Consumer Investments Advice Policy
Financial Conduct Authority
12 Endeavour Square London
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28 February 2024

Dear Sir or Madam,

We are writing in response to DP23-5, your consultation on the Advice and Guidance Boundary review. Age UK is pleased that the FCA is looking into improving the support on offer for financial decision making, and we agree that financial advice and guidance has a key role in helping people enjoy more financially secure retirements.

The paper outlines three proposals for reform:

- Further clarifying the boundary
- Targeted support
- Simplified advice

Before outlining our views on these, we would like to make clear our belief that reform for reforms sake is not desirable. The 'advice gap' is evident, but no matter what regulated advice is available it will only ever be the solution for a minority of consumers and will not solve this problem alone. The proposed changes have some potentially significant drawbacks, which risk exposing the weakness of the regulatory system if existing protections are watered down or removed.

Each product class requires different solutions. For example, the FCA highlights people holding too much cash as a major problem. There are relatively high levels of consumer understanding of retail banking, and people may have good reason to hold cash, even if this is because of a behavioural bias towards liquidity. Encouraging people to move their money into a higher interest account, or even to invest it, may be possible with the right guidance and support from trusted sources, be that regulated advice or otherwise. We believe that people can be encouraged to do this without substantial changes to the regulatory regime.

On pension access, consumers express very low levels of engagement and demonstrate even lower levels of understanding – as the FCA points out, a staggering 36% and 32% of DC pot holders aged 50-69 have not heard of drawdown and annuities respectively. This is unsurprising given the long-term and highly complex nature of this marketplace. It requires a particular type of solution, with less emphasis on proactive decisions by individual consumers

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and far more on how automation can deliver good outcomes across retirement. We believe the role of advice in delivering this will be limited, and much can be achieved by working with the pensions industry to deliver automated ‘retirement income’ pathways, which would build on the excellent work the FCA has already done.

Similarly, we believe that rather than wholesale reforms to the regulated advice landscape, more should be made of existing initiatives, in particular Pension Wise. Too few people access guidance through this service, in spite of its high customer satisfaction scores. Non-use of such impartial guidance services by non-advised savers increases the risk of badly informed decision making. HMT and FCA should add their backing to calls for a trial to test the impact of auto-booking pension savers into appropriate MaPS pension guidance at earlier ages – we would suggest from age 50. If people subsequently wish to seek support options or advice such as that proposed in the Discussion Paper then they can do so as they wish, but from a better informed position. We do not see how the proposals are likely to deliver solutions for the mass market on their own.

During the Consumer Working Group sessions we expressed some concerns with the overall direction. While the FCA is correct to identify behavioural biases that often prevent consumers from engaging, there are also significant supply side issues that need to be addressed. The lack of supply and seeming reluctance from the industry to engage with moderate and lower earners is, we believe, a significant contributing factor to these groups’ lack of access to advice. More work needs to be done on the supply side to address failings before radical steps like removing the suitability requirement and reducing or eliminating providers’ liability should be considered.

Further clarifying the boundary
We are broadly supportive of this proposal. Many firms complain about being unable to distinguish between what does and does not constitute financial advice, so this could bring greater clarity. It should allow for greater intervention from industry, for example banks writing to people with high levels of cash in their current account, without any fear of falling foul of the law.

Targeted support
Age UK does not support this proposal, which would allow firms to group together customers with “people like you” and make generalised recommendations. This would remove the suitability requirement and liability, meaning when things go wrong there would be no avenues to redress,

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undermining the fundamental principle of consumer trust in this marketplace. It is likely to enable firms to game the system to push people down specific, commercially beneficial product routes, rolling back the years. We believe that there are solutions to many of the problems already out there (e.g. banks writing to current account customers holding too much cash, or nudging pension customers into Pension Wise) which can make a difference to outcomes without the need for such sweeping reform. Whether HMT/FCA chooses to take forward targeted support or not, we urge policymakers to identify how this system would usefully interact with existing, valuable impartial guidance services.

Simplified advice
We agree this could deliver benefits, if it can be made commercially viable, which has not previously been the case. There are risks, however, especially if simplified advice leads to lower levels of liability. The FCA must resist any efforts to lessen firms responsibilities or it will lead to poor consumer outcomes.

If the FCA chooses to progress the proposals set out in the Discussion Paper, it will be important to ensure management information is gathered from firms in order to track and assess outcomes from the policy. This is consistent with the Consumer Duty, and will help the regulator understand the impact of accessing advice – or the failure to do so.

While we agree that the advice gap constitutes a serious issue, and one that deserves looking at, reforms must not allow industry to game the system at consumers' expense – this will only serve to undermine trust in the industry and further worsen the advice gap. Any reforms should be thoroughly tested prior to full implementation to ensure that they work in consumers' interests.

Yours faithfully,

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