Predictable Income, Fewer Complaints

Recent FCA data highlights an uncomfortable trend: pension and decumulation complaints have risen sharply, with total redress payments up 20% to £283 million in the first half of 2025. These figures point to a growing gap between client expectations and outcomes in the retirement income market. This article explores how structured products can help bridge that gap—delivering income certainty, reducing complaint risk, and strengthening Consumer Duty compliance. Across both accumulation and decumulation phases, structured solutions can help advisers deliver measurable "good outcomes" and clearer client communication while maintaining controlled risk exposure.

The Current Regulatory Landscape

The FCA's latest complaint statistics signal a pressing challenge for advisers. Pension and decumulation complaints increased by 5.5% in the first half of 2025, moving from 89,172 to 94,035 cases. Trust-based pension issues rose even faster, climbing 38% to nearly 9,000 cases. Average compensation payments also increased —from £207 in 2024 to £238 this year.

As Broadstone's Phil Smith recently noted, "Redress remains a costly outgoing for firms—it quite literally pays to treat customers well."

Those words carry weight. The cost of unsuitable retirement advice today extends far beyond financial redress. It also strikes at the heart of trust, brand reputation, and compliance integrity. In this environment, advisers need defensible, transparent strategies that balance promise and caution.

Beyond the Traditional Binary

For years, retirement planning in the UK has centred on a binary choice:

Annuity or ***Drawdown***

Each approach carries distinct advantages and challenges. Annuities provide guaranteed lifetime income but remove flexibility and limit inheritance options. Drawdown preserves control but leaves clients vulnerable to market movements and sequence-of-returns risk.

However, modern retirement needs often sit somewhere between these extremes. Most retirees seek predictable income for essentials, modest capital preservation for legacy purposes, and protection against market volatility—especially in the early years of retirement when sequence risk is greatest. Structured products can meet this middle ground, combining capital protection with defined returns and transparent conditions.

Structured Products Across Both Planning Phases

Structured products do not belong only in the income phase. They can also play a meaningful role in helping clients reach retirement with stronger, more stable pension pots.

In the accumulation phase, many investors inadvertently stifle growth by becoming overly cautious as retirement approaches. Heavy reliance on bonds or cash may protect nominal value, but it can undermine long-term objectives. Historical events, such as during the Liz Truss mini budget in 2022, when interest rates spiked, illustrate the risks. Bond-heavy cautious portfolios suffered significant losses because rising market interest rates caused the prices of existing bonds to fall, even though the bonds' fixed interest payments (coupons) remained the same. Meanwhile, cash holdings preserved nominal value but were eroded by inflation. This demonstrates that overly conservative strategies can be detrimental for investors nearing retirement.

Structured products offer a compelling bridge—linking potential market returns with predefined protection levels.

These solutions typically include downside protection barriers, often around 60–65% and set maturity profiles that align with specific retirement goals. Some structured products can offer 100% capital protection, while others use these partial protection barriers to balance risk and potential growth. For clients approaching retirement, this creates a disciplined framework for growth without casting caution aside. It also supports better behavioural outcomes by reducing emotional, short-term decision-making in volatile markets.

Once in retirement, predictability becomes the priority. Structured income products can deliver fixed monthly payments regardless of market conditions, often accompanied by a capital protection barrier or fully protected.

They can act as an income bridge between retirement and the commencement of the State Pension, or as a complement to drawdown strategies, covering essential expenses while leaving other assets invested for growth. The clarity of outcomes also supports compliance documentation and client understanding.

Certainty and Complaint Reduction

FCA data continues to reinforce a clear pattern. When income is reliable, complaint numbers fall. When expectations are missed, dissatisfaction rises quickly. Structured products, when properly integrated, simplify conversations about risk and return. For advisers, they provide measurable outcomes - proving not only that returns were earned or not, but also that the original plan was understood and agreed.

Transparency in design and communication reduces the scope for misunderstanding. Clients understand what to expect and under what conditions their capital or income might be affected. Advisers can demonstrate precisely how the recommendation meets Consumer Duty obligations. In an era of increased regulatory vigilance, this clarity is no longer optional—it is essential.

Practical Case Studies

The "Income Bridge" Strategy:

Duncan, aged 62, required £18,000 per year for five years until his State Pension began. A £400,000 investment into a five-year structured deposit fixed income note linked to the FTSE 100, provided 4.5% annual income - £1,500 monthly payments. Capital will be returned in full at maturity, aligning precisely with his pension start date. The solution ensured predictable income and preserved capital for future reinvestment, meeting both regulatory and personal objectives.

Essential vs. Discretionary Income Segregation:

Anne, 66, needed £30,000 per year, of which £24,000 covered essential costs. By allocating £400,000 to a structured fixed income product paying 6% per annum and £100,000 to a growth portfolio, her adviser created stability for core spending needs while retaining upside potential. This reduced stress during volatile markets and prevented reactive decision-making when markets underperformed. Separating essential and discretionary spending proved emotionally and financially powerful.

Pre-Retirement Accumulation with Protection:

Alastair, 58, needed equity-like growth but recognised his diminishing capacity for loss. A six-year structured growth investment, offering full 1-for-1 upside growth in the FTSE 100 with a 60% protection barrier, helped him remain invested as he approached retirement. If markets stayed above the protection barrier at maturity, capital remained protected, giving him the confidence to continue accumulating rather than de-risk prematurely.

Suitability and Best Practice

Structured products demand thoughtful implementation. Advisers must ensure clients fully understand barrier mechanics, counterparty risk, and liquidity terms. The alignment of product structures with capacity for loss is critical—a 60% barrier implies an underlying can drop up to 40% before a client's capital is "at risk". This must be both acknowledged and documented. Equally, advisers should confirm clients can commit for the full product term and that it fits their income or liquidity requirements.

Strong suitability files should capture not only the recommendation but the reasoning behind it. Statements such as "Client requires £24,000 annual income for essential expenses, hence selected structured income note with defined 6% income and 65% protection barrier" build defensibility. So too does evidence that alternatives were considered and rejected based on clear client preferences—such as declining an annuity for flexibility or avoiding drawdown due to sequencing risk.

Evaluating Providers

Selecting an appropriate structured product provider is as important as selecting the product itself. Advisers should consider Counterparty creditworthiness, ideally using investment-grade institutions rated A- or above. Transparency also matters - clear Key Information Documents, consistent reporting, and avoidance of unnecessary complexity are all hallmarks of credible providers. Equally, barrier levels must be realistic - too-good-to-be-true combinations of high yield and deep protection warrant caution. Finally, adviser fees and embedded costs should be disclosed transparently to maintain alignment with Consumer Duty.

Regulation, Compliance and Consumer Duty

Structured products can significantly enhance compliance documentation because their outcomes, risks, and conditions are quantifiable. Defined income levels and maturity terms help advisers articulate "what good looks like" under the Consumer Duty framework. Regular reviews of Counterparty health, continued suitability, and client circumstances reinforce that commitment. Predictable outcomes, properly communicated, translate directly to demonstrable client benefit.

Integration into a Comprehensive Plan
Structured products are not meant to replace annuities, drawdown, or cash reserves—they complement them. They can work alongside annuities as a medium-term certainty layer, with drawdown to support more flexible spending, or with cash savings to preserve emergency liquidity. Tax efficiency considerations should also be integrated, using ISAs, pensions, or unwrapped portfolios depending on client circumstances. When used intelligently, structured products create resilience by combining predictability with diversification.

Key Risks

Despite their potential benefits, advisers must clearly explain all associated risks. The primary risk is counterparty default, as both capital and income rely on the issuer's solvency and are not protected by the Financial Services Compensation Scheme (FSCS)—except for Deposits, which are 100% Capital Protected and safeguarded up to £85,000 under the FSCS. Additionally, market declines that breach protection barriers may lead to capital losses proportional to the underlying index fall. Advisers should also address potential liquidity constraints and inflation risk to ensure clients have a full understanding of possible limitations.

Conclusion

The retirement income environment continues to evolve, and with it, so do client expectations. Complaint volumes are rising, redress costs are growing, and regulatory oversight is intensifying. In this context, structured products offer a credible way to bring predictability, transparency, and compliance alignment to financial planning.

When chosen and explained carefully, structured products provide something advisers and clients increasingly value above all: certainty in an uncertain world. They offer stable income for essential needs, capital protection for peace of mind, and defined outcomes that support both client confidence and regulatory trust.
For advisers looking to enhance client satisfaction while reducing the risk of complaints, structured products deserve careful consideration—not as a niche instrument, but as part of a balanced and evidence-based retirement strategy.

A Call to Action for Advisers

With complaint volumes rising and Consumer Duty reshaping professional accountability, the advisory community faces both challenge and opportunity. Structured products can help advisers demonstrate measurable value, reinforce transparency, and create income plans that clients can understand and trust.

This is not about replacing traditional methods. It is about refining them—building hybrid solutions that protect capital, preserve confidence, and meet regulatory expectations. In a market where trust matters more than ever, predictable income and defined outcomes are not just defensive tools but the foundation of stronger client relationships. Advisers who take the time to understand and integrate structured products into their planning toolkit will be better positioned to deliver certainty and clarity in a landscape defined by complexity.

Terry Dixon
IDAD Sales Director

Past performance is not necessarily a guide for the future.

IDAD Limited is authorised and regulated by the Financial Conduct Authority FCA FRN 740499. It is a limited liability company registered in England and Wales number 4521366.