

FCA

Financial Services  
Consumer Panel

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Dear FCA,

**Financial Services Consumer Panel response to FCA CP 26/10:  
Simplifying the Pensions & Investment Advice Rules**

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to the FCA's consultation paper (the CP) titled Simplifying the Pensions & Investment Advice Rules. We are an independent panel that represents the interests of consumers of financial services including both individuals and small businesses. Our focus is on the outcomes and impacts to these stakeholders.

The Panel fully appreciates the FCA's objective to ensure that financial advice is available to a broader market, at a price that people can afford. We also believe that these efforts will serve to increase financial literacy / capability, which is ultimately in the best interest of consumers, firms, and the overall economy. Properly implemented, we agree that the addition of simplified advice and clarification of the advice framework will support these objectives.

The Panel generally supports the FCA proposals suggested in the CP. However, we also have some high-level comments and suggestions, which are summarised below and further detailed in the attached annexes. Many are reminders and reiterations of FCA policy that may get lost in the volumes of industry responses.

- As noted in paragraph 64 of the CBA, less than 40% of consumers have a positive view of financial services. Executed properly, simplified advice and other changes to the advice framework could lead to improvement, but the FCA should also make a concerted effort to understand what is at the root of these negative perceptions and mitigate this to the extent that this can be done through regulation or firm guidance.
- The FCA needs to carefully consider and test how firms interpret any changes in terminology to ensure that the outcome is not detrimental to consumers. Whilst we understand that firms may now be interpreting the FCA rules more cautiously than intended, we are concerned that words such as "sufficient" and "proportionate" may send the wrong message.

- Firms that fully understand a consumer's knowledge and experience will be better able to provide the consumer with an appropriate service that will be valued, which we expect will lead to benefits for both the consumer and the firm. The FCA should expect firms to explore efficiencies before reducing information collection.
- We believe that firms should be actively guiding their clients to gain a practical understanding of investment risks, which will support broader and longer-term investing, bearing in mind that a consumer who loses money is far less likely to invest in the future, especially if they feel they were not fully informed by their adviser.
- We encourage the FCA to actively monitor financial promotions and FOS and firm complaints as a result of the implementation of the proposals and to take urgent action if consumer harm arises. We also believe that the FCA should continue to schedule good and poor practice / multi-firm reviews to identify and act on any harm or potential harm to consumers.

Please also refer to our responses to the questions in the Appendix entitled Consultation Paper Questions. We also suggest referring to our responses to various investment and pension themed consultations, including, but not limited, to CP25/17 Supporting consumers' pensions and investment decisions: proposals for targeted support<sup>1</sup>, CP25/26 Consequential Handbook changes following the proposals in CP25/17<sup>2</sup>, and CP25/9 Further proposals on product information for Consumer Composite Investments<sup>3</sup> for additional context. The Panel's research<sup>4</sup> is also very relevant reading.

We have also responded to the questions in Chapters 4 and 5 in the Annex titled Discussion Paper Questions. We also ask the FCA to refer to our response to CP25/36 Client categorisation and conflicts of interest for further comments.<sup>5</sup> In addition to the above, we have provided answers to Questions 22 and 23 in a separate section titled Annex Questions.

The Panel thanks the FCA for the early and helpful discussions, and we look forward to working with the FCA to continue the journey to help consumers get the financial advice they want, when they want it, and at a price they can afford.

Yours sincerely,

Chris Pond  
Chair, Financial Services Consumer Panel

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<sup>1</sup> [supportingconsumerspensionsandinvestmentdecisionsproposalsfortargetedsupport.pdf](https://www.fca.org.uk/panels/consumer-panel/publication/supportingconsumerspensionsandinvestmentdecisionsproposalsfortargetedsupport.pdf)

<sup>2</sup> <https://www.fca.org.uk/panels/consumer-panel/publication/supportingconsumerspensionsandinvestmentdecisionsproposalsfortargetedsupport.pdf>

<sup>3</sup> [https://www.fca.org.uk/panels/consumer-panel/publication/20250528\\_scp\\_response\\_to\\_fca\\_cp259\\_further\\_proposals\\_on\\_product\\_information\\_for\\_consumer\\_composite\\_investments.pdf](https://www.fca.org.uk/panels/consumer-panel/publication/20250528_scp_response_to_fca_cp259_further_proposals_on_product_information_for_consumer_composite_investments.pdf)

<sup>4</sup> <https://www.fca.org.uk/panels/consumer-panel/publication/whenlifehappens-understandingfinancialadviceneedsthroughlifetriggers.pdf>

<sup>5</sup> [financialservicesconsumerpanelresponsetocp25-36clientcategorisationandconflictsofinterest.pdf](https://www.fca.org.uk/panels/consumer-panel/publication/financialservicesconsumerpanelresponsetocp25-36clientcategorisationandconflictsofinterest.pdf)

## **Appendix**

### **Consultation Paper Questions**

#### **Question 1. Do you agree with how we have consolidated the chapters and our approach to remove the distinctions between MiFID, non-MiFID business and insurance-based investment products and other life policies?**

The Panel agrees with the FCA's approach to consolidate COBS 9/9A into a new chapter COBS 9C. We also support the proposal to remove the distinctions between MiFID, non-MiFID business, insurance-based investment products and other life policies. These proposals should make it easier for all stakeholders, including consumers and their representatives, to understand. However, we do expect the FCA to ensure that these proposals do not erode consumer protections in any way. Furthermore, we urge the FCA to compare relevant pre- and post-implementation complaints to identify and address any unintended consequences.

#### **Question 2. Do you agree that changing the suitability requirement from consideration of 'necessary' to 'sufficient' information, along with the proposed supporting guidance, will give firms confidence to take a more proportionate approach to assessing suitability?**

Whilst the Panel understands that there might be a lack of clarity in the rule, we do not agree that the wording change from 'necessary' to 'sufficient' is the right approach. In our view, the word 'sufficient' implies a bare minimum standard. We suggest that the FCA should revisit its explanation in paragraph 2.24 and adjust the wording accordingly. We believe that the wording could be clarified to ensure that firms understand they must consider all information relevant to the particular recommendation, but they do not have an obligation to gather additional information that is irrelevant to that recommendation. We agree with the FCA that, in the context of the Consumer Duty, firms should use their judgement and be prepared to explain the rationale for their approach.

The Panel also agrees that supporting guidance should be helpful.

Aligned with our response to Question 1, we encourage the FCA to monitor FOS complaints and decisions to identify any emerging risks relating to these proposals and to take appropriate action when indicated. We also suggest that the FCA makes it clear to firms that, in addition to FCA guidance, the publications of FOS decisions are a source of further clarity.

#### **Question 3. Do you agree with our proposed approach to considering a client's knowledge and experience?**

and

**Question 4. Do you have any comments on how we have defined the circumstances in which a knowledge and experience assessment need not be undertaken?**

The Panel agrees that preventing consumers who do not have prior experience or knowledge from beginning their investing journey may not be in the best interest of these consumers. However, even for simpler, more common investments (a concept which requires definition), we believe that firms must explain the recommended product or service and the associated risks, and they must assess the consumer's capability for understanding that information. The FCA has already demonstrated that a reasonably large number of investors are overconfident about their knowledge and understanding, and this can lead them into inappropriate investments.<sup>6</sup> We do fully support the FCA's proposal that firms should be able to educate and increase a client's knowledge to enable them to make the right financial decision, but the FCA should also make sure that firms are making the client aware of any potential conflicts of interest the firm might have.

We agree that a properly categorised professional client should be able to understand the products / services and associated risks for which they have been so categorised; however, please see our response to CP25/36 Client categorisation and conflicts of interest<sup>7</sup> for further comments.

As highlighted in its recent review Consumer understanding: good practice and areas for improvement<sup>8</sup>, the FCA is also aware that firms do not always act in the best interest of consumers on this journey. Therefore, the FCA must continue to monitor financial promotions and complaints and take appropriate action when indicated. The FCA should consider scheduling a multi-firm or good and poor practice review to assess the suitability assessment approaches taken by firms, as well as the associated consumer outcomes.

**Question 5. Do you agree with our proposal to simplify the terminology and expectations when assessing the investment risk a client is willing to take?**

and

**Question 6. Do you agree with our proposals to clarify that a firm can take a proportionate approach to assessing a client's ability to bear losses?**

No, the Panel strongly disagrees with both of these proposals. We do agree that the use of different terminology reflecting the same concept of "attitude to risk"

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<sup>6</sup> <https://www.fca.org.uk/publications/corporate-documents/consumer-investments-strategy#:~:text=Vision-Consumers%20can%20invest%20with%20confidence%2C%20understanding%20the%20risks%20they%20are,are%20able%20to%20get%20it>

<sup>7</sup> [financialservicesconsumerpanelresponsetocp25-36clientcategorisationandconflictsofinterest.pdf](#)

<sup>8</sup> [Consumer understanding: good practice and areas for improvement | FCA](#)

is not helpful, and we don't disagree with the use of that single term. However, we do not agree that this is what firms should be assessing or asking consumers. Research shows that what consumers "say" and "do" are often different<sup>9</sup>. This is why complex psychometrics or detailed questionnaires are helpful, as they are likely to be a much more valid approach to the assessment. We also highlight that the proposed relaxing of the rules would mean that firms can undertake a less thorough assessment of consumer attitude to risk and/or ability to bear losses with the consequence that consumers are more likely to be deemed suitable. In most cases the firm making the assessment will gain financially from the consumer being approved, which is a clear conflict of interest.

To accomplish the appropriate outcome, the Panel proposes that the firm must ensure that the consumer understands and accepts the various risks that are associated with the recommendation(s). If the consumer has a good grasp of the concepts underpinning the recommendation, they will then be able to make their own decision as to whether it matches their "attitude to risk". We do not object to the firm asking the question, in addition, to ensure there is understanding and alignment. This approach will help to ensure that the consumer makes the right decision in the current situation, but we also believe that this approach will better serve to (a) increase consumer financial capability over the long term as consumers will gain a greater understanding of the assessments they should be making and (b) increase consumer confidence in investing as they become more knowledgeable. We believe that this approach should also apply to consumers classified as professional investors. Whilst we would suggest that this may "rebalance risk" from the firm to the consumer in the short term, we take the view that in the long term, it puts more control of the consumer's financial decisions into their own hands and better helps consumers to navigate their financial lives. In the context of the Consumer Duty, we do, however, expect firms to also use sound judgment if a consumer does not appear to understand the product / services and risks associated with the recommendation or if the consumer exhibits signs of vulnerability.

The Panel is also concerned about relaxing firm expectations relating to a consumer's ability to bear losses, bearing in mind that a primary reason that a consumer seeks advice is in large part to avoid losses. If the adviser is not doing their utmost to ensure that the consumer can bear any potential losses associated with a recommendation, one must question whether the consumer is obtaining value. We agree that this does not mean that the firm must always engage in an all-encompassing exercise to establish whether or not a consumer has the ability to bear any and all losses. However, we believe that firms should make a pertinent assessment of the relevant factors and adjust any recommendations accordingly. If there is any doubt, the firm should err on the side of caution.

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<sup>9</sup> [From beliefs to behavior: Clarifying the roles of attitudes and context - Lee - 2026 - Journal of Consumer Psychology - Wiley Online Library](#)

**Question 7. Do you agree:**

- a. that we have appropriately defined the scope of situations in which firms are required to provide a suitability report?**
- b. with our proposals to align the content requirements for different types of business?**
- c. that clarifying that the content of suitability reports should be concise and proportionate to the nature and scope of advice provided will give firms confidence to produce clearer and more consumer-focused reports?**
- d. that we should align the requirement to provide a suitability report before the transaction is concluded for all types of business (except where distance communication prevents this with consent)?**

a. The Panel agrees with the FCA proposal that a suitability report must be provided any time a firm is advising on a financial instrument, and this requirement should not differ by product / service. We also agree that a suitability report is required when the advice is not to do something. The Panel is supportive of the repeal of the exemption for a suitability report pertaining to subsequent single premiums / contributions to existing packaged products. In order to encourage appropriate inward investment, we agree that a suitability report should be provided when a client is not a UK resident.

b. Yes, the Panel agrees that the suitability report content requirements should be aligned across all products / services.

c. The Panel agrees with the FCA's intent to support transparent and clear suitability reports that are understood by consumers. As part of this, we support the requirement that potential disadvantages must be explicitly set out in suitability reports. However, we are concerned with the FCA messaging that suitability reporting should be concise and proportionate, as there will be some firms that misinterpret this to mean they can provide less information without justification. Instead of "concise and proportionate" we would prefer that the FCA refers to reliance on the Consumer Duty which provides firms with the flexibility to support consumers in an optimal manner, as long as they undertake consumer testing to ensure that their reports / communications properly reflect the situation and are well understood by the recipient. The FCA must also follow up with good and poor practice reviews to ensure that this is what firms are doing and to take appropriate action whenever information indicates otherwise.

d. The Panel agrees that a suitability report should be provided before a transaction is concluded. We do not agree that there should be any exceptions, as we do not envision any situation where a report could be provided **immediately** after the transaction if it cannot be provided before it takes place.

**Question 8. Do you agree with our proposal to remove the stated provisions and rely on the Consumer Duty? Are there any additional rules that you consider can be removed and reliance placed on the Consumer Duty?**

The Panel disagrees with the arguments put forth by the FCA to remove the stated provisions and rely solely on the Consumer Duty. We do not see any practical negative impact of rule duplication, if the rules in COBS are framed in a way to supplement rather than replace the Consumer Duty. Furthermore, we are extremely concerned that the removal of these rules (or any other COBS rules) will affect a consumer's private right of action, a right we believe strongly should be protected. If the FCA does go ahead with this approach, we think that it is critical that monitoring is in place to track any negative financial impact on consumers from either the elimination of the rules or the ability to obtain redress.

**Question 9. Do you agree with our proposal to retire FG17/8 and embed its principles of proportionality in the new rules?**

The Panel is not yet convinced that eliminating financial guidance and embedding it in concept in the new rules is the right approach. We would caution the FCA to consider that the word "proportionate" may give firms the impression that they can be more flexible than would be appropriate for good consumer protection. We would prefer to see that the financial guidance and case studies are updated, rather than eliminated, to better apply in the current environment. Whether the FCA ultimately does or does not implement the current proposals, the FCA should also conduct research prior to implementation of the new rules to ensure that firms understand them as the FCA expects.

**Question 10. Are there specific scenarios that you would like to see addressed by case studies? Please outline proportionate approaches to assessing suitability in specific scenarios.**

The Panel does agree that case studies are helpful. The scenarios should be prioritised according to the FCA's data that shows the greatest consumer harm. Once that is covered, the FCA should include the most prevalent consumer scenarios. We would suggest that both criteria may initially highlight cryptoassets.

In all cases, the suitability report should cover all content that is needed for a consumer to make a decision as to whether a particular suggestion is appropriate for them or not. There are two elements to this. The first element relates to the product / service and the second is the consumer themselves. For non-holistic advice, the product / service focus should include a full explanation of what it is / does, any timing issues, the advantages and disadvantages, all associated risks (including FOS and FSCS cover), alternatives, and costs. The underlying information will be the same for all consumers, but the technical level of the explanation should be tested for understanding by each consumer cohort.

The suitability assessment itself should capture the particular consumer's ability to understand the product / service information, why it meets their specified need or requirement, why it does (or does not meet their risk appetite), the

consumer's ability to suffer any potential losses, etc. This part of the assessment does not need to be a holistic assessment of the consumer's total financial picture (unless information surfaces to indicate otherwise), but should focus on the potential impact of the particular product or service.

**Question 11. Excluding qualifications and charging rules, are there any other regulatory changes we could make to facilitate the development of a market for more simplified forms of advice, or otherwise help consumers navigate their financial lives?**

The Panel agrees with the FCA that changing the regulations to allow commission or cross-selling is not in the best interest of consumers, firms, or advisers. When advice is not tainted by conflict and provides value for money this retains the trust and confidence of all parties. Anecdotal evidence suggests that investment advisers do not generally charge for their advice on an hourly basis, which is the approach taken by advisers / consultants in most other professions and is demonstrably commercially viable.

The Panel agrees with the FCA that the current qualification requirements should not be reduced. However, we believe that the FCA should consider the U.S. approach of professional licensure for investment advisers. This model provides a modular approach where the individual qualifies and holds a licence for each product type. This model also puts a significant amount of the burden on the licensure board, reducing firm burden.

As the Panel often suggests, we would urge the industry and / or the FCA to conduct research to find out what consumers actually want from simplified advice and how they would react to differing charging models.

**Question 12. Do you agree with our proposals to clarify our rules on provision and charging for ongoing services?**

The Panel agrees that the FCA proposals relating to the provision and charging of ongoing services seem reasonable. With the use of AI, we would certainly expect firms to be able to keep a closer watch on market events and evolutions and to more proactively support their clients on an ongoing basis. However, given that new firm charging models, such as subscriptions, are likely to be an outcome of these proposals, we urge the FCA to monitor for unintended consequences and / or consumer harm as a result and take action when indicated. The Panel also encourages the FCA to conduct a subsequent multi-firm / good and poor practice review to ensure that consumers are getting value for money.

**Question 13. Do you agree with our proposal to remove the annual suitability requirement for firms providing ongoing services in relation to business that falls under MiFID II or the IDD and to replace it with a requirement for firms that conduct periodic suitability assessments to do so in keeping with the Consumer Duty?**

The Panel agrees that the proposal for periodic suitability assessments, in line with a particular consumer's expectations and in compliance with the Consumer Duty, seems reasonable. We would expect that, at a minimum, a suitability assessment should take place when there are material changes in a consumer's circumstances or there are market changes that would materially impact the consumer's portfolio. Therefore, depending on the consumer and situation, this may be more or less frequent than an annual assessment. We expect that firms will use AI to support an optimal service, which should also lead to reduced costs. We fully support the FCA's proposed actions outlined in paragraph 3.19.

**Question 14. Should we consider further transparency requirements or guidance to mitigate the potential market impacts of the proposed rule change and ensure consumers understand the service and receive fair value?**

The Panel encourages the FCA to provide as much information and guidance as is necessary to ensure that firms are providing the expected service for fair value. We note the poor practice issues identified in the multi-firm review published in February 2025. At a minimum and given the substantially increased flexibility associated with these proposals, the FCA should address the multi-firm review issues, with a focus on the contractual terms with clients and firms' processes, controls, monitoring, and record-keeping to ensure that firms are delivering the right outcomes. We would also like the FCA to extend their work to review the quality of the periodic assessment, either by supervisory action or by consumer research. In addition, the FCA should explain that there will be follow-up supervisory attention for firms that do not meet standards. This should go a long way to incentivising these and other firms to make any needed improvements.

**Question 15. Do you agree with our proposal to include Handbook guidance to clarify our expectations about firms' compliance with the Consumer Duty when handling disengaged clients? If not, please explain why and any other options we should consider.**

The Panel supports the FCA's proposal to include Handbook guidance relating to disengaged clients, and we are in full alignment with the messages and information that the FCA seeks to convey.

**Question 16. Do you agree that we should work with industry to publish examples of good and poor practice to support firms in complying with Consumer Duty standards in the context of disengaged clients? If so, please provide examples around the topics set out above.**

The Panel generally agrees with the questions the FCA is asking of firms in paragraph 3.27. However, we have some further suggestions:

- We believe that the FCA should ask firms additional questions that are framed in a way to get the firm to consider this from the client's

perspective. For example, do they have feedback from their clients, do they have evidence of, or do they believe a lack of engagement is due to particular situations, e.g. vulnerability, stable portfolio, service not useful, etc.

- It might be helpful for the FCA to explore with firms the resources they use to further investigate the possible underlying reasons for a client's disengagement, especially if they have moved, passed away, etc.
- The FCA should use complaints information to identify any formal issues that consumers have raised.
- The FCA should support research directly with consumers to understand their reasons for disengagement.
- In addition to seeking firm feedback, the FCA should continue to independently assess firms good and poor practice. And as noted in our response to Question 14, the FCA should make it clear in the guidance that firms that do not meet their Consumer Duty obligations will be subject to enhanced supervisory attention.

## Discussion Paper Questions

**Question 17. Should the FCA consider changes to our rules on legacy trail commission? If so, should this be done via enhanced transparency, a sunset date, a transitional period, or any other option?**

and

**Question 18. Do you have any views on the likely impact on consumers and firms that pay and receive trail commission? Can you give us any specific details or estimates of the impact that these changes may have and the potential for consumer harm?**

The Panel is supportive of the FCA's suggestions to change the rules on legacy trail commission, as long as the changes do not negatively impact consumers. We do believe that eliminating trail commission is likely to reduce potential harm to consumers. Potential conflicts of interest currently exist, as advisers may be reluctant to switch consumers out of a product that pays a legacy trail commission. However, we are concerned that equivalent products for switching may no longer be available. It is also likely that firms will seek to increase their charges to consumers to cover the lost income. Given that trail commission is paid to firms by providers and not directly charged to consumers, this could have a significant impact. Based on the FCA's data in paragraph 4.6, this is likely to be a 12% general increase, but it could be significantly higher for consumers that hold products that pay trail commission.

Since trail commission is not visible to consumers, we fully support an immediate requirement for transparency (including the potential for conflicts of interest), which could encourage some consumers to switch. We also note that, as explained in paragraph 4.20, providers may view products with trail commission as expensive to maintain; therefore, a reward to consumers for switching to a non-trail product might also be worth considering. However, in these cases, the FCA / firm must ensure that the consumer is not making a switch decision that is detrimental to their objectives. Other solutions are likely to depend on the information collected by the FCA as part of this consultation.

**Question 19. What value does this commission represent to operators of alternative investment products, distributors, and retail investors? What is the impact on firms, consumers and the market if these commissions were not allowed?**

The Panel believes that commission payment that are not passed on to clients in full have significant conflict of interest implications, and we strongly support the replacement of these revenue models with approaches that do not either directly or implicitly harm consumers. Similar to the situation in Question 18, potential suggestions for solutions are likely to depend on the information collected by the FCA as part of this consultation.

**Question 20. Do you agree with our proposal to allow platforms to rebate commission received from alternative investment fund managers in the same circumstances as commission received from authorised fund managers?**

The Panel agrees that there should be consistency relating to the treatment of commission rebates to consumers between alternative investment funds managers and authorised fund managers, and we believe that, until the point that commission is no longer part of contractual agreements, all commission should be passed on to consumers in full.

**Question 21. Do you have a view on what would be appropriate suitability requirements for services provided to professional clients, including whether there is merit in differentiating by client type as well as the scope and nature of services provided as well as the nature of products recommended?**

The Panel believes that different suitability requirements applying to professional clients, depending on the products / services creates challenges for clarity, understanding, and interpretation by both the professional client and the firm. We agree that a single suitability framework for professional clients would be helpful.

However, we are concerned that the additional flexibility accorded to firms under the proposal may lead to harm of some professional clients, given that the Consumer Duty does not apply. We recognise that the majority of professional clients are likely to be largely capable of understanding their protections, or lack thereof and are able to identify if they are not receiving value for money and will take appropriate action. However, the Panel urges the FCA to carefully consider how this could impact less well-informed professional clients. Furthermore, we suggest the FCA should monitor any post-implementation negative impacts or unintended consequences arising from these changes as some firms are likely to assume that, once someone is classified as a professional client, the firm is absolved from all responsibility.

In this context, it is also critically important that the FCA refers to our response to CP25/36 Client categorisation and conflicts of interest for a more complete discussion of the Panel's views relating to suitability requirements relating to professional clients.

## Annex Questions

### **Question 22. Do you agree with our assessment of the costs and benefits of these proposals? Please outline why you do or why you do not, sharing any evidence that may improve our assessment.**

The Panel appreciates the extensive effort that the FCA **has** put into this cost benefit analysis (CBA). The explanations are very helpful, and the collection of pre-consultation data from firms and the use of Financial Lives Survey (FLS) data to inform the approach ensures credibility. However, we do have some points we'd like to highlight, which are discussed below.

The Panel believes that the CBA could do more to consider the critical improvements in financial literacy and capability that are possible and should occur as new and less expensive forms of financial advice are offered. Even if a consumer does not act on a particular suggestion, they may gain knowledge that they put to use at a later date. As consumer exposure increases, it is also likely that their financial literacy and capability and confidence will increase as well. This should lead to greater wealth for the individual, success for firms, and economic growth that is sustainable and self-perpetuating. Although it may be a challenge to prepare accurate projections to capture this data, the Panel encourages the FCA to attempt to do so and to track actuals against projections.

For these outcomes to occur, it is essential that adviser(s) are competent and trustworthy and they are perceived as such by consumers. The Panel believes that the FCA should be seriously concerned with the FLS metrics relating to consumer perceptions of the industry, as noted in paragraph 64. We recognise that this is the purpose of the Consumer Duty, which may not yet be fully embedded, but we believe that the FCA should quantify the effects of good and poor practice in the CBA to reinforce the messages to firms. We also suggest that the FCA more fully explain Sweden's experience as noted in paragraph 42, as there may be new ideas that could be implemented in the UK.

As acknowledged in the CBA, the pace of technological change has been rapidly increasing. This is in part due to the FCA's well-received support of innovation through its digital sandbox and other initiatives. However, the Panel suggests that the FCA's view of the impact of technology is underestimated in this CBA. For example, using the 2024 FLS as a baseline for adults using automated services (1.5%) seems outdated already. One recent research study<sup>10</sup> notes that significant numbers of consumers (55%) utilise AI to support their learning and financial decision-making journey. Firms are likely to find that making use of AI when providing standardised advice services will serve to reduce costs and increase effectiveness (when implemented properly). Conversely, however, competition will be intensified, both with their existing peers but also new technology entrants. The FCA will also need to continue to consider the appropriate response to automated advice provided by firms and by generative

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<sup>10</sup> [STRAT7 Study: 55% of UK Adults Use AI for Financial Advice](#)

AI platforms. All of these changes will impact consumers. It is not obvious that these issues have been fully captured in the FCA's approach or in the modelling.

The Panel believes that the metrics that the FCA is proposing in paragraph 141 largely measure benefits for firms. Based on comments in several paragraphs of the CBA, e.g., 25, 42, 127, the FCA is aware of and should seek data designed to measure outcomes that matter to consumers. For example, some potential measures might include:

- What is the proportion of advised consumers whose wealth increased over a threshold over a particular period?
- How many consumers lost money in a particular period, and how will that impact their attitude toward investing in the future?
- How many consumers received a helpful suggestion from a firm, even if they didn't act on it?
- How many advice-related complaints do firms (a) receive (b) and resolve, and how many unresolved complaints are (c) escalated to FOS and (d) resolved by FOS for the consumer?

We would also suggest that the FCA set a target for significant improvement of the metrics noted in paragraph 64, i.e.:

- 36% of consumers agreed that most financial services firms are honest and transparent in the way they treat them.
- 39% had confidence in the UK financial services industry

It would be extremely helpful for the FCA to do longitudinal research to compare the outcome differences between no advice, limited scope, targeted support, full advice, etc., especially across demographic groups. Similarly, the Panel believes that assessing financial literacy across these various categories would also be extremely informative.

The Panel takes the view that the FCA should more explicitly identify the costs it will incur to properly implement and monitor the expanded approach to advice services. We expect the FCA to specifically budget for:

- Collecting and monitoring appropriate metrics, as explained above.
- Performing a post-implementation review to understand lessons learned.
- Conducting periodic multi-firm and / or good and poor practice reviews.
- A project to determine regulatory actions that could lead to improved industry perceptions by consumers.
- Increased supervision and follow-up actions until such point that there are no identified negative unintended consequences and it is clear that consumers are getting quality advice which is value for money.
- The possibility and complexity of enforcement action due to an increase in advice offered by unregulated "advisors", as well as violations of the new rules / Consumer Duty by regulated firms.

We do note that the FCA has included £0.7m under exceptional projects for the work on simplifying advice in its 2026/2027 work programme; however, we assume that this is related to activities such as consultations and policy development, rather than post-policy activities.

**Question 23. Do you have any comments on our equality and diversity considerations?**

The Panel appreciates the FCA's demographic statistics related to the provision of financial advice, as noted in paragraph 32. Although the root cause may not be within the FCA's gift to resolve, it is clear that there is room for improvement across protected characteristics. If the FCA's aim to cost-effectively broaden financial advice to a larger group of clients is achieved, we agree that this may have a positive impact on the financial outcomes of those with protected characteristics. The FCA should ensure that they have quality data to measure the impact of the intervention, and the FCA should also make every attempt to measure variables that could lead to enhanced representation, as well as variables that may lead to reduced representation, so that the framework could be further improved over time.