

Harriett Baldwin MP  
Chair  
Treasury Select Committee  
House of Commons  
SW1A 0AA

09 January 2023

Our ref: C221221A

Dear Harriett,

**Re: CP22/24 - Broadening access to financial advice for mainstream investments**

Thank you for your letter dated 20 December 2022. Please find below our response to your questions concerning the FCA's consultation on broadening access to financial advice for mainstream investments.

***1. What is the estimated price point that the FCA expects for core investment advice fees? Does the FCA have any evidence to suggest these proposals will create a market with: (i) sufficient consumers willing to pay this lower fee; and (ii) sufficient firms willing to offer core investment advice?***

Core investment advice fees will vary between firms depending on the nature of the service that they provide, the structure of their advice process (for example, how technology and/or advisers deliver the service), and commercial decisions on the level of fees that they wish to charge consumers. We expect core investment advice fees to be lower compared to the current average fees for holistic financial advice. This reflects the more focused nature of the service and streamlined qualification requirements. Charges will need to be fair value for the target market, in line with the expectations set out under our Consumer Duty.

We will explore anticipated charging levels with firms as we engage with industry throughout our consultation. However, we would be concerned about providing an anticipated price point. This could be misunderstood by the market as a 'regulator-approved price', potentially limiting competition.

There is a strong appetite for a market for cheaper and more simplified financial advice. Research shows mass market consumers see the value of a personal recommendation, which financial advice offers<sup>1</sup>. Our pre-consultation engagement with industry also highlighted wide initial interest in our proposals from a range of firms. As part of the ongoing consultation, we are seeking insights from industry, consumer groups and policy makers, both to support us in creating the most effective set of policy proposals for the final rules, and to allow us to establish with greater precision the level of appetite for the regime. This will inform our final cost benefit analysis.

***2. How will the FCA ensure that the quality of core investment advice will be comparable with existing financial advice? What are the potential risks of lowering Training and Competence standards? How will the FCA ensure that firms***

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<sup>1</sup> <https://www.fca.org.uk/publication/research/ignition-house-consumer-research-report.pdf>

***do not offer core investment advice inappropriately to consumers who may need advice on a wider range of issues?***

The core investment advice regime would retain most of our current rules. This includes the requirements that firms gather sufficient information to make a personal recommendation and then ensure any recommendation is suitable. Additionally, we are retaining the existing rules on product governance; initial and ongoing disclosure on service and charges; as well as requiring that clients receive a suitability report.

If our proposed changes are implemented following consultation, we would expect firms to have appropriate processes in place to triage potential clients effectively. As part of the suitability assessment process, firms must ensure that those with more complex financial needs are identified as requiring services beyond core investment advice. Should such a regime come into force, we will monitor and supervise its implementation and operation, including using data where appropriate, and take timely action where we identify issues.

The revised qualifications for the core investment advice regime are commensurate with the narrower scope of the advice to be given. Core investment advisers will be required to pass two relevant modules of the existing RQF Level 4 qualification for financial advice: Financial Services, Regulation and Ethics, and Investment Principles and Risk. Passing these would demonstrate that core investment advisers have the requisite technical knowledge to provide a recommendation to invest in a stocks and shares ISA.

Core investment advisers will not be required to pass the additional examination modules required within the holistic financial adviser framework, such as on Retirement Planning or Protection Planning, which are outside of the scope of core investment advice.

***3. Will a Stocks and Shares ISA always be an appropriate product option for consumers seeking core investment advice, for example consumers who do not pay tax?***

We consider that stocks and shares ISAs are an appropriate investment vehicle for consumers with simpler investment needs and relatively low sums to invest. This is due to the relative simplicity and tax-efficient nature of the stocks and shares ISA investment wrapper. We recognise that a stocks and shares ISA product will not be suitable in all circumstances, which is why firms will still need to assess suitability for each client they advise.

***4. Do these proposals address concerns from firms that they could be liable for mis-selling?***

If firms follow our rules and guidance, they will be discharging their regulatory responsibilities and they should be used to ensuring the advice they give is suitable.

To help firms further, we have drafted guidance detailing our expectations of how key elements of core investment advice ought to be delivered. We have published this so it can be incorporated into firms' advice and compliance checking processes. The guidance proposals have been informed by prior engagement with a range of industry participants on this topic.

The consultation process provides firms with the opportunity to feed into these proposals and we welcome any feedback, including on the draft guidance, before finalisation.

***5. How does core investment advice compare with previous attempts to encourage firms to offer cheaper and more streamlined financial advice? Why will these proposals be more successful?***

Our proposed core investment advice regime builds upon previous policy interventions. Our proposals seek to reduce the regulatory costs to advice firms by reducing the qualification

requirements for core investment advice, as well as giving more certainty to firms through new detailed non-handbook suitability guidance outlining how firms may choose to undertake the suitability assessment for this regime.

We are keen that these proposals work effectively for both firms and consumers and we are seeking feedback from a range of industry participants to our consultation, to ensure that these proposals successfully deliver a framework for cheaper, simpler investment advice.

**6. Will consumers have access to the Financial Ombudsman Services and the Financial Services Compensation Scheme if they receive core financial advice?**

Yes. Under our proposals Financial Services Compensation Scheme ('FSCS') protection, as well as the ability to complain to the Financial Ombudsman Service ('FOS'), will apply for core investment advice in the same way as for more holistic financial advice. That is because firms are still required to ensure the advice they give is suitable.

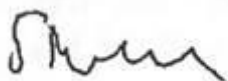
**7. When asked about the introduction of personalised financial guidance during the Report Stage of the Financial Services and Markets Bill, the Economic Secretary to the Treasury stated, "I am happy to confirm that we will pursue it with great urgency... it goes some way to address the issue [that only the wealthiest can access financial advice], so I will look at it as a basis for potentially moving forward". How will the FCA ensure core investment advice rules synchronise with any such Treasury reforms in this area?**

We have worked closely with HM Treasury during the development of our proposals on core investment advice and will continue to do so on any further reforms in this area. We recognise the need for consumers to be able to receive effective support from firms via a diverse range of distribution models, spanning both regulated advice and guidance.

We will also continue to work with HM Treasury, as well as industry and consumer groups, to ensure we support the development of a Consumer Investment market that balances the appropriate level of consumer protection and the regulatory burden on firms. We have further committed to undertake a review of the wider advice / guidance framework, commencing in Q1 this year. We will use any relevant feedback from the consultation on core investment advice to inform this review.

I hope that these responses are helpful.

Yours sincerely,



**Sarah Pritchard**  
**Executive Director, Markets**