

# FCA puts consumer investment market in the spotlight

## AT A GLANCE

September 2020

### What's new?

- The FCA launched [Call for Input: The Consumer Investments Market](#) (Cfi) on 15 September 2020. It explores areas where the consumer investments market is not working well and seeks views on what changes the FCA can make to improve protections and outcomes for consumers.
- This builds on the FCA's identification of the retail investments markets as a key area of focus in its 2020/21 Business Plan.
- The FCA incorporates its recent work on the retail investments market, including proposals to issue a permanent ban on the mass marketing of speculative illiquid securities to retail investors.

### What does this mean?

- The FCA identifies a number of issues across the retail investments market, including difficulties in effectively overseeing complicated networks of small firms and chains of interdependent products and services.
- In addition, the FCA observes that some consumers were found to be receiving lower returns than they should because of unsuitable products with high fees.
- The FCA is inviting feedback on how it can help the retail investments market offer a range of products that meet straightforward investment needs.
- The regulator is exploring how to target firms providing poor quality advice to consumers, with a view to reducing the amount of unsuitable advice given.
- It is, however, keen to avoid imposing additional requirements on firms which are already meeting expectations in this area.
- Options currently under consideration include whether to introduce additional reporting requirements, restrict firms' activities, or apply higher capital requirements to cover potential liabilities from higher risk activities.
- The regulator is also seeking views on how it can ensure that consumers with the financial resources to accept higher investment risk can do so if they choose, but in a way that ensures they understand the risk they are taking.
- Financial promotions also gets attention in the Cfi. The FCA is considering how it can use the financial promotions regime to ensure consumers better understand the level of regulatory protections afforded to them when they invest. It is also looking at whether firms are appropriately using existing exemptions under the regime in the context of promoting products to high net worth and sophisticated clients.
- In addition, the regulator is reviewing whether additional obligations should be imposed on non-advised platforms to strike a balance between cost of services and ensuring appropriate consumer safeguards are in place.

### Contacts

#### Andrew Strange

Director

T: +44 (0) 7730 146626

E: [andrew.p.strange@pwc.com](mailto:andrew.p.strange@pwc.com)

#### Lucas Penfold

Manager

T: +44 (0) 7483 407581

E: [lucas.penfold@pwc.com](mailto:lucas.penfold@pwc.com)

#### Leo Donnachie

Senior Associate

T: +44 (0) 7483 329595

E: [emilio.donnachie@pwc.com](mailto:emilio.donnachie@pwc.com)



# AT A GLANCE

September 2020

## Contacts

### Andrew Strange

Director

T: +44 (0) 7730 146626

E: [andrew.p.strange@pwc.com](mailto:andrew.p.strange@pwc.com)

### Lucas Penfold

Manager

T: +44 (0) 7483 407581

E: [lucas.penfold@pwc.com](mailto:lucas.penfold@pwc.com)

### Leo Donnachie

Senior Associate

T: +44 (0) 7483 329595

E: [emilio.donnachie@pwc.com](mailto:emilio.donnachie@pwc.com)

## What do firms need to do?

- The FCA's thinking on possible reform to the retail investments market is at an early stage, but there are a number of things that wealth management firms can do to get on the front foot and be prepared for any proposals from the regulator.
- Firms should consider what regulatory barriers there are to the services they want to provide over the next five years, and respond with robust evidence to the FCA, to attempt to influence the debate.
- There is a clear desire here for the FCA to tackle underlying issues in the market - such as 'polluter pays' in compensation scheme terms, the long-stop, and the financial promotions perimeter. While these aren't 'compliance' tasks, positive engagement with the FCA and consumer groups, perhaps through trade associations, could drive beneficial reforms for the sector. Senior level engagement with policy teams could be a valuable long-term strategic investment.
- The FCA pulls together a disparate range of topics. It is likely that some or all of these areas will receive additional regulatory scrutiny, or new focus, over the coming years as a consequence of the Cfl. Firms would therefore be wise to consider this direction of travel in their current thinking on:
  - product governance
  - provision of advice
  - provision of higher risk or complex investment products
  - oversight of appointed representatives
  - other regulatory initiatives, such as investment 'pathways' for pensions drawdown, which could be introduced in the retail investment market to improve levels of consumer engagement
  - processes to ensure product and advice offerings meet the needs of a specified target market and deliver suitable outcomes
  - value for money of services and products, including whether ongoing advice and those for which a 'one-off' or 'focused' service offering may be more appropriate
  - the use of exemptions to the financial promotions regime.

## Next steps

The FCA is seeking comments on the Call for Input by **15 December 2020**.



[www.pwc.co.uk/regdevelopments](http://www.pwc.co.uk/regdevelopments)

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2020 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.