

# FCA raises concerns over choice and value in advice market

## AT A GLANCE

December 2020

### What's new?

- The FCA published its [evaluation](#) of the impact of the Retail Distribution Review (RDR) and the Financial Advice Market Review (FAMR) on 3 December 2020.
- While the financial advice market has improved since the introduction of RDR and FAMR, albeit at a slow pace, the FCA observed that a lack of competition in the sector has limited innovation.
- The FCA will use this review as a key component of its [upcoming review of the wealth management sector](#), and firms should note key areas of concern.

### What does this mean?

- The FCA highlights an increase in people seeking advice, and the provision and understanding of new service models (e.g. automated advice).
- However, it would like to see more innovation in the market. It is concerned that many consumers continue to hold cash, which the FCA believes is partly the result of a lack of mass market consumer services which could help facilitate informed decision-making.
- Where firms offer both one-off and ongoing advice services, more than 90% of new customers are placed in arrangements with ongoing fees, possibly suggesting that advisers may be offering these ongoing services as a 'default option'. The FCA is concerned that this might lead to consumers paying for services they do not need or use.
- The FCA also identified evidence of 'significant' price clustering across adviser charges, at odds with a broader distribution of charges (reflective of factors such as differing levels of service) that the FCA would expect in a well-functioning market.
- The FCA believes that consumers would benefit from greater development of two key support services, namely simpler forms of streamlined advice and more personalised guidance services.

### What do firms need to do?

- The focus on cost and value, combined with the commentary on ongoing services, suggests that the FCA may consider a range of market-wide remedies.
- Firms should consider the commercial implications of a shift towards 'one-off' advice models. While these services may engage more mass-market consumers, they could create challenge for firms (for example the viability of complying with regulatory obligations such as ongoing suitability).
- Firms engaging in M&A activity, which is often guided by annuity income, should consider the potential long-term commercial impact on their business.
- The evaluation represents another opportunity for firms to tackle any regulatory barriers to automation or guidance/simplified advice services by engaging with the FCA.
- But firms should also consider these outcomes in the context of the FCA's wider agenda around the retail investments market, including the recent [Consumer Investments Call for Input](#) (Cfi). Firms seeking to engage with the regulator on the issues raised in the review should do so by responding to the Cfi.

### Contacts

#### Andrew Strange

Director

T: +44 (0) 7730 146626

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

#### Mark Spiers

Director

T: +44 (0) 7483 398365

E: [mark.spiers@pwc.com](mailto:mark.spiers@pwc.com)

#### Leo Donnachie

Senior Associate

T: +44 (0) 7483 329595

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

### Next steps

The FCA will supplement the evidence from the review with feedback to its Cfi on consumer investments, which closes on **15 December 2020**. The regulator expects to carry out further work on the topic in **H1 2021**.



[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.