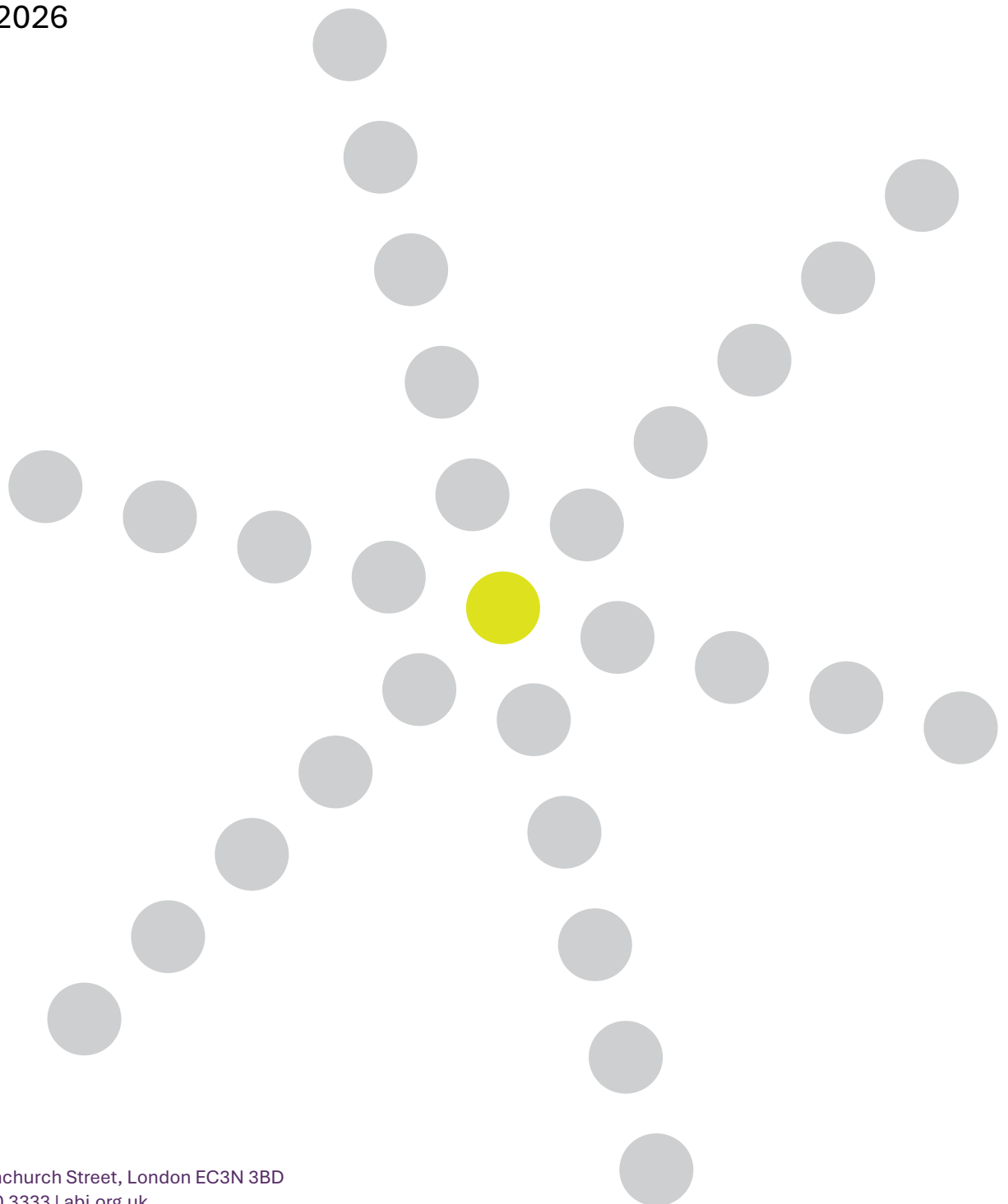


ABI Response

DP25/3: Expanding Consumer Access to Investments

6 March 2026



Executive summary

The ABI welcomes the FCA's initiative to take a step back and consider whether the overall retail investing framework is working effectively for consumers, firms and the wider economy, particularly given the volume of concurrent policy change across the retail investment ecosystem.

The ABI supports a sensible rationalisation of the framework, with a clearer, more coherent structure that is easier for consumers to navigate and for firms to implement. This should include further removal of legacy, prescriptive requirements where they duplicate outcomes-focused expectations, with the Consumer Duty (the Duty) operating as the primary standard where appropriate. The regulatory architecture should be more aligned and internally consistent, so that requirements relating to disclosure, communications and consumer protections fit together in a single, comprehensible approach.

The ABI has advised against piecemeal fixes to a patchwork of retail requirements, and supports a more coherent, principles-based and outcomes-focused framework - anchored in the Duty - that removes unnecessary prescription while maintaining clear consumer protections.

This submission is intended to set out our overarching perspective on the direction of travel for the retail investment framework rather than to respond exhaustively to every question posed by the discussion paper. We welcome continued engagement with the FCA as it develops specific policy proposals and prioritises next steps.

Question 1: To what extent does our regulatory framework – including using the Duty – mitigate the risks associated with digital engagement practices (DEPs) while supporting their positive use?

1. All DEPs should fall within scope of the Duty and should be assessed through the lens of expected customer behaviour versus good outcomes. The FCA’s own research suggests that the products tend to cause the harm, rather than the DEPs themselves. However, any evidence that shows repeated mistakes, misunderstandings, or lack of alignment with good outcomes should lead to problem DEPs being revised or removed.
2. We do not see any broader conflict between DEPs and the Duty, but guidance or clear distinction between low-risk, Duty-aligned practices and higher risk applications with products such as CfDs would be helpful. Behavioural testing should be proportionate depending on the level of risk involved.
3. More broadly, the increasing availability of flexible, self-directed investment options means that consumers are often investing across multiple providers and pursuing different objectives simultaneously. This can make it difficult for firms to hold a complete, holistic view of a customer’s overall financial position, increasing the importance of proportionate interventions that support good outcomes under the Consumer Duty.
4. The current regulatory framework attempts to draw relatively sharp distinctions between information, guidance, and regulated advice - this does not always interact well with how consumers engage with modern investment platforms. In practice, it can limit firms’ ability to provide helpful, outcomes-focused prompts that support customers in progressing towards their stated financial goals without crossing into personalised advice.
5. Targeted support should contribute significantly to firms’ ability to do this. But further regulatory clarity on where firms can provide goal-based nudges - such as prompts highlighting deviations from stated investment objectives; reminders to review asset allocation following significant portfolio drift; alerts where contribution levels appear inconsistent with a customer’s stated goal; or educational prompts encouraging diversification - would help firms to better support informed decision making and deliver good consumer outcomes, without crossing the advice boundary.

Question 2: Are there other frictions or factors shaping retail investing consumer journeys which our regulations do not sufficiently take into account?

6. ABI members observe that there are material frictions shaping retail investing consumer journeys that are not fully accounted for by the current regulatory framework. These frictions continue to affect firms’ ability to engage consumers effectively and support informed decision-making. For example:
 - a. Rules on customer communications (especially electronic communications) remain a significant constraint on engaging consumers proactively. Across long-term savings and retail investing journeys, firms face persistent tension between expectations to support consumer understanding and engagement and the operation of direct marketing rules under PECR and related guidance.
 - i. Member feedback following [the ICO–FCA joint statement on Targeted Support and Direct Marketing](#) indicates that concerns still remain and that the statement does not resolve the practical barriers to delivering new support models proactively, particularly where engagement

relies on electronic communications and where customers have not opted in. The FCA itself has acknowledged in [PS25/22](#) that direct marketing rules are perceived as a barrier, and has noted that broader legislative change is a matter for Government - meaning this friction is explicitly recognised but not resolved through FCA rules alone.

- b. Consumers and firms continue to face friction from overlapping and potentially inconsistent disclosure and communications requirements across regimes. ABI member feedback highlights that the current environment is fragmented and that disclosure requirements across regimes can confuse or deter consumers. This includes differences between regulators, and differences between sections of FCA rules that apply to different products that a customer may hold on a single platform. While the FCA has made commitments to consider the interaction between regimes and to undertake further work (including a wider review of MiFID requirements), these are framed as future steps and therefore do not yet remove the duplication/friction firms are experiencing in consumer journeys today.
- c. Regulatory uncertainty around the redress environment remains a barrier to innovation in consumer support journeys. Redress risk is a key obstacle that affects whether firms can invest in and deploy more supportive journeys at scale.

Question 5: Do you think it is important to make the regulatory treatment of model portfolio services (MPS) more consistent with managed products? What are the costs and benefits to firms and consumers of creating consistency?

- 7. Model portfolio services (specifically those with discretionary investment management) have been a significant success story for the industry, and their growth has been notable. We agree that such growth should prompt the need for regulatory review to ensure the rules are working for all involved. It is important that the growth of MPS is not unduly stifled, but it is vital that standards are raised, and consumers better understand what they are investing in. Not all MPS are created equally, so better comparison between them and authorised funds will ultimately lead to better customer outcomes.
- 8. In particular, the ABI sees merit in greater consistency where MPS and fund-based managed products present similar propositions to retail consumers, particularly to improve comparability of risk and costs and clarity on protections and expected outcomes.
- 9. Members have reported first-hand experience that authorised multi-asset funds and discretionary MPS are in direct competition with one another and are treated interchangeably by financial advisers. Both are presented as single investment products to retail customers. For these reasons, discretionary MPS should be regulated in a similar manner to authorised multi-asset funds in some key areas, namely:
 - a. **Fee sharing arrangements** between discretionary MPS providers and adviser firms. These are not permitted for authorised funds and should be reviewed carefully for discretionary MPS where genuine co-manufacturing arrangements exist, which must be properly disclosed to customers.
 - b. **Disclosures:** It is more difficult for a retail customer or financial adviser to compare MPS to one another and to authorised funds as the disclosure requirements differ. Including discretionary MPS in the CCI regime and raising standards in value assessment would bring greater comparability for customers.

- c. **Suitability requirements:** Discretionary MPS has evolved as a mass-market product-type but is rooted in regulations relating to discretionary portfolio services for individual customers. This disconnect between the product evolution and the regulation has led to current “Agent as Client” and “Reliance on Others” arrangements that feel dated and have the potential to lead to different, and poorer, customer outcomes than an equivalent authorised multi-asset fund.
10. The FCA is right to identify two types of model portfolio services (static portfolios and discretionary MPS), and there is a key distinction between them from a regulatory perspective. Static portfolios are not equivalent to authorised funds, as they are simply a point-in-time allocation which then drifts over time, and to which the individual customer can make amendments. Many self-directed retail platforms offer these “instant portfolios” as a means for customers to begin their investment journey; regulation covering static portfolios should remain as is. Discretionary MPS on the other hand are more equivalent to authorised funds, are used interchangeably with funds, and should be subject to greater consistency as outlined above.
11. Any move toward consistency should be proportionate and outcomes-focused, build on the Consumer Duty, and avoid duplicative or overly prescriptive requirements that increase burdens without improving consumer outcomes. The FCA should consider healthy, competitive markets in both MPS and multi-asset funds a desirable objective.

Question 6: Are there other examples where our regulations make it difficult to compare similar investments, what harm does this cause and what changes to our regulatory approach do you think we should make?

12. We have concerns around the alignment between disclosure rules for retail investors. Following the publication of the Consumer Composite Investment (CCI) final rules, it is essential for connected regulatory disclosure rules to be aligned to minimise the risk of customer confusion from different cost and charges. For example, under MiFID distributors are required to recreate the discarded summary cost indicator by aggregating the different types of costs shown in the product summary. This is inconsistent with the CCI policy position and is likely to confuse investors, provide them with less coherent information, and leave them less well equipped to make effective and properly informed decisions. We note, and look forward to, the FCA’s upcoming work on MiFID.

Question 11: Are there ways we could better help consumers understand the protections and limits to the protections available to them when investing?

13. The ABI would support the FCA doing more to help consumers understand what protections apply (and do not apply) - particularly around FSCS/FOS coverage and limits – for example through simpler, more standardised “protection labels” and consistent disclosure, especially in digital journeys. This should include clearer signposting where protections do not apply and clarity to reduce consumer misunderstanding and misplaced confidence.

Question 12: What do you see as the most significant priorities for how we approach the next steps of reforming the retail investing regulatory framework?

14. The ABI’s main priorities for next steps are:

- a. Reduce duplication and align regimes (particularly MiFID-derived disclosure requirements with the CCI framework) so that like products/activities are treated coherently. More fundamentally, as long as regulations take a largely “siloed” approach based on product, reforming individual elements of the sourcebook without alignment is unlikely to create the uplift in financial capability needed for increased retail investment or address behavioural biases which can drive inertia. The FCA should therefore consider the regulatory framework in the round.
 - b. Modernise the rulebook, including removing over-prescriptive disclosure approaches that hinder consumer understanding, and reviewing existing rules more generally which impose requirements that may be unnecessarily restrictive or unhelpful to customers.
 - c. Improve regulatory certainty, including ensuring the redress environment does not deter firms from offering improved consumer support.
15. Related initiatives - such as the successful rollout of targeted support, the continued clarification of the advice boundary, and developments in the simplified advice space - will be key alongside these priorities to ensure the reformed retail investing regulatory framework delivers for consumers.

Question 13: Are our financial promotion marketing categories consistently classifying investments based on their risk profiles? Please provide examples of where you see inconsistencies.

16. The FCA’s marketing categories are helpful, but they are not always a pure “risk taxonomy”. In particular, the Restricted Mass Market Investments (RMMI) category groups a range of instruments, meaning products within the same category can have materially different underlying risk profiles even though they attract the same marketing restriction framework.
17. The ABI historically accepted the introduction of RMMI/NMMI as the FCA’s chosen way to rationalise high-risk promotion restrictions (without endorsing it as a perfect risk taxonomy), and emphasised the importance of keeping risk warnings under review so they remain meaningful. Our position here remains the same.

Question 15: Are there other ways our regulations on how firms communicate with consumers could be improved?

18. Members are supportive of additional guidance on financial promotions but note that newer guidance that is not aligned with COBS 4 can lead to varying interpretations within firms. Improving consistency between the current rules and the latest guidance would therefore be valuable, both to support more uniform application across the market and to give firms greater confidence in how they communicate with consumers.
19. More generally, we note that the media and advertising landscape has evolved significantly in recent years, and consumers now engage with digital content in ways that make effective, behaviourally salient risk communications more challenging.
20. We recognise that all financial promotions must remain compliant in isolation and must meet the FCA’s requirement to be fair, clear and not misleading. This is the case even if they are merely entry points (e.g., banner ads) directing customers to fuller information. This often forces firms to include

compressed or oversimplified risk warnings, reducing the usefulness or salience of the advert. This may, for example, inadvertently act as a barrier to the promotion of investing over cash, as promotions may be technically compliant but behaviourally ineffective. The repeated use of similar, shortened industry standard warnings may reduce salience over time, and may not support meaningful consumer understanding.

21. The ABI recognises the FCA's support of the Investment Association's Risk Warnings Review (the Review), which members hope will provide a behaviourally-tested basis for the future design and placement of risk warnings. We therefore see the need to consider any recommendations from the Review before proposing any changes to the existing framework.
22. We also recognise that adjustments to warning design or placement could introduce variation in how firms apply the rules. Clear parameters and illustrative examples in any subsequent FCA guidance - particularly once the Review has concluded - would help ensure consistency, proportionality and fairness across the industry, while supporting firms in meeting the requirement for communications to be fair, clear and not misleading.

Question 16: Does the appropriateness test effectively help ensure non-advised consumers can access appropriate investments? Are there ways in which it could be improved?

23. Historically, the ABI has supported clarity and consolidation of appropriateness requirements across regimes, while flagging risks of scope creep (e.g., being applied to fund switches in complex IBIPs). In our response to CP22/2, we welcomed improved appropriateness testing for customers wishing to invest in high-risk products, but we were concerned that the proposals as outlined could also risk deterring customers from accessing *appropriate* investments rather than encouraging them to do so.
24. More recently, the ABI has explicitly supported removing COBS 10 appropriateness tests in the Targeted Support context. We were pleased to see the FCA take up that approach in the Targeted Support final rules.
25. Our overarching view is that, where appropriateness tests are necessary, clarity and consolidation of appropriateness requirements is needed across regimes.

Question 17: Are there ways we can streamline and/or clarify how our financial promotion and distribution rules interact with the Duty?

26. The ABI supports streamlining the interaction of the financial promotions and distribution rules with the Consumer Duty, and then reviewing and retiring rules and guidance where there is duplication and unnecessary burden on firms. Where the Duty is relied on, we welcome the publication of guidance to support firms' understanding of the regulatory expectations. In addition, it is essential that there is alignment between the FCA and the FOS to ensure the streamlining of regulations does not cause inconsistencies in regulatory expectations.

Question 18: Given the FPO exemptions are a matter for the Treasury, are there other interventions the FCA can make to protect consumers from harm caused by unauthorised financial promotions?

27. The current thresholds across rules in relation to financial promotions are confusing, fragmented, and risk discouraging participation. Thresholds should be aligned to support better consumer journeys and reduce gaming of rules.
28. Given the scale of fraud originating online and the role of scam advertising, we support FCA action that complements wider government and Ofcom-led measures, including proactive monitoring and takedown activity, noting that voluntary platform initiatives have had limited impact and that the Online Safety Act's scams protections are still in the process of being fully brought into force.
29. We also note the growing role of social media "influencers" and influencer-style content in shaping consumer investment decisions. The upcoming activity noted in the FCA's Regulatory Priorities for consumer investments is welcome. In wider ABI work on online fraud, we have called for more action by social media and technology companies against fraudulent content. While social media can also be a useful channel for improving financial literacy, the FCA should continue to use its existing toolkit to reduce harm in this space through clear expectations and enforcement on unauthorised promotions, and by supporting effective detection and takedown activity with platforms and other authorities (recognising the practical challenges of identifying and disrupting rapidly replicating fraudulent content at scale).

About us

The ABI is the definitive voice of the UK's world-leading insurance and long-term savings industry, which is the largest sector in Europe and the third largest in the world.

We represent more than 300 firms within our membership including most household names and specialist providers, providing peace of mind to customers across the UK.

Our sector is productive, inclusive and essential to the UK economy and together, we are driving change to protect and build a thriving society.

Find out more at abi.org.uk.