

Consumer Investments Advice Policy
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN



By email

26 February 2024

Dear Sir/ Madam,

DP23/5: Advice Guidance Boundary Review – proposals for closing the advice gap

The Panel is supportive of the proposals to put in place a framework to help address the advice gap. There is a growing urgency to address the lack of affordable financial advice available to consumers, alongside tackling financial literacy, understanding and engagement. Our primary concern is that the scope of the AGRB work only addresses a part of the problem.

The proposals for Targeted Support are likely to stimulate larger firms' interest in developing tailored support, predominantly in the form of digital investment solutions. Giving firms the opportunity to innovate targeted support solutions to address a range of scenarios across a broad range of products and offer these at a low (or no) fee, should enable engagement with volumes of potential investors. It will however be vital to make clear to consumers that this support does not represent advice, and that they are accountable for actions taken arising from the support they receive. A key challenge will be building consumer understanding and awareness of when it is appropriate to seek professional financial advice.

The proposals for Simplified Advice have the potential to open up access to professional financial advice for consumers who may have 'smaller' sums to invest and for whom the fees for holistic advice represents too great an expense/ commitment. In our view it would be a missed opportunity not to include pensions decumulation in this service. However, we are less clear on whether the opportunity to offer Simplified Advice is likely to be taken up by smaller firms due to both commercial and risk considerations.

From a commercial perspective, smaller advice firms have lower profit margins and need to carefully consider which work they take on in order to be financially viable. They are therefore likely to be more incentivised to serve clients with larger sums to invest who are seeking holistic advice. Providing Simplified Advice also potentially exposes firms to greater liability risk, as consumers speaking to an adviser could assume that they have received holistic advice and raise complaints if their investment choices do not produce the returns they expected. Clarity about scope, design, disclosure requirements, where accountability sits, and the level of consumer protection will be vital to create an environment where both firms and consumers can feel comfortable and confident in engaging in this service.

To widen the appeal (for smaller advice firms) and accessibility (for consumers) of Simplified Advice we would recommend consideration of an update to the rules to allow trainees or paraplanners who have the appropriate knowledge and skills to offer Simplified Advice. Enabling paraplanners to give advice to consumers on discrete matters, such as ISA top ups before year end, would enable firms to provide advice to a larger number of consumers and also free up advisors' time to provide advice on more complex matters and holistic advice. The firm at which a trainee or paraplanner is placed

would retain the responsibility to demonstrate good consumer outcomes in line with the Consumer Duty.

Our wider concern is that the ability for consumers to access holistic or Simplified Advice from smaller advice firms is increasingly at risk due to issues affecting the sustainability of the sector. The number of advisers has plummeted in recent years due to a broad range of economic and regulatory pressures including the fee structure post-Retail Distribution Review implementation, the cost and time taken to recruit, train and qualify new talent, lower profit margins and fear of further regulatory change. This has led to an increasing number of advisers taking early retirement and a depleting talent pipeline. In our view this ongoing contraction of the advice market requires attention alongside the AGBR to future-proof consumer access to all types of advice.

We would be happy to discuss any of these points further.

Yours sincerely,

[signed]

Andy Mielczarek
Chair, FCA Smaller Business Practitioner Panel