Response by TISA to FCA's consultation on Simplifying Consumer Investment Disclosures (CP26/24)

Sophie Legrand-Green

Head of Policy, TISA

August 2025

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.

- **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/**

Contents

Introduction and Summary of Recommendations 5

Responses to Questions 8

Introduction and Summary of Recommendations

TISA welcomes the opportunity to respond to the FCA's consultation on proposals to simplify retail investment objectives. We strongly support the FCA's aims to:

- create a thriving retail investment culture, where consumers have the information they need and the confidence to invest.
- enable firms to compete on how they engage and inform consumers, supported by evidence-led and testing-backed innovation.

However, we do not think the FCA's proposals achieve these aims; in fact, we are concerned that they actively frustrate the FCA's stated aims. The FCA, HMT and industry have collectively worked to encourage a healthy retail investment culture in the UK, with an aim of helping more savers become investors. There is a risk, with the current proposals, that we will fall at the final hurdle, as consumers are provided with increasingly complex and confusing disclosure that overwhelm them and incentivise them to keep their money in cash, rather than invested.

We are particularly concerned with the FCA's approach to post-sale cost disclosures and the approach to cumulative cost disclosures, which are likely to anchor consumer decision making in cost, not value. The proposals also raise the likelihood of consumer misunderstanding and confusion, leading to disillusioned consumers giving up on investing.

<u>The inconsistent approach to cost & charge disclosures</u>

The new rules for CCIs have established ongoing and one-off costs as the relevant figures for investment products, recognising that transaction costs do not inform reliable consumer investment decisions and that one off costs should be separated from ongoing costs. We are concerned that the proposal to bundle one off and ongoing costs will make it harder for consumers to make value assessments. Alongside this, the proposed approach to the treatment of transaction costs would require firms to show customers a different set of cost figures in each of the product summary, their pre-sale disclosures and their post-sale disclosures. Across this journey, transaction costs would migrate from being part of the investment strategy and not part of the product cost structure, to being itemised in addition to the product costs, to being integrated as if part of the product costs. At each stage, product cost and charge figures will appear higher.

The current proposals undermine the FCA's efforts to create a thriving retail culture, and instil consumer trust in financial products and regulated firms. Instead, consumers will see the higher post-sale cost figures and think their provider has lied to them. This is likely to lead to consumer complaints, distrust and people unnecessarily withdrawing their investments. We would also note that the concession to allow firms to make reasonable estimates highlights the limitations of the proposed approach. Instead, we recommend that the FCA adopts an approach that is consistent with the CCIs rules, so that the industry can build consumer trust and confidence.

<u>Cumulative Effect of Cost Disclosures</u>

We agree with the FCA that cumulative effect of cost illustrations should be abolished. We recommend the FCA goes further and abolishes all cumulative effect of cost disclosures. It should delete the requirement to show the effect of costs and charges on the investment's performance over the reporting period entirely. This is already achieved by the requirement to show the 'total costs' and charges during the reporting period. It is unclear what additional information the FCA would expect. Providing further, more complex information has no value, it is more likely to overwhelm and confuse consumers, and could even incentivise perverse consumer behaviours. Investments that have been held for longer periods, and/or have had higher returns will generate higher effect of costs than poor

performing investments that have been held for short periods. This disclosure could actively incentivise consumers to make bad investment decisions. In addition, we strongly urge the FCA to drop its proposal to require firms to show the effect of charges over the life of the client relationship. This proposal will anchor consumer decision making in cheapness, not value. We are also concerned about the potential retrospective nature of the proposal and the ability of firms to collate accurate data that consumers can rely upon. The proposal also contradicts FCA's strategy to support growth, by placing unjustifiably disproportionate costs on firms, requiring them to produce calculations using estimated figures, that highlight only the downside of investing. This will not promote a thriving retail investment culture and would introduce needless compliance costs for firms.

Cash Holding Disclosures

We agree with the FCA that consumers should be able to shop around and find good cash savings rates. Prominent disclosure of cash rates and charges on investment distributors' websites can enable this and would be consistent across cash savings providers. Encouraging firms to create interactive tools on public webpages can also help consumers personalise different cash rates and charges, so they can understand what it means for them. All cash savings providers should be encouraged to do this.

When consumers do business with an investment provider, the primary purpose of that interaction is to purchase investments. Consequently, in this scenario, consumers should be prioritising understanding the costs, charges and potential performance of investments, not cash. Ensuring consumers understand investment costs and charges is already challenging, there is a risk that adding further data points decreases the likelihood of understanding.

Striking a balance that aligns with existing approaches is useful. Similarly, incorporating cash earnings information into ongoing investment performance reporting is also sensible. We don't agree with the proposal to introduce new forms of reporting that incentivise consumers to keep their money in cash, rather than taking the step to become investors. This information comes at the wrong stage in the journey to help consumers shop around and make active value decisions, and emphasises unnecessary information at the expense of necessary information. Instead, we recommend the FCA adopts the approach taken in COBS 19.12 in respect of cash held in pensions. This would help drive consistency across the FCA Handbook, and would see the FCA adopt an existing, proven solution to the same underlying policy challenge.

Future Proofing

The FCA states that it wishes to future proof its disclosures rules, stating that its disclosure rules need to be suitable for a world in which consumers use AI to access and summarise information about investments. We would encourage the FCA to heed the findings of the Mills Review and consider how their disclosure rules should apply where a consumer has deployed an AI agent to manage their personal finances. Currently, the FCA's rules and proposals are predicated on the Financial Services firm (e.g. the advisor or distributor) maintaining the consumer interface. This assumption does not hold when an AI agent is in the chain. TISA members have indicated that consumers are already using these tools to open accounts and place trades, and we can only expect use of these tools to become increasingly widespread over time. The FCA's proposals and current rules do not envisage this scenario and we recommend that the FCA provides an indicative timeframe and workplan for ensuring that its disclosure rules are fit for the future. In the interim, FCA could provide guidance to firms giving clarity on their expectations. For example, the extent to which firms can rely on AI agents providing disclosures to their principle (i.e. the consumer), and expectations around consumer testing and consumer unders0tanding of disclosures in this scenario.

Transition Periods

We welcome the FCA's proposed modification of the CCI's transition period. This provides helpful clarity to the market and should prevent distributors being forced into soft closing CCIs. We would welcome the FCA providing further guidance on how additional documentation, such as fact sheets, should be treated during this period.

We would like to thank FCA for their engaging and proactive approach and for the opportunity to respond to this consultation, We would be happy to discuss our recommendations and any other aspects of our consultation response. We look forward to FCA progressing its work and we stand ready to engage, collaborate and lend our support to help achieve the policy objectives.

Question Responses

Question 1: Do you agree with our proposals on how firms should disclose pre-sale costs of investing? If not, why not, and what presentation would you propose?

We agree with the focus on consumer understanding whereby shorter, clearer disclosure is prioritised. We also believe that decision-essential information should be prioritised over information that is not decision essential, and that the greater the complexity and amount of information shown to consumers, the less likely they are to read and understand decision-essential information. The alignment with the CCIs rules is important, as the CCIs regime does identify decision-essential information. Consistency and coherence increase the likelihood that consumers understand and have confidence in their financial decision making. In light of this, we agree that one-off product costs should not be aggregated with ongoing costs, and we also agree with the FCA's proposed treatment of performance fees and carried interest. We also agree with the FCA's position on indirect transaction costs.

We do not agree with the proposals where the FCA departs from an approach that would be consistent and coherent with the CCIs disclosures. We believe this will increase the likelihood that consumers misunderstand or feel overwhelmed and give up on investing. Under the current proposals, consumers would be told at each stage of the investment journey, that the investment costs will be higher and higher. Presentation of cost and charges information is different at every stage of the way, further undermining consumer confidence and trust – particularly for consumers who have never invested before, so already feel unfamiliar and lack confidence. The proposed approach does not incentivise consumers to trust the industry or have confidence in investing. It will dissuade consumers from investing, when this is in their best interest.

We do not agree with the FCA's proposals pertaining to the disclosure of direct transaction costs. In line with the approach taken under the CCIs regime, we continue to think that transaction costs should be separated from cost & charge information and instead, should be disclosed alongside investment strategy information, to encourage consumers to make informed, contextualised decisions. During the development of the CCIs regime, the FCA and industry participants actively discussed the extent to which transaction costs were decision useful to consumers, and their distinct nature was recognised by the FCA in PS 25/20. All parties agreed that these costs were more likely to cause consumer confusion and drive poor decision making, rather than being decision useful. This mutually agreed position is why the FCA decided that transaction costs should be given less prominence than ongoing and one-off cost figures in the Product Summary. By ensuring transaction costs are less prominent in the Product Summary, FCA policy encourages consumers to anchor to the headline ongoing and one off cost figures. This is a reasonable and reliable approach that recognises the realities consumers face when reviewing and making financial decisions. It prioritises decision essential information over information that is not decision essential. FCA has previously acknowledged that transaction costs are very difficult for the vast majority of consumers to understand and their decision-usefulness is unknown. In light of this, we urge the FCA to adopt the same rationale and approach here. We would prefer the FCA treat transaction costs, performance fees and carried interest in the same way. This would continue to reinforce that the OCF and one off costs are the priority cost & charge information that consumers must understand, and therefore must be given prominence. This would mean that for transaction costs, performance fees and carried interest, firms can link to the Product Summary where further, contextualised information is provided on these costs. This would help to build consumer confidence and understanding, and also increases the likelihood that consumers who access information via AI tools, such as LLMs or AI agents, can get accurate, correct information.

Transactions by fund managers are carried out in the context of an investment's goals and risk appetite, and the trading conditions at the time. There is no incentive for a fund manager to over-trade, as this affects performance negatively and other rules, such as best execution, directly address the need to secure value for clients when transacting on their behalf. Transaction costs are an inescapable part of delivering the investment strategy and are reflected in performance. To assess value, consumers should focus on the OCF and fund's performance (both delivered and expected), which will be net of transaction costs already. This approach would align with CCIs and other approaches to costs and billing in direct to consumer, regulated industries, such as energy, telecoms, internet and TV licenses. In all of these examples, consumers do not receive a breakdown of how the amount they are charged is used to purchase electricity, telephone calls, broadband usage, commission BBC content vs. monies used to sustain the national grid, phone masts, internet caballing, legacy satellite systems etc. Furthermore, we also note that the FCA's proposed Value for Money framework for occupational pension schemes does not include transaction costs within the core costs and charges assessment used to compare value across products. This reflects the fact that transaction costs are fundamentally different from charges levied for the operation and management of a product and are not readily comparable indicators of value. We would also note that the primary audience of the Value for Money assessment is pension trustees, not consumers.

The FCA's approach is defined by an overarching, purist principle that consumers must be told how every pound and pence of their money is being used. In theory, this is a good principle, but in practice, it is blind to needs and wants of real life consumers. The determination that consumers must be provided with known, actual costs that have been incurred over a period is idealistic and does not reflect reality, as indicated by the FCA's caveat that firms can use reasonable estimates. This academic starting point needs to shift, so that it is instead, anchored in reality. Whilst FCA may want consumers to understand transaction costs, research and consumer testing indicates that they do not. Many consumers think that "transaction costs" means costs associated with their buying and selling activity. We encourage the FCA to simplify disclosures, driving coherence, consistency and prioritising decision-essential information, rather than increasing complexity, likelihood of confusion and bad financial decisions. The FCA should adopt an approach that is consistent with its own rules in other parts of the Handbook and with other consumer experiences.

We would also note that it seems inappropriate for distributors to be responsible for disclosing this information in a way that is more prominent than the disclosure approach taken by the manufacturer. In the product summary, the ongoing cost figure, one off cost figure(s) are contained in the costs section. The transaction cost is given less prominence and should be disclosed alongside the investment's strategy and objective information, so that consumers can contextualise this information. It is unrealistic of the FCA to now expect manufacturers to disclose transaction cost information in the cost and charges section of the Product Summary, as this contradicts the initial policy intention which prioritised consumer understanding and is clearly contrary to commercial incentives. Under the current proposals, FCA is obliging distributors to disclose cost information and transaction cost information differently, and with differing prominence, so that a manufacturer's fund may look more expensive than the information that it has given in the Product Summary. This blurs responsibilities and accountabilities and could cause a lot of discomfort for distributors, adding complexity throughout the supply chain (as well as consumer confusion).

In addition, members have also indicated potential tensions where the roles of manufacturer and distributor are not distinct, for example a fund manager distributing units direct to unitholders. Here, the same firm is having to create and disclose different cost information to a customer, raising concerns about compliance with Consumer Duty consumer understanding requirements. Consumers may not understand why the firm is telling them different information about their product at different stages of a journey, why some costs are aggregated or disaggregated, why they are sometimes

excluded, sometimes included. Firms in this situation have indicated uncertainty as to the application of the proposed rules, as they do not appear to have been designed for their scenario, and a nervousness about their compliance with overarching Consumer Duty principles. Whilst many members have indicated concerns about the inconsistency in the current proposals and the extent to which they align with the Consumer Duty, this may be particularly acute where one firm is responsible for all disclosure requirements.

In addition, we encourage the FCA to extend the approach to defining transaction costs (i.e. that indirect costs should not be included in calculations) to workplace pension transaction costs. This will require the FCA to. update COBS 19.8. This would ensure a consistent and coherent approach to pre-sale cost and charge disclosures across the FCA's rules. This would ensure consumers receive comparable information irrespective of whether they are seeking to invest in the same fund for retirement or other savings goals.

Technical feedback on the draft rules

COBS 6A.2.28R(2)(b) should be deleted to recognise that only actual, known costs should be disclosed and presented as factual costs to consumers.

COBS 6A.2.29R(1) should align with CCIs. We recommend the FCA duplicates the DISC drafting.

COBS 6A.2.29R(1)(b)(ii) and (iii) should be deleted

COBS 6A.2.29(1)(c) and 6A.2.32G(1) should be expanded to include transaction costs.

Question 2: What can be done to enable and encourage firms to deliver dynamic and engaging pre-sale cost disclosures?

If the FCA is minded to do this, they should adopt the same approach taken in the CCIs regime in DISC 2A.2.3G(1)(b) and (2). FCA should also consider incorporating guidance on prominence and layering, so that firms can build dynamic and engaging disclosures. This would necessitate the FCA changing its current proposals, so that it could align with the CCIs regime and instead apply a consistent approach whereby the OCF and one off costs are given upmost prominence, and other costs being given lesser prominence. This reflects the respective decision-usefulness of these data points for the majority of consumers. If the FCA maintains its current differentiated approach, encouraging tools in addition to those encouraged by DISC 2A.2.3G is likely to cause customer confusion, as there will be several calculators and tools all supposedly helping a consumer understand costs and charges. How does the consumer know which tool to use? How will these tools be helpful if each tool gives the consumer a different output?

In addition, we would encourage the FCA to reflect on the findings and recommendations contained in the Mills Review and the possibility that in future, the primary consumer interface may sit with currently unregulated firms – i.e. AI Assistants. We have received anecdotal evidence from TISA members indicating that consumers are already using this technology, albeit in small numbers. In the US, Robinhood has enabled this interconnectivity for all of its (retail) customers. Given the FCA's intention is to future proof these rules, we recommend the FCA considers how to achieve this goal whilst working with unregulated, Big Tech firms, if this is how consumers are seeking to understand and engage with cost information and make financial decisions. For example, how will disclosure information be shared with the end customer, if the regulated firm has no direct relationship with the end customer? Is it acceptable for disclosures to be shared with the AI assistant, who has delegated authority to enter into transactions on the consumer's behalf?

We would also encourage the FCA to adopt policy and encourage approaches that prioritise consumers considering value, over cost. In the past, too much focus has been placed on cost, at the expense of value, in the group pensions market which has led to many years of work by the official

and private sectors, seeking to reverse this cost centred culture to deliver better outcomes for scheme members. Let's not make the same mistake here.

Question 3: Do you agree with our proposals for the presentation of post-sale cost disclosures? If not, why?

No, we do not agree with the proposals to aggregate costs and to include transaction costs within the aggregated figure.

The new rules for CCIs have established ongoing and one-off costs as the decision-essential, key cost figures for investment products. It was acknowledged that the OCF represents the key headline figure, and that it is appropriate to disclose one-off costs separately, as consumers do not pay these costs annually, or on an ongoing basis, and we did not want consumers to assume that this was the case. Consumers frequently encounter one off and ongoing costs in other scenarios, such as starting a gym membership, or starting or cancelling a streaming subscription service. These concepts are familiar to consumers. Bundling different categories of costs may lead to consumer confusion, rather than providing clarity. The consultation says that aggregation will help consumers in their consideration of value – we disagree. It makes it harder for consumers to shop around and decide which investment represents value for money on an ongoing basis, as a fund with 3% ongoing costs and 1% one off entry costs will look the same as the inverse investment. The FCA recognised the need to distinguish the presentation of these costs in PS25/20, where they said " we agree that the proposed summary cost indicator could have implied that one-off costs were payable every 12 months. We have removed the requirement to aggregate these with the ongoing costs figure". We urge the FCA to adopt this logic here too.

The CCIs regime recognises that transaction costs do not inform reliable consumer investment decisions. Consequently, the CCIs regime allows for transaction costs to be disclosed, but this information should be given lesser prominence than the aforementioned costs, and should not be aggregated within ongoing costs. In PS 25/20, the FCA noted that their approach was "guided in a need for simplicity" and that transaction costs "differ in nature and effect to other types of ongoing costs, and aggregating them may not be helpful for consumers." We agree with these statements and would urge the FCA to adopt its own logic.

However, notwithstanding these statements and the precedent set by the FCA in the CCI's regime, the FCA is now proposing that transaction costs are included in post-sale aggregated cost disclosures. Across the consumer investment journey, transaction costs would migrate from being part of the investment strategy and not part of the product cost structure, to being itemised in addition to the product costs, to being integrated as if part of the product costs. At each stage, product cost and charge figures will appear higher. This proposal undermines the FCA's efforts to create a thriving retail culture, and instil consumer trust in financial products and regulated firms. Instead, consumers will see the higher post-sale cost figures and think their provider has lied to them. This is likely to lead to consumer complaints, distrust and people unnecessarily withdrawing their investments.

Whilst we accept that firms may provide a breakdown of costs, FCA consumer testing has shown that consumers struggle to understand cost information and calculate a single, headline figure. Given this, we urge the FCA to adopt a position that is consistent with the CCIs, as consumers will anchor to the headline cost. It is essential that the headline cost is consistent and reliable; variation

in approaches will increase consumer confusion, distrust and will stop people investing (when it is in their best interest to do this).

Transactions are carried out in the context of an investment's goals and risk appetite, and the trading conditions at the time. There is no incentive for a fund manager to over-trade as this affects performance negatively and other rules, such as best execution, directly address the need to secure value for clients when transacting on their behalf. Transaction costs are an inescapable part of delivering the investment strategy and are reflected in performance. If a customer has paid transaction costs during the period, this does not mean that a comparable service elsewhere that traded less is "better value". The FCA is mistaking cost for value and the consumer research that is cited in the CP demonstrates this, as the only variable in that experiment was cost. In isolation, an aggregated transaction cost figure provides limited information about whether investors have received good value, and there is a risk that consumers incorrectly assume lower transaction costs always indicate a better outcome.

To assess value, consumers should focus on the OCF and fund's performance (both delivered and expected), which will be net of transaction costs already. This approach would align with CCIs and other approaches to costs and billing in direct to consumer, regulated industries, such as energy, telecoms, internet and TV licensing. In all of these examples, the consumer does not receive a breakdown of how the amount they are charged is used to purchase electricity, telephone calls, broadband usage and BBC content consumed vs. monies used to sustain the national grid, phone masts, internet caballing, legacy satellite systems etc. Furthermore, we also note that the FCA's proposed Value for Money framework for occupational pension schemes does not include transaction costs within the core costs and charges assessment used to compare value across products. This reflects the fact that transaction costs are fundamentally different from charges levied for the operation and management of a product and are not readily comparable indicators of value. The FCA should adopt an approach that is consistent with its own rules and with other consumer experiences.

We would also like to raise that the level of financial literacy and sophistication the FCA is imputing on consumers does not reflect reality. Research by Plain Numbers shows that 49% of the UK population at working age, have numeracy skills equivalent to primary school levels. FCA has acknowledged that 18 million adults have poor financial numeracy. The simplified approach to disclosures that was adopted in the CCIs rules is far more realistic, and sets a useful precedence to build financial literacy and awareness by setting the key pieces of information that consumers need to know. Simplification, consistency and coherency should be prioritised in order to increase the likelihood that consumers read and understand basic cost disclosures. All of this can ensure that growth and wealth is inclusive. For these reasons, we continue to recommend that the FCA adopts a consistent and coherent approach, so that the industry can build consumer trust, literacy and confidence.

If the FCA has particular concerns about the competitiveness of fund execution and the levels of transaction charges being levied, we recommend that this is picked up as a part of its supervisory or competition authority work with relevant firms and in respect of specific funds. This should be a supervisory activity, not a policy initiative. It feels unsuitable to attempt to supervise via consumers who do not understand the nature of these costs and are likely to make misinformed decisions due to their uncontextualised disclosure.

Detailed drafting feedback

We recommend that the drafting in 6A.2.33R(4) is clarified. Limbs (a)-(c) are unclear when read alongside the opening drafting. Instead, it would be clearer if (c) was incorporated into the opening of (4), as surely firms would only be obliged to provide post-sale cost and charges information if they were distributing a personal or stakeholder scheme.

6A.2.36R needs to align with the CCIs costs and charges disclosures – i.e. a firm must provide post-sale cost and charges information, aka the OCF and one off costs, for the period covered by the disclosure.

6A.2.36R(a)(ii)(C) and (D) and (1)(b) can be deleted to align with CCIs.

We recommend that 6A.2.39G is removed. We have received feedback indicating that this guidance is unhelpful as is causes confusion, rather than clarifies requirements. Greater alignment with the CCIs rules would also negate its need. If FCA is minded to retain its current proposals, we recommend that 6A.2.39G is clarified in the following ways:

- the opening to (2) needs to be precise. It currently states "this should include". It is unclear what "this" is.
- (2)(c) should be consistent with the CCIs definition, otherwise consumers are mixing apples and pears at different stages of the journey.
- (2(c)(iii) is unclear. Presumably FCA does not mean distributor platform fees?
- It should be made clear that (4) takes priority over (1)(2) and (3) where the investment is a CCI.
- (5) should adopt the same definitions used in CCIs
- (5)(b): the inclusion of taxes is likely to be problematic for investment bonds and unit trusts, where tax is highly likely to distort the actual fee, therefore making these disclosures unsuitable for consumers when seeking to understand or compare value across investment types.

Question 4: Do you agree with our proposal to permit a 'reasonable estimate' of costs to be disclosed post-sale? If not, why?

We can understand reasonable estimates needing to be used where information is not attainable, or calculation costs are disproportionate.

Question 5: Do you agree with our proposal to remove the requirement for a cumulative effect illustration pre-sale? If not, why?

Yes. We think the FCA should remove all cumulative effect disclosure requirements.

Question 6: Do you agree with our proposal to require firms to show the effect of costs on performance in regular post-sale reporting in the way described? If not, why?

No.

FCA should delete the requirement to show the effect of costs and charges on the investment's performance over the reporting period entirely. This is already achieved by the requirement to show the 'total costs' and charges during the reporting period. Nothing further is needed. The total costs and charge is a simple, easy to understand disclosures that allow consumers to understand how the costs have impacted the performance of the consumer's investments over the reporting period. It is unclear what additional information the FCA would expect. Providing further, more complex information has no value, it is more likely to overwhelm and confuse consumers, and could even incentivise perverse consumer behaviours.

We would also note that the FCA's approach is contrary to the FCA's 5 year strategy, Government and cross-industry efforts to increase retail participation in investing. These efforts seek to provide simplified, accessible information that builds confidence in investing, rather than presenting confusing, overwhelming information that erodes trust. Emphasising costs, whilst having no corresponding requirement that pertains to performance or returns is inconsistent with these efforts.

We also strongly recommend that the FCA drops its proposal to require firms to show the effect of charges over the life of the client relationship. This proposal is not balanced and will anchor consumer decision-making in costs, not value. It is also unclear what information the FCA would like consumers to draw from this disclosure. For example, this information would not help consumers understand what impact has the costs charged 5 years ago had on fund's current value, or how this compares to alternative investment or cash options. Even more concerningly, the proposal is likely to drive bad consumer behaviours, as investments that have been held over longer periods and have higher performance rates, will have higher costs than investments that have been held for short periods and have performed poorly. This means the FCA's proposal would likely lead to consumers making worse financial decisions, prioritising short-term holdings in low-performing investments. This directly conflicts with broader efforts to encourage consumers to make responsible, long term financial decisions when investing.

We are also concerned about the potential retrospective nature of the proposal and the ability of firms to collate accurate data that consumers may rely upon. TISA members have indicated that they do not have this data and would face large operational and supply chain challenges if there were to try to collate this data, meaning it is highly unlikely that distributors will be able to accurately calculate actual costs over the lifetime of the customer relationship. This concern spans large and small firms, platforms, advice firms and IFAs. Some investors have had longstanding relationships with firms, or may have switched to and from products over time, with some making one off, regular, or sporadic investment decisions. M&A activity in the sector also complicates things. The sheer number of calculation permutations mean this requirement would impose a very large cost burden on firms, requiring them to produce complex calculations, often using estimated figures, that only highlight the downside of investing. Given the unclear consumer benefit or need, and the disproportionate cost for industry, we strongly recommend that the FCA does not proceed with this proposal. The proposal contradicts FCA's strategy to support growth and will not promote a thriving retail investment culture.

Even if this proposal is not retrospective, it is unclear what benefit it provides existing consumers. It would apply from c.8 June 2028, to customers who may have a relationship and investments that pre-date this. It is even less clear what use these disclosures would have for these customers, due to the mismatched reporting periods.

In short, this rule requires firms to use huge amounts of unobtainable data to undertake new, extremely complex calculations, in order to present a number to clients that they will not understand and will only serve to make good features of investing (long term holdings and high performance) appear detrimental. This requirement should be removed in its entirety.

Question 7: Do you agree with our proposal to improve up-front disclosures about cash interest? If not, why?

We agree with the FCA that consumers should be able to shop around and find good cash savings rates. Prominent disclosure of cash rates and charges on investment distributors' websites can enable this and would be consistent across cash savings providers. Encouraging firms to create interactive tools on public webpages can also help consumers personalise different cash rates and charges, so they can understand what it means for them. All cash savings providers should be encouraged to do this, not just investment providers.

We also support the proposals in CP 25/37 and the new CASS 7.11.32.

We would note that these cash disclosures should not be a defining or determining factor of how a consumer chooses an investment provider. Caution should be taken to ensure that consumers do not prioritise focus on cash interest features, over focussing on investing features, given cash is not the primary goal of the product and service. The FCA, HMT and industry have been collectively working to create a healthy retail investment culture in the UK and sought to help more UK savers become investors. There is a careful balance that needs to be struck here to ensure that cash is not prioritised over investments, where investing is suitable for a consumer. Negative friction should not be added to the customer journey and priority disclosures should seek to help consumers make informed investment decisions.

Interaction with upcoming ISA changes

We would welcome the FCA providing a statement clarifying whether firms can continue to present S&S ISAs as tax-free wrappers and still comply with the Consumer Duty. We understand that HMT and HMRC intend the changes to be presented as a "charge" not a "tax", and the current FCA statement in para 3.8 of the CP is actively unhelpful as it indicates that the changes will impact the tax-free nature of the ISA wrapper. Any clarification the FCA can give would be helpful as firms prepare for the ISA rule changes.

In addition, COBS 6A.2.19 and 6A.2.21 require firms to disclose (on their website and statements respectively) any 'fees charged for holding client money'. Please could the FCA clarify whether the new ISA flat rate charge would be caught by these requirements?

Double Dipping

For completeness, we agree with the principle behind the proposal that firms should cease the practice of "double-dipping". We have received feedback from members that are DFMs indicating that they were not recipients of the original Dear CEO letter, so practices in that segment of the industry have not changed. Consequently, the cost benefit analysis in the FCA's consultation paper is not correct, as moving to this rule will incur potentially material costs for some DFMs.

We understand that a number of DFMs do hold customers' cash in cash and that they do retain interest on this cash, as well as charging a portfolio fee. This money could be held in cash-like investments such as MMFs or very short dated gilts, which would arguably provide better value for customers whilst maintaining instant accessibility. From a consumer duty fair value perspective, we do agree with the FCA's position. However, noting the potential material change in business model and pricing for some DFMs, we urge the FCA to work with these firms, particularly boutique DFMs, so that an informed position can be reached on a sensible transition/implementation period.

We would also note that we do not think the practice of retaining interest is inherently evil. It is largely the commercial basis for banking and many financial services. As the FCA notes, there are a variety of practices and different business models, indicating that the current approach does incentivise competition and consumer choice. We are mindful that specific disclosure is not required in other areas of financial services and that consumers will be primarily focussed on any cost or interest paid when comparing cash offerings. That said, there are a variety of views across the TISA membership on whether the specific, or approximate amount of retained interest should be disclosed to consumers.

Question 8: Do you agree with our proposals on how information should be disclosed when firms receive money from consumers? If not, why? Would our proposals present any operational difficulties?

Overall, we are mindful of overwhelming consumers. Consumers already struggle to understand cost and charges on investments. Given consumers are likely to be familiar with interest and costs on cash, as they should already have amassed cash savings before investing, the pre-sale/pre-cash placement disclosures are sufficient, as they help consumers compare cash savings products.

We think there are 3 key scenarios where a consumer places cash on a platform:

1. Cash that is transitory. i.e. consumer deposits it on the platform in order to purchase an investment
2. Cash that is not transitory and sits on the platform e.g. to pay investment cost and charges
3. Cash that forms part of an overall investment portfolio

Transitory cash

We welcome the carve out in COBS 6A.2.20 R (4) for what is 'in flight' client money. We believe there are good reasons for treating this money that is purely being held as part of implementing a transaction differently to money the client has chosen to leave (or accidentally left) in a transaction account. However, in order for this to be effective, the FCA would need to expand this carve out as firms often do not know a consumer's intention when they add cash to the platform. Subsequently, in order for the policy intent to be effective, drafting changes would be required if the FCA is minded to maintain the overall disclosure requirement.

We would also note that to ensure FCA's policy is applied consistently in practice, a similar carve out would be needed for the corresponding post-sale reporting requirement at COBS 6A.2.19R. Alternatively, separating this sort of client money from money held in transaction accounts without a specific transaction at the beginning of the whole section may be clearer.

Cash that is not transitory and sits on a platform

In relation to the second category of cash, we do not feel the current FCA proposal is needed. This information comes at the wrong stage in the journey to help consumers shop around and make active value decisions. The consumer has already deposited their cash. The proposed disclosure also emphasises unnecessary information at the expense of necessary information: the overall aim is to help customers of investment providers become investors. The first step in that journey is adding cash to an investment platform. The FCA's is proposing that at this stage, customers should receive a communication that tells them the money they will earn if they keep the money in cash, which encourages the customer to keep the money in cash. TISA research has shown that consumers grossly overestimate the risk of losing money from investing, so giving these people a communication that emphasises the certainty and lack of volatility risk of holding money in cash, plays to the customer's existing nervousness. It encourages them to keep saving, rather than investing, at the crucial step in the journey where they need to take one more step to become an investor. The proposed communication comes at a decision-essential stage of the journey, providing the consumer with information that actively encourages them to take a different (worse) action. This is contrary to broader efforts to encourage consumers to invest and conflicts with HMG policy in relation to cash holdings in S&S ISAs.

From an operational perspective, TISA members have indicated that the calculations that underpin the FCA's proposals may be complex. For example, where a firm offers a sliding scale of interest on cash holdings. Similarly, where cash is transferred from one provider to another, potentially in instalments (e.g. to ensure transfer caps are respected and fees are minimised), should disclosures be given for every transfer? We are also mindful that the more complicated and burdensome the FCA's requirements, the less likely firms are to pay interest on cash holdings – particularly given the additional complexities that HMRC is introducing for cash held in S&S ISAs. Presumably, the FCA would

like to incentivise firms to pay interest, thereby securing better value for consumers. Overengineering this could backfire.

Members have also raised concerns from a Consumer Duty perspective. Given it is likely that when a customer deposits cash it is likely that it will be invested, is it consistent with the Consumer Duty and requirement not to provide misleading communications to customers, to give them a 12 month projected earning in relation to cash that is likely to be invested, not held in cash.

We share the FCA's underlying concern, that too much consumer money is held in cash on platforms. To address this concern, we recommend that the FCA adopts an approach that is consistent with existing FCA policy in respect of pensions. Under COBS 19.12, firms must issue a cash warning when a non-workplace pension, holds over 25% in cash (exceeding £1000) for six months. The required communication must be in a durable medium, warning of inflation risk and including a generic example of a £10,000 cash pot over 10 years. A similar requirement here would be consistent with wider efforts to encourage consumers to invest, increase awareness of the real cost of inflation on cash holdings and would also be consistent with the CCIs regime, where £10,000 illustrations are used. This would help drive consistency across the FCA Handbook, and would see the FCA adopt an existing, proven solution to the same underlying policy challenge.

Cash that is part of a portfolio

We do not see the need for the proposed disclosure, because the customer has made an active choice and the cash should be covered by ongoing portfolio reporting. Nothing further is needed, particularly where the FCA applies the ban on double dipping to these services.

Question 9: Do you agree with our proposal to require disclosure of interest paid and fees charged on cash balances in periodic reporting to retail clients? If not, why?

Yes.

Question 10: Do you agree with our proposals to combine COBS 6.1 and COBS 6.1ZA and other relevant rules into one new chapter, COBS 6A, for all investments business? If not, why?

Yes.

Question 11: Do you agree with our proposals to remove the rules in COBS 6.1ZA.15B-15J? If not, why?

Yes, so long as the FCA is confident they can supervise this issue effectively via other means.

Question 12: Do you agree with our proposals in relation to pensions business? If not, why?

We would welcome greater clarity in the Policy Statement to specify that the intention is not to make substantive policy changes, but only to condense and streamline the Handbook.

In line with previous TISA responses and communications with the FCA, we would like the FCA, TPR and DWP to undertake a wider review of disclosure requirements. Currently, consumers receive different disclosures when investing in the same underlying investment, depending on whether they invest via a S&S ISA, GIA, SIPP or WPP. For example, holding the same fund in an ISA and SIPP on the same platform could currently result in the following differences under FCA rules:

- Pre-sale: pension doesn't include transaction costs in the Key Features Illustration (KFI) or anywhere else, for the ISA the transaction costs are in the product summary and in the distributor disclosure (albeit not included in a total charge number).
- Post sale: no disclosure required for accumulation pensions but for decumulation pensions and investments charges disclosure is required but there is no definition of transaction costs for the pension version, meaning it is likely that there will be different total costs for the same fund in the two wrappers.
- Differences in cash holding disclosures.

The requirement for a KFI for pensions and not for other investments could be justified given the greater consistency in holding periods and the challenge of planning for such a long term consumer objective as funding retirement. However, the basis for any charges and costs disclosure should be consistent with other types of investment.

We would welcome the FCA outlining a timeframe and workplan for conducting this review so that consumers no longer suffer due to official sector silos.

Question 13: Do you agree with our proposals to delete CASS 9.4 and move these requirements solely into COBS 6A? If not, why?

Yes.

Question 14: Do you agree with our proposed requirements on disclosures for professional clients and eligible counterparties? If not, why?

N/A

Question 15: Do you agree with our proposals for the transition period? If not, what would you suggest?

A large number of members have expressed an interest in a big bang go live date, and that 8 June 2028 would be suitable. However, this is not a unanimous view and some members, particularly where they are both manufacturer and distributor, have indicated that they would like to transition earlier than 8 June 2028.

Question 16: Do you agree with our proposed changes to the CCI transition period?

We welcome the FCA's proposed modification of the CCI's transition period. This provides helpful clarity to the market and should prevent distributors being forced into soft closing CCIs. We would welcome the FCA providing further guidance on how additional documentation, such as fact sheets, should be treated during this period.