

## **Feedback Statement**

### **FS25/2**

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Immediate areas for action and further plans for reviewing FCA requirements following introduction of the Consumer Duty

**March 2025**

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## Chapter 1

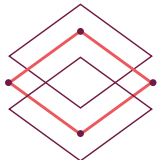
# Summary

- 1.1** This statement outlines an ambitious programme of action we will take to simplify our requirements of firms.
- 1.2** We want to address longstanding concerns from firms about the length and complexity of our rules and guidance. In July 2024, we published a Call for Input (CfI) to understand how we could simplify our requirements following the introduction of our landmark outcomes-focused Consumer Duty (the Duty). We received 172 responses from a wide range of stakeholders (Annex 1) and held a series of meetings, roundtables and events.
- 1.3** We have identified targeted steps to amend or simplify discrete areas of our rules. Most respondents supported simplification of our requirements in principle, but opinions varied on the approach and timeline. The majority did not want a wholesale review of our Handbook but encouraged steps to amend or simplify it in discrete areas.
- 1.4** We will seek further input on our action plan and will share an update on our programme of work in September 2025 this year.

## Our planned approach

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- 1.5** We are committed to an ambitious workplan:



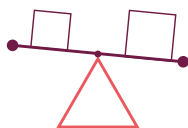
**Reviewing The Foundations**

Addressing how we regulate and the scope of our rules, considering how they apply to customers based outside the UK and reviewing some core definitions.



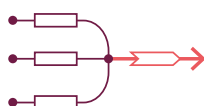
**Future-Proofing Disclosure**

Allowing more flexibility to tailor customer-facing communications in a way which promotes consumer understanding and allows for more modern customer journeys.



**Reducing The Administrative Burden**

Giving firms more flexibility in how they apply our requirements, so that our regime is more outcomes-focused, reducing unnecessary administrative burdens.



**Streamlining Requirements**

Targeted work to remove or review outdated requirements, or areas of unnecessary complexity.

**1.6** Our aim is to achieve the following outcomes:

- **More flexibility:** Enabling firms to innovate and take advantage of technology, and to tailor approaches to customers' circumstances, particularly those with characteristics of vulnerability.
- **More predictability:** Providing more clarity on our priorities and upcoming consultations, helping firms plan.
- **Improved efficiency:** Reducing the time, cost and complexity involved in meeting our expectations, while ensuring good customer outcomes.

## Next steps

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**1.7** We will use an accelerated consultation process to act immediately on the measures in this paper where there is a clear case for change and where there is stakeholder appetite to go quickly. We will be mindful of the potential increase in burden on firms and want to work with firms and trade bodies as we develop our approaches, particularly where we are conducting a more fundamental assessment of our expectations.

**1.8** To address firms' concerns about the volume of FCA communications they are expected to track, we will review all Dear CEO letters and portfolio letters pre-dating our 2022-25 strategy (announced in April 2022) and seek to withdraw them, subject to any exceptions. We will keep these documents publicly accessible.

**1.9** Where feedback has been mixed, we will engage further to:

- gather input on the areas proposed for further action
- identify any areas where there is a need for more significant change

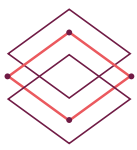
**1.10** We plan to hold an in-person summit this summer to discuss these issues, with representation from other UK authorities, firms, trade bodies and consumer organisations.

**1.11** We will publish a further statement to outline our programme of work and progress to date in September 2025.

## Chapter 2

# Actions we plan to take

- 2.1** We set out our action plan below, including new work we will begin immediately, and proposals we intend to explore further.
- 2.2** Where possible, we will take advantage of in-flight work to make these interventions. We have set out work we are already doing under each pillar, including our work with other relevant UK authorities.



## Reviewing the foundations | Action Plan

**Objective:** We want to support our statutory objectives more efficiently and flexibly, taking account of market developments, new technologies and the Consumer Duty.

| 01<br>Committing to...   | 02<br>Proposing to...   | 03<br>Already doing...  | 04<br>Next steps   |
|--|---|---|--|
| <ul style="list-style-type: none"><li>• A mortgage rule review</li><li>• Review the international application of our conduct rules in the insurance sector</li></ul> | <ul style="list-style-type: none"><li>• Ensure consistency in our definitions</li><li>• Review the international application of our broader conduct rules</li></ul> | <ul style="list-style-type: none"><li>• <a href="#">Advice Guidance Boundary Review</a></li><li>• <a href="#">Reforming the Consumer Credit Act</a></li><li>• <a href="#">Review of the Senior Managers &amp; Certification Regime</a></li><li>• <a href="#">Call for Input on Modernising the Redress System</a></li><li>• <a href="#">Discussion chapter in the Markets in Financial Instruments Directive Organisational Regulation Consultation Paper</a></li><li>• <a href="#">Review of provisions from assimilated law</a></li></ul> | <ul style="list-style-type: none"><li>• A consultation paper and discussion paper on mortgage changes in May and June 2025</li><li>• Ask discussion questions on the international scope of our conduct rules in the insurance sector by summer 2025</li></ul> |

## Actions we are committed to taking

### Mortgage rule review

- 2.3** We have already started reviewing our responsible lending and advice rules for mortgages. This includes looking to simplify our requirements, updating or removing detailed and prescriptive requirements now covered by the Duty, and ensuring we are supporting good customer outcomes. Removing some detailed requirements, and relying on the Duty instead, will support innovation.

**2.4** In May 2025, we will consult on proposals to make it easier for consumers to:

- remortgage with a new lender
- reduce their overall borrowing costs through term reductions
- discuss their options with a firm outside a regulated advice process

**2.5** In June 2025, we will publish a discussion paper covering topics such as:

- risk appetite and responsible risk-taking
- alternative affordability testing and product innovation
- lending into later life
- consumer information needs

## **Actions we are proposing, subject to stakeholder feedback**

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### **The international application of our conduct rules**

**2.6** UK-based firms providing products or services to customers based outside the UK are, in many cases, required to apply FCA regulation. This can mean firms conducting international business need to comply with both UK rules and those of the customer's jurisdiction.

**2.7** Given the global and interconnected nature of the UK market, we intend to seek further views on whether to make changes to this approach – starting with a review within the insurance sector. This will examine whether conduct rules, like requirements under the Duty, should apply to firms serving customers outside the UK, while adhering to international obligations.

### **Consistency in definitions**

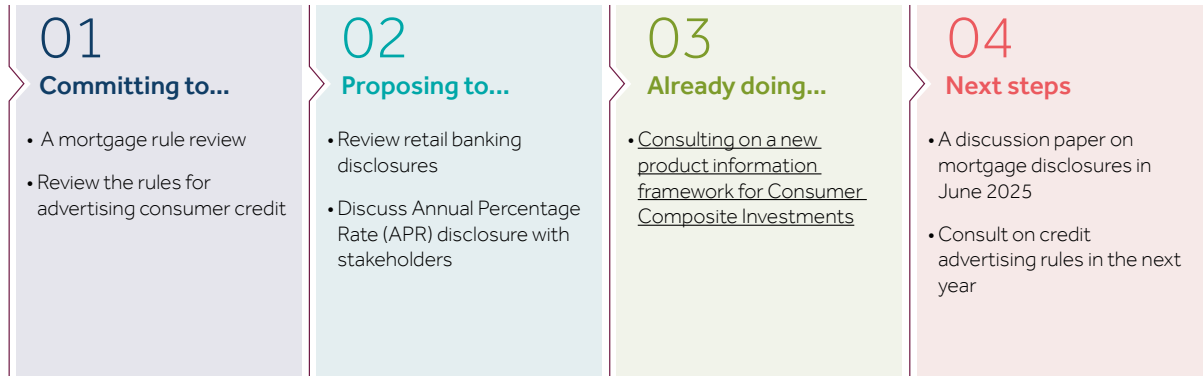
**2.8** We know that our Handbook definitions of retail customers and small and medium-sized enterprises (SMEs) are complicated and differ across sectors, which can lead to challenges for firms in applying our rules consistently.

**2.9** We propose to review these core definitions to facilitate understanding and simplify application of our rules, aiming to reduce compliance costs through more consistent definitions within the Handbook. As noted in the *Reducing the administrative burden* section below, we will shortly consult on proposed changes to the definition currently used in the insurance sector to determine which SME customers need protecting under the rules applying to retail customers.



## Future-Proofing Disclosure | Action Plan

**Objective:** We want to rely more on the Consumer Duty to help firms innovate to support consumer understanding and improve customer outcomes.



## Actions we are committed to taking

### Mortgage rule review

- 2.10** Several respondents said the current mortgage disclosure rules are too prescriptive. They said these rules limit firms' ability to tailor information to meet customer needs and to adapt to changing consumer preferences, such as using digital sales channels. Respondents noted that, while the rules aim to reduce risks of harm, in practice, some of our rules could hinder firm innovation and consumer understanding.
- 2.11** The June 2025 mortgage rule review discussion paper will include discussion on consumer disclosure requirements within the mortgage sector.
- 2.12** We want to make sure that regulation supports innovation and firms providing better customer journeys.

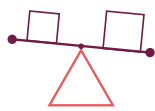
### Rules for advertising consumer credit

- 2.13** Alongside the Treasury's review of the Consumer Credit Act, we will review the financial promotion rules for consumer credit. Within the next year, we will consult on removing unnecessary prescription, updating outdated requirements, and improving alignment with the Duty. We will discuss whether to review rules on the disclosure of Annual Percentage Rates (APRs).

## Actions we are proposing, subject to stakeholder feedback

### Retail banking disclosures

- 2.14** We intend to take further steps to increase flexibility in disclosure requirements for the retail banking sector.
- 2.15** Following further engagement, we intend to review and, where appropriate, remove prescriptive disclosure requirements and make the rules more flexible, allowing firms to tailor communications for their customers. This will include consideration of requirements for the summary box for savings accounts.



### Reducing The Administrative Burden | Action Plan

**Objective:** We want to provide greater flexibility for firms over how they comply with our requirements, whilst maintaining high standards (including through the Consumer Duty) and reducing administrative costs.

|  |   |   |   |
|--|---|---|---|
| <p><b>01</b><br/><b>Committing to...</b></p> <ul style="list-style-type: none"> <li>• Simplifying the rules for insurance and funeral plans</li> <li>• Review Assessment of Value reporting for asset management</li> <li>• Amend specific record keeping &amp; reconciliation requirements in our Client Assets sourcebook</li> </ul> | <p><b>02</b><br/><b>Proposing to...</b></p> <ul style="list-style-type: none"> <li>• Explore options for Training and Competence requirements with stakeholders</li> <li>• Review insurance pricing reporting requirements</li> <li>• Clarify our product governance rules</li> <li>• Clarify the application of the Consumer Duty through supply chains</li> </ul> | <p><b>03</b><br/><b>Already doing...</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Review of ongoing advice rules</a></li> <li>• <a href="#">Transforming data collection</a></li> <li>• <a href="#">Engagement paper on contactless payment limits</a></li> </ul> | <p><b>04</b><br/><b>Next steps</b></p> <ul style="list-style-type: none"> <li>• A consultation paper and discussion questions on insurance changes by summer 2025</li> <li>• A review of Assessment of Value reporting later this year</li> <li>• Consult on updating requirements in our Client Assets sourcebook later this year</li> </ul> |
|--|---|---|---|

## Actions we are committed to taking

### The rules for insurance and funeral plans

- 2.16** In our [discussion paper on the regulation of commercial and bespoke insurance business](#), we proposed options for simplifying the rules for insurance firms. We proposed to better align the balance between safeguarding small commercial customers and retail consumers (who benefit from the regulatory protections in our rules applying to those customers) and to encourage greater competitiveness in this market.



**2.17** After reviewing feedback, we intend to consult by summer 2025 on these proposals. In light of some of the feedback to the CfI, our consultation will also propose further changes to our rules, including:

- allowing firms greater flexibility over how often they review product value under the product governance rules
- removing the specified minimum hours of training and development required for insurance employees

**2.18** Based on CfI feedback, there are further changes which should be considered in the future. We will seek views on the following, alongside our planned consultation:

- limiting the application of conduct rules, such as the Duty's requirements, outside the UK
- reviewing some of the more detailed and prescriptive product-specific rules in the Insurance Conduct of Business Sourcebook, including those for packaged bank accounts and GAP insurance
- offering funeral plan providers greater flexibility regarding how often they review products under the product governance rules.

## **The requirement for public reports of asset management assessment of value**

**2.19** Later this year, we plan to consult on changes to the requirement for asset managers to report annually on their value assessments, aligning with our broader approach to value assessments.

## **The client assets rules**

**2.20** Later this year, we will consult on updating requirements in the Client Assets sourcebook in relation to:

- amending record-keeping requirements for certain due diligence relationships
- broadening reconciliation rules, to allow the use of records from sources that were not envisaged when the rules were introduced and to recognise scenarios where an external statement may be receipted less frequently, for example when a fund manager in the normal course of business will only provide the statement quarterly
- adding flexibility to rules on removal of interest owed to firms

**2.21** As industry practices continue to evolve, we see longer-term opportunities to assess whether existing rules remain appropriately aligned with how firms do business and where associated risks arise.

## Actions we are proposing, subject to stakeholder feedback

### Training and competence requirements

- 2.22** We will explore options for reviewing the Training and Competence sourcebook and competence requirements in other sourcebooks. Insights gained from our insurance sector work will, where appropriate, help guide our approach.

### Reporting requirements linked to the insurance pricing rules

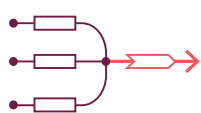
- 2.23** We will review the reporting requirements that were introduced under our general insurance pricing practices intervention.

### Clarifying our rules on product governance and fair value

- 2.24** We will engage with stakeholders about providing more clarity on how the rules on product governance and fair value in the Duty interact with each other and those elsewhere in the Handbook.

### Clarifying the application of the Duty through distribution chains

- 2.25** We will engage with firms to consider how we could provide more certainty on our expectations under the Duty for firms in retail distribution chains, particularly those that do not interact directly with retail customers. This includes, for example, how firms should share information within the chain, and how the Duty applies proportionately to firms with a more indirect role.



## Streamlining Requirements | Action Plan

**Objective:** We want to remove or review outdated requirements and areas of unnecessary complexity, to reduce regulatory costs and provide greater clarity about our expectations so firms can help deliver better consumer outcomes.

| 01<br>Committing to...   | 02<br>Proposing to...   | 03<br>Already doing...   | 04<br>Next steps  |
|--|---|--|---|
| <ul style="list-style-type: none"> <li>• Pilot a smaller firm guide</li> <li>• Retire outdated guidance</li> <li>• Withdraw historic supervisory communications, while keeping them publicly accessible</li> <li>• Consult on targeted clarifications of our Handbook materials</li> <li>• Improve accessibility of our rule review feedback tool</li> </ul> | <ul style="list-style-type: none"> <li>• Explore options for our Senior Management Arrangements, Systems and Controls sourcebook with stakeholders</li> </ul> | <ul style="list-style-type: none"> <li>• <a href="#">Updating the FCA Handbook website</a></li> <li>• <a href="#">Rule Review Framework</a></li> </ul> | <ul style="list-style-type: none"> <li>• Publish a smaller firm guide in 2025</li> <li>• Withdraw historic communications by the end of April 2025</li> <li>• Consult on targeted clarifications of our Handbook materials later this year</li> <li>• Improve accessibility of our feedback tool as part of the Handbook website update in Q3 2025</li> </ul> |

## Actions we are committed to taking

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### Guidance for smaller firms

- 2.26** We have heard from smaller firms that they would like further support in implementing outcomes-focused regulation and would like dedicated guides to understand our requirements, in one place. We take this approach at present for some specific issues (such as through our Financial Crime Guide).
- 2.27** We are mindful that sector-specific guides can create difficulties in that a one-size-fits-all approach is not always appropriate. But we recognise smaller firms' request, and we plan to start by piloting an approach for small firm guides in 2025. We will then consider whether it is appropriate to roll this out more broadly. We will look to engage relevant stakeholders, including our Smaller Business Practitioner Panel.

### Retiring outdated guidance

- 2.28** To reduce unnecessary regulatory costs and improve clarity of our expectations, we plan to retire several pieces of outdated guidance later this year. This includes guidance in the mortgage and consumer finance sectors, as well as guidance related to the Treating Customers Fairly initiative.

### Clarifying our position on historic supervisory communications

- 2.29** We want firms to be clear how they should treat historic sectoral communications that convey supervisory expectations, including Dear CEO letters, portfolio letters, multi-firm reviews, thematic reviews and newsletters. As an immediate step, we plan to review all Dear CEO letters and portfolio letters pre-dating our 2022-25 strategy and seek to withdraw them, except where we identify any exceptions. We will keep these documents publicly accessible. We will keep the market updated on our approach and how this is implemented throughout Q2 2025. We will also consider how we can more regularly review future communications so that outdated material is regularly withdrawn.

### Targeted clarifications of Handbook materials

- 2.30** Later this year, we plan to consult on measures to address confusing, outdated or potentially conflicting requirements, including:
- addressing outdated references to Principles 6 and 7, along with the Treating Customers Fairly initiative
  - streamlining and simplifying our investment and borrowing powers rules in Chapter 5 of the Collective Investment Schemes sourcebook
  - retiring specific pieces of outdated non-Handbook guidance, referred to above

## Improving accessibility of our rule review feedback tool

- 2.31** As part of the Rule Review Framework, we provide a feedback tool enabling firms to submit evidence when a rule is not working as intended. We are updating the [FCA Handbook website](#), with a beta version of the site launching this summer. We will improve the accessibility of our feedback tool. This will also allow stakeholders to access and submit evidence directly from the FCA Handbook. Additionally, we invite input on potential improvements to ensure it remains an effective platform for ongoing feedback.

## Actions we are proposing, subject to stakeholder feedback

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### Reviewing the Senior Management Arrangements, Systems and Controls sourcebook

- 2.32** We will explore options for reviewing the Senior Management Arrangements, Systems and Controls sourcebook. Over time, this has expanded significantly, and several respondents said it can be confusing.

## Annex 1

# High-level summary of feedback received

- 1.** Most respondents were supportive of our aim to make our rules and guidance simpler and more flexible. For example, many respondents said we should:
  - improve the drafting and navigability of our rules
  - find a balance between high-level and detailed rules, to improve flexibility while delivering appropriate standardisation
  - remove rules that cover similar ground
  - remove unnecessary prescription, particularly for disclosure requirements
  - clarify the interaction between our detailed sectoral requirements and the Duty and/or wider legislation/regulations
  - update rules in light of technological change and consumer preferences, e.g. to make digital transactions easier
  
- 2.** Where respondents agreed the need for simplification, there were differences in opinion over how best to achieve this.
  - Some respondents said simplifying our rules won't alone resolve challenges or improve UK growth and competitiveness. Instead, they said, the Handbook needs a holistic and strategic review, taking place over several years.
  - Others said the review should focus on simplifying and clarifying our rules, addressing areas of ambiguity and contradiction. These respondents said this would help reduce costs for firms.
  
- 3.** Many respondents said a review of our rules and guidance could lead to additional risks that we would need to consider before making changes. These risks include:
  - the resourcing costs of implementing change and the need to grant enough time for the industry to adapt
  - concerns that smaller firms, new entrants, fintechs and mutuals may lack the compliance resources of larger firms and would struggle without detailed rules
  - loss of regulatory certainty without detailed rules, leading the industry to become more risk averse, less likely to innovate, and less attractive for new entrants
  - a move away from detailed rules might also reduce consumer protection
  - the need for additional, and more practical, guidance if we rely on high-level rules without detailed rules prescribing necessary actions
  - our work sometimes overlaps with other regulators and legislators and taking a different approach can increase complexity
  - the need to maintain appropriate equivalence with international rules and other international obligations, such as under existing trade agreements

## Annex 2

# Abbreviations used in this paper

| <b>Abbreviation</b>  | <b>Description</b>                    |
|----------------------|---------------------------------------|
| <b>APR</b>           | Annual Percentage Rate                |
| <b>Cfi</b>           | Call for Input                        |
| <b>GAP insurance</b> | Guaranteed Asset Protection insurance |
| <b>SME</b>           | Small and medium-sized enterprise     |

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