# Altus Consulting

## Response to FCA Advice Guidance Boundary Review Discussion Paper

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# 1 INTRODUCTION

## 1.1 Altus Consulting response to Advice Guidance Boundary Review

At Altus Consulting we believe the targeted support proposals outlined in this Discussion Paper mark the start of developing mass market investment support services that, to date, have been sorely missing from the UK Financial Services landscape.

This innovation is particularly important when considered in the context of the auto enrolment pension system which has transformed the world of invested savings from a largely wealth-focused market to a genuine mass/retail financial services market. If the financial services industry fails to develop better support services for pension savers, the auto enrolment system remains an unfinished project both in terms of accumulation and at-retirement outcomes.

Without better support services to aid the millions of people now approaching their retirements with workplace pensions, these pension savers will turn away from the industry at retirement and seek advice from any other source they can find.

While the Discussion Paper talks of an advice gap, our view is that what we are dealing with is more of an engagement gap and a product gap. To be effective, financial services products need to be combined with support services that help consumers understand how a product can help them achieve the outcomes they are looking for. This paper goes some way towards addressing these gaps.

Of the three proposals outlined in this paper, we believe targeted support is likely to have the strongest role for meeting the mass market demand for greater decision-making support when it comes to choosing invested products.

However, the targeted support proposition as outlined in this discussion paper is unlikely to provide a complete solution, and we can therefore also see the potential for this type of support to dovetail into a ‘simplified advice’ regime, but not the one that is outlined in this paper.

Indeed, we are not even sure calling enhanced targeted support services ‘advice’ is helpful in an industry context. The UK has defined Advice as a wealth product, both in terms of regulation and the industry approach to delivering it, which meets the needs of its target market effectively. Streamlined advice approaches already exist for those who need them, and advisers will already offer simplified advice services when a need arises.

In our view, targeted support is addressing a different target market to advice and as such it is the start of a process of bringing the UK back in line with the levels of support customers who look to access mass market retail investment products in other global markets currently have.

We would therefore urge the FCA to focus its efforts on the development of the targeted support proposal, to understand the target market, to see how much of the need it addresses, and to be ready to continue to innovate this approach in the future as this new proposition space develops.

# 2 DISCUSSION PAPER RESPONSE

## 2.1 Overview and the 'advice gap'

***Q1: In your view, do any of the proposals outlined in this paper adversely affect different groups of consumers and why*?**

We have not identified any specific groups of consumers that would be adversely affected by the proposals outlined in this paper. We believe the proposals will have an especially beneficial impact on those consumers that gain access to targeted support who, at the present time, have very limited support when it comes to making decisions on accessing invested products.

While we understand the practical reasons to limit the scope of targeted support to exclude more general debt advice, we nonetheless believe that any 'targeted support' proposition should ask questions about affordability and sustainability, such that people consider their wider circumstances. This is because we can see significant potential harm occurring if those with significant levels of debt, or those who have not sufficiently considered their likely future needs, enter a targeted support journey built to guide them towards an investment, annuity or even savings outcome which does not contain any prompts for them to at least consider, for example, using their savings to pay down their debt levels.

Put another way, it will be important for a targeted support product (borrowing from PROD and Consumer Duty terminology) to be accurately aimed at the right target market, and the target market for this proposition would (in our view) be those who have a sustainable debt and long-term savings position. We believe that tests to confirm the assumption of affordability and sustainability for those entering a targeted support journey could be included at the start of the journey, in a similar fashion to what consumers currently get with some insurance products (e.g., you do not have high volume/value of unsecured debt or similar).

Given the existing regulatory frameworks for investment, mortgage and debt advice, the new regulatory framework for targeted support needs to dovetail appropriately to those rulebooks (to avoid stifling the proposition before it begins). In this regard, targeted support will be a great start in moving from the current product-based regulatory structure to a genuinely consumer-centric position.

However, we believe this shift will be far more than the FCA can achieve in one move. We therefore believe that any implementation of targeted support must consider what the next incremental steps are likely to be to bring about a genuinely consumer-centric regulatory structure for mass market investment support services.

***Q2: Is there a role for the 3 proposals (further clarifying the boundary, targeted support, and simplified advice) outlined in this paper? Could these work alongside existing forms of support? When responding, please include how the proposals would (or would not) work alongside each other.***

Of the three proposals outlined in this paper, we believe targeted support is likely to have the strongest role for enhancing the mass market demand for greater decision-making support when it comes to choosing invested products. We can see the potential for this type of support to dovetail into a simplified advice regime but not the one that is outlined in this paper.

Both the FCA and the advice industry appear to be stuck on the idea that for advice to be given it has to be hyper-personalised. While we can understand why the current advice market (whose primary product is directed at wealth customers who can afford to bear the costs of high levels of personalisation) holds this view, we do not believe that any mass market financial services advice product can be effectively delivered with this assumption at its core.

In addition, our obsession as an industry and regulators with the different forms of advice/guidance services that we have created has taken us a long way from where the customer is likely to be (especially in a mass market context). Customers do not understand these differences, and in most cases, we suspect that they do not care what services they are receiving as long as they leave the process feeling what they were looking for in terms of decision-making support has been delivered.

If asked, many customers will say they have been ‘advised’ by their bank (or their friend or the man down the pub for that matter). We need to move away from approaches that seek to turn customers into experts in the range of services we have created for them first, before then asking them to choose how their needs can be met by selecting from that menu.

We need to accept that this approach is more likely to put off people from seeking any form of support than it is to create genuinely informed customers (especially since ‘our’ definition of ‘informed’ is more about understanding the design of our industry that it is really about giving customers the information they actually want/need).

We strongly believe that a genuinely customer-centric approach is the one that needs to be adopted in building out the investment support service product offering, and that some of the ‘hang-ups’ we have developed over the past ten years may need to be laid aside in favour of delivering to the consumer needs.

One of the biggest of these hang-ups (in part derived from the fact that advice has become a wealth product for those that can afford this approach) is that support services need to be hyper-personalised to be effective. By their nature, products delivered to the mass market have to deal in some form of generalisation or segmentation of consumers into groups.

This is an approach that is already applied to the support offered to customers in the mortgage market – a market where, arguably, the financial decisions being made are just as life changing as those in investments/pensions, but where there is a broader cultural acceptance that this is a product that needs to be available to the mass market. The support services offered in the mortgage market have, therefore, over the years, been designed to work in a mass market context.

The target market approach that lies at the heart of both the Consumer Duty and targeted support proposals in this paper also appear to acknowledge this reality, the proposals for simplified advice do not.

For this reason, we do not see the simplified advice proposals as addressing a very significant part of the market. Ultimately, advice is defined as the ‘personalised’ offering in the investment support service market – with its cost being driven by the level of personalisation the customer wants/needs. Simplified advice has failed because the cost base is the same as for full advice. Advisers will already often provide free or discounted services for customers where there is a simple issue which needs simple advice, because it is more cost and time effective to do just that.

In this regard the market has already responded to fill a good part of the ‘simplified advice’ demand. The mass market demand, however, has a different shape and needs to be built on a different/lower cost base, with the kind of thinking that has been applied to the development of support services offered for other mass market financial products (such as in the mortgage market mentioned above). This is, therefore, where we believe the majority of the development that follows on from the proposal in this discussion paper should be focused.

## 2.2 Proposal to further clarify the boundary

***Q3: Are there are any other proposals that we should consider to help close the advice gap and how can we support the provision of more guidance? Please outline your proposal in as much detail as possible.***

Having been involved in early robo-advice and digital advice enterprise programmes, Altus has witnessed first-hand the sophistication of some of the available technology in this space.

Frustratingly, following implementation and often significant marketing spend, typically very few customers sign up or complete journeys. The natural conclusion to draw is that the challenge in adopting digital advice solutions is not necessarily technical in nature but attitudinal and relates to a lack of education and engagement.

Alongside the development of targeted support, therefore, we believe it will be necessary to undertake more widespread initiatives to improve general engagement and awareness of investment products. This should yield greater adoption of digital solutions and result in more people seeking and receiving the help they need.

***Q4: Do you think that further guidance would provide more clarity to enable firms to get closer to the boundary? What scenarios, if any, do you think could be set out in FCA guidance? Is guidance needed on the scenarios in Chapter 3? Would there be any appropriate cases for Handbook rules rather than guidance being used?***

Given the continued concerns noted in the paper of firms not making full use of the consumer support permitted by the current advice/guidance regime, our view is that any further clarity that the FCA can offer is welcome. However, due to the ever-evolving nature of the market and the interplay between how the FCA sets the regulations and how those regulations are interpreted by the market, we do not believe that this is ever likely to be a ‘solved’ problem.

Examples such as those contained within the paper are helpful for the industry to understand where the FCA sees ‘live’ instances of firms operating too far back from the boundary, as well as in clarifying where the boundary currently sits. We would also agree with the assertion made in the paper (3.7) that, given where the line is currently drawn, further guidance is unlikely to result in all the demand for support that currently exists in the market being met.

One area where greater clarity would be appreciated and which is often cited as a concern for advice firms in providing advice and/or guidance is how these rules might be subsequently interpreted by the Financial Ombudsman Service following a consumer complaint. Strengthening clarity around interpretations in this space would, in our view, go some way to encouraging firms to offer greater consumer support.

***Q5: In your view, is there value in simplifying existing guidance? If so, what are the key relevant areas of PERG and other guidance that the FCA should focus on?***

PERG clarity would be useful to aid better understanding and it could provide examples, however the core consideration here is around regulated products, so unless impact on debt is considered as part of targeted support, PERG should not be impacted.

If debt is a consideration under targeted support, and as we outlined in our response to Q1 we do not believe that considerations of indebtedness of the consumer entering targeted support can be completely ignored in its design, then clarity will need to be drawn on the scope and coverage.

## 2.3 **Targeted support:** key proposals

***Q6: Do you support the concept of targeted support and do you support developing a regulatory framework to deliver it? If not, why not? Are there any key features (in addition to those discussed below) that you believe targeted support should include?***

We strongly support the concept of targeted support. In our view the term ‘advice gap’ is incorrect. Advice in the UK is a tightly defined wealth product designed to provide holistic support to customers with complex financial needs. The advice market is well defined, the product is well designed for its target market, and advisor firms currently function effectively to deliver the product to that target market.

We believe that the current situation in the mass market would better be characterised as a gap in the UK financial services service offering. Put another way, the introduction of AE has created a truly mass market for invested products in the form of DC pensions. As a result, there is a growing mass market demand from consumers in support services that help them identify financial products that meet their needs.

However, in the 10 years since the introduction of AE and RDR, advice market providers have repeatedly tried and failed to develop a product to meet this need. As the paper itself notes (5.1) the robo-advice market has only been taken up by 1.5% of UK consumers (a good number of which fall into the ‘wealth’ or at least ‘mass affluent’ categories). In our view targeted support is a product that will enable mass market financial services providers to begin to address this service offering failure.

We note the FCA’s competition concerns in 6.15 around the extent to which targeted support will provide larger firms a competitive advantage. Given the above statistic we find this concern slightly confusing. To restate the point in another way: after 10 years of an effectively ‘protected’ competitive space, where the regulatory approach has been to push the advice market to innovate to meet the consumer demand, while at the same time resisting calls to make it easier for larger, more vertically integrated firms to develop their offerings, the ‘innovation’ delivered (robo-advice) has addressed almost none of that demand.

This is no criticism of the advice market, as we have already stated, advice as it is currently defined is a wealth product, so it is unsurprising that providers of that product have struggled in a mass market context. Mass markets are served by large well-established providers and targeted support is therefore most likely to be a ‘large firm’ product.

We see the target market as mass market retail savings and it is the banks, life companies, D2C platforms and master trusts who are the key distributors in that market. Saying targeted support is a large company product is therefore simply acknowledging that, if the aim is to successfully reach the target market, then the key existing distributors to that market must be a key part of the solution.

If the FCA is worried about these issues, we would challenge them to find any examples globally in which this sort of ‘support’ product is supplied without the strong involvement of large, often vertically integrated, mass market providers.

In our view, targeted support is the start of a process of bringing the UK back in line with the levels of support customers who look to access mass market retail investment products in other global markets currently have.

***Q7: What types of firms do you think would be well placed to provide targeted support?***

The primary providers of targeted support are most likely to be those firms that already deliver retail/mass market financial services in the UK, namely banks, life insurers, master trusts and platforms.

While there may be some interest in developing targeted support for the mass market from some of the large national advice firms (perhaps as support for familial or intergenerational wealth transfer propositions), in general the advice market is unlikely to engage significantly with created targeted support offerings (since they are unlikely to have significant appeal for their core ‘wealth’ customer base).

***Q8: Do you think there should be restrictions on the types of firms allowed to provide targeted support, and why?***

While there should be clear communication to customers as to the service that targeted support is offering (including restrictions on what targeted support can claim to be – e.g. targeted support journeys should not claim to be offering whole of market access) we do not believe firms should be restricted in providing targeted support, outside of established rules regarding permissions to operate in the UK financial services market.

In part this is because this would limit potential competition/new entrants. For example, a restriction preventing firms offering holistic advice from offering targeted support options could restrict the ability of those firms in the advice market who *are* interested in developing mass market offerings from actively competing in the market.

We believe that targeted support will be largely self-limiting since we do not believe there will be significant incentives for advice firms, who are more purely focused on the wealth market, to develop targeted support products that would only be of limited interest/use to their core client base.

## 2.4 **Targeted support:** scenarios and standards

***Q9: Do you agree that the scenarios outlined are appropriate for a new targeted support regime? Please suggest any other specific scenarios where targeted support might be appropriate and could benefit consumers.***

We agree that all the scenarios listed seem appropriate for the proposed targeted support regime. The decumulation options seem to offer support precisely where we believe much of the long-term mass market demand is likely to sit (i.e., in supporting people to make pension choices at the end of their pension journeys).

We do not, however, consider the list of scenarios provided to be exhaustive as we suspect that there will be many more areas in the savings/investment space where targeted support would offer a greater amount of support to people than currently exists.

Rather than the FCA attempting to list out all possible scenarios for targeted support, however, we wondered whether the FCA could expand on the generic types of scenarios/customer decision making that it believes are most likely to benefit from the presence of targeted support propositions.

***Q10: Do you agree with the high-level minimum requirements for a proposed new standard for targeted support? Please explain your answer.***

We agree with the high-level minimum requirements proposed for targeted support. The explicit alignment of targeted support with firms' responsibilities under Consumer Duty both minimises the additional regulatory burden of offering the service and shows a close alignment with the existing regulatory framework.

On the other hand, the requirement for customers to understand the outcome and the risks it carries in relation to return on investment and risk of capital loss may prove problematic in a mass market context. Many consumers in this market are likely to start from a very low base of understanding and, especially in challenging market environments, there is likely to be a mismatch between their understanding of and acceptance of loss.

In addition, as we have already stated elsewhere in this response, the industry expectation that customers will have both the patience and willingness to 'educate' themselves on the product they are investing in is often misplaced. Attempts to force customers through such an 'education' process as part of a targeted support journey could act as a significant behavioural barrier to them completing that journey.

Whether we like it or not, in a mass market context, the burden of protecting the customer from poor outcomes is likely to fall most heavily on the firms offering targeted support services. They will need ensure they have done all they can to accurately position the customer in the correct target market (and subsequently evidence this) so that no product the customer is offered as part of a targeted support process falls outside their risk/reward tolerances.

## 2.5 **Targeted support:** communication and types of suggestions

***Q12: Which of the 3 options for types of suggestions would be most impactful under targeted support, and why? Are there any other options we should consider?***

To be most effective, we believe that targeted support should go as far as possible in identifying the specific product that meets the needs of the target market that the customer is in. While some targeted support journeys could result in the 'best' answer being a single product, other journeys may be better suited to presenting customers with a limited range of options. To that end we believe a blend of option b and option c is likely to be the ideal.

This is in part because we believe mass market customers using targeted support are likely to expect the products suggested to be those of the provider they have approached for that support. In addition, products in the mass market are more simplified/bundled than those produced for the wealth market. As such, a simplified set of provider-branded options is likely to be what targeted support is applied to.

***Q13: How should communications to consumers be framed so that they can effectively understand the targeted support they are receiving? Please give examples.***

We believe that the process of delivering targeted support should contain tripwires and red flags that highlight to the customer when their questions/demand for support exceed what the service is capable of delivering (and which suggest other support services, such as advice, that could meet these out-of-scope needs).

Having said that, our core position remains that the obsession that the customer needs to understand exactly what they are NOT receiving from a service such as targeted support is very much more an industry/regulatory concern, often centred around questions of limiting liability, than it is about supporting the customer in their decision making.

As we mentioned in our response to Q2, targeted support should take a consumer-centric approach by going as far as it can in helping meet the consumer need. Designed this way, we think communications on the limits of the product should not necessarily be presented up front, since this meets a customer's initial request for support with an immediate negative response, but rather that these limits should be revealed only when the data suggests the customer need exceeds the capabilities of targeted support to deliver to the customer's desired outcome.

If, having adopted this approach, the liability concerns from industry remain, then our view is that what is required is not loading the customer with more information, but rather opening up the debate on how liabilities can effectively be limited in the development of this new mass market.

Limiting liabilities based on an operation vs policy distinction are commonplace in UK administrative law surrounding public service delivery and, especially with the increased sophistication technology has provided when it comes to capturing the process a customer goes through, something similar could be applied here. Under this distinction, an agreed definition of the features of a 'good' targeted support process would need to be delivered by the regulation (the 'policy' aspect). Future liabilities would then only attach to those whose failure to follow these processes, or failure to deliver them effectively, has resulted in negative consumer outcomes.

Essentially, limiting the harm that could result from targeted support is not about creating highly informed consumers, it is about creating a well-designed process and distinguishing between harm caused by those who fail to follow it and loss caused by unforeseen/unforeseeable events.

Perhaps another way of looking at the operation vs policy distinction in a financial service context is that good operational implementation of the agreed policy prevents 'harm' but cannot prevent 'loss'. Liabilities should therefore attach to harm, but firms should be insulated from future attempts to pursue them for loss.

## 2.6 **Targeted support:** fees & charges

***Q14: Do you agree that targeted support should not necessarily be subject to explicit charges? If so, how should firms be remunerated, and why?***

As a firm committed to increased transparency and simplicity in financial markets, Altus is naturally drawn to processes where the costs are highly visible to end users.

However, repeated market testing has shown that where consumers are exposed to explicit charging for support services, take-up of those services is severely hampered. For this reason, we agree that targeted support services should not be subject to explicit upfront charges (at least until such time as evidence shows that consumers are not put off by this type of charging).

Allowing cross-subsidisation from the general product charges to pay for the provision of support would make this attractive to both consumers and product providers.

## 2.7 **Targeted support:** limits, disclosures & rulemaking

***Q15: If you agree with Q14, what safeguards and disclosure requirements should be in place to manage any conflicts of interest arising from enabling targeted support to not be subject to explicit charges, and why?***

We would expect that targeted support would comply with the disclosure requirements for the sale of packaged products to a retail client outlined in COBS 6.4.

***Q16: Do you agree that there should be no limit on product and investment range or monetary value limits (beyond those applying to the Review as a whole and in the retail distribution space more generally) applied to targeted support? If you disagree, what should the limits on product and investment range and monetary value be and why?***

We strongly agree there should be no additional limits on the product and investment range, or monetary value limits applied to targeted support.

This aligns with our views that the current situation in the UK should be seen as a market failure to provide support products that help consumers to identify the products that are most likely to meet their financial needs. Restrictions would simply perpetuate this failure in the part of the market they were applied to, and we believe could stifle innovations that could significantly improve consumer outcomes.

We do think the FCA will need to keep a close eye on the targeted support market as it develops, to make sure that innovation does continue to target improving customer outcomes (and that this innovation does not tip over into market abuse by providers). In our view, the Consumer Duty framework provides the governance structure that should allow the FCA to do this.

***Q18: Do you agree with the disclosure objectives for targeted support? Are there other factors that consumers should understand when making decisions in relation to targeted support?***

Our view on this is relatively neutral - while we agree with the principals contained in the disclosure objectives and that the objectives are desirable from the perspective of enhancing consumer understanding, as noted in our response to Q19, and elsewhere in our responses, we are concerned about the impact large amounts of disclosure could have on the take-up of targeted support.

***Q19: Do you consider an 'outcomes based' or 'prescriptive' approach to rulemaking most appropriate in underpinning disclosures for targeted support? If a prescriptive approach is thought more appropriate, please outline what detail you would like included and why?***

We believe that an outcomes-based approach is likely to be most appropriate underpinning for targeted support disclosures. This is in part because an outcomes-based approach would appear to align most closely with the approach being promoted by Consumer Duty. We feel firms will welcome guidance to clarify over the form and content of disclosure like that laid out in 4.45 and 4.46.

Evidence has proved that over-prescriptive regulatory disclosure can act as a barrier to consumer take-up of a product. In addition, large amounts of disclosure can often actively discourage consumers from understanding the nature of the product they are being sold.

It is for this reason we would favour an outcomes-based approach. Also, given the FCA has a behavioural finance team, we would recommend they be engaged to work out how to make disclosures both clear and effective.

## 2.8 **Simplified advice:** scope of application

***Q21: Do you think the scenarios outlined for consumers considering investing a lump sum or reviewing an existing investment are appropriate for a new simplified advice regime? Please suggest any other scenarios where simplified advice might be appropriate and could benefit consumers.***

We agree that these are appropriate scenarios, but we would draw attention to the highly limited nature of this list of specific scenarios when compared to the much broader ranging set of scenarios outlined for targeted support (4.16).

In our view, the attempts made by the FCA to limit the scope of simplified advice also limit its attractiveness (even with the expanded scope from the CP22/24) for both consumers and advisors. The limitations placed on such advice mean it is unlikely to address the mass market demand that makes up the majority of what this paper calls 'the advice gap.'

***Q22: Do you agree that wealth accumulation products should be in scope of simplified advice, and why? Are there any wealth accumulation products that you feel should be included or excluded, and why?***

If the aim of the policy is to increase the level of support for consumer decision making in the market, then we believe wealth accumulation products should be in scope of simplified advice. In particular, many of the questions consumers have regarding accumulation products are likely to be less complex than when they are approaching or in retirement.

For that reason, a simplified advice product that leads consumers into a more holistic at- or in-retirement advice proposition makes sense (although we do question whether the size of this 'potential holistic advice' market is large enough to encourage advice firms to invest in this product – see our response to Q23).

***Q23: Do you agree that pensions decumulation should be out of scope for simplified advice, and why?***

If the FCA is truly seeking to address the core need of the market – namely that, as a result of the introduction of AE over 10 years ago, there are now millions of people approaching retirement who need a fully functioning decision-making 'support' market in order to be able to make a smooth, confident transition from accumulation to decumulation, then we do not agree that excluding pension decumulation from simplified advice makes any real sense (since you are just ensuring that the proposed solution cannot be offered to the proposed target market).

In addition, it seems to us logically inconsistent to propose simplified advice support for people's accumulation journey, only to then abandon all those who cannot afford/do not want to engage with holistic advice services when it comes to the real crunch of making decisions for their retirement.

## 2.9 **Simplified advice:** fees, charges & limits

***Q24: Do you consider that a cap of £85,000 is the correct investment limit for simplified advice? If not, please suggest an alternative limit, and explain why this would be more appropriate.***

The application of any financial limit for simplified advice feels to us to be largely arbitrary. If a distinction was to be drawn between simplified and holistic advice, then we believe that it should be dictated by the nature and complexity of the advice sought, as well as by the consumer's ability/willingness to pay for that advice.

In the same way that targeted support is not being proposed with a limit, we would argue that, if the simplified advice regime is being developed to encourage those who would not normally seek out/be willing to pay for full advice, then the limits that are applied should be set by some form of qualification questions to determine whether the customer is appropriate for simplified advice.

We note that if the simplified advice regime were designed to really meet the need within mass affluent or even mass market, it would be hard not to envisage it eating into the holistic advice market, as even 'wealthy' consumers started to opt for the cheaper advice option.

In our view, this would be a result that the market would just have to bear and that imposing limits as suggested feels more like protectionism for the existing advice market rather than a consumer-led approach to solving the advice availability challenge.

***Q25: Do you consider that simplified advice should allow firms to provide repeated instances of transactional advice to a customer but exclude ongoing and periodic review services? Please state the reasons for your answer.***

Where consumers themselves identify that their needs/financial circumstances may have changed, it is not hard to construct scenarios in which they may return to advisors in search of updated advice that reflects these changes in their circumstances.

In examples such as this, it would seem strange if the firms that supported them with simplified advice in the first instance were only able to offer fully holistic advice as the only option.

Again, designing for the realities of the market (and ensuring that simplified advice has a broad enough appeal to consumers to make it worth firms investing in developing these offerings) would seem to require that firms be able to offer repeated instances of transactional advice.

***Q27: Do you have any suggestions for how to make it easier for consumers to pay for simplified advice, without undermining the changes made as part of the RDR?***

While we support the intellectually 'clean' and transparent approach of charging clients directly for advice provided, repeated evidence suggests that this is not a charging model that customers will readily accept. Although the issues created by commission and cross-subsidisation have been well documented, it nonetheless remains the case that these payment structures (or something like them) are still the approach the majority of consumers would prefer when it comes to paying for their advice charges.

We believe this paper recognises this fact in its acceptance that, to achieve mass market appeal, targeted support would most likely have to be paid for using some method of cross subsidisation. In an era of greater cost transparency and data, we believe that it would be easier for regulators to monitor this aspect of the market to prevent abuses. In addition, we would question why this method of payment for advice is not being considered, alongside the application of cost caps, to prevent the costs to consumers from reaching inappropriate levels.

When it comes to the suggestions outlined in CP22/24, we believe that the ability to pay for advice in a series of instalments is likely to be a method that would increase the take-up of a simplified advice model. While not overcoming the general aversion consumers appear to have for paying for advice directly, the 'buy now, pay later' model has become much more prevalent over recent years (popularised by the rise of firms like Klarna) especially amongst younger generations.

In keeping with targeted support borrowing, the 'people like you' approach from the e-commerce sector, we believe extending this by applying a 'buy now pay later' approach to the advice market is similarly playing into payment practices that have been normalised for consumers in the e-commerce space.

## 2.10 **Simplified advice:** T&C framework

***Q28: Do you agree with our proposed T&C framework for simplified advice? Do you agree that firms and advisers wishing to provide simplified advice on more than one product type should comply with the same T&C standards as for holistic financial advice?***

We feel that in its concern with designing simplified advice regime that does not overlap with the current holistic advice market, the FCA is limiting both the attractiveness and, by extension, the potential availability of any future simplified advice services. Even the proposals for targeted support recognise that it is possible that providing consumers with suggestions that actually respond to their real-world financial needs are likely to require pointing them in the direction of more than one product type (e.g. savings ISAs vs investment ISAs or annuities vs drawdown).

By replicating the T&C requirements for holistic advice in the simplified advice offering, the FCA is considerably reducing the cost savings that advice firms and others that might be attracted to the simplified advice model (such as banks or life companies) could make by offering a more stripped-down service.

By taking this approach, we also believe the FCA is signalling to the professional indemnity providers that it sees the same levels of risk in offering simplified advice (beyond the very limited examples outlined in this paper) as it does in the holistic advice market.

At this point (from a cost perspective at least) we believe the incentive for a significant investment/development of simplified advice in the market would be close to zero, ensuring that any simplified advice regime would remain, at best, a minority sport.

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