TISA

Response by TISA to FCA's consultation on simplifying the pensions & investment advice rules (CP26/10)

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About TISA

Supporting the financial journey through life

The Investing and Saving Alliance (TISA) is committed to improving the financial wellbeing of all UK consumers by working collectively with the financial services industry to deliver solutions and champion innovation, for the benefit of people, our industry, and the nation.

We do this by working with our member firms to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

We care about the entire financial life of consumers: from their first savings account opened to ensuring people can age and retire with dignity. TISA believes that savings and investments play a significant role in the lives of people and small businesses. Consumers benefit when they put aside money for their future. Saving and investing can provide a buffer for emergencies; help people achieve big and small goals throughout their lifetime; and give people quality of life in later years.

TISA is a not-for-profit membership organisation and a trusted partner of key industry stakeholders in helping shape the future of the UK financial services and the environment in which we operate. We have approximately 270-member firms involved in the supply and distribution of savings and investment products and associated services. Our members include the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, FinTechs, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

Our work, your influence

With a focus on four key workstreams that best support the consumer and UK financial services, TISA has become a leading industry voice and ally for delivering consumer focused initiatives.

Our policy work reflects TISA's broad scope of interests and aims on meeting the needs of UK consumers, members and our industry. From improving financial education, inclusion and accessibility, right through to savings, investments and retirement planning, the work we do with our members to **influence policy** is crucial in enhancing the industry we operate in and driving positive change.

As part of our commitment to delivering focused and impactful consumer outcomes, TISA's policy working groups have been structured into **four distinct workstreams**:

1. **Consumer Protection**
   Protecting the best interests of UK consumers in their financial journeys.

2. **Consumer Access**
   Considering issues that could directly impact access to financial products.

3. **Effective Products**
   Examining key considerations and legislation relating to products across the investing and saving landscape.

4. **Corporate Responsibility**
   Exploring issues that directly impact society, the environment, and the economy.

All groups focus on both strategic and technical elements of policy/regulation. Key outputs from our workstreams can include recommendations to government and regulators on developing a financial services framework that protects and benefits UK consumers, finding solutions to operational/infrastructure challenges and developing standards of good practice on the interpretation and implementation of new regulation.

We provide a channel for firms to have their say on the policy we develop and present, contribute to our technical and regulatory interpretation work and, importantly, gain insights from other TISA members, policy makers, government and regulators.

Find out **more about TISA here:** **https://www.tisa.uk.com/about-tisa/**

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Introduction & Summary of Recommendations

TISA welcomes the opportunity to respond to the FCA's consultation on simplifying the pensions and investment advice rules. TISA has long been a champion of the AGBR and continues to support the FCA's policy objective of increasing the number of consumers accessing a range of pensions and investment advice services to meet their varied needs, within an appropriate consumer protection framework.

TISA is supportive of the FCA's proposal to leverage the consumer duty and supercharge consumer understanding of suitability reports. We applaud the aim to make key documents decision useful for consumers and the more expansive, journey-wide lens that has been applied to disclosure requirements. This is a welcome step towards modernising disclosure requirements and move away from tick-box compliance.

The additional proposals contained in CP 26/10 are reasonable and are likely to lead to increase administrative efficiencies for firms. Our detailed responses have provided a few instances where further clarifications and examples may be useful, but we do not have material concerns with the proposals.

However, we feel that the FCA has missed an opportunity. The proposals do not grapple with the realities of the market. They do not seek to modernise the advice framework, consider practical implementation and consequences of AI advice models and agents, or recognise actual consumer demand and expectations. This means that the current proposals are unlikely to materially increase advice propositions, and ultimately the number of people receiving regulated financial advice.

We strongly recommend that the FCA reflects on this and takes action that recognises the prevalence of AI agents and LLMs being used for financial advice and support purposes. The current position is unsustainable: it undermines the potential success of regulated forms of advice and Targeted Support, risks widespread consumer harm, and undermines the need for the existing regulatory and redress frameworks.

The FCA notes Government data that 73% of the public have incorporated AI into their daily lives and that advice firms will need to adapt to changing consumer expectations. However, we feel that the FCA's proposals lack sufficient ambition to achieve this. Regulated firms cannot compete with free AI services, because of the FCA's charging requirements. TISA does not advocate for a "race to the bottom". We urge the FCA to work with big tech, AI providers to incorporate appropriate guardrails and signposts into LLM responses. TISA research has found that over 1/3 of UK adults feel confident using LLMs, such as ChatGPT and Co-Pilot, for help with their personal finances. Which? has also found that around half of AI users have reasonable trust in AI search tools, with 64% of frequent users saying they trust results. ChatGPT is essentially offering a mass market advice solution to UK consumers. We continue to have concerns about the level of reliability and suitability of responses given by these LLMs, and we continue to have concerns about the extent to which unauthorised activity is being conducted with the potential for widespread consumer harm. Given the relatively low levels of financial literacy in the UK, the lack of widespread training on prompt engineering, and the increasing frequency of changes to relevant financial services and tax regulations, we think it is highly likely that AI search tools act will provide inappropriate recommendations that consumers trust and act on. The potential for widespread consumer harm is clear and we urge the FCA to act to protect consumers. We encourage the FCA to work with big tech so that responses include guardrails that put consumers on notice of the lack of consumer protections, potential limitations of responses and signpost to

reliable, regulated forms of support and advice. Research recently conducted by the King's Institute for Artificial Intelligence has found that many people have more fear than hope on AI and the research raises concerns about the potential for AI to cause future civil unrest. This underlines the need for the UK official sector to proactively engage and facilitate appropriate guardrails. If the FCA adopts the right approach in respect of AI uses that relate to financial services, it has the ability to enable responsible innovation, reduce consumer fear and drive long-term economic growth.

The FCA has set the requirements for providing Targeted Support and Financial Advice in the UK. These standards should be uniformly applied and the boundary properly policed. If the FCA is unwilling or unable to do this, then it must create a level playing field for regulated firms. This will necessitate a review of the charging rules, and further practical guidance in respect of qualifications requirements.

Without changes to the charging and qualifications requirements, there is insufficient commercial basis for firms to offer new advice services. In addition, research by TISA, FSCS and FCA have demonstrated that many consumers are unwilling to pay for advice services – we would posit that this is likely to have increased given the subsequent prevalence of free, unregulated advice services. We would note that since RDR, the FCA has introduced the Consumer Duty and additional rules and guidance in relation to conflicts of interest. The Targeted Support framework also establishes a mechanism for offering support on a cross-subsidisation basis and Basic Advice operates with a fee embedded in the stakeholder product margin. Targeted Support will provide answers on a segmented, "people like you" basis. ChatGPT is providing answers that are more akin to advice – i.e. they answer the specific question asked by the consumer. Several TISA members have indicated a willingness to provide an advice service that does not have an upfront charge (i.e. it is cross subsidised), if the FCA rules permitted this. Thus, the FCA's maintenance of its charging requirements continues to pose a barrier to both demand and supply of financial advice services, and prevents regulated firms from competing with unregulated advice providers.

Through the AGBR, the FCA is aiming to conduct a once in a generation review to modernise the advice and support framework. TISA is highly supportive of the AGBR and the need to close the advice gap. Without expressly considering the ways in which the majority of people are already accessing financial information, support and advice (i.e. via AI tools), and ensuring that firms are able to meet consumer expectations in relation to the cost of financial advice, we believe that the FCA will not fulfil its objective.

We encourage the FCA to be ambitious and TISA, and TISA members, stand ready to support bolder policymaking that seeks to tackle the challenges and opportunities that technological innovation and changing consumer expectations present.

Responses to Questions

Question 1: Do you agree with how we have consolidated the chapters and our approach to remove the distinctions between MiFID, non-MiFID business and insurance-based investment products and other life policies?

Yes.

Question 2: Do you agree that changing the suitability requirement from consideration of 'necessary' to 'sufficient' information, along with the proposed supporting guidance, will give firms confidence to take a more proportionate approach to assessing suitability?

We do not feel strongly about this proposal, as we feel it is unlikely to materially change the current way in which suitability is assessed. We would note that it is possible to interpret the changes as requiring more, not less information, given necessary requirements could be interpreted as being a subset of wider, "sufficient" levels of information.

Question 3: Do you agree with our proposed approach to considering a client's knowledge and experience?

We would note that these requirements do not align with the Targeted Support regime, which could make moving a client through the continuum of support options difficult. Under Targeted Support, a recommendation may be made without undertaking this assessment, albeit the Consumer Duty consumer understanding requirement does apply. The proposed carve out for entry level investment products is helpful (see response to question 4).

9C.2.14G(2) could also contain a reference to the investment's performance, as well as the associated risks. This would align with the approach the FCA has taken in respect of the CCIs disclosure regime, and would help promote the use of balanced information.

We would also like to raise the unlevel playing field between unregulated forms of advice (i.e. provided by Co-Pilot or Chat GPT) that do not take this into account. As raised in the TISA response to the Mills Review, it is possible for consumers to delegate financial decision making authority to AI agents. The agents intermediate, becoming the counterparty that engages with financial institutions and advisors. The consumer has delegated their financial tasks and decisions to their AI assistant. The FCA's proposals do not take account of this technological advancement, meaning that the proposals are not future proof. For example, the proposals do not require agents to take account of their client's knowledge and experience, or provide guidance on the extent to which regulated firms can rely upon the checks undertaken by AI agents, should the firm take account of the AI agent's knowledge and experience?

Question 4: Do you have any comments on how we have defined the circumstances in which a knowledge and experience assessment need not be undertaken?

We agree with the proposal to remove the need for an assessment of a customer's knowledge and experience, where a recommendation will be made in respect of an entry level product that has a target market that includes clients with no experience of investing. This proposal could, if combined with other changes to the FCA's rules, enable advice propositions that only recommend entry level investment products.

We would query whether the drafting of 9C.2.12R(2) needs to be revisited and tightened up. In particular the phrase "of that type" may expand the policy position beyond the FCA's intention. For example, it possible to interpret the current provision as negating the need for consideration of a client's knowledge and experience for a HRI that includes within its target market consumers that have not previously invested in that type of HRI. We assume the FCA does not intend to allow for this. Instead, it is our understanding that the FCA is seeking to exempt consideration of a client's knowledge and experience in respect of entry level products – i.e. products that have within their target market clients with no previous experience of investing.

We would note that 9C.2.13G(3)(a) does not align with the stated policy intention. Whilst we do not necessarily disagree with the position, it could limit innovation and it is possible that holistic advice may result in a recommendation that only pertains to entry level products.

We would note that the drafting of 9C.2.13G(4)(b) could be much clearer if it is intended to provide clarification.

Question 5: Do you agree with our proposal to simplify the terminology and expectations when assessing the investment risk a client is willing to take?

Yes, as this might in turn encourage simplification in firm disclosures.

We would note that more could be done to encourage firms to present decision-useful risk information. In particular, current disclosures do not enable consumers understand the risk associated with investing in a particular market. Risk warnings are designed to inform consumers about the risk of investing (at all), and the CCI's risk and reward score is designed to help consumers understand the risk of investing in a specific investment. The key missing element is providing the crucial market context that helps a consumer understand the risk associated with different types of investments. There should be a standard risk disclosure that helps consumers filter investments and put capital and volatility risk into context.

TISA and Oxera's research found that 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. Based on historical data, the probability of realising a loss from investing in the FTSE 100 over a ten-year period is 3.5%.

We need to be able to help consumers better frame capital and volatility risk, so they can make informed financial decisions about the type of investments that are suitable for them.

We urge the FCA to consider journey wide compliance, by encouraging firms to disclose market risk statements that outline a good and bad 1, 5 and 10 year return when investing in a particular fund sector. This should be stated as a pounds and pence figure, and as a %. Percentage figures should be rounded to highlight that the numbers are estimates and not guaranteed. The FCA could play a key role in ensuring the industry uses a consistent methodology and set of numbers. This is fundamental to preventing customers from being misled and bad actors.

Question 6: Do you agree with our proposals to clarify that a firm can take a proportionate approach to assessing a client's ability to bear losses?

We have no strong position on this.

Question 7: Do you agree: a. that we have appropriately defined the scope of situations in which firms are required to provide a suitability report?
b. with our proposals to align the content requirements for different types of business?
c. that clarifying that the content of suitability reports should be concise and proportionate to the nature and scope of advice provided will give firms confidence to produce clearer and more consumer-focused reports?
d. that we should align the requirement to provide a suitability report before the transaction is concluded for all types of business (except where distance communication prevents this with consent)?

We agree that the proposals seek to increase proportionality and better, informed consumer decision making. They seem to leverage the Consumer Duty and are a helpful step towards journey wide compliance that prioritises consumers, the decisions they are seeking to make and the information that will enable them to do so.

Question 8: Do you agree with our proposal to remove the stated provisions and rely on the Consumer Duty? Are there any additional rules that you consider can be removed and reliance placed on the Consumer Duty?

Yes.

Question 9: Do you agree with our proposal to retire FG17/8 and embed its principles of proportionality in the new rules?

Yes.

Question 10: Are there specific scenarios that you would like to see addressed by case studies? Please outline proportionate approaches to assessing suitability in specific scenarios.

We recommend that the FCA works with its AGBR Industry Working Group on this. We would also recommend that the FOS is involved with any work on case studies.

One scenario we would outline is the need for focussed, narrower scope advice to work for pension decumulation decision(s). Every UK adult makes these decisions. Currently, the vast majority make these decisions without advice or support. We are concerned about the potential for serious consumer harm if consumers are left to using unregulated forms of advice provided by LLMs, such as ChatGPT and Co-Pilot. Anecdotally, we are aware that LLMs are particularly poor at providing reliable, informed recommendations in relation to these decisions given the changing pension tax and regulatory environment. This underscores the need for regulated, affordable advice that is reliable to support consumers when making these decisions. This scenario is particularly pertinent given the guided retirement measures in the Pensions Act 2026. The precise nature of the guided retirement journey is unknown, including the degree of mandated individualisation. It is unclear how guided retirement solutions will interact with the advice framework. For these reasons, we believe that facilitating a clear, consumer-centric advice journey that is marketable to the mass market in this scenario is essential. We would welcome the FCA bringing the TPR, FOS and PO into these conversations to ensure shared and consistent approaches and understanding.

In addition, we would also welcome examples that explicitly demonstrate how customers can move between different forms of support and advice over time, including from Targeted Support into Basic Advice or Simplified Advice as their needs become clearer. It is important that firms are not

discouraged from enabling such movement, nor from designing journeys that make it straightforward and transparent for customers to progress to the most appropriate form of advice.

Question 11: Excluding qualifications and charging rules, are there any other regulatory changes we could make to facilitate the development of a market for more simplified forms of advice, or otherwise help consumers navigate their financial lives?

We disagree with the arbitrary red lines that have been drawn by the FCA and urge them to reconsider. Regulated firms cannot compete with unregulated, free services that provide financial advice. A growing number of general-purpose AI tools sit outside the perimeter, lack safeguards around suitability, accountability and access to redress, and risk creating both consumer harm and an uneven playing field for regulated firms. There is also a risk that unregulated AI usage undermines the FCA's Targeted Support regime and the wider AGBR work if consumers increasingly bypass regulated routes to support and financial decision-making. The FCA regime needs to reflect and respond to this reality in a way that does enable regulated firms to compete. The options are either for the FCA (and UK Government) to clamp down on these unregulated forms of advice, or enable a level playing field. In respect of the former option, we understand that the FCA believes that these LLMs are not providing financial advice by way of business. We can appreciate that the FCA may wish to strengthen its powers, particularly given the deep pockets of big tech firms, so we urge the FCA to work with HMT to ensure they have sufficient clarity and powers to effectively police the perimeter and delivery against the FCA's primary statutory objective of protecting consumers. In the meantime, we would also urge the FCA to work with big tech companies that provide these services, to encourage them to add guardrails that encourage consumers to consider alternative forms of information, support and advice and ultimately, enable informed financial decision making. Research recently conducted by the King's Institute for Artificial Intelligence has found that many people have more fear than hope on AI and the research raises concerns about future civil unrest. This timely research underlines the risks of unfettered innovation and the risks it poses to societal cohesion. We recommend that the UK official sector take a balanced approach that uniformly encourages responsible innovation, and actively discourages harmful innovation. This underpins our recommendation to the FCA to proactively engage with Big Tech / unauthorised providers to ensure appropriate guardrails and consumer protections are built into AI tools. This would encourage responsible innovation and sustainable long-term growth. If the FCA is unable to police its perimeter, then the FCA must reconsider the charging rules.

The current qualifications rule also stifle career routes to and the supply of advice. The consultation paper notes that the FCA's current approach supports apprenticeship routes and allows trainee advisers who have passed relevant modules to advise on corresponding product areas. We have been made aware that under the new apprenticeship standards and modules, a trainee adviser is required to complete the Regulatory Module (CII R01 or equivalent) as the final unit as part of the end point assessment, Without the Regulatory Module individuals are not able to advise on Retail Investment Products. Thus, we would respectfully disagree that the FCA's existing rules support apprenticeship routes, as apprentices cannot be appointed as a "Trainee Adviser" under the 48 month rule. We recommend that the FCA works with training providers to consider ways in which the stated policy intent and flexibility can operate in practice.

We are aware that under Basic Advice, firms may train advisers to a lower (Level-2 equivalent) qualification standard while still delivering good quality outcomes, supported by strong controls and scripted processes. This increases the recruitment pool and offers potential for a much greater provision of advice to everyday customers than would be possible with the level 4 qualification. We think it is unlikely that narrow scope forms of advice aimed at consumers with lower asset values will see significant uptake, if it must be delivered exclusively by Level 4 qualified advisers (or by firms required to train and fund advisers to Level 4), given the resulting cost base.

Consequently, we feel that whilst the proposals in the current FCA consultation paper increase proportionality, they will not give rise to new, innovative advice solutions that reach the currently unadvised population. They do not increase the population of advisors or enable models that are appealing to currently unadvised consumers. Instead, the proposed changes will enable existing advisors to spend more time with their existing clients, providing an even better service for the 8%. If the FCA wishes to be ambitious and facilitate the development of a market of advice services that materially impacts the UK's advice gap, then they need to reconsider the charging and qualification rules.

Please see our response to question 5 in respect of additional changes the FCA could drive in order to help consumers make informed risk decisions that improve their financial lives.

FCA should also consider whether changes need to be made to the Basic Advice regime to align it with Targeted Support, so that the model continues to offer fair value to customers.

We would also welcome the FCA providing practical guidance in respect of the application of the existing qualification rules to AI-powered advice models, particularly generative AI models. We would welcome the FCA clarifying whether the following advice service is permissible under the existing rules: a qualified adviser must be ultimately accountable for the advice service, and their involvement in the operations of the advice service can amount to being part of the creation of the initial generative AI algorithm, part of the approval of the algorithm, and responsible for ongoing monitoring of the output from the AI advice service. The latter does not require the qualified adviser to sign off every piece of advice given by the AI service, typical regular monitoring activities (e.g. dip checks, 2nd line monitoring activity and 3rd line audit) can be sufficient. Providing practical guidance on the application of the FCA's existing requirements to AI models would provide firms with clarity, encourage responsible adoption by regulated firms and would also be consistent with the recommendations made by the Treasury Select Committee. We would note that any guidance should be mindful not to call into question any existing, compliant robo/digital advice models.

Question 12: Do you agree with our proposals to clarify our rules on provision and charging for ongoing services?

TISA has conducted research on the willingness of consumers to pay for advice. The research demonstrates the demand for financial support and advice, but also the limits to which consumers are willing to pay for this service. For those willing to pay, there is an interest in both one off upfront fees and ongoing support fees. However, half of research respondents indicated that they would be unwilling to pay a fee, with an additional 19% being undecided. We expect that the "unwillingness to pay" sentiment has increased following the advent of unregulated, free forms of advice.

In light of the research, we agree with the policy principle that the FCA is seeking to achieve, but feel that more could be done to enable innovation and competitive, regulated models being brought to market. The proposed clarifications are insufficient to move the dial. Please see our response to question 11, in respect of the need for the FCA to either properly policy its boundary, or revisit the charging requirements for financial advice. Without further steps being taken, we believe it is unlikely that the FCA will achieve its ambition.

Question 13: Do you agree with our proposal to remove the annual suitability requirement for firms providing ongoing services in relation to business that falls under MiFID II or the IDD and to replace it with a requirement for firms that conduct periodic suitability assessments to do so in keeping with the Consumer Duty?

We are sympathetic to the FCA's policy intent and think the changes could lead to more flexible arrangements that are more tailored to consumer needs. However, in order for the FCA's policy intent to be realised, the FCA should work with HMRC to provide clear guidance on the application of VAT to the policy proposal. Under HMRC's current VAT regulations, it is our understanding that changes to existing ongoing advice arrangements could incur VAT where a customer has received an existing pot through individual one-off advice services, and they then decide they would like to start an ongoing advice service. This would clearly discourage customers from receiving ongoing advice, purely due to the application of VAT. Currently, ongoing advice services are VAT exempt, as the arrangement was made when the initial advice was given and importantly, when the recommended investment products were intermediated by the advisor. The FCA's proposals increase flexibility enabling customers to switch between different forms of advice. Where this means switching from one-off advice to ongoing advice, the application of the VAT rules could frustrate the FCA's policy intentions, as it will lead to a 20% price hike for relevant consumers. It may be possible to provide sufficiently flexible contractual arrangements when the initial, one off advice service is given, but clear guidance on this from HMRC will be needed to give firms confidence.

We would also recommend that the FCA actively supervises ongoing advice arrangements in future, as the increased flexibility could allow bad actors to offer poor service to customers.

Question 14: Should we consider further transparency requirements or guidance to mitigate the potential market impacts of the proposed rule change and ensure consumers understand the service and receive fair value?

Please see our response to question 13, where we note that HMRC Guidance is critical to ensuring the FCA's policy intent is realised.

If the VAT treatment issues can be overcome, then we would expect the consumer duty principles to apply which should ensure consumer communications are intelligible and that customers receive fair value. We are sympathetic to the wishes of smaller advice businesses and IFAs who would welcome further guidance. We recommend that the FCA focuses its guidance on providing examples of poor practice and red lines, particularly noting the FCA's competition law objective. This would be preferable to the FCA providing examples of good practice, which could limit innovation and competition.

Question 15: Do you agree with our proposal to include Handbook guidance to clarify our expectations about firms' compliance with the Consumer Duty when handling disengaged clients? If not, please explain why and any other options we should consider.

We would note that the guidance at 6.1A.23BG does not specifically deal with disengaged customers. It is broader, providing guidance on fair value considerations. We think the drafting of 6.1A.23B G(3)(b) could be clearer, particularly as the drafting leaves open the question as to which reasons are relevant. The FCA could consider providing further guidance on relevant considerations that may mean the ongoing service charge is justifiable.

Question 16: Do you agree that we should work with industry to publish examples of good and poor practice to support firms in complying with Consumer Duty standards in the context of disengaged clients? If so, please provide examples around the topics set out above

In line with our response to question 15, we can see merit in further guidance being provided. We encourage the FCA to work with its AGBR Industry Working Group on this.

Discussion paper and annex questions

Question 17: Should the FCA consider changes to our rules on legacy trail commission? If so, should this be done via enhanced transparency, a sunset date, a transitional period, or any other option?

We understand the rationale for the discussion paper questions and appreciate that the FCA wishes to be all encompassing of its advice guidance boundary review. However, given the finite resource available to the FCA, we would instead encourage it to focus resource on ensuring regulated firms are able to compete with unregulated, AI powered forms of financial support and advice, over conducting a review of legacy trail commission. We are aware that the population of potentially impacted customers is ever-decreasing and dwarfs the number of customers at risk of harm due to unregulated forms of financial advice. Members have also raised concerns about the potential for changes to legacy trail commission rules to cause consumer detriment and disproportionate remediation costs, that will ultimately be borne by (unimpacted and impacted) customers.

Instead, we would encourage the FCA to work with big tech firms to ensure that appropriate guardrails are included in responses given by LLMs, so that consumers may understand limitations in consumer protections and can be signposted to more reliable, regulated sources of information, support and advice. If the FCA is unable to police its boundary effectively, it will be necessary to revisit charging and qualifications requirements of the existing regulatory framework. We appreciate that this task will require considerable policy resource, but given the potential to impact mass market solutions, we think this is a more appropriate use of FCA time and efforts. TISA research has found that over 1/3 of UK adults feel confident using LLMs, such as ChatGPT and Co-Pilot, for help with their personal finances. Which? has also found that around half of AI users have reasonable trust in AI search tools, with 64% of frequent users saying they trust results. The findings demonstrate the scale of potential impact.

These AI tools could be incredible tools that democratise financial support and advice, but they need to meet key standards to ensure that consumers make informed decisions and receive adequate protections. The FCA has set the standards for financial advice in the UK. Currently, these standards are being robustly supervised and enforced in respect of regulated firms, to the benefit of c.8% of the UK population. We urge the FCA to apply its standards uniformly, otherwise this undermines the investment and efforts of regulated firms and the FCA. Without proper standards, here is a clear risk of consumer harm, which given the aforementioned research findings, could be widespread.

In light of this, we recommend that the FCA focuses its resources on the larger, more material policy work needed to appropriately police the perimeter and / or ensure regulated firms can compete with unregulated, AI providers of support and advice.

Question 18: Do you have any views on the likely impact on consumers and firms that pay and receive trail commission? Can you give us any specific details or estimates of the impact that these changes may have and the potential for consumer harm?

Please see our response to question 17. However, if the FCA is minded to undertake further work in respect of trail commission, we recommend that consumer outcomes are prioritised – both directly impacted and indirectly impacted consumers.

Question 21: Do you have a view on what would be appropriate suitability requirements for services provided to professional clients, including whether there is merit in differentiating by client type as well as the scope and nature of services provided as well as the nature of products recommended?

Professional clients are likely to have bespoke arrangements in place with firms, which are appropriate to their circumstances. We would defer to the individual private parties to determine this, with the retail consumer requirements providing a backstop, where there is no bespoke arrangement in place

Question 22: Do you agree with our assessment of the costs and benefits of these proposals? Please outline why you do or why you do not, sharing any evidence that may improve our assessment.

No, we do not think the current proposals will facilitate an increase in limited scope advice models so will not increase access. Without changes to the charging and qualifications requirements, there is insufficient commercial basis for the firms to offer these services. In addition, research by TISA, FSCS and FCA have demonstrated that many consumers are unwilling to pay for advice services – we would posit that this is likely to have increased given the prevalence of free, unregulated advice services. Several TISA members have indicated a willingness to provide advice services that do not have an upfront cost (i.e. they are cross subsidised like Targeted Support or embedded within product margins like Basic Advice), if the FCA rules permitted this. Thus, the FCA's maintenance of its charging requirements continues to pose a barrier to both demand and supply of financial advice services.

We also think the clarifications to suitability requirements are likely to lead to a short term increase in costs for advisors, as existing approaches and processes will need to be revised. To be clear, TISA does support these changes.

The changes that seek to increase flexibility in ongoing advice services are unlikely to lead to a material increase in the number of advised consumers. There may be some marginal increases, but we expect administrative efficiencies to enable advisors to spend more time with existing customers instead. We would also note our earlier comments in relation to the application of VAT to revised ongoing cost arrangements, which, under the current VAT rules, will lead to increased costs for some consumers. If advice businesses also have to become VAT registered businesses because of this change, this registration process also increase costs for firms.

Question 23: Do you have any comments on our equality and diversity considerations?

We would note the extensive research that indicates that many people with protected characteristics feel that investing is not for "people like them". This sentiment applies to different generations, gender and ethnicities. We would also note the pregnancy & maternity protected characteristic, as well as marriage and civil partnership. These two characteristics present key life stages for people, where financial advice could material improve consumer outcomes. Extensive efforts are being undertaken by firms to support consumers during these life stages (see Scottish Widows' Career Break Modeller, Aegon guidance on marriage impacting your finances, and signposting to the MoneyHelper baby cost calculator). These efforts centre on guidance and information, rather than advice. We would encourage the FCA to consider more ambitious proposals that increase the reach of advice, through increasing the pool of potential advisors, clarifying the application of qualifications requirements to AI models, and revisiting the charging requirements to facilitate mass market advice solutions that enable more people to get the support they need at key, protected life moments, and facilitate new forms advice that appeal to a more diverse set of consumers.