

22nd May 2026

Sarah Pritchard, Deputy CEO and the Advice Policy Team
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Submitted by e-mail to: cp26-10@fca.org.uk

Dear Ms Pritchard and the Policy team,

CFA UK letter in response to FCA's CP 26/10: Simplifying the Pensions & Investment Advice Rules

We are pleased to see the FCA's initiative to refresh the UK retail advice and guidance framework moving further with CP 26/10. This aligns with the comment we made in our response on the Targeted Support consultation CP25/17, that “...***equal action should be taken to ensure momentum on Simplified Advice***, which at low cost and leveraging technology could be an important option for consumers.”

CFA UK has consistently advocated for an investment culture in the UK, with the primary objective of improving consumers' financial well-being and lifetime resilience. Our responses to the questions are in Appendix 1, with a few overarching points summarised below.

COMPLEXITY RISK VS. AMBIGUITY RISK

We are supportive of proposals that reduce excessive process and paperwork for firms. The FCA should avoid rules that might induce a tick box approach or drive a defensive mindset focused on compliance, indirectly leading to consumer disengagement and a widening advice gap.

At the same time, ***we caution against replacing complexity risk with ambiguity risk*** – the latter being the risk that regulations are not well understood and greater flexibility inadvertently leads to confusion, working against consumer interest or exposing firms to hindsight risk and liability.

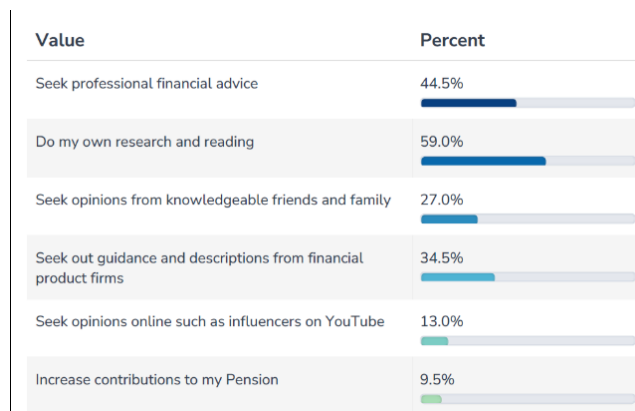
The current proposals do a good job of balancing these two considerations, with economic materiality determining reasonable processes and steps. Therefore, we ***agree with most of the proposals, but also have some concerns*** that are summarised below:

- We support consolidation and proportionality **but seek clearer guidance on the minimum elements of “sufficient information”** baseline to avoid too little fact-finding, over-reliance on Consumer Duty, and increased hindsight risk for firms.
- Knowledge and support assessment, once simplified, should not be seen as optional. Further **clarity is required on evidence and obligation under the Duty**.
- **Explicit consideration of capacity for loss**, as distinct from risk attitude, must not be lost in the updated nomenclature for risk assessments.
- Suitability reports should include certain **non-negotiable core content to mitigate the risk of omissions** and also state the limitations and scope of the advice.
- We support flexible periodicity of reviews, but **not a reduced service without fee adjustments**, and seek clarity on review triggers, fair-value of an infrequent service in volatile markets, and expectations for re-engaging or repricing disengaged clients.
- While simplification is welcome, we stress that **client understanding must not be compromised**, as any lack of transparency and comparability will not support consumers making an informed choice.
- We also caution against dilution of suitability standards for professional clients, recommend consideration of **a smoother consumer journey in the new advice and guidance framework**, simplification of terminology used, and further clarity on the application of the proposals to discretionary portfolio services.
- We urge a clear end-state and **timeline for ending all forms of legacy trail** commission.

REDUCING THE ADVICE GAP AS CONSUMER NEEDS CHANGE

A multi format consumer choice driven advice and guidance approach, such as the FCA appears to be putting in place, will be critical in reducing the advice gap.

In recent UK research undertaken by CFAUK/CFA Institute, in response to our question “If you consider investing more, which route are you more likely to take in the process”, professional guidance was indeed ranked high. However, there was also a significant vote for own research and informal opinions, which will be equally relevant for fostering a balanced investment culture in the UK, and also require policy support – for example simple product descriptions, encouragement of comparison tool providers, balanced oversight of informal influencers and ease of investing and switching.



The expectations of younger investors are also changing, and it is equally important to leverage technology in this effort. Recent research by the CFA Institute recommends that “Wealth management and advisory services must evolve from an interpersonal-driven model to one that can scale personalization while preserving trust.”

- [Next-Gen Investors: A Guide for Wealth Managers and Financial Advisers](#)

In short, a flexible and simple principles-based regulatory framework will be critical to responding to changing consumer expectations and behaviour.

We hope our comments are useful and would be grateful for the opportunity to meet and discuss our feedback.

Yours sincerely,

CFA Society of the United Kingdom

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With thanks for their contributions to our volunteers: Altaf Kassam, CFA, Nicolo Lussana, CFA, Jose Carlos Valer, CFA, and the oversight of CFA UK’s Ethics & Professionalism Steering Committee.

APPENDIX I

Responses to Questions

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

We agree with the consolidation of advice categories under COBS 9 and COBS 9A into a single consistent set, with the ***type of advice service leading the shape of the framework***, rather than the specifics of the type of product or the relevant regulatory regime.

However, the consultation paper mentions in passing that “These proposals are therefore relevant to both investment advisers and discretionary investment managers.” and that “...the proposals apply equally to firms managing investments when assessing the suitability of decisions to trade.” ***The application of the proposals to discretionary trade decisions requires further clarification*** and the consultation is short on detail in this area.

Pure life / protection policies have also been outside of the RDR trail commission ban, and presumably that remains the case and is worth confirming, or it risks confusion when other aspects of the advice process are unified.

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?

We question the value of that semantic change, as it could be argued that “necessary” and “sufficient” are not vastly different and indeed both can overlap, be open to interpretation, and run the risk of induced behaviour that focuses on quantity over quality/relevance. Firms are still required to (quoting from the consultation) “*make judgements of what constitutes sufficient information in different scenarios*”.

It is assumed that the point of this change in wording is to prompt a review of onerous fact-finding processes to focus on the key relevant insights into an individual’s circumstances and preferences, and as such we are supportive. However, the key point is that ***regardless of terminology, it should be clear to firms what is expected*** and we see no harm in using a longer set of words if they are less ambiguous; for example, “advice appropriate information” or “scenario relevant information”.

We also have a concern that over-reliance on Consumer Duty as a replacement for explicit suitability safeguards could lead to some firms overlooking key consumer circumstances.

We recommend that ***the regulation (or at least the guidance) requires “sufficient” to include the following base standard fact finding*** in all cases:

- Age and life stage is an essential factor to consider,
- Basic subsistence and housing needs are confirmed to be covered, and
- Cash buffer & liquidity for emergencies, medical needs etc. is in place.

The proposed accompanying guidance is welcome and should include the FCA’s view on what it sees as the minimum “sufficient information” baseline in common advice scenarios. Clear guidance or examples of under-collecting key facts (e.g. financial resilience) will also support firms and consumers.

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?

The proposals appear to limit this flexibility to cases where “the firm has reasonably identified as having a target market that includes clients with no experience of investing”. Given this caveat, we agree with the approach.

We also ***commend your proposal that firms can also educate and increase a client’s knowledge as part of the advice process***, rather than assessing knowledge being seen only as a compliance factor. If adopted by all advisers, this can lead to real consumer change and a positive long term impact on financial literacy and wellbeing of UK consumers.

However, we ***would like to stress that client understanding is not optional***, even if formal knowledge and experience checks are simplified, as features and risks of any product need to be explained and understood. There is a risk that “no assessment required” becomes “no explanation required”.

Even when the above caveat applies, the FCA should clarify:

- How should firms evidence client understanding where knowledge/experience is not formally assessed as part of the process?
- How does the proposal align with the over-arching obligation under Consumer Duty to ensure consumer understanding?

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?

There is a case that increasing UK consumers' understanding of investments and risk should help lift them out of their current apparently conservative mindset. In our response to the FCA's CP 25/3 Expanding Consumer Access to Investments, we said "**A true investment culture needs people to understand, own and take their own risks** rather than being drawn to holding cash if the perception of risk is not managed."

Accordingly, we support the simplification of terminology in this area, to reduce the risk of mis- or over-interpretation and unnecessary complexity of related processes. We also support clarity on the process for ATR assessment as not necessarily requiring sophisticated techniques for simplified advice needs.

However, we are concerned that the FCA risks blurring risk appetite and capacity for loss – you state 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."

Most firms already explicitly consider both attitude and capacity as key aspects in assessing consumer risk. Both these aspects must remain distinct to avoid foreseeable harm. We disagree that ability is not integral to client risk assessment and emphasise that **Client Risk Assessment must explicitly require consideration of both ATR and capacity for loss** without any implication of the latter being less important.

Given this concern and the associated risks, we request the FCA to clarify what it considers good vs. poor practice in simplified risk assessments for simplified advice.

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?40**
- 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)?**

We support the expansion in scope of triggers for generating a suitability report.

However, we **question the need for a full-form suitability report in the instances of doing nothing and additional premiums / top ups** to an existing investment.

A more proportionate approach (with commensurately lower advice fee) would be a simpler short-form report that states the advice and for everything else refers to the previous full report and only highlights key changes in any aspect of information or

advice. In cases where this proves cumbersome, it will itself become obvious that the changes are extensive enough to require a new full report.

The advice framework will clearly benefit from concise and easier to understand reports (including layering), as well as consistency across business types and timing in the advice process. We recommend that the FCA also encourages firms to make their suitability reports easier to navigate with tools such as signposting, “important information” or “what you need to do” boxes etc. The FCA has over time driven best practice in many areas of financial communications such as bank letters (which have adopted such techniques) and should also apply these learnings to suitability reports.

We however emphasise that **simplification should not lead to omission of essential features** such as key risks, costs, appropriate time horizon, key product features (including negative features). The FCA should clarify the information it expects to be **non-negotiable core content in all suitability reports**. We recommend the following:

- Expected outcomes to meet client needs (so it is not just a risk oriented report)
- Key risks
- Costs and charges
- Time horizon appropriate for the investment (and consumer life stage)
- Key investment / product features (including drawbacks)

We also recommend that **all suitability reports should include a statement of limitations**, explaining the scope of consideration that have gone into the advice being provided. This will make it clear to consumers what to expect, distinguish the type of service being provided, and help them understand the boundary of the recommendation. For example: key assumptions made, circumstances not considered, whether alternatives were considered, and what other factors have not been considered.

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?

We have consistently supported principles based regulation, reducing the reliance on prescriptive rules and are accordingly supportive of the proposals.

In particular we expect that COBS 9A.2.20R, 9A.2.20AR (basic suitability), COBS 9A.3.1R, 9A.3.1AR (explaining to clients) and COBS 9A.3.4G (fair, clear and not misleading) are subsumed by the broader obligations under the Consumer Duty.

However, we also have concerns in the following areas, which we request you to consider ahead of finalising the policy:

- **Consumer expectations clarity:** In the absence of specific rules, consumers could end up not being clear on what to expect from advisers/firms and may be

at a disadvantage in choosing providers or service type, and identifying poor service or advice received. The FCA could indicate it will have low tolerance for a lack of transparency about advice and service features being offered.

- **COBS 9A.2.19R:** Requires firms to understand recommended products and assess, taking account of cost and complexity, whether alternatives could better meet the client’s profile. Removal of this rule and reliance on the Consumer Duty could dilute the obligation to assess alternative solutions, which we believe is important in the process. This expectation should be emphasised by the FCA.

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.

We support updating of case studies, replacing those in FG17/8, to explain a proportionate approach to assessing suitability, especially including (as previously suggested) examples of “sufficient information” to collect when providing simplified advice.

The ***scenarios of the case studies should cover the essential aspects of the FCA’s proposals*** so that the new framework is adopted easily and safely by the advice sector. Examples of useful scenarios include the following (good and poor practice examples would both be helpful):

- Limited scope ISA advice for an inexperienced investor
- Pension consolidation
- Retirement income or drawdown
- Advice not to act where the client lacks an emergency cash buffer
- Dealing with vulnerable clients
- Market stress triggering the need for a review outside the normal periodic cycle

Separately, we recommend once and for all ***simplifying the semantics of the advice and guidance framework*** and only using specific terms so they become embedded in industry and consumer usage.

For example:

- Remove any references to “streamlined” advice, “focussed” advice, and other similar terms from all regulatory statements
- Replace the term “basic” advice (which can be confused with simplified) with something less ambiguous such as “stakeholder product advice”
- With reference to your useful Figure 1. (page 7) schematic, choose only one term for one type of service, for example
 - “Simplified advice” rather than “Limited scope advice (simplified)”

- “Full scope advice” rather than “Full scope advice (comprehensive)” or holistic

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?

Once the components of the advice and guidance framework are in place, we recommend that the FCA considers **how to make consumer navigation across the advice continuum smoother**, covering of targeted support, guidance, simplified advice, and full advice. This will not only require clear signposting and ease of access and choice for consumers, but also greater integration of customer journeys and outcomes to allow moves within the framework, and confidence for firms to operate at each stage without crossing regulatory boundaries.

All the available forms of advice and guidance should be defined in clear and simple terms understandable to consumers.

It would also be helpful to both clients and firms, if the FCA were to summarise the key aspects of the available forms of advice in a simple table in its policy statement, for example as follows:

	Fact find	Consumer risk assessment	Suitability assessment and alternatives	Suitability letter	Adviser charging + cost cover	Other
Full scope advice						
Simplified advice						
Stakeholder advice						

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

We support the proposal if it is anchored in

- **Transparency**, so consumers willingly accept and pay for the service, whatever its features may be, and
- **Fair value**, so firms also have an obligation to design appropriate offers.

We support your clarification that ongoing payments of an initial advice fee should only be taken until the cost of up-front advice has been paid off. It is in fact **surprising that this is not already a regulatory requirement**.

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?

We support the rationale for removing the minimum annual frequency of review requirement. And gain comfort from the FCA's expectation that ongoing services "must deliver fair value to clients in exchange for the fees charged and firms must be able to clearly demonstrate this".

The key point is that ***the sector should provide consumers choice, and support consumers making an informed selection.***

- Firms should be able to offer a ***"menu" of service offerings that may suit a range of consumer needs***, with the Consumer Duty ensuring the offers are designed with fair value and consumer outcomes in mind. Many firms already provide different tiers of service such as F2F, online/phone reviews or different frequency of reviews or provided by adviser or team member, and the 12 month waiver supports these options.
- Consumers should have complete transparency on the features of each option and choose with that understanding, for example no annual review required for their needs and cost accordingly lower. We are less concerned with low service and high cost on a firm's menu, as market forces and competition should address that.

However, we would also like to ***share our concerns with this change***, some of which you have already flagged:

1. The risk that service frequency or quality falls e.g. moves to letter based from face to face, but fees do not,
2. Inconsistent consumer treatment for those with similar circumstances and needs e.g. two consumers who both need an annual review or a face-to-face review but only one gets that service, and
3. The risk that in unusual market situations and/or key life events and circumstance changes, even those who would normally be better served less frequently need a review but do not get one. How will the FCA assess fairness where reviews are infrequent, but markets are volatile?
4. The risk that opt-out rights are not transparently made known to consumers.
5. We also recommend more clarity is provided on the obligation, if any, for periodic consumer outcome reviews when one-off advice is provided as there are inconstant approaches to this issue across the industry.

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.

We agree with the proposal in the interest of fair treatment of such clients under the Consumer Duty, rather than being prescriptive. This can also apply to what constitutes reasonable effort to re-engage a client.

We however recommend that the regulation should be precise in one area: there should be ***no charge when no service has been provided***, whatever the cause of non-provision. Leaving this simple aspect to principles-based application risks consumer harm and reputational damage to the profession.

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.

We agree that this area would benefit from good practice examples.

It is possible that disengagement is temporary or misunderstood (e.g. change of contact details) and does not always indicate a client no longer has a need for a service.

It would ***also provide firms with examples of reasonable efforts to engage***.

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?

We recommend that ***any and all forms of trail commission are banned from a certain future date*** – a form of sunset clause – with this date not set too far in the future.

We understand the potential for some adverse impact on small firms, and some of your questions on impact across different types of operators and platforms are well made.

However, we feel that this issue should be decided based on the principles of ethics and fairness, rather than a forensic analysis of impact at a micro level.

- Firms have already been allowed 14 years to adjust their business models since RDR, to remove the reliance on trail income.
- There is a possibility that many clients continue to pay due to poor understanding or inertia (and where selling the investment is a poor option).
- A firm has the option of explaining the trail to its client and entering into a new ongoing fee contract if the client feels they receive value for the fee.
- Continuation of this practice on a legacy basis undermines trust and conflicts with post-RDR ethics.
- This is a simple and clean solution compared to e.g. consumer education and awareness building, adviser review of client books, manufacturers reviews, complex provisions going ahead etc.

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?

We do not support any material dilution of suitability standards, even for professional clients. Core advice obligations should remain, and **professional status should not become a loophole for lower conduct**, particularly given that Consumer Duty does not apply.

Rather the bar for being assessed as professional should be the key differentiator (refer to the FCA's recent consultation on client categorisation), with likely implications for ability to bear loss and consumer understanding.

It is not quite clear in the consultation what practical simplifications (if any) the FCA envisages e.g. in process, documentation, disclosure?

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.

We broadly agree and are optimistic that over time any adviser revenue loss will be made up by reduction in the advice gap and greater offtake and engagement by consumers.

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

No comment

APPENDIX II **About CFA UK and CFA Institute**



CFA UK serves nearly 12,000 members of the UK investment profession. Many of our members analyse securities, manage investment portfolios, advise on investments, or are in roles responsible for investment operations or oversight.

Our role is to help investment professionals build and maintain their skills and competencies so that they are technically and ethically competent to meet their obligations to clients. We advocate for high standards of ethical and professional behaviour and our work with regulators, policymakers and standard setters is focused on skills, knowledge, and behaviour.

We are not a lobby group or a trade body. We are an independent, professional association whose mission is to ‘educate, connect and inspire the investment community to build a sustainable future.’

Founded in 1955, CFA UK is one of the largest member societies of CFA Institute. Most of our members have earned the Chartered Financial Analyst® (CFA®) designation. All our members are required to attest to adhere to CFA Institute’s Code of Ethics and Standards of Professional Conduct.

For more information, visit www.cfauk.org or follow us on Twitter @cfauk and on LinkedIn.com/company/cfa-uk/



CFA Institute is the global association for investment professionals that sets the standard for professional excellence and credentials. The institute is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Its aim is to create an environment where investors’ interests come first, markets function at their best, and economies grow.

It awards the Chartered Financial Analyst® (CFA) and Certificate in Investment Performance Measurement® (CIPM) designations worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry.

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