



Compliance

Member Conference - Breakout Room

FCA focus for 2025 onwards

- Portfolio Strategy Letter
- Sent out on 7th October 2024
- Sets the agenda for next two years
- Important reading for all SMFs



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7 October 2024

Dear CEO/Director,

FCA's expectations for financial advisers and investment intermediaries

We are writing to you because your firm's primary business is financial advice or investment intermediation. This letter provides a summary of our priorities, our expectations of you, and the work we intend to do.

Firms like yours play a vital role in helping consumers make complex financial decisions. The support provided is significant, with 4.4 million consumers paying for financial advice last year. However, we know most people do not access traditional channels of support. This can deprive them of valuable help and the economy of investment.

As we look to the future, we expect the sector will continue to evolve. This is likely to be driven by, among other things, ageing consumer and adviser populations, the transfer of wealth, a shift from defined benefit to defined contribution pensions, geopolitical and climate uncertainty, interest rates, industry consolidation, technology advancements, and regulatory requirements.

This presents opportunities for firms to grow and serve new markets. It also poses challenges and risks, which could lead to harm to consumers and the market. We want to work with you to ensure consumers receive consistently good outcomes from a sector which is sustainable and well placed for the future. We also want to empower more consumers to manage their finances.

To help achieve this, our priorities over the next two years are to:

1. **Reduce and prevent serious harm** – with a focus on retirement income advice, ongoing advice services, ensuring the 'polluter pays', and consolidation. These are explained below.
2. **Monitor and test higher industry standards under the Consumer Duty** – you should be able to evidence your firm has implemented the Duty and complies on an ongoing basis.
3. **Enable more consumers to pursue their financial objectives through the Advice Guidance Boundary Review** – we encourage your firm to actively engage with us on the review and consider the opportunities it may provide to better support your clients.

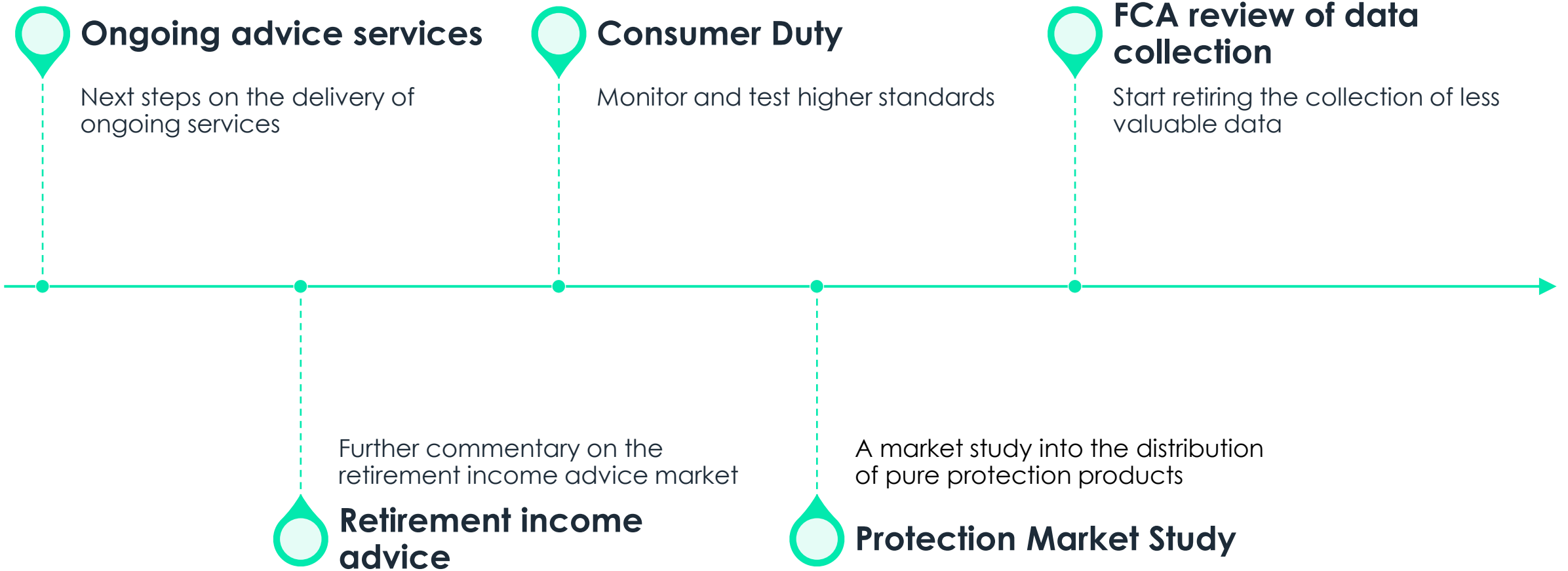
Our priorities will be underpinned by:

- **Increased industry engagement and collaboration** – we want to engage with you to gain insights into the issues and challenges you see, help shape our future regulatory proposals, and share our expectations. We will increase our engagement across the country, including through in person events and keynote speeches.
- **A forward-looking and data-led approach** – our aim is to maximise the power of data within the sector. We recognise we are in a unique position, with access to data from firms across the sector. This can provide valuable insights to firms and the wider industry, including on the sector's current position, its sustainability, and how it is likely to change. As part of our engagement, we will proactively seek views on what insights would be most useful to share. This will focus on data that is easily accessible to minimise the burden on firms. We expect to follow by issuing a survey to firms next year to obtain these insights and aim to start retiring the collection of less valuable data.

Registered as a Limited Company in England and Wales No. 1920523. Registered office as above.



Key Takeaways for Firms





FCA Ongoing Advice Survey

- Focused on the 20 largest firms
- FCA to use this data to inform their further work
- Next steps publication imminent

Please ensure that you have records available to demonstrate how you compiled figures, and the information relied on.

Q1. Have you reviewed the delivery of ongoing advice as part of your Consumer Duty work, in particular when assessing fair value? Yes/No

Q2. If you did review it, please also confirm if you made any changes? Yes/No. Please be prepared to provide further information to the FCA on this point if we ask for it.

Q3. Please complete this table:

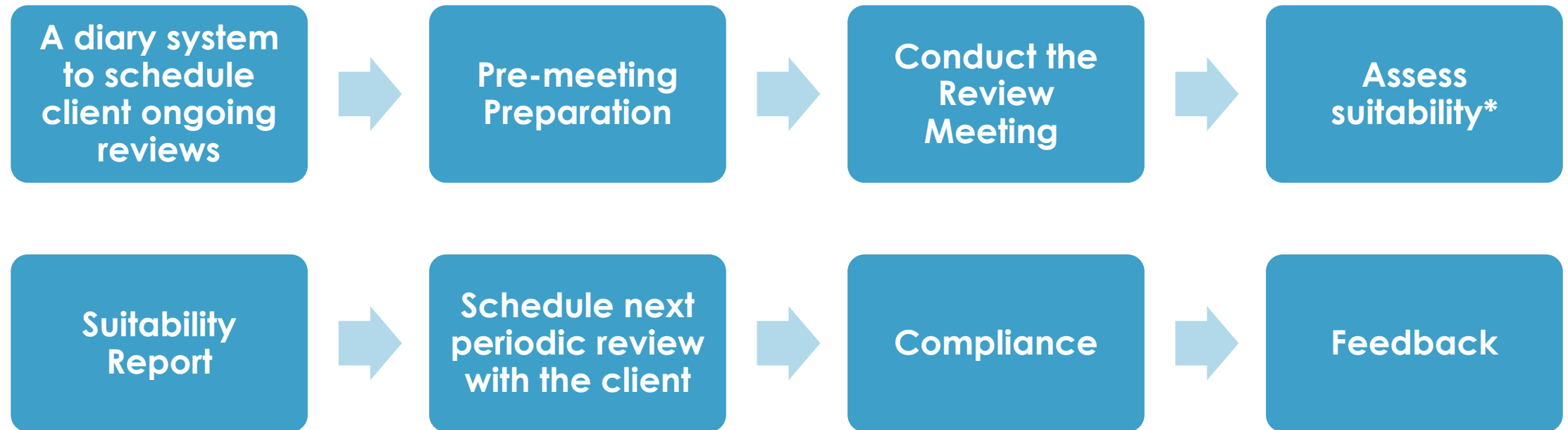
Time period	Number of clients due a suitability review as part of your financial advice ongoing service	Number of clients who received a suitability review as part of your financial advice ongoing service	Number of clients who paid for ongoing advice but whose fee was refunded as the suitability review did not happen
1 Jan – 31 Dec			
2023			
2022			
2021			
2020			
2019			
2018			
2017			

In these questions when we refer to 'ongoing service' we mean a service offered to retail clients where they pay for, and are entitled to receive, regulated financial advice on a regular basis on their existing investments.

We are asking for seven years data in this initial information request, this is to provide us with an overview of the provision of ongoing services over recent years, and we may subsequently decide to ask for data outside of this period and additional information.



What should your ongoing advice process look like?





Ongoing Service – key elements

Design

- Clear and transparent
- Client understanding
- Designed with target market in mind

Delivery

- Process followed consistently
- As promised
- Evidence on file including report

Data

- Management Information
- Missed reviews
- Disengagement policy



Ongoing Service – self assessment

- Are you up to date with your ongoing reviews?
- Do you have this data available to evidence?
- Can you spot non delivery and manage risk?
- Do you have adequate resource to deliver?
- Do you monitor the quality of the ongoing advice service delivered?
- Do you have a disengagement policy?
- When would you consider a refund?



Retirement Income Advice

Remains an ongoing focus supervisory focus for FCA. The five key priority areas for consideration are below;

Determining
income
withdrawals

Risk profiling

Evidencing
suitability

Ongoing
reviews

Control
framework



FCA RIAAT tool

- Sets out the FCA methodology for checking RIA
- Consistency of process
- Provide 'third party assessor' with an accurate and complete overview



Information request

- Firms contacted by FCA case-officer
- Series of questions on advice processes for retirement
- Request for evidence, including three advice files
- FCA give written feedback
- Where there are gaps, firms are required to prepare an 'action plan'

4 June 2024

Our ref: [REDACTED]

By email only: [REDACTED]

Dear [REDACTED]

Subject: Ongoing supervisory work on retirement income advice

Background

The retirement income advice market remains a focus for the FCA. We published a [report](#) about our Retirement Income Advice Thematic Review on 20 March 2024 which sets out our findings and expectations of firms that provide retirement income advice. We have also issued a [Dear CEO letter](#) informing firms we will target our supervisory focus on those where there are indicators and/or evidence of failings relating to their regulatory obligations.

As part of our ongoing supervisory work on the provision of retirement income advice, we are looking into the design and delivery of firms' advice process (or Centralised Retirement Propositions "CRP"), as well as oversight arrangements and suitability of advice. We have selected your Firm for this work.

Scope of the ongoing supervisory work

We will consider whether your Firm complies the relevant regulatory requirements in relation to:

1. (At-retirement advice) suitability of the advice given to consumers on accessing and/or arranging their accrued pension/wider wealth to deliver an initial income in retirement.
2. (In-retirement advice) suitability of ongoing advice given to consumers on managing pension wealth/wider assets to produce regular/*ad hoc* income in retirement.

RIA Landing page

- FCA publications
- Self-assessment template
- A retirement income advice process
- Consultancy services
- Tools and technology

The screenshot shows the SimplyBiz website's 'Retirement Income Advice' landing page. At the top, the SimplyBiz logo is on the left, and the phone number '01484 439 100' and a search icon are on the right. A navigation menu includes links for Home, Investments, Compliance, Pensions, Mortgages Protection & GI, Events, Connect, Your Proposition, Your Business, MediaHub, Product NewsHub, Additional Support, and Horizon. The main heading is 'Retirement Income Advice'. Below this, a paragraph states: 'The FCA has published its report and findings on how financial adviser firms are delivering retirement income advice and the quality of outcomes consumers are getting. We summarize the findings in the video below. We also provide details of our support. This will develop further as we digest the contents of the FCA publication in full.' A large video player is featured, showing a hand pointing at a play button over a dark background with the text 'Thematic Review of Retirement Income Advice' and 'Overview, Practical Support and Document Updates'. The SimplyBiz logo is in the top right of the video frame. Below the video are three colored boxes: a purple box for 'FCA publications' with a 'VIEW DOCUMENTS' button, a teal box for 'Our Guidance' with a 'VIEW DOCUMENTS' button, and a dark blue box for 'Document Updates' with a 'VIEW DOCUMENTS' button. At the bottom, under the heading 'Consultancy Services', there are three dark blue boxes: 'Retirement Income Health-check', 'Advice Quality Unit', and 'Business Consultancy – bespoke support'.



Next CD Board Report due – 31st July 2025

- Next Board Report – due 31st July 2025
- Annual Monitoring Framework
- Governing Body Report (Board Report)

Culture and Governance						
The strategies, governance, leadership and people policies implemented by our firm place customers at the heart of our business.			<table border="1"> <tr><td>Good outcome evidenced</td></tr> <tr><td>Review required</td></tr> <tr><td>Urgent action required</td></tr> </table>	Good outcome evidenced	Review required	Urgent action required
Good outcome evidenced						
Review required						
Urgent action required						
Example of a good outcome	MI / Data assessment	Gaps to be addressed / Improvement required / Root cause analysis	RAG outcome			
Consumer Du business level						
Consumer Du completed by						
FIT assessmet						
Conduct Rule undertaken						
Staff remuner designed with [e.g. linked to						
We obtained compliance re						

Governing Body Report – Consumer Duty							
<p>Executive Summary <i>(provide a short critique of your firm's performance overall in demonstrating that it is delivering good outcomes)</i></p> <ul style="list-style-type: none"> • XXXXXXXXXXXXX <p>The following improvements have been made in the period <i>(e.g. new or updated data metrics/policies and procedures updated/ technology adopted)</i></p> <ul style="list-style-type: none"> • XXXXXXXXXXXXX <p>The following risks have been identified and will be addressed moving forward <i>(amber/red flags from the monitoring report)</i>:</p> <ul style="list-style-type: none"> • XXXXXXXXXXXXX <i>[to be actioned by [date]]</i> <p>The following individual instances where our clients have not received good outcomes have been identified <i>(e.g. foreseeable harm/complaints)</i></p> <ul style="list-style-type: none"> • XXXXXXXXXXXXX <i>[details of root cause analysis/redress to be paid]</i> <p>Our future business strategy is compatible with the expectations of the Consumer Duty.</p> <p>We don't envisage any substantial changes to our business activities and strategy in the year ahead]</p> <p>or</p> <p>We expect the following changes to our business activities in the year ahead but we have provisions in place to ensure compliance with the Consumer Duty. <i>[Insert details of change. Where the firm is recruiting, CD is embedded in the recruitment process and ongoing supervision. Carrying out a new regulated activity, the firm will use pre-sale file checking from an independent source etc. Where the firm is looking to sell the business/their client bank, due diligence will be undertaken on the purchaser and clients will be kept informed and supported.]</i></p> <p>[Name of individual] at [name of firm] is satisfied that the firm is acting to deliver good outcomes for our customers, complying with the cross-cutting rules and the consumer outcomes. Our future business strategy is consistent with these obligations.</p> <table border="1"> <tr> <td>Review and Approval Dates:</td> <td></td> </tr> <tr> <td>Signed by:</td> <td></td> </tr> <tr> <td>Next review due:</td> <td></td> </tr> </table>		Review and Approval Dates:		Signed by:		Next review due:	
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Consumer Duty – good and poor practice

Firm specific feedback

- Evidence with MI
- Revisit fair value assessments
- Accurate vulnerable persons data
- File reviews – up to date
- Clear action plan for improvements

General Feedback from FCA



Data quality



Distribution chain



Analysis of customer types



Challenge from board



Evidence of action taken



Market Study into Protection Distribution

The FCA is launching a 'Market Study' looking at how well the protection market is working for consumers.

As it stands the focus will be on:

- term assurance,
- critical illness cover,
- income protection insurance, and
- whole of life insurance including guaranteed acceptance over 50s plans

Links to FCA work on the Consumer Duty including price and value.



Market Study into Protection Distribution

- **The design of commission arrangements may not always support the delivery of fair value:**
 - intermediaries encouraging customers to switch unnecessarily to earn repeat commission
 - the use of ‘loaded premiums’ – a mark-up to the standard premium paid by a consumer that enables additional commission to be paid to an intermediary
 - commission arrangements that incentivise firms to push products not consistent with client needs

Start to prepare for the review. Expect a data collection exercise.



FCA to review data collection

Regulatory reporting – focus on accuracy and timeliness

Review of existing reporting expected

Retire collection of less valuable data?

FCA survey expected

Feedback mechanism available in RegData



Designed to protect you and your business

**Advice Quality Unit
(including check the
checker)**

**Annual review
Assessments**

**Retirement Income
Advice Reviews**

**Governance, Risk and
Control Audits**

**Training,
Competence and
Certification Service**



Compliance digitisation



Digitised compliance solution for all included in membership



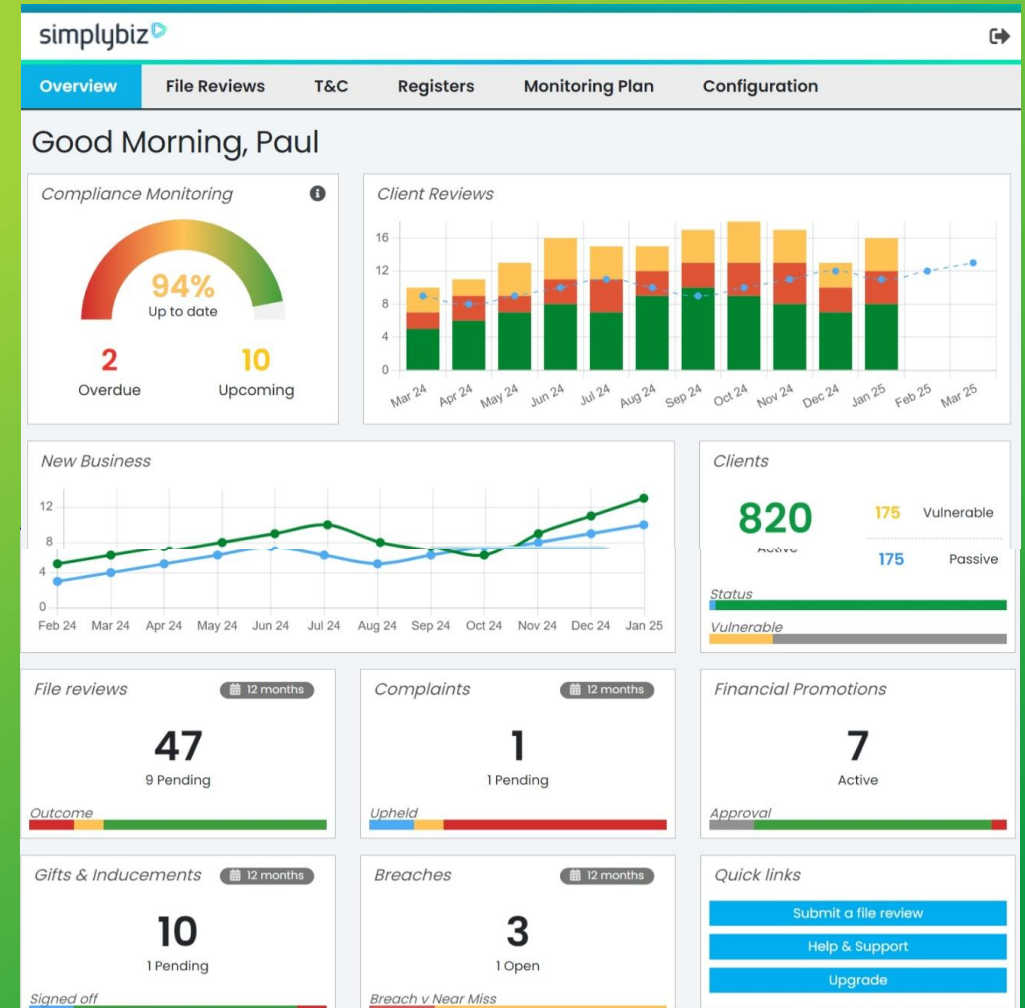
Compliance Dashboards & Registers



Track activities & key risks – reduce worry



Consumer Duty MI





Compliance digitisation



Compliance Monitoring Plan



File review outputs

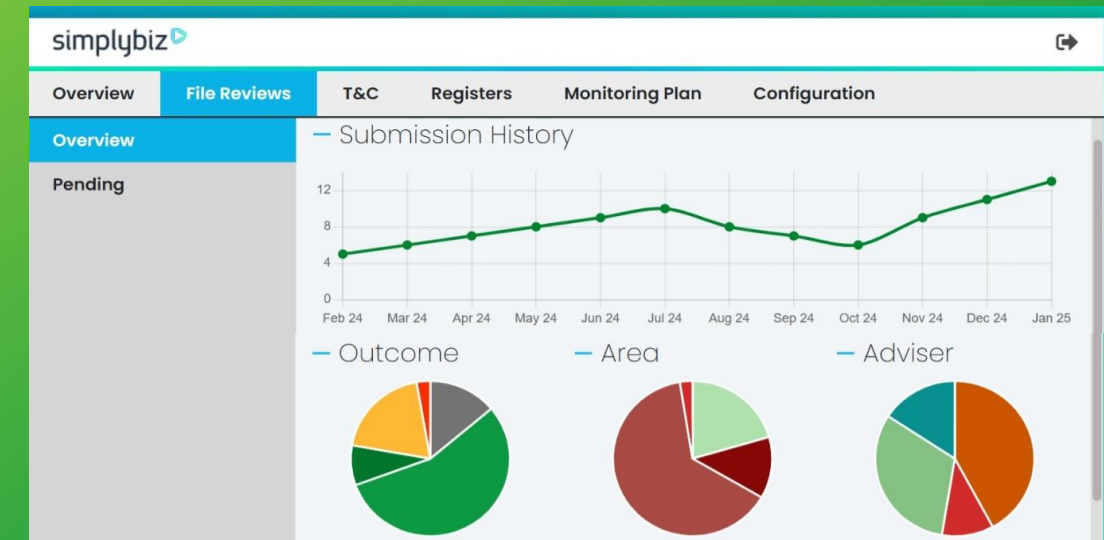
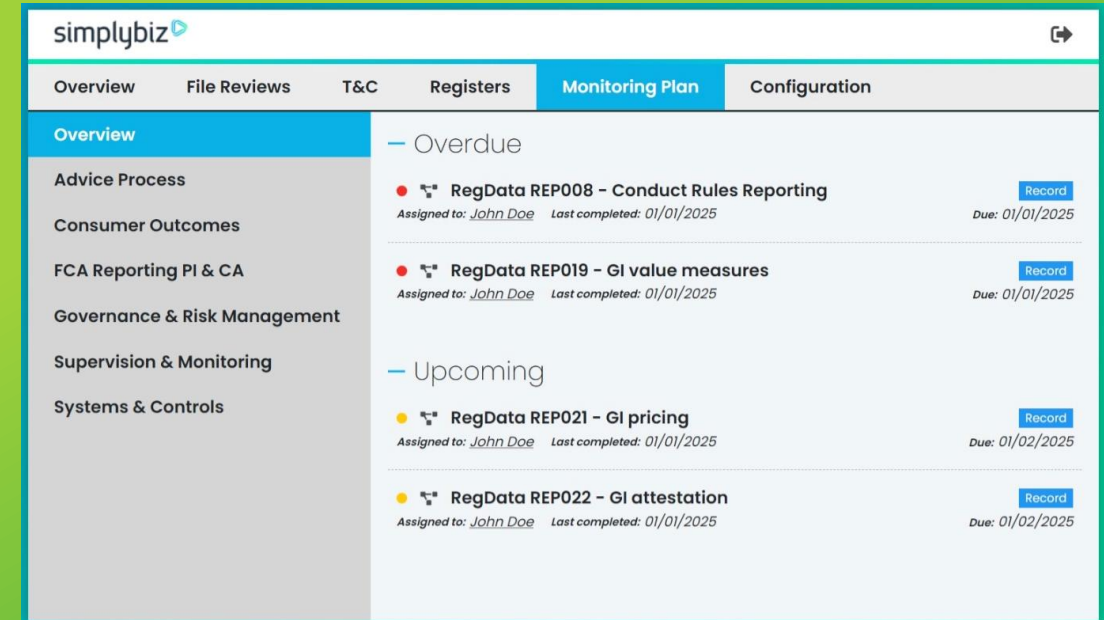


Annual Review Tracker



Easy Oversight – all in one place

Staged rollout from April – talk to us about priority access





Breakout Session [Chatham house rules]

**Consumer Duty – How
have firms found it?**

**Retirement Income
Advice – what changes
have firms made?**

**Ongoing service –
what challenges are
firms having?**