is implemented. It can support:

- A standardised set of matching criteria defined centrally and applied consistently across all consolidators
- Industry-agreed approaches, for example through frameworks such as TeX, where common standards could be defined and maintained if not prescribed in regulation
- More advanced or configurable approaches, should the regulatory framework permit providers to adopt enhanced matching capabilities

In practice, the criteria used for matching are likely to include a combination of data such as:

- National Insurance Number
- Date of Birth
- Forename
- Surname
- Postcode
- Other available identifiers

Consideration will also be required for how to handle partial or uncertain matches, as well as scenarios where multiple potential matches are identified.

In the absence of a default consolidator being identified, where multiple matches exist, the process must determine how the appropriate consolidator is selected. The federated model supports the application of defined rules to resolve these scenarios, for example:

- The highest value pot
- An active pot
- Most recent member interaction or communication
- Most recently opened pot

The specific approach would be determined as part of the regulatory framework or industry-agreed standards.

While the Pensions Administration Standards Association (PASA) defined a set of matching rules for pensions dashboards, these were designed for a different use case. In particular, dashboards matching can rely on

verified data provided through identity verification (IDV) services, such as email address or telephone number, which may not be consistently available within an auto-enrolment small pots context. As a result, a simpler and more universally applicable approach is likely to be required.

Where no match is identified, the process moves to allocation via the carousel approach.

3.3 Carousel Distribution

The logic used to allocate a small pot where no match is identified is deliberately simple and does not require any central infrastructure, weighting, or balancing mechanism.

Each ceding scheme transfers unmatched small pots to the next consolidator in a predefined sequence, rotating to the next consolidator on their "carousel" for each case.

When each of the approximately 300 ceding providers distributes pots in this way across a small number of consolidators (for example, eight), each consolidator receives one pot in every cycle, regardless of the originating scheme.

Because this process is repeated at scale, the distribution becomes highly stable. Each consolidator receives an almost equal share of both the number of pots and the total value over time.

The underlying mathematics supports this outcome. Each ceding scheme can introduce at most a difference of plus or minus one pot per consolidator. Across approximately 300 schemes, this results in a maximum imbalance of around 300 pots.

Against an estimated 17.5 million small pots by 2030, this equates to an imbalance of approximately 0.0017%.

In practical terms, this means that all consolidators receive an almost identical share of pots and value across the market, without the need for central coordination or ongoing adjustment.

If required by the regulator, distributions could be monitored through standard reporting. Similar management information (MI) is already provided within existing transfer frameworks, allowing volumes between ceding schemes and consolidators to be tracked and validated.

3.4 Transfers (Stock and Flow)

The federated model supports two complementary transfer approaches:

- Bulk transfers, used to address the existing stock of small pots
- Standard electronic transfers, used to manage the ongoing flow of new small pots

These approaches serve different purposes and operate on different timescales.

3.4.1 Bulk Transfers (Initial Remediation Phase)

Bulk transfers provide an efficient mechanism for reducing the existing backlog of small pots across the industry. In practice, this would be delivered through a coordinated, time-bound programme rather than as a series of ongoing bilateral exercises between schemes and consolidators.

Key characteristics of this approach include:

- Project-based delivery - Bulk transfers would be executed as structured projects, with defined scope, timelines, and governance, rather than as ad hoc or repeated activities
- Standardised data exchange - Industry-agreed data formats would be used to support consistent and efficient transfer of records between ceding schemes and consolidators, reducing the need for bespoke integration or mapping
- Phased execution - Transfers could be delivered in waves, allowing providers to manage operational capacity while progressively reducing the overall volume of small pots
- Central coordination through standards bodies and governance frameworks - Rather than requiring each consolidator to run separate projects with each ceding scheme, the process would be coordinated through existing industry structures, ensuring consistency and avoiding duplication of effort

Where transfers occur between consolidators, there may be opportunities to optimise settlement flows. However, given the relatively low value of individual pots, the operational complexity of mechanisms such as netting would need to be carefully considered against the potential benefits.

Bulk transfers still require the identification of the appropriate destination consolidator for each pot. This is most effectively achieved using the same enquiry and matching process defined within the federated model. Introducing an alternative mechanism for bulk scenarios would create unnecessary duplication, increase implementation complexity, and lead to inconsistent outcomes across the market. By reusing the same standards-based enquiry process, the industry benefits from a single, consistent approach to identifying consolidators across both bulk and ongoing transfer activity.

In practice, secure bulk data exchange would be delivered using established industry mechanisms for transferring large volumes of sensitive data. This is most

likely to involve either SWIFT FileAct (typically accessed via service providers or bureau) or managed secure file transfer services operated by existing connectivity providers.

These approaches provide strong authentication, encryption, and audit capabilities, and are already used within the industry to support large-scale data exchange. Crucially, their use within a governed framework avoids the need for bespoke bilateral arrangements between schemes and consolidators, ensuring that bulk transfers can be executed in a consistent and scalable manner across the market.

3.4.2 Limitations of a Bulk-Only Approach

While bulk transfers are effective in addressing the existing stock of small pots, they are not sufficient as a long-term operating model.

A purely bulk-based approach would:

- Require repeated large-scale coordination exercises across the industry
- Introduce delays between a pot becoming eligible and being consolidated
- Create operational burden for both ceding schemes and consolidators
- Lead to inconsistent member outcomes depending on the timing of bulk cycles
- Normalise exceptions and manual handling

Determining an appropriate frequency for bulk exercises presents a clear trade-off:

- Infrequent cycles (e.g. annual) delay consolidation and reduce member benefit
- Frequent cycles (e.g. monthly) create significant operational overhead and coordination complexity

As a result, relying on periodic bulk transfers alone would not provide a scalable or sustainable long-term solution.

3.4.3 Ongoing Flow (Business-as-Usual Transfers)

To address these limitations, the federated model uses standard electronic transfers to manage the ongoing flow of small pots as they become eligible.

This approach:

- Enables continuous consolidation, rather than periodic batching
- Aligns with existing transfer processes already operating across the market
- Removes the need for repeated large-scale coordination exercises
- Ensures more timely outcomes for members

The use of a standardised enquiry, matching, and transfer process also enables a high degree of automation within the ongoing flow model. Once integrated, these interactions can be processed system-to-system with minimal manual intervention, supporting straight-through processing and reducing operational overhead for both ceding schemes and consolidators.

Additionally, this has benefits beyond small pots consolidation itself. The same automation capabilities required to meet small pots SLAs — enquiry handling, matching, transfer initiation, validation, and confirmation — are directly reusable for member-led pension transfers more generally. Over time, this drives faster transfer times, lower unit costs, and improved consumer outcomes across the wider pensions market.

This contrasts with bulk transfer activity, which is inherently project-based and requires coordination, data preparation, and manual oversight. By using the same underlying mechanism, providers can invest in a single set of integrations that supports both initial bulk activity (for matching) and ongoing consolidation, with the greatest efficiency realised as volumes move into the automated, business-as-usual flow model.

3.4.4 Combined Model

In practice, a hybrid approach is expected:

- An initial bulk transfer phase to significantly reduce the existing stock of small pots
- Followed by an ongoing flow-based model to manage future volumes

This approach provides both:

- Immediate impact, by addressing the current backlog
- Long-term sustainability, by embedding consolidation into standard market processes

Bulk transfers should therefore be viewed as a necessary transitional mechanism, with the federated flow model providing the long-term operating solution driving automation, efficiency and better member outcomes in the long term.

3.5 Governance Model

This governance model is structured across three key areas: roles and responsibilities, service levels, and audit and reporting.

It builds on existing industry governance structures, avoiding the need for new central bodies or oversight frameworks. Responsibilities are distributed across established organisations, each operating within their current or naturally extended remit.

3.5.1 Roles & responsibilities

- **DWP / Government:** Define and maintain the scope and requirements for small pots consolidation, including eligibility criteria, pot size thresholds, and matching rules where prescribed
- **Regulators (TPR/FCA):** Set and enforce service levels (SLAs), supervise compliance, oversee dispute resolution, and maintain regulatory oversight of the market
- **UKETRG/UKFMPG:** Maintain ISO 20022 industry standards and processes for account transfers for use post consolidator enquiry and transfer request to move the small pots from provider to consolidator
- **TeX:** Provide the legal and governance framework enabling providers to interact, including participant onboarding, contractual arrangements, service level management, and reporting to regulators
- **ViaNova:** Defines and maintains industry standards for small pots consolidation, including ISO 20022 messaging for enquiry and transfer request interactions
- **Approved consolidators:** Implement matching in line with defined standards, respond to enquiries within agreed SLAs, execute transfers, manage member communications, and provide reporting
- **Ceding schemes:** Identify eligible small pots, initiate consolidator enquiries, apply carousel allocation where required, instruct transfers, retain audit trails, and provide reporting
- **Service providers** (connectors): Provide technical connectivity (including SWIFT integration), manage authentication, generate and process messaging, support matching where required, facilitate system integration and maintain audit logs and MI feeds

3.5.2 SLAs

With the volumes and value of pots in this market, automation will be essential to minimise cost and support efficient processing. SLAs should therefore encourage the development of appropriate technical and operational capabilities across the market.

As a starting point, service levels aligned to each step being completed within one business day would:

- Encourage consolidators and higher-volume providers to implement automation
- Allow lower-volume ceding schemes to operate within SLA through simpler processes

Additionally, it will be important for SLA adherence to be made publicly available to create a transparent ecosystem that allows providers, consumers and regulators to readily see how both consolidators and ceding schemes are performing.

Proposed SLAs:

- **Consolidator Response:** 99% within 1 business day of receipt of enquiry
- **Transfer Request:** 99% within 1 business day of receipt of final response
- **Transfer Instruction:** 99% within 1 business day of transfer request
- **Transfer Confirmation:** As per existing TeX SLA (currently 2 business days from receipt of transfer instruction for pensions)
- **Payment Advice:** As per existing TeX SLA (no later than 17:30 on day of payment)
- **Availability:** Connector endpoints 99.5% during business hours

3.5.3 Audit & reporting

A standardised management information (MI) pack should be produced for each reporting period, providing sufficient detail for regulators to assess compliance and member outcomes.

This would include:

- Total enquiries
- Match rates
- Carousel allocations by provider/consolidator
- Adherence to each metric of the defined SLAs

Consideration should also be given to future reporting requirements, enabling the model to evolve as the scale of the market and scope of legislation changes over time.

Summary and Next Steps

A federated, open standards approach to small pots consolidation provides a practical and deliverable route to addressing one of the most pressing operational challenges facing the pensions industry.

It builds on infrastructure, standards, and governance frameworks that are already in place and operating at scale. It avoids the need for new centralised systems, reduces cost to a level proportionate to the size of small pots, and preserves competition across the market.

Crucially, it also creates an opportunity to accelerate progress. By extending existing frameworks such as TeX and leveraging established standards bodies such as ViaNova, the industry is well positioned to begin developing and implementing this model ahead of full legislative detail.

This presents a clear opportunity for Government. Rather than defining and mandating a detailed central solution, it can set outcomes, safeguards, and boundaries, allowing the industry to deliver within an existing and proven framework. This has the potential to reduce the need for extensive new legislation, lower delivery risk, and accelerate time to market.

There is strong appetite across the industry to solve the small pots problem. Many providers are already engaged in discussions and early alignment on how a federated model could be delivered in practice, and there is growing recognition that a standards-based approach offers a more sustainable long-term solution.

The focus now should be on coordinated industry action. Through collaboration across schemes, consolidators, standards bodies, and service providers, the foundations can be put in place quickly and iteratively. With alignment on approach, initial implementations could be delivered in a timeframe measured in months rather than years, well ahead of the Government's current 2030 target, allowing the industry to begin addressing the small pots challenge sooner while remaining aligned to the eventual legislative framework.

We encourage Government, regulators, and industry bodies to support this direction, and to work together to define the minimum necessary framework to enable progress while avoiding unnecessary complexity or delay.

The opportunity is not only to solve the small pots challenge, but to do so in a way that strengthens the market, improves outcomes for members, and establishes a model for future industry-wide collaboration.

References

The following sources and frameworks underpin the approach set out in this paper, reflecting established industry standards, infrastructure, and recent policy developments relevant to small pots consolidation.

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SWIFT — https://www.swift.com

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