TISA

RETHINK ISA INVESTING COMMUNICATIONS

March 2024

Foreword

As an industry, we need to do more to help people from all backgrounds understand the benefits of investing and remove the barriers that are holding them back. Propensity to invest is still driven by class, gender and region. It’s time to democratise financial services. We want to build a savings and investing culture in the UK to grow resilience and increase financial wellbeing for everyone. Over the last year, TISA has been driving forward a programme of research and development to start doing just that.

Contents

TISA

We must rethink communications

Rethink risk warnings

Over 70% of people holding more than £5,000 in cash balances never even consider investing this money in a Stocks & Shares ISA[1]. The primary barrier is their perceived riskiness. So, this past year we tested a new evidence-based[2] risk warning that gives people context to make a more informed decision.

This contextualised risk warning resulted in c.14% increase in cash being invested. (Without the picture, the same risk warning resulted in c. 10% increase in cash being invested).

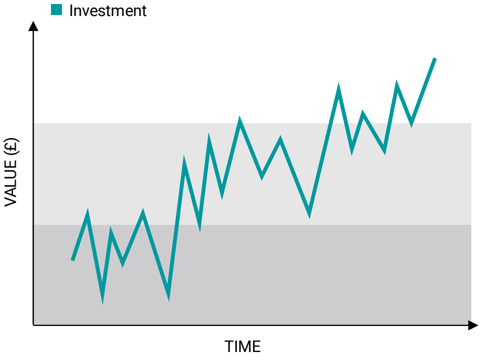
This contextualised risk warning resulted in c.14% increase in cash being invested

The research is even more striking when you consider the groups of people who are less likely to invest according to the FCA, are the people most encouraged to invest once presented with a more balanced risk warning in our experiment.

Highlighting long-run returns (as part of the risk warning) increased the amount invested by 21% for women, compared with 7% for men.

Highlighting long-run returns also had stronger effects among those who are older, with above-median incomes and education, and those with low financial confidence.

The value of investments can fall as well as rise. There is a chance you might not get back what you put in. But over longer periods of time (e.g. 5 years or more), riskier investments such as stocks, shares and funds usually give you higher returns compared to cash savings.



Given that women are generally more risk averse, it's heartening to consider that providing more informative risk warnings may help them make better informed decisions. However, it is also sobering for firms who must consider whether the routine approach taken to risk warnings is not only providing incomplete information but is also inadvertently generating adverse outcomes for women.

Key findings

We're calling on all firms to challenge themselves and consider whether the routine risk warnings for mainstream investments are fit for purpose. It's possible for risk warnings to be compliant and provide more context. We'll be monitoring how firms respond to our findings and look forward to reporting change for the better over the coming year.

[1] https://www.tisa.uk.com/wp-content/uploads/2022/11/FINAL-OXERA-REPORT-FOR-PUBLICATION.pdf.
[2] The reliably higher potential returns offered by investments in UK equities over longer periods of time is evidenced in research. As an example, the 2019 Barclays Equity Gilt Study used historic data from 1899 onwards to demonstrate that there is a 76% probability of returns on UK equities outperforming returns on cash savings over a 5-year period, (71% at 3 years, 91% at 10 years).

Rethink marketing

Men are over one and a half times more likely to invest than women[3]. Academic research has shown that 'stereotype threat' contributes to the financial literacy gap. 'Stereotype threat' is the idea that stereotypes influence the way we evaluate ourselves which can then affect our performance[4].

TISA took to the streets of Birmingham to meet with real women and hear their stories. We found positive stories:

- women **do** invest,
- they **invest successfully**
- and there's **help at hand** to get started

Our videos go live with the 2024 ISA season and we're delighted TISA members will be pulling down negative female stereo-types and reinforcing positive messages that women are and can be financially capable and confident. And we're empowering new generations of women too – as we take advantage of social media to reach new groups of people.

Next steps

We're looking forward to new research with Schroders identifying potential investors to help firms with their targeting. We're calling on firms to go further than the Consumer Duty to close the gender and regional wealth gaps. We'll be convening TISA members to share research and best practice every six months and investigating appetite for an inclusive investing month every year.

#inclusiveinvesting2024

[3] www.fca.org.uk/publication/financial-lives/fls-2022-consumer-investments-financial-advice.pdf.
[4] https://sciencedirect.com/science/article/pii/S0167268121004455.

Rethink disclosure

In our work with the University of Nottingham, Amplified Global and EY-Seren we proved that it's possible to simplify language and still create compliant and engaging communications.

Firms must take action to make their documents more inclusive so they help consumers contextualise and calibrate the information provided. Relying on 'readability scores' alone may not be sufficient. As the research shows, intelligibility sets a higher bar for firms: consumers must be able to read, understand and apply the information to their situation. To be truly informed, communications have to be provided in a way that engages the consumer.

> **"Is there information that I'm not seeing that I'd want to see? … But on the other hand if this is it, if this is the sort of information that can be given to you [I] wonder why other firms are giving me big, long documents to read."**
>
> **(D12, reader of Digital KFD)**

Our experimental work to create a new digital, layered KFD was particularly welcomed by readers. They welcome the bitesize chunks of information, its simplicity and brevity. The in-built calculator helped them interpret the complexity of charges and costs. The new format created uncertainty but also raised the question of why does our current disclosure regime have to be so wordy? We reduced a KFD from 4,149 words to just 592 words.

We are calling on HM Treasury and the FCA to radically rethink the regulatory approach to investment disclosures. Let's identify what consumers need, when and in what format. With the upcoming publication by the FCA of their Consultation Paper on the future disclosure regime for PRIIPS, we are at a critical juncture whereby improvements can be made to transform the way consumers engage with investment products.

TISA would like to thank its members and other partners involved in making these projects a success. This TISA report has benefited from their significant support and collective contributions. Consequently, its content should not be assumed to be the individual views of any of our member organisations.

In particular, we'd like to thank Alpine Films, Mentora Money, Oxera and Schroders for their support with the film project. We would also like to thank Amplified Global, CMS Law, EY-Seren, Fidelity, Hargreaves Lansdown, Lloyds Banking Group, Oxera and the University of Nottingham for their support with the two research projects. Finally, my particular thanks to Faith Reynolds, our Board Advisor who has led this programme of work.

It has been an exciting journey and we are grateful for all the engagement and input everyone has provided.

Carol Knight, CEO, TISA

TISA

Our recommendations

Share best practice and go beyond the Consumer Duty to reach new audiences

- TISA will be convening its members once every six months to facilitate research and knowledge exchange.

Build a diverse workforce for a diverse country!

- The industry must continue to drive efforts to boost equity, diversity and inclusion in the workplace.
- TISA will work with its members to investigate an annual Inclusive Investing month to give voice to women and people from minority groups in the work place and the market place.

Consider whether standard risk warnings for mainstream investments are fit for purpose

- We're calling on all firms to review their risk warnings for mainstream investment products. Risk warnings must provide more context to help consumers make more informed decisions.

Avoid foreseeable consumer harm

- Firms must do more throughout their organisations to ensure their risk warnings are not inadvertently marginalising women or leading to adverse outcomes for them.

Put Diversity and Inclusion at the heart of regulatory initiatives

- The FCA must do more to put diversity and inclusion at the heart of its regulatory policy-making.
- We encourage the FCA to enhance its use of behavioural science in policy-making to improve understanding of different cohorts of consumers.

Make disclosure purposeful

- The FCA should radically reconsider the purpose and function of disclosure so that it is designed in step with the consumer journey and consumers' 'jobs to be done'.

'Keep it simple stupid!' (KISS design)

- Firms must take action to overhaul their communications and design with the consumer in mind.

Collaborate to share the benefits of testing consumer communications at scale

- The FCA should proactively work with industry and academia to undertake more research and testing of consumer communications. It should share results for the benefit of the industry, and especially smaller firms.

Background

In 2022, the joint report by TISA and Oxera found that over 70% of people with cash savings of over £5,000 do not even consider investing in S&S ISAs. Women, people who live outside of London and people from lower socio-economic backgrounds are less likely to invest (even after controlling for income).

TISA and Oxera recommended the industry give more thought as to how it could develop a more inclusive investing environment. In 2023-24, three key barriers spurred the efforts of TISA members on to a research and development programme. These barriers were:

- A perception that investing is not for ‘people like you’. People who think that investing is for ‘people like you’ were 40% more likely to invest in a S&S ISA. Men were 8% more likely than women to state that investing was for them.
- A perception that investing in S&S ISAs is ‘risky’. All groups of people, whether they had a S&S ISA or not, over-estimated the likelihood of loss when investing in equities over a 1, 5 and 10 year period. However, women were more likely to do so.
- The complexity of language and jargon which pervades the consumer journey. Understanding the language was cited the third most difficult aspect of the customer journey (by 25%), and first most difficult for women (34%, compared to 18% for men).

Rethink your marketing

What's the problem?

TISA's research with Oxera in 2022 found women, people who live outside of London and people from lower socio-demographic backgrounds are less likely to invest in S&S ISAs (even after controlling for income). Engagement strategies must work harder to attract a wider socio-demographic into investing.

Approximately half of all ISA savers are women[5] but women prefer cash savings over investing[6]

Over 40% of women who had over £5,000 in a Cash ISA or bank account said that they did not invest as they did not want to put their money into a risky investment[7]

Women are more risk averse and loss averse than men, further reducing their willingness to engage in investing[8]

1½

Men are one and a half times more likely to invest than women[9]

Stubborn persistence of the gender pay gap[10]. Even accounting for work experience and hours, male partners are still likely to earn more[11]

Schroders estimates that 80% of all women will become solely responsible for their finances at some point during their life[12]

Younger and higher earning women are also prioritising financial autonomy over sharing money with their partner[13]

[5]https://www.gov.uk/government/statistics/annual-savings-statistics-2023/commentary-for-annual-savings-statistics-june-2023
[6]https://www.hl.co.uk/financially-fearless/insights/article-hub/women-invest-dont-just-save.
[7]https://www.tisa.uk.com/wp-content/uploads/2022/11/FINAL-OXERA-REPORT-FOR-PUBLICATION.pdf.
[8]https://www.tisa.uk.com/wp-content/uploads/2022/11/FINAL-OXERA-REPORT-FOR-PUBLICATION.pdf.
[9]https://www.fca.org.uk/publication/financial-lives/fls-2022-consumer-investments-financial-advice.pdf.
[10]The UK gender pay gap has declined by a quarter over the last ten years to 14.3% for all workers and older women are likely to suffer a higher pay gap.
https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2023
[11]https://ifs.org.uk/inequality/womens-employment-and-earnings-over-the-family-cycle/.
[12]https://mybrand.schroders.com/m/76ee12899de76542/original/602194_female-clients_taking-the-reins-brochure_final_updated_digital.pdf.
[13]https://www.fawcettsociety.org.uk/hers-and-his-opening-up-the-household-budget.

What has TISA done?

TISA has focused its efforts first on widening access to investing among women.

In Autumn 2023, TISA hosted a roundtable with the industry under Chatham House rules on inclusive marketing. The group heard about the journeys some firms have been on to remove gender stereo-typing from their communications and to think through how they attract a more diverse group of women to investing. Discussions also highlighted the importance of diversity in the workplace in shaping a more inclusive sector.

In response to the challenge, TISA set about demonstrating what more inclusive marketing might look like. With its members, TISA has created three short videos, optimised for social media. The aims of the project were to increase consideration of investing among women, especially women (and other people) outside of London. Each video provokes conversation about investing.

Academic research has shown that 'stereotype threat' contributes to the financial literacy gender gap. 'Stereotype threat' is the idea that stereotypes influence the way we evaluate ourselves which can then affect our performance[14]. Peer effects describe how 'people's individual attitudes and behaviours can be affected by friends, acquaintances and the wider social environment'[15].

[14]https://sciencedirect.com/science/article/pii/S0167268121004455.
[15]https://oxfordre.com/education/display/10.1093/acrefore/9780190264093.001.0001/acrefore-9780190264093-e-849.

The first two videos were filmed with women on the streets of Birmingham – outside London! TISA's aim with these videos was to challenge the idea among women that 'people like you' don't invest and to reinforce positive messages and create new peer effects:

It's also apparent that women's lifestyles are different to men's. Women spend nearly 2 hours more than men per day doing unpaid work[16]. They are busy. Especially for older cohorts of women, even where they want to invest, they can be hampered by the pressures of life. As research by the Good Project noted: women know they need to plan for the future,

> **We don't need no education. Believe me, the women we spoke to understand how important financial planning is. But life is getting in the way of women making progress towards their financial goals. They're time poor, stressed, turned off by jargon and unsure how to move forward. And they're often beating themselves up about it.[17]**

[16]https://stats.oecd.org/index.aspx?queryid=54757 (248.6 minutes per day versus 140.1 minutes).
[17]https://readymag.com/u3305611026/3203857/intro/ Interviews with 40 women, survey with 200 women in 40s and 50s.

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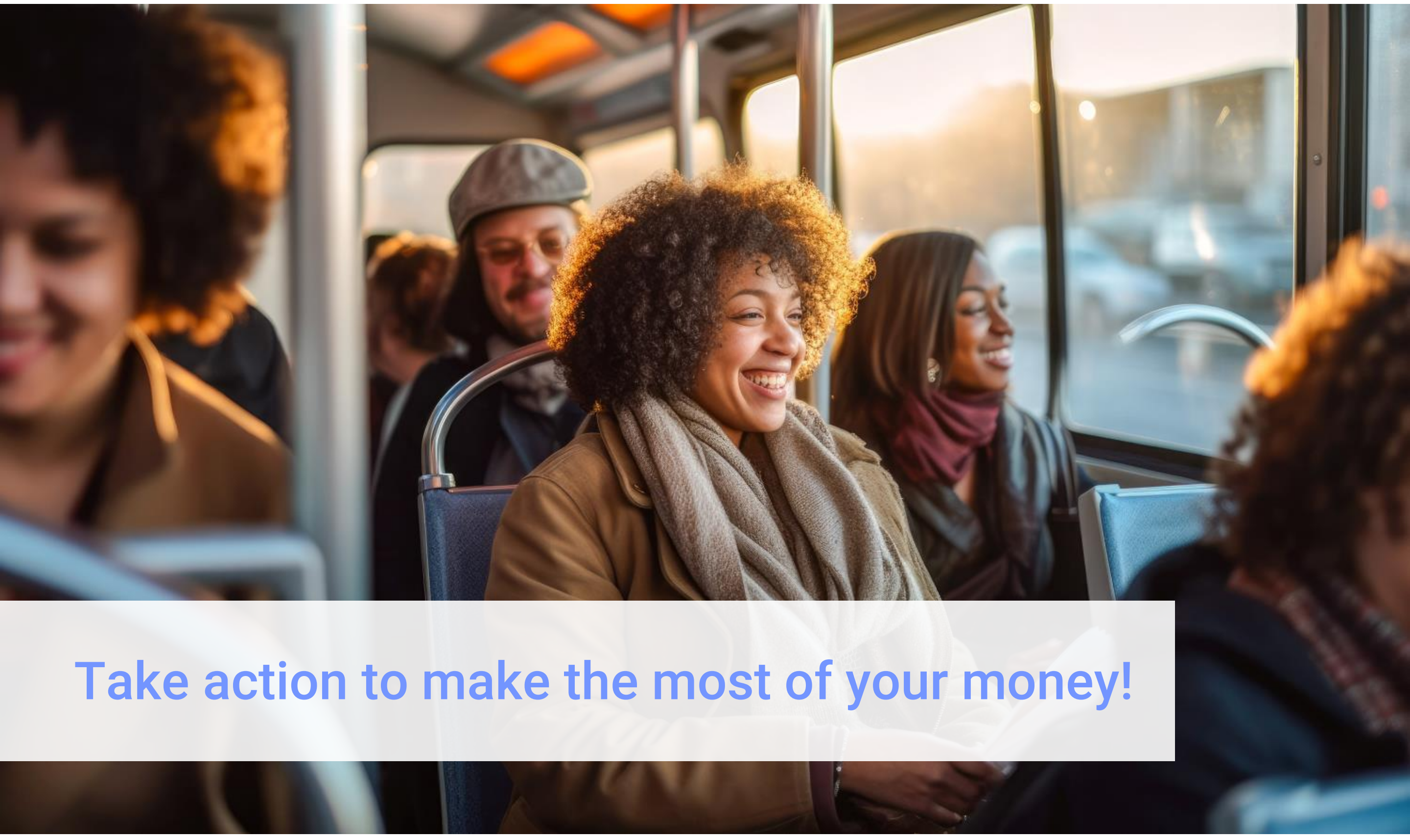
TISA’s third video aimed more to address the issue of taking action, using women’s voices to tell the story of how to get started with investing:



The date for launching the videos also coincides with the 2024 ISA marketing season. This aims to increase the chances that women will engage and perceive less friction in doing so.

A social media toolkit has been developed to support the video. TISA members are using the videos to start conversations about ISA investing, diverting people to Moneyhelper for unbiased information and telling people about their own platforms.

We are particularly grateful for the pro bono support of Anna Brading at Mentora Money for anchoring the films and Angus Henderson at Alpine Films for producing them.

What next?

Share best practice and go beyond the Consumer Duty to reach new audiences

TISA will be convening its members once every six months to facilitate research and knowledge exchange. We're starting new work with Schroders to create detailed personas of female investors and potential investors to help firms target their marketing.

The Consumer Duty won't be enough to guarantee the needs of new audiences are met. Firms must step up to meet people where they are and experiment with new ways to reach people. For a parent, that might be a 20 minute podcast in the car when they are picking up their kids from hockey. For a graduate just starting out, that might be in the work place. For a silver surfer, it might be an introduction to social media (and staying safe) via a banking app.

Build a diverse workforce for a diverse country

The industry must continue to work hard at driving efforts to boost equity, diversity and inclusion. Thus far, our attention has focused on women but other groups outside London and the South East are shying away from investments. We'll be looking for opportunities to better understand the dynamics of gender, ethnicity and region on investing over the coming year.

Our discussions with members also noted that diversity in the workplace is still an issue that requires concerted efforts to address. Progress towards gender parity in fund management has 'virtually ground to a halt'[18]. Over 100 of the FTSE250 either have no ethnic minority representation on their boards or did not provide data, according to the Parker Review[19].

An industry-wide plan is needed to push the agenda forward. TISA is working with its members to investigate an annual Inclusive Investing month to give voice to women and people from minority groups both in the work place and the market place. It should help efforts to close the pay gap, the financial confidence gap and the wealth gap.

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[18] https://uk.citywire.com/Publications/WEB_Resources/alpha-female/alpha-female-2023-sterling.pdf.
[19] https://www.gov.uk/government/publications/ethnic-diversity-of-uk-boards-the-parker-review.

Rethink risk warnings

What's the problem?

It's vitally important that people have a correct understanding of risk when they invest: without this, people can experience significant harm to their lives and the lives of those around them.

Another harm identified by the FCA is the growing group of consumers who are not investing at all. The FCA has identified 5.2m people who have £10k or more investible assets in cash who have some appetite to take investment risk. It's set a target to reduce this number by 20% by 2025. Current progress is not promising[20].

TISA and Oxera's research found that over 30% of participants in the Cash ISA and bank account samples said that they did not invest in a S&S ISA 'because I did not want to put my money in a risky investment' (this was the most popular answer).

All consumers (including those with S&S ISA) considerably overestimated the potential for loss when investing in equities. People holding savings in cash estimated the probability of loss to be over 30% over a ten year period. As the report notes, based on historical data, the probability of realising a loss from investing in the FTSE 100 over a ten-year period is 3.5%[21].

Routine risk statements for mainstream investments are conveying a message that investing isn't a safe option. Firms ought to be considering to what extent they are helping someone make an informed decision about the risks *and* the benefits of the product. The Consumer Duty requires that communications should 'equip consumers to make effective, timely and properly informed decisions'. If routine risk statements are not supporting people to reach their financial goals, can they be said to meet the expectations of the Consumer Duty?

[20] https://www.fca.org.uk/publications/corporate-documents/consumer-investments-strategy-2-year-update.

[21] https://www.tisa.uk.com/wp-content/uploads/2022/11/FINAL-OXERA-REPORT-FOR-PUBLICATION.pdf 'Period covered: 1 January 1984 (when the FTSE100 was created) to 20 July 2022. Assuming dividends are reinvested, and asset management fees of 0.5%. Based on daily returns. Asset management fees applied on a monthly basis. While we cannot comment on future stock market returns, the historical FTSE100 benchmark may be higher-risk than the diversified funds available to, and chosen by, many consumers.'

What has TISA done?

TISA has worked with the University of Nottingham to undertake two large-scale randomised control trials. In the trials, consumers were invited to participate in online experiments in which they made hypothetical choices about how to allocate £10,000 to cash savings, stocks or funds. They were informed that they expected to keep the money for at least 7 years.

In the first trial, research participants were randomly assigned into three groups, with each group given one of the following three risk warnings. The key outcome of interest is how the risk warning impacts people's decisions to allocate their hypothetical £10k to savings, funds and stocks.

Risk warning 1

This standard risk warning, which reflects the types of risk warnings currently used in the market, was given to the control group. It communicates to consumers the possibility that they might make a loss from an investment, but it does not quantify the loss or provide context about the period of time over which people may make positive or negative returns.

> **!**
>
> **The value of investments can fall as well as rise. There is a chance you might not get back what you put in.**

Risk warning 2

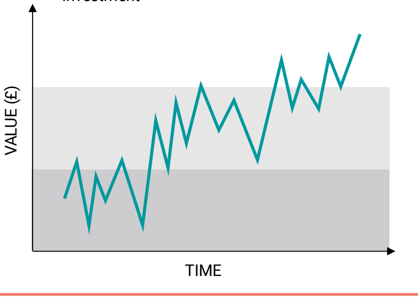
This risk warning was given to the first treatment group. It provides context and draws attention to the historically reliably higher returns offered by stocks, shares and funds when invested over longer periods of time. It's important that this statement is substantiated by evidence. There is various research available but to provide an example: the 2019 Barclays Equity Gilt Study used historic data from 1899 onwards to demonstrate that there is a 76% probability of returns on UK equities outperforming returns on cash savings over a 5-year period, (71% at 3 years, 91% at 10 years).

> **!**
>
> **The value of investments can fall as well as rise. There is a chance you might not get back what you put in. But over longer periods of time (e.g. 5 years or more), riskier investments such as stocks, shares and funds usually give you higher returns compared to cash savings.**

Risk warning 3

This risk warning was given to the second treatment group. It provides a graphic, alongside the second risk warning, that illustrates the upward but typically volatile pattern typically seen in the returns profiles of stocks, shares and funds.

> **!**
>
> **The value of investments can fall as well as rise. There is a chance you might not get back what you put in. But over longer periods of time (e.g. 5 years or more), riskier investments such as stocks, shares and funds usually give you higher returns compared to cash savings.**



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Key findings

The experiment showed that both risk warnings 2 and 3 moved people's allocation of their hypothetical £10k from cash savings to stocks and funds. When people understood risk reduces over time, they were more likely to invest in stocks and shares.

In **Risk Warning 1** (the standard risk warning), people allocated £5,100 across stocks and funds and £4,900 to cash savings on average[22]

In **Risk Warning 2**, people allocated £5,600 to stocks and funds and £4,400 to cash savings on average

In **Risk Warning 3**, people allocated £5,800 to stocks and funds and £4,200 to cash savings on average

On average, across the entire sample, Risk Warning 2 led to an increase of c.10% in the allocation people were willing to make to stocks and funds. Risk Warning 3 led to a c.14% increase.

These findings are important, especially bearing in mind some groups were more likely to respond to the risk warning with more context. Among some sub-groups, the effect size was notable. For example, **highlighting long-run returns increased the amount invested by 21% for women, compared with 7% for men**. Highlighting long-run returns also had stronger effects among those who are older, with above-median incomes and education, and those with low financial confidence.

Given that women are more risk averse, it's heartening to consider that providing more informative risk warnings may help them make better informed decisions. However, it is also sobering for firms who must consider whether the routine approach taken to risk warnings is not only providing incomplete information but is also inadvertently generating adverse outcomes for women.

In the second experiment, three additional messages were tested: messages on diversification, drip-feeding and liquidity. Individuals faced the same choice on how to allocate £10,000 over a time horizon of at least 7 years.

For this experiment, time was spent simplifying the language to make the messages as accessible as possible. The additional messages on diversification and drip-feeding did have an impact and are shown below. The risk warning accompanied by an additional message on liquidity, reassuring consumers they could access their money at any time did not have any discernible impact.

[22]This allocation in the journey with risk warning 1 is not necessarily reflective of real-world allocations as we would not expect consumers to be approximately equally allocated across cash and riskier assets in the real-world. However, the effects we measure in the randomised control trial are different from this allocation when using other warnings, hence the absolute level of allocation in the control journey is not determinant of the results of the RCT.

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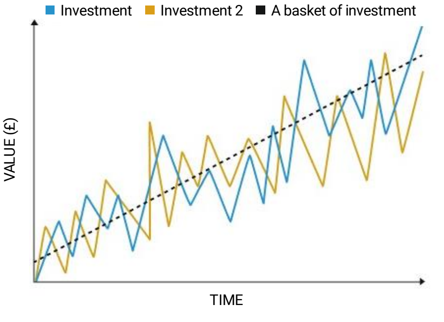
Risk warning with message about diversification:

This message helped more people move their cash into funds. There was an increase in people moving their money to stocks and funds (£220), with £190 of this amount flowing into funds[23].

> **!**
>
> **The value of investments can fall as well as rise. There is a chance you might not get back what you put in. But over longer periods of time (e.g. 5 years or more), riskier investments such as stocks, shares and funds usually give you higher returns compared to cash savings.**

You can reduce your risk by spreading your investment across multiple stocks, shares or funds.

This means that if the price of one stock or share goes down, it will have less overall effect on the value of your investment or fund. This means you avoid putting all your eggs in one basket!



Risk warning with drip-feeding (regular saving) message:

The drip-feed message increased participant's likelihood of spreading investment over 12 months by 14.2%, on average allocating £830 of their investment to be spread. Overall, this message increased the option to spread investment over 12 months by 50%.

> **!**
>
> **The value of investments can fall as well as rise. There is a chance you might not get back what you put in. But over longer periods of time (e.g. 5 years or more), riskier investments such as stocks, shares and funds usually give you higher returns compared to cash savings.**

By saving regularly you can reduce the risk of varying prices.

You invest gradually over time. You hold any uninvested money in cash until it is invested. As the value of your investments goes up and down, the price you pay will vary. Over time, the amount you pay for the investments will average out. This helps reduce the risk that you pay one price for a single, large sum investment one day, but the value drops the next day.

These results indicate people can be helped to make better informed decisions about risk and how it can be managed. We recommend further work to test more balanced risk warnings and messaging with real consumers who are investing.

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[23]However, it's important to note the findings are less statistically certain than for those of Phase 1 testing.

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What next?

Consider whether standard risk warnings for mainstream investments are fit for purpose

We're calling on all firms to review their risk warnings for mainstream investment products. Risk warnings must provide more context to help consumers make more informed decisions.

The research suggests consumers need help to understand the time profile of the riskiness of different assets. Consumers may look at the daily volatility of the stock market and perceive stocks and funds as very volatile, not observing the persistent medium-run higher returns to be earned from stocks and funds. This key piece of information is missing which makes trade-offs harder to work out. Understanding how risk changes relative to time is powerful. Being more explicit about how risk can be managed would also help.

We know it's hard for firms to act independently to make transformative change. So, TISA will bring industry together to discuss a co-ordinated approach to improving risk warnings and track their take up over the coming year.

Avoid foreseeable consumer harm

Firms must do more across their organisations to ensure their risk warnings are not inadvertently leading to adverse outcomes for women.

Routine risk warnings are not doing the job of helping people make an *informed* decision about the risk and reward trade-off and how it fits with their wider financial goals.

The standard risk statement doesn't do enough to help consumers evaluate between different types of investment risk – the statement reads as true for gambling as it does for investing in a managed fund within a Stocks & Shares ISA. Both 'might' cause losses, but the former is many times riskier than the latter. This should be reflected in the risk warning. Nor do current risk warnings for mainstream investments help consumers make the mental trade-offs that are inevitably required when deciding which product might help them meet their financial goals.

Firms have flexibility to improve communications. Product owners, compliance teams, financial promotions and marketing teams should work together to carefully consider:

- Whether they have accurately assessed the risks to consumers from routine risk warnings and whether they provide sufficient context for the consumer.
- Whether risk warnings are inadvertently marginalising women and leading to negative outcomes for female investors. Viewing risk warnings through a Universal Design lens would help everyone.
- Reviewing existing wording and testing alternatives to see how they can be improved.

Where a firm knows that their risk warnings are causing consumers to have an incomplete picture and that this is causing them harm, this is a foreseeable harm. It could have serious implications in respect of compliance with the Consumer Duty.

Put Diversity and Inclusion at the heart of regulatory initiatives

We welcome the FCA's initiatives to improve diversity and inclusion in the sector – they are really important. But it must do more.

The FCA is obliged to consider whether its policy interventions impact any of the groups with protected characteristics under the Equality Act 2010. It is also subject to the Public Sector Equality Duty, which means it must:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between people who share protected characteristics, and those who don't

Currently, these considerations are sometimes limited in policymaking: in 2023, only 5 out of 19 FCA Policy Statements detailed any substantive considerations. For example, the FCA deemed that there were no impacts in respect of its work on sustainability disclosures[24] – this is despite publicly available research about how individuals with certain protected characteristics engage with different channels through which disclosure is made[25], or may have differing propensities to invest in sustainable products[26].

Whilst we understand that the FCA's Public Sector Equality Duty cannot be delegated, others in the private and third sectors can help. We encourage the FCA to engage and leverage industry, consumer groups and academics to help research and understand the impacts of existing requirements and to inform future proposals.

The FCA has the ability to turn the dial here, influencing the approaches taken by firms and ultimately, improving consumer outcomes.

[24] PS23/16: Sustainability Disclosure Requirements (SDR) and investment labels (fca.org.uk).
[25] Exploring the UK's digital divide - Office for National Statistics (ons.gov.uk).
[26] Boring Money's Sustainable Investing Report, 2021 or Morgan Stanley's Sustainable Signals Whitepaper.

Rethink disclosure

What's the problem?

TISA's research with Oxera in 2022 showed that the customer journey creates barriers to investing. Between 21% and 24% of research participants dropped out of the investing journey when they sought to find out information about S&S ISAs ('access' stage) or assess them for their own benefit ('assess' stage).

For people who have not already invested, finding information about S&S ISAs is considered time consuming. 25% found it difficult or very difficult to understand the language used. This rises to 34% for women.

Issues with language in the sector highlighted in our report are not new. In 2017, YouGov showed that people struggled with common terminology, with women noticeably less confident. And yet the issues persist.

Terms people know/struggle with	Confident (%)	Male (%) who are Confident	Female (%) who are Confident	Don't know (%)	Not confident (%)	Male (%) who are not Confident	Female (%) who are not Confident
Cash ISA	78	79	76	5	17	15	19
Stocks & Shares ISA	52	61	45	8	40	32	48
Difference between interest and compound interest	47	57	37	9	44	36	53
Spread betting account	16	24	8	17	67	62	72
Tracker fund	21	30	13	15	64	58	70
Corporate bonds	20	29	12	16	65	59	72

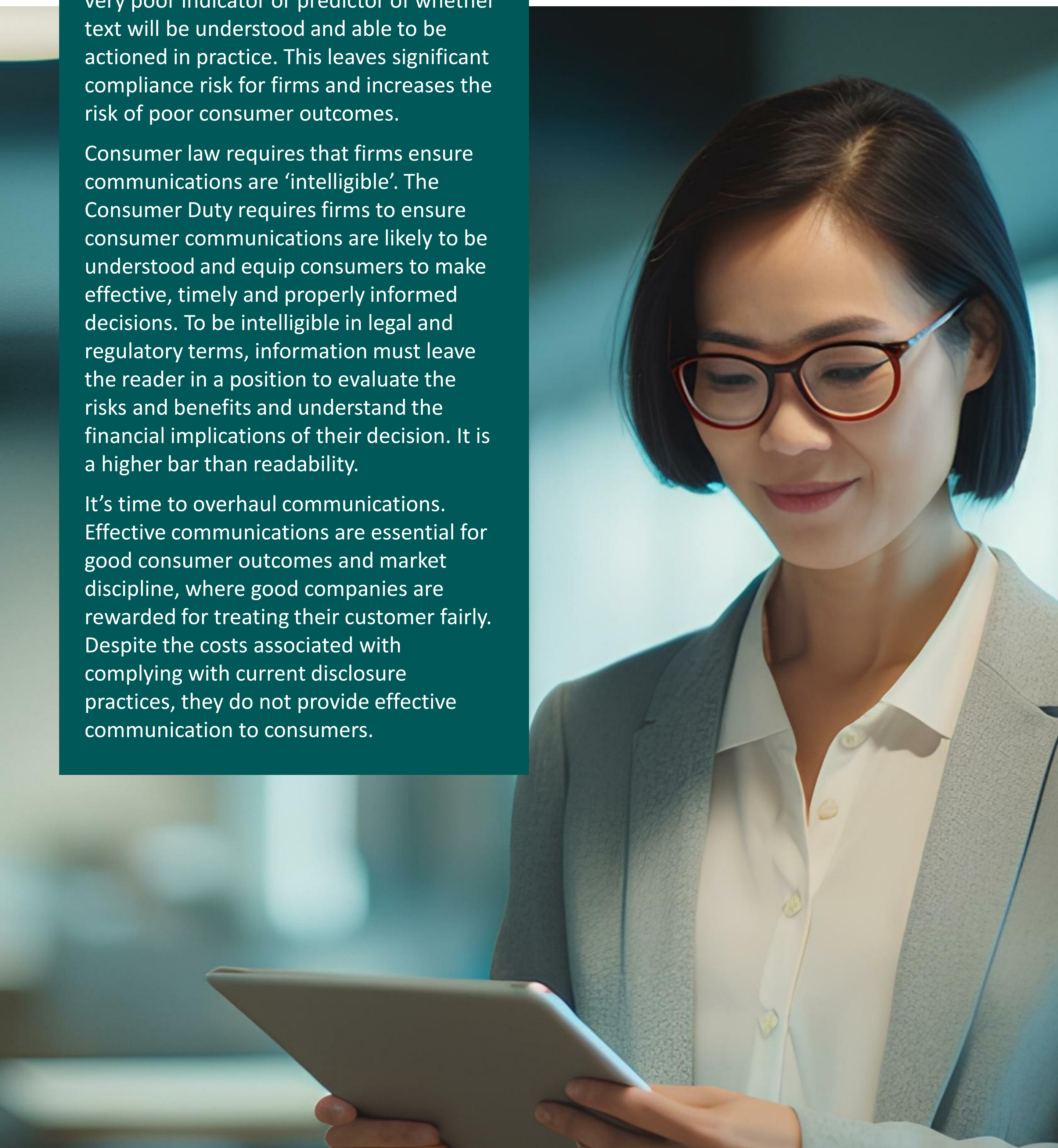
Table 1. illustrates differences in confidence levels regarding the understanding of financial terms between males and females for each term

Reference: https://yougov.co.uk/politics/articles/19774-public-dark-about-meaning-most-financial-terms

Many firms still rely on readability metrics as a proxy to test whether something will be understood. Yet research has shown that readability frameworks alone are a very poor indicator or predictor of whether text will be understood and able to be actioned in practice. This leaves significant compliance risk for firms and increases the risk of poor consumer outcomes.

Consumer law requires that firms ensure communications are ‘intelligible’. The Consumer Duty requires firms to ensure consumer communications are likely to be understood and equip consumers to make effective, timely and properly informed decisions. To be intelligible in legal and regulatory terms, information must leave the reader in a position to evaluate the risks and benefits and understand the financial implications of their decision. It is a higher bar than readability.

It’s time to overhaul communications. Effective communications are essential for good consumer outcomes and market discipline, where good companies are rewarded for treating their customer fairly. Despite the costs associated with complying with current disclosure practices, they do not provide effective communication to consumers.



What has TISA done?

TISA has undertaken exploratory research to understand how communications can be simplified and made fit for a more digital future. A Key Features Document (KFD) for a S&S ISA wrapper was chosen as an example of the typical language and type of disclosure found in a S&S ISA journey.

With this in mind, three KFDs were created in consultation with a TISA working group. They were increasingly shortened and simplified:

- An Original KFD, considered compliant with regulatory requirements, pre-Consumer Duty (4,149 words)
- A Simplified KFD, considered compliant with regulatory requirements following the introduction of the Consumer Duty (2,131 words)
- And a Digital KFD, not fully compliant but based on what TISA members think consumers should know when investing (full text: 1,289 words; main screens only: 592 words)

The following experiments were undertaken:

- The documents were assessed by Amplified Global to check their difference in intelligibility
- A total of 60 qualitative interviews were conducted with research participants (20 per KFD) and these were supplemented with eye-tracking during a 5 minute, timed reading task
- Additional survey data was gathered on complexity of terms commonly associated with S&S ISAs

Amplifi's Intelligibility Assessment shows that the Simplified and Digital KFDs are simpler and more intelligible than the Original KFD across a variety of metrics. The results for the Simplified KFD demonstrates that an easy to understand and compliant document can be constructed.

> **"It was not as difficult as I expected. When you told me it was going to be something around stocks and shares ISA, I thought it might be harder than it was."**
>
> **S12, reading Simplified KFD**

The interviews and eye-tracking with participants found that shorter information is more likely to be read in full, in time-constrained scenarios. Simplified language eases reading and makes it easier for people to understand. Shortening documents and removing jargon can improve the reading experience for consumers and increase their propensity to engage.

> “**It seems less daunting, you know. There is normally quite a bit of information, and I know I shouldn’t but to be honest I normally don’t bother with all of it. Here though, I could get through it, and it felt like something I could do. It wasn’t something that put me off, you know.**”
>
> **D16, reading Digital KFD**

> “**…but I think when you’re giving lots of information about costs, it’s harder to remember and interpret.**”
>
> **D3**

But even where information is simpler, it can still be difficult to recall in full. After our five minute reading task, people understood the benefits and risks associated with the product. However, across all versions of the KFD, they struggled to clearly recall information about fees and charges; how to check their investments; and the distinction between advice and guidance. They typically only recalled certain aspects of these.

Generally speaking, consumers want to receive information that is contained in the KFDs, early in their decision making journey. They expect to use other sources of information for shopping around (e.g. internet).

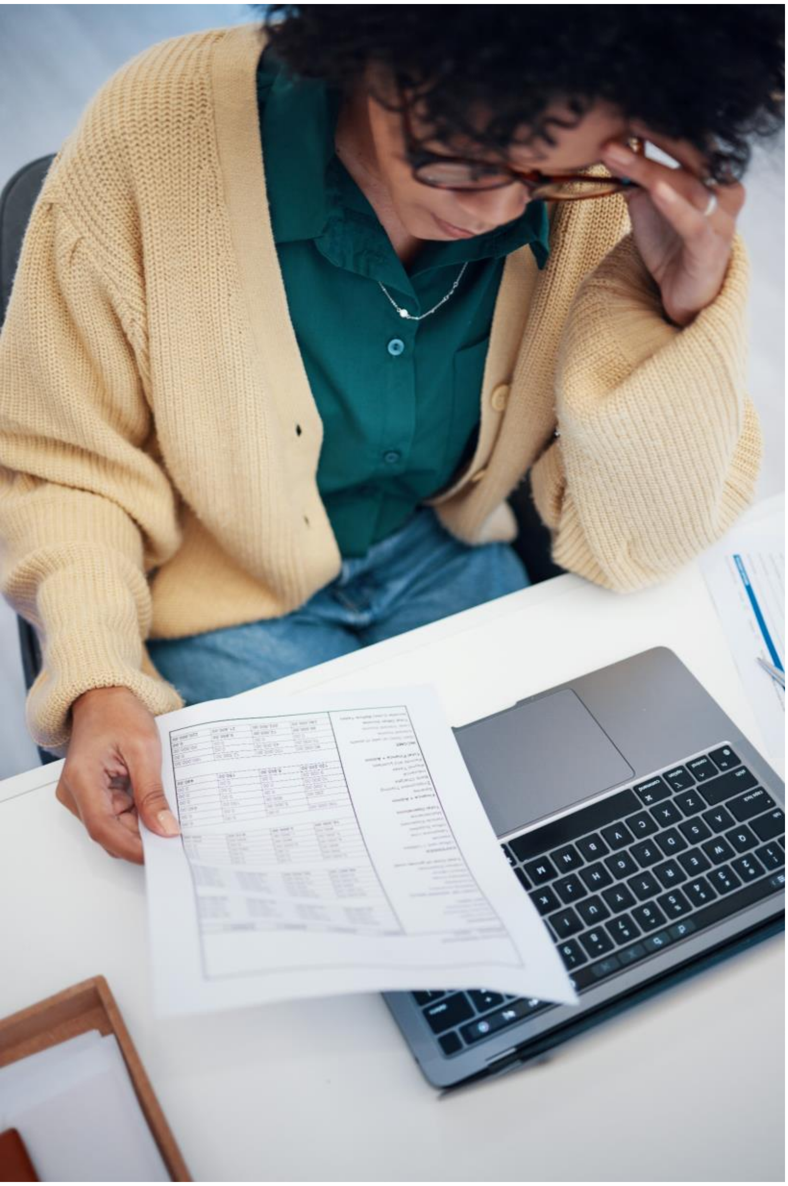
Research participants particularly liked the Digital KFD. They perceived it as more accessible and easier to engage with than the Original KFD. The availability of a calculator to help interpret fees and costs helped mitigate the concerns related to complex charging, but new investors needed help to work out what to put into the calculator (e.g. the typical number of deals they might do).

"…it [calculator] kind of gave me a rough annual cost. And that made me feel comfortable. Whereas when I read the information on charges, I got a bit like, there's a lot of different charges."

D5

"It's a nice idea [calculator] but I don't know what numbers to put in."

D19



In comparison to the Digital KFD, the Original was seen as long, legalistic, boring and confusing. The Original KFD was the version that research participants said they would be least likely to read in full.

The Digital KFD reduced the word count by segmenting information into bite size chunks. Explanations were succinct. Sentences averaged 7 words per sentence in the Digital KFD, in comparison to 15 in the Original KFD.

Text in the Digital KFD was generally limited to a maximum of three lines to avoid bulk. Additional information was therefore ‘layered’, requiring consumers to click to see additional information. This required the design team to agree what information should be prominent and what information could be deprioritised.

“

[The Original KFD is for] somebody who has experience in terms of language and product.

”

O8, reader of the Original KFD

Page	Words on page	Mean time (s)	Median time (s)
Get Started	39	14.25	12
What commitment am I making?	45	11.25	11
What's the risk?	60	20.55	20
How much do I need to invest?	56	15.5	12
How do I invest?	75	23.7	23
How much does it cost?	87	24.6	19.5
Where do I go for more help?	83	21.8	20
Thank you	53	11.05	10

Table 2: Time spent on the core screens shown to readers of the Digital KFD

Optional Page	Number of participants accessing	Mean time spent (s)
Find out more	7	33.4
Learn more about transferring	3	
Learn more about ready made ISAs	8	15.25
Learn more about fund factsheets	7	
Calculator	8	28.75
Fees and Charges	5	22
Compare	5	
FAQ	4	
Find an Advisor	4	
How am I protected	6	14.8
Download .pdf	9	

Table 3: Of 20 research participants, the number of those who clicked and dwelt on additional screens. Please note that in some cases where no time is recorded readers were able to click but no further information was available to read

In the timed reading task, people did not routinely click on all the additional information available to them. This highlights the importance of careful design to ensure both prominence and adequate information are maintained.

The most clicked on link was the 'download' button at the end of the Digital KFD, suggesting that people like the certainty of having the information and that 'durable medium' still has a role to play in a more digital future.

What next?

Make disclosure purposeful

The FCA should proactively work with industry and consumers to set out how information is typically gathered and used by consumers on their journey to and through investing. The FCA has set a new bar for firms with regards to communication in its Consumer Duty. It's also reviewing PRIIPS disclosures[27] to improve them. It's an opportune moment for the FCA to work with firms to make regulatory disclosures more meaningful.

Pushing too much information into single disclosures to solve for multiple purposes is not working well for consumers.

Redesigning communications could focus disclosures at different points in a journey to meet specific purposes:

- Informing and educating consumers about the different aspects of the product and the options available. This should include explanations about protection for regulated and unregulated investments; and information about the difference between advice and guidance.
- Helping people shop around, switch, exit and get help when they need it. This should include key information about the risks, benefits, commitment, costs and charges and how people can access and review their product.
- Making sure people have checked they are getting what they expect. This should outline in a succinct form the basics (such as those we have included in the Digital KFD).
- Ensuring people can monitor their product, check its performance and how much they are paying. This might include dashboards, clarity on how investments are performing against their benchmark, the impact of costs and charges and the value of investments.
- Giving people the documentation which underpins the legal contract. This would be the full legally required information. There should be no key information in this document which would come as a surprise to the consumer.

The research showed that consumers want the information that is contained in KFDs but they are looking for this information elsewhere. The FCA should consider how information disclosures can be designed in step with the consumer journey and consumers' 'jobs to be done'. For instance, this might mean information typically held in a KFD is made highly accessible on a website in a format that can be easily compared; but a single document covering all of this is provided as a 'receipt' post sale.

[27] https://www.fca.org.uk/publications/discussion-papers/dp22-6-future-disclosure-framework.

‘Keep it simple stupid!’ (KISS design)

Firms must take action to overhaul their communications. They should design with the differing needs of diverse consumer groups in mind. Products need to be simple to understand and easy to use. Investing doesn’t meet this brief. Information is typically long, complex and boring. It’s stopping people from investing and achieving their financial potential.

Our work shows that it’s possible to create simplified and compliant information. Again, product, compliance, marketing and communications teams must work together to review what’s helping consumers make informed choices and what’s stopping them.

Standardising aspects of communications (in simple, non-technical jargon) could help people compare between firms, especially when shopping around and considering fees and charges.

The FCA could provide more useful guidance on how firms should layer information using a MoSCoW approach. This would mean identifying what information a consumer ‘must’ or ‘should’ see, alongside what they ‘could’ or ‘would’ usually see.

Collaborate to share the benefits of testing consumer communications at scale

Investing communications need nothing short of a complete overhaul. The FCA should work with industry and academia to undertake more research and testing of consumer communications. It should share results for the benefit of the industry, and especially smaller firms. This would scale up the benefits of consumer testing and give firms a solid foundation on which to build.

Our research has demonstrated that designing and testing consumer communications takes time and raises a number of questions that individual firms cannot easily address alone. For example, further insight from the FCA about what 'intelligibility' means in practice (as opposed to something just being 'readable') would be helpful.

The FCA must apply its Consumer Duty principles to its own Handbook and consider whether its prescriptive approaches and language used are helping or obstructing consumers. The FCA could help give confidence to firms by leading the charge.

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