ACCORD TALKS

Episode 15: Transcript & Shownotes

Title: CP26/10 — In Accord's feedback

Summary: In this episode of Accord Talks, Elly and Lee explore the FCA's CP26/10 consultation on simplifying pensions and investment advice rules. They discuss In Accord's feedback, the move towards more proportionate advice, and why understanding clients' wider values and preferences remains an important part of delivering good consumer outcomes under Consumer Duty.

Note: Any guest contributions are transcribed from the recording. Host sections are based on the final script used for recording and may contain wording variations from the audio.

Transcript:

ELLY:
Hello. I'm Elly Dowding

LEE:
And I'm Lee Coates - Together we are In Accord and the Accord Initiative.

ELLY:
You're listening to Accord Talks. a podcast about sustainability and compliance - and advice processes supporting the financial advice sector. We hope you are all well.

LEE:
Today it is just the two of us. No guests. And we wanted to spend this episode talking through the FCA's CP26/10 consultation — Simplifying the Pensions and Investment Advice Rules — and also our own response to it.

ELLY:
Yeah, I think this is a really important consultation. It was open for consultation from March and feedback closed on 22nd May. I have to say, I found all the issues within this paper fascinating. So, on the face of it, CP26/10 is about simplifying the advice rules, supporting more proportionate advice, making ongoing services more flexible and helping the market offer a broader range of support.

LEE:
Which, broadly, we support.

ELLY:
Yes we do. We absolutely support the direction of travel. I think anything that helps more consumers access good quality support, and gives firms more confidence to provide advice in a proportionate way, has to be welcomed with open arms.

LEE:
But — and there is a but!

ELLY:
Yes, there is always a but!

LEE:
Yes, and I agree this paper is fascinating and extremely wide-reaching. So, our main point in the feedback was that there is still a critical area that feels underdeveloped.

And that is the consistent recognition and integration of non-financial objectives — particularly sustainability, ethical and values-based preferences — across all advice and support formats.

ELLY:
Exactly — thanks for putting that so succinctly. I think it is really important to say that this is not us trying to bolt sustainability onto a consultation where it does not belong.

It absolutely does belong here.

Because if the rules are being simplified, and if the market is being encouraged to offer more limited scope advice, simplified advice, targeted support and more flexible ongoing services, then we absolutely have to ask: where do client values and preferences sit in that new landscape?

LEE:
And I feel very strongly on this one. We don't think the answer should be that these conversations only happen within comprehensive advice.

ELLY:
No, I completely agree. Because that risks creating a two-tier system. We cannot find ourselves in a place where clients who can access and pay for full advice may have their values and preferences properly explored. But, clients going through a simpler journey may not even be made aware that they can express those preferences.

LEE:
And that is where we think the potential harm sits.

ELLY:
Yes I think so. The consultation quite rightly and very clearly talks about proportionality, sufficient information, Consumer Duty, consumer understanding and foreseeable harm. But we have put forward the view that non-financial harm needs to be recognised more explicitly within all that.

LEE:
OK, I think we should take a second to unpack that a bit. First by answering "what do we mean when we say non-financial harm?" What we are referring to is the potential harm that may arise if a client ends up invested in a way that conflicts with their values, beliefs or identity.

ELLY:
Yeah ... And that may not show up as a financial loss.

LEE:
Exactly. So, the portfolio might perform perfectly well. The risk profile may be technically right. The time horizon may be appropriate. But if the client later discovers they are invested in areas that conflict with deeply held ethical, religious or sustainability preferences, that could create distress, loss of trust, disengagement and poor outcomes.

ELLY:
And I think a critical point to make here is that under Consumer Duty, firms are already expected to avoid foreseeable harm and support clients in pursuing their financial objectives. So the question is: are firms consistently allowing and giving clients the opportunity to express those wider objectives?

LEE:
And are clients even aware that they can?

ELLY:
Yesss! That is the key point. It cannot be assumed that retail clients know they can express investment preferences beyond risk and return which are well established within all advice processes. Many clients will not even know to volunteer broader preferences unless they are prompted in a neutral, safe and structured way.

LEE:
OK, so this brings us neatly to the first big theme in CP26/10 – the move from "necessary information" to "sufficient information". Let's start there.

ELLY:
Yep. OK. So, the FCA is proposing that firms should not feel they have to gather exhaustive information in every case. Instead, they should gather sufficient information to reasonably demonstrate suitability, depending on the nature and scope of the service and the complexity of the recommendation.

LEE:
And we agree with that. It makes excellent sense. Let's imagine for a moment a client wanting straightforward advice on a stocks and shares ISA – they do not necessarily need a full, comprehensive advice process.

ELLY:
Agree. But our point is that "sufficient" information must include non-financial objectives at the pre-sale point of all advice formats where they are relevant to the client's outcomes.

LEE:
Because otherwise, there is a risk that values-based considerations become the first thing to be dropped in a simplified process.

ELLY:
Exactly. Personally, I think that would be a mistake. Proportionality should not mean ignoring client preferences. What it should mean is proportionately asking about them.

LEE:
I think that is an important distinction. We are not saying every client needs a long sustainability questionnaire. In fact, we are embracing simplification and saying the opposite.

ELLY:
Yes, absolutely. And interestingly, the FCA in the CP, gives a really useful clarification that firms do not always need complex psychometric tools or detailed questionnaires for attitude to risk. Our recommendations include that the same thinking should apply to sustainability and ethical preferences.

LEE:
So firms need guidance to take a simple, and proportionate approach.

ELLY:
Yeah, like a neutral prompt. Clear pre-meeting information. A simple explanation of the broad investment pathways. A way of recording whether the client has preferences or not. That is not an onerous process.

LEE:
And we do say this a lot ... it is not about pushing clients into sustainable investments! It is all about giving them the choice rather than structurally removing choice.

ELLY:
This is a really important point I think. Any process must be outcome-neutral. Some clients will say they have strong preferences. Some will say they want conventional investing. Some will say they are not sure and want more information. All of those are valid outcomes.

LEE:
Absolutely. The regulatory issue is whether the client had the opportunity to make an informed choice, not being placed in a situation where that choice has been removed.

ELLY:
OK.... And that links to another part of the consultation: knowledge and experience.

LEE:
Yes. So, the FCA is proposing that firms do not always need to assess knowledge and experience where it would deliver no discernible benefit. So, for this, picture simpler products designed for clients with little or no investment experience.

ELLY:
Again, we agree with the intent, don't we. But in our response, we made the point that firms cannot assume clients know they can express values-based preferences.

At the point of advice, many retail investors simply do not know that this is a legitimate part of, or even a possible part of, the conversation.

LEE:
So we think if firms are expected to support consumer understanding, that should include helping clients understand that investment preferences can include sustainability, ethical or values-related considerations.

ELLY:
So, this is why, in our feedback, we have specifically asked for clearer guidance equivalent to the guidance given around risk profiling.

LEE:
I think this is really important. Because the industry has spent decades building structured processes around risk. Risk questionnaires, capacity for loss, risk warnings, suitability wording — all of that is well established.

ELLY:
Yes it is. Whereas as we know, client values and sustainability preferences are still patchy across the market. Some firms do it very well of course. Some ask only a basic ESG question with limited internal knowledge. And some may avoid the subject completely because they might be worried about complexity, greenwashing, politics or suitability risk etc., etc.

LEE:
Yes, there's a multitude of reasons! A quick spoiler for you all is that we will be releasing results from our industry survey, which explores this topic in depth, in the next few weeks. Back on topic, though, I do have to say also that avoiding asking clients is becoming harder to justify!

ELLY:
Yes, it really is. The Consumer Duty is not just about avoiding financial loss. It is about understanding clients, supporting informed decisions and delivering good outcomes.

LEE:
OK, so the next area we responded to was suitability reports. This one has been in the press a lot.

ELLY:
Yeah, it has. And I have to say, we strongly support the FCA's direction here. Suitability reports should be concise, proportionate and consumer-focused. They should not be treated and viewed as defensive compliance documents dressed up as client communications.

LEE:
That point is so important. A suitability report is meant to help the client understand the recommendation, although with 31 years as an adviser, I do know that it feels better from a compliance point of view to check everything just in case.

ELLY:
Yep. The suitability letter is not a tickbox exercise. Not to prove to a file reviewer that every possible regulatory phrase has been included.

LEE:
Exactly. And this links directly to consumer understanding, doesn't it? If a client cannot understand the report, or it is too long for example, it is not doing its job.

ELLY:
So, saying this, we agree with the FCA's proposal to align requirements and encourage clearer, more proportionate reports. But again, with client preferences ranging from conventional, or ESG for risk or sustainability or ethical, we think the report should always explain how those preferences were considered.

LEE:
And if they were not relevant, or the client had no preferences, that should be completely clear too.

ELLY:
Yes. It's about evidence, isn't it. Not an assumption. Knowing the client fully.

LEE:
OK, moving on again. Another important proposal I think is the FCA's plan to retire FG17/8 and embed the principles of proportionality into the new rules.

ELLY:
We agree with this one as well. But we feel there is lots of opportunity in this one because we strongly encouraged the FCA to include case studies involving sustainability and ethical preferences.

LEE:
Yes, the case studies really matter becuase it is shows how firms operationalise. Firms often do not just need principles; they need the practical examples of what good looks like.

ELLY:
Exactly - I agree how important case studies are. For the compliance community as well. And we like to think we have helped in our feedback by giving suggested examples for the case studies ... such as where values-based preferences affect suitability, where failure to capture preferences could lead to harm, and where values may intersect with vulnerability.

LEE:
OK, favourite subject mentioned! Let's talk about vulnerability. This is one of the strongest points in our response.

ELLY:
Yes it is. It was the final question in the consultation paper and I think our longest response.

OK, so in our feedback on equality and diversity considerations, we have highlighted the view that values and beliefs are not neutral or secondary preferences. And, that they can be closely linked to identity, religion or belief, and in some cases protected characteristics.

LEE:
Yes, and where investments conflict with those beliefs, the client may experience distress, disengagement or reduced confidence in the advice process. So, for this reason, we think values-related vulnerability should be explicitly recognised.

And again, for complete clarity, this does not mean every client with a belief is vulnerable.

ELLY:
No. Of course not. That would be completely wrong. The point is that vulnerability can be situational. Harm may arise not from the belief itself, but from the belief being overlooked, misunderstood or unintentionally breached by the advice.

LEE:
And just to emphasise that point, Elly, I'd remind you of a recent meeting we had with an adviser who confirmed to us that he recently picked up a new client from another adviser because the client felt that when her religious beliefs were discussed, the other adviser made her feel that this was not important and had nothing to do with the investment advice process.
Which is why firms need processes that invite disclosure in a safe, neutral and non-judgemental way.

ELLY:
Yeah, and I think all this is particularly important in simplified advice, targeted support and guidance-based journeys. Because if those routes do not create space for values-based disclosure at outset, some groups of consumers could be disadvantaged. And there is a two-tier risk again.

LEE:
Yes. If values-related needs are only properly captured in full comprehensive advice, then consumers using more affordable or simplified services may receive a lesser version of client understanding.
And that is not where the market should be heading.

ELLY:
No it is not! The whole point of the Advice Guidance Boundary Review is to create a continuum of support. I strongly think that continuum needs to carry through the core principles of Consumer Duty.

LEE:
OK, agree. Strong views. Important stuff here. Let's move on to ongoing advice services.

ELLY:
Yep. OK. So, the FCA is proposing to replace the annual suitability requirement with a more flexible periodic review requirement, aligned with Consumer Duty.

LEE:
And again, we agree. Annual reviews may be right for many clients, but they are not automatically right for everyone.

ELLY:
No, they are not. Some clients may need more frequent contact. Some may need less. What matters is whether the service meets the client's needs, whether the client understands what they are paying for, and whether it represents fair value. This consultation proposal represents a significant shift.

LEE:
Yes it does. Our point for ongoing services is that they also create an opportunity to revisit alignment with client values. This is because preferences can change. Particularly if things shift from a geopolitical perspective. Also, a client's circumstances can change. Their understanding can change. The market changes, too. So periodic reviews should not only ask, "Is the investment still suitable financially?"

We have put forward in our response that we believe advisers should also consider whether the investment remains aligned with any stated preferences.

Especially where those preferences formed part of the original recommendation.

ELLY:
Exactly. If a client previously stated sustainability or ethical preferences, there should absolutely be a process to make sure the advice has not drifted away from that.

LEE:
Which links to disengaged clients, doesn't it?

ELLY:
Yes, it does. In the paper, the FCA is proposing guidance for firms handling clients who are paying for ongoing services but not engaging. We agree with this, and we also support the idea of good and poor practice examples.

LEE:
So we recommended that case studies should include disengaged clients with previously stated values.

ELLY:
Yeah, an example of that might be if a client has expressed strong preferences and then becomes disengaged, firms need to think carefully. Is the client still receiving fair value? Are their preferences still being respected? Is there a risk of drift? Has the firm made reasonable attempts to re-engage them?

LEE:
And if fees are continuing, firms need to be able to evidence what service is actually being delivered.

ELLY:
Yes. Consumer Duty makes that unavoidable.

LEE:
Now, as part of our feedback CP26/10 we also responded to the cost-benefit analysis and wider economic impact.

ELLY:
Yeah this part was interesting. And in our feedback, we encouraged the FCA to think more broadly that if consumers are consistently made aware of sustainability preferences and supported in acting on them, there could be capital allocation effects.

LEE:
To put that in plain English: money may flow differently.

ELLY:
Yes, that's right. More informed client preference conversations could increase flows into sustainable capital markets and improve access to funding for firms aligned with sustainability outcomes.

LEE:
And that links to public policy.

ELLY:
Yes, it does. We have suggested that the FCA reconsider its position that these proposals are not relevant to climate and environmental legislation. We can see a clear transmission mechanism: consumer preferences influence investment allocation, investment allocation influences capital flows, and capital flows influence real economy outcomes.

LEE:
And to be clear to our listeners, that does not mean advice firms are responsible for solving climate change or that they can mitigate systemic risks related to the impact of climate change.

ELLY:
No, absolutely not. But it does mean that the advice process is part of the capital allocation chain.

And if the regulator is simplifying the advice framework, we think there is an opportunity to recognise that connection more explicitly.

LEE:
OK... all said. We have responded and submitted. So, where does all of this leave us?

ELLY:
OK, yeah. Quick summary. I think our overall position is supportive and constructive. I think the CP26/10 is a massive, meaningful step toward a more proportionate advice framework. The opportunity is enormous. But if non-financial objectives are not explicitly recognised, there is a risk that simplified advice becomes financially suitable but personally misaligned.

LEE:
That is a really good way of putting it.

Yeah, I think the danger is not that firms ask too much about values. The danger is that they ask too little, or ask inconsistently, or only ask clients who can afford a full advice process. And we need to move away from the idea that client preferences are a specialist ESG add-on. They are part of knowing your client fully.

It needs to be:
Financial objectives.
Risk tolerance.
Capacity for loss.
Knowledge and experience.
Vulnerability.
Values and preferences.

Advisers need to understand that these things are connected.

ELLY:
The advice community now needs practical support, examples and guidance to demonstrate that the answer is not complicated.
Firms need proportionate prompts, clear language, consistent recording and good governance.

LEE:
And they need to be able to evidence that clients were allowed to express preferences even where they have no preferences.

ELLY:
Yes. Whether the client chooses conventional investing, sustainable investing, ethical exclusions, or no preference at all, the important thing is that the choice belongs to the client.

LEE:
That is a very Consumer Duty point.

ELLY:
Yes, it is. And I think it is the thread running through our feedback isn't it. Consumer Duty is about better outcomes. And better outcomes require better understanding.

LEE:
So to summarise our ask of the FCA. It is really quite simple. As the advice rules are simplified, make sure non-financial objectives are not left behind, thereby potentially creating a two-tier system.

Recognise values-related harm.
And support proportionate preference conversations.

ELLY:
A big one for me is to provide practical case studies. And embed consumer awareness at the outset of all advice and support journeys.
Because I may be on repeat here: clients cannot express preferences they do not know they are able to have.

LEE:
And that means firms cannot deliver fully aligned outcomes if they never ask.

ELLY:
Exactly.

LEE:
So we will leave it there for today. We hope this has been a helpful walk-through of CP26/10 and our response to it.

As always, this podcast is intended to highlight issues. It is not regulatory advice.

ELLY:
Thank you for listening to Accord Talks. Thanks as always to our Accord initiative partners for making it possible for us to produce the podcasts. As always, for keen people, we will add our full written response to the FCA into the show notes.

LEE:
Thanks for listening.

ELLY:
We've loved it — we hope you have too.

SHOW NOTES:

In Accord's reposnse to the CP26/10:
https://www.inaccord.co.uk/wp-content/uploads/2026/04/In-Accord-Feedback-CP26_10.pdf

CP26/10: Simplifying the pensions and investment advice rules:
https://www.fca.org.uk/publications/consultation-papers/cp26-10-simplifying-pensions-investment-advice-rules