

Discussion Paper

DP25/3

Expanding Consumer Access to Investments

December 2025

How to respond

We are asking for comments on this Discussion Paper (DP) by **6 March 2026**.

You can send them to us using the form on our [website](#).

Or in writing to:

Consumer Investment
Distribution Policy
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Email:

dp25-3@fca.org.uk

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this [form](#) if you require this content in an alternative format.

Or call 0207 066 1000



Sign up for our **news and publications alerts**

See all our latest press releases, consultations and speeches.

Disclaimer

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

Further information on about the FCA's use of personal data can be found on the FCA website at: www.fca.org.uk/privacy.

Contents

Chapter 1	Rebalancing risk in the retail investments sector	Page 4
Chapter 2	Changes to the retail investing landscape	Page 10
Chapter 3	How we can rebalance risk through our regulatory framework	Page 17
Chapter 4	Conclusion and next steps	Page 26
Annex 1	List of questions	Page 27
Annex 2	Abbreviations used in this paper	Page 29

Chapter 1

Rebalancing risk in the retail investments sector

Executive summary

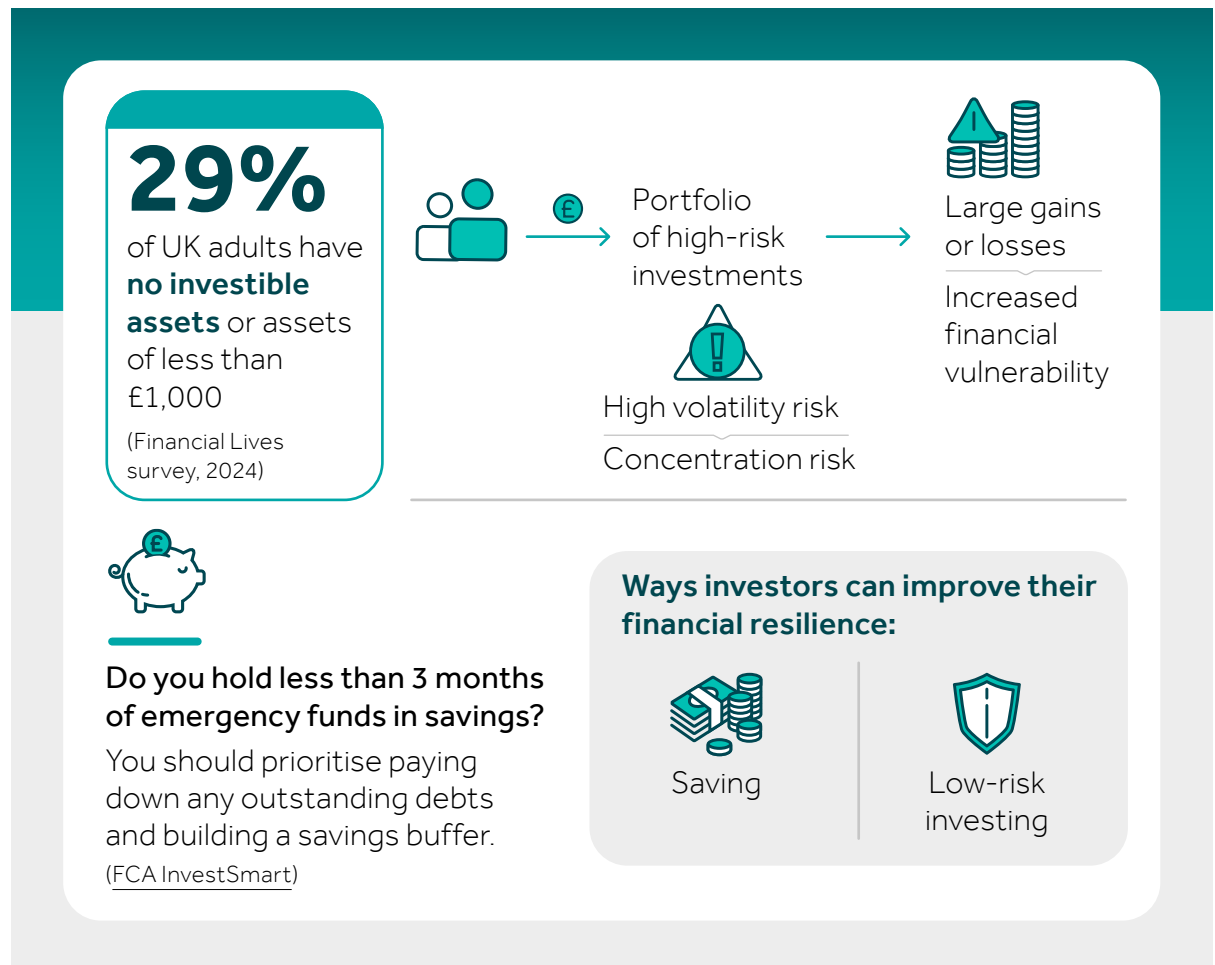
- 1.1** Our 5-year strategy sets out our ambition to help consumers navigate their financial lives. This includes helping them to understand the benefits of investing and to weigh up the risks and benefits of seeking higher returns over cash savings. The amount of investible assets held in cash remains high and we see a persistent mismatch, at both ends of the risk spectrum, between consumers' stated risk appetite and what they actually invest in.
- 1.2** We want to help consumers have more confidence to take on the right level of investment risk for them. This includes helping consumers understand what protections are available to them, as well as the limits to those protections. Building consumer confidence not only benefits individuals but will facilitate capital for firms and support economic growth over the longer term.
- 1.3** The market has changed significantly over the last decade. What retail consumers can own, how they can own it and how they can access it have all been transformed by technology and made investing more tangible. Further, with an aging population and greater autonomy for individuals over their lifetime savings, consumer needs have transformed too. Investing has never been easier and more accessible, but this has also created new challenges for retail consumers and for us as the regulator.
- 1.4** This past year, we made the most significant proposals and policy changes to the retail investments landscape for a generation. This paper now takes a step back and asks for your views of our overall regulatory framework for retail investors.
- 1.5** The FCA sets the regulatory framework to help consumers access investments that suit their circumstances in several ways. In this paper, we explore how we can:
- Support continued innovation by firms in this market
 - Ensure that for similar products, consumers have similar rights and protections
 - Shape access to high-risk investments that require professional expertise, and ensure retail consumers cannot easily access inappropriate investment opportunities
 - Regulate how firms communicate and promote to consumers to enable them to make informed decisions, including ensuring they can compare similar investments against each other
 - Introduce positive frictions to enable more considered decision making, such as our financial promotion rules and appropriateness testing

- 1.6** It is important we get the balance right across these interventions. We still see significant consumer harm from investment scams and inappropriate high-risk investments, and we want to mitigate that. Fear of scams is having a tangible impact on our retail investment culture. [Capital.Com](#) found that 34% of individuals who invest in traditional savings products such as Individual Savings Accounts and pension plans are hesitant to invest because they are concerned about potential scams. Improving our regulatory framework is essential to building trust and giving consumers the confidence to invest. And we recognise that some of our rules may not reflect the way markets now operate and could be updated.
- 1.7** We also want to encourage more retail investment through better informed risk taking. We want consumers to understand the opportunity cost of holding their investible assets in cash. These costs include potentially not benefiting from higher returns on investments and the associated compound interest over time. We've spent £14m on our InvestSmart campaign to encourage consumers to adopt positive investing principles that help them make better-informed investment decisions.
- 1.8** By the same token, informed risk-taking also means helping consumers understand where our regulatory framework will and will not protect them. For instance, certain activity is not regulated under the Financial Services and Markets Act 2000 (FSMA) and this means consumers may be in positions where they are not protected when things go wrong. We want to help consumers better understand the protections, and limits to the protections, that are available to them so that they can take properly informed responsibility for their investment decisions.
- 1.9** Our Consumer Composite Investments (CCI) rules ([PS25/20](#)) make significant improvements to the way firms communicate with consumers about investment products. And we are creating the framework for new forms of support to consumers through the Advice Guidance Boundary Review following extensive engagement with industry. We expect these initiatives to provide consumers with the right level of support and information.
- 1.10** We have also made significant reforms to our rulebook to reflect updates to the market and will continue to do more. We are consulting on changes to our client categorisation rules ([CP25/36](#)). When in place, this framework will create a clearer distinction between wholesale/professional and retail customers, giving a strong foundation for how we further classify retail consumers.
- 1.11** We are continuing to streamline our rules following the introduction of the Consumer Duty (the Duty). We want to simplify disclosure requirements and ensure our rules are consistent and future-proof so they can help firms to support consumers. And we are considering how to replace assimilated EU law provisions with Handbook rules to better suit UK consumers and firms.
- 1.12** A stronger and smarter retail investment culture is good for consumers, the economy and the country. This paper asks for your views on what else we can do to ensure our regulations help consumers take informed risks, and equip them with the confidence to put their money to work in search of higher long-term returns than cash savings.

Background

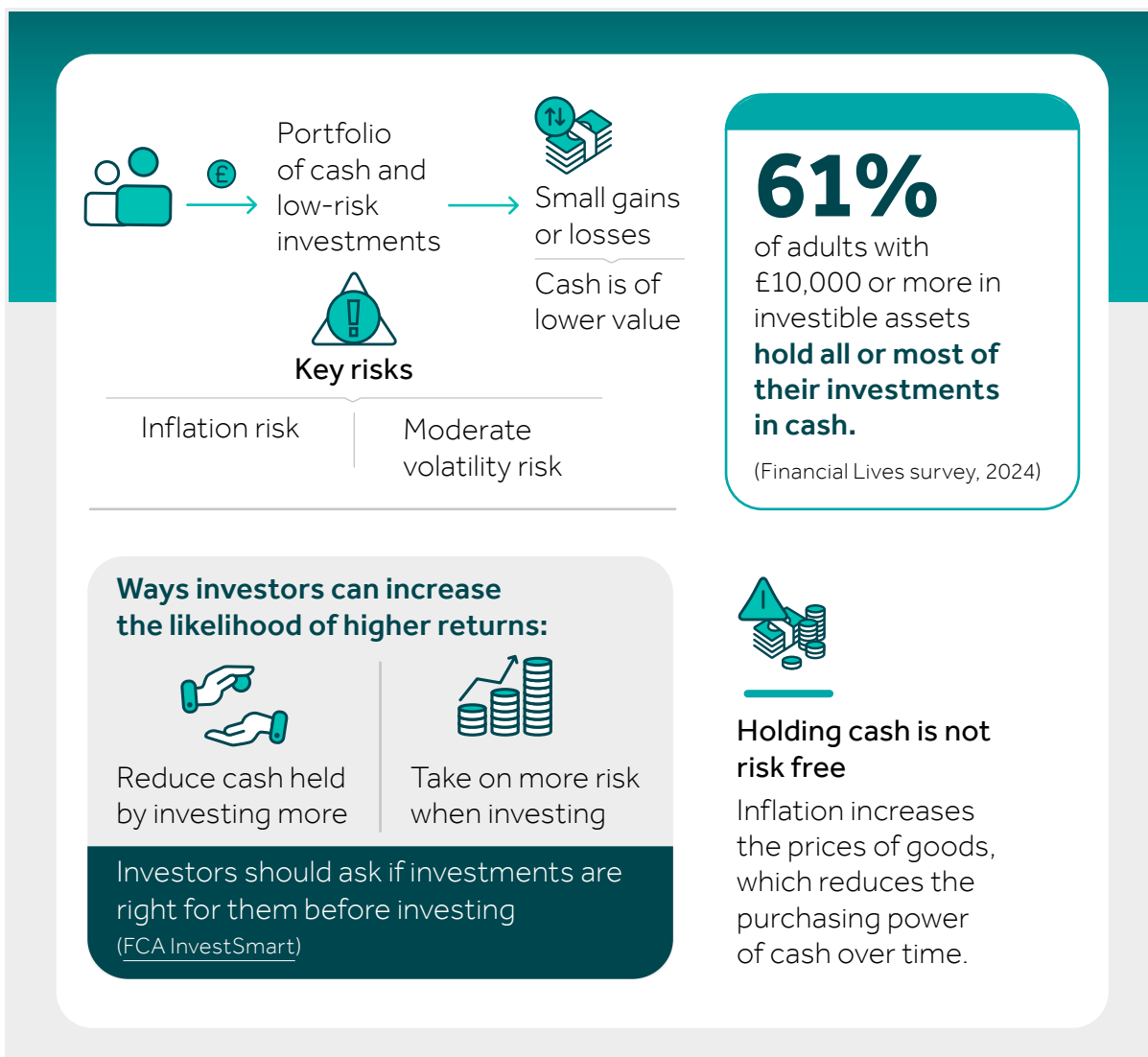
- 1.13** Over the past decade consumers have taken on more responsibility for their lifetime savings and investment decisions as changes to the pensions landscape have transferred the consequences of investment decisions from firms to individuals. This is particularly important as consumer needs have also changed – we have an aging population who are living longer than previous generations, meaning that retirement savings need to go further.
- 1.14** Over the same period, innovation and market developments have made investing easier. For example, opening investment accounts and accessing trading platforms without advice has become simpler. The breadth of investment opportunities has also changed, with emerging opportunities for ownership through fractionalisation and fund tokenisation. The range of wholesale products now available to retail consumers has grown. Future developments such as open finance may further change how consumers access investments.
- 1.15** Evidence suggests some consumers are not confident about investing and financial literacy is low, meaning consumers do not understand the opportunities and risks associated with investing very well. The government recently announced a Curriculum and Assessment Review which will include ensuring pupils learn financial literacy in schools. If firms can help build confidence and communicate with consumers at their literacy level, there will be benefits both for individuals and the economy more broadly through higher levels of investment.
- 1.16** For example, some consumers misunderstand the risks of holding cash. Of UK adults with at least £10,000 in cash (but no investments), our Financial Lives 2024 survey found that only 6 in 10 (59%) agreed that money in cash savings decreases in value because interest rates usually do not keep pace with inflation (FLS, 2024). Conversely, we see around a quarter of consumers holding high-risk investments while stating that they have a low risk appetite: 26% of investors holding high-risk products said they had very low or no willingness to take risks when investing (FLS, 2024), similar to 23% two years earlier (FLS, 2022).
- 1.17** We see potential for consumers to better understand and rebalance risk. But this will look different for different consumers, and not all consumers should be taking more risks with their money. The figures below set out some of the mis-aligned activity that we see in different groups of consumers.
- 1.18** Figure 1 shows consumers with lower levels of financial resilience. Depending on the consumer's circumstances, it may be best for them to focus on building financial resilience or engaging with less risky products.

Figure 1: Some UK adults are investing in high-risk investments when they do not have the appetite or financial resilience to withstand potential losses.



- 1.19** Figure 2 shows consumers with higher risk appetites and good financial resilience. It may be appropriate for consumers to recognise that holding cash is not risk free and take on more investment risk.

Figure 2: Most UK investors are typically not investing in ways to increase likely returns, instead choosing low-risk opportunities.



- 1.20** The way the retail investment sector operates is key to helping consumers build confidence, financial resilience and take informed decisions. Both distributors and manufacturers can influence consumers' experiences and attitudes towards investing.
- 1.21** We expect distributors' consumer investment journeys to positively engage consumers and enable access where appropriate. In accordance with the Duty, we want manufacturers to consider the consumer's experience in their product design and how they can continue to offer products which meet consumer demand and provide good value.

- 1.22** We recognise we may need to do more to adapt our rules to reflect the changes in how consumers can access and own investments, and what they can invest in. So we want your views on whether more needs to be done and what our priorities should be.
- 1.23** This paper includes examples of where we could rebalance risk with our regulatory framework. In some scenarios we may need to strengthen regulatory protections to mitigate risks from consumer exposure to risks which do not align with their risk attitude or tolerance. For example, in high-risk products such as contracts for difference (CFDs) and high-risk exchange-traded products, consumers have incurred substantial losses. In 2022, we found that approximately 80% of customers lose money when investing in CFDs. This may suggest more frictions should be considered in our regulatory framework.
- 1.24** We may also look again at where our rules treat comparable retail investment products differently. Consistency and comparability across practices and products will make our regulation more predictable and proportionate for both firms and consumers.

Equality and diversity considerations

- 1.25** We are not making specific proposals in this paper so do not consider that it will impact any of the groups of persons with protected characteristics under the Equality Act 2010.

Chapter 2

Changes to the retail investing landscape

Summary

- 2.1** This chapter explores some of the more significant changes we have seen, starting with how retail consumers access and engage with investments. We look at new forms of ownership, the types of investments that can be owned and whether similar investments are subject to similar rights and protections. We will ask your views on how we can take account of these changes in our regulatory framework.
- 2.2** We have recently consulted on related topics including fund tokenisation ([CP25/28](#)). We also detailed our approach to AI within the context of targeted support in ([CP25/17](#)). While relevant to our broader thinking on the evolving consumer investment environment these topics will not be discussed in detail in this paper.

Trading apps and digital engagement practices

- 2.3** We support innovations which improve access and make it easier for consumers to engage with investments that meet their risk appetite and needs. However, we have also seen an increasingly blurred line between trading (which is often high-risk and speculative) and long-term investing.
- 2.4** A growing number of retail customers now access financial products and services through non-advised platforms, including trading apps. The FLS (2024) found the use of non-advised platforms has increased, rising from 5.9% in 2020 to 11% in 2024. It also found that at least 3% of adults (1.6 million) were using a trading app; this may be a slight under-estimate, as 1 in 10 non-advised platform users did not know which type of platform they use. Almost half (47%) of trading app users were aged 18 to 34, while just one-sixth (18%) were 55 or older. Trading apps have increased consumer access to a wide variety of products and successfully engaged new groups of consumers in investing.
- 2.5** Trading apps have a place in making investing more accessible and engaging for consumers. These platforms often incorporate features and design elements which are designed to reduce friction in the consumer journey and engage consumers but may include elements of gamification which could be harmful. We have defined some of these elements as digital engagement practices (DEPs). Some examples include trader leaderboards, push notifications and default amounts for investing and leveraging.
- 2.6** The design features used by some trading apps can influence consumer behaviour and potentially blur the lines between investing and gambling-like behaviours. If features on apps exploit consumers' behavioural biases in a way that does not support good outcomes, this would be inconsistent with the Duty. As noted in Figure 1, consumers with low financial resilience or low risk appetites are unlikely to be well-served by high-risk investments.

- 2.7** Our research on DEPs shows that users of high DEP apps (those with 5 or more engagement features) experience significantly worse returns. Further, virtually all of the underperformance on high DEP apps could be attributed to trading in cryptoassets and CFDs, which in the sample of firms, were only available on high DEP apps. While our research does not suggest that DEPs are inherently harmful, the type of behaviour that they amplify and products they encourage is highly relevant to investment outcomes. Users of these apps are also more likely to be younger, in financial distress and display harmful trading behaviour.
- 2.8** These concerns are particularly relevant within the context of the Duty. It requires firms to act in good faith towards retail customers, avoid causing foreseeable harm to retail customers, and to enable and support retail customers to pursue their financial objectives. The Duty also calls for firms to ensure retail customers do not face sludge practices ('unreasonable barriers') during the lifecycle of a product.
- 2.9** If used constructively, DEPs can play a positive role helping consumers engage with investments, in line with the Duty. Examples may include in-app educational materials, help or feedback functions, and examples showing costs or returns over time.

Question 1: To what extent does our regulatory framework – including using the Duty – mitigate the risks associated with DEPs while supporting their positive use?

Question 2: Are there other frictions or factors shaping retail investing consumer journeys which our regulations do not sufficiently take into account?

Fractional investments

- 2.10** Innovative forms of ownership are increasingly available to retail consumers. We are seeing firms dividing ownership of a whole asset, so divisions are available at a proportion of the cost and can be offered to different consumers ('fractionalisation'). We typically see firms such as trading apps offering fractional investments and have also seen firms applying for our innovation services with similar offers.
- 2.11** Fractionalisation can make investing more accessible and creates opportunities for retail consumers to gain diversified exposure. Fractions held are likely to have similar investment risks to the underlying asset. However, depending on the way fractional investments are structured, consumers could be exposed to increased risk. For example, fractional shares are typically structured so consumers have a property right to a fraction of a share, secured by an underlying asset held in custody for them. This creates a similar risk profile as a whole share. However, other structures may also exist. A consumer could have fractional exposure to a share through a derivative. This would result in greater risk, as derivatives do not confer any ownership over the underlying asset and expose consumers to counterparty risk.

- 2.12** Fractionalisation may become more popular among consumers where distributed ledger technology (DLT) and tokens can be used to make fractions easier to access and more tradeable. In [CP25/28](#), we set out how tokenised assets and cash flows could make investing more personalised. The CP also explored how DLT exposes consumers to new risks, such as cybersecurity threats.
- 2.13** The potential for new or increased risks when investing in a fractional investment may not be immediately clear to the consumer when they decide to invest. A consumer may consider the risks to be the same as the underlying referenced asset. As a result, they might be at risk of making investment decisions that do not match their risk appetite.
- 2.14** We want to support the introduction of innovative ways to distribute investments to retail consumers. However, it is important our regulation achieves the same level of protection for retail consumers whether investing through traditional or more innovative methods. We want views on how our rules could better address the opportunities and risks of fractional investments. We are particularly interested in hearing when we should apply rules consistently to a fractional investment as well as the underlying asset, and when tailored protections may be needed.

Question 3: What risks do you see retail consumers taking on when investing in fractional investments?

Question 4: How do you think fractional investments should be treated under our rules?

Model portfolio services

- 2.15** Model portfolio services (MPS) help consumers access pre-set diversified portfolios targeted to their financial needs and risk appetites. These have become increasingly popular on direct-to-consumer investment platforms and trading apps. We expect interest in MPS to continue to increase, especially with the implementation of [targeted support](#) and our consultation on [progressing fund tokenisation](#).
- 2.16** We do not currently have a formal definition of 'model portfolio' in regulation. As Markets in Financial Instruments Directive (MiFID) business, there are some common regulations for all business models, for example the disclosure rules in the Conduct of Business Sourcebook (COBS) 6.1ZA. However, there are also some differences in how these services are regulated determined by their structure. We see two main types:
- i. Managed model portfolios** involve discretionary management (for example, rebalancing) and require full suitability assessments.
 - ii. Static model portfolios** offer pre-set investment portfolios. Firms offering these portfolios must meet product governance rules, as they are distributing financial instruments.

- 2.17** MPS have created opportunities for consumers to invest in a way that they find easier and more accessible. Consumers may find them easier to access and navigate through robo-advisers or more interactive platforms. This innovation and ease of access has a role to play in encouraging more consumers to invest appropriately.
- 2.18** To a retail consumer, a model portfolio is likely to look like a single managed product. We consider that investing via model portfolios presents similar risks and opportunities to investing in authorised funds. Funds of funds, which consolidate a diversified investment fund portfolio into a pre-selected option for consumers, are especially similar. However, model portfolios are not subject to comparable conduct of business, product or disclosure requirements as funds. There are also often complex chains between distributors and manufacturers. This might not help consumers choose the investment services they need or understand what protections or outcomes to expect from each type of investment.
- 2.19** We want to consider how to rationalise the expectations for authorised funds and MPS to help consumers to compare them more easily, while not reducing innovation. We also want to improve efficiency and reduce duplication for firms who operate both authorised funds and MPS, especially around disclosures.
- 2.20** We want to hear views on the benefits and challenges of standardising disclosures between funds and model portfolios to enable consumers to compare the risks, costs and opportunities. The inconsistency in disclosure may make it difficult for a consumer to compare products and understand investment risk. For example:
- Disclosures for MPS can be inconsistent, unlike the standardised content required for authorised funds, as set out in the new CCI rules.
 - MPS only use labels like "cautious" or "adventurous" to explain risk. These are useful in characterising risk but do not allow for direct comparison through a standardised risk score which applies to authorised funds. .
- 2.21** We are also interested in views on outcomes-based rules, alongside the Duty, for MPS firms to follow when designing and managing a model portfolio, such as investment powers, liquidity profile and management, and fair treatment in carrying out client orders. We believe this could benefit consumer understanding and help simplify the regulation of the investment management sector.

Question 5: Do you think it is important to make the regulatory treatment of MPS more consistent with managed products? What are the costs and benefits to firms and consumers of creating consistency?

Question 6: Are there other examples where our regulations make it difficult to compare similar investments, what harm does this cause and what changes to our regulatory approach do you think we should make?

Speculative products

- 2.22** The retail investment landscape includes speculative products, which can be used as part of a broader investment strategy by some consumers to hedge or diversify. However, when balancing gains and losses, purely speculative products tend to cause net harm to consumers and do not typically support growth in the real economy.
- 2.23** Many speculative products will also have risk profiles that include leverage and heightened volatility as well as other risks like counterparty exposure. Despite posing similar risks, they are regulated inconsistently in terms of the risk information or frictions that are applied, product specific limitations, and how accessible they are to different groups of retail consumers. This is partly due to actions we have taken to address harms in specific markets and products. This approach to regulating speculative products centres on the product and not the underlying risk these products expose consumers to. This inconsistency can create confusion for consumers and uneven levels of protection across products.
- 2.24** For example:
- **CFDs** are a type of derivative product which allow individuals to speculate on the price of underlying assets and amplify those changes. In 2019 (PS19/18), we introduced comprehensive reform to the regulation of CFDs as well as spread bets and rolling spot foreign exchange trading for retail clients. These changes introduced a range of frictions, in particular CFD-specific rules on risk warnings, leverage limits and margin requirements to reduce consumer harm, support informed choices when investing and address poor market conduct.
 - **Leveraged exchange traded products (ETPs)** can also offer amplification of volatility and embed complex derivative features. For instance, leveraged ETPs magnify the volatility of the underlying asset or index being traded. Leveraged ETPs are geared toward consumers with short-term investment horizons and can be frequently rebalanced using derivatives such as forwards and futures. These products can expose consumers to the risk inherent to CFDs, as well as other risks, but are not subject to the same product restrictions, such as leverage limits or specific risk warnings.
 - **Margin lending** gives consumers direct access to leverage on underlying assets such as cryptoassets and securities, emulating the risk profile of synthetic products like CFDs but with different regulatory oversight and fewer frictions supporting consumer decisions.
 - **Structured products** which put your capital at risk (SCARPs) may combine features such as derivatives, debt and gearing, that make it difficult for retail consumers to understand the inherent risk and reward. There are a wide variety of these product types with various combinations of features some of which can create similar risk profiles to CFDs or leveraged ETPs.
 - **Cryptoasset proxies** can be sold via shares in listed companies that mainly hold cryptoassets. This means consumers are indirectly exposed to the potential risks of cryptoassets, but without the usual protection of risk warnings, investment limits, or appropriateness tests. These protections which apply to cryptoassets and other restricted mass market investments (RMMIs) reflect the risks involved, including volatility, counterparty risks and complexity.

- **Horizon contracts** are emerging in other countries, and allow consumers to speculate on future outcomes, such as macroeconomic indicators, politics, commodity prices, or event-based forecasts. Depending on how it is structured, this type of investment may meet the definition of a binary option and be banned under our legal and regulatory framework.

2.25 Given the similar risks these products pose to consumers, we are considering whether a more consistent regulatory approach is needed which focuses on the nature of the risk rather than the product label. This could help consumers better understand and compare products and facilitate protections that are aligned with the risk involved.

Question 7: We have highlighted where speculative products pose similar risks to consumers. How should we approach consistently treating these products in our regulatory framework?

Question 8: Should we replace our product-centred approach to regulating speculative products with an approach that is more risk and return centred and product agnostic? If so, do you have views on how such an approach could work?

Peer-to-peer lending

- 2.26** While we have seen increased interest in speculative high-risk products, there has also been a contraction in other areas of the market, such as peer-to-peer (P2P). P2P is a small part of the retail investment market that has been innovative in enabling consumer lending to individuals or businesses. We classified P2P loans as RMMIs in response to consumer harm in the sector, but consumers are not Financial Services Compensation Scheme (FSCS) protected, and firms have low capital requirements.
- 2.27** In recent years, several firms in the sector have pivoted away from P2P lending in favour of balance-sheet lending, reflecting a shift in consumer preferences, risk appetite and business models, as well as firm exit. Over the last 5 years, the amount invested into P2P loans has reduced significantly (from approximately £6b in 2021 to £1.4b in 2025). Despite challenges in the sector, it can be an important source of funding and capital raising for small and medium enterprises and private assets.
- 2.28** We want to help consumers navigate financial decisions with confidence. In the P2P context, this includes ensuring fair disclosure, appropriate product design and safeguarding client money. Our approach to the P2P portfolio looks to balance innovation with consumer protection. With a small and contracting sector, and a relatively small number of retail customers, we feel the current policy position strikes the right balance. We are seeking views on whether there are any further interventions we should pursue to protect consumers and ensure appropriate consumer access to P2P products.

Question 9: Are there regulatory interventions which would enhance consumer confidence in the P2P market and/or make our regulatory approach more consistent with other high-risk products? Alternatively, are there specific barriers in our requirements that are limiting appropriate consumer access to P2P products?

Chapter 3

How we can rebalance risk through our regulatory framework

Summary

- 3.1** In this chapter, we ask more broadly how our regulatory framework could change to better support informed investing and risk taking.
- 3.2** Consumer access to investments and the consumer investment journey is largely shaped by our rules in COBS. This sourcebook includes rules for different stages of the journey. Other requirements also impact the consumer journey such as the Duty and legislation.
- 3.3** We focus on COBS rules related to promoting and distributing investments due to their direct influence on the consumer journey. We want to review these rules to improve how they help consumers make investment decisions and understand the protections that are in place for them. Where appropriate this may be to slow the consumer journey so that retail consumers can take considered investment risks. Our aim is to see more investment activity aligned with consumers' risk appetite and level of financial resilience.
- 3.4** Our ability to shape our regulatory framework is influenced by legislation. Parliament sets our regulatory perimeter through the FSMA and has set out circumstances which are not subject to regulation for example through the Financial Promotion Order (FPO).
- 3.5** Before we turn to specific parts of our Handbook that we would like to review we would like to ask for views on the following:

Question 10: Are there other inconsistencies and complexities in our regulatory framework not discussed in the previous chapter which are creating barriers to consumers taking informed investment risk?

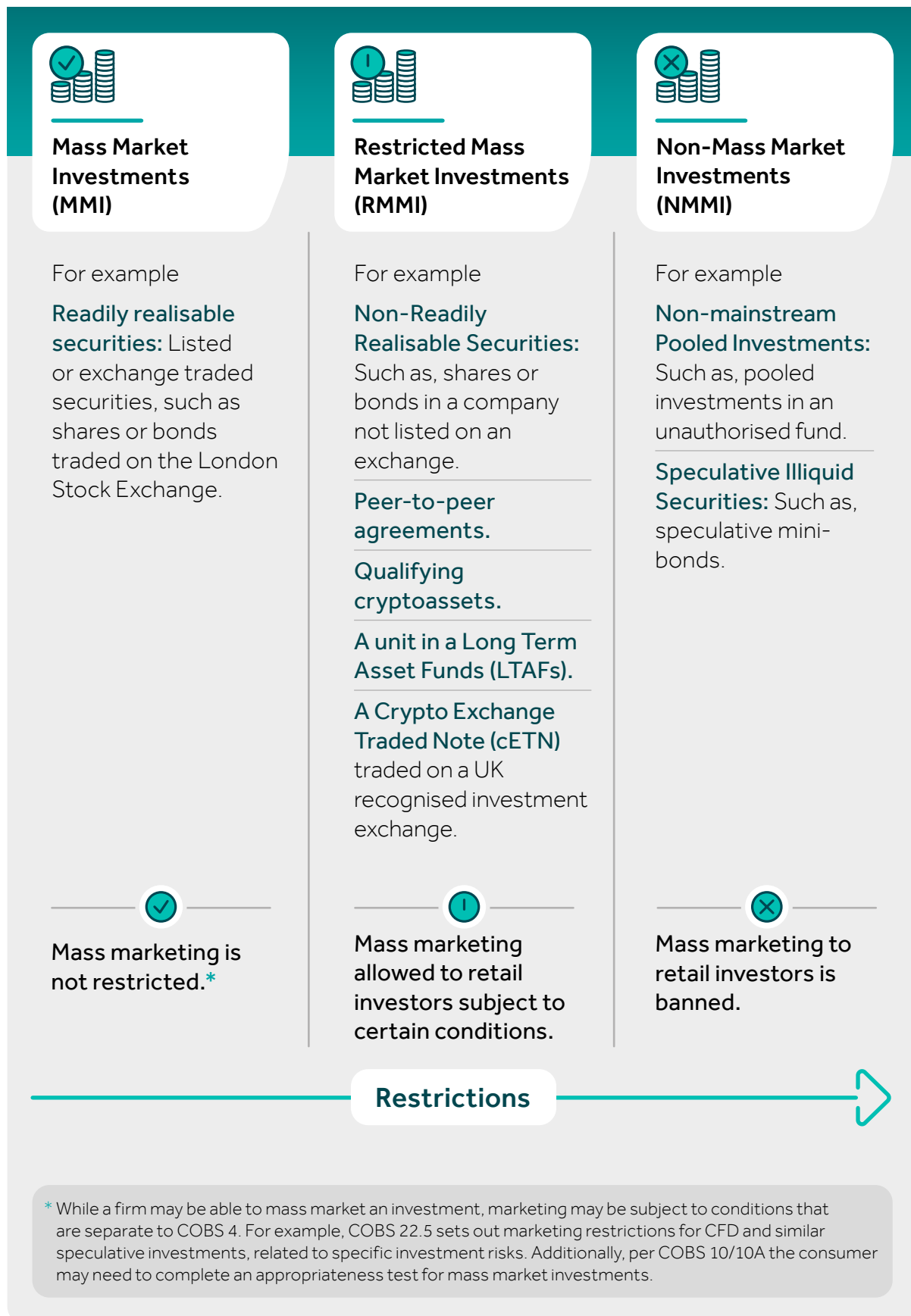
Question 11: Are there ways we could better help consumers understand the protections and limits to the protections available to them when investing?

Question 12: What do you see as the most significant priorities for how we approach the next steps of reforming the retail investing regulatory framework?

Financial promotion and distribution rules

- 3.6** Our financial promotions regime originates from domestic legislation and rules, whereas our rules on distribution and selling have been inherited from the EU framework. As we replace relevant assimilated EU law provisions with Handbook rules, we can consider where it may be appropriate to better align rules with the needs of UK consumers, firms and markets. This is also an opportunity to consider how our framework can be more coherent and consistent.
- 3.7** Our financial promotion and distribution rules are key to how our regulation supports informed risk taking. A financial promotion is an important form of communication, and likely one of the first points in the consumer journey. Current financial promotion rules set requirements on firms to support consumers in understanding the key risks and features of investment opportunities before they invest. Our distribution rules then set requirements related to who can gain access to investments how.
- 3.8** Our financial promotion and distribution rules are mostly set out in COBS and apply to firms that communicate or approve financial promotions capable of having an effect in the UK. Some financial promotion rules in COBS apply in most cases. For example, all financial promotions must be fair, clear and not misleading. In 2022, we introduced new rules to rationalise and enhance our existing framework for the promotion of high-risk investments ([PS22/10](#)). Here, we set out different categories for investments, to show when investments can be mass marketed to retail consumers and whether additional conditions apply. This framework does not account for all investments. The COBS 4 categories are set out in Figure 3 below.

Figure 3: Financial promotion marketing restrictions product categories in COBS 4



3.9 The aim of these restrictions is to help consumers invest with confidence and to make choices that reflect their ability to take risks, and their risk appetite:

- Restrictions or frictions that apply to RMMIs include risk warnings (general and personalised), a ban on incentives to invest, retail investor categorisation, COBS 4.12A appropriateness assessments and the 24-hour cooling off period. Categorisation in COBS 4.12A differs from the rules discussed in [CP25/36](#). Here, the firm will establish if the consumer is a restricted, high-net worth or sophisticated (certified or self-certified) investor. If restricted, the Restricted Investor Statement to be signed by the consumer must warn that they should not invest more than 10% of their net assets in high-risk investments. While COBS 4.12A rules apply consistently across most RMMIs, there are exceptions where some restrictions are not applicable. For example, LTAFs do not require cooling-off periods.
- Similar restrictions apply for NMMIs. However, there is a broader ban on marketing NMMIs to retail consumers, unless exemptions apply. For example, if the consumer is a certified high-net worth individual or a self-certified sophisticated investor, and a preliminary assessment of suitability is undertaken.

3.10 While we have rules that typically apply for investments falling under the product categories in COBS 4, many investments are subject to their own tailored marketing rules. For example, COBS 22 sets out more extensive restrictions on sale and distribution for certain complex investment products. Certain high-risk investments have also been subject to a complete ban on marketing to retail consumers. For example, in 2020 we set out the [ban](#) on the mass marketing of cryptoasset derivatives and cETNs in [COBS 22.6](#) (the ban was lifted in October 2025 for cETNs traded on a Recognised Investment Exchange).

3.11 We plan to review our financial promotion and distribution rules in light of the current retail investment landscape, prioritising where the most improvement can be made. We want to hear your views on areas for improvement.

Question 13: Are our financial promotion marketing categories consistently classifying investments based on their risk profiles? Please provide examples of where you see inconsistencies.

Question 14: To what extent do our financial promotion rules achieve their aim of enabling informed risk-taking and mitigating harm? Are there ways they could be improved?

Question 15: Are there other ways our regulations on how firms communicate with consumers could be improved?

The appropriateness test

- 3.12** A key regulatory friction that appears in the consumer journey is the appropriateness test. Relevant rules are set out in COBS 10, COBS 10A and COBS 4.12A. These rules require firms to assess a client's knowledge and experience, including their understanding of the risks associated with the investment, before facilitating an order for a non-advised sale.
- 3.13** The appropriateness test should operate as a positive friction, helping to provide an important check and balance the responsibility for decision making between the firm and consumer. However, the rules have been adapted over a long period of time and may be confusing and outdated.
- 3.14** We want your views on whether changes to the current test are needed. The rules should mitigate the likelihood of consumers investing in products beyond their risk appetite. However, the rules should not prevent consumers from accessing higher risk investment opportunities where appropriate. We want to explore whether the current rules achieve the right balance.
- 3.15** Different rules on appropriateness testing apply depending on the investment:
- **COBS 10 applies to non-MiFID non-advised services, and COBS 10A applies to MiFID non-advised sales. Both COBS 10/10A do not apply for non-complex instruments provided at the client's initiative.** Under these provisions, if an investment is assessed as not appropriate for the potential investor, the firm is required to warn them. A firm can consider continuing with the transaction upon the request of the potential investor. These rules add friction to the consumer journey.
 - **COBS 4.12A applies to RMMLs, for example qualifying cryptoassets.** These rules, apply and supplement COBS 10/10A, going beyond a friction. Under COBS 4.12A, a firm can only process an application or order on behalf of a retail client once it has assessed that the RMML is appropriate for the client. Where a first and second appropriateness assessment have both determined that a RMML is not appropriate for the retail client, each and every subsequent assessment must not be undertaken for at least 24-hours. Other rules in COBS 4.12A govern the form and content of the assessment.
 - **The Duty complements the appropriateness test rules.** The rules in Principles for Businesses (PRIN) 2A set requirements on firms related to their target market, including that the firm must enable and support retail customers to pursue their financial objectives, avoid foreseeable harm and act in good faith. These rules support, but are broader than, the appropriateness test rules, which set requirements related to individuals.
- 3.16** We welcome views on whether the scope and application of the appropriateness test rules under COBS 10/10A are effective. These rules were originally introduced as part of MiFID in 2007 and adapted by MiFID II in 2018. The retail investments landscape has changed since, with new investment opportunities and ways to invest.

- 3.17** The current scope of COBS 10/10A is potentially confusing. The definition of a non-complex financial instrument within these provisions leaves room for interpretation. This makes it less clear if a financial instrument is non-complex and therefore out of scope of the appropriateness test rules. Clarifying the scope of these rules will support appropriate consumer engagement with new investment opportunities in the retail investment environment.
- 3.18** The approach taken across the rules may also benefit from review. For example, appropriateness testing rules give firms flexibility to shape their assessment under both COBS 10/10A and COBS 4.12A. As a result, we often see inconsistent standards of test for the same investment, and for different investments with similar risks.

Question 16: Does the appropriateness test effectively help ensure non-advised consumers can access appropriate investments?
Are there ways in which it could be improved?

The Consumer Duty

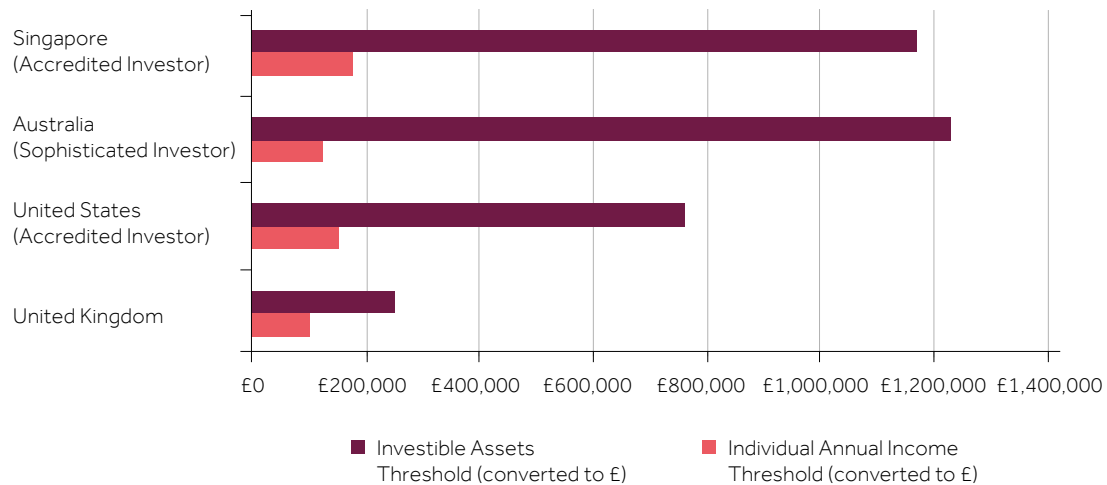
- 3.19** The Duty is one of our key tools for tackling consumer harm and requires authorised firms to act to deliver good outcomes to retail customers. The Duty is underpinned by the concept of reasonableness. Firms are only responsible for addressing the risk of harm when it is reasonably foreseeable at the time, considering what a firm knows, or could reasonably be expected to have known.
- 3.20** The Duty also reflects the general principle that consumers should take responsibility for their actions and decisions. However, consumers can only take responsibility for their actions and decisions if they have the information and support needed to make informed decisions. Under the Duty, firms must ensure communications meet the information needs of customers, are likely to be understood by them, and equip them to make effective, timely and properly informed decisions. Where appropriate, firms must test communications before sending them to customers.
- 3.21** The Duty's rules and principles complement and interact with our other Handbook rules, including our financial promotion and distribution rules. For example, as set out at paragraph 3.10, under COBS 4 Annex 5R, a Restricted Investor Statement must warn consumers that they should not invest more than 10% of their net assets into high-risk investments. We have observed good practice of firms meeting these obligations by reminding consumers about the 10% asset allocation threshold for RMMLs. However, it may be disproportionate for a firm to collect a consumer's information and entire financial profile across platforms to ensure that their customers are not investing more than the 10% threshold. This is not something our rules require.
- 3.22** We welcome feedback from stakeholders on how we can continue to clarify the way that our rules interact with the Duty, or where they can be streamlined effectively. We are currently carrying out the Duty requirements review to streamline our rules and reduce complexity for businesses. For the latest update on our review, [see our website here](#).

Question 17: Are there ways we can streamline and/or clarify how our financial promotion and distribution rules interact with the Duty?

The Financial Promotion Order

- 3.23** The financial promotions rules in our Handbook relate to the restriction set out in Section 21 of FSMA. This provides that a person must not, in the course of business, communicate an invitation or inducement to engage in investment activity. The financial promotion restriction does not apply if:
- the promotion is made or approved by an authorised person, or
 - an exemption in the FSMA (Financial Promotion) Order 2005 (FPO) applies.
- 3.24** Our rules on financial promotion are a key part of the consumer journey. These rules protect against mis-selling to retail consumers, ensure there is an authorised person in the distribution chain and apply appropriate restrictions for riskier products.
- 3.25** FPO exemptions mean promotions to certified high-net-worth or self-certified sophisticated investors fall outside FCA rules, including the requirement to be fair, clear and not misleading. Because these exemptions are in legislation, we cannot make changes or supervise or enforce against misconduct where the exemptions apply.
- 3.26** When introducing the exemptions, the Treasury's original policy intent was to make it less expensive to promote to certain consumers, given the cost of approving a promotion and to make it easier for unlisted firms to facilitate small levels of investment in their early stages.
- 3.27** We want our regulatory regime to allow appropriate risk taking with the necessary guardrails in place for consumers who need them. However, without legislative reform, FPO exemptions risk leaving some retail consumers without basic consumer protections and at risk of harm.
- 3.28** We remain concerned that the barriers set in legislation for consumers to qualify for an exemption that could reduce their protection are too low and that consumers may be inappropriately opting out of protections. Currently, to be considered a high net worth individual, a consumer needs an annual income of £100k or more, or £250k or more in net assets excluding their primary residence and pension assets. These thresholds have not been updated since July 2001 and have not kept pace with inflation as a result. The table below shows a comparison with other international jurisdictions. The UK remains an outlier.

Figure 4: Thresholds for similar regimes across different jurisdictions



(Rounded to the nearest £1,000, exchange rates current as of 25 November 2025)

- 3.29** The international examples above are not exactly equivalent to the FPO exemptions. However, we include them for comparison because they allow high net worth or sophisticated investors to access certain investments with fewer restrictions, based on similar income or assets levels. Figure 4 shows that the UK stands out for its unusually low thresholds. Further, we are not aware of any other jurisdiction that allows for self-certification for exemptions, which creates additional risk.
- 3.30** Under the 'self-certified sophisticated' exemption, a consumer states that they meet the eligibility criteria in an investor statement which is not required to be checked (Schedule 5, FPO 2005). The criteria for 'sophisticated' can be easily met in the current investment landscape where access to shares in unlisted companies is easier than ever with the prevalence of crowdfunding. The FLS (2024) found 1.1 million adults held shares in unlisted companies. Results from the same survey results also suggest that consumers pass through the self-certification process without being aware of its significance, with only 1 in 5 adults with high-risk investments remembering being asked, the last time they invested, if they were a high net worth individual, a sophisticated investor or a restricted investor.
- 3.31** We have also seen evidence of consumers being coached to self-certify without meeting the criteria (2024 FCA Perimeter Report). We observed this following the ban on mass-marketing of mini bonds, which has corresponded with an increased use of FPO exemptions. In many cases, these will be unauthorised firms who are able to sell products without the approval of an authorised person, creating distortions and perverse incentives for distributors. It may also be difficult for consumers to recognise where a firm is unauthorised and regulatory protections do not apply.
- 3.32** The FPO exemptions are also increasingly inconsistent with other investor categorisations. Our proposed new client categorisation thresholds are more robust than the sophisticated and high-net worth exemptions under the FPO. The Public Offers and Admissions to Trading Regulations also use an exemption for a public offer to 'qualified investors', which is a higher threshold than under the FPO exemptions.

3.33 The review of the client categorisation rules is an opportunity to clarify the boundary between retail and professional investors, ensuring appropriate protections for each group. Our intention is to reduce the number of consumers being inappropriately opted out of retail protections. We believe that without legislative change to the FPO exemptions, there will remain a gap in our ability to effectively protect consumers from misleading promotions. Nevertheless we are interested in views about whether there is more the FCA can do to protect consumers such as whether there are measures that would prevent them from inadvertently opting out of protections.

Question 18: **Given the FPO exemptions are a matter for the Treasury, are there other interventions the FCA can make to protect consumers from harm caused by unauthorised financial promotions?**

Chapter 4

Conclusion and next steps

- 4.1** In this paper we have discussed the changing retail investments landscape and sought your views on where our regulations could better support consumers to take informed risks and what our priorities should be. Please send us your written comments by 6 March 2026.
- 4.2** If you would like to engage with us bilaterally as part of this process, please reach out to dp25-3@fca.org.uk.
- 4.3** We will consider your feedback and may consult on the issues discussed in this paper in due course.

Annex 1

List of questions

- Question 1:** To what extent does our regulatory framework – including using the Duty - mitigate the risks associated with DEPs while supporting their positive use?
- Question 2:** Are there other frictions or factors shaping retail investing consumer journeys which our regulations do not sufficiently take into account?
- Question 3:** What risks do you see retail consumers taking on when investing in fractional investments?
- Question 4:** How do you think fractional investments should be treated under our rules?
- Question 5:** Do you think it is important to make the regulatory treatment of MPS more consistent with managed products? What are the costs and benefits to firms and consumers of creating consistency?
- Question 6:** Are there other examples where our regulations make it difficult to compare similar investments, what harm does this cause and what changes to our regulatory approach do you think we should make?
- Question 7:** We have highlighted where speculative products pose similar risks to consumers. How should we approach consistently treating these products in our regulatory framework?
- Question 8:** Should we replace our product-centred approach to regulating speculative products with an approach that is more risk and return centred and product agnostic? If so, do you have views on how such an approach could work?
- Question 9:** Are there regulatory interventions which would enhance consumer confidence in the P2P market and/or make our regulatory approach more consistent with other high-risk products? Alternatively, are there specific barriers in our requirements that are limiting appropriate consumer access to P2P products?
- Question 10:** Are there other inconsistencies and complexities in our regulatory framework not discussed in the previous chapter which are creating barriers to consumers taking informed investment risk?

- Question 11:** Are there ways we could better help consumers understand the protections and limits to the protections available to them when investing?
- Question 12:** What do you see as the most significant priorities for how we approach the next steps of reforming the retail investing regulatory framework?
- Question 13:** Are our financial promotion marketing categories consistently classifying investments based on their risk profiles? Please provide examples of where you see inconsistencies.
- Question 14:** To what extent do our financial promotion rules achieve their aim of enabling informed risk-taking and mitigating harm? Are there ways they could be improved?
- Question 15:** Are there other ways our regulations on how firms communicate with consumers could be improved?
- Question 16:** Does the appropriateness test effectively help ensure non-advised consumers can access appropriate investments? Are there ways in which it could be improved?
- Question 17:** Are there ways we can streamline and/or clarify how our financial promotion and distribution rules interact with the Duty?
- Question 18:** Given the FPO exemptions are a matter for the Treasury, are there other interventions the FCA can make to protect consumers from harm caused by unauthorised financial promotions?

Annex 2

Abbreviations used in this paper

Abbreviation	Description
CCI	Consumer Composite Investment
cETNs	Crypto Exchange Traded Notes
CFDs	Contracts for Difference
COBS	Conduct of Business Sourcebook
CP	Consultation Paper
DEPs	Digital Engagement Practices
DLT	Distributed Ledger Technology
DP	Discussion Paper
ETPs	Exchange Trade Products
FCA	Financial Conduct Authority
FLS	Financial Lives Survey
FPO	Financial Promotion Order
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act 2000
LTAFs	Long Term Asset Funds
MiFID	Markets in Financial Instruments Directive
MMI	Mass Market Investment
MPS	Model Portfolio Services

Abbreviation	Description
NMMI	Non Mass Market Investments
P2P	Peer-to-Peer
PRIN	Principles for Business
PS	Policy Statement
RMMI	Restricted Mass Market Investments
SCARPS	Structured Capital At Risk Products

© Financial Conduct Authority 2025
12 Endeavour Square London E20 1JN
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk
All rights reserved

Pub ref: 1-008539

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this [form](#) if you require this content in an alternative format.

Or call 0207 066 1000



Sign up for our **news and publications alerts**