

FAQ – Dear CEO

Portfolio Letter Advisers

Intermediaries



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1. What are the FCA's main priorities for financial advisers and investment intermediaries?

The FCA has outlined three main priorities for the next two years:

Reducing and preventing serious harm: This includes focusing on retirement income advice, ongoing advice services, ensuring firms can cover potential redress liabilities ("polluter pays"), and managing risks associated with industry consolidation.

Monitoring and testing higher industry standards under the Consumer Duty: Firms need to demonstrate ongoing compliance and evidence how they are meeting the Duty's requirements.

Enabling more consumers to achieve their financial objectives through the Advice Guidance Boundary Review: The FCA encourages firms to engage actively in the review and explore opportunities to better support their clients.

2. Why is the FCA focusing on retirement income advice?

The retirement income market is large and expanding, and consumers are facing increasingly complex decisions with potentially greater risks. While some firms demonstrate good practices, the FCA's thematic review revealed instances where firms may not be effectively meeting client needs, potentially leading to poor outcomes. This is particularly concerning given the significant impact poor retirement income advice can have on consumers.

3. What are the FCA's concerns about ongoing advice services?

The FCA has observed a significant increase in the proportion of advice revenue generated from ongoing advice services. Their analysis indicates that 90% of new clients are placed into arrangements for ongoing advice. The FCA is concerned that some firms may not be adequately assessing the suitability and cost-effectiveness of these services for all clients, and that some clients may be charged for undelivered services.

4. What does the FCA mean by "polluter pays," and what are their expectations in this area?

"Polluter pays" refers to the FCA's objective of ensuring that firms bear the financial responsibility for their actions and cover the costs of any redress liabilities. The FCA aims to shift the burden away from the Financial Services Compensation Scheme (FSCS) and ensure sufficient capital is available for consumer compensation in case of firm failures. Firms are expected to hold adequate financial resources to cover potential redress claims and refrain from evading these liabilities.

5. How does the FCA view industry consolidation, and what are their expectations for firms involved in acquisitions?

While acknowledging the potential benefits of industry consolidation, the FCA recognises the risks involved if acquisitions are not conducted prudently and effectively managed. The FCA expects firms to prioritise good consumer outcomes during consolidation, maintain robust governance and oversight arrangements, conduct thorough due diligence, and secure adequate financial resources, particularly when funding acquisitions through debt.

6. What is the FCA's approach to supervision and engagement with the industry?

The FCA is committed to a more collaborative and data-driven approach. They aim to increase engagement with the industry through various channels, including in-person events and data sharing. The FCA recognises the value of its data insights and plans to share relevant information with firms to enhance understanding of the sector's current state, sustainability, and future trends.

7. How can firms stay informed about FCA updates and expectations?

Firms are advised to regularly visit the FCA's website for updates, guidance, and publications. They can also contact the FCA's Supervision Hub for day-to-day queries or reach out to the relevant department head for urgent issues of strategic importance.

8. What is the FCA's overarching goal in regulating financial advisers and investment intermediaries?

The FCA's primary objective is to ensure good outcomes for consumers while fostering a sustainable and thriving financial services sector. They aim to achieve this by mitigating harm, raising industry standards, and empowering consumers to make sound financial decisions.

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