

Sir Stephen Timms MP
Chair
Work and Pensions Select Committee
House of Commons
SW1A 0AA

03 August 2023

Dear Sir Stephen,

Re: Update on the FCA's work to clarify the boundary between advice and guidance

I write further to my response in September 2022 with an update on the FCA's work to clarify the boundary between advice and guidance. Since the start of this year, we have conducted a significant amount of work in this area alongside His Majesty's Treasury (HMT) and I would like to thank you for your patience in this matter while this has been underway.

In our Consumer Investments Strategy, published in September 2021, we set out our ambition to see a consumer investment market in which consumers can invest with confidence, understanding the risks they are taking, and the regulatory protections provided. In support of this ambition, in November 2022 we set out initial proposals for a Core Investment Advice regime to broaden access to narrower-scoped financial advice. We received extensive feedback to this consultation CP22/24: Broadening access to financial advice for mainstream investments.

Given the potential for more significant change that is now possible through the Advice Guidance Boundary Review, and given the limited support from industry for the initial set of proposals consulted on, we have decided to roll the development of these proposals, taking onboard the feedback we received, into the broader review. This will allow us to support the more substantial changes that are being asked for and considered through the review.

We will provide a further update in a policy paper that will be published in the autumn.

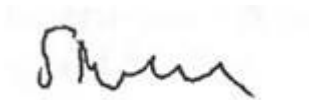
The following key themes and insights have emerged from our early phase of this work, informed by engagement with industry and consumer groups, and which will guide the next phase of the review:

- The solution to this challenge will not be met by changes to regulated advice alone. People's needs are diverse and vary over their lifetime. We need firms to actively engage and provide flexible forms of support that can adapt to different types of financial decisions.
- To provide more support to more people it will be necessary for firms and consumers to manage risk, rather than eliminate it. This is because risk is a key driver of cost to firms and ultimately to consumers which directly impacts on the availability of support.

- Any solution will rely on support being provided on a commercial basis. The review will need to focus on outcomes and design a regulatory system where commercially viable models of support can emerge.
- This review should leverage the Consumer Duty, to set clear expectations for the support that firms provide their customers and ensure that consumer protection remains at the core of any future regime.

I hope this update is helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sarah Pritchard', with a stylized, cursive script.

Sarah Pritchard
Executive Director, Markets