

## **Consultation Paper** **CP26/10\*\*\***

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# Simplifying the Pensions & Investment Advice Rules

**March 2026**

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We are asking for comments on this Consultation Paper (CP) by **22 May 2026**.

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

Or in writing to:

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

**Email:**

[cp26-10@fca.org.uk](mailto:cp26-10@fca.org.uk)

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## Foreword

We want to see an advice market that offers different types of support to meet differing consumer needs, at a cost they can afford, so they can make informed decisions to meet their financial objectives.

Targeted support is an important step forward but it is only part of the answer – we know consumers need a continuum of support. Our next step therefore is to enable firms to offer more simplified forms of advice to complement both existing advice and guidance and future targeted support services.

Simplified advice is not new. Firms can already provide advice that is narrower in scope, focused on a consumer's specific need. However, in practice it is not widely offered. We know that uncertainty about our rules and concerns about potential liabilities have limited the development of simpler advice propositions. There is an opportunity to change this.

We are simplifying, consolidating and clarifying our existing rules to give firms more confidence to use the flexibility that already exists within our rules and guidance and to support better communications with consumers. We would like to see recommendations being communicated in ways that better support consumer understanding. While the rule changes we are proposing to make may be small, our ambition isn't. We want to work closely with industry to collectively reframe how simpler advice propositions can be offered to consumers.

We are also taking steps to enable firms to tailor their ongoing advice services. This includes moving from requirements to offer annual to periodic suitability reviews and clarifying that firms can charge fees for both personal recommendations and related services on an ongoing basis. We want to enable advisers to offer a broader range of ongoing advice services, with a range of fees to meet different clients' needs.

The industry has worked hard to drive up standards, and we want to ensure consumers remain protected from poor quality advice.

As we have developed these proposals, we've heard feedback from the industry that qualifications can often be a barrier to growth in the sector. We have thought carefully about this feedback and are not proposing to reduce the qualification standards for regulated advice. This is an important safeguard for consumers and a foundation of trust in the advice market. We believe that the existing routes to qualification already offer the potential for apprentice and trainee routes. We are also not proposing to change the adviser charging rules, advice will still need to be paid via agreed-upon adviser charges rather than provider-paid commission or through cross-subsidisation.

The Advice Guidance Boundary Review (AGBR) is a once in a generation opportunity to modernise the advice and support framework. Reviewing the rules that allow legacy trail commission is an important part of ensuring our regulation stays up to date and that consumers get value for money.

We are not at this stage proposing a change to these rules. But we want to better understand the impact paying legacy trail commissions has on consumers – both the benefits and potential for harm. We also want to explore the implications for firms of phasing out commission.

Other than the review of the boundary, which we remain committed to taking forward, this represents the final step in our Advice Guidance work programme. So please do let us know if anything else is needed in order to achieve our strategic aim – of helping consumers to navigate their financial lives.

**Sarah Pritchard**  
Deputy Chief Executive

## Chapter 1

# Summary

### Why we are consulting

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- 1.1** Pensions and retail investments allow people to build wealth and generate income for later life. We want consumers to be confident when making decisions and to see a market that offers a continuum of help, guidance and advice, so that people can find what's right for them.
- 1.2** We know financial advice can help people manage their pensions and investments to make the most of their money. Consumers also usually value the advice they receive. Where consumers received advice, 87% reported the advice they received was clear and understandable and 85% reported confidence in the advice given (FLS 2024), with almost two thirds (63%) reporting they would be very likely to use the same adviser again.
- 1.3** However, data from our Financial Lives survey (FLS) has consistently shown that only a small proportion of UK adults receive regulated financial advice about investments, saving into a pension or retirement planning. In 2024, only 8.6% of adults (4.6m) had received regulated financial advice related to investments, saving into a pension or retirement planning in the 12 months to May 2024 (FLS 2024). The use of Artificial Intelligence (AI) is increasing – according to recent findings from the UK government, 73% of the public have incorporated AI into their daily lives within the last month (DSIT, 2024). Advice firms will need to adapt to changing consumer expectations for how they receive financial advice.
- 1.4** Stakeholders have consistently told us that firms struggle to design commercially viable simplified advice models because of the perceived regulatory risk of doing so without considering a customer's full circumstances. Firms have also told us they would like to tailor their ongoing services to better reflect different consumer needs, but current regulation limits them.
- 1.5** We've listened to stakeholders and to feedback from July 2024's Consumer Duty Call for Input and CP25/17: Supporting consumers' pensions and investment decisions: proposals for targeted support. We're now taking steps to simplify our advice rules. Our proposed changes, alongside the introduction of targeted support, are intended to enable more consumers to access a range of advice services to meet their needs.

### What we're consulting on

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- 1.6** With the targeted support rules now in place, our focus is on completing our outstanding policy work so that the market can develop and deliver a wide range of support for consumers.

- 1.7** This consultation delivers on two separate public commitments:
- **To consolidate, simplify and reframe the advice rules.** We propose to modernise and clarify our requirements and reduce the actual and perceived regulatory burden to better help firms to navigate the flexibility afforded by those rules.
  - **To review our existing rules relating to financial advisers' ongoing services,** following our commitment when setting out findings from our multi-firm work in February 2025, to ensure our ongoing advice rules remain fit for purpose.

**1.8** We want to simplify our regulatory requirements to remove barriers to innovation and promote competition in the market, while maintaining consumer protection. These changes will complement targeted support and enable firms to provide a range of services to meet different consumer needs (Figure 1).

**Figure 1: Firms can offer a range of different types of support and advice**

		COBS 9B	COBS 9C Regulated Investment Advice		
 <b>INFORMATION &amp; GUIDANCE</b> Factual information and/or generic guidance to help a consumer understand their options but without providing a view of what the consumer should do.	Advice that does not constitute a personal recommendation	 <b>TARGETED SUPPORT</b> A one-off suggestion of a particular product or course of action designed for groups of consumers with common characteristics. Firms need to make it clear that suggestions are not individualised advice. Firms will not conduct ongoing suitability assessments.	 <b>BASIC ADVICE</b> A recommendation of whether or not a stakeholder product is suitable for an individual based on their responses to pre-scripted questions		
			 <b>LIMITED SCOPE ADVICE (SIMPLIFIED)</b> A recommendation of particular product or course of action assessed as suitable for an individual consumer taking account of sufficient information relevant to a need.		 <b>ONGOING ADVICE</b>
			 <b>FULL SCOPE ADVICE (COMPREHENSIVE)</b> A holistic recommendation of a particular product or course of action assessed as suitable for an individual consumer's overall financial situation taking account of comprehensive information about their needs and circumstances.		

**1.9** Together these reforms will establish a regulatory framework for advice to support consumers now and in the future. This consultation contains several proposals to support this aim.

**1.10** In Chapter 2 – we ask for your views on simplifying the advice rules. These are to:

- Consolidate the rules in Conduct of Business Sourcebook (COBS) 9 and COBS 9A into a single, common framework, removing distinctions between advice on products in scope of the Markets in Financial Instruments Directive (MiFID), insurance-based investment products and other life policies and pensions.

- Delete certain COBS rules where Consumer Duty rules provide an appropriate degree of protection for retail customers.
- Reframe our Handbook rules and guidance so that suitability assessments must be based on sufficient information to reasonably demonstrate the suitability of a recommendation. Firms' approaches should be proportionate to the nature and scope of the service and the complexity of any recommendation.
- Retire FG17/8 guidance and, in due course, publish updated case studies that help firms understand what it means to consider 'sufficient' information.
- Update our Handbook rules and guidance so that firms are not required to assess a customer's knowledge and experience where this would deliver no discernible benefit.
- As part of assessing the suitability of a recommendation, simplify the language about considering the risk that a customer is willing to take, and being clear this is separate to the need to assess the client's ability to bear loss.
- Consolidate the different timing and content requirements for suitability reports to align with expectations under the Consumer Duty. Require that suitability reports only include useful, relevant information for clients, allow for layering of disclosure requirements and risk warnings.

**1.11** This chapter also confirms that we propose maintaining the charging and qualification requirements for advice, introduced following the Retail Distribution Review (RDR).

**1.12** In Chapter 3 we ask for your views on our ongoing advice service proposals. These are to:

- Replace the annual suitability requirement with periodic suitability reviews.
- Clarify our rules to make clear that firms may charge for ongoing related services linked to an earlier personal recommendation.
- Set out our expectations as to how firms should fulfil their existing Consumer Duty obligations when dealing with clients who are not engaging with ongoing advice services.

**1.13** This consultation also includes two forward-looking discussion chapters where we are inviting initial feedback but not consulting on proposals.

- Chapter 4 focuses on trail commission payable to advisers and commission for non-advised distribution.
- Chapter 5 asks for views on the suitability requirements that should apply to advice provided to professional clients. In the draft rules we propose for now to apply the new rules to services provided to professional clients in broadly the same way that current rules apply to such services.

**1.14** We are exploring these areas as part of our broader ambition to modernise the advice framework and ensure the regulatory regime remains current and equipped for a rapidly changing market.

- 1.15** We recognise that close collaboration between the FCA and the Financial Ombudsman Service (the Ombudsman Service) is crucial in creating an environment in which firms can confidently develop and deliver a range of different services to meet consumers' needs. We have engaged with the Ombudsman Service throughout the policy development of the proposals set out in this paper. We will continue to work in close partnership with them over the course of the consultation.
- 1.16** The primarily outcomes-based approach to rule making we are proposing in this consultation means firms will have to make judgments about the way in which they provide different advice services. The Ombudsman Service will therefore also need to make judgments about how a firm has conducted its business. We welcome views on whether our approach has struck the right balance between offering firms flexibility in how they offer different tiers of advice and the certainty they need, with the Ombudsman Service decision making in mind.

## Who this applies to

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- 1.17** This consultation will be particularly relevant to financial advisers and to those who sell or distribute pensions and investments products. Interested parties include:
- Financial advice firms
  - Retail banks and building societies
  - Life insurers and SIPP providers
  - Authorised fund managers
  - Investment platforms
  - Investment managers
  - Wealth managers
  - Venture Capital Trusts
  - Firms providing services such as model portfolio services
  - Industry groups and trade bodies
  - Consumers
  - Consumer groups and organisations

## Outcomes we are seeking

- 1.18** We want consumers to have access to a range of pensions and investment advice services to meet their varied needs, within an appropriate consumer protection framework.
- 1.19** We want our rules to provide firms with the certainty and flexibility to grow their services and innovate how they deliver them.

## Measuring success

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- 1.20** Our overall objectives are to increase the number of consumers who receive advice that meets their evolving needs.
- 1.21** We'll consider how best to evaluate the overall success as the work progresses. We'll use methods such as supervision of firms and monitoring regulatory returns. We may also carry out consumer research, or work with firms to assess the impact of changes they make, including on good and poor consumer outcomes.
- 1.22** For these proposals, examples of the key indicators we would measure are, an increase in:
- consumers investing and engaging with savings and pensions decisions (FLS)
  - proportion of revenue from initial or one-off adviser charges (RMA-K)
  - consumers taking up advice (FLS)

## Next steps

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- 1.23** We welcome your feedback on the draft rules and questions in this consultation. Please respond by completing the [form](#) on our website or by sending a response to [cp26-10@fca.org.uk](mailto:cp26-10@fca.org.uk) by 22 May 2026.
- 1.24** We will engage with stakeholders representing consumers and industry during the consultation period.
- 1.25** We will consider feedback and aim to publish a Policy Statement in Q4 2026 though this depends on the extent of feedback we get.
- 1.26** In PS25/22 we set out our intention to consolidate, simplify and clarify existing guidance on the advice guidance boundary. We remain committed to taking this work forward and will consult on changes in due course.

## Chapter 2

# Simplifying the advice rules

- 2.1** This chapter sets out our proposals to consolidate, simplify and reframe our existing pension and investment advice rules for retail consumers. We want to give firms confidence to take advantage of the flexibility in our rules, develop different business models, and provide cost-effective access to more simplified forms of financial advice.
- 2.2** Our suitability rules apply to firms providing advice on investments and those managing investments on a discretionary basis. This chapter discusses proposals to consolidate our suitability rules in COBS 9 and COBS 9A. These proposals are therefore relevant to both investment advisers and discretionary investment managers. While the chapter focuses on the potential implications of our proposals for firms providing investment advice, unless otherwise stated, the proposals apply equally to firms managing investments when assessing the suitability of decisions to trade.
- 2.3** The proposals in this chapter focus on regulated investment advice under Article 53 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO) to retail clients. We are proposing to apply the new rules to services provided to professional clients. We have proposed certain modifications to broadly maintain the current application and substance of the suitability rules as they relate to business with professional clients. We propose to achieve this in the draft instrument through an annex setting out how the rules apply to business with professional clients. In Chapter 5, we invite views on the future suitability requirements that should apply to advice given to professional clients.

## Why we need to reframe the advice rules

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- 2.4** Firms can offer regulated investment advice in different ways:
- Investment advice provided under Article 53 of the RAO can be comprehensive or limited in scope. Our rules set expectations that firms need to consider necessary information to reasonably demonstrate that a recommendation is suitable for an individual client. What is necessary varies depending on the nature, scope and complexity of the service and recommendation provided.
  - Basic Advice (Article 52B RAO) is a form of advice that was introduced in 2005 but is not widely offered. The basic advice rules enable firms to provide advice to consumers on stakeholder products using pre-scripted questions.
  - Targeted support (Article 55A RAO) is a new form of advice launching in April 2026, designed for groups of customers with similar characteristics. The framework for targeted support allows firms to develop services which cater to a broad range of consumer needs but does not allow firms to comprehensively consider a customer's specific circumstances.

- 2.5** Not all customers need or want comprehensive advice or are willing to pay for it. Some customers want simpler advice, for example to start investing in an Individual Savings Account (ISA) or to start contributing to a personal pension, including a recommendation of what funds are suitable given their objectives and attitude to risk. Or they may want to invest a one-off lump sum or need advice to access a modest pension in retirement. Providing this sort of simpler, limited scope advice needs to be commercially viable for firms.
- 2.6** Our advice rules already allow firms to tailor the advice they provide to a specific need, with flexibility to take a proportionate approach to assessing suitability. But we recognise the rules are creating a dampening effect in the following ways:
- Differing suitability requirements for MiFID business, insurance-based investment products, and other products are spread across two chapters of COBS, creating complexity.
  - They don't clearly articulate that firms can take a proportionate approach, leading some firms to gather comprehensive information regardless of the scope of the advice.
  - There is a lack of clarity on the extent to which firms need to assess a retail client's knowledge and experience.
  - The language used to describe considerations relating to a client's attitude to risk can lead to firms assuming that a complex approach is always needed.
  - Firms think they need to prepare suitability reports as if they were compliance records, rather than client-facing communications explaining the reasons for recommendations.
  - Firms want greater clarity about the interaction of the Consumer Duty when providing investment advice.
  - Previous efforts to explain the rule flexibility when assessing suitability such as [FG17/8 Streamlined Advice](#) have not provided the clarity needed.
- 2.7** In particular, firms tell us they're concerned about retrospective judgment that they did not collect enough information to demonstrate suitability. This can lead them to collect and consider the level of information associated with comprehensive advice services, even where the customer's need is simple and narrow. This can be costly, and not all consumers or situations require such detailed suitability assessments.

## Stakeholder views

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- 2.8** In June 2025 we set out early proposals to consolidate, simplify and clarify our advice rules to provide certainty to firms willing to offer simpler forms of advice ([CP25/17](#)). We asked for feedback on which specific suitability requirements we should reconsider or modify. Our aim was to explore how clearer, more proportionate rules and guidance could give firms confidence to provide more cost-effective forms of individualised advice.

- 2.9** We received 43 responses (including from 25 regulated firms and 5 trade bodies). A majority, including most larger firms and the trade bodies, supported our proposals to consolidate and simplify the advice rules to give firms confidence to provide simpler forms of advice rather than creating a bespoke simplified advice regime. Among respondents, 8 disagreed with our proposals. Two argued that the flexibility in the rules is already clear, 2 raised concerns that calling out the flexibility to offer more simplified forms of advice would introduce added complexity, 2 wanted a stand-alone simplified advice regime, 1 suggested that all advice should be comprehensive, and 1 suggested instead expanding the scope of the basic advice regime.
- 2.10** Our engagement with industry suggests there may be greater appetite to offer simplified forms of advice among larger firms, including banks, insurers, platforms and asset managers. Smaller, more traditional independent financial advisers (IFAs) told us that even with changes to our regulatory framework they are more likely to continue focusing on comprehensive advice.
- 2.11** Some respondents who supported our approach suggested we needed to go further to address the advice gap. Eight said that to make providing simpler forms of advice more commercially viable we should also relax the requirements on firms charging for advice when recommending their own products. Ten suggested we should consider tailoring adviser qualification requirements so that advisers who hadn't obtained the Diploma Level 4 qualification could provide more simplified forms of advice.
- 2.12** The FCA's Financial Services Consumer Panel was keen to ensure that any changes made were in the interests of consumers.
- 2.13** In CP25/17, we also asked for views on published non-Handbook guidance, specifically the usefulness of guidance on 'streamlined advice' in FG17/8. This was introduced in 2017 to help firms deliver more focused and cost-effective advice within the existing suitability framework. We sought views on the continued usefulness of this guidance given developments in the advice market and regulatory framework.
- 2.14** Of the 24 respondents that answered this question, only 1 organisation advocated for retaining FG17/8 in its current form. Most respondents agreed that it includes some useful elements, but more than half said that it was flawed and that consolidated guidance alongside the suitability rules in the Handbook would give them more certainty.
- 2.15** Firms and trade bodies told us that the case studies in FG17/8 were useful. They asked for updated case studies and 'safe harbours' that confirm what is and isn't allowed in simplified advice scenarios. One suggestion was to allow advisers to make assumptions, or rely on customer declarations, instead of having to determine whether a client's debt was manageable (and therefore whether the customer had the ability to bear investment risk). Some respondents also proposed we change the rules to allow advisers to disregard information that clients voluntarily provide to them, or a need identified by the adviser, where this information or need is 'out of scope' of the service to be provided. Firms also asked us to clarify whether they can take steps to increase a client's knowledge and experience where the client would not otherwise have the requisite knowledge to understand the risks involved in a proposed transaction.

- 2.16** Most firms and trade bodies told us they are concerned about retrospective challenge that they have not explored a particular need or not taken into account further information. The Consumer Duty expects firms to enable and support customers to pursue their financial objectives and to avoid causing foreseeable harm, heightening these concerns. Some firms interpret these expectations as contrary to an approach that allows firms to consider only a specific situation or limited need. Firms and trade bodies were keen to ensure that FCA expectations were agreed with the Ombudsman Service to mitigate the risk it takes a different view when considering individual consumer complaints.

## Consolidating COBS 9 and COBS 9A

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- 2.17** Our Handbook currently has separate COBS chapters for MiFID and non-MiFID business and for insurance-based investment products and other types of life policy. Stakeholders have told us that complying with multiple rulesets across two chapters of COBS for different types of business can be challenging for firms, especially when they want to innovate and offer new services.
- 2.18** Now that we have transferred the firm-facing requirements of the MiFID Organisational Regulation and Insurance Distribution Directive (IDD) requirements from legislation into our rules, we can simplify and consolidate our COBS 9/9A chapters. We want to tailor them to focus on the needs of the UK market and so reduce unnecessary complexity and regulatory burden on firms.
- 2.19** Stakeholders told us they supported consolidating the suitability requirements into a single set of standards in a unified chapter.

### Our proposal

- 2.20** We are taking forward the proposal to simplify and consolidate COBS 9/9A into a single new chapter (COBS 9C). We have proposed combining the scope of the rules, more clearly integrating the principle of proportionality from FG17/8, reflecting feedback from stakeholders. Annex 5 to this Consultation Paper contains a table of destinations which is designed to help stakeholders to understand how the substance of existing provisions in COBS 9 and 9A is reflected in COBS 9C. Where the substance of existing provisions is retained, we may have proposed changes to the detail of the relevant requirements and guidance. Stakeholders should consult the draft Handbook instrument at Appendix 1.
- 2.21** We propose largely removing the distinction between MiFID and non-MiFID business and between insurance-based investment products and other life policies, including the requirement to ensure any insurance product proposed is consistent with a client's demands and needs where suitability is assessed. In combination, this should help firms to more easily understand our expectations, and reduce costs for firms implementing processes to comply, particularly where they currently advise on a wide range of products subject to different EU-derived and UK rules.

**2.22** One implication of these proposals is firms with permission to provide basic advice would once again be able to advise on all stakeholder products whether or not they are currently within scope of MiFID or IDD. We therefore propose retiring our [webpage](#) on basic advice under MiFID and IDD.

**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?**

## Sufficient information

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**2.23** COBS 9A.2.4R and COBS 9.2.2R currently require firms to obtain 'necessary information' to assess suitability. In response to CP25/17, stakeholders told us that it's not clear what information is 'necessary' to ensure a recommendation is suitable. Firms tell us that they often collect all information to ensure they have considered that information which may be considered necessary in retrospect, even where the scope of the advice they are providing is limited. This adds complexity and cost for firms as well as consumers.

**2.24** We've considered how we can give firms more confidence that they can be proportionate when determining suitability in cases of more limited scope or simplified advice. We want the rules to signal clearly that firms are expected to exercise judgement about what information is needed to demonstrate suitability, rather than treating the requirement as an obligation to gather all potentially relevant information.

## Our proposal

**2.25** We propose to replace the requirement to consider 'necessary' information with an expectation that advisers consider 'sufficient' information.

**2.26** We propose that 'sufficient' better reflects an outcomes-based approach whereby different advice services, and different recommendations to different clients, can reasonably be supported by taking account of different information. This approach would allow firms to demonstrate the quality of judgements and decision-making without needing to gather exhaustive information.

**2.27** This distinction is particularly important for simplified forms of advice with limited scope. Firms can and should take a risk-based view of the information needed to deliver suitable advice and good customer outcomes. The nature and scope of advice as well as the complexity of the product or service recommended influences this as does the nature of the client, for example whether they are a vulnerable client.

**2.28** Where a client, for example, wants to invest a lump sum into a diversified stocks and shares ISA, the information needed to determine suitability will often be limited to understanding their investment objective and timescale for investment, their risk appetite and ability to bear risk. In contrast, in a scenario where the complexity or risks of poor advice are greater, such as a recommendation to invest in a non-mainstream asset via a self-invested personal pension, a firm will need to take account of more information.

- 2.29** Similarly, for advice relating to pension transfers involving safeguarded benefits, firms need to take account of the additional information requirements in COBS 19 to demonstrate suitability. Our proposed change to sufficient information does not change the expectations we have previously set out in relation to pension transfer advice, such as in FG21/3.
- 2.30** Our change to focus on sufficient information and considerations aligns with the original regulatory approach that preceded implementation of the first MiFID, now with the benefit of the Consumer Duty framework to underpin an outcomes-focused expectation.
- 2.31** We propose supplementing the rule with Handbook guidance to emphasise the concept of proportionality. This is to give firms confidence that they can and should make judgements of what constitutes sufficient information in different scenarios. The guidance will also emphasise our expectation that firms need a reasonable basis for determining that a recommendation is suitable and don't need to carry out a comprehensive review of needs and circumstances to determine optimal solutions. In due course, we propose to supplement the new rules with case studies to provide examples of more simplified forms of advice where firms can take account of less information.

**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?**

## Knowledge and experience

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- 2.32** Our rules are not intended to prevent inexperienced consumers from accessing appropriate investment opportunities. In CP25/17, we asked for feedback on which specific suitability requirements we should reconsider or modify to give firms confidence to offer more simplified forms of advice while maintaining consumer protection.
- 2.33** Firms have told us that applying a knowledge and experience assessment in all cases can add cost and complexity, particularly where the product or service to be recommended is straightforward and it can be reasonably assumed that a customer has limited prior experience. We have heard how the current requirements to assess a client's knowledge and experience (COBS 9.2.3 R, COBS 9A.2.5 R, COBS 9A.2.6 R and COBS 9A.2.6A R) could be interpreted as implying that customers must have some prior investment experience or some knowledge in order to receive advice. This may inadvertently restrict access to advice for consumers with limited or no prior experience, many of whom could benefit most from receiving advice.

## Our proposal

- 2.34** We propose to clarify that a firm should take a proportionate approach to considering a client's knowledge and experience, having regard to such matters as the nature and scope of the service provided. Firms should approach this aspect of assessing suitability having regard to its purpose, namely, to ensure that a recommendation is suitable by reference to the client's ability to understand the risks involved in the transaction recommended.
- 2.35** We also propose amending the rule to make it clear that firms do not always need to assess a customer's knowledge and experience before making a recommendation. We propose this applies where the type of product that the firm envisages recommending is one which the firm has reasonably identified as having a target market that includes clients with no experience of investing. A proportionate assessment of knowledge and experience will still be required before recommending a product where some degree of knowledge and experience is necessary to understand the risks involved, and when taking decisions to trade in the context of providing an investment management service. In practice, we anticipate that the exception from the need to consider knowledge and experience will be most relevant to firms providing more limited scope advice services in relation to simpler, more common investments.
- 2.36** Customers should be able to make informed decisions about relevant products and services so they can evaluate their options by assessing the benefits, risks and costs. We propose to add Handbook guidance clarifying that a firm should always provide information that supports a client's understanding of a service or product recommended. This emphasises the consumer understanding outcome under the Consumer Duty. We also propose to make clear that where an assessment of knowledge is required, firms can educate and increase a client's knowledge as part of that process.
- 2.37** In combination, these changes should help reduce unnecessary friction for firms providing (and consumers seeking) straightforward advice on mainstream products, whose features and risks can reasonably be explained and understood by consumers with little or no experience of investing.
- 2.38** We do not currently propose any changes to the application of the suitability rules relating to professional clients. We propose to retain, for now, the ability for firms undertaking MiFID-scope business, to assume that professional clients possess the requisite level of knowledge and experience to understand the risks associated with the types of services and transactions in respect of which they have been categorised as professional clients.

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

**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?

## Assessing the risk a client is willing and able to take

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- 2.39** Our rules currently require firms to consider the risk that a client is willing to take to meet their objectives but describe this concept in different ways. These include references to 'risk profile', 'risk tolerance', 'attitude to risk' and 'preferences regarding risk taking'. Although these terms all relate to how comfortable a customer is with investment risk, they're framed differently and currently used inconsistently across MiFID, IDD and non-MiFID provisions. This creates uncertainty for firms, as concepts framed differently can be interpreted as setting different expectations.
- 2.40** There is also a separate requirement to assess a client's ability to bear losses as part of assessing their financial situation.

### Our proposal

#### *Attitude to risk*

- 2.41** We propose having one term in the rules, 'attitude to risk', to describe the consideration of the risk a client is willing to take to meet their objectives.
- 2.42** We also propose to clarify, through changes to Handbook guidance, that firms are not required to use complex psychometric tools or detailed questionnaires to determine a client's attitude to risk. Robust tools may be appropriate and useful, particularly when providing comprehensive advice or advising on larger and more complex investment portfolios. They can provide a basis for a conversation about risk with clients, but firms can be proportionate when considering a client's attitude to risk, taking account of the nature and scope of the service provided and the risks of any products that may be recommended.

#### *Ability to bear losses*

- 2.43** We also propose to clarify in the Handbook that firms can take a proportionate approach when determining the client's ability to bear losses as part of separately assessing a client's financial situation. Firms can make judgements about what is sufficient to demonstrate suitability of a recommendation in different scenarios. We propose to include examples of how firms can do this in more straightforward scenarios in case studies.
- 2.44** We propose to retain, for now, the ability for firms undertaking MiFID business to assume that a per se professional client is able to financially bear any related investment risk consistent with their objectives.

**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?**

**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?**

## Suitability reports

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**2.45** We have heard industry support for clearer guidance on making suitability reports more proportionate and focused when offering limited scope advice. Many were concerned that the current rules encourage defensive reporting, driven by fear of regulatory scrutiny or customer complaints. This leads to reports that are long and complex, not always serving customer needs. Respondents suggested standardised or templated suitability reports could be helpful for narrow scope advice. They also called for clarification in the rules that lengthy suitability reports are not always required.

### Our proposal

**2.46** A suitability report helps a client understand the reason why a recommendation is suitable for them and can help inform their decision about whether to follow it. We propose to consolidate the timing and content requirements that currently apply to the provision of suitability reports for different types of business.

### Triggers

**2.47** In consolidating the current rules, we propose to preserve, as far as possible, the current circumstances in which a suitability report is required while moving away from concepts of MiFID and non-MiFID business.

**2.48** At present, the rule on providing suitability reports in COBS 9 refers to recommendations relating to regulated collective investment schemes and investment trusts. Aligning with COBS 9A, we propose in future that any firm providing advice relating to a financial instrument must provide a suitability report.

**2.49** As part of this consolidation, we also propose that a suitability report is required whenever the recommendation is not to do something and where the client is not resident in the UK. Similarly, we propose to retire the current exception from the requirement to provide a suitability report in COBS 9 where the recommendation is to invest additional single premiums or single contributions to an existing packaged product to which a single premium or single contribution has previously been paid (COBS 9.4.3 R (5)).

**2.50** These proposals represent an extension in the situations where a suitability report is currently required in COBS 9. We anticipate that the impact of these changes should be limited since firms will generally be subject to MiFID-derived rules when advising on financial instruments subject to the COBS 9A rules today. We welcome feedback on this.

## **Content**

- 2.51** Current rules for non-MiFID Business (COBS 9.4.7R) explicitly state that firms must explain any potential disadvantages of a transaction in the suitability report, while guidance in COBS 9A.3.4 simply refers to ensuring suitability reports are fair, clear and not misleading in line with COBS 4.2.1R. Firms must also consider requirements in COBS 2, COBS 14 and the cross-cutting obligations under the Consumer Duty. We consider it likely that firms are already explaining risks and potential disadvantages in relation to MiFID business for retail clients. Given these overlapping requirements we propose to consolidate and make explicit the requirement that potential disadvantages be set out in suitability reports. We do not expect this to impose any additional burden given prevailing market practice, but we welcome feedback.
- 2.52** As part of our consolidation proposals, we also propose removing the requirement for suitability reports for life policies and insurance-based investment products to explain why the recommendation best meets those client's demands and needs. Firms will still need to explain why a particular life policy is suitable with reference to relevant suitability criteria.
- 2.53** Suitability reports should be concise and consumer-focused, providing clients with relevant information that clearly explains the recommendation, the reasons for it and any potential disadvantages. Length or volume should be proportionate to the nature of the service and recommendation provided. They do not need to unnecessarily repeat information or risk warnings already clearly provided at the same time in other documents or as part of a layering approach that better supports building customer understanding aligned with expectations under the Consumer Duty.
- 2.54** It's important that suitability reports are not designed or used primarily as compliance records to evidence suitability. Records demonstrating considerations, judgements and conclusions for compliance with the suitability rules should be retained separately from the suitability report.
- 2.55** Our aim is to reduce defensive reporting and support clearer, more proportionate communications for consumers. We don't intend to develop templates for suitability reports because firms should have flexibility to determine what their clients need to know and how best to explain it aligned with our expectations under the Consumer Duty. However, we are proposing new Handbook guidance that a firm should ensure that a suitability report is concise and presented in a way that can be readily understood by a retail client.

## **Timing**

- 2.56** In most cases firms are required to provide a suitability report before any contract is concluded (for example, where the recommendation relates to MiFID business, an insurance-based investment product, a life policy or pension transfer), but in a small number of other cases the rules allow a firm to provide a suitability report after the transaction has concluded (COBS 9.4.4R (3)).

**2.57** We consider it likely that most firms already provide suitability reports before a contract is concluded for all types of business, typically providing one alongside documentation seeking authorisation to process the transaction recommended. We propose to replace the current disparate requirements with a single obligation to provide a suitability report before the relevant transaction is concluded for all types of business as we consider it better aligns with expectations under the Consumer Duty. But we recognise this could increase the burden on some firms to issue a suitability report earlier and welcome views on the impact of this.

**2.58** In the draft rules we have retained the provision which permits the suitability report to be provided immediately after the transaction where distance communication prevents prior delivery, subject to client consent and an option to delay the transaction (COBS 9A.3.2R(3)). We welcome views on whether this provision continues to serve a useful purpose, or whether it should be removed.

**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)?**

## The role of the Consumer Duty

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**2.59** In CP25/17 we explained that we want to place greater reliance on the Consumer Duty, which should provide firms with more flexibility and encourage innovation. The Consumer Duty has a framework to ensure that products and services provide fair value, and that customers understand the scope of services provided.

**2.60** Feedback from firms generally indicated support for our approach to change some outdated prescriptive requirements and rely on the Duty to deliver good outcomes for consumers.

## Our proposal

- 2.61** Where appropriate we want to move away from prescriptive rules to a more outcomes-focused, proportionate and risk-based approach. We don't propose to carry-forward certain specific rules in COBS 9/9A and instead rely on the Consumer Duty. The Duty already requires firms to act in good faith towards retail customers, avoid causing foreseeable harm to retail customers, to support them in pursuing their financial objectives and to ensure consumer understanding. Taken together, these requirements provide a comprehensive framework that makes several of the existing Handbook provisions redundant.
- 2.62** We've reviewed the suitability rules to identify provisions that no longer serve a useful function given the requirements of the Duty:
- COBS 9A.2.19R: This provision requires firms to understand recommended products and assess, taking account of cost and complexity, whether alternatives could better meet the client's profile. We propose removing this requirement on the basis that it overlaps with PRIN 2A.3.16R and PRIN 2A.4.16R, which require firms to obtain sufficient information from manufacturers and assess the value and suitability of products, including available alternatives. In this context, retaining COBS 9A.2.19R provides limited incremental benefit, and its removal will streamline the regulatory framework while maintaining the protections afforded by the Duty.
  - COBS 9A.2.20R and COBS 9A.2.20AR: These rules set out that a firm must not make a recommendation or take a decision to trade where none of the services, instruments or insurance-based investment products involved are suitable for the client. In our view this duplicates the requirement to ensure any recommendation or decision to trade is suitable. And the Consumer Duty goes further by requiring firms to act in good faith, avoid causing foreseeable harm and support retail customers to pursue their financial objectives. The existing suitability requirement is sufficient, and the Consumer Duty obligations provide additional broader and more outcomes-focused protections.
  - COBS 9A.3.1R and COBS 9A.3.1AR: These rules require firms to be clear about their responsibilities when assessing suitability and to explain to clients, in a straightforward way, that the purpose of the suitability assessment is to ensure the recommendation is in the client's best interests. In our view, these requirements are sufficiently covered by the Duty, which requires firms to support consumer understanding and act to deliver good outcomes (Principle 12 and PRIN 2A.5.3R). Retaining these COBS requirements does not add materially to consumer protection and removing them would reduce potentially overlapping requirements.
  - COBS 9A.3.4G: This guidance reminds firms that, when preparing a suitability report, they must meet the COBS 4.2.1R requirement for the report to be fair, clear and not misleading. The Consumer Duty goes further than this guidance by requiring firms to act in good faith and to ensure consumer understanding (PRIN 2A.2.1R and PRIN 2A.5.3R), which together already require communications, including suitability reports, to be fair, clear and not misleading. We therefore consider that this guidance is redundant.

- 2.63** In making these proposals we have considered the potential impact on a consumer's ability to make a civil claim for damages due to their private right of action (PROA), including on a consumer's ability to make a claim to the Financial Services Compensation Scheme (FSCS) where a firm fails. If a firm does not comply with a rule in the Conduct of Business Sourcebook (COBS) a customer is usually able to bring such a claim as breaches of FCA rules causing them a loss gives right to a PROA. Where a firm fails to comply with the Duty, the customer would not have these rights. We are also not able to impose an industry-wide consumer redress scheme in relation to breaches of the Duty under section 404 of FSMA. However, consumers are still able to seek redress directly from the firm or through a FOS complaint. Consumers may also make us aware of poor practice to inform our supervisory and enforcement activity. We consider these to be proportionate options for redress and accountability where the Consumer Duty sets the relevant standard and we do not expect these changes to result in a material reduction in consumer protection.
- 2.64** We therefore propose to remove the provisions listed above, on the basis that their removal would reduce duplication in the Handbook while maintaining, and in some cases strengthening, consumer protections through reliance on the Consumer Duty.

**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 role of case studies and non-Handbook guidance

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### FG17/8: Streamlined advice and related consolidated guidance

- 2.65** Stakeholders tell us they find aspects of FG17/8 helpful, especially its emphasis on proportionality and the use of case studies. However, some also find it risk-averse, contradictory or insufficiently clear to give firms confidence to take account of less information in scenarios where a full fact find may not be necessary or required.
- 2.66** Respondents to CP25/17 pointed to the confusing terminology within FG17/8, in particular the overlapping terms ('streamlined', 'focused' and 'simplified' advice). They said the guidance was also contradictory in places or not always clear on what is enough information to demonstrate suitability in cases of limited scope advice.
- 2.67** The inclusion of practical case studies in FG17/8 was widely valued by firms, helping them understand what information is (and is not) required in certain scenarios. Respondents requested more detailed and up-to-date examples, especially for complex scenarios such as pension decumulation.

## Our proposal

- 2.68** We propose FG17/8 is retired. It is outdated given advances in technology and the introduction of the Consumer Duty and has not led to widespread adoption of, or given firms confidence to provide, advice that is limited in scope. Our proposed changes to the rules mean the guidance will be redundant. We propose to reflect the underlying intent of FG17/8 within the Handbook. Doing so will anchor the principles of proportionality that FG17/8 speaks to within the suitability framework and reduce uncertainty about how the guidance interacts with the rules. We do not propose to replicate the content of FG17/8, but rather to give effect to the core concepts and outcomes it was designed to support.
- 2.69** We propose to update case studies, replacing those in FG17/8. These will set out how firms can take a proportionate approach to assessing suitability, including examples of sufficient information to collect and consider when providing simplified forms of advice. We propose to do this at the same time as we publish final rules, or shortly after.
- 2.70** We will also review the future applicability of other guidance or tools that reference rules in COBS 9/9A with a view to updating or retiring such material as appropriate.

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

**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.**

## Explicit advice charging requirements

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- 2.71** Rules implemented following the RDR prevent advisers from receiving commission for retail investment advice. Similarly, vertically integrated firms (including groups) cannot cross-subsidise the costs of providing advice and must charge an explicit advice fee to the customer that is at least representative of the cost of providing advice. These measures were designed to support a fair, trusted and competitive advice market, ensuring that remuneration structures don't distort recommendations or undermine consumer confidence by removing conflicts of interest, improving transparency and ensuring consumers understand what they're paying for.
- 2.72** Firms have told us that they think this is preventing them from offering commercially viable simplified forms of advice because customers are unwilling to pay for it.
- 2.73** We have carefully considered the arguments, particularly in light of our previously stated ambition in CP25/17 that consumers may benefit from a 'stepping stone' from targeted support where they want reassurance that a particular investment product is right for them. On balance, we propose to maintain the clear distinctions in the charging rules between targeted support (and basic advice), and other forms of regulated advice, so as not to undermine the integrity of the UK's advice market.

- 2.74** It would be difficult to relax the explicit charging rules only for simpler forms of advice as the charging rules apply across all Article 53 regulated advice. The scope of advice is scalable along a spectrum and there is no clearly definable category of advice to which the charging rules could be reliably dis-applied. Introducing a bespoke charging model for certain types of advice would therefore risk creating arbitrary boundaries and parallel regulatory frameworks, adding complexity.

## Adviser qualification requirements

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- 2.75** Some firms and their trade bodies have told us that simplified forms of advice are only likely to be commercially viable if we change the qualification requirements. They argue that requiring a Level 4 Diploma qualification is a barrier to wider provision of more affordable forms of advice, especially for advice on single issue topics such as ISAs or workplace pensions.
- 2.76** Several firms and industry bodies have suggested that staff delivering simplified forms of advice should be able to do so after passing targeted or modular qualifications relevant to the specific advice area. Some respondents also raised concerns that, given the adviser shortage and the higher earning potential from providing comprehensive advice, few advisers will choose to focus on simplified forms of advice unless qualification requirements are adjusted.

### Our proposal

- 2.77** We don't propose to reduce the current qualification requirements for providing regulated advice. We think that the Level 4 Diploma qualification is an appropriate minimum standard, with the Level 6 Advanced Diploma qualification setting a higher standard that many advisers aspire to.
- 2.78** Consumers want assurance that a specific recommendation is appropriate for their individual circumstances, and those who are willing to pay for more tailored advice, generally value receiving this advice from a qualified adviser.
- 2.79** The training and competency framework already provides significant flexibility. In particular, individuals who have started, but not yet completed, a Level 4 Diploma are permitted to provide advice under appropriate supervision for a period of up to four years. This approach supports apprenticeship routes and allows trainee advisers who have passed relevant modules to advise on corresponding product areas, without having necessarily completed all product-specific modules. For example, an individual may advise on retail investments without having passed pension or protection modules, or other combinations, during this period.

**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 to help consumers navigate their financial lives?**

## Chapter 3

# Ongoing advice services

- 3.1** The proportion of financial advisers' revenue from ongoing advice charges has increased steadily since the RDR. About 80% of revenue from adviser charges relates to charges for ongoing services (RMA-K), from around 3.7 million clients (FLS, 2024).
- 3.2** In February 2025 we published findings from the multi-firm review of Ongoing Financial Advice Services looking at whether financial advisers are delivering the ongoing advice services that consumers have paid for. We are asking a small number of firms to outline the actions they have taken since the review, including any remedial steps.
- 3.3** When we published our findings, we also announced that we'd review the rules on ongoing services to make sure they support innovation, to help as many people as possible manage their financial lives.
- 3.4** We have discussed with industry stakeholders the challenges our advice rules present. This showed us that there are areas where our ongoing advice rules have been interpreted differently by firms and areas where our rules may be too prescriptive. Ongoing services must deliver fair value to clients in exchange for the fees charged and firms must be able to clearly demonstrate this. However, consumers need different things from an ongoing service, and firms should be able to adjust their services to reflect this. Firms are also operating in a changing landscape, with the role of AI becoming increasingly prominent. We want to encourage firms to offer a range of services, with a range of fees and fee structures to meet different clients' needs.
- 3.5** In this chapter, we set out our proposals for clarifying our requirements in areas where our current rules have been interpreted differently by firms. We are also proposing to simplify rules that may be overly prescriptive. We are proposing removing the requirement for the suitability review for MiFID or IDD business to be at least annual. We seek to leverage existing obligations under the Consumer Duty to achieve flexibility for firms to innovate while ensuring a focus on good outcomes for consumers. Through these changes, we aim to support the development of new business and charging models, such as subscription and retainer models that are priced accordingly to offer fair value.

## Clarifying our requirements for ongoing services

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- 3.6** While some firms are confident that their ongoing services are compliant with our rules, others remain uncertain about the parameters for designing and charging for these services. Our rules address the different sorts of ongoing services that firms may provide, anticipating both the provision of personal recommendations and of 'related services' (in COBS 6.1A.22R to COBS 6.1A.23R).

- 3.7** Under current rules, the ongoing service can incorporate reactive as well as proactive elements but there must be a genuine service providing personal recommendations or 'related services'. While such related services (and other services) are described in our Handbook (in COBS 6.1A.6R and 6.1A.6AG), we want to ensure that firms have all the information that they need about what we expect from them when designing – and charging for – ongoing services.

## Proposal

- 3.8** We propose to clarify that firms can offer and charge for services related to advice, whether or not they give a new personal recommendation on each occasion. Firms can offer and charge for services, on a one-off or ongoing basis, that relate to investments previously purchased by the client (following an earlier personal recommendation).
- 3.9** In line with the Consumer Duty, firms will still need to ensure these related services meet an identified need of customers in the target market (i.e. customers to whom the service will be offered) and provide fair value. Firms also need to ensure customers are given enough information about the nature and cost of the ongoing service to enable them to make an informed decision about whether to agree to entering agreements for the provision of ongoing services. And of course, consumers would still have an unconditional right to cancel the ongoing charges if they no longer wish to receive the service.
- 3.10** We are also proposing to clarify another aspect of our rules on ongoing payment of adviser charges (COBS 6.1A.22). Currently these rules deal with two quite distinct situations: a) levying of ongoing charges for an ongoing service, and b) arrangements where the advice charge for the initial personal recommendation is paid off over time along with the customer's regular investment into the product recommended. We are proposing to separate the two parts of this rule and clarify that ongoing payments for an initial personal recommendation should only be taken until the cost of up-front advice has been paid off.

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

## Frequency of suitability reviews

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- 3.11** Since relevant EU legislation was implemented in 2018, additional requirements have been applied when firms provide ongoing advice services in relation to business that falls under MiFID II or the IDD. In particular, under rules derived from MiFID II and the IDD, firms offering periodic suitability assessments must review the suitability of investments previously recommended to the client at least once a year. Under current requirements, then, annual suitability reviews are a core part of firms' ongoing services.
- 3.12** We recognise the importance of a regular suitability review to ensure that a consumer's investments and the ongoing service remain suitable for their current needs, objectives, financial situation, and risk tolerance. However, stakeholders have told us that while an

annual review might be right for many clients, there may be situations where a client's needs could be met by an ongoing advice service which could feature less frequent suitability reviews, and which could be priced accordingly.

**3.13** There are several reasons for this:

- *Varying consumer needs*: consumers have different life stages, financial goals, risk tolerances and capacity for loss. For some, especially those with simpler, low-risk investments or younger consumers in the accumulation phase of investing for retirement, less frequent reviews might be a better fit to their needs.
- *Reduced consumer costs*: Annual reviews can be resource intensive for firms, which affects the charges for the ongoing service. A more flexible review model could lower costs for consumers who may otherwise be priced out of ongoing services (where they would benefit from them) while also freeing up adviser capacity. Removing the mandated annual review requirement could allow firms to tailor servicing to consumer needs and support a greater number of clients, helping improve access to financial advice.
- *Ensuring fair value*: Since the onset of MiFID requirements and broader regulatory requirements – including the introduction of the Consumer Duty – expectations around consumer outcomes are higher. Under the Consumer Duty, firms must be able to show evidence that the services they charge for provide fair value. This reduces the need for prescriptive rules setting out a minimum frequency for the suitability review.

## Proposal

- 3.14** We propose to remove the annual suitability requirement under COBS 9A.3.9R and COBS 9A.3.10R when advising in the course of MiFID business and on insurance-based investments. Firms providing an ongoing advice service will instead be subject to a more flexible obligation to conduct periodic suitability assessments and determine the most appropriate review frequency based on an assessment of customer needs and circumstances, and in keeping with the Consumer Duty.
- 3.15** We believe this change will give firms greater flexibility to design ongoing advice services that meet a wider range of consumer needs. We propose that this will apply in relation to both retail and professional clients, where currently in scope of the suitability rules.
- 3.16** Firms already have flexibility in how they deliver the suitability review: the Handbook does not prescribe a specific medium. Firms can choose the channel or combination of channels that best lets them meet requirements to ensure suitability and deliver good outcomes for consumers. Firms should be able to take advantage of our proposal to remove the annual suitability requirement by using technology to drive innovation in both how they assess suitability on an ongoing basis and deliver the suitability review.
- 3.17** Our existing rules and the Consumer Duty provide sufficient protections for consumers without needing to prescribe an annual suitability review. For example, existing rules in COBS 6.1A already require firms to provide a clear, written disclosure of the cost of adviser charges and our proposed new rules in COBS 9C.4 on ongoing services require firms to ensure that clients are clear as to the scope and nature of the ongoing service they

will receive, including the frequency of suitability reviews. We propose that these new requirements in COBS 9C.4 apply to all investment advice within scope of the new chapter and not just to MiFID-scope advice or that relating to insurance-based investments.

- 3.18** The Consumer Duty requires firms to act to deliver good outcomes for retail consumers. The Duty's price and value outcome rules require firms to assess whether the ongoing service and its associated charges provide fair value. The firm must be able to show evidence that the service provided is commensurate with the fee charged. Consumer Support outcome rules also require firms to provide support that meets the needs of retail customers and ensures they can use their product or service as reasonably anticipated. Finally, Duty rules on consumer understanding and existing COBS rules require firms to have clear client agreements and communications that set out the nature and timing of the ongoing service, allowing the client to make an informed decision about whether to set up (or exit) the service with a good understanding of what they are paying for and the expected frequency of interaction.
- 3.19** As set out above, we expect firms to design and deliver ongoing services that provide genuine value to the consumer and are in line with the Consumer Duty. We will also undertake ongoing supervision to monitor implementation of our proposals. Our focus will be on ensuring firms' emerging practices and ongoing service offerings comply with the Consumer Duty. We'll monitor regulatory returns and complaints data, identifying outlier firms and conduct multi-firm reviews. We may also carry out consumer research, or work with firms to assess the impact of the proposed change on their business models and customer outcomes. Where firms don't comply with their obligations, we will take action.
- 3.20** However, we want to receive feedback on whether our proposed rules, the Consumer Duty and our ongoing supervision would provide sufficient safeguards against firms reducing service quality without a corresponding reduction in price. We want to understand if, or whether, additional transparency requirements or guidance may be needed to mitigate the risk of customers being signed up to ongoing services that they do not understand or do not offer fair value.

**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?

**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?

## Disengaged clients

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- 3.21** We have no specific/explicit Handbook requirements for how firms should deal with clients who are paying for ongoing advice services, but who are disengaged – for example, those who consistently fail to provide up to date information or participate in discussions with their adviser. Consumer Duty rules require firms to act to deliver good outcomes for retail consumers and are particularly relevant in this context. We expect firms to have policies for what to do when client disengagement means they are not receiving the service they are paying for. This should include stopping collecting fees for ongoing services.
- 3.22** Our work in February 2025 found that many advice firms have policies in place to stop collecting fees where a client had not engaged with the service for a period of time. We also found that firm practices for handling disengaged clients vary widely. This raises concerns that some firms may be failing to meet their Duty obligations to act in good faith towards retail customers, avoid foreseeable harm to them, and ensure their services are properly designed to meet the needs of the customers in their target market and provide fair value to them.
- 3.23** Industry stakeholders have asked us to clarify our expectations under the Consumer Duty around disengaged clients. We want to give firms more clarity and consistency in how they identify and support disengaged clients and help to ensure they deliver good consumer outcomes.

### Proposal

- 3.24** We've considered feedback and don't think that setting prescriptive rules on the treatment of disengaged clients is the right approach. Instead, we propose to introduce new Handbook guidance clarifying our high-level expectations as to how firms should fulfil their existing Consumer Duty obligations when dealing with clients who are not engaging with ongoing services.
- 3.25** The proposed guidance does not create new standards but is intended to give firms more clarity on our expectations. Where a firm considers that their current process and policies around disengaged clients are already consistent with their Duty obligations, we don't expect them to revisit their existing approach in light of the guidance.
- 3.26** We consider this approach strikes the right balance between allowing firms flexibility to design processes suitable for their business models while ensuring consistent adherence to core FCA principles and the outcomes expected under the Consumer Duty.
- 3.27** We also plan to work with industry to publish examples of good and poor practice. We welcome feedback on where further clarity would be helpful, as well as examples of what firms think good and poor practice looks like when handling disengaged clients. We invite firms to provide examples of their current practices or what they have seen in the following areas:
- How firms typically characterise a "disengaged client", including the timeframes and behavioural markers it is helpful to look at when determining disengagement.

- What systems or processes firms currently use to identify clients who are not engaging, and how they assess whether these clients continue to derive value from the service.
- How firms attempt to re-engage clients who have become unresponsive, including approaches they use or have seen in the market.
- What firms consider a good and poor disengagement process looks like, once all attempts to contact the client have been exhausted.
- How firms determine whether ongoing fees should continue, be stopped, or refunded, including any criteria or decision frameworks that are commonly applied.
- How firms record client engagement and disengagement activity, or examples of effective record-keeping approaches they have seen, to ensure that records are complete, accurate, and up to date.

**3.28** During engagement prior to the consultation, some stakeholders expressed a preference for prescriptive Handbook rules or guidance on when adviser charging should cease. We recognise that disengagement may be temporary and doesn't always indicate a client no longer has a need for or would benefit from the ongoing service. We are inclined to the view that firms should be left to judge the best approach to meet their Consumer Duty obligations, as more prescriptive requirements would be difficult to get right. We expect firms are mindful that continued charging without meaningful delivery would ultimately breach their Consumer Duty obligations.

**3.29** Our proposed approach aims to avoid these harms by clarifying expectations under the Consumer Duty, supported by good and poor practice examples, while preserving firms' flexibility to exercise their judgement based on the circumstances of their clients.

**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.

**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.

## Chapter 4

# Discussion chapter: reviewing our rules on commission payments

- 4.1** AGBR is a once-in-a-generation opportunity to modernise the advice and support framework and reviewing the rules that allow legacy trail commission is an important part of ensuring our regulation stays up to date.
- 4.2** In this chapter we invite a discussion on the impact trail commission payable to advisers and commission for non-advised distribution is having on consumers and the market. We're seeking information on, and estimates of, the impact these payments have on consumer outcomes and firm incentives.
- 4.3** This feedback will help us assess whether to consult on introducing any changes to our Handbook provisions. Potential options for legacy trail commission could include:
- Maintaining existing arrangements unchanged
  - Enhancing transparency of trail commission arrangements to affected clients
  - Ending the existing arrangements in the future, by introducing a sunset date on these payments
  - Ending the existing arrangements but introducing a transitional period to enable financial advisers more time to adapt, agree final payments, or agree with clients to convert trail commission arrangements into ongoing service agreements
- 4.4** We are not at this stage proposing a change to our rules. But we want to better understand the impact paying legacy trail commissions has on consumers – both the benefits and potential for harm. We also want to explore the implications for firms of phasing out commission.

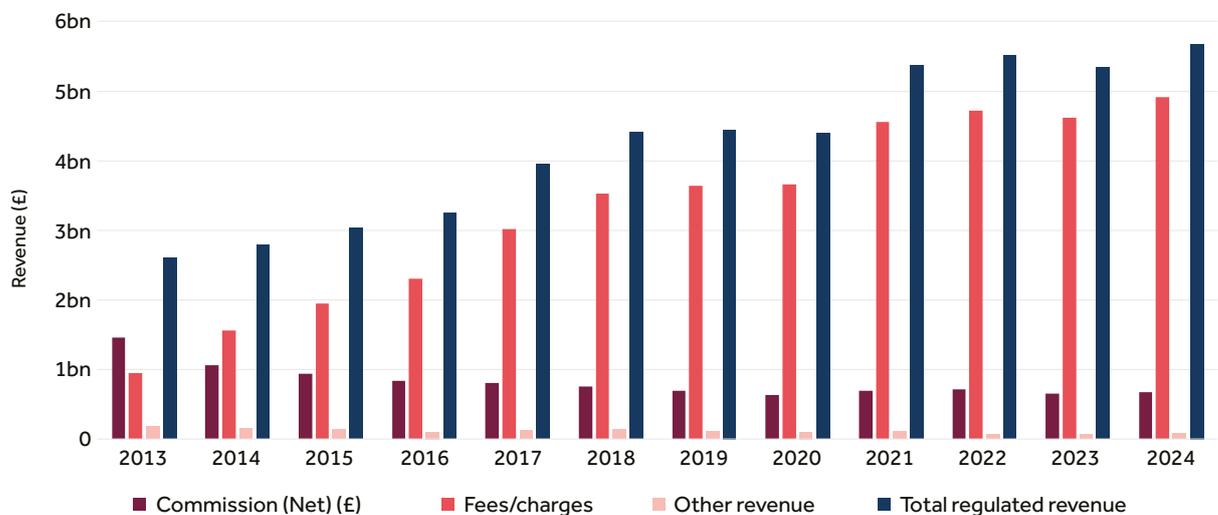
## Trail commission payable to advisers

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- 4.5** Trail commission is a recurring payment to financial advisers by product providers (such as fund managers and insurers) over the lifetime of an investment product. When the RDR came into force in 2012 it banned both up front and trail commission on advised sales of retail investments. However, it allowed for trail commission to continue to be paid in relation to arrangements entered into before the RDR rules came into force, in accordance with the contractual terms already agreed between the provider and adviser. Our rules therefore permit legacy trail commission to be paid on advised products that were bought prior to 31 December 2012, subject to certain conditions (COBS 6.1A.4AR).

**4.6** As we would expect, the amount of revenue the sector derives from commission payments of any kind has declined sharply since 2012, with no new commission payments due on advised sales of investments in scope. Our data shows that prior to RDR, commission payments accounted for 80% of adviser firms' revenue. In 2013, commission payments represented 56% of retail intermediary revenue. By 2016 it had dropped to 26%, and by 2020 it had fallen to 15% of revenue. However, since 2020 the decline has slowed and remained at 12% (totalling £674m) in 2024. It remains most prevalent among smaller firms and those authorised before 2013.

**Figure 2: Revenue earned from retail investment business year by year 2013 – 2024**



Source: FCA RMA-B returns 2024

**4.7** It has been 13 years since RDR was introduced and 9 years since we explored this issue as part of our Asset Management Market Study (CP17/18 and PS18/8). We want to explore the reasons for the continued prevalence of these payments, and the scope for new rules to support firms in accelerating their phasing out, and whether there is the potential for poor consumer outcomes arising from legacy commission arrangements.

**4.8** We recognise any change to our rules has the potential to impact consumers, adviser firms, and product providers. To consider some of these issues and whether the payment of legacy trail commission is causing consumer harm, we need more information on current market practice.

**4.9** We are therefore seeking responses from asset managers, insurers and other product providers, advice firms, industry bodies, consumer bodies and other relevant stakeholders to consider whether to act and how to design an appropriate response.

**4.10** We would particularly welcome information that will help us understand the number of investors, rates of trail commission paid, and the size of investments that are affected by legacy trail commission arrangements. This will help us assess the scale of the issue, the barriers which allow the issues to persist, whether to respond and if so, what our response should be.

## Examining the impact on consumers

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- 4.11** We're concerned that the continued payment of trail commission may be an obstacle to the modernisation of advice services and to consumers receiving value for money. We want to better understand the total charges these consumers pay, what firms are disclosing to consumers regarding these charges, and what is preventing consumers from switching away from products that pay trail commission to better understand the potential for consumer harm.
- 4.12** Advisers are not subject to explicit regulatory requirements to provide an ongoing service in return for legacy trail commission; their obligations to customers under these arrangements are in the main governed by the terms agreed with the product provider. Our rules also permit firms to receive remuneration via advisers' charges in addition to commission (COBS 6.1A.4AAG). Therefore, an adviser may be receiving trail commission on an investment product and charging the same consumer separately for ongoing investment advice or offsetting commission against any adviser charges due (COBS 6.1A.4AAG(4)). There is also the potential for conflicts of interest, if a firm is reluctant to advise a consumer to switch products knowing that this would mean they would stop receiving legacy trail commission.
- 4.13** Some consumers may not remember from the point-of-sale disclosure that trail commission is payable, may not be aware that it continues to be paid, or to whom. If consumers want to check if they are paying trail commission from their investments, they may need to contact their adviser or product providers to find out. In some cases, their original adviser may no longer be in business (and the adviser's legacy book may have been sold on without the consumer necessarily being informed) which can make it harder for the consumer to find the new owner of the legacy book, and in turn whether they are paying trail commission. All of this can make it difficult for consumers to know whether they are paying commission and to act on that knowledge.
- 4.14** A consumer may be able to stop paying trail commission by surrendering or selling their investment and buying a similar product that does not include trail commission; however, this can involve costs and exit penalties or may crystallise a tax liability on the profits made.
- 4.15** We recognise that, in these sorts of situations, it may be in consumers' best interests to remain invested in a product that pays trail commission. We want to explore with firms whether bringing the exemptions (contained in COBS 6.1A.4R) for legacy trail commission to an end might lead to firms transferring consumers to products that don't include trail commission, whether consumers would be likely to remain in the same products, and what the implications are for the value consumers receive.

## Examining the impact on firms that pay or receive trail commission

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- 4.16** **Advice firms:** Changing the existing rules on trail commission could have an impact on the advisory market, as these legacy arrangements remain a significant source of

revenue for the sector. A reduction in adviser revenue from trail commission could even impact the supply of advice. We want to open up discussion on this to understand the potential impact on adviser revenue and supply of advice. The insight will allow us to assess, for example, whether any firms would no longer service clients from whom they currently receive trail commission, charge these clients a new initial adviser charge on which new product to purchase or seek to recover the revenue via an increase in the adviser charge levied to other clients.

- 4.17** We would also like to understand the extent to which firms currently receiving legacy commission payments would be able to switch clients onto arrangements for the provision of ongoing services, and how that might help firms maintain their revenue while ensuring clients benefit from the better regulated nature of modern ongoing services.
- 4.18** We also note that changing legacy trail commission could affect certain firms more than others. For example, it could potentially affect self-employed advisers who are close to retirement but currently rely on that trail commission for a substantial proportion of their income. Entitlement to trail commission (if transferrable) could also be an important part of a business's value when an adviser sells it. As we've noted, the payment of trail commission is also more prevalent among smaller advisers, so changes to trail commissions could have an impact on them. We'll consider this as we assess whether to consult on any changes.
- 4.19** Since the RDR, many providers, platforms, advisers and intermediaries have largely stopped paying and receiving legacy trail commission. This is due in part to advisers moving consumers to modern, commission-free investments, and to older investments maturing or being switched out of by customers. In some cases, investment managers have agreed final payments with individual advice firms, bringing the payment of trail commission to an end by mutual agreement. With this in mind, we believe that the practical obstacles to ending pre-RDR commission payments may have decreased, but we would welcome views.
- 4.20** **Insurance and asset management firms:** Most pensions and investment trail commission is paid by a small number of large insurance and asset management firms. These pre-RDR products and share classes can often be uneconomical for these firms to run because few consumers remain in them and work is required to maintain them. However, some firms report barriers to switching consumers out.
- 4.21** Contractual arrangements between the manager or product provider and adviser which specified the terms and duration of commission payments can act as a barrier to these firms moving consumers to products or classes with no trail commission. In addition, switching would normally require express permission from the customer, which can be difficult and costly to obtain. A firm must also take care to ensure that consumers will not be worse off as a result of a product switch, and in some circumstances, it may be difficult to identify an appropriate replacement product in the current market.
- 4.22** Some firms do have active policies to move consumers out of funds that pay trail commission, but others don't. Our engagement with product providers has indicated that there may be support for us to intervene to ensure that this is done more consistently across the sector. A mandated and reasonable timeframe would potentially

enable the sector to adjust, while reducing the administrative burden of maintaining legacy products and share classes.

- 4.23** We want to work with product providers to explore the impact on costs and charges if the payment of legacy trail commission changed or ended, and whether this would be reflected in lower charges to consumers. These are discussion paper questions, to help us determine whether to carry out further reform in this area.

**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?**

**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?**

## Commission for non-advised distribution

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- 4.24** Firms operating a platform service can only be remunerated by platform charges, which are charged to their customers, subject to limited exceptions (COBS 6.1E.6R and COBS 6.1E.7R). If a platform provider receives a payment from a fund manager under one of those exceptions, it must pass on this commission in full to the customer, without offsetting or appearing to offset any adviser or platform charges (see COBS 6.1E.10R). Any such benefit must accrue transparently to the client, for example through a rebate or additional units.
- 4.25** In contrast, firms that do not operate a platform service and that provide execution-only brokerage services may, in limited circumstances, receive payments from third parties where this is permitted under the inducement rules, (see COBS 2.3A).

## Exploring the persistence of commission in the distribution of VCTs and EISs

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- 4.26** While commission is now rarely paid to execution-only brokers, we know that the practice remains more common in the case of certain alternative investments, including venture capital trusts (VCTs) and enterprise investment schemes (EISs). We wish to better understand why commission persists for these products and not for others. We're keen to receive feedback on the value of such payments to those in the supply chain (that is, VCT operators, distributors, and consumers), how they are practically managed, how they are disclosed to investors, and what the impact is on the value consumers receive. We would like to understand if the persistence of these

commissions arrangements is a barrier to firms acting to deliver good outcomes for retail customers, in line with their obligations under the Consumer Duty.

**4.27** We also want to understand the impact of different rules governing different types of distributors selling the same products. Platform service providers are obliged to pass any commission on in full to clients, but this is not the case for execution-only brokers. While some brokers may rebate these commissions to customers in full, or in part, practice appears to be inconsistent, leading to different consumer outcomes. We are inviting views on the competition issues that may arise from this, and the impact on consumers if outcomes differ based on the choice of distribution channel.

**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?**

## Consulting on a minor change to our rules on commission rebating

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**4.28** We are aware that the rules allowing platform service providers to pass commission on in full to clients, in specific circumstances, are currently restricted to payments from authorised fund managers (COBS 6.1E.10R). This may mean that some platform service providers think they can't pass on commission payments from alternative investment fund managers to clients, in circumstances where equivalent commission payments from authorised fund managers could be rebated. We are consulting on a minor rule change to address this inconsistency and make sure there's no inadvertent detriment to consumers from this restriction.

**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?**

## Chapter 5

# Discussion chapter: professional client suitability standards

- 5.1** In this chapter we invite a discussion on the suitability requirements that apply to business with professional clients. We are proposing that our draft rules apply to business with professional clients in broadly the same way as the existing rules in COBS 9 and 9A. For this limited purpose, we have retained a differentiation between business in scope of MiFID and the IDD and that which is not. We welcome views on the future application of the differing professional client suitability requirements, including whether there is merit in consulting on recalibrating, consolidating and aligning these, particularly in light of our ongoing consultation on client categorisation.
- 5.2** The existing suitability framework in COBS 9 and COBS 9A applies different suitability requirements to business with professional clients depending on the type of business. This creates three different approaches to suitability for professional clients in the existing Handbook.
- 5.3** Under the current rules:
- the non-MiFID rules in COBS 9 largely don't apply to advice provided to professional clients
  - the MiFID derived rules in COBS 9A apply to advice provided to professional clients, but allow firms to draw certain assumptions about a professional client's knowledge and experience and, for per se professional clients, about their ability to bear risk
  - the IDD rules do not permit any such assumptions to be drawn.
- 5.4** In considering what suitability requirements might be appropriate for advice to professional clients, we're attracted to largely replicating the proportionate approach emphasised in the rules that apply to retail customers. That is, standards that apply in a proportionate way having regard to the type of client as well as the nature and scope of the service provided, and the complexity of the product recommended. For example, the extent of a suitability assessment might be greater when recommending an interest-rate hedging product to a small to medium sized high street retailer but reduced when recommending a more mainstream investment product, or when advising a larger conglomerate or financial services firm. Alternatively, we could consider applying the current standards that apply to MiFID business which allow advisers to make assumptions or dis-apply certain suitability requirements where appropriate, in all cases. We particularly welcome views on what a consolidated set of requirements might be.

**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?

## Annex 1

# Questions in this paper

### Consultation Paper questions

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

- 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?
- Question 9:** Do you agree with our proposal to retire FG17/8 and embed its principles of proportionality in the new rules?
- 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.
- 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?
- Question 12:** Do you agree with our proposals to clarify our rules on provision and charging for ongoing services?
- 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?
- 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?
- 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.
- 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.

## Discussion paper and annex questions

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

## Annex 2

# Cost Benefit Analysis

## Executive Summary

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1. This Cost Benefit Analysis (CBA) assesses the FCA's proposed reforms to simplify and clarify the rules governing financial advice under the Advice Guidance Boundary Review (AGBR). The reforms aim to give firms confidence they can offer different forms of advice by clarifying our regulatory expectations. This will support innovation in advice models, and expand access to suitable, fair-value support for consumers making investment and pension decisions.
2. Only 8.6% of adults received regulated financial advice related to investments, saving into a pension or retirement planning in the 12 months to May 2024, despite many more having needs that advice could help meet (FLS, 2024). Consumers often lack the information, confidence and behavioural capability to make optimal financial decisions, leading to lower lifetime wealth and welfare. Others pay for ongoing advice services that exceed their needs. At the same time, firms are concerned about liability risk, pushing them towards comprehensive advice, and away from limited scope or scaled back relationships. This is compounded by the costs of understanding the obligations set by complex rules. This reduces the confidence they have to offer commercially viable, proportionate and affordable advice to consumers with less wealth or more straightforward needs.
3. We want to address these challenges through simplifying our regulatory requirements and enabling firms to tailor their advice services to a wider range of consumer needs. The intervention seeks to simplify our rules and give firms greater confidence, addressing some of these challenges, by:
  - Clarifying suitability requirements to emphasise proportionality and the use of sufficient information for limited scope advice.
  - Simplifying and clarifying rules for ongoing advice, including expectations on review frequency, charging for related services and engagement with disengaged clients.
  - Consolidating guidance, replacing FG17/8 with clearer examples of where limited scope advice is appropriate.
4. Demand estimation modelling suggests significant consumer appetite for more proportionate services. Even after adjusting for supply constraints and real-world take-up, we estimate 66,000 new limited scope advice users and 101,000 new users of alternative ongoing advice models. In addition to this, we expect 21,000 ongoing advice customers to switch to limited scope advice, and 30,000 to switch to an alternative ongoing advice model, saving them fees.

5. Over the 10-year appraisal period, the reforms could generate **total discounted benefits of up to £1,408.3m** from increased wealth (£74.3m per year), firm compliance cost savings (£2.4m one-off and £27.4m per year), savings to consumers currently taking advice (£18.4m a year) and firm revenue from new customers (£43.3m per year). **This is weighed against estimated total discounted costs of £782.1m** from consumers paying for these services (£43.3m per year), the time they spend engaging with the service (£4.9m per year), firms providing those services to new customers (£30.1m upfront and £20.4m per year), and firm revenue losses where consumers switch to limited scope advice or an alternative ongoing model (£18.4m a year). **In total, this yields a central Net Present Value of £626.2m.**
6. **Given firms will only incur costs of providing these services if they choose to offer limited scope advice or alternative ongoing advice models, and consumers only incur costs if they choose to take them, almost all of these costs and benefits are indirect.**
7. Overall, the reforms are expected to increase access to suitable, fair-value advice; reduce firm costs; support commercially viable innovation; improve consumer financial outcomes; and deliver net benefits to consumers, firms and the wider economy.

## Introduction

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8. The Financial Services and Markets Act (2000) requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.
9. This analysis presents estimates of the significant impacts of our proposal. We provide monetary values for the impacts where we believe it is reasonably practicable to do so. For others, we provide a qualitative explanation of their impacts. Our proposals are based on weighing up all the impacts we foresee and reaching a judgement about the appropriate level of regulatory intervention.

## The Market

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10. The proposed intervention will impact the behaviour of firms providing financial advice to retail consumers on investment products, and the underlying distribution chain of those products.
11. We identify markets for three consumer demands:
  - short term saving – providing liquidity and capital for near term expenses and emergencies,
  - medium term saving – providing consumers help saving for a specific goal like a house deposit or new car, for example,
  - long term saving – helping consumers accumulate wealth for later life and retirement

12. Though these three needs are interlinked, short- and medium-term saving solutions are primarily delivered through products and services not necessarily provided by or advised on by financial advisers (such as deposit accounts or cash ISAs).
13. Consumers can meet the long-term saving demand through two routes:
  - Advised route where firms provide comprehensive advice, limited scope advice or targeted support, and access to the specific investment products required to meet their needs.
  - Direct route where the firm providing the access to the products performs only this function, with little formal advice or support for the consumer, only information and guidance.
14. Many firms offer both routes. For some of these, advice will be their primary proposition (for example, wealth managers and advisers), for others direct access, with the option but not requirement of advice is their primary proposition (for example platforms and banks).
15. Across both of these routes, consumers may also use free guidance, generic factual information, which is not paid for, and does not provide a personalised recommended course of action.
16. The firms providing access to investments to meet these demands are distributors, like advice firms, asset managers, wealth managers, insurers, banks, platforms and firms that specialise in specific products, such as crypto firm and CfD firms. Through the advised route, the distributor will make recommendations about which products are most suitable. Distributors work with product manufacturers who are responsible for packaging the underlying financial products into a marketable investment. Many firms are vertically integrated. Vertically integrated firms tend to be larger financial services firms. They will manufacture and distribute investment products.
17. For this intervention **our primary market is for long-term savings (including pensions), and the primary impact will be on the advised route to market.** We therefore focus our market description on consumers in these markets, and firms providing support and access.
18. The CBA for CP25/17 provides a detailed description of these firms and consumers. Key points about the market from this CBA include:
  - **Financial advisers are the most numerous type of firm providing financial advice** (approximately 4,340 financial adviser firms employing 28,000 advisers in 2024: FCA Retail Mediation Activities Return, RMAR, 2024). Banks and Building Societies and Wealth Managers offering advice are less numerous (27 and 226, respectively) but also employ a significant number of advisers (2,179 and 5,795).
  - **90% of advice firms are independent financial adviser (IFAs)**, offering advice on and access to a range of products. 9% offer advice restricted to a limited set of products, or advice that is limited in scope to a specific activity instead of advising on a whole-of-market basis.

- **Advisers who are restricted in recommending a limited set of products are likely to be part of vertically integrated firms** who also provide investment and pension products. Most banks, building societies, life insurers and platforms provide restricted advice, as do the largest advisers, intermediaries and wealth managers.
- **Although independent advisers are the most numerous, they tend to be much smaller firms.** Therefore, even though there are a diverse range of participants in the market for financial advice, the market is relatively concentrated towards larger firms.
- Since the RDR banned commission payment, **advice firms generate revenue from a combination of upfront fees and ongoing fees for customers in an ongoing relationship.** Upfront or ad-hoc fees range between 1% and 3% and ongoing range between 0.5% and 1% per year for independent financial advice. Restricted financial advisers charge slightly less, 0.5% to 1.9% for upfront fees and 0.3% to 1.0% for ongoing fees (RMAR, 2024).
- Vertically integrated firms will also charge product fees.
- Our 2020 evaluation of the retail distribution review and financial advice market review found **advisers did not believe price was important for customer acquisition as service and quality factors. Consumers were less reluctant to shop around and less focused on price, instead trusting in better established brands.**
- **A minority of adults (8.6%) took regulated financial advice related to investments, saving into a pension or retirement planning in the 12 months to May 2024** (FLS, 2024). This is significantly less than the **39% of adults who held any investments including real investments** (FLS, 2024) and the **57% of adults below state pension age saving into a private pension** (ONS: Saving for retirement in Great Britain: April 2018 to March 2020, 2022)
- In 2024, the semi-retired, those aged 55+ and those with a household income of £50k+, had a higher propensity to take advice in the previous 12 months than employed adults, younger adults and adults with lower household incomes (FLS, 2024).
- Firms can offer, broadly, three categories of advice; comprehensive advice, limited scope advice and targeted support. Firms may offer these on a one-off basis, or an ongoing basis. **The majority of consumers who take advice, take comprehensive advice as part of an ongoing relationship** – over 4 times as many consumers were on ongoing contracts in 2024 than received initial, ad-hoc or one-off advice. 80% of a firm's advice revenue comes from ongoing advice charges.
- As well as the group that already have investment and pension products, a large number could benefit from entering the market or further engagement. In Annex 6 of CP25/17 we define a number of use cases for customers who might benefit from targeted support.
  - 7.0m under investors who seem to be resilient enough to invest, but have not invested,
  - 2.1m misaligned investors investing in ways that don't match their risk preferences,
  - 4.2m disengaged investors not reviewing their investments regularly,
  - 5.3m over investors who may not have appropriate resilience to invest,

- 12.5m under accumulators who are not contributing enough to their pensions to support a comfortable retirement,
  - 4.7m disengaged accumulators who have been enrolled into a DC pension but has not engaged with it to check it is invested suitably,
  - 2.6m uninformed accessors who are nearing or just past the point of accessing their pension and have sought any support, and
  - 50,000 over decumulators who may be withdrawing from their pension at an unsustainable rate.
- We expect the size of these underserved groups to decrease, as targeted support is rolled out and it meets their needs. However, some of these customers may benefit from other forms of individualised advice, either now or in the future, particularly those who need more individualised assurance that the recommendation is suitable for their personal need.

## Problem and rationale for intervention

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- 19.** We launched the AGBR to address the lack of suitable and good value support for some consumers when making financial decisions, particularly about their investments and pensions.
- 20.** In [CP25/17](#), we consulted on targeted support, a key part of the package of interventions driven by the AGBR. Targeted support seeks to help consumers with less wealth and more straightforward needs. This consultation follows on from the work targeted support has started. The focus for this intervention overlaps with the cohort targeted by targeted support, but the typical consumer is likely to desire a more personalised recommendation than targeted support can offer, have more complex needs, more wealth or need more reassurance.
- 21.** Using FLS we identified two groups:
- **3.8m underserved advice seekers:** These consumers are not taking advice but are willing to pay for it and likely to benefit from it. They feel they do not have enough information to make decisions about investments and pensions and have over £10k in investible assets. 29% are aware of the cost advice and willing to pay for advice at the right costs, suggesting cost is an explicit barrier for them.
  - **Up to 1.5m potentially overserved advice takers:** These are consumers who said they have received regulated financial advice related to investments, saving into a pension or retirement planning or have an ongoing advice relationship with an adviser and have paid money to the adviser in the 12 months to May 2024 but might not need or be using all the features and frequency of engagement that current regulations require firms to offer ongoing customers. These are consumers in a stable position, with high financial numeracy and confidence managing their money. 31% of this group are not aware of the cost of advice, suggesting they are unaware whether they are receiving good value or not.

22. Under-provision of a more suitable advice service, or any suitable advice service leads to harm for these consumers:
- **Lower lifetime wealth and welfare:** consumers make worse decisions without advice, leading to unrealised investment gains, or choices that don't reflect their preferences. Our research into the value of advice suggests consumers could be foregoing an increase in wealth of up to 10% through not having access to or taking advice.
  - **Higher prices for worse value advice propositions:** if consumers cannot access the most suitable service, then they may have to choose something less suitable. In this case this means paying for services they are not fully utilising. Our FLS analysis suggests there are up to 1.5m consumers potentially in this position. This is supported by a survey of adviser views on costs and benefits of potential interventions, which we conducted in December 2025 ('firm survey' hereafter). The firm survey provided evidence that some consumers were not getting the most value out of their advice service. For example, 4% of consumers (approximately 0.3m when scaled to all advice takers) had not been engaged with at least once in the prior year, and 33% (approximately 2.8m when scaled to all advice takers) had only been engaged once. While their current service will be the most suitable for some of these consumers, some may benefit from paying for a less exhaustive service without harming their financial outcomes.
23. Investing (including through a pension) provides access to capital to firms in the real economy, helping them grow. Where consumers do not receive advice, and are less likely to invest, this could lead to lower economic growth.

### Drivers of harm

24. This harm stems from market failures that limit consumers' ability to make optimal savings, investment and pensions choices, and market failures that limit their access to support which could mitigate their limitations when making these decisions.
25. In CP25/17 we describe why consumers struggle to make good investment, savings and pension decisions, and how this can lead to lower wealth and welfare in later life.
- **Market failures limit the ability of consumers to act effectively in the investment and pensions markets in their own interests.**
    - We find considerable evidence that consumers have insufficient experience of complex investment and pensions products, and lack the capability to assess which product is right for them. For example, 25% of consumers responding to an FSCS survey said lack of understanding of pensions/savings products is a concern about saving for retirement (FSCS, 2023).
    - Consumers display a number of behavioural biases (such as loss aversion, overconfidence bias and present bias) that can cause them to be overly cautious forgoing potential gain for the perceived certainty of avoiding losses, overvalue current welfare over future welfare, or taking decisions about which they do not understand the implications. There is significant survey and experimental evidence of this, for example,

- research conducted for the FCA by Thinks Insights and Strategy found 40% of non-investors said they did not invest because they do not want to risk losing money,
  - a systematic review of 132 academic papers (Singh et al, 2024) highlights how overconfidence affects excessive trading, under diversification, risk misperception and poor personal financial decisions, and
  - a Savanta survey for Wealthify found among UK non-investors who never considered investing, 85% say they prefer cash or easy-access savings. Of this group almost all cite needing quick access (95%) and fear of losing money (94%) – while this may be rational for some, it is likely many are influenced by a bias for present gains, liquidity and loss aversion.
- **Consumers therefore make decisions that do not reflect their longer-term interests**, such as undersaving for retirement, drawing from their pension pot in an unsustainable way, over allocating their wealth to low-risk products like cash or choosing high risk products that do not reflect their objectives and preferences. The use cases we set out in the Market section show how we can identify some of these consumers in the FLS 2024 data.
  - **As a result, consumers can have lower lifetime wealth and welfare.**

**26. The advice market exists to help consumers make better choices that better reflect their needs and preferences.** However, consumers with low to moderate wealth and relatively straightforward needs may struggle to access suitable advice due to:

- **Consequences of existing regulation:** existing regulation can be complex, costly and restrictive, and is often perceived as such even where we have made efforts to simplify or clarify it. This creates fixed costs and obligations and firms have told us this makes it difficult for them to design commercially viable and good value services for consumers who do not have large investment pots or do not have complex needs.
- **Information asymmetries:** advice is a 'credence good', meaning consumers do not know the quality of advice until after they take it and see the consequences of following the recommendation, even at this point, making that assessment is difficult. This means consumers may underestimate or overestimate the benefit to them of taking advice. Further, consumers must trust advisers are acting in their interest. Low trust and an inaccurate assessment about the potential benefit can lead to consumers either not taking advice where they would benefit, because they believe it is not good value, or taking advice where they might not benefit, or might benefit from a different, less exhaustive form of support.

**27.** As a result, we observe the harms described above: lower lifetime welfare and wealth for consumers who cannot access advice and higher prices and lower value service for consumers who do access advice.

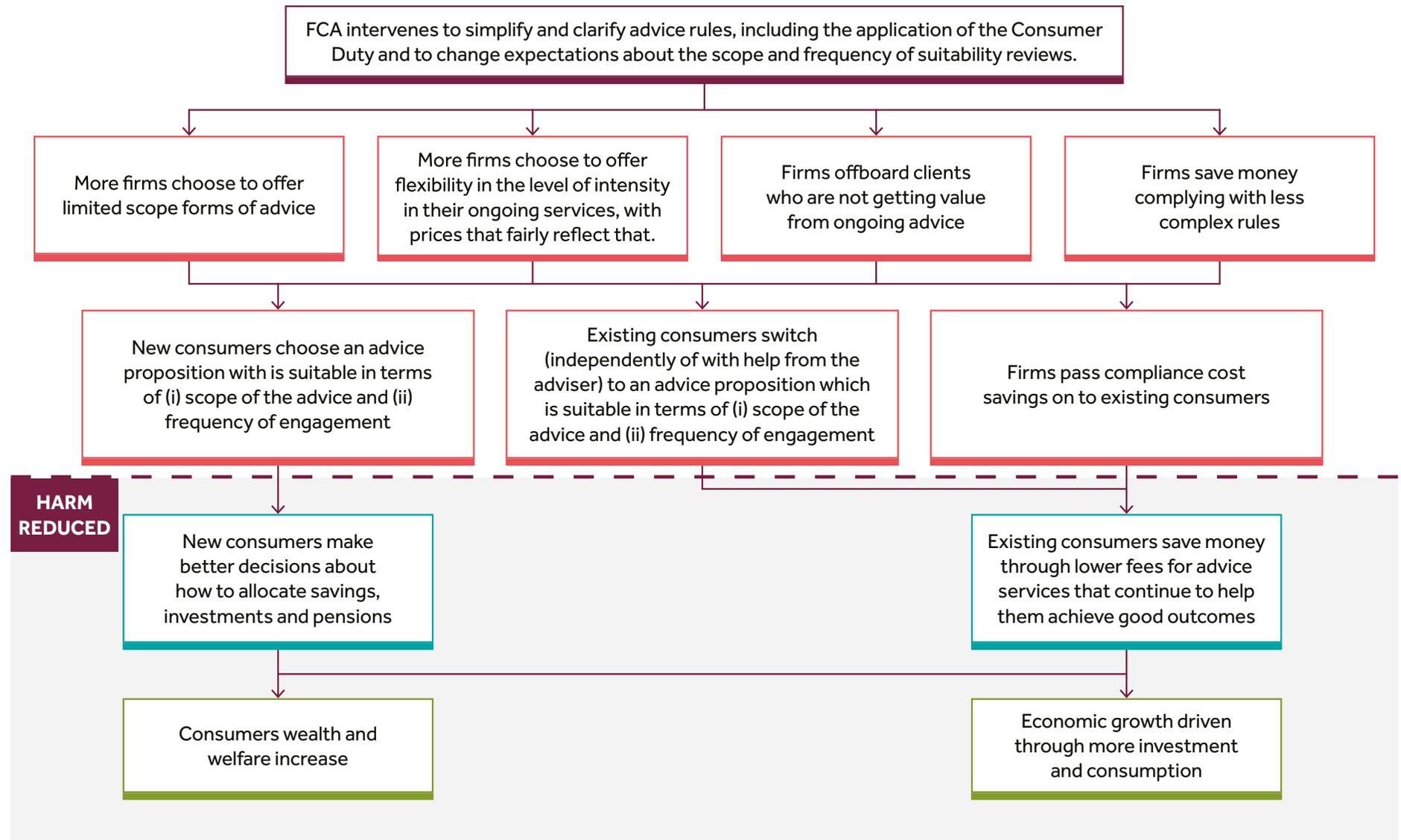
**28.** Further, unnecessarily complex regulations mean all consumers pay more for advice as they bear some of the additional compliance costs.

## Our proposed intervention

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- 29.** Given their scope and the challenge of solving them, we do not expect to address all the problems identified in the previous section. We are attempting to address them through our wider work, including targeted support, or improved consumer access to retail investment markets and pension engagement.
- 30.** In this intervention, we want to simplify our regulatory requirements, enable firms to tailor their advice services to a wider range of consumer needs, support growth and innovation in the advice sector and build a healthy investment culture that benefits consumers and firms. We aim to achieve this through two main intervention packages where we will:
- Clarify existing rules around advice that does not need to assess the full scope of a consumer's circumstances and needs (limited scope advice). This will give firms more confidence about situations where limited scope advice is permitted, how to provide it in line with our rules, and reconsider the obligations under existing rules to make it more cost-effective. Changes include:
    - Reframe our Handbook rules and guidance to make it clear that suitability assessments must be based on sufficient information to reasonably demonstrate the suitability of a recommendation. Firms' approach should be proportionate to the nature and scope of the service, the needs and nature of the client, and the complexity of any recommendation.
    - Remove certain FCA Conduct of Business rules in favour of relying on the Duty.
    - Remove FG17/8 and replacing it with new case studies to provide examples on how firms can take a proportionate approach to assessing suitability.
  - Clarify and change rules around ongoing advice relationship to ensure firms are meeting their obligations and able to match consumers to suitable services:
    - Rely on expectations under the Duty for how frequently suitability reviews should be conducted, moving away from the current annual to a periodic requirement.
    - Highlight flexibility in how fees can be charged, allowing firms to charge consumers for ongoing services that include personal recommendations and related services or related services alone, provided they relate to an earlier personal recommendation provided by the firm.
    - Clarify expectations of firms under the Duty regarding offboarding clients who are not engaged.
- 31.** This will reduce costs and other barriers for firms to innovating and offering a greater range of support services. As part of our efforts to increase clarity, we will clarify firms' obligations under the Duty, ensuring consumers receive suitable and fair value advice, even where they cannot assess its quality. These support services will better suit, and are commercially viable to offer to, a greater range of customers.
- 32.** Figure 3 shows the causal chain for how we expect the intervention to improve outcomes.

**Figure 3 Causal chain for the impact of the intervention**



## Outcomes delivery risks

- 33.** For the intervention to deliver the outcomes we want, we assume the following to hold:
- Firms choose to offer more limited scope advice.
  - Firms choose to offer more flexibility in their ongoing advice options at prices that reflect the level of service.
  - New consumers choose to use these services.
  - Existing consumers choose to switch to these services where they are more suitable.
  - These services continue to provide effective help to consumers making pension, savings and investment decisions.
  - The increase in new consumers engaging with the advice market, increases investment and economic growth.
- 34.** We recognise there are risks to the robustness of these assumptions, and therefore the delivery of our intended outcomes. We set these out, and where we can, we try to scale these risks.

### *Firms do not offer limited scope advice*

- 35.** There is a risk that firms continue to choose not to offer limited scope advice, which could be due to reasons including:
- Firms continue to perceive a lack of certainty about appropriate situations where this type of advice could be offered, so perceive the risk of redress to be too high.
  - Requirements on firms when giving limited scope advice are too close to comprehensive advice and do not save significant enough cost to allow firms to offer a commercially attractive and viable service.
  - Limited scope advice could act as a substitute for comprehensive advice, reducing firm profit. Firms may worry about diluting their comprehensive offering and seeing customers switch, so would only choose to offer limited scope advice if there was a risk of losing comprehensive customers to other firms offering limited scope advice.
- 36.** We issued a survey to firms to inform this cost benefit analysis and the development of the rules ('simplifying advice survey' hereafter). In this, we set out some options for how we could consolidate, simplify and clarify our advice rules, then asked whether they would consider offering simplified advice (a form of limited scope advice) if we were to make these changes. Of the firms that responded, 65% said they were likely or very likely to.
- 37.** A second survey, conducted by our Supervision department, gathered responses from over 4,000 advisers ('adviser survey' hereafter). This survey asked whether a firm would consider offering simplified advice, but without explaining the changes we were considering. 29% of respondents said they would. Concerns that simplified advice might not be commercially viable was most common reason for not considering offering the service. A lack of adviser capacity, regulation costs, regulation requirements and restrictions, and concerns around potential redress liabilities were also significant barriers for medium and small firms.

- 38.** We are realistic about the impact of our intervention and do not expect all firms to offer more limited scope advice, some firms will continue to want to serve consumers with greater wealth and more complex advice needs. We reflect this in our estimates of the costs and benefits. However, the changes we plan to make are targeted at reducing the barriers which firms see as significant, and when presented with those changes (versus when they are not) we observe a sizable proportion of firms saying they are likely to offer the service.

### ***Consumers choose not to take limited scope advice or alternative ongoing advice services***

- 39.** There is a risk consumers may choose not to take limited scope advice if:
- They consider the cost to be too high
  - They are not aware of the benefit to them
  - They do not seek out the service
- 40.** We use 'demand estimation' to understand the size of this risk. This is modelling which looks at past behaviour of consumers who are currently taking or considering taking advice to estimate how many of them would choose a service with given characteristics. In this case, the characteristics we specify are the price, quality relative to comprehensive advice, and how the support would be delivered. Our specification is informed by the responses we received to the simplifying advice survey. We find that, at the specified terms:
- 384,000 consumers currently not taking any advice would take limited scope advice
  - 207,000 consumers currently taking advice, would switch limited scope advice
  - 589,000 consumers currently not taking advice would take an alternative ongoing service
  - 322,000 consumers currently taking advice would switch to an alternative ongoing service
- 41.** However, of the 3.8m we identified in the FLS as consumers who could potentially benefit from advice and are willing to pay for it 47% were not confident about where to find it. We therefore think a lack of knowledge and proactivity could be a significant barrier to widespread use of advice services, particularly in the short run. We adjust for this in our calculations of costs and benefits to estimate a realistic number of consumers who choose to take or switch to these services. We provide more detail on this in the 'Impacts on consumers' section.
- 42.** We hope that over time, interventions like this and targeted support will change the culture around advice and investing, normalising engagement with these services. Other countries have been successful in this way. For example, Sweden have increased the proportion of retail consumers investing and taking advice through nudges that encourage engagement, simplifying routes to investing and improving trust in institutions through transparency and familiarity. This has helped improve knowledge and comfort with investment.

### ***Consumers do not choose products which are suitable for them and provide good value***

- 43.** Given consumers struggle to assess the value and suitability of advice to them, there is a risk that consumers receive services which are not the most appropriate. This could happen in a few ways:
- **Limited scope advice does not improve outcomes for consumers:** If the quality of limited scope advice is too low or prices too high, there is a risk that any benefits relative to taking no advice are smaller than the fees charged. For consumers switching from comprehensive advice, high fees and low quality could mean cost savings to the consumer are smaller than the losses incurred from receiving worse quality advice.
  - **Firms use flexibility in the frequency of suitability reviews and pricing to change their obligations, but not their prices to reflect this:** Given low switching rates and the competitive dynamics described in the market section, firms could use flexibility to effectively price discriminate, charging (particularly disengaged) consumers a higher price in return for a poor value 'premium' service, or a lower price for a stripped back service where the price is not reflective of the quality.
  - **Firms do not offboard clients who are not getting value from ongoing advice:** Firms have an incentive to keep clients that are disengaged, but paying fees, this may bias their assessment of whether or not the consumer is receiving good value.
  - **Consumers fail to choose advice services more suitable for them than current ongoing services:** Consumers struggle to assess the quality and suitability of advice, so they may over index on price and choose the cheaper option, despite comprehensive advice being more beneficial.
- 44.** We cannot fully eliminate these risks as we cannot significantly change the fundamental dynamics of this market. Advice will remain a credence good, and consumers will struggle to assess the suitability of their choices until a long time after they are made, and with difficulty even at this point. However, if firms comply with their Duty obligations to ensure consumers receive appropriate services, offering fair value, this can help mitigate the risks.
- 45.** Ensuring compliance with outcomes-based regulation is difficult. It is not as simple as ensuring firms are conducting certain practices. However, it can allow for greater flexibility and therefore create better outcomes.
- 46.** To ensure compliance, we plan to monitor key outcomes metrics which could show us whether or not firms are delivering suitable, fair value products and services. We will identify firms who are outliers in these metrics and engage robustly to ensure they are delivering for their customers. We outline in the 'Monitoring and evaluation' section the metrics we plan to monitor.

### ***Increased engagement with pension and investment markets does not lead to increased economic growth***

47. While we are only expecting modest growth impacts from this intervention, there is a risk that there are none at all because:
- The size of investment changes is too small to make a difference
  - A waterbed effect created by moving cash savings or consumption to investment offsets any economic gain from the investment
48. We consider the likelihood of this intervention having an impact on growth, and the other impacts it might have, in the 'wider market' section of this CBA.

## **Options**

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49. Providing comprehensive ongoing advice to consumers can be costly, and not all consumers, and not all situations, require detailed suitability assessments or frequent reviews and not all consumers are willing, or able, to pay for it. To increase the provision of advice for these consumers, we need to lower the cost of providing advice to these consumers, and create certainty for firms about their obligations.
50. We appraise the potential effectiveness of different options we considered to achieve this.

### ***Creating bespoke regimes for discrete types of limited scope advice***

51. We considered creating, a bespoke regime for 'simplified advice' with much more restrictive boundaries. In CP25/17 we set out an appraisal of the previous attempts to design such a regime such as for 'core investment advice'.
52. Creating a bespoke regime (or a number of them) could provide greater certainty to firms, reducing the perceived liability risk associated with conducting a suitability assessment which is limited in scope. This intervention would create clearer additional 'categories' of support, alongside comprehensive advice and targeted support, supporting some consumers for whom neither targeted support or comprehensive advice are suitable or good value. However, we want an advice market that is flexible to the range of needs different consumers might have at different stages in their life. A discrete category risks overlapping the existing advice regime while serving only a small portion of these needs, leaving support gaps. We expect it would limit innovation as firms feel constrained by the limitations of the regime. For example, in response to the core investment advice proposals, firms told us that a limited product range and maximum investment amount would not allow a sufficiently broad or commercially viable market to develop and might only appeal to a very narrow range of consumers.

### ***Reducing the qualification requirements for providing limited scope advice***

- 53.** Some firms and their trade bodies have told us that simplified forms of advice are only likely to be commercially viable if we allow less qualified advisers to provide it. Some respondents raised concerns that, given the adviser shortage and the higher earning potential from providing comprehensive or holistic advice, few advisers will choose to focus on simplified forms of advice. And because qualified advisers demand higher salaries this would make it difficult to offer less expensive adviser-led simplified forms of advice.
- 54.** Consumers who seek advice value the fact that its provision is supported by qualified individuals. Reducing the qualification standard could risk consumers receiving or perceiving the advice to be lower quality. We recognise the reality that time-constrained advisers may prioritise more profitable services, however, we think that the Level 4 Diploma qualification is an appropriate minimum standard and there is an opportunity for advisers who have started a level 4 diploma, to provide this instead of, or alongside comprehensive advice, while level 6 advanced diploma advisers may choose to focus on more complex or specialist advice services.

### ***Allowing more flexibility in charging models, including cross-subsidy for some types of advice or when serving some types of consumers***

- 55.** This could make it easier for providers or vertically integrated firms to offer advice free at the point of sale to consumers with less complex needs and be more attractive to this cohort. However, removing the requirement to charge for advice could create a competitive advantage for firms recommending their own products.
- 56.** Further, relaxing charging rules only for simpler forms of advice would require a bespoke framework for those forms of advice, an option we have chosen not to pursue as outlined earlier. On balance, we propose to maintain the clear distinctions in the charging rules between targeted support (and basic advice), and other forms of regulated advice, so as not to undermine the integrity of the UK's advice market.

### ***Providing greater prescription for minimum ongoing advice standards, rather than relying on the duty***

- 57.** We considered setting a different suitability review requirement when advising on MiFID and IDD business, while still prescribing a minimum standard (for example, shifting from an annual review to one every 18 or 24 months). This would give firms some additional flexibility. However, retaining a fixed minimum review frequency may inadvertently encourage firms to treat the minimum as the default, rather than assessing suitability in line with each customer's individual needs and circumstances. This option also risks reinforcing a tick-box, compliance led approach, rather than an outcomes-focused approach and could reduce the flexibility and innovation needed to deliver fair value under the Consumer Duty.
- 58.** When we asked firms about the impact, costs and benefits of different options, responses indicated that relying on the Duty, rather than prescribing a new minimum review frequency, is the approach most likely to encourage an increase in supply.

- 59.** We also considered introducing a minimum standard for how firms should deal with disengaged clients (for example, requiring firms to offboard clients after 24 months of non-engagement). Introducing a minimum standard for how firms should deal with disengaged clients could help drive common expectations and create greater consistency across the market and make supervision more straightforward. However, increasing a minimum standard could increase compliance costs and operational burdens. They may also fail to account for legitimate reasons why a client might miss a review (such as illness or bereavement), creating potential harm if firms are required to offboard clients prematurely.
- 60.** There is therefore a risk of unintended consequences, including to vulnerable consumers, if rigid time-based standards replaced our reliance on the Duty based standards and firms' judgements led approaches.

## Baseline and key assumptions

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- 61.** We follow the same approach to our baseline as in [CP25/17](#), but we assume that with the introduction of targeted support, support for the target market for that service will grow in line with our CBA estimates. We therefore focus our baseline on those more likely to benefit from limited scope or comprehensive advice than targeted support.
- 62.** The appraisal period will start in 2025/26, with prices in financial year 2025/26. The standard 3.5% discount rate will be applied to future costs and benefits.
- 63.** We cannot be certain about how the market would have developed in the absence of an intervention, or how the market will develop with the intervention. We consider which uncertainties could have the greatest impact on our costs and benefits, what that impact is, and set out a rationale for quantifying a lower, upper and central estimate.
- 64.** Our starting point for our baseline is the state of the current market. In 2024,
- 4,946 firms offered financial advice (Retail intermediary market data, 2024).
  - 8.6% (4.6 million) of adults received regulated financial advice related to investments, saving into a pension or retirement planning in the 12 months to May 2024 (FLS, 2024) and 37% of adults had used information or guidance related to investments, saving into a pension or retirement planning in the same period (FLS, 2024).
  - 1.5% (800,000) received advice through an automated service (FLS, 2024).
  - 35% of adults (19.0 million) held investments, excluding those with real investments (such as investment property) but not other investments (FLS, 2024).
  - There were around 22 million people in Great Britain actively saving into a workplace pension following the success of AE (DWP, 2023).
  - There were around 30 million individual contract-based DC pension plans (RMIR), noting that individuals may have multiple plans.
  - There were around 30.6 million memberships in trust-based DC schemes (TPR), noting that individuals may have multiple memberships.
  - UK investor funds under management in 2023 were £1.0tn (RMIR).

- AUM in the DC pensions market is around £1.4tn (RMIR).
- 36% of consumers agreed that most financial services firms are honest and transparent in the way they treat them (FLS, 2024).
- 39% had confidence in the UK financial services industry (FLS, 2024)

- 65.** To understand the potential scale of current harm, we identify two groups:
- Consumers not taking advice, who have more than £10k in savings who may benefit from taking advice that is more personalised than targeted support: 3.8m
  - Consumers taking advice, who have not experienced any significant life events recently, who don't expect to in the near future and might benefit from an alternative ongoing advice model with less interaction: up to 1.5m
- 66.** We don't expect everyone in the first group to want advice, and we don't expect everyone in the second group to want a change to their ongoing relationship, or it to be suitable for them. However, given their circumstances, we do believe innovation in advice services is likely to benefit these groups, offering them support services that are more suitable and better value than current options.
- 67.** We recognise that regulatory change is not the only driver of innovation, and the development of robo-advice type services, particularly those augmented by generative AI, will accelerate over the appraisal period, reducing the harm to these groups.
- 68.** We estimated how this might impact the provision of support in [CP25/17](#). We estimated that if we were to do nothing to address the advice gap, between 0 and 4.1m additional consumers could receive support between now and the end of our appraisal period, with a central estimate of 1.1m, therefore our estimate of the costs and benefits should recognise that some of the consumers who benefit from it would've been offered support even if we were to do nothing.
- 69.** These projections are based on the growth of robo-advice in the FLS data. The higher estimate is based on exponential growth, a scenario where advice firms develop cost-effective and functional models, perhaps integrating Large Language Models (LLMs) and existing consumer scepticism towards them reduces. The central estimate is based on a consistent continuation of the growth we have seen between 2020 and 2024, where consumer sentiment slowly improves and firms are more cautious in ensuring the models meet required standards. The lower estimate projects forward the stagnation in growth as seen between 2022 and 2024.
- 70.** Through providing more clarity, we expect our intervention will make it easier to build safe and effective innovative advice models like robo-advice.
- 71.** Our research suggests that advice is associated with an increase in wealth of up to 10% in the years immediately after taking it. Some of the benefit from advice is tied to the performance of investments. We cannot predict how investment markets will perform. In [CP25/17](#) we cited literature which showed advised households tend to endure economic downturn better than non-advised households so we don't expect consumers to be worse off over the long term through taking advice and choosing to invest in a balanced and sustainable way.

## Summary of Impacts

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- 72.** We set out our hypothesised causal chain in the 'Our proposed intervention' section. In this section we attempt to qualify and quantify the costs and benefits arising from the impacts of the intervention.
- 73.** In line with our causal chain, we expect firms to respond to the intervention by:
- All firms will familiarise themselves with the new rules and guidance
  - Some firms will offer more limited scope advice
  - Some firms will offer alternative ongoing advice models
  - All firms will ensure their interactions with disengaged customers aligns with the Duty expectations
- 74.** Firms will incur:
- £3.8m in direct one-off costs from familiarising themselves with the rules,
  - £9.5m in indirect one-off costs and £5.1m in indirect ongoing costs for the firms we expect to choose to offer (as they expect it to be profitable) more limited scope advice
  - £20.6m in indirect one-off costs and £15.2m in indirect ongoing costs for the firms we expect to choose to offer (as they expect it to be profitable) alternative ongoing advice models.
  - Firms may incur one-off and ongoing costs if they are not currently compliant with the Duty expectations for interacting with disengaged customers. However, given this guidance is clarifications of existing rules, these are not costs attributed to this intervention, and instead they should be attributed to the Consumer Duty implementation.
- 75.** Firms may also accrue benefits from simplification of rules, reducing compliance burden:
- £1.9m one-off and £14.6m ongoing indirect benefits from simplification of suitability assessment rules
  - £0.5m one-off and £12.8m ongoing indirect benefits from simplification of rules around engaging with disengaged customers
- 76.** Some consumers will then take up the offer of limited scope advice, and some will enter an alternative ongoing advice model. We have estimated the number of consumers currently considering, but not taking, advice who might use these services:
- £26.7m per year benefit to the 66,000 consumers taking limited scope advice, due to a 4% increase in wealth over 10 years, equivalent to £404 per year
  - £47.6m per year benefit to the 101,000 consumers taking an alternative ongoing advice model, due to 5% increase in their wealth over 10 years, equivalent to £471 per year

- 77.** These consumers will pay fees in order to access these services. These will be paid to firms, creating a benefit for them. Consumers accept these costs given the benefits these services deliver for them are greater than the cost of the service:
- £7.6m a year (£577 x 2 uses over 10 years per consumer) in limited scope advice fees
  - £35.7m a year (£353 per consumer) in ongoing advice fees
- 78.** These consumers will also spend time interacting with advisers and considering recommendations. We have estimated the total cost of this:
- £0.9m for a year for limited scope advice consumers
  - £4.0m for a year for ongoing advice consumers
- 79.** Some consumers currently taking ongoing advice or likely to take ongoing advice within the appraisal period, will switch to an alternative ongoing model, or limited scope advice. These consumers will benefit from reduced fees, which will be a transfer from firms to consumers:
- £7.4m a year, or £577 x 2 uses each for the 21,000 limited scope switchers
  - £7.6m a year, or £253 each for the 30,000 alternative ongoing advice switchers
- 80.** Offering these services will increase the customer base for advisers, and they may then generate further revenue from selling other products and services like insurance, advice on other financial products, or full scope advice. We have not quantified this as we do not know which products consumers would have purchased anyway from another firm. This is a transfer from consumers to firms, though consumers also benefit from purchasing these products and services.
- 81.** We expect this intervention to increase levels of investment, in the short run reducing the size of consumers' cash deposits. Consumers new to advice could see losses in two ways:
- Losses from foreseeable harm or poor service
  - Losses from unexpected events changing what is suitable for a consumer
- 82.** We do not expect these losses to be significant as we have robust rules and redress framework in place to mitigate the risk of poor service and foreseeable harm. Due to uncertainty, we cannot quantify the cost from circumstances changing. However, our estimate of the value of advice, it is the net value. Therefore, this figure includes benefits and losses from instances like this.
- 83.** We summarise these costs in table 1, along with higher and lower estimates. These estimates help us understand how the impact of the intervention might change under different assumptions about the baseline, the features of the market, and the efficacy of the intervention.

**Table 1 – Summary of costs and benefits**

Cost / Benefit	Item description	Benefits (£m)		Costs (£m)	
		One off	Ongoing	One off	Ongoing
<b>Firms</b>					
Familiarisation and compliance with new rules	Resources required to read, interpret and implement rule changes			3.8	
Advice set up and run costs	Costs required to increase provision of limited scope advice			9.5 (1.8 – 19.9)	5.1 (0.5 – 12.4)
	Costs required to create and roll out alternative ongoing advice models			20.6 (4.7 – 38.4)	15.2 (5.7 – 26.8)
<i>Lost revenue from existing ongoing customers that switch</i>	<i>Lost revenue from existing customers switching to alternative ongoing advice models</i>				10.7 (2.5 – 26.0)
	<i>Lost revenue from existing full scope customers switching to limited scope advice</i>				7.6 (0.0 – 24.6)
Compliance cost savings	Reduced resources spent ensuring compliance with suitability assessment rules through reduced regulatory complexity	1.9 (0.5 – 3.9)	14.6 (3.7 – 30.2)		
	Reduced resources spent ensuring compliance with rules for engaging disengaged customers through reduced regulatory complexity	0.5 (0.5 – 0.5)	12.8 (12.8 – 12.8)		
<i>Revenue from new customers</i>	<i>Revenue from new limited scope advice customers</i>		7.6 (4.3 – 8.1)		
	<i>Revenue from new alternative ongoing advice model customers</i>		35.7 (18.5 – 51.2)		

Cost / Benefit	Item description	Benefits (£m)		Costs (£m)	
		One off	Ongoing	One off	Ongoing
<i>Revenue from cross selling of other products to new customers</i>	<i>Revenue from selling products like future full scope advice, or other financial products to new customers</i>		<i>Unquantified</i>		
<b>Consumers</b>					
<i>Fees for advice</i>	<i>Fees paid for limited scope advice</i>				7.6 (4.3 – 8.1)
	<i>Fees paid for alternative ongoing advice models</i>				35.7 (18.5 – 51.2)
<i>Fees from purchasing cross sold products</i>	<i>Fees from buying products like future full scope advice, or other financial products</i>				<i>Unquantified</i>
Time spent reviewing recommendation	Time new customers spend reviewing limited scope recommendations				0.9 (0.2 – 2.1)
	Time new customer spend reviewing alternative ongoing advice recommendations				4.0 (1.2 – 8.7)
Losses from switching to a lower quality service	Some limited scope switchers may be better off with their original service. As a result, their wealth may not grow by as much or they may make less suitable decisions				<i>Unquantified</i>
	Some alternative ongoing advice model switchers may be better off with their original service. As a result, their wealth may not grow by as much or they may make less suitable decisions				<i>Unquantified</i>

Cost / Benefit	Item description	Benefits (£m)		Costs (£m)	
		One off	Ongoing	One off	Ongoing
Losses from investing	Losses from foreseeable harm or poor service				Unquantified
	Losses from unexpected events changing what is suitable for a consumer				Unquantified
Increased wealth and welfare	Increased wealth for new limited advice customers from more rewarding savings and investment decisions		26.7 (10.1 – 51.0)		
	Increased wealth for new alternative ongoing advice customers from more rewarding savings and investment decisions		47.6 (18.5 – 89.6)		
	Increased welfare from savings and investment decisions that better reflect expected preferences		Unquantified		
	Increased welfare from improved confidence and knowledge		Unquantified – evidence from behavioural experiments and literature		
<i>Savings from switching to a cheaper advice service</i>	<i>Fees saved by switching to limited scope advice</i>		<i>10.7 (2.5 – 26.0)</i>		
	<i>Fees saved by switching to an alternative ongoing advice model</i>		<i>7.6 (0.0 – 24.6)</i>		

Cost / Benefit	Item description	Benefits (£m)		Costs (£m)	
		One off	Ongoing	One off	Ongoing
<b>FCA</b>					
Engaging with firms and monitoring compliance	Monitoring firms to ensure they offer good value, suitable services				Unquantified – minimal addition to BAU Duty monitoring
	Engaging with firms more frequently (and potentially more firms) as the advice market expands				Unquantified – minimal addition to BAU advice engagement
<b>Wider market</b>					
Potential impact on economic growth	Increase in investment could lead to reduced cost of capital for firms in the real economy, fuelling growth.		Unquantified – likely small given size of new investment		
	Reduced growth in some areas of the economy as reduced cash deposits for banks to invest and lend to retail consumers and small- and medium-size enterprises.				Unquantified – likely small given size of new investment
	Increase in consumption as consumers' lifetime wealth increases		Unquantified – likely small given size of new investment		
<b>Total</b>		<b>£2.4m (£1.0m – £4.4m)</b>	<b>£163.3m (£70.3m – £293.5m)</b>	<b>£33.9m (£10.2m – £62.41m)</b>	<b>£86.9m (£66.0m – £127.0m)</b>

**Table 2 – Present Value and Net Present Value**

	PV Benefits	PV Costs	NPV (10 yrs) (benefits- costs)	NPV (10 yrs) (Adjusted) (benefits – costs)
Total impact	<b>£1,408.3m</b> (£605.9m – £2,530.8m)	<b>£782.1m</b> (£629.9m – £1,103.6m)	<b>£626.2m</b> (-£24.0m to £1,427.2m)	<b>£626.2m</b> (-£24.0m to £1,427.2m)
-of which direct	<b>£0.0m</b>	<b>£0.4m</b>	<b>-£0.4m</b>	<b>-£0.4m</b>
-of which indirect	<b>£1,408.3m</b> (£605.9m – £2,530.8m)	<b>£781.7m</b> (£629.5m – £1,103.2m)	<b>£626.6m</b> (-£23.6m to £1,427.6m)	<b>£626.6m</b> (-£23.6m to £1,427.6m)
Key unquantified items to consider	Potential positive effect on economic growth Increase in welfare from decisions that better match lifetime preferences, and improved confidence and knowledge	Potential offset to effect on economic growth from reduced cash deposits for lenders to use as funding		

**Table 3 – Net direct costs to firms**

	Total (Present Value) Net Direct Cost to Business (X yrs)	EANDCB
Total net direct cost to business (costs to businesses – benefits to businesses)	<b>£3.8m</b> (£3.8m to £3.8m)	<b>£0.4m</b> (£0.4m to £0.4m)

## Impact on firms

84. In 2025, approximately 4,171 firms submitted data to us indicating they offered financial advice. Of these firms 11 were large, 59 were medium and 4,101 were small.

Following our intervention, all firms will need to familiarise themselves with our rules. They may then choose to make changes, if they believe it to be a worthwhile course of action for them.

85. We estimate the number who might increase their provision of limited scope advice using our bespoke firm survey and a wider adviser survey the FCA has conducted. Based on the proportion responding saying they were likely to offer limited scope advice, we estimate the total number shows in table 4.

**Table 4 – Number of firms offering limited scope advice**

Scenario	Small	Medium	Large	Total
Lower	315	5	1	321
Central	1,148	24	6	1,178
Higher	2,366	34	6	2,406

Source: FCA analysis of bespoke firm survey and adviser survey

86. We also asked firms what they would expect to charge for limited scope advice. Based on their responses we estimate the following:
- Lower impact: £875
  - Central impact: £625
  - Higher impact: £375
87. We expect consumers to take limited scope advice at significant milestones, like starting investing or setting up a pension, or in response to life events, we assume this will happen on average twice over the 10-year appraisal period for each consumers.
88. Limited scope advice is not a single defined type of advice, but a spectrum to capture anything which isn't comprehensive. We expect consumers with smaller investment pots to require advice more limited in scope than consumers with larger pots and therefore pay less. We group consumers by pot size in our modelling, so to account for the variation in price, we set the prices above as the maximum a consumer will pay and adjust the actual price consumers pay to be no more than the benefit they receive. This is a conservative assumption that consumers will only take the advice if is not net costly to them. Based on this adjustment, we estimate the average price of limited scope advice as:
- Lower impact: £696
  - Central impact: £577
  - Higher impact: £375
89. As well as considering whether they will offer more limited scope advice, firms will also consider if they will offer alternative ongoing advice models. Based on firm survey responses we estimate the number of firms will offer a tiered service, with different prices for different frequency of suitability review, or other kinds of service. This is shown in table 5

**Table 5 – Number of firms offering alternative ongoing advice models**

Scenario	Small	Medium	Large	Total
Lower	631	15	6	651
Central	946	59	11	1,016
Higher	2,208	59	11	2,278

Source: FCA analysis of bespoke firm survey and adviser survey

90. We did not collect much good quality data about the likely price for these tiers. We use the data we do have, engagement we have done and our own judgement to estimate a typical alternative ongoing advice model to have the following pricing:
- Lower impact: 0.5% per year
  - Central impact: 0.45% per year
  - Higher impact: 0.4% per year
91. We set out the costs and benefits accruing to the firms who familiarise themselves with our rules and the firms who choose to offer new services below.

## Costs

### *Familiarisation and compliance*

92. We expect all firms providing advice will need to read our CP and rules to understand the implications for them, regardless of whether or not they will offer more limited scope advice or change their ongoing services. We use our standardised cost model (SCM, see appendix one of 'How we analyse the costs and benefits of our policies – 2024' for more information) to estimate how much it will cost firms for their compliance and legal staff to familiarise themselves with our publications.
93. Compliance and legal staff at these firms will have to read the papers we publish. We have estimated this will be 100 pages of Consultation Paper and annexes, and 50 pages of legal text (we will update this in the PS if the final length is significantly different). Firms will also have to update their advisers with training material. Based on this length and basic training, we expect the following costs:

**Table 6 – Compliance costs**

Firm size	Cost per firm (£)	Total cost (£m)
Small	906	3.0
Medium	6,896	0.4
Large	29,353	0.3
<b>Total</b>	<b>906</b>	<b>3.8</b>

Source: FCA analysis using SCM

### **Advice set up and running costs**

94. For firms that wish to offer limited scope advice, or change their ongoing service, we expect they will incur one-off costs to build the infrastructure and procedures required to offer these services. We estimate the cost of each in turn below.

### **Limited scope advice**

95. We asked firms what the expected the costs to set and run more limited scope advice services would be. Based on their responses, we estimate the one-off and ongoing costs in table 7.

**Table 7 – Limited scope advice one off and ongoing costs**

Cost	Cost type	Small	Medium	Large	All
Per firm	One-off	£4,375 (£3,875 – £5,000)	150,000 (£100,000 – £200,000)	£150,000 (£100,000 – £200,000)	<b>£8,068</b> <b>(£5,488 –</b> <b>£8,272)</b>
All	One-off	£5.0m (£1.2m – £11.8m)	£3.5m (£0.4m – £6.8m)	£0.9m (£0.1 – £1.2m)	<b>£9.5m</b> <b>(£1.8m –</b> <b>19.9m)</b>
Per firm	Ongoing	£1,250 (£250 – £2,500)	£116,875 (£79,375 – £154,375)	£150,000 (£100,000 – £200,000)	<b>£4,358</b> <b>(£1,632 –</b> <b>£5,169)</b>
All	Ongoing	£1.4m (£0.1m – £6.9m)	£2.8m (£0.4m – £5.2m)	£0.9m (£0.1 – £1.3m)	<b>£5.1m</b> <b>(£0.5m –</b> <b>£12.4m)</b>

Source: FCA analysis of bespoke firm survey and adviser survey

96. Typical costs included business model change projects, IT changes, changes to customer engagement and sales processes.

### **Alternative ongoing advice models**

97. We asked firms what the expected the costs to set and run more alternative ongoing advice models would be. Based on their responses, we estimate the one-off and ongoing costs in table 8.

**Table 8 – Alternative ongoing advice models one off and ongoing costs**

Cost	Cost type	Small	Medium	Large	All
Per firm	One-off	£1,938 (£1,938 – £1,938)	£225,000 (£391,667 – £141,667)	£500,000 (£250,000 – £1,000,000)	<b>£20,276</b> <b>(£7,198 –</b> <b>£16,849)</b>
All	One-off	£1.8m (£4.3m – £1.2m)	£13.3m (£23.1m – £2.1m)	£5.5m (£11.0m – £1.4m)	<b>£20.6m</b> <b>(£38.4m –</b> <b>£4.7m)</b>

Cost	Cost type	Small	Medium	Large	All
Per firm	Ongoing	£4,833 (£4,833 – £4,833)	£87,500 (£87,500 – £87,500)	£500,000 (£250,000 – £1,000,000)	<b>£14,991</b> <b>(£8,777 –</b> <b>£11,779)</b>
All	Ongoing	£4.6m (£10.7m – £3.0m)	£5.2m (£5.2m – £1.3m)	£5.5m (£11.m – £1.4m)	<b>£15.2m</b> <b>(£26.8m –</b> <b>£5.7m)</b>

Source: FCA analysis of bespoke firm survey and adviser survey

98. Typical costs included business model change projects, IT changes, changes to customer engagement and sales processes.

### ***Revenue lost from ongoing customers that switch***

99. We expect alternative ongoing services and limited scope advice will be more suitable and desirable for some consumers currently taking ongoing advice. We estimate the proportion who would like to switch, based on their past preferences, using our demand estimation modelling. We adjust this number to reflect the constraints and barriers of switching to estimate the actual number who will switch. We provide more information on this in the 'Impact on consumers' section.
100. Switching will lead to a transfer from firms to consumers, as consumers pay lower fees. We use RIMD and analysis of the firm survey to estimate the average price a consumer pays for advice:
- Lower impact: ongoing advice annual fee = 0.5%
  - Central impact: ongoing advice annual fee = 0.75%
  - Higher impact: ongoing advice annual fee = 1.0%
101. Our demand estimation stratifies consumers by pot size. We can estimate the fees an individual in each pot would pay for their existing ongoing advice by multiplying their pot size, by the estimated annual fee taken from RIMD.
102. We then model different prices for the new service they are switching to, based on responses to the firm survey. The difference between the ongoing price and the new service price is the revenue lost, we describe this below.

### ***Limited scope advice switchers***

103. Using the limited scope advice and ongoing advice fees described previously, we estimate the following:
- Lower impact: 10,000 consumers x £260 saving = £2.5m per year
  - Central impact: 21,000 consumers x £518 saving = £10.7m
  - Higher impact scenario: 33,000 x £777 = £26.0m

### ***Alternative advice model switchers***

- 104.** Using the alternative advice model and ongoing advice fees described previously, we estimate the following:
- Lower impact: 14,000 consumers x £0 saving = £0m per year
  - Central impact: 30,000 consumers x £253 saving = £7.6m
  - Higher impact scenario: 49,000 x £505 = £24.6m

### **Benefits**

#### ***Simplification and clarification of rules governing suitability assessments and offboarding disengaged consumers.***

- 105.** Our clarifications of the flexibility and obligations of existing rules, including the Duty, governing suitability assessments and dealing with disengaged consumers will reduce uncertainty for firms, and give them more confidence in the standards they need to meet, and where they can reduce unnecessary compliance activity. We asked firms how these clarifications might impact them, including the size of any potential benefits, and have estimated the total benefit to the market.
- 106.** One off benefit from simplification and clarification of suitability assessment rules
- Lower impact: £0.5m
  - Central impact: £1.9m
  - Higher impact: £3.9m
- 107.** Ongoing benefits from simplification and clarification of suitability assessment rules
- Lower impact: £3.7m per year
  - Central impact: £14.9m per year
  - Higher impact: £30.2m per year
- 108.** One off benefit from simplification and clarification of rules governing dealing with disengaged customers
- Lower impact: £0.5m
  - Central impact: £0.5m
  - Higher impact: £0.5m
- 109.** Ongoing benefits from simplification and clarification of rules governing dealing with disengaged customers
- Lower impact: £12.8m
  - Central impact: £12.8m
  - Higher impact: £12.8m

### ***Revenue from new customers***

- 110.** Firms will generate revenue from the fees they charge to the new customers they acquire. As with switchers, we start our estimation with the output of a demand estimation model, then adjust this to reflect the reality of the market. These new customers will pay fees for the service, creating a benefit for firms. We estimate the size of this benefit below.

### ***Limited scope advice new customer***

- 111.** Using the limited scope advice fees described previously, we estimate the following:
- Lower impact: 31,000 consumers x £697 per use x 2 uses / 10 years = £4.3m
  - Central impact: 66,000 consumers x £577 per use x 2 uses / 10 years = £7.6m per year
  - Higher impact: 107,000 consumers x £375 per use x 5 uses / 10 years = £8.1m per year

### ***Alternative advice model new customers***

- 112.** Using the alternative advice model advice fees described previously, we estimate the following:
- Lower impact: 46,000 consumers x £398 per year = £18.5m per year
  - Central impact: 101,000 consumers x £353 per year = £35.7m per year
  - Higher impact scenario: 166,000 consumers x £309 per year = £51.2m per year

### ***Cross selling of other products like future comprehensive advice***

- 113.** We expect firms will benefit from establishing a relationship with customers, allowing them to provide other services in the future and generate revenue from that. We expect a large portion of this to be transfers from other firms that would've otherwise provided these services. Given this, we do not quantify this benefit.

## **Impacts on consumers**

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- 114.** We expect there to be a strong market for limited scope advice and alternative ongoing advice services, on the basis of demand estimation modelling we have undertaken. This approach looks at the choices consumers previously made, and the conditions in which they made them, and estimates how consumers might respond to the expansion of new services, at specified price and quality levels.
- 115.** We examined consumers currently considering or taking advice, using a dataset collected for the financial advice market review (FAMR dataset) and the wealth and assets survey (WAS). We then simulate the introduction of services resembling limited scope advice, alternative ongoing advice models, and targeted support (as we expect this to be an alternative choice for some consumers, when the services are scaled up). For these services, we specified the following parameters. The parameters are

percentages, representing the level relative to the average level for a typical existing ongoing advice service:

- Lower impact – low quality, high price
  - Limited scope advice: quality = 40%, price = 75%
  - An alternative ongoing advice model: quality = 50%, price = 80%
- Central impact
  - Limited scope advice: quality = 50%, price = 50%
  - An alternative ongoing advice model: quality = 60%, price = 70%
- Higher impact – high quality, low price
  - Limited scope advice: quality = 60%, price = 25%
  - An alternative ongoing advice model: quality = 70%, price = 60%

**116.** We provide our estimate of the number of consumers who would take a new service, or switch to a new service from an existing advice service in table 9:

**Table 9 – Demand estimation outputs: Number of consumers preferring new services to no advice or their existing service**

Service	Source of customer	Lower impact	Central impact	Higher impact
Limited scope advice	New customer	363,000	384,000	408,000
Limited scope advice	Switcher	200,000	207,000	216,000
Alternative ongoing advice	New customer	548,000	589,000	635,000
Alternative ongoing advice	Switcher	303,000	322,000	344,000

**117.** These numbers purely reflect demand under the assumptions:

- that it can be met by firms,
- that firms are willing to meet it,
- that consumers can accurately assess prices and quality, and
- that consumers are willing to incur the (actual and perceived) costs of switching.

**118.** In reality, we don't expect these assumptions to hold, as we know consumers struggle to assess price and quality, don't always know where to find advice and tend to avoid switching in the advice market. Further, firms may not be able to meet the supply, and for higher net worth consumers it may not be in their interest to switch them to a less exhaustive service. To reflect this, we make the following adjustments:

- Take up: We assume only a % of consumers who would demand the service will accurately assess the price and quality, find a firm and take it:
  - Higher impact: 50%

- Central impact: 25%
- Lower impact: 10%
- Early switchers: Based on WAS analysis, we estimate a proportion of the remaining new customers entering the market would've taken advice anyway at some point during the appraisal period, so treat them as switchers:
  - Pot size = £20,000: 20%
  - £50,000: 40%
  - £100,000: 60%
  - £250,000: 80%
  - £500,000: 100%
  - £1,000,000: 100%
- Firm constraints: We assume that it is unlikely to be the most suitable option for high pot size consumers to take limited scope or cheaper comprehensive advice, so firms would not provide this to them, or if they did, it would look very different to the version we modelled demand on, and have calculated prices for:
  - new services not offered to switchers with >£250,000 pot size
  - new services not offered to new consumers with >£500,000 pot size.

**119.** On this basis, we estimate the actual number of new customers and switchers:

**Table 10 – Number of consumers expected to take new services or switch to new services from their existing advice service**

Service	Source of customer	Lower impact	Central impact	Higher impact
Limited scope advice	New customer	31,000	66,000	107,000
Limited scope advice	Switcher	10,000	21,000	34,000
Alternative ongoing advice	New customer	46,000	101,000	166,000
Alternative ongoing advice	Switcher	14,000	30,000	49,000

**120.** Through switching to or entering into these services, consumers will accrue costs and benefits. We estimate these below.

## Costs

### *Fees paid for the new service*

**121.** Consumers will have to pay for the support they receive. This is the mirror of the firm benefit of increased revenue.

### *Limited scope advice new customer fees*

**122.** Using the limited scope advice fees described previously, we estimate the following:

- Lower impact: 31,000 consumers x £697 per use x 2 uses / 10 years = £4.3m
- Central impact: 66,000 consumers x £577 per use x 2 uses / 10 years = £7.6m per year
- Higher impact: 107,000 consumers x £375 per use x 5 uses / 10 years = £8.1m per year

### ***Alternative advice model new customer fees***

**123.** Using the alternative advice model advice fees described previously, we estimate the following:

- Lower impact: 46,000 consumers x £398 per year = £18.5m per year
- Central impact: 101,000 consumers x £353 per year = £35.7m per year
- Higher impact scenario: 166,000 consumers x £309 per year = £51.2m per year

### ***Losses from switching to a lower quality service***

**124.** These services do not offer as detailed or frequent an assessment of consumers circumstances as current ongoing advice services. Therefore, for some consumers this would impact the quality of the recommendation they receive. It is in the firm's and the consumer's interest to continue to receive their current ongoing service if this provides them with significant additional benefit compared to limited scope advice and alternative ongoing advice models. Therefore, the consumers who do switch should see no loss in service quality, as they were not benefitting from the additional features of their existing ongoing service. However, we recognise that some firms may use the flexibility to switch consumers to services that are not as suitable where they are more profitable because they are cheaper to provide. This would be in breach of the expectations under the Duty, and we plan to monitor compliance to avoid this where we can.

### ***Losses from unexpected events changing what is suitable for a consumer***

**125.** It is possible that a consumer receives suitable advice, but wider macroeconomic factors mean returns (in the short-term) from the stock market are lower than savings deposits, and consumers may have to lock in this loss if, for example, they are faced with unexpectedly large expenses. We cannot quantify this cost due to uncertainty. However, our estimate of the value of advice, which we base our estimate of the value of targeted support on, is the net value. Therefore, this figure includes benefits and losses from instances like this.

### ***Purchasing other products like future comprehensive advice from their advice provider***

**126.** We expect consumers to be more likely to purchase other services like insurance, or further pension and investment products from their adviser, as familiarity builds trust. Consumers will benefit from these products and services. Not all of this will be new cost, as consumers may have bought these products from other providers.

## Benefits

### *Increased wealth from better savings and investment decisions*

- 127.** Consumers not currently taking advice will benefit as advice will help them make better decisions, increasing their wealth and helping them allocate their money across their lifetime in a way that better reflects their preferences. Our value of advice research shows that taking advice is associated with a 10% increase in wealth in the first 2-8 years after taking advice compared to not taking advice. This wealth growth is on top of any growth a non-advised consumer might expect from savings and investment appreciation and is net of any fees they might pay.
- 128.** We acknowledge that for consumers who need a more limited scope and less frequent reviews, the value of advice is likely to be lower. We reflect this by scaling back the wealth increase for the two new services. We estimate wealth growth using the following parameters:
- Limited scope advice
    - Lower impact: 4%
    - Central impact 5%
    - Higher impact: 6%
  - Alternative ongoing advice
    - Lower impact: 5%
    - Central impact: 6%
    - Higher impact: 7%
- 129.** We think these are conservative estimates, as we have scaled back from 10% quite considerably to reflect our uncertainty. Further, the 10% for typical existing advice services is net of fees, whereas we include fees separately.
- 130.** In our demand estimation modelling, we can estimate how many consumers in different investment pot size buckets will take up a new service. We multiply the size of the bucket by the size of the wealth growth to get the wealth growth for an individual in the bucket. Then we multiply by the number of people in the bucket and add the totals for each bucket together to get the total wealth growth.
- Limited scope advice
    - Lower impact: 31,000 consumers x (£3,298 / 10) = £10.1m per year
    - Central impact: 66,000 consumers x (£4,041 / 10) = £26.7m per year
    - Higher impact: 107,000 consumers x (£4,749 / 10) = £51.0m per year
  - Alternative ongoing advice
    - Lower impact: 46,000 consumers x (£3,983 / 10) = £18.5m per year
    - Central impact: 101,000 consumers x (£4,712 / 10) = £47.6m per year
    - Higher impact: 166,000 consumers x (£5,412 / 10) = £89.6m per year

- 131.** As well as the increase in wealth, we expect consumer welfare to improve in two ways:
- Research indicates a positive link between financial advice and capability (Khan, K. A. et al., 2022 Collins and Urban, 2020). Behavioural research we conducted to support the design of targeted support found giving consumers a recommendation and information about how that recommendation was formed increased confidence in decision making. Further, these services likely enhance financial resilience and reduces anxiety from money worries, which 32% of respondents to a Mental Health Foundation study said caused stress. This creates a welfare gain for them.
  - As well as increasing lifetime wealth, good financial decisions help spread that wealth in a way which reflects lifetime preferences and allows for more consumption in later life.
- 132.** We are unable to quantify these benefits due to uncertainty in estimating impacts over the long timelines inherent to advice and pension decisions.

### ***Reduction in fees paid for advice***

- 133.** For the consumers who have switched to limited scope or alternative ongoing advice, we expect them to save in the fees they pay for the advice. This is a transfer from firms to consumers so is a mirror of the revenue loss in the firm cost section.

### ***Limited scope advice switchers***

- 134.** Using the limited scope advice and ongoing advice fees described previously, we estimate the following:
- Lower impact: 10,000 consumers x £260 saving = £2.5m per year
  - Central impact: 21,000 consumers x £518 saving = £10.7m
  - Higher impact scenario: 33,000 x £777 = £26.0m

### ***Alternative advice model switchers***

- 135.** Using the alternative advice model and ongoing advice fees described previously, we estimate the following:
- Lower impact: 14,000 consumers x £0 saving = £0.0m per year
  - Central impact: 30,000 consumers x £253 saving = £7.6m
  - Higher impact scenario: 49,000 x £505 = £24.6m

## Impacts on the FCA

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### Costs

- 136.** The FCA may incur some costs as a result of the intervention from an increase in the number of advised consumers which may increase the need for more supervision and engagement with firms. Given the increase, relative to the current number of advised consumers, we do not expect this to have a significant impact, and the additional burden can most likely be absorbed in BAU work.

### Benefits

- 137.** Through simplification of the rules, and a focus on outcomes-based regulation, the FCA may be able to apply a more efficient and less resource intensive approach to regulating these services. For example, monitoring firm outcomes data can be less time intensive than checking compliance against prescriptive rules, and can help target engagement where harm is more likely to be occurring. Due to complexity and uncertainty, we are unable to quantify this benefit.

## Wider economic impacts

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- 138.** The introduction of more consumers to advice is likely to increase retail investments (including through pensions), and decrease capital held as cash in short term deposit accounts, cash ISAs, or other similar products. This could have an effect on capital markets, the real economy and therefore economic growth.
- 139.** Our analysis of retail savings and investment markets suggests there could be an impact on capital markets and growth in two ways:
- Inflows into capital markets would increase demand for products that help firms in the real economy raise money to invest and grow. This could reduce the cost to these firms of raising money, making it cheaper and easier for them to invest and grow, and thus having a positive effect on medium- to long-term economic growth
  - However, substitution away from short term cash deposits will have a second order effect on the banking system. Cash deposits are a cheap source of funding to lenders, who use this money to lend particularly to retail consumers and small- and medium-sized enterprises. Reduced access to deposits may mean they have to pay more interest on deposit accounts or use other, more expensive sources of funding, which could in turn increase lending costs for these consumers and firms.
- 140.** The balance between these will depend on the extent to which retail investment is directed towards UK firms, and the size of the substitution between cash and investments. We do not expect this intervention to cause a significant substitution in aggregate, as the changes, though significant for those impacted, are small when compared to capital market and deposit stocks and flows.

## Monitoring and evaluation

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**141.** In CP25/17, we committed to monitoring and evaluating the impact of introducing targeted support. This will include a broader look at outcomes for underserved consumers, and how advice is meeting that need. Through this we will consider whether this intervention has successfully helped the targeted group. We will consider metrics including:

- Number of firms offering limited scope advice and alternative ongoing advice models, and what those propositions look like
- Number of consumers taking limited scope advice and alternative ongoing advice
- Cost of financial advice
- Proportion of consumers holding investments
- Proportion of consumers engaged with their pensions
- The number of consumers taking different pension decumulation products.

**142.** If this intervention is successful, we expect more consumers to take suitable financial advice services, and the price of those services to represent fair value. We also expect more consumers to engage with retail investment and pension products.

**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.**

## Annex 3

# Compatibility Statement

## Compliance with legal requirements

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1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this Consultation Paper, including an explanation of the FCA's reasons for concluding that our proposals in this Consultation Paper are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).
2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules (a) is compatible with its general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA is also required by section 138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to, so far as is compatible with acting in a way which advances the consumer protection or the integrity objective, discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.
4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under section 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.
5. This Annex includes a summary of our assessment of the equality and diversity implications of these proposals.
6. Under the Legislative and Regulatory Reform Act 2006 (LRRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRRA.

## The FCA's objectives and regulatory principles: Compatibility statement

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- 7.** The proposals set out in this Consultation Paper are intended to advance the FCA's operational objectives of protecting consumers (e.g., paragraph 2.64), market integrity (e.g., paragraph 2.73) and promoting effective competition in the UK market (e.g., paragraph 2.71).
- 8.** The proposals aim to exemplify our determination to deliver smarter regulation, underpinned by the Consumer Duty, that helps consumers and supports innovation and growth. Rebalancing how we think about and manage risk, as outlined in Our Strategy 2025-2030, is key to the success of these proposals and this theme central to our approach.
- 9.** The proposals set out in this consultation advance the FCA's operational objective of securing an appropriate degree of consumer protection. The proposals are designed to create a clearer and more coherent framework in which firms can confidently develop and support a range of different services to help consumers receive the support they need to make informed decisions around their investments and pensions. We propose a proportionate conduct framework that does not seek to eliminate all risk, but which appropriately protects consumers while enabling effective support to be delivered to consumers.
- 10.** Our proposals also advance our operational objective of protecting and enhancing the integrity of the UK financial system. By simplifying and consolidating the advice rules, the proposals aim to create a more coherent and transparent regulatory framework that supports fair, orderly, and trustworthy markets. Clearer requirements could reduce the risk of inconsistent firm practices, ambiguity in the scope of advice services and misinterpretation of regulatory expectations. This could support consumer trust in the advice sector and the wider financial system, which could also ultimately encourage further use of advice services and reduce the likelihood that consumers rely on unauthorised advice outlets.
- 11.** The proposals also seek to promote effective competition in the interests of consumers by tackling barriers that prevent many individuals, particularly those with lower levels of investable assets or simpler financial needs, from accessing pensions and investment advice that is appropriate for them. The current framework can create unnecessary complexity and cost which limits firms' ability to develop and deliver affordable, proportionate advice services. By simplifying and clarifying the advice rules, the proposals are intended to reduce these costs and lower barriers to entry for firms wishing to provide narrower scope or lower cost ongoing advice services. This should broaden the range of firms able to participate in the market and enhance competitive pressure to deliver better outcomes for consumers. Clearer, more proportionate requirements are also expected to support greater innovation in advice models. They should enable firms to tailor and differentiate their offerings based on quality, price and service, helping to drive a more dynamic and competitive market that ultimately operates in consumers' best interests.

12. Consequently, we consider these proposals are compatible with the FCA's strategic objective of ensuring that the relevant markets function well. For the purposes of the FCA's strategic objective, "relevant markets" are defined by section 1F FSMA.
13. This Consultation Paper's proposals also advance our secondary objective of supporting the competitiveness and growth of the UK. Our proposals aim to further support the foundations of a healthy advice market, in which there is increased consumer engagement with advice services and more informed decision-making, including a rebalancing of risk. In turn, this will boost productive investment and support the UK's medium to long-term growth. Additionally, all of our proposals aim to achieve more proportionate regulation by simplifying our rules, which will result in lower costs for firms and make the UK advice market more attractive for firms to operate in.
14. In preparing the proposals set out in this Consultation Paper, the FCA has had regard to the regulatory principles set out in section 3B FSMA.

## **The need to use our resources in the most efficient and economic way**

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15. Our proposals are consistent with, and would foster, an efficient and economic use of our resources. We have sought to leverage existing approaches, including the Consumer Duty, to ensure our requirements are proportionate and reduce complexity in the Handbook.

## **The principle that a burden or restriction should be proportionate to the benefits**

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16. We have carefully considered the proportionality of our proposals, including the impact on both firms and consumers. A central aim of these proposals is to reduce unnecessary regulatory burden and perceived regulatory risk where these do not deliver commensurate consumer protection benefits. We have sought to do this by simplifying and consolidating existing advice rules, clarifying how firms can take a proportionate, risk-based approach to assessing suitability, and relying more explicitly on the Consumer Duty to deliver good outcomes.
17. The proposals do not introduce new mandatory service models or require firms to change their business models. Instead, they preserve flexibility by allowing firms to determine whether, and how, to make use of the clarified framework based on their own assessment of consumer needs, risks and commercial viability.
18. Our assessment of the costs and benefits of these proposals is set out in Annex 2. The benefits include improved access to appropriate and fair-value advice for consumers, reduced compliance costs and uncertainty for firms, increased innovation and competition in the advice market, and improved consumer outcomes over the longer term. Where costs arise, they are primarily indirect, proportionate to the scale of activity undertaken by firms, and mitigated by the removal of duplicative requirements.

## **The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) and section 5 of the Environment Act 2021 (environmental targets)**

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19. In developing this Consultation Paper, we have considered our duty under section 3B(1)(c) FSMA and assessed our obligations to comply with the UK net zero emissions target as set out in section 1 of the Climate Change Act 2008 and the Government's environmental targets stipulated in section 5 of the Environment Act 2021. On balance, we do not consider that the proposals are relevant to contributing to those targets. We will keep this issue under review during the consultation period and when considering whether to make the final rules.

## **The general principle that consumers should take responsibility for their decisions**

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20. Our proposals provide a framework that would enable firms to offer services that give consumers greater choice over how they engage with the market in pursuit of their investment and retirement goals. We recognise that some risks arising from this more flexible framework will fall on consumers – for example, where it becomes more difficult to assess whether chosen frequency of suitability reviews delivers fair value. We have sought to mitigate these risks through measures including strengthened disclosure requirements and clearer expectations under the Consumer Duty. However, we also recognise that a rebalancing of risk is necessary to ensure that more consumers can access the support they need to make decisions about their pensions and investments.

## **The responsibilities of senior management**

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21. Our proposals would not materially alter the responsibilities of senior management, and we are content that our proposals do not undermine the principle of senior management responsibility for compliance with the requirements which we are proposing.

## **The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation**

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22. Our proposals recognise the differences in the nature and objectives of the businesses regulated by the FCA and the effect of these proposals.

- 23.** In accordance with section 138K(2) of FSMA, we have considered the impact of these proposals on mutual societies. The proposed rules apply to all authorised firms providing advice within the scope of Article 53 of the Regulated Activities Order (RAO), inclusive of mutual societies with this permission. We do not expect the proposals to impose requirements that differ materially from those placed on other authorised firms. Mutual societies should therefore experience impacts that are broadly comparable to those on non-mutual firms engaging in similar activities. As with impacts on other firms, any costs or operational changes that arise from the simplification and clarification of the advice framework are proportionate to the intended benefits for consumers and mutual societies.

## **The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information**

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- 24.** This principle is not relevant to the proposals or matters covered in this Consultation Paper.

## **The principle that we should exercise our functions as transparently as possible**

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- 25.** By explaining the rationale for each of our recommendations and the anticipated outcomes the FCA has regard to this principle. In 2023, with the Treasury, we opened a discussion in DP23/5 under the AGBR on whether and how we could build an overarching advice framework that better supports a range of consumers. We subsequently consulted on how to take forward certain AGBR proposals in CP24/7, CP25/17 and CP25/26. In particular, CP25/17 set out the proposed direction of travel on simplified advice. Since the publication of CP25/17, we have engaged extensively with stakeholders, including firms, trade associations as well as representatives of the regulatory family.
- 26.** We have also maintained consistent engagement with industry on the subject of ongoing advice through our review of whether financial advisers are delivering the ongoing advice services that consumers have paid for, the results of which were published in February 2025 and have informed these consultation proposals.
- 27.** Throughout the process, we have engaged with the Financial Services Consumer Panel, the Small Business Practitioner Panel and the Practitioner Panel, including in advance of publishing this Consultation Paper. Their insights have helped us to develop our evidence base and shape our proposals, and we will continue to engage with them throughout this consultation and as we progress our work.

## Financial crime

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- 28.** In formulating these proposals, the FCA has had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by section 1B(5)(b) FSMA).

## Expected effect on mutual societies

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- 29.** Our proposed rules will apply according to the powers exercised and to whom they are addressed, equally regardless of whether it is a mutual society or another authorised body. The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies, as set out in paragraph 23 of this Compatibility Statement.

## Compatibility with the duty to promote effective competition in the interests of consumers

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- 30.** In preparing the proposals as set out in this consultation, we have had regard to the FCA's duty to promote effective competition in the interests of consumers. By providing a flexible and proportionate framework, these proposals aim to remove unnecessary barriers that currently limit the ability of firms to develop and deliver affordable and innovative advice services. This should improve engagement and support decision-making amongst consumers by providing them with a choice of how they interact with the market. Informed consumers who can make well-informed and timely decisions are important in driving competition in markets.

## Equality and diversity

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- 31.** Section 149 of the Equality Act 2010 (EA 2010) requires the FCA to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different persons when carrying out their activities. We are also required to give thought to the potential impact of new proposals on relevant groups including groups with protected characteristics under the EA 2010.
- 32.** We have considered equality and diversity issues that may arise from the proposals in this Consultation Paper. We recognise that certain groups of consumers are more likely than others to receive financial advice, with the semi-retired, those aged 55+ and those with a household income of over £50,000 the most likely to have received regulated financial advice in the previous 12 months (FLS 2024). The use of advice was also more prevalent among men (10%) than women (8%), and among adults not from a minority ethnic background (9%) compared to those from a minority ethnic background (5%). Uptake is also much lower among adults aged 18–34 (3%) than those aged 55+ (15%).

We think our proposals could have a positive impact on some groups with protected characteristics under the EA 2010 if they enable advisers to service a broader range of clients in a cost-effective way.

33. We therefore acknowledge, and will continue to consider, the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules.
34. In the meantime, we welcome your input to this Consultation Paper on what, if any, material impact there may be on different groups of consumers and how our proposals may otherwise impact on equality and diversity considerations.

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

## Treasury recommendations about economic policy

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35. In our view we believe our proposals are consistent with the aspects of the Government's economic policy to which we should have regard.
36. In the remit letter from the Chancellor of the Exchequer to the FCA on 14 November, 2024, the Chancellor recommended that the FCA should pursue our operational objectives, whilst also pursuing a growth agenda supported by informed and responsible risk-taking by both firms and customers, and enabling consumers to access appropriate advice and products that will allow them to benefit from economic growth.
37. We have given careful consideration to the letter and its recommendations. We consider that our proposals in this Consultation Paper reflect an appropriate balance of these objectives, including promoting consumer access to advice whilst ensuring proportionality in relation to the consequent regulatory burden on firms. We believe our proposals will help consumers make more informed, timely and effective decisions whilst supporting a rebalancing of risk to ensure it is considered more accurately.

## Legislative and Regulatory Reform Act 2006 (LRRRA)

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38. We have had regard to the principles in the LRRRA for the parts of the proposals that consist of general policies, principles, or guidance. We consider that our proposals are transparent, accountable, proportionate, consistent, and targeted only at cases in which action is needed.
39. We have had regard to the Regulators' Code for the parts of the proposals that consist of general policies, principles, or guidance. We consider that our proposals are consistent with the principles of the code. This Consultation Paper enables firms to provide feedback on, and consider the policy intent behind the proposals. We have identified potential risks of not taking action by articulating potential harms. The Consultation Paper will allow firms to understand the requirements applicable to them.

## Annex 4

# List of respondents

We are obliged to include a list of the names of respondents to our consultations who have consented to the publication of their name. For those that responded to the simplified advice questions in CP25/17, that list is as follows:

Aberdeen Adviser

Aegon

Altus Consulting, part of Accenture

Association of British Insurers (ABI)

Aviva

BlackRock

CFA Society of United Kingdom

Count Finance LTD

Dynamic Planner

FCA Financial Services Consumer Panel

Forester Life Ltd

Hargreaves Lansdown

Hymans Robertson LLP

Interactive Investor Services Limited

Legal & General

Lloyds Banking Group (LBG)

MicroFact

Money A and E UK

Moneyfarm

Natwest Group

Netwealth

NFU Mutual Select Investments Ltd

Nutmeg

Pensions UK

Personal Finance Society (PFS)

Phoenix Group

Personal Investment Management & Financial Advice Association (PIMFA)

Quilter PLC

Royal London

Santander

Saxo

Schroders Personal Wealth

Simplybiz

St James's Place

The Catt's Eye View

The Financial Inclusion and Markets Centre (FIMC)

The Investing and Saving Alliance (TISA)

The Investment Association (IA)

threesixty

Vanguard

Which?

## Annex 5

# Destinations Table

Existing COBS reference	Subject matter	Proposed draft COBS location and comment
<b>COBS 9</b>		
<b>9.1 Application and purpose provisions</b>		
9.1.1R	Application.	9C.1.1R
9.1.1AG	Interaction with COBS 9A.	Retired as no longer required.
9.1.1BG	Targeted support provision.	9C.1.4G(1)
9.1.2R	Providing basic advice on a stakeholder product.	9C.1.3R
9.1.3AG	Peer-to-peer agreements.	9C.1.4G(2)
9.1.5R	Life policies for professional clients.	9C.1.1R and 9C Annex 1
9.1.6G	Rules implementing a requirement of the IDD and additional COBS chapters implementing the IDD.	The application of the rules in COBS 9C to business with professional clients is given effect through COBS 9C Annex 1.
9.1.8G	Related rules (COBS 19.1 and 19.1A).	9C.1.9G
9.1.9G	Related rules (COBS 6.1ZA).	Retired.
<b>9.2 Assessing suitability</b>		
9.2.1R	Assessing suitability: the obligations.	9C.2.1R 9C.2.2R The requirement to consider demands and needs is not carried forward.
9.2.1AG	Insurance client's demands and needs.	The requirement to consider demands and needs is not carried forward.
9.2.2R	Requirement to obtain necessary information.	9C.2.1R 9C.2.2R 9C.2.6G 9C.2.7G 9C.2.9G
9.2.3R	Information regarding a client's knowledge and experience.	9C.2.6G 9C.2.10G
9.2.4R	A firm must not encourage a client not to provide information.	9C.2.18R
9.2.5R	Reliance on information.	9C.2.16R
9.2.6R	A firm must not make a recommendation if it does not receive the necessary information.	Retired on the basis that the requirement is inherent in the requirement to consider sufficient information.

Existing COBS reference	Subject matter	Proposed draft COBS location and comment
9.2.7G	Providing another service where a firm is not permitted to make a personal recommendation.	9C.3.7G
9.2.9R	Friendly society life policies.	9C.2.24G
<b>9.3 Guidance on assessing suitability</b>		
9.3.1G	When a transaction may be unsuitable.	9C.3.5G
9.3.2G	Churning and switching.	9C.3.6G
9.3.3G	Income withdrawals, short-term annuities and uncrystallised funds pension lump sum payments.	9C.3.2G
9.3.3AG	Consideration of pathway investments.	9C.3.3G
9.3.4G	Loans and mortgages.	9C.3.8G
9.3.5G	Investments subject to restrictions on retail distribution.	9C.3.9G
9.3.6G	Pension transfers, conversions and opt-outs.	9C.3.4G
<b>9.4 Suitability reports</b>		
9.4.1R	Providing a suitability report.	9C.5.2R
9.4.2R	Providing a suitability report when making a personal recommendation in relation to a life policy.	9C.5.2R(2)
9.4.2AR	Providing a suitability report when making a personal recommendation in relation to a pension transfer or pension conversion.	9C.5.2R(6) 9C.5.11R
9.4.3R	Exceptions from the requirement to provide a suitability report.	Exceptions largely retired except that at (4) (recommendation to increase a regular premium to an existing contract) which appears at 9C.5.3R.
9.4.4R	Timing.	9C.5.13R
9.4.6R	Telephone selling of life policies.	Retired.
9.4.7R	Contents.	9C.5.5R References to demands and needs are retired.
9.4.8R	Modulating the details of the suitability report.	Rule retired but the substance is preserved in guidance at 9C.5.9G.
9.4.8AR	Application to friendly society life policies.	9C.5.6R

Existing COBS reference	Subject matter	Proposed draft COBS location and comment
9.4.9R	Means of communication (life policies).	Retired.
9.4.10G	Additional content for income withdrawals.	9C.5.10G
9.4.11R	Additional content for pension transfers and conversions.	9C.5.11R
9.4.12G	Additional content for pension transfers and conversions.	9C.5.12G
<b>9.5 Record keeping and retention periods for suitability records</b>		
9.5.1G	Guidance on record-keeping.	9C.7.1G
9.5.2R	Periods for record retention.	9C.7.3R
9.5.3R	Exception from retention where a client doesn't proceed.	Retired.
<b>9.5A Additional guidance for firms with insistent clients</b>		
9.5A.1G	Purpose.	9C.6.1G
9.5A.2G	Who is an insistent client?	9C.6.2G
9.5A.3G	Information to be communicated to an insistent client.	9C.6.3G
9.5A.4G	Acknowledgement from the insistent client.	9C.6.4G
9.5A.5G	Further personal recommendations given to an insistent client.	9C.6.5G
9.5A.6G	Record-keeping.	9C.6.6G
9.5A.7G	Record-keeping.	9C.6.7G
<b>9.6 Special rules for giving basic advice on a stakeholder product</b>		
9.6.1G	Application.	9C.8.1G
9.6.2R	Range.	9C.8.2R
9.6.3R	Range of stakeholder products.	9C.8.3R
9.6.4R	Requirements for a firm to explain its range.	9C.8.4R
9.6.5R	Requirements on first contact.	9C.8.5R
9.6.6AG	Describing breadth of advice.	9C.8.6G
9.6.8R	Requirements where a firm's first contact is not face to face.	9C.8.7R
9.6.9R	Sales process.	9C.8.8R
9.6.10R	Requirements when giving basic advice.	9C.8.9R
9.6.11R	Departing from the sales process for a stakeholder product.	9C.8.10R

Existing COBS reference	Subject matter	Proposed draft COBS location and comment
9.6.12R	Suitability of recommendations.	9C.8.11R
9.6.13G	Guidance on meeting suitability obligations.	9C.8.12G
9.6.14R	Requirements prior to the conclusion of the contract.	9C.8.13R
9.6.15R	Providing the summary sheet after the conclusion of the contract.	9C.8.14R
9.6.16R	Concluding the contract.	9C.8.15R
9.6.17R	Use of facilities and stationery.	9C.8.16R
9.6.18R	Requirements for representatives not to be influenced by remuneration.	9C.8.17R
9.6.18AR	Statement of demands and needs for life policies.	9C.8.18R
9.6.19R	Records.	9C.8.19R
9.6.20R	Keeping records up to date.	9C.8.20R
Annex 1	Basic advice initial disclosure information.	9C Annex 2
Annex 2	Sales processes for stakeholder products.	9C Annex 3
<b>COBS 9A</b>		
<b>9A.1 Application and purpose</b>		
9A.1.1R	Application.	9C.1.1R
9A.1.1AG	Targeted support provision.	9C.1.4G(1)
9A.1.5R	Application to investment advice in relation to insurance-based investment products (IBIPs).	Retired.
9A.1.6G	Implementation of the IDD.	Retired.
<b>9A.2 Assessing suitability: the obligations</b>		
9A.2.1R	The obligations.	9C.2.1R 9C.2.2R
9A.2.2G	Obligation to assess suitability applying to all decisions and recommendations.	9C.2.3G
9A.2.3G	Recommendations or requests to alter a mandate.	9C.2.4G
9A.2.3AR	Requirement to consider demands and needs when proposing an IBIP.	The requirement to consider demands and needs is not carried forward.

Existing COBS reference	Subject matter	Proposed draft COBS location and comment
9A.2.4R	Assessing the extent of the information required: MiFID business.	9C.2.1R 9C.2.2R 9C.2.6G
9A.2.4AR	Assessing the extent of the information required: IBIPs.	9C.2.1 R 9C.2.2R 9C.2.6G COBS 9A.2.4AR(3) is retired.
9A.2.5R	Professional clients: MiFID business.	9C Annex 1
9A.2.6R	Obtaining information about knowledge and experience: MiFID business.	9C.2.10G
9A.2.6AR	Obtaining information about knowledge and experience: IBIPs.	9C.2.10G
9A.2.7R	Obtaining information about a client's financial situation: MiFID business.	9C.2.9G
9A.2.7AR	Obtaining information about a client's financial situation: IBIPs.	9C.2.9G
9A.2.8R	Obtaining information about a client's investment objectives: MiFID business.	9C.2.7G
9A.2.8AR	Obtaining information about a client's investment objectives: IBIPs.	9C.2.7G
9A.2.9R	Reliability of information: MiFID business.	9C.2.15R
9A.2.9AR	Reliability of information: IBIPs.	9C.2.15R
9A.2.10R	Maintaining adequate and up-to-date information: MiFID business.	9C.2.17R
9A.2.11R	Discouraging the provision of information: MiFID business.	9C.2.18R (with revised focus)
9A.2.11AR	Discouraging the provision of information: IBIPs.	9C.2.18R (with revised focus)
9A.2.12R	Reliance on information: MiFID business.	9C.2.16R
9A.2.12AR	Reliance on information: IBIPs.	9C.2.16R
9A.2.13R	Insufficient information: MiFID business.	Retired on the basis that this is the effect of the rules in COBS 9C.2 (see 9C.3.7G).
9A.2.13AR	Insufficient information: IBIPs.	Retired on the basis that this is the effect of the rules in COBS 9C.2 (see 9C.3.7G).

Existing COBS reference	Subject matter	Proposed draft COBS location and comment
9A.2.14G	Insufficient information: MiFID business and IBIPs.	9C.3.7G
9A.2.15R	Identifying the subject of a suitability assessment: MiFID business.	9C.2.20G
9A.2.15AR	Identifying the subject of a suitability assessment: IBIPs.	9C.2.20G
9A.2.16R	Bundled packages: MiFID business and IBIPs.	9C.3.1G
9A.2.17G	Bundled packages: application of MCOB.	9C.3.8G
9A.2.18R	Switching: MiFID business.	9C.2.21R
9A.2.18AR	Switching: IBIPs.	9C.2.21R
9A.2.19R	Adequate policies and procedures: MiFID business.	Retired on the basis that this is addressed by rules in PRIN 2A.
9A.2.20R	Unsuitability: MiFID business.	Retired on the basis that this is the effect of the rules in COBS 9C.2.
9A.2.20AR	Unsuitability: IBIPs.	Retired on the basis that this is the effect of the rules in COBS 9C.2.
9A.2.21G	Guidance on assessing suitability: MiFID business and IBIPs.	9C.3.5G 9C.3.6G(1)
9A.2.22G	Investments subject to restrictions on retail distribution: MiFID business and IBIPs.	9C.3.9G
9A.2.23R	Automated or semi-automated systems: MiFID business.	9C.1.2R
9A.2.24G	Automated or semi-automated systems: IBIPs.	9C.1.2R
<b>9A.3 Information to be provided to the client</b>		
9A.3.1R	Explaining the reasons for assessing suitability: MiFID business.	Retired on the basis that these requirements are sufficiently addressed by the Consumer Duty.
9A.3.1AR	Explaining the reasons for assessing suitability: IBIPs.	Retired on the basis that these requirements are sufficiently addressed by the Consumer Duty.

Existing COBS reference	Subject matter	Proposed draft COBS location and comment
9A.3.2R	Suitability reports: MiFID business and IBIPs.	9C.5.2R (requirement to provide a suitability report) 9C.5.5R (content) 9C.5.8R (inter-action with periodic reports) 9C.5.13R (timing) 9C.5.14R (durable medium) The requirement to consider demands and needs is not carried forward.
9A.3.2AR	Suitability reports: personal recommendations to professional clients on IBIPs.	The requirement to consider demands and needs is not carried forward.
9A.3.3R	Providing a suitability report: MiFID business.	9C.5.5R 9C.5.7R (periodic assessments of suitability and subsequent reports) The requirement to indicate in the suitability report whether a periodic review is likely to be required (COBS 9A.3.3R(2)) is not carried forward.
9A.3.3AR	Providing a suitability report: IBIPs.	9C.5.5R 9C.5.7R (periodic assessments of suitability and subsequent reports) The requirement to consider demands and needs is not carried forward. The requirement to indicate in the suitability report whether a periodic review is likely to be required (COBS 9A.3.3R(2)) is not carried forward.
9A.3.4G	Guidance on suitability reports.	Retired.
9A.3.5G	Guidance on situations likely to require a periodic review.	Replaced with new guidance in 9C.4.1G
9A.3.5AG	Guidance on suitability reports: 'in good time'.	Retired.
9A.3.6R	Periodic assessments: MiFID business and IBIPs.	Replaced with new provisions in 9C.4.2R and 9C.4.3R
9A.3.7G	Periodic assessments: MiFID business and IBIPs: disclosure rules.	Retired.
9A.3.8R	Periodic assessments: MiFID business.	Replaced with the new provision in 9C.4.2R
9A.3.9R	Periodic assessments: MiFID business and annual suitability reviews.	Frequency of reviews addressed in 9C.4.2R The requirement for an annual suitability review is not carried forward.

Existing COBS reference	Subject matter	Proposed draft COBS location and comment
9A.3.10R	Periodic assessments: IBIPs.	Frequency of reviews addressed in 9C.4.2R The requirement for an annual suitability review is not carried forward.
<b>9A.4 Record keeping and retention periods for suitability records</b>		
9A.4.1G	Record-keeping: MiFID business and IBIPs.	9C.7.1G
9A.4.2G	Record-keeping: MiFID business and IBIPs.	9C.7.1G
9A.4.2AR	Record-keeping: MiFID business.	9C.7.2R
9A.4.3R	Retention of records: IBIPs.	9C.7.2R 9C.7.3R
9A.4.4R	Record-keeping obligations for the assessment of suitability: IBIPs.	9C.7.2R

## Annex 6

# Abbreviations used in this paper

<b>Abbreviation</b>	<b>Description</b>
<b>AGBR</b>	Advice Guidance Boundary Review
<b>AI</b>	Artificial Intelligence
<b>Duty</b>	Consumer Duty
<b>COBS</b>	Conduct of Business Sourcebook
<b>CP</b>	Consultation Paper
<b>DC</b>	Defined Contribution
<b>DP</b>	Discussion Paper
<b>EA 2010</b>	Equality Act 2010
<b>FCA</b>	Financial Conduct Authority
<b>FG</b>	Finalised Guidance
<b>FLS</b>	Financial Lives Survey
<b>FSCS</b>	Financial Services Compensation Scheme
<b>FSMA</b>	The Financial Services Markets Act
<b>IDD</b>	Insurance Distribution Directive
<b>IFAs</b>	Independent Financial Advisers
<b>ISA</b>	Individual Savings Account
<b>LRRA</b>	Legislative and Regulatory Reform Act 2006
<b>MiFID</b>	Markets in Financial Instruments Directive
<b>RAO</b>	Regulated Activities Order
<b>RDR</b>	Retail Distribution Review
<b>RMAR</b>	Retail Mediation Activities Return

## Appendix 1

# Draft Handbook text

## ADVICE GUIDANCE BOUNDARY REVIEW (CONSOLIDATING SUITABILITY RULES) INSTRUMENT 2026

### Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 137A (The FCA’s general rules);
    - (b) section 137T (General supplementary powers); and
    - (c) section 139A (Power of the FCA to give guidance); and
  - (2) regulation 5 (FCA rules) of the Securitisation Regulations 2024 (SI 2024/102).
- B. The rule-making powers listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

### Commencement

- C. This instrument comes into force on *[date]*.

### Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes in this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Principles for Businesses (PRIN)	Annex B
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex C
Training and Competence sourcebook (TC)	Annex D
Conduct of Business sourcebook (COBS)	Annex E
Product Intervention and Product Governance sourcebook (PROD)	Annex F
Supervision manual (SUP)	Annex G
Dispute Resolution: Complaints sourcebook (DISP)	Annex H
Securitisation sourcebook (SECN)	Annex I

### Notes

- E. In the Annexes to this instrument, the notes (indicated by “**Note:**” or “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

**Citation**

- F. This instrument may be cited as the Advice Guidance Boundary Review (Consolidating Suitability Rules) Instrument 2026.

By order of the Board  
[*date*]

## Annex A

## Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

*ongoing service* the continuing provision by a *firm* to a *retail client* of *investment advice* or related services in relation to one or more *investments* entered into by the *retail client* following a *personal recommendation*.

*ongoing service charge* an *adviser charge* payable by or on behalf of a *retail client* in respect of an *ongoing service*.

Amend the following definitions as shown.

*ceding arrangement* (for the purposes of *COBS 6*, ~~*COBS 9*~~ *COBS 9C* and *COBS 19*) a *retail client's* existing pension arrangement with *safeguarded benefits*.

*enhanced reporting investment* any *investment* subject to a restriction on retail distribution under the *FCA's rules*, as summarised in ~~*COBS 9.3.5G(1)*~~ *COBS 9C.3.9G*.

*qualifying scheme*

- (a) a *personal pension scheme* or *stakeholder pension scheme*, which provides money purchase benefits, used by an employer(s) to comply with duties imposed in Part 1, Chapter 1 of the Pensions Act 2008. In summary, these duties are to take necessary steps for particular employees, by a particular time, to make those employees members of a pension scheme which meets the criteria in that Act and in regulations made under that Act;
- (b) but such a scheme will not be a *qualifying scheme* if the only members of that scheme are directors or former directors of the same employer, including at least one third of the current directors of that employer; and
- (c) (in ~~*COBS 9.4.11R*~~ *COBS 9C.5.11R*, *COBS 19.1*, *COBS 19.2* and *COBS 21*) in addition to the schemes in (a) as qualified by (b), a *defined contribution occupational pension scheme* that is a qualifying scheme for the purposes of the Pensions Act 2008.

*range of stakeholder products, range* (in relation to a *firm*) the range of *stakeholder products* on which the *firm* gives *advice* (see ~~*COBS 9.6*~~ *COBS 9C.8*);  
References to a *firm's* range (or ranges) of *stakeholder products* include, where the context requires, a reference to the range (or ranges) of the *firm's appointed representatives*.

*retail investment product* (a) a *life policy*; or

...

[Note: Section 238 of the *Act* and *COBS* 4.12B set out restrictions on the promotion of *non-mass market investments* to *retail clients*. See also ~~*COBS* 9.3.5G and *COBS* 9A.2.22G~~ *COBS* 9C.3.9G (Investments subject to restrictions on retail distribution).]

*suitability report* a report which a *firm* must provide to its *client* which, among other things, explains why the *firm* has concluded that a recommendation is suitable for the *client* and which is provided pursuant to: *COBS* 9C.5.

(a) ~~*COBS* 9.4 (Suitability reports) where the *firm* is carrying on *designated investment business* other than any *MiFID*, *equivalent third country* or *optional exemption business* or in relation to an *insurance-based investment product*; [deleted]~~

(b) ~~*COBS* 9A.3.3R where the *firm* is carrying on *MiFID*, *equivalent third country* or *optional exemption business*; or [deleted]~~

...

(e) ~~*COBS* 9A.3.2R where the *firm* is carrying on *insurance distribution activities* in relation to an *insurance-based investment product*. [deleted]~~

## Annex B

### Amendments to the Principles for Businesses (PRIN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 2A        **The Consumer Duty**

...

#### 2A.2      **Cross-cutting obligations**

...

Enable and support retail customers

...

- 2A.2.18    G    Information a *firm* must obtain under a provision of law (including, but not limited to, information required by ~~COBS 9.2.1R, COBS 9A.2.1R, COBS 9C.2.2R, COBS 10.2.1R, COBS 10A.2.1R, ICOBS 5.2.2R, MCOB 4.7A.6R, MCOB 11.6.2R and CONC 5.2A.5R~~) is relevant to whether a *firm* knew or could reasonably be expected to know that a customer has different financial objectives for the purposes of *PRIN* 2A.2.16G and *PRIN* 2A.2.17G.

...

## Annex C

### Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

## 3 Systems and controls

...

### 3.3 Additional requirements for insurance distribution

...

#### Record Keeping

...

3.3.17 R *A firm carrying on insurance distribution activities in relation to insurance-based investment products must retain its records relating to:*

- (1) suitability (~~COBS 9A~~ COBS 9C); and
- (2) appropriateness (COBS 10A),

for a period of at least five years.

3.3.18 G (1) ~~COBS 9A.4 COBS 9C.7~~ and COBS 10A.7 (~~record keeping and retention periods for suitability and appropriateness records~~) contain record keeping requirements that specify information which should be recorded by *firms* in relation to *insurance-based investment products* and for how long the records must be retained.

- (2) For the purposes of SYSC 3.3.17R, a *firm* will need to consider whether the requirement in ~~COBS 9A.4.3R~~ COBS 9C.7.3R or COBS 10A.7.2AR means that a record needs to be retained for longer than five years.

3.3.19 R (1) The records required under ~~COBS 9A.4~~ COBS 9C.7 and COBS 10A.7 must be retained in a medium that allows the storage of information in a way accessible for future reference by the *FCA*.

...

...

## 9 Record-keeping

### 9.1 General rules on record-keeping

...

Specific requirements for the distribution of insurance-based investment products

- 9.1.2A R A *firm* carrying on *insurance distribution activities* in relation to *insurance-based investment products* must retain its records relating to:
- (1) suitability (~~COBS 9A~~ COBS 9C); and
  - (2) appropriateness (*COBS 10A*),
- for a period of at least five years.
- 9.1.2B G (1) ~~COBS 9A.4~~ COBS 9C.7 and *COBS 10A.7* (~~record keeping and retention periods for suitability and appropriateness records~~) set record keeping requirements that specify information which should be recorded by *firms* carrying on *insurance distribution activities* in relation to *insurance-based investment products* and for how long the records must be retained.
- (2) For the purposes of SYSC 9.1.2AR, a *firm* will need to consider whether the requirement in ~~COBS 9A.4.3R~~ COBS 9C.7.3R or *COBS 10A.7.2AR* means that a record needs to be retained for longer than five years.
- 9.1.2C R (1) The records required by ~~COBS 9A.4~~ COBS 9C.7 or *COBS 10A.7* must be retained in a medium that allows the storage of information in a way accessible for future reference by the *FCA*.

...

...

## 13 Operational risk: systems and controls for insurers

...

### 13.3 Other related Handbook sections

- 13.3.1A G The following is a non-exhaustive list of *rules* and *guidance* in the *Handbook* that are relevant to a *firm's* management of operational risk:
- (1) *COBS* contains *rules* and *guidance* that can relate to the management of operational risk; for example, *COBS 2* (Conduct of business obligations), *COBS 4* (Communicating with clients, including financial promotions), *COBS 6* (Information about the firm, its services and remuneration), *COBS 7* (Insurance distribution), ~~COBS 9~~ COBS 9C (Suitability) (~~including basic advice~~) (~~other than MiFID, non-MiFID and insurance-based investment products~~), ~~COBS 9A~~ (Suitability (MiFID and insurance-based investment products provisions)), *COBS 10A* (Appropriateness (for non-advised services) (MiFID and insurance-based investment products provisions)), *COBS*

11 (Dealing and managing), *COBS* 12 (Investment research), *COBS* 14 (Providing product information to clients) and *COBS* 19 (Pensions: supplementary provisions).

## Annex D

### Amendments to the Training and Competence Sourcebook (TC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 4 Specified modified requirements

##### 4.1 Specified requirements for MiFID investment firms and for third country investment firms

...

4.1.4 R Unless the context requires otherwise the *rules* in column 1 of the table are amended as set out in column 2:

Column 1	Column 2
<b>Relevant rule</b>	<b>Amendments</b>
...	...
<i>TC</i> 2.1.5R(1)	<p>The provision is amended by adding after <i>TC</i> 2.1.5R:</p> <p>“Where a relevant individual has not acquired the necessary knowledge and competence to carry out the activities described in <i>TC</i> 4.1.2R <del>above</del>:</p> <p>(a) the <i>firm</i> must ensure that the individual supervising the relevant individual:</p> <ul style="list-style-type: none"> <li>(i) has been assessed as competent to provide such <i>personal recommendation</i> or information;</li> <li>(ii) has the necessary skills and resources to act as a competent supervisor; and</li> <li>(iii) takes responsibility for the <i>personal recommendation</i> or information, referred to in <i>TC</i> 4.1.2R <del>above</del>, provided by the relevant individual under supervision as if the supervisor is providing the <i>personal recommendation</i> including any <i>suitability report</i> (<del><i>COBS 9</i></del> <u><i>COBS 9C</i></u>) or information; and</li> </ul> <p>(b) the <i>firm</i> must ensure that the supervision provided to a relevant individual is tailored to the services provided by the individual.”</p>

...

## Annex E

### Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

[*Editor's note:* This Annex takes into account the changes introduced by the Advice Guidance Boundary Review (Targeted Support) Instrument 2026 (FCA 2026/5), which come into force on 6 April 2026.]

[*Editor's note:* The definition of 'Consumer Duty' takes into account the proposals and legislative changes suggested in the consultation paper 'Targeted Clarifications of Handbook Materials' (CP25/37) as if they were made final.]

#### 1 Application

##### 1.1 General application

...

Structured deposits: further provisions

...

1.1.1AE R The *rules* which apply to a *firm* in COBS 1.1.1AR(1) when selling, or advising a *client* in relation to, a *structured deposit*:

- (1) are those in the sections or provisions of this sourcebook specified in the table below which constitute *UK law on markets in financial instruments*; and
- (2) as those *rules* otherwise apply to the *firm* in relation to *MiFID*, *equivalent third country* or *optional exemption business*.

COBS chapter	Description
...	
<del>COBS 9A</del> <u>COBS 9C</u>	Suitability ( <del>MiFID and insurance-based investment products provisions</del> )
...	

...

1 Annex Application to TP firms and Gibraltar-based firms (see COBS 1.1.1CR)

2

...

**Part 2: Gibraltar-based firms**

...			
<b>2.</b>	<b>Application of COBS</b>		
2.1	R	In addition to those <i>rules</i> applying by virtue of <i>GEN 2.3.1R</i> , a <i>Gibraltar-based firm</i> must also comply with:	
		...	
		(2)	(to the extent that the <i>rule</i> does not already apply to such a <i>Gibraltar-based firm</i> as a result of <i>GEN 2.3.1R</i> ) the provisions in:
			...
		(g)	...
		(g-a)	<u>COBS 6.1A (Adviser charging and remuneration), as in force from time to time;</u>
		(ga)	COBS 9B (Targeted support);
		(gb)	<u>COBS 9C (Suitability);</u>
			...

...

**2 Conduct of business obligations**

...

**2.2A Information disclosure before providing services (MiFID and insurance distribution provisions)**

...

## Related rules

- 2.2A.4 G A *firm* to which the *rule* on providing appropriate information (*COBS 2.2A.2R*) applies should also consider the *rules* on disclosing information about a *firm*, its services, costs and associated charges, *financial instruments* and *life policies* in *COBS 6.1ZA*, ~~*COBS 9A.3*~~ *COBS 9C.5*, *COBS 14.3* and *COBS 14.3A*.

...

**2.4 Agent as client and reliance on others**

...

Reliance on other investment firms: MiFID and equivalent business

...

- 2.4.5 G (1) If F1 is required to perform a suitability assessment or an appropriateness assessment under ~~COBS 9A~~ COBS 9C or *COBS 10A*, it may rely upon a suitability assessment performed by F2, if F2 ~~was~~ were subject to the requirements for assessing suitability in ~~COBS 9A~~ COBS 9C (excluding the *basic advice rules*) in performing that assessment.

...

Reliance on other insurance distributors

- 2.4.5A R Where a *firm* carrying on *insurance distribution activities* in relation to an *insurance-based investment product* is required to perform an appropriateness assessment under *COBS 10A*, it may rely upon:
- (1) a suitability assessment performed by another *firm*, if that other *firm* was subject to the requirements for assessing suitability in ~~COBS 9A~~ COBS 9C; or
  - (2) an appropriateness assessment performed by another *firm*, if that other *firm* was subject to the requirements for assessing appropriateness in *COBS 10A.2*,

in performing that assessment.

...

...

**4 Communicating with clients, including financial promotions**

...

**4.12A Promotion of restricted mass market investments**

...

Direct offer financial promotions

...

4.12A. R A *firm* may *communicate* or *approve* a *direct offer financial promotion*  
17 relating to a *restricted mass market investment* to, or for *communication* to, a *retail client* if:

- (1) the *firm* itself will comply with the *suitability rules* (~~COBS 9 and 9A~~ COBS 9C) in relation to the *investment* promoted; or
- (2) the *retail client* has confirmed before the promotion is made that they are a *retail client* of another *firm* that will comply with the *suitability rules* (~~COBS 9 and 9A~~ COBS 9C) in relation to the *investment* promoted; or

...

...

#### 4.12B Promotion of non-mass market investments

...

##### Advice and preliminary assessment of suitability

4.12B.9 G (1) Where a *firm* communicates any promotion of a *non-mass market investment* in the context of advice, it should have regard to and comply with its obligations under ~~COBS 9 or 9A (as applicable)~~ COBS 9C. *Firms* should also be mindful of the appropriateness requirements in *COBS 10* and *10A* which apply to a wide range of non-advised services.

(2) ...

(b) There is no duty to communicate the preliminary assessment of suitability to the *client*. If the *firm* does so, it must not do so in a way that amounts to making a *personal recommendation* unless it complies with the ~~rules~~ rules in ~~COBS 9 or 9A (as applicable)~~ COBS 9C on suitability.

(c) The requirement for a preliminary assessment of suitability does not extend to a full suitability assessment, unless advice is being offered in relation to the *non-mass market investment* being promoted, in which case the requirements in ~~COBS 9 or 9A~~ COBS 9C apply (~~as applicable~~). However, it requires that the *firm* takes reasonable steps to acquaint itself with the *client's* profile and objectives in order to ascertain whether the *non-mass market investment* under contemplation is likely to be suitable for that *client*. The *firm* should not promote the *non-mass market investment* to the *client* if it does not consider it likely to be suitable for that *client* following such preliminary assessment.

...

## 6 Information about the firm, its services and remuneration

...

### 6.1ZA Information about the firm and compensation information (MiFID and insurance distribution provisions)

...

Information about a firm and its services: MiFID business

6.1ZA. R In good time before the provision of *investment services* or *ancillary services*  
5 to a *client*, a *firm* must provide that *client* with the following general information, if relevant:

...

- (6) the nature, frequency and timing of the reports on the performance of the service to be provided by the *firm* to the *client* in accordance with ~~COBS 9A.3.2R~~ COBS 9C.5 and *COBS 16A.2.1R*;

...

...

### 6.1A Adviser charging and remuneration

...

Initial information for clients on the cost of adviser services

...

6.1A.2 G ...  
0

6.1A.2 G In complying with COBS 6.1A.17R and the Consumer Duty (among other relevant obligations), where an *adviser charge* for an initial *personal recommendation* is structured to be payable by a *retail client* over a period of time along with regular payments into a *retail investment product*, the *firm* should:

- (1) disclose to the *retail client* the overall amount of the *adviser charge* in good time before making the *personal recommendation*;
- (2) ensure it only collects regular payments until the overall amount of the *adviser charge* has been paid off; and
- (3) ensure that its communications and costs disclosures clearly distinguish regular payments relating to the initial *personal recommendation* from any *ongoing service charge*.

~~Ongoing payment of adviser charges~~

- 6.1A.2 R ~~A firm must not use an *adviser charge* which is structured to be payable by~~  
2 ~~the *retail client* over a period of time unless (1) or (2) applies:~~
- (1) ~~the *adviser charge* is in respect of an ongoing service for the provision of *personal recommendations* or related services and:~~
- (a) ~~the *firm* has disclosed that service along with the *adviser charge*; and~~
- (b) ~~the *retail client* is provided with a right to cancel the ongoing service, which must be reasonable in all the circumstances, without penalty and without requiring the *retail client* to give any reason; or~~
- (2) ~~the *adviser charge* relates to a *retail investment product* or a *pension transfer, pension conversion* or *pension opt-out* or arrangement with an *operator of an electronic system in relation to lending* for which an instruction from the *retail client* for regular payments is in place and the *firm* has disclosed that no ongoing *personal recommendations* or service will be provided. [deleted]~~
- 6.1A.2 G ~~To comply with the *rule* on providing a *retail client* with the right to cancel~~  
2A ~~an ongoing service for the provision of *personal recommendations* or related services without penalty (*COBS* 6.1A.22R (1)(b)) a *firm* should:~~
- (1) ~~ensure that any notice period of the *retail client's* right of cancellation is reasonable;~~
- (2) ~~not make any charge in respect of cancellation of the ongoing service except for an amount which is in proportion to the extent of the service already provided by the *firm* up to the date of cancellation of the ongoing service; and~~
- (3) ~~not make cancellation conditional on, for example, requiring the *retail client* to sell any *retail investment products* or to assign any *P2P agreements* to which the ongoing service relates. [deleted]~~
- 6.1A.2 R ~~If a *retail client* exercises his right to cancel an ongoing service, the *firm*~~  
2B ~~must clearly disclose to the *retail client* whether charges for other services provided by the *firm*, such as *custody* services, will continue to be payable by the *retail client*. [deleted]~~
- 6.1A.2 R ~~If *COBS* 6.1A.22R(1) or (2) do not apply, a *firm* may not offer *credit* to a~~  
3 ~~*retail client* for the purpose of paying *adviser charges* unless this would be in the best interests of the *retail client*. [deleted]~~

Agreements and charges for ongoing services

- 6.1A.2 3A G In keeping with its obligations under the *Consumer Duty*, a *firm* should take reasonable care to:
- (1) identify the *target market* for whom an *ongoing service* is intended, taking account of the needs, characteristics and objectives of the relevant *retail clients*; and
  - (2) ensure that:
    - (a) the design of the *ongoing service* meets the needs, characteristics and objectives of the identified *target market*, having regard in particular to whether the relevant *retail clients* require regular *investment advice* as part of the *ongoing service* and, if so, what parameters for the advice service would meet their needs;
    - (b) the *ongoing service* is only offered to or renewed for the identified *target market*;
    - (c) the *ongoing service charge* provides fair value in light of the benefit of the *ongoing service* to the *retail client*; and
    - (d) the *retail client* is given enough information about the *ongoing service* to ensure they are able to make an effective and properly informed decision about whether to enter into an agreement for the provision of that service, including in particular that it is optional, its cost, the services to be provided and whether they will include the provision of regular *investment advice*.
- 6.1A.2 3B G (1) Where a *retail client* has entered into an agreement for the provision of an *ongoing service*, the *firm* should take reasonable steps to ensure that the *ongoing service* continues to meet the *client's* needs and to provide fair value to the *client*.
- (2) The *firm* should be particularly mindful of whether changes to the *retail client's* circumstances may mean that the *client* no longer needs the *ongoing service*, or that it may no longer provide fair value, and take appropriate steps to revise, replace or terminate the agreement.
  - (3)
    - (a) The continuation of an agreement for the provision of an *ongoing service* is unlikely to be consistent with a *firm's* obligations under the *Consumer Duty* where a *retail client* does not in fact receive an *ongoing service* at a scope, standard or regularity sufficient as to justify the *ongoing service charge* being paid by the *client*.
    - (b) For the purposes of (a), it is irrelevant whether the reason the *retail client* has not received the *ongoing service* is that they have not sought out a service that is provided on an as

needed basis or have failed to respond to the *firm's* invitations to receive a regularly scheduled service, for example, a suitability assessment or review as part of an *ongoing service* that includes *advice on investments*.

- (4) A *firm's* obligations to *retail clients* under *PRIN 2A.2.2R* (acting in good faith) and *PRIN 2A.2.8R* (harm avoidance) are particularly relevant in the circumstances described in (3).

- 6.1A.2 R (1) A *firm* that provides an *ongoing service* to a *retail client* must ensure that the terms under which the service is provided give the *retail client* a right to cancel the *ongoing service*.
- 3C
- (2) The right to cancel under (1) must be exercisable without penalty, reasonable and effective in all the circumstances, and not require the *retail client* to give any reason for cancellation.

...

## 6.1E Platform services: platform charges and using a platform service for advising

...

Providing additional units or payment in cash to a retail client

- 6.1E.10 R *COBS 6.1E.4 R* does not prevent a *platform service provider* receiving a share of an annual management charge from an *authorised fund manager* or an *alternative investment fund manager* if the *platform service provider* passes that share on to the *retail client* in the form of:
- (1) additional *units*; or
- (2) cash, provided that it does not offset or appear to offset any *adviser charges* or *platform charges*.

...

## 6.2B Describing advice services

...

Requirements for firms providing both independent and restricted advice

...

- 6.2B.31 G A *firm* that provides *basic advice* on *stakeholder products* may still use the facilities and stationery it uses for other business in accordance with the *rule* *rules* on basic advice on stakeholder products: ~~other issues~~ (*COBS 9.6.17 R(2)* (*COBS 9C.8*).

...

## 7 Insurance distribution

...

### 7.3 Additional insurance distribution obligations

Demands and needs

...

- 7.3.2 G *Firms* are reminded that they are obliged to take reasonable steps to ensure that a *personal recommendation* is suitable for, ~~and consistent with the insurance demands and needs of,~~ the *client* and that, whenever a *personal recommendation* relates to a *life policy*, a *suitability report* is required (see ~~COBS 9 or 9A~~ COBS 9C).

...

Chapters 9 and 9A are deleted in their entirety. The deleted text is not shown but the chapters are marked [deleted] as shown below.

## 9 COBS 9 Suitability (including basic advice) (other than MiFID and insurance-based investment products) [deleted]

## 9A COBS 9A Suitability (MiFID and insurance-based investment products provisions) [deleted]

Insert the following new chapter, COBS 9C, after COBS 9B (Targeted support). The text is not underlined.

## 9C Suitability

### 9C.1 Application and related rules

Application

- 9C.1.1 R This chapter applies to a *firm* which:
- (1) makes a *personal recommendation* to a *retail client* in relation to a *designated investment*;
  - (2) *manages investments* of a *retail client*;
  - (3) manages the assets of an *occupational pension scheme*, *stakeholder pension scheme* or *personal pension scheme*; or
  - (4) makes a *personal recommendation* in relation to a *designated investment* to, or *manages investments* of, a *professional client* as specified in *COBS 9C Annex 1*.

- 9C.1.2 R For the avoidance of doubt, the application of this chapter is not affected by the fact that a *firm* that provides *personal recommendations* or *manages investments* does so (in whole or in part) through an automated or semi-automated system, including those making use of artificial intelligence systems. The *firm* remains responsible for complying with the requirements in this chapter.

Providing basic advice on a stakeholder product

- 9C.1.3 R If a *firm* to which this chapter applies makes a *personal recommendation* in relation to a *stakeholder product*, it may choose to give *basic advice* under the *rules* in COBS 9C.8 instead of the *rules* in the remainder of this chapter.

Guidance

- 9C.1.4 G The *rules* in this chapter do not apply to a *firm*:
- (1) in relation to the provision of a *targeted support service* within the scope of the *rules* in COBS 9B; or
  - (2) which *manages investments* when that *firm* takes a decision to trade for a *client* and that decision relates to a *P2P agreement*. This is because the *regulated activity* of *managing investments* does not extend to the management of assets where those assets are *P2P agreements*.

Principle 9, Consumer Duty and other relevant provisions

- 9C.1.5 G *Principle 9* (Customers: relationships of trust) requires a *firm* to take reasonable care to ensure the suitability of its advice and discretionary decisions.
- 9C.1.6 G A *firm* will need to ensure that its processes for assessing suitability are consistent with its obligations under the *Consumer Duty*. For the purposes of the *Consumer Duty*, a *firm* to which this chapter applies will be:
- (1) a *distributor* in relation to those *investments* which it recommends or in relation to which it takes decisions to trade; or
  - (2) a *manufacturer* of the service that involves the assessment of suitability.
- 9C.1.7 G The *Consumer Duty* requires *firms* to act to deliver good outcomes for *retail customers*, including (among other requirements) obligations to:
- (1) act in good faith towards *retail customers* (PRIN 2A.2.1R);
  - (2) avoid causing foreseeable harm to *retail customers* (PRIN 2A.2.8R);
  - (3) enable and support *retail customers* to pursue their financial objectives (PRIN 2A.2.14R); and

- (4) ensure its communications equip *retail customers* to make decisions that are effective, timely, and properly informed (*PRIN 2A.5.3R*).
- 9C.1.8 G (1) As set out in *PRIN 2A.7.1R*, the obligations under the *Consumer Duty* must be interpreted in accordance with the standard that could be reasonably expected of a prudent *firm* in the same relevant circumstances.
- (2) For example, and as set out in *PRIN 2A.2.22G*, the obligation to enable and support *retail customers* to pursue their financial objectives in *PRIN 2A.2.14R* does not require a *firm* to go beyond what is reasonably expected by *retail customers* in the delivery of the relevant service.
- (3) For the reasons in (1) and (2), compliance with the *Consumer Duty* generally does not prevent the provision of *investment advice* to *retail customers* that is limited in scope.
- (4) While the obligation to ensure that the *investment advice* provided is suitable applies whether the advice is comprehensive or more limited in scope, the steps a *firm* takes to assess suitability should be proportionate and appropriate in light of the agreed scope and nature of the service provided.
- (5) *Firms* need to take reasonable care to ensure that *clients* understand the nature and scope of the service that they are receiving.
- 9C.1.9 G For a *firm* making *personal recommendations* in relation to pensions:
- (1) *COBS 19.1* contains additional provisions relevant to assessing suitability and the contents of *suitability reports* for *full pension transfer or conversion advice*; and
- (2) *COBS 19.1A* contains additional provisions relevant to assessing suitability and the contents of *suitability reports* for *abridged advice*.

## 9C.2 Assessing suitability

### Requirement to assess suitability

- 9C.2.1 R (1) Before a *firm* makes a *personal recommendation* to, or takes a decision to trade on behalf of, a *client*, the *firm* must determine on reasonable grounds that the *personal recommendation* or decision to trade is suitable for that *client*.
- (2) In reaching the determination in (1), the *firm* must have reasonable grounds to determine that the specific transaction to be recommended or entered into:
- (a) meets the *client's* investment objectives;

- (b) aligns with the *client's* attitude to risk;
  - (c) is such that the *client* is able financially to bear any related investment risks consistent with their investment objectives; and
  - (d) (unless *COBS* 9C.2.12R applies) is such that the *client* has the knowledge and experience appropriate to understand the risks involved.
- 9C.2.2 R In reaching the determination required by *COBS* 9C.2.1R, a *firm* must consider sufficient information regarding the *client's*:
- (1) investment objectives;
  - (2) attitude to risk;
  - (3) financial situation (including their ability to bear losses); and
  - (4) (unless *COBS* 9C.2.12R applies) knowledge and experience in the investment field relevant to the specific type of *designated investment* or service.
- 9C.2.3 G A *firm* should undertake a suitability assessment whenever it makes a *personal recommendation* or takes a decision to trade and not only when it makes a *personal recommendation* to buy a *designated investment*. This includes making any *personal recommendation* about whether or not to buy, hold or sell an *investment*.
- 9C.2.4 G Where a *firm managing investments* makes a recommendation or request, or provides advice to a *client* to the effect that the *client* should give or alter a mandate to the *firm* that defines the limits of the *firm's* discretion, that recommendation, request or advice should be considered a recommendation for the purposes of *COBS* 9C.2.1R. A *firm* should therefore undertake a suitability assessment in relation to any such recommendation, request or advice.
- 9C.2.5 G A *firm* should have due regard to the nature and extent of the service provided when determining if a *personal recommendation* or decision to trade is suitable for a *client*.

#### Considering sufficient information

- 9C.2.6 G (1) A *firm* is responsible for assessing the suitability of a *personal recommendation* or decision to trade for a *client*. The purpose of obtaining and considering information about a *client* is to enable a *firm* to make a *personal recommendation* to, or take a decision to trade on behalf of, a *client* that is suitable for that *client* in light of the nature and extent of the service provided. A *firm* will not need to obtain and consider the same level of information in all cases.

- (2) A *firm* may assess the suitability of a recommendation or decision to trade for a *client* by reference to information which it either holds or collects about that *client* (or a combination of both).
- (3) A *firm* should:
  - (a) establish an approach to assessing suitability which ensures that it is the *firm* that determines suitability by reference to information about the *client* and avoids the *client* self-assessing suitability; and
  - (b) avoid stating, or giving the impression, that it is the *client* who determines the suitability of an *investment*.
- (4) The *rules* in this chapter allow *firms* to obtain and consider a level of information about a *client* that is proportionate to the type of service to be provided.
- (5) The extent of information to be considered for the purpose of *COBS* 9C.2.2R will vary according to:
  - (a) the nature, features and extent of the service to be provided; and
  - (b) the type and characteristics of the *designated investments* or transactions envisaged or to be considered (including their complexity and the risks involved).
- (6) For example:
  - (a) it may be sufficient to consider relatively less information about a *client* in the context of providing a service involving the provision of *investment advice*:
    - (i) that is limited in scope (for example, concerning the investment of a specific lump sum); or
    - (ii) that relates to simpler, more common *designated investments*;
  - (b) a *firm* will need to consider relatively more information about a *client* before:
    - (i) recommending, or taking a decision to trade in relation to, a *designated investment* that is more complex, highly concentrated or illiquid or otherwise high risk; or
    - (ii) providing *investment advice* that comprehensively considers a *client's* needs and circumstances.

- (7) A *firm* could use analysis of the *target market* of the *investments* envisaged to inform the extent of information which would be required to determine the suitability of that *investment* for a *client*.
- (8) *COBS 9C.2.7G* to *COBS 9C.2.10G* contain *guidance* on the sort of information which a *firm* may need to obtain from a *client*, having regard to the *guidance* in this provision.

#### Investment objectives and attitude to risk

- 9C.2.7 G In relation to a *client's* investment objectives, a *firm* may need to obtain information about:
- (1) the purposes of the investment; and
  - (2) the length of time for which the *client* wishes to hold the investment.
- 9C.2.8 G (1) The reference in *COBS 9C.2.2R* to a *client's* attitude to risk is to the risk that a *client* is willing to take to meet their investment objectives.
- (2) It is for a *firm* to determine the appropriate approach to establishing a *client's* attitude to risk having regard to the factors in *COBS 9C.2.6G* and, in particular, the nature of the service to be provided. A *firm* may use a simpler approach to establishing a *client's* attitude to risk where, for example, the *firm* provides a service that is limited in scope and which involves a recommendation of a simpler, more common type of *investment*.

#### Financial situation

- 9C.2.9 G In relation to a *client's* financial situation, a *firm* may need to obtain information about:
- (1) the source and extent of the *client's* regular income; and
  - (2) the *client's*:
    - (a) assets, including liquid assets;
    - (b) investments and real property; and
    - (c) regular financial commitments.

#### Knowledge and experience

- 9C.2.1 G In relation to assessing a *client's* knowledge and experience, a *firm* may need to obtain information about:
- (1) the types of service, transaction and *designated investment* with which the *client* is familiar;

- (2) the nature, volume and frequency of the *client's* transactions in *designated investments* and the period over which they have been carried out; and
  - (3) the level of education, profession or relevant former profession of the *client*.
- 9C.2.1 G 1 (1) A *firm* may provide a *client* with information to increase the *client's* knowledge and understanding of *investments* and related risks.
- (2) Where a *firm* takes such steps, its determination of the suitability of a *personal recommendation*, or decision to trade, for that *client* still requires the *firm* to determine, on reasonable grounds, that the *client* has the knowledge to understand the risks involved (unless *COBS* 9C.2.12R applies).
  - (3) The mere provision of information to a *client* is not sufficient to establish the suitability of a *personal recommendation* or decision to trade for that *client*.

When a firm need not consider a client's knowledge and experience

- 9C.2.1 R 2 (1) Where a *firm* provides a *personal recommendation*, it need not consider information about a *client's* knowledge and experience, or reach the determination required by *COBS* 9C.2.1R(2)(d), where the condition in (2) applies.
- (2) The condition is that the type of product that the *firm* envisages recommending is one the *target market* for which has reasonably been identified by the *firm* as including *clients* with no previous experience of investing in products of that type.
- 9C.2.1 G 3 (1) The purpose of *COBS* 9C.2.12R is to enable a *firm* to provide a *personal recommendation* to a *client* without considering that *client's* knowledge and experience where this is not necessary to reach a determination of suitability. This may arise where a *firm* is providing a *client* with *investment advice* that is limited in scope involving simpler, more common *investments*.
- (2) *PRIN* 2A.3.16R requires *distributors* (which include *firms* that recommend or advise on a *product*) to ensure that product distribution arrangements contain effective measures and procedures to obtain information about *products* so as to understand the relevant *target market*.
  - (3) An assessment of a *client's* knowledge and experience is likely to be needed where a *firm* is providing:
    - (a) a more comprehensive service (rather than *investment advice* that is limited in scope); or

- (b) recommendations relating to *investments* which are more complex, esoteric, concentrated, illiquid or otherwise higher risk or less common.
- (4) The effect of *COBS* 9C.2.12R is that the exception from the requirement to consider a *client's* knowledge and experience will not apply to a *firm* that is:
- (a) *managing investments*; or
  - (b) providing a *personal recommendation* in relation to a type of product that is designed for investors with a certain level of knowledge and experience in relation to products of that type.

#### Client understanding

- 9C.2.1 G Whether or not a *firm* is required to consider a *client's* knowledge and  
4 experience in assessing suitability, the *firm* should:
- (1) have regard to its obligation to support *retail customer* understanding (*PRIN* 2A.5.3R); and
  - (2) consider what information it should provide to the *client*, in particular to support the *client's* understanding of the risks associated with a *designated investment* that it is recommending (see, in particular, *COBS* 14).

#### Reliability of information

- 9C.2.1 R (1) A *firm* must take reasonable steps to ensure that the information  
5 collected about its *clients* is reliable.
- (2) The steps in (1) must include:
- (a) ensuring *clients* are aware of the importance of providing accurate and up-to-date information;
  - (b) ensuring all tools employed in the suitability assessment process are:
    - (i) fit-for-purpose; and
    - (ii) appropriately designed for use with the *firm's clients*, with any limitations identified and actively mitigated through the suitability assessment process;
  - (c) ensuring questions used in the process:
    - (i) are likely to be understood by *clients*; and

- (ii) accurately capture the information needed to assess suitability;
  - (d) taking appropriate steps to ensure the consistency of *client* information; and
  - (e) considering whether there are obvious inaccuracies in the information provided by *clients*.
- (3) Where a *firm* considers information which it holds about a *client* in the course of assessing the suitability of a *personal recommendation* or decision to trade, it must take reasonable steps to ensure that such information is accurate and up-to-date.

#### Reliance on information

- 9C.2.1 R A *firm* is entitled to rely on the information provided by its *clients* unless it is  
6 aware, or ought reasonably to be aware, that the information is manifestly out of date, inaccurate or incomplete.

#### Maintaining adequate and up-to-date information

- 9C.2.1 R (1) This *rule* applies to a *firm* that has an agreement with a *client* to:  
7
- (a) provide *investment advice* within the context of an *ongoing service*; or
  - (b) *manage investments*.
- (2) The *firm* must establish, record and implement a policy and procedures to maintain adequate and up-to-date information about the *client* for the purpose of meeting the requirements in this section.

#### Discouraging the provision of relevant information

- 9C.2.1 R A *firm* must not discourage a *client* from providing information that is, or  
8 may be, material to:
- (1) the nature and scope of the service provided; or
  - (2) the *firm's* assessment of suitability of any *personal recommendation* or decision to trade.
- 9C.2.1 G (1) The purpose of COBS 9C.2.18R is to ensure that *firms* do not  
9 discourage *clients* from providing information which may:
- (a) indicate that the nature or scope of the service is inappropriate for the *client* (for example, because it would not enable the *client* to pursue their financial objectives or risks causing foreseeable harm);

- (b) affect the *firm's* assessment of the suitability of a particular recommendation or decision to trade.
- (3) *COBS 9C.2.2R* requires a *firm* to consider sufficient information for the purpose of providing *personal recommendations* or taking decisions to trade which are suitable. *COBS 9C.2.18R* does not require a *firm* to obtain information from a *client* beyond that which is needed to comply with that *rule*.
- (4) If a *client* volunteers information beyond that which the *firm* requests:
  - (a) the *firm* should consider whether the information is material to an assessment of suitability;
  - (b) if the *firm* determines that the information is material, it should consider whether it is able to consider the information in the context of the service it is providing to the *client*; and
  - (c) if, having engaged with the *client*, the *firm* determines that it cannot consider the information in the context of that service (for example, because it indicates an investment objective on the part of the *client* that cannot be addressed through the service), end the provision of the service. In this case, the *firm* should consider whether it is able to refer the *client* to another service.

#### Identifying the subject of a suitability assessment

- 9C.2.2 G (1) This *guidance* is relevant to a *firm* that provides *personal recommendations* to, or *manages investments* for:
- 0
- (a) a group of 2 or more individuals; or
  - (b) an individual who is, or group of individuals who are, represented by another individual; or
  - (c) a legal person.
- (2) The *firm* should establish, record and implement a policy that sets out the *firm's* approach to assessing suitability, including:
- (a) who should be subject to the suitability assessment:
  - (b) (in relation to group insurance), who should be subject to the suitability assessment where a *life policy* is concluded on behalf of a group of members and each individual member cannot take an individual decision to join; and
  - (c) how the suitability assessment should be undertaken, including from whom the information in *COBS 9C.2.2R* should be collected.

- (3) In the situation in (1)(b) or (c), a *firm* should consider:
- (a) the financial situation and investment objectives of the underlying *client* or legal person; and
  - (b) the knowledge and experience of the representative or individual authorised to carry out transactions on behalf of the underlying *client* or legal person.

#### Switching investments

- 9C.2.2 R (1) This *rule* applies where a *personal recommendation* or decision to  
1 trade involves switching *investments* (including underlying *investments*).
- (2) A *firm's* assessment of suitability for the purpose of COBS 9C.2.1R must include a determination, on reasonable grounds, that the benefits to the *client* of switching are greater than the costs.
- (3) For the purposes of this *rule*, switching investments means:
- (a) selling one *investment* and buying another; or
  - (b) exercising a right to make a change to an existing *investment*.

#### Recommendations of friendly society life policies

- 9C.2.2 R (1) When recommending a small *friendly society life policy*, a *firm*, for  
2 the purpose of assessing suitability, need only obtain details of the net income and expenditure of the *client* and their dependants.
- (2) A *friendly society life policy* is small if the *premium*:
- (a) does not exceed £50 a year; or
  - (b) if payable weekly, £1 a week.
- (3) The *firm* must keep for 5 years a record of the reasons why the *personal recommendation* is considered suitable.

### 9C.3 Guidance on particular aspects of the suitability assessment

#### Recommendations of bundled packages

- 9C.3.1 G When a *firm* provides a *personal recommendation* which concerns multiple products, the *firm* should consider the suitability of the overall transaction.

#### Income withdrawals, short-term annuities and uncrystallised funds pension lump sum payments

- 9C.3.2 G When a *firm* is making a *personal recommendation* about *income withdrawals, uncrystallised funds pension lump sum payments* or purchase

of *short-term annuities*, it should consider all the relevant circumstances including:

- (1) the *client's* investment objectives, need for tax-free cash and state of health;
- (2) current and future income requirements, existing pension assets and the relative importance of the plan, given the *client's* financial circumstances;
- (3) the *client's* attitude to risk, ensuring that any discrepancy is clearly explained between his or her attitude to an *income withdrawal, uncrystallised funds pension lump sum* payment or purchase of a *short-term annuity* and other *investments*.

- 9C.3.3 G (1) When a *firm* is making a *personal recommendation* about the investment of funds in the *client's capped drawdown pension fund* or *flexi-access drawdown pension fund*, its suitability assessment under COBS 9C.2.1R should include consideration of *pathway investments*.
- (2) *Pathway investments* do not need to be considered where the *personal recommendation* is to purchase a fixed-term product that:
- (a) provides a guaranteed income, a guaranteed capital return or both; and
  - (b) does not expose the client to investment risk, if the client remains in the product for the fixed term.

#### Pension transfers, conversions and opt-outs

- 9C.3.4 G *Guidance* on assessing suitability when a *firm* is making a *personal recommendation* for a *retail client* who is, or is eligible to be, a member of a *pension scheme* with *safeguarded benefits* and who is considering whether to transfer, convert or opt-out is contained in COBS 19.1.6G (in respect of *full pension transfer or conversion advice* or advice on a *pension opt-out*) and COBS 19.1A.11G (in respect of *abridged advice*).

#### Where a recommendation or decision to trade is unsuitable

- 9C.3.5 G (1) A transaction may be unsuitable for a *client* because of the risks of:
- (a) the *designated investments* involved (including any underlying assets);
  - (b) the type of transaction or the characteristics of the order envisaged; or
  - (c) the frequency of the trading involved (or the frequency of switching underlying investment assets).

- (2) In the case of a *firm managing investments*, a transaction might also be unsuitable if it would result in an unsuitable portfolio.

#### Churning and switching

- 9C.3.6 G (1) A series of transactions that are each suitable when viewed in isolation may be unsuitable if the recommendation or the decisions to trade are made with a frequency that is not in the best interests of the *client*.
- (2) A *firm* should have regard to the *client's* agreed investment strategy in determining the frequency of transactions. This would include, for example, the need to switch a *client* within or between *packaged products*.

#### Where a firm cannot make a recommendation or decision to trade

- 9C.3.7 G (1) The effect of the *rules* in COBS 9C.2 is that a *firm* cannot make a *personal recommendation* or take a decision to trade where it does not have sufficient information to assess suitability.
- (2) In this case, a *client* may still ask the *firm* to provide another service, such as *arranging* or *dealing* for the *client*.
- (3) If this happens, the *firm* should:
- (a) ensure that it receives written confirmation of the *client's* instructions;
  - (b) have regard to its obligations under the *client's best interests rule* and the *Consumer Duty*;
  - (c) consider whether the *rules* relating to appropriateness (COBS 10 and 10A) apply to the provision of that other service.

#### Loans and mortgages

- 9C.3.8 G When considering the suitability of a particular *investment* product which is linked directly or indirectly to any form of loan, mortgage or *home reversion plan*, a *firm* should take account of the suitability of the overall transaction. The *firm* should also have regard to any applicable suitability *rules* in MCOB.

#### Investments subject to restrictions on retail distribution

- 9C.3.9 G (1) *Firms* should note that restrictions and specific requirements apply to the retail distribution of certain *investments*:
- (a) *restricted mass market investments* are subject to a restriction on *direct offer financial promotions* (see COBS 4.12A);

- (b) *non-mass market investments* are subject to a restriction on *financial promotions* (see section 238 of the *Act* and *COBS* 4.12B);
  - (c) certain *investments* are subject to specific restrictions on sale, distribution and/or promotion in *COBS* 22;
  - (d) deferred shares issued by a *credit union* are subject to specific requirements in relation to *dealing* and *arranging* activities (see *CREDS* 3A.5);
  - (e) *credit union subordinated debt* is subject to a restriction on *direct offer financial promotions* (see *CREDS* 3A.5).
- (2) A *firm* should be satisfied that an exemption is available before recommending an *investment* subject to a restriction on distribution, noting, in particular, that a *personal recommendation* to invest will generally incorporate a *financial promotion*.
  - (3) In addition to assessing whether the promotion is permitted, a *firm* giving advice on an *investment* subject to a restriction on distribution is required to comply with the requirements in *COBS* 9C and ensure any *personal recommendation* is suitable for its *client*.
  - (4) In considering its obligations under *COBS* 9C, a *firm* purchasing an *investment* subject to a restriction on distribution as part of a discretionary management agreement should exercise particular care to ensure the transaction is suitable and in the *client's* best interests, having regard to the *FCA's* view that such *investments* pose particular risks of inappropriate distribution.
  - (5) A restriction on promotion does not affect a transaction where there has been no prior communication with the *client* in connection with the investment by the *firm* or a person connected to the *firm*. Nonetheless, if promotion of an *investment* to a *retail client* would not have been permitted, then the discretionary manager's decision to purchase it on behalf of the *client* should be supported by detailed and robust justification of the assessment of suitability.

#### 9C.4 Requirements for firms providing ongoing advice services

- 9C.4.1 G (1) This section relates to the provision of *investment advice* within the context of an *ongoing service*.
- (2) A *firm* may consider that the *client* would benefit from ongoing *investment advice* where, for example, such advice would help to ensure a portfolio of *investments* is kept in line with an initial target asset allocation.
- (3) *COBS* 6.1A.23AG has relevant *guidance* on the steps *firms* should take to comply with their obligations under the *Consumer Duty*,

including, for example, that a *firm* should take reasonable care to ensure the *retail client* is given enough information about the *ongoing service* to ensure they are able to make an effective and properly informed decision about whether to enter into an agreement for its provision.

#### Provision of ongoing advice services

- 9C.4.2 R (1) This *rule* applies to a *firm* in relation to the provision of *investment advice* to a *client*, as part of an *ongoing service*.
- (2) A *firm* must ensure that the following are consistent with its obligations under the *client's best interests rule* and clearly disclosed to the *client* in a *durable medium* in good time before the *client* is bound to pay an *ongoing service charge* for the *investment advice*:
- (a) the scope and nature of the periodic suitability assessments or reviews to be undertaken as part of the *investment advice* service to be provided by the *firm*, including:
    - (i) the previous recommendations or *investments* to be assessed or reviewed; and
    - (ii) the depth or level of detail to which those assessments or reviews are to be undertaken;
  - (b) the frequency with which suitability assessments or reviews are to be carried out, including the *firm's* rationale for this; and
  - (c) how any updated recommendations will be communicated to the *client*.
- (3) In determining the scope, nature and frequency of suitability assessments or reviews to be offered or provided to a *client* as part of an *ongoing service* for the provision of *investment advice*, a *firm* must take account of, in particular:
- (a) the *client's* needs, characteristics and objectives;
  - (b) the *client's* attitude to risk and ability to bear investment risk; and
  - (c) the nature, complexity and risk profile of the *investments* or services to which the assessments or reviews would relate.
- 9C.4.3 R (1) Where *investment advice* within the context of an *ongoing service* is offered or provided to a *retail client*, *firms* are reminded that they must ensure that the design, distribution, and provision of the *ongoing service* is consistent with their obligations under the *Consumer Duty*.

- (2) *COBS 6.1A.23AG and COBS 6.1A.23BG contain further guidance for firms which provide ongoing services, whether or not those services include the ongoing provision of investment advice.*

#### Ongoing advice services and suitability reports

- 9C.4.4 G *COBS 9C.5.7R modifies requirements on suitability reports following investment advice provided in the context of ongoing services, aiming to avoid unnecessary repetition in those reports of information set out in the report issued following the initial investment advice.*

### 9C.5 Suitability reports

- 9C.5.1 G This section concerns the preparation and provision of *suitability reports*. In preparing and providing a *suitability report* in compliance with the requirements in this section, the requirements in *PRIN 2A.5* (Consumer Duty: retail customer outcome on consumer understanding) are also particularly relevant.

#### Requirement to provide a suitability report

- 9C.5.2 R *A firm must provide a suitability report to a client if it makes a personal recommendation to that client:*
- (1) in relation to a *financial instrument*; or
  - (2) in relation to a *life policy*; or
  - (3) to *buy, sell, surrender, convert or cancel rights under, or suspend contributions to, a personal pension scheme or a stakeholder pension scheme*; or
  - (4) to make *income withdrawals, an uncrystallised funds pension lump sum payment or purchase a short-term annuity*; or
  - (5) to enter into a *pension opt-out*; or
  - (6) in relation to a *pension transfer or pension conversion*.
- 9C.5.3 R The requirement to provide a *suitability report* does not apply if the *personal recommendation* is to increase a regular *premium* to an existing contract.
- 9C.5.4 G *COBS 9C.5.2R requires a firm to provide a suitability report:*
- (1) irrespective of the recommendation given (including where the recommendation is not to do anything); and
  - (2) whether or not the *personal recommendation* is, or is likely to be, followed by a contract or transaction.

#### Content of the suitability report

- 9C.5.5 R The *suitability report* must, at least:
- (1) specify the nature and scope of the service provided;
  - (2) specify the recommendation given and explain the reasons why the *firm* has determined that the recommendation is suitable for the *client* and, in particular, how it:
    - (a) meets the *client's* investment objectives;
    - (b) aligns with the *client's* attitude to risk;
    - (c) is consistent with the *client's* ability to bear related investment risks; and
    - (d) is consistent with the *client's* knowledge and experience; and
  - (3) explain the potential benefits, risks and disadvantages of the recommendation.
- 9C.5.6 R Where a *friendly society* has given a *personal recommendation* on a small *life policy*, the *suitability report* must include, at least, an explanation of the reason why the *firm* has determined that the recommendation is suitable.
- 9C.5.7 R (1) This *rule* applies to subsequent *suitability reports* a *firm* provides to a *client* following the provision of a *personal recommendation* within the context of an *ongoing service*.
- (2) In preparing subsequent *suitability reports*, the *firm*:
- (a) must clearly set out and explain the recommendation being made, highlighting in particular:
    - (i) any proposed changes to the *investments* held or services used by the *client*; and
    - (ii) any relevant changes in the *client's* circumstances; and
  - (b) need not repeat information set out in any previous *suitability reports* where this is not necessary to assist the *client's* understanding of the information in (a).
- 9C.5.8 R (1) This *rule* applies to a *firm* that:
- (a) *manages investments*; or
  - (b) provides *personal recommendations* in the context of an ongoing service.
- (2) The *firm* must ensure that any periodic report provided under *COBS 16A.2.1R* contains an updated statement of how the *client's* investments meet their preferences, objectives and characteristics.

## Guidance on the content of the suitability report

- 9C.5.9 G (1) The purpose of the *suitability report* is to provide the *client* with a clear and concise explanation of the *firm's* recommendation and the reasons for it so as to support the *client* to take a decision on the basis of it.
- (2) In determining the information to be included in a *suitability report*, a *firm* should have regard to its obligation in *PRIN 2A.5.3R* to support *retail customer* understanding so that its communications equip *retail customers* to make decisions that are effective, timely and properly informed.
- (3) A *firm* should avoid adding length or complexity to a *suitability report* where this:
- (a) is not likely to further the *client's* understanding of the recommendation; or
  - (b) may hinder the *client's* understanding of the recommendation.
- (4) The level of detail in a *suitability report* should be appropriate, having regard to the nature and extent of the advice provided. A *suitability report* relating to a *personal recommendation* provided in the context of a service that is limited in scope may not need to include the same or as much information, or be presented in the same way, as a report relating to the provision of more comprehensive *investment advice*.
- (5) A *firm* need not repeat risk warnings in the *suitability report* where these are or have been clearly communicated to the *client* in another context.
- (6) A *firm* should not use the *suitability report* as a record of its compliance with its obligations to assess suitability. Records demonstrating considerations, judgements and conclusions for compliance purposes should be retained separately to *suitability reports* (see *COBS 9C.7*).

## Additional content for income withdrawals

- 9C.5.1 G 0 When a *firm* is making a *personal recommendation* to a *client* about *income withdrawals* or purchase of *short-term annuities* or making *uncrystallised funds pension lump sum* payments, explanation of possible disadvantages in the *suitability report* should include the risk factors involved in entering into an *income withdrawal*, purchase of a *short-term annuity* or making *uncrystallised funds pension lump sum* payments. These may include the following:
- (1) the capital value of the fund may be eroded;

- (2) the *investment* returns may be less than those shown in the illustrations;
- (3) annuity or *scheme pension* rates may be at a worse level in the future;
- (4) the levels of income provided may not be sustainable; and
- (5) there may be tax implications.

Additional content for pension transfers and conversions

- 9C.5.1 R (1) A *firm* must include a one-page summary at the front of the *suitability report* when making a *personal recommendation* in relation to a *pension transfer* or a *pension conversion*, except where the only *safeguarded benefit* involved is a *guaranteed annuity rate*.
- 1
- (2) The one-page summary must include the following:
    - (a) a summary of the *personal recommendation*;
    - (b) a statement as to whether the recommendation is in relation to *abridged advice* or *full pension transfer or conversion advice*;
    - (c) information about the ongoing advice and/or services (if any) the *firm*, or any other *person*, proposes to provide to the *client* after the execution of the *pension transfer* or *pension conversion*;
    - (d) the risks associated with *pension transfers* or *pension conversions* as set out in *COBS 19.1.6G(4)(b)*, and an invitation to the *client* to consider whether they fully understand those risks and, if so, sign the one-page summary to confirm that;
    - (e) all of the ongoing advice charges, all other ongoing charges and any additional charges expected to be incurred by the *client* if they proceed with the *pension transfer* or *pension conversion*, together with a comparison to the charges and revalued monthly income in the *ceding arrangement* and to the charges in any *default arrangement* in any available *qualifying scheme*; and
    - (f) information about the amounts payable (in *cash terms*) in relation to the initial advice on the *pension transfer* or *pension conversion*, and the number of months (rounded up to the nearest whole month) it would take to pay that amount out of the revalued monthly income the *client* would receive from the *ceding arrangement*.
  - (3) Where the *firm* only gave *abridged advice*:

- (a) the information in (2)(c), (d) and (e) is not required;
  - (b) the information in (2)(f) must clearly state that this is only relevant if the *client* wishes to obtain *full pension transfer or conversion advice*; and
  - (c) the one-page summary must also set out:
    - (i) that the *firm* has not given *full pension transfer or conversion advice*, and provide a summary of the difference between it and *abridged advice*; and
    - (ii) that where the *full pension transfer or conversion advice* is within the scope of the requirement in section 48 of the Pension Schemes Act 2015, no *firm* can arrange a *pension transfer* or a *pension conversion* unless the *client* receives *full pension transfer or conversion advice*.
- (4) The summary in (2)(a) must:
- (a) set out whether the recommendation is to effect a *pension transfer* or *pension conversion*, or to remain in the *client's* current scheme or arrangement;
  - (b) set out where in the *suitability report* the *client* can obtain a more detailed explanation of the recommendation;
  - (c) invite the *client* to consider whether they accept or do not accept the recommendation and, if so, sign the one-page summary to confirm that; and
  - (d) where the *firm* provides *full pension transfer or conversion advice* and any *advice on investments* (whether by the *firm* or any other *person*) in connection with the *pension transfer* or *pension conversion*, set out the summary of the advice given by the *firm* and/or any other *person* for both services.
- (5) The information in (2)(c) must:
- (a) set out that the *client* is not required to accept ongoing advice and/or services proposed (if any);
  - (b) explain that the *client* can opt out of receiving ongoing advice and/or services at any time;
  - (c) set out, in *cash terms*, the monthly and annual charges associated with receiving ongoing advice and/or services whether by the *firm* or any other *person*;

- (d) where the *firm* proposes that it or another *firm* offers ongoing advice and/or services to the *client*, invite the *client* to consider whether they wish to receive this ongoing advice and/or services proposition, and whether they agree to the associated charges, and if so, sign the one-page summary to consent to receiving the ongoing advice and/or services, and agree to the associated charges; and
  - (e) where the *client* declines to sign the one-page summary for any of the proposals in (5)(d), set out that the *client* is not required to accept ongoing advice and/or services, and explain that additional charges and/or other amounts may be payable by the *client* if they wish to receive ongoing advice and/or services from another *person*.
- (6) The summary of the anticipated charges associated with the *pension transfer* or *pension conversion* in (2)(e) must include the anticipated first-year charges after the *pension transfer* or *pension conversion* and be set out:
- (a) in *cash terms*;
  - (b) alongside any charges associated with the *client's ceding arrangement* (and presented as nil if there are no charges); and
  - (c) alongside any charges associated with any *default arrangement* in any *qualifying scheme* available to the *client*, if the *client* chose to transfer to that scheme.
- (7) The revalued monthly income in the *ceding arrangement* referred to in (2)(e) must:
- (a) where the *client* has not passed the normal retirement age, be calculated by:
    - (i) revaluing the *future income benefits* to the date the *client* would normally be paid in accordance with COBS 19 Annex 4B 1R(1)(1); and
    - (ii) discounting the value of the *future income benefits* to the calculation date in accordance with the assumption in COBS 19 Annex 4C 1R(4)(d);
  - (b) where the *client* has passed the normal retirement age, be calculated in line with the current income in the *ceding arrangement*.
- 9C.5.1 G (1) If the *personal recommendation* to the *client* is to remain in the *ceding arrangement*, and the *client* declines to sign the one-page summary to confirm that they intend to accept the *personal recommendation* in accordance with COBS 9C.5.1 1R(4)(c), the *firm*

should follow the insistent *client* guidance in *COBS 9C.6* (Additional guidance for firms with insistent clients).

- (2) If the *client* declines to sign the one-page summary of the advice to confirm their understanding of the risks in *COBS 9C.5.11R(2)(d)*, the *firm* should take further steps to establish whether the *client* has fully understood the risks, and if not, consider changing its *personal recommendation*.
- (3) The other ongoing charges in *COBS 9C.5.11R(2)(d)* include (but are not limited to):
  - (a) ongoing product charges, including those in relation to *investments* within the product;
  - (b) discretionary fund management charges; and/or
  - (c) platform charges.
- (4) The additional charges in *COBS 9C.5.11R(2)(e)* include initial product charges, charges associated with accessing existing funds or moving funds to a different scheme.

#### Timing

- 9C.5.1 R (1) A *firm* must provide the *suitability report* to the *client*:
- 3
- (a) in the case of a *pension transfer* or *pension conversion*, in good time before the transaction is effected;
  - (b) in any other case, before the contract is concluded or the transaction is effected.
- (2) Where the contract is concluded or the transaction is effected using a means of distance communication which prevents the prior delivery of the *suitability report*, the *firm* may provide the *suitability report* immediately after the *client* is bound by the contract or transaction, provided:
    - (a) the *client* has consented to receiving the *suitability report* without undue delay after the conclusion of the contract or transaction; and
    - (b) the *firm* has given the *client* the option of delaying the contract or transaction in order to receive the *suitability report* in advance.
  - (3) *COBS 9C.5.13R(2)* does not apply in the case of a *pension transfer* or *pension conversion*.

#### Medium

9C.5.1 R A *firm* must provide the *suitability report* to the *client* in a *durable medium*.  
4

## 9C.6 Guidance for firms with insistent clients

### Purpose

9C.6.1 G The *guidance* in this section is relevant where a *client* of a *firm* becomes an insistent *client*. The purpose of the *guidance* is to set out how a *firm*, when dealing with an insistent *client*, can comply with its obligations under:

- (1) the *Principles* (see *PRIN 2*);
- (2) the *client's best interests rule* (see *COBS 2.1.1R*);
- (3) the *fair, clear and not misleading rule* (see *COBS 4.2.1R*);
- (4) the *rules* on suitability in this chapter (*COBS 9C (Suitability)*); and
- (5) the *rules* on record-keeping (see *COBS 9C.7*) and *SYSC 9 (General rules on record-keeping)*.

### Who is an insistent client?

9C.6.2 G In this section, a *client* should be considered an insistent *client* where:

- (1) the *firm* has given the *client* a *personal recommendation*;
- (2) the *client* decides to enter into a transaction which is different from that recommended by the *firm* in the *personal recommendation*; and
- (3) the *client* wishes the *firm* to facilitate that transaction.

### Information to be communicated to an insistent client

- 9C.6.3 G
- (1) Where a *firm* proceeds to execute a transaction for an insistent *client* which is not in accordance with the *personal recommendation* given by the *firm*, the *firm* should communicate to the insistent *client*, in a way which is clear, fair and not misleading, and having regard to the information needs of the insistent *client* so that the *client* is able to understand the information set out in (2).
  - (2) The information which the *firm* should communicate to the insistent *client* is:
    - (a) that the *firm* has not recommended the transaction and that it will not be in accordance with the *firm's personal recommendation*;
    - (b) the reasons why the transaction will not be in accordance with the *firm's personal recommendation*;

- (c) the risks of the transaction proposed by the insistent *client*; and
- (d) the reasons why the *firm* did not recommend that transaction to the *client*.

#### Acknowledgement from the insistent client

- 9C.6.4 G (1) The *firm* should obtain from the insistent *client* an acknowledgement that:
- (a) the transaction is not in accordance with the *firm's personal recommendation*; and
  - (b) the transaction is being carried out at the request of the *client*.
- (2) Where possible, the acknowledgement should be in the *client's* own words.

#### Further personal recommendations given to an insistent client

- 9C.6.5 G Where a *firm* gives a further *personal recommendation* in relation to the transaction proposed by the insistent *client*, the *firm* should make clear to the *client* that this *personal recommendation* is distinct from, but does not affect the conclusions of, the initial *personal recommendation*.

#### Record keeping

- 9C.6.6 G A *firm* dealing with an insistent *client* should retain a record of:
- (1) the advice and transaction process followed, including the communications with the *client*; and
  - (2) the acknowledgement from the *client* referred to in COBS 9C.6.4G.
- 9C.6.7 G A *firm* dealing with an insistent *client* should also refer to the record keeping requirements in COBS 9C.7 (Record keeping and retention periods for suitability records) and SYSC 9.1 (General rules on record-keeping).

### 9C.7 Records

- 9C.7.1 G (1) SYSC 3 and SYSC 9 (as applicable) contain high level requirements in relation to record keeping.
- (2) In complying with its record keeping obligations, a *firm* should consider the extent of the information to be retained in order to evidence the basis on which it has determined a *personal recommendation* or decision to trade to be suitable.
- (3) A *firm* should not use the *suitability report* provided to a *client* as a record of its compliance with its obligations to assess suitability.

- 9C.7.2 R In complying with its record keeping obligations in *SYSC*, a *firm* must keep a record of:
- (1) each *personal recommendation* that it makes or decision to trade that it takes;
  - (2) its compliance with the *rules* in this chapter in relation to each such recommendation or decision to trade; and
  - (3) each *suitability report* provided to a *client* (and any subsequent changes to it).
- 9C.7.3 R A *firm* must retain its records relating to suitability for a minimum of the following periods:
- (1) if relating to a *pension transfer, pension conversion, pension opt-out* or *FSAVC*, indefinitely;
  - (2) in any other case, 5 years.

## 9C.8 Special rules for giving basic advice on a stakeholder product

- 9C.8.1 G This section applies to a *firm* giving *basic advice*, which has chosen to comply with the *rules* in this section instead of the other *rules* in this chapter (see *COBS 9C.1.3R*).

### Range

- 9C.8.2 R A *firm* is permitted to maintain more than one *range of stakeholder products*.

- 9C.8.3 R A *range of stakeholder products*:
- (1) may include more than one *deposit-based stakeholder product*;
  - (2) may include the *stakeholder products* of more than one *stakeholder product provider*;
  - (3) must not include any more than one:
    - (a) *CIS stakeholder product* or *linked life stakeholder product*; or
    - (b) *stakeholder CTF*; or
    - (c) *stakeholder pension scheme*.

- 9C.8.4 R When a *firm* provides *basic advice*, it must:
- (1) explain why it chose the *stakeholder products* and *stakeholder product providers* that appear in the relevant *range*; and
  - (2) give the *client* a list of the *stakeholder products* and *stakeholder product providers* that appear in that *range*;

if the *client* asks it do so.

#### Requirements on first contact

- 9C.8.5 R When a *firm* first has contact with a retail client with a view to giving *basic advice* on a *stakeholder product*, it must give the *retail client*:
- (1) the *basic advice* initial disclosure information (COBS 9C Annex 2R), in a *durable medium*, together with an explanation of that information, unless:
    - (a) it has already done so and the *basic advice* initial disclosure information is likely still to be accurate and appropriate; or
    - (b) the contact is not face to face and is using a means of communication which makes it not practicable to provide the *basic advice* initial disclosure information in a *durable medium*; and
  - (2) an explanation of how the advice will be paid for and the fact that any commission will be disclosed.
- 9C.8.6 G A *firm* will meet the requirements in respect of its obligation to provide written disclosure in the *rules* on describing the breadth of advice (COBS 6.2B.33R) by providing its *basic advice* initial disclosure information (in COBS 9C Annex 2R).
- 9C.8.7 R If a *firm*'s first contact with a *retail client* is not face to face, it must:
- (1) inform the *client* at the outset:
    - (a) (if the communication is initiated by or on behalf of a *firm*), of the name of the *firm* and the commercial purpose of the communication;
    - (b) that the *firm* will provide the *retail client* with *basic advice* without carrying out a full assessment of the *retail client*'s needs and circumstances; and
    - (c) that such information will be confirmed in writing; and
  - (2) (if not provided at first contact) send the *client* the *basic advice* initial disclosure information (COBS 9C Annex 2R) in a *durable medium* as soon as reasonably practicable following the conclusion of the first contact;
  - (3) (unless the relevant product is a *deposit-based stakeholder product*) if the contact is by spoken interaction, provide the *client* with the disclosure required by the *rules* on additional oral disclosure for firms providing restricted advice (COBS 6.2B.38R).

## Sales process

- 9C.8.8 R When a *firm* gives *basic advice*, it must do so using:
- (1) a single range of *stakeholder products*; and
  - (2) a sales process that includes putting pre-scripted questions to the *client*.
- 9C.8.9 R When a *firm* gives *basic advice*, it must not:
- (1) describe or recommend a *stakeholder product* outside the *firm's range*; or
  - (2) describe or recommend a *smoothed linked long term stakeholder product*; or
  - (3) describe fund choice, or recommend a particular fund, if a *stakeholder product* offers a choice of funds; or
  - (4) recommend the level of contributions required to be made to a *stakeholder pension scheme* to achieve a specific income in retirement; or
  - (5) recommend or agree that a *client* makes a contribution to an *ISA* which exceeds the HM Revenue and Customs *ISA* limits.
- 9C.8.1 R (1) If a *firm* starts the sales process for a *stakeholder product* that is not a *deposit-based stakeholder product*, it must not depart from that process unless it has advised the *retail client* that it will not provide *basic advice* on *stakeholder products* during the period of departure. A *firm* that does that must not provide *basic advice* during the departure period.
- (2) Before a *firm* returns to the sales process for *stakeholder products*, it must tell the *retail client* that that process is about to recommence.

## Suitability of recommendations

- 9C.8.1 R A *firm* must only recommend a *stakeholder product* to a *retail client* if:
- (1) it has taken reasonable steps to assess the *client's* answers to the scripted questions and any other facts, circumstances or information disclosed by the *client* during the sales process;
  - (2) (unless the relevant product is a *deposit-based stakeholder product*) having done so, it has reasonable grounds for believing that the *stakeholder product* is suitable for the *client*; and

- (3) the *firm* reasonably believes that the client understands the *firm's* advice and the basis on which it was provided.
- 9C.8.1 G *COBS* 9C Annex 3G gives *guidance* on the steps a *firm* could take to help it  
2 meet these suitability obligations.
- 9C.8.1 R If a *firm* giving *basic advice* recommends to a *retail client* to acquire a  
3 *stakeholder product*, it must ensure that, before the conclusion of the contract, its *representative*:
- (1) (unless the relevant product is a *deposit-based stakeholder product*) explains to the *client*, if necessary in summary form, but always in a way that will allow the client to make an informed decision about the *firm's* recommendation:
- (a) the nature of the *stakeholder product*; and
- (b) the 'aims', 'commitment' and 'risks' sections of the appropriate *key features document*;
- (2) provides the *client* with a summary sheet, which is in a *durable medium* and sets out, for each product it recommends:
- (a) the specific amount the *client* wishes to pay into the product; and
- (b) the reasons for the recommendation, including the *client's* attitude to risk and any information provided by the *client* on which the recommendation is based; and
- (3) informs the *client* that in determining any subsequent complaint, the *Ombudsman* may take into account the limited information on which the recommendation was based and the fact that it was not tailored to take account of those aspects of the *client's* financial needs and circumstances not covered by the *firm's* sales process.
- 9C.8.1 R Notwithstanding *COBS* 9C.8.13R(2), a *firm* may provide the summary sheet  
4 (*COBS* 9C.8.13R(2)) as soon as reasonably practicable after the conclusion of the contract if the *client* asks it to do so, or the contract will be concluded using a means of distance communication that does not enable the provision of the summary sheet in a *durable medium* before the conclusion of the contract, but only if the *firm*:
- (1) reads the summary sheet to the *client* before it concludes the contract; and
- (2) sends the summary sheet to the *client* as soon as practicable after the conclusion of the contract.

#### Concluding the contract

- 9C.8.1 R If a *firm* concludes a contract for a *stakeholder product* with or for a *retail*  
5 *client*, it must provide a copy of the completed questions and answers to the *client* in a *durable medium* as soon as reasonably practicable afterwards.

Basic advice on stakeholder products: other issues

- 9C.8.1 R When a *firm* provides *basic advice* on a *stakeholder product*, it may use the  
6 facilities and stationery it uses for other business in respect of which it does hold itself out as acting or advising independently.

- 9C.8.1 R A *firm* must ensure that none of its *representatives*:  
7

- (1) is likely to be influenced by the structure of his or her *remuneration* to give unsuitable *basic advice* on *stakeholder products* to a *retail client*; or
- (2) refers a *retail client* to another *firm* in circumstances which would amount to the provision of any fee, commission or non-monetary benefit.

- 9C.8.1 R (1) A *firm* providing basic advice on a *stakeholder product* that is a *life*  
8 *policy* must, in addition to providing the statement of demands and needs required under *COBS 7.3.1R*, provide the *client* with a personalised explanation of why a particular *life policy* would best meet the *client's* demands and needs.
- (2) The details must be modulated according to the complexity of the *life policy* proposed and the type of *client*.
  - (3) The information in (1) must be provided in accordance with *COBS 7.4* (Insurance distribution: Means of communication to clients).

Records

- 9C.8.1 R A *firm* must record that it has chosen to give *basic advice* to a *retail client* and  
9 make a record of the *range* used and the summary sheet (*COBS 9C.8.13R(2)*) prepared for each *retail client*. That record must be retained for at least five years from the date of the relevant *basic advice*.

- 9C.8.2 R (1) A *firm* must make an up-to-date record of:  
0
- (a) its *scope of basic advice*, and the *scope of basic advice* used by its *appointed representatives* (if any); and
  - (b) its *range* (or *ranges*) of *stakeholder products*, and the *range* (or *ranges*) and the *scope of basic advice* used by its *appointed representatives*.

- (2) Those records must be retained for 5 years from the date on which they are replaced by a more up-to-date record.

## 9C Application of COBS 9C to business with professional clients

### Annex 1

#### Application of COBS 9C

9C R The *rules* in this chapter apply as set out in this section to a *firm* that:  
Annex  
1.1

- (1) makes a *personal recommendation* to a *professional client*:
- (a) in the course of *MiFID, equivalent third country or optional exemption business*; or
  - (b) to take out a *life policy*;
- (2) *manages investments* on behalf of a *professional client* in the course of *MiFID, equivalent third country or optional exemption business*.

#### MiFID, equivalent third country and optional exemption business

9C R The *rules* in *COBS 9C* apply to a *firm* in relation to its *MiFID, equivalent*  
Annex  
1.2 *third country or optional exemption business*, except that:

- (1) a *firm* can assume that:
- (a) in relation to the products, transactions and services for which it is so classified, the *client* has the necessary level of experience and knowledge for the purposes of *COBS 9C.2.1 R(2)(d)*; and
  - (b) where the *client* is a *per se professional client*, the *client* is able financially to bear any related investment risks consistent with their investment objectives for the purposes of *COBS 9C.2.1R(2)(c)*; and
- (2) the *rules* in *COBS 9C.5* (Suitability reports) do not apply when a *firm* makes a *personal recommendation* to a *professional client*.

#### Life policies (other than insurance-based investment products)

9C R (1) *COBS 9C.2.1R* and *COBS 9C.2.2R* (requirement to assess suitability)  
Annex  
1.3 apply to a *firm* that makes a *personal recommendation* to a *professional client* to take out a *life policy* (other than an *insurance-based investment product*).

- (2) A *firm* that makes a *personal recommendation* to a *professional client* in relation to a *life policy* (other than an *insurance-based investment product*) must provide the *client* with a *suitability report*:
- (a) that includes at least the matters in *COBS 9C.5.5R(2)* and (3);
  - (b) before the contract is concluded.

#### Insurance-based investment products

- 9C  
Annex  
1.4
- R (1) The following *rules* in this chapter apply to a *firm* that makes a *personal recommendation* in relation to an *insurance-based investment product*:
- (a) *COBS 9C.2.1R* and *COBS 9C.2.2R* (requirement to assess suitability);
  - (b) *COBS 9C.2.15R* (reliability of information);
  - (c) *COBS 9C.2.16R* (reliance on information);
  - (d) *COBS 9C.2.18R* (discouraging the provision of relevant information);
  - (e) *COBS 9C.2.21R* (switching investments); and
  - (f) *COBS 9C.4.2R* (provision of ongoing advice services).
- (2) A *firm* that makes a *personal recommendation* to a *professional client* in relation to an *insurance-based investment product* must provide the *client* with a *suitability report*:
- (a) that includes at least the matters in *COBS 9C.5.5R*;
  - (b) before the contract is concluded.

#### Record-keeping

- 9C  
Annex  
1.5
- R A *firm* that is required to assess suitability by the *rules* in this Annex must keep the records required by the *rules* in *COBS 9C.7* (Records) in relation to such *personal recommendations* or decisions to trade.

#### Guidance

- 9C  
Annex  
1.6
- G (1) In determining the extent of information to be considered about a *professional client's* knowledge and experience (where required), a *firm* should have regard to the categorisation of the *client* as a *professional client*.
- (2) A *firm* should consider the *guidance* in *COBS 9C* that is relevant to those *rules* which apply to it.

**9C Basic advice initial disclosure information**  
**Annex**  
**2**

R This Annex belongs to *COBS* 9C.8.6G.

Information that comprises the following:	
1.	The name and address (head office or principal place of business if more appropriate) of the <i>firm</i> .
2.	A statement that the service being offered is <i>basic advice</i> on a limited range of <i>stakeholder products</i> by asking questions about income, savings and other circumstances but without carrying out a full assessment of the <i>retail client's</i> needs and without offering advice on whether a non-stakeholder product may be more suitable.
3.	A statement, in accordance with <i>GEN</i> 4 that the <i>firm</i> is regulated by the <i>FCA</i> (or if an <i>appointed representative</i> , a statement of whom it is an <i>appointed representative</i> and that that <i>firm</i> is regulated by the <i>FCA</i> ) to give <i>basic advice</i> , together with the registration number of the firm and the fact that the <i>firm's</i> status can be checked with the <i>FCA</i> on 0800 111 6768 or on the <i>FCA</i> website at <a href="https://www.fca.org.uk">https://www.fca.org.uk</a> .
4.	A statement disclosing any product provider loans (where such credit exceeds 10% of share and loan capital) and direct or indirect ownership (where that ownership exceeds 10% of share capital or voting power) either by, or of, a single <i>product provider</i> or <i>operator</i> . (See also notes 32 to 35 in <i>COBS</i> 6 Annex 1 and notes 45 to 50 of <i>COBS</i> 6 Annex 2.)
5.	A description of the arrangements concerning complaints and the circumstances in which the <i>retail client</i> can refer the matter to the <i>Financial Ombudsman Service</i> . (See also notes 36 to 37 in <i>COBS</i> 6 Annex 1 and notes 51 to 54 of <i>COBS</i> 6 Annex 2.)
6.	A description of the circumstances and the extent to which the <i>firm</i> is covered by the <i>compensation scheme</i> and the <i>retail client</i> will be entitled to compensation from the <i>compensation scheme</i> . (See also notes 38 to 39 of <i>COBS</i> 6 Annex 1 and notes 55 to 58 of <i>COBS</i> 6 Annex 2).
7.	Any relevant disclosure required by the <i>rules</i> on describing the breadth of advice ( <i>COBS</i> 6.2B.33R).
[ <b>Note:</b> in respect of 7, article 10 of the <i>Investor Compensation Directive</i> ]	

**9C**  
**Annex**  
**3**

**Sales processes for stakeholder products**

- G This Annex gives *guidance* on the standards and requirements to which a *firm* may have regard in designing a sales process for *stakeholder products* and assumes that *firms* will provide *basic advice* to *retail clients* who have no practical knowledge of investing in *stakeholder products* or *investments*.

General standards - all sales	
1.	A sales process for <i>stakeholder products</i> may allow the <i>representative</i> administering it to depart from scripted questions where this is desirable to enable the <i>retail client</i> to better understand the points that need to be made provided this is compatible with the <i>representative's</i> competence and the degree of support offered by the <i>firm's</i> software and other systems. A software-based system is more likely to provide an adaptable means of providing prompts and support for <i>representatives</i> which may accordingly support a more flexible sales process.
2.	Questions, statements and warnings provided should be short, simple and in plain language. Questions should address one issue at a time.
3.	The sales process should enable the <i>retail client</i> to exit freely and without pressure at any stage. It should also allow the <i>representative</i> to terminate the process at any stage if it appears unlikely (for affordability, mis-match, risk or other reasons) that there is a suitable product for the <i>retail client</i> .
4.	Where necessary the sales process should incorporate procedures to allow uncertainties in the <i>retail client's</i> answers to be addressed before proceeding and should generally reflect caution about proceeding if clarification or further information cannot be obtained during the process (for example if a <i>retail client</i> cannot confirm whether they are eligible for membership of an <i>occupational pension scheme</i> ).
Preliminary - all sales	
5.	The <i>retail client</i> should be given the following preliminary information:
	(a) the <i>retail client</i> will only be given <i>basic advice</i> about <i>stakeholder products</i> ;

	(b)	<i>stakeholder products</i> are intended to provide a relatively simple and low-cost way of investing and saving;
	(c)	the <i>range of stakeholder products</i> on which the <i>representative</i> will give advice to that <i>retail client</i> ;
	(d)	the <i>retail client</i> will be asked a series of questions about his or her needs and circumstances and, at the end of the procedure, they may be recommended to acquire a <i>stakeholder product</i> ;
	(e)	the assessment of whether a <i>stakeholder product</i> is suitable will be made without a detailed assessment of the <i>retail client's</i> needs but will be based only on the information disclosed during the questioning process; and
	(f)	the <i>retail client's</i> answers will be noted and, at the end of the process, if a recommendation to acquire a <i>stakeholder product</i> is made, the <i>retail client</i> will be provided with a copy of the completed questionnaire.
6.	Following 5, the <i>retail client</i> should be asked if they wish to proceed and, if not, the sales process should cease.	
Affordability - all sales		
7.	If it appears that the <i>retail client</i> is unlikely to be able to afford a <i>stakeholder product</i> , the sale should be terminated and the <i>retail client</i> given an explanation together with a copy of the questions and answers completed to that point.	
Financial priorities and debt - all sales		
8.	A <i>retail client</i> should be assessed to ascertain other possible financial priorities; for example, does the <i>retail client</i> need:	
	(a)	insurance protection;
	(b)	access to liquid cash to meet an emergency; or
	(c)	to reduce existing debts?
	If appropriate, the <i>retail client</i> should be given an unambiguous warning about the desirability of meeting those priorities before acquiring a <i>stakeholder product</i> .	
9.	A stronger warning about the desirability of addressing debt as a priority should be given if it appears that the <i>retail client</i> is significantly indebted, especially if there is a strong indication that the debt commitments may render any new commitment unaffordable in the short term. For this purpose, a <i>firm</i> should	

	consider using a threshold or indicator to decide whether a <i>retail client</i> should be excluded on the basis of affordability. Examples may include where the <i>retail client</i> has:
	(a) annual unsecured debt repayments in excess of 20% of gross annual income;
	(b) four or more active forms of unsecured debt; or
	(c) consistently reached their overdraft limit.
	A <i>firm</i> should review its chosen indicator or threshold regularly to ensure that it reflects prevailing economic conditions and takes account of industry best practice.
10.	A <i>firm</i> should clearly explain what it needs to know about a <i>retail client's</i> debt and consider using a range of alternative words (eg, 'loans', 'student loans', 'borrowing' and 'other forms of credit') to ensure all relevant information is obtained. A <i>firm</i> may use a simple reckoner to assess <i>retail client</i> debt, but should be conscious of the nature of, and not give the impression that it is providing more than, <i>basic advice</i> .
11.	If a <i>firm</i> gives a warning about the desirability of meeting other priorities before acquiring a <i>stakeholder product</i> , or about affordability, it should also invite the <i>retail client</i> to consider terminating the sales process.
Saving and investment objectives - all sales (except establishing a stakeholder CTF)	
12.	A <i>retail client's</i> savings and investment objectives, including the period over which the <i>retail client</i> wishes to save or invest, should be ascertained including whether the <i>retail client</i> :
	(a) may need early access to some or all of the amount saved or invested; or
	(b) wishes to save or invest for retirement; or
	(c) wants to accumulate a specific sum by a specific date.
13.	If that information indicates that the <i>retail client's</i> objective is:
	(a) to accumulate a specific sum by a specific date; or
	(b) to save or invest only for the short term; or
	(c) early access may be required to the whole of the sum saved or invested;

	the <i>firm</i> should not normally recommend a <i>CIS stakeholder product</i> , a <i>linked life stakeholder product</i> , a <i>stakeholder pension scheme</i> or topping up of a <i>stakeholder CTF</i> .
Tolerance of risk - all sales	
14.	If a <i>retail client</i> is not willing to accept any risk of the capital value of an investment being reduced then <i>CIS stakeholder products</i> , <i>linked life stakeholder products</i> and <i>stakeholder CTFs</i> should not usually be recommended. However, a <i>firm</i> may, if appropriate, explain the effect of inflation on long-term savings, especially in relation to pensions, and invite the <i>retail client</i> to consider their attitude to risk in the light of that explanation.
15.	If a <i>retail client</i> is willing to accept the risk of capital reduction in some circumstances but not others then, before any recommendation to acquire a <i>CIS stakeholder product</i> or <i>linked life stakeholder product</i> is made, the <i>retail client</i> should be reminded of the other circumstances in which they are unwilling to accept risk to capital.
Stakeholder pensions	
16.	A <i>stakeholder pension scheme</i> should not be recommended, and the <i>retail client</i> should be advised to seek alternative or further advice, if it appears that the <i>retail client</i> :
	(a) has or will have access to an <i>occupational pension scheme</i> ; or
	(b) is likely to view income in retirement from state benefits as sufficient; or
	(c) already has a pension to which they could make further contributions; or
	(d) wishes to retire within 5 years.
17.	It may also be appropriate to advise the <i>retail client</i> that other courses of action may be more beneficial than buying a <i>stakeholder pension scheme</i> (for example, joining an <i>occupational pension scheme</i> ).
18.	A <i>firm</i> designing a sales process for use in the workplace may take account of the benefits offered by the employer. If a <i>firm</i> recommends a <i>stakeholder pension scheme</i> on the basis of benefits provided by an employer, then it should explain the basis of the recommendation to the <i>retail client</i> and suggest that the <i>retail client</i> seek <i>advice</i> if they have any concerns.
19.	A <i>firm</i> should design its processes with a view to addressing the risk that <i>retail clients</i> will fail to appreciate the significance of

	questions about their pension provision and should accordingly incorporate a range of questions and information designed to foster the <i>retail client's</i> understanding of the issues and to elicit appropriate information.
20.	<i>A retail client</i> should be told that a <i>stakeholder pension scheme</i> is life-styled and what this means.
21.	A <i>firm</i> may provide a copy of the table setting out initial monthly pension amounts, found within the 'Stakeholder pension decision tree' factsheet, available on <a href="https://www.moneyhelper.org.uk">https://www.moneyhelper.org.uk</a> in accordance with <i>COBS</i> 13 Annex 2 1.8R, but in doing so should also provide and explain the caveats and assumptions behind the table. A <i>firm</i> should make it clear that the decision on how much to invest is the <i>retail client's</i> responsibility and that they should get further advice if they have any concerns.
ISAs	
22.	A <i>firm</i> should ascertain whether the <i>retail client</i> has already opened an <i>ISA</i> and, if so, whether it would be appropriate for the <i>retail client</i> to open a non- <i>ISA</i> version of the same product.

Amend the following text as shown.

**10 Appropriateness (for non-advised services) (non-MiFID and non-insurance-based investment products provisions)**

...

**10.2 Assessing appropriateness: the obligations**

...

No duty to communicate firm's assessment of knowledge and experience

- 10.2.8 G If a *firm* is satisfied that the *client* has the necessary experience and knowledge in order to understand the risks involved in relation to the product or service, there is no duty to communicate this to the *client*. If the *firm* does so, it must not do so in a way that amounts to making a *personal recommendation* unless it complies with the rules in ~~COBS 9~~ COBS 9C (Suitability ~~(including basic advice)~~ (non-MiFID provisions)).

...

**10.6 When a firm need not assess appropriateness**

- 10.6.1 G A *firm* need not assess appropriateness if it is receiving or transmitting an order in relation to which it has assessed suitability under ~~COBS 9~~ COBS 9C (Suitability ~~(including basic advice)~~).

...

## 10A Appropriateness (for non-advised services) (MiFID and insurance-based investment products provisions)

...

### 10A.2 Assessing appropriateness: the obligations

...

No duty to communicate firm's assessment of knowledge and experience: MiFID business and insurance-based investment products

- 10A.2.1 G If a *firm* is satisfied that the *client* has the necessary experience and  
0 knowledge in order to understand the risks involved in relation to the product or service, there is no duty to communicate this to the *client*. If the *firm* does so, it must not do so in a way that amounts to making a *personal recommendation* unless it complies with the rules in ~~COBS 9A (MiFID and insurance-based investment products provisions)~~ COBS 9C (Suitability).

...

### 10A.6 Assessing appropriateness: when a firm need not assess appropriateness due to suitability assessment

- 10A.6.1 G A *firm* need not assess appropriateness if it is receiving or transmitting an  
order or carrying on *insurance distribution* in relation to an *insurance-based investment product*, for which it has assessed suitability under ~~COBS 9A~~ COBS 9C (Suitability (MiFID and insurance-based investment products provisions)).

...

## 18 Specialist Regimes

...

### 18.8A OPS firms

...

Modification of suitability rules

- 18.8A.1 R In ~~COBS 9.2.7G~~ COBS 9C.3.7G for that part which states,  
1

~~“...The *firm* should also bear in mind the *client's best interests rule* and any other obligation it may have under the *rules* relating to appropriateness when providing the different service (see *COBS 10*, Appropriateness (for~~

~~non-advised services)) and COBS 10A, Appropriateness (for non-advised services) (MiFID provisions)).”;~~

“(b) have regard to its obligations under the *client’s best interests rule* and the *Consumer Duty*;

(c) consider whether the *rules* relating to appropriateness (COBS 10 and 10A) apply to the provision of that other service.”;

substitute,

~~“The firm should~~ (b) bear in mind any other obligation it may have under the *rules* relating to the different service being requested by the *client*.”.

#### Professional clients

- 18.8A.1 R (1) If an *OPS firm* makes a *personal recommendation* to a *per se*  
2 *professional client*, the *firm* is entitled to assume that the *client* is able financially to bear any related investment risks consistent with the *client’s* investment objectives for the purposes of ~~COBS 9.2.2R(1)(b)~~ COBS 9C Annex 1.
- (2) If an *OPS firm* makes a *personal recommendation* or *manages investments* for a *professional client* it is entitled to assume that, in relation to the products, transactions and services for which the *professional client* is so classified, the *client* has the necessary level of experience and knowledge for the purposes of ~~COBS 9.2.2R(1)(e)~~ COBS 9C Annex 1.

...

#### 18.11 Authorised professional firms

...

- 18.11.2 R *COBS* does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities*, except that:

...

- (3) the *rules* in the following parts of *COBS* which implemented the *IDD* apply in relation to *insurance distribution activities*:

...

- (f) ~~COBS 9~~ COBS 9C (Suitability (including basic advice) (other than non-MiFID and insurance-based investment products provisions)) and ~~COBS 9A~~ (Suitability (MiFID and insurance-based investment products provisions));

...

...

...

## 19 Pensions supplementary provisions

### 19.1 Pension transfers, conversions, and opt-outs

...

Role of the pension transfer specialist when checking

- 19.1.1B G When a *firm* uses a *pension transfer specialist* to check its proposed *advice on pension transfers, pension conversions and pension opt-outs*, it should ensure that the *pension transfer specialist* takes the following steps:

...

- (2) confirms that any *personal recommendation* is suitable for the *retail client* in accordance with the ~~obligations requirement~~ in ~~COBS 9.2.1R to 9.2.3R~~ COBS 9C.2.1R, and including those matters set out at *COBS 19.1.6G*; and

...

Personal recommendation for pension transfers and conversions

...

- 19.1.1D G (1) ~~COBS 9~~ COBS 9C contains suitability requirements which apply if a *firm* makes a *personal recommendation* in relation to *advice on conversion or transfer of pension benefits*.
- (2) (a) ~~COBS 9~~ COBS 9C requires a *firm* to ~~obtain from the client necessary~~ consider sufficient information for the *firm* to be able to make a recommendation. ~~The necessary~~ In the case of advice on conversion or transfer of pension benefits, that information includes should include ensuring that the *client* has ~~the necessary~~ appropriate experience and knowledge to understand the risks involved in the transaction. If a *client* does not understand the risks and/or the *firm* does not have evidence that the *client* can demonstrate their understanding, then it is likely not to be appropriate, under the ~~COBS 9~~ COBS 9C requirements, to make a recommendation to transfer or convert.

...

...

...

Guidance on assessing suitability

- 19.1.6 G (1) The *guidance* in this section relates to the ~~obligations requirement~~ to assess suitability in ~~COBS 9.2.1R to 9.2.3R~~ COBS 9C.2.1R.

...

#### Working with another adviser

- 19.1.6A G (1) This *guidance* relates to the ~~obligations requirement~~ to assess suitability in ~~COBS 9.2.1R to 9.2.3R~~ COBS 9C.2.1R.

...

- (3) In such situations, *firms* should work together (or ensure their *employees* work together) to:
- (a) obtain information from the *retail client* under ~~COBS 9.2.2R(1)~~ COBS 9C.2.2R that is sufficient to inform both the *advice on pension transfers, pension conversions and pension opt-outs* and the *advice on investments*; and
  - (b) obtain information from the *retail client* under ~~COBS 9.2.2R(2)~~ COBS 9C.2.2R about the client's ~~preferences regarding risk taking and their risk profile~~ attitude to risk that covers both the risk in *COBS 19.1.6R(4)(b)* and the risk in *COBS 19.1.6R(4)(c)*.

...

...

#### Suitability reports

- 19.1.8 G If a *firm* provides a *suitability report* to a *retail client* in accordance with ~~COBS 9.4.2AR~~ COBS 9C.5, it should include:

...

...

### 19.1A Abridged advice on pension transfers and pension conversions

...

#### Relevant guidance about assessing suitability

- 19.1A.9 G If a *firm* provides a ~~suitability report~~ *suitability report* to a *retail client* in accordance with ~~COBS 9.4.2AR~~ COBS 9C.5, it should include (in addition to the requirements in ~~COBS 9.4~~ COBS 9C.5):

...

...

19.1A.1 G (1) This *guidance* relates to ~~a firm's obligations~~ the requirement to assess suitability in accordance with ~~COBS 9.2.1R to 9.2.3R~~ COBS 9C.2.1R.

...

...

**22 Restrictions on the distribution of certain complex investment products**

...

**22.3 Restrictions on the retail distribution of contingent convertible instruments and CoCo funds**

...

Exemptions

22.3.2 R Each of the exemptions listed below applies only if the *retail client* is of the type described for the exemption and provided any additional conditions for the exemption are met.

Title	Type of retail client	Additional conditions
...		
<i>MiFID or equivalent third country business other than financial promotions</i>	<i>Any retail client.</i>	<i>COBS 22.3.1R(2)(a) does not apply to MiFID or equivalent third country business (see COBS 9.3.5G).</i>
...		

...

**22.5 Restrictions on the retail marketing, distribution and sale of contracts for differences and similar speculative investments**

...

Other products

22.5.22 G *Firms* that market, distribute or sell *derivatives* with similar features to *restricted speculative investments* (particularly where the *derivatives* are leveraged) to *retail clients*, should have particular regard to how they

comply with applicable obligations found elsewhere in the *FCA Handbook*, including, where relevant:

...

- (3) ~~COBS 9A COBS 9C (Suitability (MiFID and insurance-based investment products provisions));~~

...

...

## TP 2 Other Transitional Provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming into force
...					
2.- 2B	<i>COBS</i> 9.4.11R(2)(e) and <i>COBS</i> 9.4.11R(6)(c)	R	<del>In relation to a particular <i>client</i>, a <i>firm</i> need not comply with the requirements in <i>rules</i> in column (2) relating to charges in any <i>default arrangement</i> in any available <i>qualifying scheme</i>, where the <i>firm's</i> work for the <i>client</i> on advice on <i>pension transfer</i> or <i>pension conversion</i> commenced prior to 1 October 2020 and is completed before 1 January 2021. [Expired]</del>	1 October 2020 to 31 December 2020	1 October 2020
2.- 2A	<i>COBS</i> 9.4.12G(3) and <i>COBS</i> 9.4.12G(4)	G	<del>In relation to a particular <i>client</i>, a <i>firm</i> need not consider the <i>guidance</i> in column (2) to the extent that it relates to the charges in any <i>default arrangement</i> in any available <i>qualifying scheme</i>, where the <i>firm's</i> work for the <i>client</i> on advice on <i>pension transfer</i> or <i>pension conversion</i> commenced prior to 1 October 2020 and is</del>	1 October 2020 to 31 December 2020	1 October 2020

			completed before 1 January 2021. [Expired]		
...					

...

## Sch 1 Record keeping requirements

...

### Sch 1.3 G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				
<del>COBS 9.2.9 R</del> <u>COBS 9C.2.22R</u>	Recommendations <del>on</del> of <i>friendly society life policies</i> .	Why the recommendation is considered suitable	Date of recommendation.	5 years.
<del>COBS 9.5.1 G</del>	Suitability (non-MiFID provisions)	<i>Client information for suitability report</i>	From date of <i>suitability report</i>	See <del>COBS 9.5.2 R</del>
<u>COBS 9C.7.2R</u>	<u>Suitability</u>	As specified in <u>COBS 9C.7.2R</u>	<u>Date of recommendation</u>	See <u>COBS 9C.7.3R</u>
<del>COBS 9.6.19 R</del> <u>COBS 9C.8.19R</u>	<i>Basic advice</i>	Decision to give <i>basic advice</i> , range used and <i>basic advice</i> summary prepared for <i>retail client</i>	Date on which <i>basic advice</i> given	5 years
<del>COBS 9.6.20 R</del> <u>COBS 9C.8.20R</u>	<i>Scope of basic advice (stakeholder products)</i>	<i>Scope of basic advice</i> and its range (or <i>ranges</i> ) of	Date on which the <i>scope</i> and <i>range</i> becomes relevant	5 years from the date replaced by more up-to-date record

		<i>stakeholder products</i>		
<i>COBS</i> 9A.4.1G	Suitability (MiFID provisions)	<i>Client information for suitability report</i>	From date of <i>suitability report</i>	At least 5 years
<i>COBS</i> 9A.4.2AR	Suitability record (MiFID Business)	Records of suitability assessments and information provided to <i>clients</i> ; time/date of advice provided; <i>financial instrument</i> recommended <i>suitability report</i>		
<i>COBS</i> 9A.4.3R	Suitability (insurance-based investment products)	<i>Client information for suitability report</i> – details in <i>COBS</i> 9A.4.3R and <i>COBS</i> 9A.4.4R	From date of <i>suitability report</i>	For whichever is the longer of 5 years or the duration of the relationship with the <i>client</i>
...				

## Annex F

### Amendments to the Product Intervention and Product Governance sourcebook (PROD)

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 3 Product governance: MiFID

...

#### 3.3 PROD 3.3 Distribution of products and investment services

...

Target market and distribution strategy

...

3.3.18 R *Distributors* must have in place procedures and measures to ensure that when deciding the range of *financial instruments* and *investment services* to be *distributed*, and the target market, all applicable *rules* are complied with, including but not limited to:

...

(2) suitability (see ~~COBS 9A~~ COBS 9C);

...

...

#### 4 Product Governance: IDD and pathway investments

##### 4.1 General

Other requirements for insurance distribution activities

4.1.1 R This chapter does not affect the application of other requirements in the *FCA Handbook* applying to *firms* in relation to their *insurance distribution activities* including but not limited to:

...

(2) suitability (~~COBS 9 or COBS 9A~~ COBS 9C);

...

**Annex G**

**Amendments to the Supervision manual (SUP)**

In this Annex, underlining indicates new text and striking through indicates deleted text.

**16 Reporting requirements**

...

**16 Notes for Completion of the Retail Mediation Activities Return ('RMAR')**

**Annex  
18BG**

...

**Section J: Data required for calculation of fees**

...

**Part 2**

*Firms* submitting section J are required to identify in Part 2 how much of the annual income reported in 3A (life distribution and pensions intermediation) or 4A (investment intermediation) in Part 1 is earned from carrying on *regulated activities* relating to the offer or sale to or purchase by or on behalf of *clients* of *enhanced reporting investments*, broken down by category of *enhanced reporting investments* and by number of *clients*. A category of *enhanced reporting investment* is a type of *investment* listed in ~~COBS 9.3.5G(1)~~ COBS 9C.3.9G.

For example, say a *firm* has earned £5,000 from arranging deals in *units* in *qualified investor schemes* on behalf of 26 investors. It has also earned £400 from advising two *clients* to purchase unlisted *shares*. *Units* in *qualified investor schemes* are a type of *non-mainstream pooled investment*, while the unlisted *shares* in this example are *non-readily realisable securities*. Accordingly, the *firm* would report:

...

**Section M Pension Transfer Specialist advice**

...

Guide for completion of individual fields

Qualifying question		
...		
Part 7 – Product and investment solutions		

...		
32	How many <i>retail clients</i> proceeded to transfer or convert where the investment solution included investments subject to regulatory restrictions on retail distribution?	This should include <i>retail clients</i> advised to transfer and insistent client transfers. For investments subject to restrictions on retail distribution see <del>COBS 9.3.5G</del> : <a href="https://www.handbook.fca.org.uk/handbook/COBS/9/3.html?date=2016-03-07">https://www.handbook.fca.org.uk/handbook/COBS/9/3.html?date=2016-03-07</a> <u>COBS 9C.3.9G</u> .
...		

## Annex H

### Amendments to the Dispute Resolution: Complaints sourcebook (DISP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### App 4 Handling pension transfer redress calculations

##### App 4.1 Definitions

App 4.1.1 R The following definitions are used in this appendix:

...

(8) ‘compliant pension transfer advice’ is *advice to a consumer on the conversion or transfer of pension benefits from a defined benefit occupational pension scheme to a DC pension arrangement, which complies with the following:*

(a) (as applicable) the suitability requirements in:

(i) (before [*Editor’s note: insert commencement date of this instrument*]) COBS 9 or (from [*Editor’s note: insert commencement date of this instrument*]) COBS 9C; and

(ii) COBS 19.1; and

...

(c) (where the advice is to remain in the *defined benefit occupational pension scheme* and the *firm* arranges the *pension transfer or pension conversion*) a *firm’s* obligations when dealing with insistent clients (from 1 January 2018 to [*Editor’s note: insert date immediately before commencement date of this instrument*], see *COBS 9.5A* and from [*Editor’s note: insert commencement date of this instrument*], see *COBS 9C*);

...

(11) ‘non-compliant pension transfer advice’ is *advice to a consumer on the conversion or transfer of pension benefits from a defined benefit occupational pension scheme to a DC pension arrangement, which does not comply with one or more of the following:*

(a) (as applicable) the suitability requirements in:

(i) (before [*Editor’s note: insert commencement date of this instrument*]) COBS 9 or (from [*Editor’s note:*

insert commencement date of this instrument]) COBS 9C; and

(ii) *COBS 19.1;*

...

(c) (where the advice is to remain in the *defined benefit occupational pension scheme* and the *firm* arranges the *pension transfer* or *pension conversion*) a *firm's* obligations when dealing with insistent clients (from 1 January 2018 to [Editor's note: insert date immediately before commencement date of this instrument], see *COBS 9.5A* and (from [Editor's note: insert commencement date of this instrument], see *COBS 9C*);

...

**App 4.2 Application**

...

App 4.2.8 R ...

- (4) If a *firm* offers to set up a pension arrangement with *safeguarded benefits* in place of paying redress, the *firm* must:
- (a) make a *personal recommendation* to the *consumer* about the suitability of the pension arrangement with *safeguarded benefits* which complies with the *rules* on assessing suitability in ~~COBS 9~~ COBS 9C;

...

## Annex I

### Amendments to the Securitisation sourcebook (SECN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 3 Selling securitisation positions to retail clients

...

##### 3.2 Selling of securitisations to retail clients

3.2.1 R (1) The seller of a *securitisation position* shall not sell such a position to a *retail client*, unless all of the following conditions are fulfilled:

- (a) the seller of the *securitisation position* has performed a suitability ~~test~~ assessment in accordance with ~~COBS 9A.2.1R~~ and ~~COBS 9A.2.16R~~ COBS 9C.2.1R;

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12 Endeavour Square London E20 1JN  
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Pub ref: 2-009041

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