



Wealth Management Annual Review 2025

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Editor's Note

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Happy New Year and welcome to our sixth Wealth Management Annual Review.

2025 was another busy year as we and the firms we serve dealt with the fallout from industry-wide reviews and, more intensively, from data requests, surveys and supervisory engagements that spiralled into business-critical regulatory interventions and re-assessments of entire propositions and business models.

The FCA's wealth management consolidation review landed softly, like the ongoing services review of the prior year. PE investors are breathing a sigh of relief and heading back out on the acquisition trail. Never mind consolidation, the coming year or more will be about 'consolidation of consolidators'.

But prudential regulation is in focus like never before, primarily due to the findings of the consolidation review and the investment and funding arrangements underlying so much of the market. Although the polluter pays capital deduction for redress proposals for PIFs have been quietly dropped, IFPR and MIFIDPRU is starting to bite in unwelcome places (and that's without the risk of forgetting about the MIFIDPRU RemCode).

Conduct issues have not taken centre stage in the consolidation review – yet. But there are some important issues around inducements, conflicts

management - and maybe even independence - waiting in the wings. The FCA's planned MPS review could bring the 'in house DFM' into focus like never before, albeit early indications are that the review will focus more on investment management than structuring. 'In house funds' are back on the agenda.

It has never been more important to distinguish between MIFID and non. A3ME firms setting up DFMs, funds or even PSPs should take note. And we will try to get answers from the FCA on the scope of MIFID and the ancillary activities available to a MIFID exempt group.

The AGBR has progressed with speed and conviction, and is due to deliver targeted support by April – just in time for stocks and shares ISA season – but I have my doubts, fearing it may not support many and might miss the target.

The FCA has skin in the game now, having majored on targeted support. Accepting Treasury's challenge to foster investment-led growth, the FCA is committed to its new regime, even if the early evidence suggests only a few firms are up for it.

Why not robo version [whatever number we're up to]? Free advice will inevitably be on firms' own products, but how many consumers will have spare investable cash after paying off unsecured debt and maximising their workplace pension? Will other cross-subsidisation be allowed? And how will firms differentiate their TS consumer segments from the 'target market of one' revealed by their rich and increasingly accessible customer data? The inherent tension in the idea of 'personalised guidance' remains.

Platforms – the gatekeepers and guides from our 2023 edition – remain fertile ground for innovative propositions and structures, but also both traditional and novel risks. CFD and trading app firms are going mainstream, offering SIPPs etc, in part because of the increasing pressure from the FCA against international operators using the UK for 'halo firms' and UK firms grappling with the Consumer Duty in circumstances where the majority of their clients lose money. Many are now offering crypto ETNs, with fuller crypto regulation likely to feature in next year's WMAR.

We are proud to be founder associate members of the new Platforms Association as it performs a vital role in providing an industry voice, sounding board for regulatory engagement and industry collaboration towards better practices.

Adviser platforms (AaaPs) are one of the next big ideas for the bigger consolidated firms. But there is dire need of regulatory clarity to level the playing field, make clear the basic rules of the game and ensure the FCA doesn't move the goalposts.

FOS is the other big threat to well-made (or, at least, well-intentioned) business plans. Its joint statement with the FCA included encouraging words about targeted support but we need to see how substantial the reforms of the redress system really are. The FCA is hardly leading by example with its pursuit of the BlueCrest case. FOS's approach to 'gateway' cases, like those involving insufficient appropriateness

assessments or flawed COBS 10/A processes, doesn't inspire confidence – same old FOS?

Systemic SIPP DD liabilities, like DB transfers, are all but resolved bar the shouting (and remaining, but sadly inevitable, insolvencies). Distressed, illiquid and/or toxic assets remain a market wide problem, particularly for SIPP - and platform - providers. Our Pensions team have summarised the work in which they're involved to try to find fixes.

We have included a timely update from our insolvency team as we continue to lead the market in investment firm (Special) Administrations and the associated regulatory issues.

FCA Enforcement is now all but non-existent in the mid-market (he says more in hope than expectation) – it's all about supervisory engagement. Thematic reviews and skilled persons used to be a key source of market intel. Whilst Skilled Persons abounded in consumer investments earlier in the year, the key trigger of regulatory issues has been and will likely continue to be questionnaires, surveys and s165 Info Requests. The FCA promises risk-based, proportionate supervision, with unapologetic intervention where deemed necessary to prevent harm.

The growth agenda and associated liberalisation – and the FCA's reassessment of the balance of risks in financial services – are very welcome (politically). Professionally, we'd like a quieter year, so maybe it'd be nice if the FCA would cut us all some slack for a while! Here's to "predictable, purposeful, and proportionate" regulation in 2026. December's deluge of documents on boosting UK investment culture will certainly make for a year of interesting policy developments.

My thanks to Matt Watson for co-editing with me this year and the rest of the contributors and wider team who enable us to offer so much to the retail investment market in terms of legal and consulting support. This detailed (and therefore lengthy) report shows what we're about - and we look forward to engaging with clients and the wider wealth management community for years to come.

Best wishes,

Robbie

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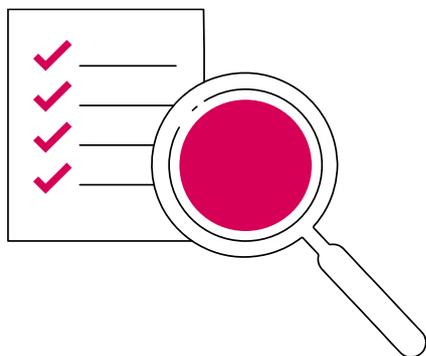


Hidden carrots and sticks – the FCA's 2025 wealth management consolidation review

The FCA is still (officially) agnostic about PE investment in wealth management consolidation, and the outcome of its year-long review suggests the market has done a good job at explaining the positives, even if there is work to do on 'areas for improvement'. Private Equity wasn't even mentioned in the FCA's report. While stressing that the feedback does not introduce new requirements, the FCA reiterated existing expectations and recommended that firms perform gap analyses accordingly.

In our [previous article](#), we explored the regulator's initial observations on the growing trend of consolidation in our sector and its expectations for firms. Following document reviews and in-person visits over the summer, the [FCA issued its feedback on 31 October 2025](#). What began on April Fools' day and concluded on Halloween could have picked out examples of firms' follies and spooky outcomes but in the end the 'good and bad practice' report landed reasonably softly.

This follow-on piece looks beyond the headline feedback to consider the wider implications for firms, particularly as the FCA signals its willingness to use both carrots and sticks in shaping behaviours and supervisory dialogue.



Group aspects

'Consolidation' is king?

Whilst a number of existing structures (previously approved by the FCA) do not immediately invite prudential consolidation, it is clear that the FCA perceives this as an arbitrage, with firms being challenged on connected undertakings on the basis of integration 'on the ground.'

We can expect the FCA to use 'carrots' (CiCs) or 'sticks' (VREQs / COND) to achieve its supervisory objectives here.

The FCA clearly wants 'visibility' (citing 'effective supervisibility' under COND and the enhanced own funds and liquidity that come with it) and a number of firms, not currently consolidating, have been invited to consider weighing up the costs versus benefits of doing so.

Firms will also need to consider the potential hidden implications, which applications at group level carry, including in relation to ICARA, own funds, liquidity, systems and controls, and application of the MIFIDPRU RemCode. The RemCode is especially relevant in management incentive plan arrangements, as discussed in our article below.

Interestingly, the FCA made no express reference to private equity in its feedback, referencing instead

offshore holding companies within group structures; a subtle but important signal of its increased interest in the typical PE investment and funding structures and the resulting prudential regulatory issues.

Debt management

Despite earlier speculation, the FCA has not introduced a leverage or gearing ratio. Instead, it expects groups to monitor debt closely, with stress testing of group financial resilience as key, as well as re-financing 'crunch points' (and associated contingencies).

Intra-group arrangements

The FCA has expressed concern about arrangements creating a direct line of financial contagion to regulated entities, such as guarantees offered by regulated entity for liabilities of unregulated entities. Conversely, there is a clear expectation of tangible commitment letters from investors to demonstrate financial support.

Legal entity management

The FCA expects robust integration frameworks and prompt deauthorisation of dormant firms to avoid unwieldy group structures. That's all very well but experience suggests deauthorisations are taking longer and proving more contentious, with the FCA using the SUP 6 process as another lever.

Conduct aspects

Governance and autonomy

The FCA's feedback underscores the importance of governance frameworks that prevent undue influence from unregulated entities or investors. Decisions materially affecting regulated firms, made by unregulated boards and without proper consideration of the impact on regulated business, were highlighted as an 'area for improvement' (what used to be called simply 'bad practice').

Governance failures could invite the FCA's 'stick', with conditions or restrictions imposed through supervisory tools. Such failures could expose firms to Enforcement action, including personal risk for unapproved decision-makers found to be making such decisions. As matters stand, however, we are unaware of any FCA Enforcement action flowing from its consolidation review.

Governance and autonomy

The FCA flagged that incentives for sellers or staff to influence client decisions present a risk of client harm and misalignment with the Principles for Business and inducement rules. Whilst the FCA stopped short of criticising inducement breaches outright, it flagged incentives as another 'area for improvement', where "some groups offered explicit or implicit incentives to invest in group products or services, including investment products". This suggests disapproval of any incentives, despite them being market standard, whereas hitherto the FCA has focused on the need for conflicts risk management. Deferred consideration arrangements should be reviewed not only from the financing and prudential perspective, but also given the conflicts of interest that can arise.

Independence

While the FCA did not expressly criticise IFAs, we have noted murmurings about "preferred" solutions within groups that continue to market themselves as independent.

Co-manufacturing

Although not directly related, consolidators thinking about the next phase of strategic growth by building their own platforms, funds or MPS service, should consider the FCA's recent '[Statement on firms working together to manufacture products or services](#)'. The FCA said "We have found that some firms have interpreted our rules as requiring more than we intended", which may make co-manufacturing easier and provide clearer ways for firms to share the various fees. As it stands, the rules make fee sharing problematic (to say the least).

So what?

The FCA's feedback may appear relatively benign at first glance, considering the level of expectation and concerns. However, there are significant implications for firms, as it sets the tone for future engagement. Here is what it means in practice:

CICs and VREQs – Carrots and Sticks

The FCA is clearly prepared to use its full supervisory toolkit to influence behaviours. VREQs can impose conditions on governance, risk management or capital adequacy without formal enforcement,

while CIC approvals provide a natural checkpoint for the FCA to attach conditions or challenge ownership and integration plans.

For firms contemplating acquisitions or restructuring, these mechanisms will be key levers and should be factored into planning.

Ongoing Supervisory Dialogue

This is not a one-off review. The FCA has made clear that consolidation remains a live topic, and firms should expect deeper engagement through thematic reviews, follow-up visits and data requests. Supervisory conversations therefore will likely increasingly probe governance, integration frameworks and conflicts management. Of course, although the scope of the review cohort was ill-defined, there are plenty of firms yet to go through the process.

Where next?

The direction of travel points towards more prudential and conduct oversight, such that future developments could include:

- Supervisory Review and Evaluation Processes (SREPs) with potential for Individual Capital Guidance (ICG) tailored to group risk profiles.
- Governance and risk management scalars with adjustments to reflect complexity and integration risk.
- Enhanced stress testing focusing on group debt, refinancing risk and contagion scenarios.

Conclusion

The FCA's pro-growth stance is supportive of sustainable growth and innovation, but firms should expect closer scrutiny of governance, integration and risk management as consolidation continues. Firms should therefore not be complacent or assume existing structures or practices will escape scrutiny

and should ensure they are prepared for further activity in 2026.

Acquisition plans are key as the FCA highlighted that groups with disciplined integration plans, supported by well-resourced teams to monitor integration and client outcomes, were more likely to deliver positive results. This is particularly the case in light of the ongoing services review of 2024 and the need for firms to demonstrate service delivery. As many move towards a 'corporate event', these are likely to be the first items on the regulatory due diligence list.

What should firms do now?

- 1 In scope firms should manage supervisory dialogue carefully and weigh up the costs versus benefits before effecting wholesale change.
- 2 Firms not in scope should conduct gap analyses against the FCA's expectations and identify any vulnerabilities early.

How can we help?

We are equipped with a framework tool, to assist with preparation in advance of FCA visits and assess your alignment with the FCA's expectations.



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Remembering remuneration

As the dust settles on your annual ICARA process, it would be easy to overlook the application of the MIFIDPRU Remuneration Code, 'hidden away' in SYSC 19G, even though it has been a requirement and expectation since January 2022.

For those unacquainted with the MIFIDPRU RemCode, it generally contains a number of principles-based rules and expectations, not far removed from the previous Capital Requirements Directive requirements, in relation to the need for:

- Remuneration policies and practices that avoid conflicts of interest, encourage responsible conduct, and promote risk awareness and prudent risk taking;
- Proportionate oversight arrangements, noting that most firms achieve this through the Board, given the need for a Remuneration Committee only comes into effect where assets are greater than £100m;
- Ensuring the appropriate calibration and balance of fixed and variable remuneration components;
- Identification and application of remuneration requirements to Material Risk Takers; and
- Specific factors and considerations when assessing performance of individual MRTs, Business Units and across the firm as a whole.

For larger firms / groups, some additional requirements may also kick-in above the £100m asset threshold, in respect of shares, instruments and alternative arrangements, retention policy, deferral and discretionary pension benefits.

Considerations for 2026

Over and above the need to ensure that you have an appropriate remuneration policy and framework, we have seen various 'pain points' start to arise:

- **Application to investment firm groups:** as noted in relation to the FCA's Consolidation Review, a

number of firms have either pre-emptively re-structured to become an Investment Firm Group (IFG) or may become an IFG at some point in 2026, so as to align to FCA supervisory expectations. Given the various complexities a re-structuring entails, it is possible to overlook the remuneration implications, namely that this results in the application of the MIFIDPRU Remuneration Code to all undertakings within the IFG, including unregulated entities such as holding companies.

- **Integration with ICARA:** as the FCA's expectations around ICARA continue to evolve, firms should ensure a clear nexus between the ICARA and remuneration processes, particularly in relation to demonstrating how the remuneration process supports risk appetite, including the link between variable pay and risk outcomes, and governance oversight arrangements.
- **Management Incentive Plans (MIPs):** we have seen this mostly in the context of firms / groups under Private Equity-backed ownership, who are looking to put in place a MIP-type arrangement to incentivise or retain staff, either at the outset of their acquisition or in advance of an anticipated exit in the coming 12-24 months. Where these have been structured as co-investment arrangements, these do not generally fall within the definition of remuneration of the MIFIDPRU RemCode, unless the investment is made using a loan provided by the firm or wider group. For ease of execution and expediency, we have seen firms putting in cash-based schemes, triggered by certain profitability thresholds, which do fall within the scope of the MIFIDPRU RemCode and need to be assessed accordingly against financial

and non-financial factors as variable remuneration, including setting an appropriate ratio between fixed and variable remuneration. This can be made more problematic where the ratio may be largely contingent or could 'spike' in pay out years over and above the previously set ratio. In addition, per the response on Policy Statement 21/9, the FCA declined to offer guidance on appropriateness of ratios.

- **Non-Executives:** the MIFIDPRU RemCode is unsurprisingly clear that Non-Executive Board members do not receive variable remuneration. However, there may be the potential for 'grey' areas where individuals previously in Executive roles have now transitioned to Non-Executive roles within the IFG Board in advance of an exit, so firms will need to ensure they do not inadvertently breach this rule.
- **Incentivisation of control functions:** the MIFIDPRU RemCode requires that staff in control functions are remunerated in accordance with their functional objectives, independent of the business areas they control. We have had questions raised as to whether staff in control functions are able to participate in staff incentivisation plans accordingly and are of the view that this can be appropriate where staff can participate in the long-term success of the business, as long as staff are not inadvertently given a perverse incentive, but firms should ensure that this is factored into the decision-making process when structuring such plans.

'Good practice' steps that firms / IFGs can take to ensure compliance

Firms / IFGs within the scope of the MIFIDPRU RemCode should take the following steps to ensure they are best-placed to meet the FCA's requirements and expectations:

- 1 **Refresh the Remuneration Policy / arrangements:** if not performed already, ensure that the Remuneration Framework is fit for purpose and meets the strategic needs of the business in light of the need to appropriately incentivise and retain staff. Once this consideration is met, we have seen a number of clients perform a gap analysis against SYSC 19G. This could include an assessment of where the firm sits against the

relative balance sheet thresholds articulated, which could amend the applicable requirements accordingly or ensuring that the framework as a whole is applicable to the IFG.

- 2 **Remuneration Committee:** whilst a RemCo may not be a formal requirement, firms may want to consider whether corporate governance is enhanced, through better alignment of risk and reward, by the establishment of a RemCo to provide support to the Board.
- 3 **Documentation and governance:** firms / IFGs should ensure that remuneration considerations are factored into core BAU documentation, such as Risk Management Framework and ICARA, as well as reflecting core decisions made in the appropriate governance documentation, i.e. Board / Committee papers and minutes. It goes without saying that there should also be a clear audit trail from a governance perspective (e.g. why were remuneration ratios approved).
- 4 **MRTs:** ensure that the firm's / IFG's approach to identification of MRTs is up to date and that the assessment is robust, factoring in the relevant qualitative and quantitative guidance in SYSC 19G, as opposed to a simple carry-forward from previous years.

As ever, firms should remain mindful of wider conduct requirements, including the FCA inducement rules and the Consumer Duty, to ensure that remuneration structures do not inadvertently create conflicts of interest, influence behaviours or interfere with the firm's delivery of good customer outcomes.



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AGBR delivers. Can targeted support now fill the advice gap?

The much-anticipated Advice Guidance Boundary Review (AGBR) marked a pivotal moment in the retail investment and pensions advice market in the UK. The FCA published Policy Statement [PS25/22](#) in December, setting out the near-final rules for its new targeted support regime, a regulatory framework designed to bridge the UK's long standing advice gap in pensions and retail investments.

The regime aims to help consumers - particularly the estimated 23 million currently underserved - make better financial decisions without requiring full personalised advice. With the new rules expected to come into force in April, the next few months really are crunch time for firms wanting to be active in this market from the outset.

“Bridging the advice gap”

The ultimate intention of the FCA was to find ways *“to help consumers navigate their financial lives and make effective, timely and informed decisions about their pensions and retail investments.”* The lack of appropriate support, provision of information and general understanding amongst consumers has left a significant proportion of the market unable or unwilling to engage with retail investment and pension providers. The FCA hopes that providing more clarity on the advice boundary and the introduction of targeted support will improve access to meaningful financial guidance while avoiding the cost and complexity of personalised investment advice.

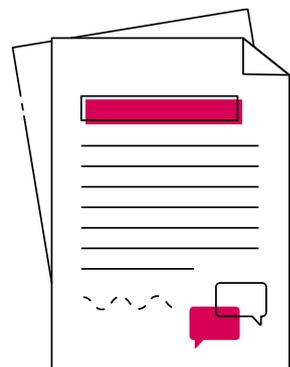
The AGBR was launched in 2022 by the FCA, alongside the Treasury, to review the UK investment advice market and understand where the current advice boundary falls on the spectrum between regulated financial advice (i.e. personal recommendations) and unregulated generic financial guidance or mere information. The FCA coined the phrase the *“advice gap”* in the [Financial Advice](#)

[Market Review \(FAMR\) 2016](#) to describe the hole left by the RDR - and has been working to bridge it ever since.

Published in December 2023, Discussion Paper ([DP23/5](#)) outlined the FCA's plans for 'bridging the advice gap' which centred on two key FCA initiatives. These are:



The FCA consulted on proposals for targeted support in pensions specifically ([CP24/27](#)) and pensions and retail investments ([CP25/17](#)). Below we discuss the now published Policy Statement ([PS25/22](#)) and set out what we expect to see in the UK wealth management market under these new rules.



What is targeted support?

Targeted support is a new regulatory framework that allows firms to provide 'ready-made suggestions' to groups of consumers who share similar financial needs and common characteristics.

It will enable firms to take (limited) client information and predefine products or processes that would be suitable to a client in circumstances of a similar nature. Firms will be able to suggest products to groups of individuals with similar investment characteristics (a 'consumer segment'). This service would sit firmly in the 'advice gap' - between personalised advice (intended for one or a small number of individuals) and unregulated general guidance which cannot suggest an outcome.

The key requirement is that firms should seek to put consumers in a 'better position' than if the targeted support had not been provided. Notably this is not the same as delivering 'good outcomes' under the Consumer Duty (and the FCA changed 'better outcomes' to 'better position' to avoid confusion). However, there is significant cross-over with rules already in place which we explore below.

CP25/17 set out the four key stages of targeted support. These are:

- 1 **Situations** - Firm pre-defines situations in which to provide targeted support
- 2 **Consumer segments** - Firm pre-defines consumer segments
- 3 **Ready-made suggestions** - Firm pre-defines ready-made suggestions for each consumer segment
- 4 **Delivery** - Firm delivers the ready-made suggestion for consumers aligned to that consumer segment

Establishing '*consumer segments*' will be a crucial part in how and to whom targeted support is provided. "*Consumer segment*" is defined in the new rules as a "a group of individuals defined by reference to:

- 1 a situation involving a shared financial support need or objective; and
- 2 where relevant, common characteristics"

The common characteristics firms decide will need to be present (or cannot be present) will have a considerable impact on the end product a consumer will be suggested. Whilst these characteristics will need to be specific, these characteristics and segments should not be too granular so as to run the risk of tipping over into personalised advice.

Firms are able to use assumptions when defining a consumer segment; however they cannot rely on assumptions that are material to the suitability of the ready-made suggestion. In PS 25/22 the FCA confirms "*The suitability of the suggestion for individuals in the segment must be assessed by reference to the situation and, where relevant, the common characteristics of the segment, not the assumptions*". Firms will need to be careful when using assumptions to ensure they do not overstep and use them in a way which is not permitted.. For example, in CP25/17 the FCA uses the example of assuming a consumer's willingness to take investment risk. The FCA says firms may still be able to make this kind of assumption about a consumer segment, provided it is not material to the suitability of the suggestion. Taking this example, it is not entirely clear how this should operate. It seems entirely proper and appropriate for a consumer segment to be premised on people who have a certain time horizon. Equally, the time horizon may impact the suitability of the ready-made suggestion. Firms will need to be clear in documenting assumptions and/or designing targeted support journeys to remove assumptions by requiring clients to confirm information, thereby making the characteristic a fact and not an assumption.

Suitability should not be assessed at the individual consumer level when providing targeted support. However, similar to current suitability requirements, firms must not proceed if they know or reasonably ought to know a suggestion is unsuitable for an individual (e.g. where this is based on volunteered information). This inverted suitability requirement and what a firm ought reasonably to have known will likely be fraught with difficulty and future liability risk.

Whilst the rules do envisage that clients a firm has previously advised can receive targeted support, there would appear to be far greater risk in doing so as:

- 1 It may be said that firms know too much such that they should not have offered targeted support; or
- 2 Clients misunderstood the service such that they would not have acted in the way they did had they understood the limitations.

Advice firms will need to consider carefully how they use targeted support alongside their full advisory offering, based on personal recommendations and ongoing reviews and suitability assessments. It may be this type of offering is only used for small client solutions and/or to obtain new clients and would not generally disturb existing advisory relationships. Firms will also need to consider the context behind the use of targeted support, including why/how targeted support is being provided to the clients and what the client has been told about the service. Where targeted support is used as part of a pre-existing relationship at the initiative of the firm, it is easy to see how a firm may be expected to have considered what information it holds on the client prior to making any suggestions.

Additionally, with the FCA's expectation that targeted support is free (or low cost), it is questionable how commercially viable targeted support will be for advice firms, unless they are vertically integrated with their own investment products and solutions. This poses cross subsidisation and 'fair' competition concerns insofar as vertically integrated firms will be able to use revenue generated from products to pay for the service which other firms cannot do. It may also disadvantage firms as it allows big institutions to reach out to individuals at a far earlier stage in their investment and life cycle such that, when advice is needed, those firms have an advantage. This has been heightened by the FCA removing its proposal that firms disclose any cross-subsidisation arrangements.

The FCA has seemingly decided to remain hands-off when it comes to how firm's want to monetise their targeted support offerings, as long as all consumers continue to receive fair value. It appears the FCA is assuming targeted support will be free or low cost

and, despite the above concerns, the FCA's priority is on price – with limited restrictions on how firms monetise it behind the scenes. That is a very different approach to the pre-existing cross-subsidisation rules in COBS 6.1A and begs the question whether restrictions on vertically integrated advice groups should/will be lifted in the future.

Interaction with existing rules

Targeted support will be contained within a new chapter of the Handbook (COBS 9B) and will not be subject to the suitability standards of COBS 9/9A.

Firms must have a reasonable basis for determining that any suggestions are suitable for all consumers in the group. Suitability must be assessed by reference to the relevant common characteristics (including excluding characteristics) in that consumer segment rather than individual / personal characteristics of clients (as required for a personal recommendation).

Firms must recognise and treat all customers to whom they are providing targeted support as 'retail clients' and the Consumer Duty, particularly the cross-cutting obligations, will apply in the design and delivery of this support. Firms are not required to offer targeted support in every situation they can but, whether a firm does / does not offer such support, it should be considered as part of its Consumer Duty compliance.

Firms are reminded that existing disclosure requirements will apply to targeted support, with some additional requirements in relation to soliciting or accepting non-monetary benefits in connection with the provision of targeted support. Firms may additionally be subject to product information disclosure requirements (COBS 13 and COBS 14) if a ready-made suggestion involves a recommendation of a particular investment. The FCA has added guidance encouraging firms to keep a record of how they meet their disclosure obligations.

Firms' implementation plans and gap analysis will need to consider 100+ pages of near final rules in PS 25/22. This is one of the many significant challenges facing those firms racing to get authorised and ready for the new tax year.

Client communications under targeted support

The FCA has drafted new Handbook rules/guidance around how, what and when a firm must send a communication as part of its targeted support offering. It has been fairly prescriptive about the minimum disclosure required, whilst allowing firms to retain some flexibility by not prescribing specific wordings. This allows firms to tailor their communications to fit their clients' information needs. Some of the key disclosure/communication requirements are:

- 1 Specific requirements around describing the service including the nature and limitations of targeted support and that this is not comprehensive individualised advice;
- 2 At the point of providing a ready-made suggestion, a firm must:
 - describe the service as 'Targeted Support';
 - communicate the consumer segment the client has been assigned and explain the common characteristics of the consumer segment (setting out any 'including' and 'excluding' characteristics)
 - That the ready-made suggestion is designed for that consumer segment
 - any limitations on the scope of products considered as part of the ready-made suggestions.
- 3 The FCA sets out a number of other potential disclosures which a firm should provide where appropriate, including (but not limited to) the availability of other tools or modellers, other guidance or advice services and any assumptions relied upon about individuals in the relevant consumer segment.

As the FCA has not been prescriptive with warnings, it has instead placed an express requirement on firms to test their disclosures as well as taking reasonable steps to ensure consumer understanding. This will likely expand to testing timings of disclosure where not specified in the rules.

What should firms consider?

What is evident from the various FCA documents on targeted support to date is that a thorough and detailed analysis of the targeted support journey and process must be documented. The risk to firms of getting this wrong could be catastrophic as it is intended to apply to a large number of clients. This is the reverse of a firm providing a client with unsuitable advice (which only impacts that client, subject to wider concerns about how and why that advice was provided). Firms must continue to balance commerciality against liability risk, particularly at the design and implementation stage considering the potential downside in failing to correctly align with the rules.

Governance – from the outset – will be key, and designing and building a targeted support offering will be the ultimate test of firms' product governance and Consumer Duty frameworks. The costs of proposition development and the expected limited revenue from the service itself will mean only the larger firms suggesting their own investment products/solutions will likely try. That should allow for careful and considered projects (like the cautious MVP robots developed by many of the banks) meeting these requirements. However, the speed at which the FCA is moving on this, in pursuit of the Government's growth agenda, runs the risk of firms wanting to be one of the first movers launching rushed propositions. We anticipate FCA forbearance for a while but it won't last forever - and there remains the risk of FOS.

Recent reports suggest only a relatively small number of firms have applied to the FCA's Pre-Application Support Service (PASS) for help with the necessary variation of permissions application. It may be more are aiming to roll out a targeted support service during 2026 without using PASS, by working with third party providers or waiting to see how it goes before deciding on their own approach. Firms who are proactive in establishing their targeted support offering have the potential to gain significant first-mover advantage (depending upon how effective firms are at engaging with clients). This will require efficient completion of proposition development and the application for the specific permission when the authorisations window opens in March 2026.

Early engagement via the FCA's Pre-Application Support Service (PASS) is encouraged, but not a necessity.

Simplified Advice

Another proposal under CP25/17 is to revisit and redefine simplified advice: "a personal recommendation, focused on a consumer's specific need and assessed as suitable for an individual taking account of essential information relevant to that need."

Simplified advice is intended to sit on a spectrum of services, which could act as a natural follow up to targeted support on an individualised basis as well as a way for advisory firms to offer personalised recommendations more cost-effectively.

In accordance with COBS 9/9A, firms are already able to provide regulated advice that is broad or narrow and there have been many variants proposed over the years, but there is hesitancy in the market to develop streamlined / simplified advice propositions owing to the uncertainty, difficulties with implementation, monitoring and consumer understanding and the associated liability risk.

In seeking to address this, the FCA intends to consult further on potential changes to COBS 9/9A to provide greater flexibility and certainty when it comes to simplified advice. The FCA has confirmed it is not progressing with the proposals for a bespoke simplified advice regime as discussed in DP23/5.

Depending upon what changes are made, simplified advice may provide advice firms, which are not part of a vertically integrated group, with an alternative to targeted support or, at least, a tool to service smaller and/or simpler clients more effectively.

Conclusion

Targeted support and, to a lesser extent, simplified advice should - in theory - allow for greater and cheaper engagement, at scale, with the under or unserved majority of consumers who see accessing advice as complicated, unachievable and/or unaffordable.

Whilst a materially different solution, there was a lot of hype around robo-advice and how that would change the advice market and reach far wider and greater numbers of clients. That did not transpire. Some might say advice could yet be delivered at scale and low cost, but the FCA clearly hopes the consumer inertia will be better addressed by targeted support and nudging investors to 'follow the herd'.

Should you be looking to adopt targeted support in 2026 or beyond, please do reach out and we would be happy to discuss what we are seeing in the market and how we can help.



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Industry challenges in SIPP: Legacy assets, transfers and acquisitions

During 2025, we continued to see systemic challenges across the SIPP and SSAS markets. In this article, we reflect on some key themes that we think are likely to continue into 2026 and probably beyond.

Legacy Non-Standard Assets and FCA Messaging

Several high-profile SIPP provider failures in recent years have highlighted the significant issues around transferring non-standard assets to new schemes/providers. We have seen this issue come to a head during 2025. There is an increased focus on pension transfers and increasing frustration from both members and providers with certain non-standard assets that there is no clear way of dealing with these. This is an area which is made more challenging due to the law not being drafted in anticipation of such assets being held in UK pension schemes. This is exacerbated by a lack of guidance from key regulators in the area on how to resolve these issues.

In general, the industry continues to grapple with the issue of legacy non-standard assets that still arguably hold some book value. The FCA has made its position clear: these assets should be removed from SIPPs. However, the practical challenges of surrendering these assets or selling them directly to members remain significant due to restrictions imposed by the Finance Act 2004 ("FA04").

Currently, there is a lack of substantive HMRC guidance as to how the relevant provisions of FA04 should be applied. This leaves providers in a difficult position. Different providers have adopted varying approaches, but there is a real risk that HMRC could challenge any surrender or connected sale. This challenge would be on the basis that such

transactions are unauthorised, with very significant potential implications.

A successful HMRC challenge could result in unauthorised payments and possible scheme sanction charges. This could lead to draconian penalties: up to 55% of the undervalue as calculated by HMRC. This uncertainty creates compliance and operational risks that require careful navigation. Providers must weigh the potential regulatory consequences against the operational need to remove these assets.

In practice, firms are exploring options such as negotiated exits or member buyouts, but these also carry inherent risks. The lack of HMRC guidance exacerbates the problem. Ultimately, the industry needs a collaborative approach involving regulators and tax authorities to resolve this issue effectively.

This is a highly complex and ambiguous area of law. DWF has been engaging with the FCA, FSCS and HMRC, as well as other key industry stakeholders to obtain greater clarity and consistency in this area and put the issues on the government's radar.

In the meantime, each situation will turn on its facts. DWF has advised numerous providers on conducting effective due diligence and strategic planning in relation to the reconciliation of non-standard assets, as well as liaising with HMRC, FCA and the FSCS on specific reconciliation projects in order to assist providers in dealing with non-standard assets.

Pension Transfers, Condition of Transfer Regulations, and Consumer Duty

The pensions industry has seen extensive debate regarding pension transfers and the application of both the Conditions of Transfer Regulations¹ and the Consumer Duty. Members have the option to escalate complaints to either the FOS or the Pensions Ombudsman Service (“POS”), whose approaches are becoming increasingly polarised.

For example, there is growing concern that the FOS appears to presume that a request for transfer is always in a member’s best interest. However, it may later determine that insufficient due diligence was performed, largely being driven through the prism of the Consumer Duty. This has led FOS to frequently determine that member pensions (that have been lost in full or in part) should be reinstated at the cost of the transferring scheme’s provider. Depending on the scale of the losses, this can lead to extensive liabilities. By contrast, POS adopts a stricter statutory “black letter law” approach in its determinations. This makes POS outcomes more predictable and consistent, given that they are driven by legislation and subsidiary regulations. Further, POS awards are generally much lower than those made by FOS. In many cases, it will be up to the aggrieved member to choose to complain to FOS or POS which can lead to regulatory arbitrage.

The key takeaway for providers is to avoid the circumstances that could lead to successful complaints to either FOS or POS. This is done by ensuring the correct provider environment is created. Specifically, providers should ensure that they have robust governance and crystal-clear communication of all risks to members before approving any transfer.

The starting point is all important: all conditions for a statutory transfer must be met. The conditions are that:

- the transfer must be for all money purchase benefits at once (no partial statutory transfers);
- the member must have ceased accruing benefits; and
- the transfer must not include any pension benefits in payment.

The exception to this relates to “red flags” and unresolved “amber flags” correctly identified in line with the Regulations, or if the provider is unable to process a transfer for reasons outside the ceding provider’s control. Subject to the above, the transfer must be processed within 6 months. However, there are increasing suggestions from the industry that this is too long, and we are seeing complaints raised with FOS for failure to process requests well ahead of this 6-month deadline.

Detailed due diligence together with clear communication of concerns and risk warnings to members will assist in avoiding claims and, in particular, the inconsistency of the approach to claims before the Financial and Pensions Ombudsmen².

Failure to adhere to the above could result in significant financial and reputational consequences. Where there are concerns over receiving schemes, providers should implement enhanced due diligence processes, document all risk assessments, and ensure that members receive comprehensive communications on the above points. DWF routinely assists providers in this area, running bespoke training for staff on regulatory expectations, and effective governance (in particular, maintaining effective audit trails of decisions). These steps are critical in order to mitigate these risks.

1 Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 (SI 2021/1237)

2 In particular, see the cases of DRN-5529124 (FOS) and CAS-47892-V3N2 (POS) which have significantly different outcomes against similar factual matrices.

Business Acquisitions and Transfer of Liabilities

Confusion persists around formalities and the extent to which liability transfers when acquiring pension businesses through corporate transactions. Specifically, where limitations of liability in corporate documentation are not properly reflected in deeds of appointment and removal, new providers may inadvertently assume responsibility for historic issues.

This scenario could lead FOS to consider the new provider as a successor to the previous owner, exposing them to claims. Depending on the sale documentation, previous owners could potentially rely on the shield of indemnity provisions in both the sale agreement and the governing documentation of the scheme in question. Additionally, inconsistencies between FCA rules and pensions law regarding member notification and consent add further complexity.

The solution lies in ensuring advisers possess the necessary expertise in corporate, pensions, and regulatory law and understand the interplay between them in order to structure deals and draft documentation appropriately. For example, we have seen legal advisors treat business acquisitions as straightforward corporate transactions, often ignoring the additional pensions overlay. Engagement letters from these advisors will routinely carve out pension related liabilities. Providers often then have little recourse if liabilities transfer through the operation of pensions and/or trust law.

Providers should conduct thorough due diligence on legacy liabilities and ensure that contractual protections are enforceable. Clear communication with members during transitions is essential to maintain trust and compliance. DWF has advised many acquiring providers in this space and provides combined, joined-up advice across its corporate, pensions, regulatory and tax groups, drawing in other specialism (such as property) where required.

Conclusion

The SIPP industry faces multifaceted challenges that demand proactive governance, regulatory awareness, and strategic foresight. Legacy non-standard assets, pension transfer complexities, and acquisition formalities each present unique risks that cannot be ignored. Providers must prioritise compliance, member communication, and expert advice to navigate these issues effectively. By doing so, they can mitigate exposure to regulatory sanctions, financial liabilities, and reputational damage, ensuring long-term stability and trust in the market. The coming years will likely see increased scrutiny from regulators, making it imperative for firms to adopt best practices now.



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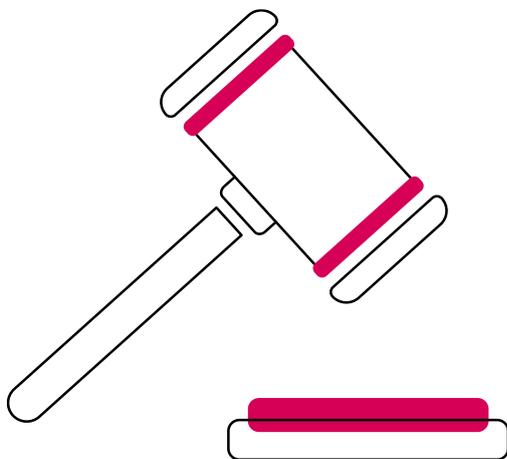
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Adviser platforms – built on uncertain regulatory foundations?

The continued emergence of the “Adviser as a Platform” (AaaP) model during 2025 marks a significant shift in the structure of the UK retail investment market. As adviser firms increasingly seek to control more of the client experience including custody, dealing infrastructure, product (and service) manufacture and distribution, the traditional boundaries between advisers, platforms and DFMs have begun to blur again in different ways.

The absence of regulatory certainty about the structuring of these arrangements is increasingly problematic. There is no clear regulatory definition of a retail investment platform, the arranging permissions it requires and which firms must (or can) charge platform charges. Calls for answers to these questions will grow louder as this market continues to expand, with further consolidation and trends towards vertical integration.



Evolution of the AaaP Model

Advice firms now seem more confident than ever in taking on the regulatory and operational responsibilities of a traditional platform provider. Certainly, in the last few years, and particularly last year, there has been a significant increase in the number of advice firms opting to run a platform ‘in-house’ and the discussion continues as to how this will play out in the eyes of the FCA. The regulatory details, particularly around permissions and remuneration, continue to raise questions but, for now, the AaaP appears to be an ever more attractive proposition.

FCA Permissions – Who’s doing what?

Like in many scenarios where a regulated firm is looking to provide a service it has traditionally left to a third-party, alignment to its current FCA permissions profile becomes a key consideration. Perhaps the most prominent, and arguably unclear, question for an adviser under an AaaP structure is whether or not it is considered to be ‘arranging safeguarding’ for the purposes of Article 40 RAO. Most advice firms will not hold this permission as

they are generally unlikely to need to do so, but with a newly expanded service offering, the role of an AaaP will likely be straying into that of the Article 40 'arranger'.

Without reciting the RAO, Article 40 is the activity consisting of both "*the safeguarding of assets belonging to another*" and "*the administration of those assets*" and, importantly, also includes arranging for another to do so. When entering an AaaP arrangement, there is an increasingly strong argument that the adviser is indeed 'arranging safeguarding' and commercially, we would argue, it may be easier and 'optically' better for the advice firm to hold this 'platform permission'. It is difficult to see how an advice firm operating as an AaaP can really get 'comfortable' that it is **not** arranging for these purposes. Indeed, for a DFM, the FCA would expect the firm to have the 'arranging' permission which indicates that a DFM's 'platform' activity goes beyond simple 'introductions' to a custodian /platform. That said, even this expectation has not been uniformly applied.

In the absence of the Article 40 permission, [Article 42 RAO](#) provides a possible exemption where the adviser merely introduces clients to an unconnected custodian without being paid by the custodian, but this again comes with complexity. Guidance from the FCA is limited and a firm that is remunerated by the custodian (a possible scenario under an AaaP) is immediately unable to rely on this exemption. However, what is then not clear is whether this includes the facilitation of a platform charge agreed with the client (like adviser charges) and whether the FCA would accept this is different to receiving remuneration from the custodian.

There evidently remains a level of uncertainty as to what the FCA will require of a firm's permissions profile where the firm is acting as an AaaP. Beyond the Article 40 permission issues, there are additional unanswered questions in relation to the Requirement to control (as opposed to hold) client money and the impact on firm's that currently rely on the Article 3 MiFID exemption (A3ME).

From what we have seen, the FCA's expectation for firms to have the Requirement to control client money is far stricter (if not uniformly applied) for DFMs than adviser firms, but there is no explicit regulatory requirement to have this Requirement!

There is also the additional consideration of how this works for firms 'controlling client money under a CASS 8 mandate' and the imposition of the additional CASS requirements of [CASS 6.1.16j](#) where a firm is '*arranging safeguarding and administration of assets*'. Clarity is needed on what is already a particularly complex issue for wealth managers operating an AaaP.

Finally on permissions, a key question of increasing potential significance is whether adviser firms can remain A3ME when 'arranging safeguarding' as part of their adviser platforms. A3ME firms do have Article 40 permissions to 'arrange safeguarding' or may do so in reliance on the Article 42 exemption. However, the question arises as to whether the activities of an adviser platform necessarily involve MiFID or ancillary services, beyond what A3ME firms can do. Advice groups with DFMs are already grappling with prudential consolidation and if the Article 3 MiFID exemption doesn't apply, their adviser platform will create an (other) MIFIDPRU firm. Confirmatory clarification from the FCA would be welcome.

Advice firm? Platform Service Provider? Both?

In taking on the role of the platform, advisers might be forgiven for assuming that under an AaaP arrangement they automatically become a 'Platform Service Provider' (PSP) but that is only defined in the platform charging rules, introduced as part of RDR to mirror the adviser charging rules. There is no other relevant regulatory definition of a 'platform'. Firms may even be able to charge a platform charge without meeting the criteria of a PSP. If they are a PSP, they can only charge a platform charge. In practice, and given the significant implications for remuneration arrangements, it is not clear-cut and it therefore remains important to unpick the relevant regulations to understand how this structure aligns to the roles and definitions.

The FCA Handbook, somewhat unhelpfully, defines a PSP as "a firm providing a platform service". A '[platform service](#)' includes the arranging and safeguarding/administering of investments and distributing retail investment products where payment is not solely by way of an adviser charge and the activity is not ancillary to the managing of

those investments. In our view, under an AaaP, it is highly likely the relevant firm will be 'arranging deals in investments' as required for the first limb of the definition. The simple transmission of transaction instructions or the onboarding of clients to transact through it will constitute 'arranging' for these purposes.

Where the confusion comes from is that there are separate FCA permissions for 'arranging safeguarding' and 'safeguarding without arranging'. Therefore, a firm that 'arranges safeguarding' by another person satisfies the definition of a 'platform service provider', despite the explicit use of 'safeguarding and administration' in the definition of a platform service. Under the AaaP model, does this then mean that an adviser is providing a 'platform service', as defined, if and to the extent its activities involve 'arranging safeguarding'? As above, will an adviser firm in this scenario meet the guidance in **PERG 2.7.9 G** that the 'arranging safeguarding' must be on a 'continuing basis'? Whilst all remains to be determined in each case, a steer from the regulator on this point would be very much welcome.

Monetising the AaaP structure

The fee structure of an AaaP can take various forms, and there is no 'one size fits all' solution when it comes to the regulatory aspects of monetising this expanded service offering. As a starting point, a straightforward fee structure where the adviser is to be remunerated by the PSP, in the form of a 'rebate', would likely be caught by the inducement rules. This therefore poses the question of whether, without an exemption, the adviser would only be able to receive a fee for the platform services which is paid to it by or on behalf of the client? Does a client-agreed fee for platform-related service suffice? How easily is this implemented?

Similarly, by receiving a fee from a PSP (that is not a facilitated adviser charge) for the provision of its services, is there a risk of the adviser breaching the adviser charging rules? **COBS 6.1A.8** makes clear that for a firm providing a 'personal recommendation' and/or 'related services' no share of the platform charges payable to the PSP may be accepted by the adviser in payment from that PSP, either by way of charges or revenue or profits. However, how does

this work if the adviser is also considered to be a PSP and the charge relates to the platform service?

Indeed, a PSP must only be remunerated for its platform service by platform charges (those in relation to the provision of the platform service as agreed between the PSP and the retail client). Whilst there are exemptions available, it is not clear what, if any, flexibility in charging structure this will provide, particularly when the adviser and the custodian are both considered PSPs. Without regulatory clarity, firms will continue to face the battle of ensuring robust compliance with uncertain rules whilst maintaining commerciality.

What next?

AaaP service offerings are certainly in the ascendency. From our work over the past year and discussions we have had across the market, we definitely expect this to continue and, if anything, accelerate during 2026. We expect, for now, this to be limited to the larger, and therefore more capable firms, but it will be interesting to see whether firms across the UK market begin to consider AaaP as an increasingly viable option. As this part of the market grows, firms and their regulatory advisers will need regulatory clarity or we will have to proceed with basic issues relating to the regulatory structuring left uncertain.



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FOS reforms and 'modernising the redress system'

Redress reforms – change on the horizon in 2026

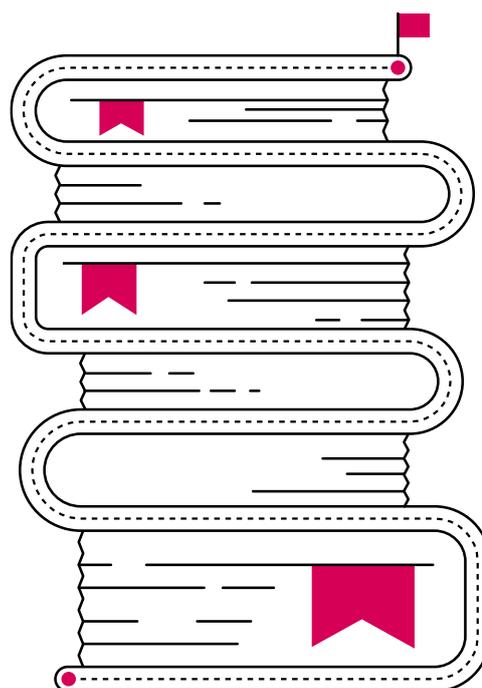
When it comes to claims and complaints against wealth management firms, 2026 could be a year of significant change, with a number of key regulatory and legislative developments promised. Or it could be more of the same...

Modernisation of the redress system

In July 2025 HM Treasury concluded its consultation review of the operation of the FOS and the FCA and FOS issued a **joint consultation** on modernising the redress system (CP25/22).

Change is long overdue. It is ten years since the DISP rules were last reviewed. FCA and FOS acknowledge that the complaints landscape has changed significantly, with several 'mass redress' events and increasing levels of complaints brought by professional representatives (CMCs). High volumes of complaints on specific or novel issues have caused systemic backlogs at FOS, leading to lengthy delays in resolving complaints. The FCA and FOS acknowledge that the need for stability and consistency for consumers and businesses alike is one of the driving forces behind the need for change.

More widely, the FOS has been the subject of wide-ranging criticism for many years now from firms complaining that it is acting as a quasi-regulator, making regulation 'by the back door', paying no regard to legal principles such as causation, and determining complex and high value complaints which were never intended to fall within the remit of an informal adjudication service. The elasticity of the FOS's approach to issues such as causation and limitation has become particularly critical as the FOS's limit has increased sharply over recent years to the current high of £445,000.



The proposed changes are, in the main, aimed at volume or 'mass redress' complaints; the FOS and FCA maintain that the current system works well for individual complaints about specific issues. The consultation does, though, ask for comments on a number of proposed changes to DISP, many of which will apply to complaints more generally as well as mass redress events. Some, though not all, ought to be welcome news to wealth management firms:

- FCA and FOS propose that the 'fair and reasonable test', currently used by FOS to determine complaints, should be adapted so where conduct complained of is in scope of FCA rules and a firm has complied with those rules, the FOS must conclude that the firm acted fairly and reasonably. It is hoped that this will ensure the FOS does not retrospectively apply (its own interpretation of) FCA rules and guidance, which is an issue we frequently encounter when dealing with the FOS. This is welcome news, though it is disappointing that the consultation did not go further in relation to the extent to which the FOS is required to follow the law.
- A formal referral mechanism, requiring the FOS to request a view from the FCA on its interpretation of its rules where ambiguity or room for interpretation exists. Where a case has wider implications for consumers or firms, the FOS will be required to refer the issue to the FCA for consideration. Again, this is welcome news, though firms should be mindful that these proposals are not intended to act as a 'general' appeal mechanism to FCA, and for individual case decisions judicial review will remain the sole review mechanism. It will also make such referral decisions very important when dealing with potentially systemic or recurring liabilities for fear of the answers that may come back from the Regulator.
- The introduction of 'Mass Redress Events', defined as an event that affects a high number of consumers; has a significant impact on individual consumers, including those in vulnerable circumstances; is likely to lead to a high redress bill; results in a significant number of firms being unable to meet their redress liabilities; leads to a high number of FOS complaints; and is driven by a systemic or repeatable failing that damages

confidence in the financial system. Clearly driven by recent high-volume claims events such as PPI, interest-only mortgages and DB transfer mis-selling, the consultation proposes that once a potential Mass Redress Event has been identified, the FOS should be obliged to refer issues to the FCA, which will be given the ability to 'pause' firms' complaint handling requirements to allow the FCA to deliver a regulatory interpretation or decide to take regulatory action.

- The introduction of a 'long-stop' time limit for bringing cases to the FOS of 10 years, subject to exceptions, for example for longer-term products.
- A relaxation of the strict tests in s404 FSMA that must be satisfied before the FCA can implement a statutory consumer redress scheme, giving the FCA greater flexibility and allowing it to act more speedily.

Separately, and following its consultation on a fairer fee model which would see professional representatives and CMCs charged to refer cases, the FOS introduced a regime in April, charging £250 for the 11th and subsequent complaints. This was welcome news for firms targeted by CMCs and other professional representatives, many of whom often take a 'scattergun' approach to complaints and do not properly consider the merits before launching action. FOS reported an immediate near 10% drop in complaint numbers.

A policy statement is expected in the coming weeks, with any changes likely to be implemented through 2026 and into 2027. Whilst we hope the proposed changes will result in a fairer, more consistent and more legally certain and predictable redress system, the extent to which there will be meaningful change remains to be seen.

By way of highly topical example, in recognition of industry concern about FOS's anti-innovation impact, the FCA's policy statement on its new targeted support regime was published in December alongside a joint statement with the FOS, in which the Ombudsman "acknowledges the many differences between targeted support and other forms of investment advice." However, the reassurance given to firms where "cases may arise with particular facts or involve a set of circumstances where the interpretation of the FCA's rules as they

apply to the provision of targeted support is unclear" is merely to rely on the wider implications case framework.

Arbitrary decisions inconsistent with the law continue

Where firms have not given advice, we continue to see the FOS rely on COBS 10A to 'fix' firms with liability for investments, often where the entity which in fact gave the investment advice has disappeared or was unregulated.

COBS 10A was introduced by MIFID, with the aim of increasing investor protection in the execution-only market. Where no advice is given, it provides that firm must, unless the investment is 'non-complex', conduct an appropriateness test to determine whether the client has enough knowledge and experience to understand the risks involved in a product offered or service demanded. The definition of non-complex is (ironically) rather complicated and circular (with catch-alls to render an investment complex if the investor has not been informed there is no appropriateness test or if the structure of the investment makes it difficult for the client to understand). Also, knowledge and experience have to be assessed in a way that is appropriate to the client in question, the service, and the product, and a firm must ask the client to provide information about their knowledge and experience in the investment field to enable the firm to assess whether the service or product envisaged is appropriate for the client.

We increasingly see the FOS using COBS10A as a 'gateway' to fix firms with liability where investments have failed, on the basis that the firm failed to seek sufficient evidence to assure itself that the client was sufficiently experienced to understand the risks of the investment and potential losses that may be incurred, thus rendering the investment inappropriate, and satisfying the FOS that sufficient information was obtained can be a very high bar. Causation defences – such as that the investment was appropriate even if the assessment wasn't carried out properly or the customer would have invested anyway – tend to fall on deaf ears.

Firms are entitled to rely on information provided by clients or potential clients unless the firm is aware or ought to be aware that the information is manifestly out of date, inaccurate or incomplete – but in our

experience the FOS will often expect a firm to go 'behind' the information provided by a customer, and will point to information provided by customers which the FOS says ought to have prompted firms to conduct further investigations or to 'second guess' information provided by the customer – yet another example of the FOS straying beyond its remit and acting as a quasi-regulator.

The FCA, apparently keen to let FOS take full responsibility for widespread industry concerns about lack of legal certainty and predictability in relation to liabilities, has continued with its arbitrary exercise of regulatory power in relation to a systemic redress situation in the long-running saga of BlueCrest Capital Management. In October, the FCA heralded the settlement of BlueCrest's case on the basis it offers over \$100m in redress. It means the Court of Appeal decision stands; by which the FCA can use s55L of FSMA to impose a requirement to put in place a remediation scheme. The FCA need not satisfy the criteria in s404 (relating to such redress schemes) but can impose such requirements so long as it acts reasonably as a public body, subject only to judicial review and its notoriously high bar.

FCA's stated approach is to become more proactive in its use of supervisory powers rather than Enforcement. It will focus more on fewer and more meaningful Enforcement cases while, as Therese Chambers put it in February 2024 "prioritising compensation to consumers over fines where that is the right thing to do". With a relaxation of the requirements of s404 part of the current consultation, firms would be unwise to think the FOS is their only worry.

Appointed Representatives – long-overdue clarification from the Supreme Court of the scope of responsibility under s39 FSMA

We are also awaiting a very important decision on the extent of a Principal's liability for the conduct of its AR and whether a consumer-protectionist, purposive approach should trump a strict view of the AR rules and agreement. Judgment is expected in the first half of this year in *Kession Capital Ltd (Appellant) v KVB Consultants Ltd and others (Respondents)*, a case in which DWF acted for Kession.

Kession had entered into an AR Agreement which prohibited the AR from advising on UCIS, and/or advising retail clients. Kession itself did not have permission to advise retail clients.

The AR subsequently promoted and operated various property investment schemes (which were held to be UCIS) in which multiple retail clients invested a combined total of approximately £1.7 million. Those investments subsequently failed, and the claimants sought to recover their losses from Kession on the basis it was responsible under s39 FSMA for the AR's acts.

The court at first instance and the Court of Appeal both held that Kession had assumed responsibility for the AR's activities under s39, even though the AR Agreement expressly prohibited it from advising on and arranging the schemes, and from advising retail clients. The core issue for the Supreme Court to consider is whether Kession can be held responsible under s39 FSMA for advice given to retail clients in circumstances where the AR Agreement governing the AR's appointment expressly prohibited the AR from advising retail clients, and – most critically - where Kession itself did not have permission to advise retail clients. This is the first time the Supreme Court has considered s39 FSMA, and it is hoped the judgment will bring clarification to this area of the law.

Polluters won't pay after all – FCA proposals for capital deduction for redress dropped

The FCA has dropped its much-derided plans for new rules that would have compelled (non-MIFID) personal investment firms to set aside additional capital for potential claims. The FCA appears to have taken on board the feedback which suggested there were fundamental issues with the plans - and will not be proceeding. In an update on CP23/24, the FCA [webpage](#) stated in December that "Because of the various wider regulatory changes impacting the advice market, we have realigned our regulatory priorities and have decided not to take CDR forward". Firms should still consider whether their approach to capital retention takes proper account of historic or systemic liabilities, but the apparent abandonment of the rule-based proposals will be a huge relief to PIFs.



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Up-skilling - section 166 reviews reviewed

In the first half of 2025-26 the FCA commissioned 16 Skilled Persons reports, following on from 48 in 2024-25. In 2024-25 the focus was clearly on Consumer Investments, which accounted for 23 of the 47 reports commissioned, but, in 2025-26, the focus has been more on Retail Banking.

Wealth managers have certainly been subject to an unprecedented number of reviews in recent years, with the firms (and Skilled Persons) involved learning quickly. Whilst firms will hope the number remains lower, we are still seeing significant targeted and thematic activity in the wealth management market and firms are still at heightened risk of supervisory intervention, including s.166s. It is a supervisory tool used as a threat, left hanging over firms as they deal with remediation.

The operational areas in focus for these reviews have been broadly consistent, apparent both from the published stats and our experience. Risk and controls, alongside conduct of business (including financial crime), account for more than half of all FCA (and PRA) reviews over the last 3 years.

Our experience of conducting s166 reviews and 'shadowing' Skilled Persons or their equivalent is consistent with these areas of focus. There is a broad focus from the FCA on governance and control frameworks, framed by a specific issue of concern (e.g. adequacy of financial resources, oversight of Appointed Representatives etc). The FCA will be directive in asking for further examination of specific identified issues, but proactive engagement will help the regulator approach the firm with a more open mind.

The clear and sustained focus on Consumer Duty and related supervision, will bring Consumer Investments back into focus over the next 18 months. We have seen risk management, financial resilience, suitability, Consumer Duty (with a

repeated focus on fair value) and governance as recurring themes in recent reviews of wealth managers.

What happens with a Section 166

These reports can be used, in theory, for diagnostic, monitoring or preventative purposes, but our experience is that, in practice, they tend to be threatened or commissioned when a firm is closer to draconian interventions (if not actual FCA Enforcement action) rather than as simple diagnostic or monitoring interventions. They often result from the FCA's loss of patience with or confidence in a firm's own remedial efforts. While these reports are required by the FCA, the skilled persons themselves are, in most cases (41 of 48 in 2024-25), appointed by the firm directly. The FCA issues a (draft) Requirement Notice, setting out the nature and scope of the review, the timetable and the reporting process. The firm then obtains three quotes, selects its preferred provider and hopes the FCA agrees to that appointment.

These reports will generally take a "review and recommend" format, to produce a clear plan that the firm can follow to remedy any deficiencies and avoid any requirement for more concrete intervention, such as VREQs, OIREQs or referral to Enforcement. The bi- or tri-lateral meetings with FCA supervisors and Skilled Person, and the FCA's control of the process by invoking the formalities of s166 and SUP 5, mean the firm loses a degree of control and will likely be more expensive and probing than if the

issues are addressed 'in house' (even if with external support and assurance).

Avoiding or Limiting a Section 166

We work closely with firms to avoid formal appointments under s166, helping with advice and external consultancy support to reassure the FCA and avoid the need for formal appointments.

Typically, a report is commissioned after reasonably prolonged dialogue with the FCA. This is the firm's chance to resolve sufficiently the FCA's concerns and prevent a s166 appointment (whether that is by being able to demonstrate they are misplaced or proactively addressing potential concerns). It can also help to limit the scope of the review, albeit, once a skilled person is appointed, the scope often expands.

The FCA's early intervention approach encourages the use of s166 reports at firms where the FCA has identified concerns. Avoiding a formal appointment will involve examining governance and control frameworks and ensuring that appropriate risk management is in place across the organisation. It may also require ensuring appropriate capabilities in compliance and audit, alongside robust documentation and proactive and constructive engagement with the FCA.

The primary reasons for seeking to avoid a s166 appointment are that these reviews put the firm squarely in the FCA's crosshairs (even if they feel unfairly singled-out amongst their peer group), expose the entire business to potentially adverse scrutiny and risk heading down a path towards more draconian interventions or (less so these days) Enforcement action. But there are other important considerations that run alongside this. The cost implications of an appointment – not just in cash, but in valuable time and senior management bandwidth – can be significant, depending on scope. If firms can demonstrate 'grip' of identified problems and maintain control, perhaps with external support, there is every chance the FCA will not feel the need to send in a Skilled Person.

In years gone by, s166 was feared as a sort of 'outsourced Enforcement' but the industry began to accept the potential benefits of rigorous external assessment. With the marked reduction in FCA

Enforcement actions and increased use of early intervention tools, often based on sector-wide survey and questionnaire data, the next panel of FCA approved skilled persons may be viewed with more suspicion.

The year to come

The FCA's priority will likely remain embedding the Consumer Duty, with continuing focus on vulnerable customers, fair value, product design and communication, and outcomes monitoring. Recent experience shows that poor data management or even just poor presentation (in data request responses) can lead directly to unwanted supervisory intervention.

The current FCA-approved panel of potential Skilled Person consultancies is being re-tendered, with appointments to the new four-year panel to be confirmed in April. The new panel will also include consultants approved to advise the FCA and resource to support in the event of multi-firm failure. If the new panel is once again made up of larger consultants, the wealth management sector might prefer to look elsewhere for lower cost providers with potentially more niche expertise. Firms do not have to appoint a firm on the FCA's panel. One such option is the APCC's [Additional Skilled Person Suppliers list](#) to which the FCA may refer firms when needing to obtain three quotes for a s166 appointment.

The FCA has been tasked with supporting the Government's growth agenda. That will be the lens that frames FCA areas of focus going into 2026-27 and its supervisory and (any) Enforcement actions. We expect the coming year to involve targeted reviews of a few Consumer Investment firms where issues have been identified, for example during the ongoing services or consolidation reviews, but we hope our sector has ridden the wave of Skilled Persons reviews.



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The increasing use of the Investment Bank Special Administration Regime

The use of the IBSAR has risen steadily in recent years, with thirty firms now having failed into the regime since its introduction. This trend reflects increasing regulatory intervention by the FCA, growing concern regarding consumer harm, and a broader focus on market integrity within the financial services sector. Against this backdrop, it is increasingly important for insolvency practitioners and regulated firms to understand not only the operation of the regime, but also the statutory thresholds, procedural requirements and regulatory expectations that arise throughout the life of an appointment.

DWF has extensive experience advising IPs and regulated firms facing distress in relation to potential solvent options, as well as insolvency processes such as administration and the ISBAR. Our experience in the retail investment sector includes (in the public domain) the special administrations of Dolfin Financial (UK) Ltd, IBP Markets Ltd and Hartmann Capital Limited and the administration of Hartley Pensions Limited. Such experience underpins this summary of the IBSAR and its main characteristics and procedural requirements.

Statutory Purpose and Objectives

The IBSAR was established by the Investment Bank Special Administration Regulations 2011 and the Investment Bank Special Administration (England and Wales) Rules 2011. Its creation followed the collapse of Lehman Brothers in 2008, which highlighted the systemic impact of disorderly failures of financial institutions and the need for a specialised insolvency framework prioritising the return of client assets.

Regulation 10 sets out three statutory objectives, each of which must be pursued from the moment of appointment:

Objective 1

Ensuring the return of client assets as soon as is reasonably practicable.

Objective 2

Ensuring timely engagement with market infrastructure bodies and the Authorities.

Objective 3

To rescue the investment bank as a going concern OR wind it up in the best interests of the creditors.

Unlike in an ordinary administration under Schedule B1 of the Insolvency Act 1986, the objectives carry no hierarchy. Moreover, under Regulation 16, the FCA has the power to direct special administrators to prioritise particular objectives, reflecting the active role the regulator plays in the management of firm failure and the protection of client interests. The enhanced role that regulators and other relevant government organisations, such as the FCA and the FSCS, play in the IBSAR process reinforces the need for regulated firms to seek specialist advice at the earliest signs of solvency or regulatory concerns.

The Definition of “Investment Bank”

Despite the name, the regime applies far more broadly than simply to institutions conventionally understood as “banks”. Under section 232 of the Banking Act 2009, a firm will fall within the definition of “investment bank” if:

- 1 It is incorporated in the United Kingdom;
- 2 It holds client assets³;
- 3 It has permission to carry out the regulated activity of:
 - safeguarding and administering investments,
 - managing an AIF or UCITS,
 - acting as trustee or depositary of an AIF or UCITS
 - dealing in investments as principal, or
 - dealing in investments as agent.

This wide statutory definition has previously encompassed foreign exchange brokers, payment firms, investment managers and custodians, and is thereby capable of capturing a significant portion of the financial services industry.

Commencement of Special Administration

Only the court may place a firm into special administration. The persons with standing to apply for a special administration court order are listed in Regulation 5, and include the investment bank itself,

its directors, creditors, contributories, the Secretary of State, the FCA, and (where applicable) the PRA.

Applications may be made on three grounds, set out in Regulation 6:

Ground A

the investment bank is or is likely to become unable to pay its debts (the insolvency ground)

Ground B

that it would be fair to put the investment bank into special administration (the fairness ground)

Ground C

that it is expedient in the public interest to put the investment bank into special administration (the public interest ground)

Ground B requires the court to consider the meaning of “fair” under section 93(3) of the Banking Act 2009, which equates to the “just and equitable” test. Case law illustrates the threshold:

- *Re Sberbank CIB (UK) Ltd* [2022] EWHC 1059 (Ch) – operational difficulties made it “fair” to place a solvent firm into special administration.
- *Re Worldspreads Ltd* [2012] EWHC 1263 (Ch) – substantial deficiencies in client asset records justified special administration to secure orderly resolution.

Collectively, these grounds mean that a firm may be placed into special administration not only due to financial distress, but also due to conduct concerns, consumer risk or regulatory failings. We may see the FCA initiate more IBSAR applications pursuant to the fairness ground moving forward, to prevent harm to consumers. Our experience to date is that the FCA tends to impose VREQs on a firm and essentially request the firm to place itself into special administration based on insolvency grounds.

3 “Client assets” means assets which an institution has undertaken to hold for a client (whether or not on trust and whether or not the undertaking has been complied with), such as shares, bonds and fund units.

However, the fairness ground does provide the FCA and the firm with an alternative access to the IBASR and is something firms should be aware of.

An application for a special administration order must be served, once sealed (pursuant to Rule 10) on the investment bank, the proposed special administrators, the FCA (if they are not the applicant) and the PRA. Such service should be as soon as reasonably practicable.

There is no requirement under the legislation to notify the FCA of a proposed special administration order application before it is filed, however it is often courtesy and market standard for the FCA to be notified prior to an application for a special administration order, particularly when there is ongoing correspondence between the investment bank and the FCA prior to the filing of the application. In our experience, special administration often follows long-running and very significant regulatory engagement and supervisory interventions such that the FCA is already heavily involved.

In contrast, should there be an intention to place an investment bank into an alternative insolvency process such as administration pursuant to the Insolvency Act 1986 or liquidation, Regulation 8 requires that the FCA (and, if applicable, the PRA) must be notified prior to the entry into these alternative insolvency processes. The alternative insolvency process can then proceed only if the appropriate regulators consent to the application or if two weeks have passed since the regulators were notified.

Accordingly, an investment bank may also enter into standard insolvency proceedings so long as the notification requirements are complied with. The choice of route can have significant consequences for the firm and will depend on its assets and overall circumstances. In many cases, special administration is likely to be preferable, as it includes financial services-specific provisions, such as the ability to manage and transfer client assets and the ability to set bar dates, that are not automatically available under standard insolvency procedures. The FCA's view will also be an influential and often determinative factor, with the FCA generally favouring special administration.

Client Money and Safe Custody Assets

CASS distinguishes between client money (CASS 7), which is held on statutory trust, and safe custody assets (CASS 6), which are non-monetary assets such as securities. However, the Regulations employ a broader definition of "client assets", encompassing both categories for the purpose of Objective 1.

Upon appointment of special administrators, a primary pooling event arises under CASS 7A.2.2, resulting in all client money being pooled into a single client money pool. This pool stands outside the firm's general insolvency estate. Administrators must then perform a reconciliation to ensure that the firm holds the amount of client money and client assets required by CASS and its own internal records. Where discrepancies arise, the administrators must correct them by transferring funds between the firm's office and client accounts. A similar process applies to safe custody assets, where administrators must verify legal title, identify shortfalls and match assets to individual clients. The heightened scrutiny introduced by IBASR over firms' books and records underscores the critical importance of maintaining CASS compliance at all times, including ensuring proper segregation of client monies, adherence to client bank account formalities, and comprehensive documentation of custody arrangements.

Distribution of Client Assets and the Use of Bar Dates

The return of client assets typically requires the preparation of a distribution plan under Regulation 11, which must be approved both by a creditors' or clients' committee and by the court. Administrators may set soft bar dates, which serve to identify competing claims and give certainty to the distribution process. Assets distributed after a soft bar date will not be subject to later competing claims. In some cases, a distribution plan may incorporate a hard bar date under Regulation 12B, after which unasserted claims are excluded and may revert to the firm's general estate.

While a transfer of the firm's client asset book to a purchaser is often the most efficient method of returning assets, this is not always possible, particularly where records are incomplete or assets are regarded as "toxic" or commercially unattractive.

In such cases, administrators must return assets directly to clients or, where permitted, liquidate them and distribute the proceeds.

Costs, Expenses and Remuneration

The allocation of costs depends on the statutory objective to which they relate. Under Regulation 10, costs incurred in relation to Objective 1 may be paid from client assets themselves. The priority of these expenses is determined by Rule 135, and administrators must ensure that costs are allocated fairly across the client estates without discrimination. Assets outside the statutory trust – for example, assets subject to title transfer collateral arrangements or certain e money arrangements considered in *Ipagoo LLP* [2022] EWCA Civ 302 – cannot be used to meet Objective 1 costs.

Costs relating to Objectives 2 and 3 are generally met from the firm's own estate, with priorities set under Rule 134. In circumstances where the firm's estate is insufficient, the court may vary these priorities under Rules 134(3) and 135(3).

Approval of the administrators' remuneration must be obtained either from a creditors' committee, from creditors themselves, or from the court. The disclosure and approval regime is governed by Statement of Insolvency Practice 9 (SIP 9).

Exiting Special Administration

A special administration may conclude in several ways. Once client assets have been returned and the firm's own estate resolved, administrators may move the company into creditors' voluntary liquidation under paragraph 83 of Schedule B1 to the Insolvency Act 1986, into compulsory liquidation, or, where appropriate, into an ordinary administration. Dissolution is permissible where no property remains to be dealt with. Alternatively, administrators may seek a court order terminating the administration. In practice, given client entitlement disputes, record keeping failures, cross border issues and the involvement of regulators, special administrations frequently continue for several years.

Regulatory Expectations and FCA Engagement

In April 2025, the FCA published [FG25/2](#), which updated guidance on its expectations during the insolvency of regulated firms. The guidance stresses that firms remain subject to regulatory obligations, including VREQs or OIREQs, until permissions are withdrawn or cancelled. Special Administrators must therefore familiarise themselves with the firm's regulatory status, the roles of key management personnel and the nature of the financial services provided.

FG25/2 also highlights the continuing importance of the Consumer Duty. The FCA makes clear that insolvency does not discharge these obligations and that the Duty does not conflict with a special administrator's wider duties to creditors. Special administrators therefore must consider client characteristics, including vulnerability, when designing claims processes and communications. There is an inevitable clash between the harsh realities of administration and the FCA's expectations under the Duty.

The FCA expects early and transparent engagement both before and after the onset of insolvency. Preparing for a compromise without notifying the FCA breaches Principle 11 and SUP15. Administrators must ensure that records are preserved, that communication with clients is clear and compliant, and that potential vulnerabilities are factored into claims processes and messaging. The FCA will likely request sight of communications before they are issued.

The Role of the FSCS

The FSCS often plays a central role in special administrations. It protects eligible clients up to £85,000 per person per firm and may either fund distribution costs or compensate clients directly for shortfalls or (pre-fund) the costs of dealing with client assets. Where compensation is paid, client claims are assigned to the FSCS, which then typically becomes a significant creditor and frequently seeks representation on creditor or client committees. The FSCS also collaborates closely with administrators on client communications and may attend court hearings concerning distribution plans. The pivotal role of FSCS funding in the IBSAR process underscores the need for transparent, clear communication with clients regarding their eligibility.

DWF's combined expertise in financial services (particularly retail investment and prudential) regulation and restructuring and insolvency means we are exceptionally well-placed to support regulated firms facing financial or regulatory distress. Our capabilities include regulatory engagement, directors' duties advice, **contingency and wind-down planning**, devising restructuring solutions and advising on complex special administrations. Should you require guidance or wish to explore any of the themes discussed in this article further, please feel free to contact us.



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Change in Control – enhanced approach or a regulatory tool?

In last year's WMAR, we noted that 2024 saw a significant increase in M&A activity. Investment in the wealth management sector remains steady, despite the regulatory scrutiny and challenges for the sector we have seen in the last few years – including the introduction of the consumer duty and its associated obligations, the ongoing services review, followed closely last year with various wealth management surveys and the consolidation review. 2026 is already shaping up into a bumper year for M&A. Acquisition strategies are being refreshed in light of FCA feedback and the CiC process is more important than ever.

At the end of 2024, the FCA published its final guidance "**Prudential Assessment of Acquisitions and Increases in Control**". This was the first time it had expressly set out in a single document its approach to the change in control regime (previously there was some limited ESMA guidance on aggregation / acting in concert). The guidance covers identification of controllers; the point at which there is a decision to acquire; when aggregation of holdings is required; along with the areas of regulatory focus when assessing the suitability of the controller.

Whether as a result of the guidance, or as a result of the broader regulatory focus on the wealth management sector more generally (or most likely both), we are seeing increasing evidence of the FCA using the CiC process to dig deep into broader group structures and funding arrangements. Firms should expect the CiC process to be challenging, with the likelihood of follow up enquiries covering a broad range of areas (some of which will be related to the application itself, but others less so). Well prepared applications along with thorough supporting information should be provided - "more is more" being the new catch phrase!

Set out below are some of the key areas where firms should expect likely FCA interest:

- **Funding arrangements** – the flow of investment monies from the investors further up the ownership chain to the regulated entity (and every stage in between). The FCA wants to understand both the ultimate source of the funds (e.g. bank statements / facility terms), but also the terms upon which the funds are provided (often indirectly) to the regulated entity, to ensure that there are no onerous obligations / terms which could impact the regulated firm (i.e. requirements to repay debt immediately or on short notice). This is particularly of interest where you have group structures where debt further up the chain becomes "share capital" lower down the chain, especially where the share capital is being used to meet Tier One capital requirements. Whilst there is nothing wrong with doing so, and indeed this is commonplace, we have seen the FCA really scrutinise these arrangements.

In addition, where you have a controller which includes private equity or hedge fund ownership, or Sovereign wealth fund ownership, at 20% or more, the FCA will be looking at the historic performance of the controller and its investment approach to fully assess the risk of this type of investor / investment along with any potential adverse implications for the target.

- **Significant Influence** – where you have owners (individuals or entities) who do not have holdings at a level that would trigger the requirement to submit a controller application, consideration should be given to whether any of these individuals or entities are otherwise able to exercise "significant influence" over the target. We have seen evidence of the FCA really scrutinising broader group arrangements to ensure that all "controllers" have been identified. Historically, this catch all controller category was largely ignored, in part due to the lack of clarity around what constituted "significant influence". The FCA has set out examples where it would consider that a controller is able to exercise significant influence over the management of the target firm in para 2.10 of the guidance. Some of these are obvious (i.e. ultimate voting rights on material matters for the target being reserved to the proposed controller), but others are less so and may require careful analysis. For example, the use of centralised services or internal outsourcing arrangements to other group entities which influence how the target is run.

In assessing this category, we are aware that the FCA has asked to see a range of information including constitutional documentation; acquisition documents; shareholder agreements; Board terms of reference (for various group entities); and copies of Board packs and Board meeting minutes to understand how group entities interact in practice.

- **Prudential arrangements** – we have also seen several examples of the FCA challenging firms on the broader prudential arrangements in place, including the point at which consolidation occurs, particularly where there are complex group arrangements, with overseas controllers further up the ownership chain.
- **UK Holding Company** - Following on from the above, we are also aware of instances where the FCA refused to approve a CiC application until a UK holding company was put in place. The ability for the FCA to require this is contained in s.143(j) FSMA which states:
 - where you have two or more FCA investment firms that are subsidiaries of the same parent undertaking,

- the parent undertaking's head office is outside the UK, and
- in the FCA's opinion, the law and practice of the other country does not impose comparable requirements as the UK regime,

the FCA can exercise its power under s.55L(3) to impose a requirement on the firm / group to require a UK holding parent undertaking.

Obviously, this can have serious implications in relation to the point at which consolidation for prudential purposes occurs, particularly where you have MiFID firms in the buyer and / or target group.

- **Business Plans** – these should be relevant and realistic and provide a thorough explanation of the acquirer's short, medium and longer terms plans for the target. The FCA identifies the key areas it expects to be covered in the controller forms. At a minimum, business plans should include the following:
 - Strategic developmental plan.
 - Consumer duty compliance, including identifying any potential risks and proposed mitigants.
 - Three-year financial forecasts (on both a solo and consolidated basis).
 - Plans addressing capital adequacy, governance, integration, systems and controls, and data security.

Detailed business plans are still required where the acquirer is not planning on making any changes to the target firm (i.e. the proposed controller is not intending to exercise day to day control over the target and it will remain business as usual), albeit we have been able to satisfy this requirement with a copy of the target's own business plan. However, a lot of firms do not have an up-to-date business plan.

- **Financial information** – the application requires both detailed financial information about the proposed controller (covering the preceding three-year period) along with detailed financial forecasts post-acquisition. The FCA is taking a robust approach when looking at financial information and we have seen firms asked for

additional information / clarification where the financial information provided does not stack up, is unrealistic or there is evidence of financial weakness within group controllers.

- **Wind down planning** – whilst not an obvious request associated with a CiC application, we are aware of a number of applications where the proposed controller was asked to provide a copy of the Wind Down Plan. In one instance, the target did not have a WDP in place, and the proposed controller was asked by the FCA to withdraw the application until such time as it could be provided. In the meantime, the supervision team picked up direct contact with the firm.
- **Criminal record checks** – as a final point, don't forget that since January 2025 all individual controllers (who are not existing FCA approved persons) will need to have a criminal records check (in the UK this will be a standard Disclosure and Barring Service check) or overseas equivalent, dated within the last 6 months. The FCA has said it expects there to be limited circumstances where this requirement will be waived.

A well-prepared application will save time in the long run. The FCA has 60 working days within which it must determine the application. However, where the FCA asks for clarification or additional information, the clock is effectively "stopped" until such time as the information is provided, which can have a significant impact on the overall acquisition timetable.

We are able to assist with preparing the applications, including carrying out a four-eye review of the complete "application pack", to reduce the likely follow up from the FCA and mitigate delays in the acquisition process.



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Seeing the Wood for the trees..?

A light (hearted) regulatory review of W4.0 (based on publicly available information). There was a fair bit of excitable chatter last year about Neil Woodford's new venture and, given his history, it is an interesting example of a number of overlapping themes in the current retail investment market.

The FCA's commitment to targeted support is, in part, a response to the rise of 'influencers' and the alarming reliance 'next gen' investors are placing on 'experts' - and even celebrities - and their online outputs. The FCA's approach to CFD providers' compliance with Consumer Duty is aimed, in part, at allowing well regulated, higher risk propositions to service certain segments that might otherwise look to crypto or beyond the FCA's reach.

The drive for growth, fuelled by UK consumer investments, and the re-balancing of the regulator's and industry's attitudes to risk, need to manage the risk of investors self-harming by taking too much risk. Risk abounds!

What is W4.0?

In June, Neil Woodford, of Woodford Investment Management fame, launched a venture, called "W4.0", that is a subscription service offering users "direct access to Neil Woodford's proven investment strategies" (according to the [website](#)) and, in the words of a promotional email, "my full investment views - what I'm watching, what I'm ignoring, and how I'm positioning across macro and markets".

The investment strategy subscriber service apparently provides clients with accessible commentary on global markets, geo-political and geo-economic trends, through a paid email and website service.

The emergence of W4.0 raises significant questions about this sector of the market and how these propositions go unregulated:

- Is it an innovative 'mere information' service providing (unregulated) guidance ahead of the much-heralded advent of (very much regulated) targeted support?
- Is he a (global) 'influencer' who launched his new proposition the same week that the FCA issued further warnings about unregulated *finfluencers* and reported on its work with international regulatory bodies to ensure online actors remain compliant with UK laws and regulations - or was that coincidence?
- Is it a novel investment research service for which clients pay a 'finder's fee' for non-advised arranging activities?
- Is it copy or mirror trading, the likes of which are making social trading platforms so successful?

We don't know the answers but think it's a very interesting example of innovative propositions and the very serious need - at a time of political, regulatory, technological and social change - for a clear understanding by all involved in the distribution chain. And, most importantly, in a Consumer Duty age, investor clients.

What are consumers signing up for?

Taken from an email in late June, W4.0 subscribers were told:

“You get complete access to four investment strategies put together by Neil. All grounded in the same long-term, conviction-driven approach Neil has used throughout his career.”

“You’ll see every holding, allocation, and change with detailed explanation you can download complete strategy holdings to use outside of the platform or modify the strategies directly on W4.0.”

“The most important thing? You maintain complete control of your investment decisions.”

“So... you’re not managing my money?” it goes on to say. Confirming that “W4.0 shows you exactly what’s in each strategy and why. We don’t tell you what to do. You stay in complete control and can adapt or track what makes sense for you.” See also the snippet from the original FAQs below.

Ts&Cs

In the **Ts&Cs** there is confirmation that no personalised advice will be provided and that a level of experience akin to “you’re comfortable placing your own trades” is required. The client’s money will not be managed on a discretionary basis and ultimately the end decision to trade lies with the client. This is rather at odds with a statement in the Ts&Cs that any commentary is “not intended for trading purposes”.

Is this right for beginners?

W4.0 is designed for self-directed investors or investors with a financial adviser. If you’re comfortable placing your own trades, you’ll find W4.0 gives you a clear framework and practical guidance. While we don’t offer advice, we do offer context, rationale, and updates to help you invest with confidence.

Do you manage my money?

No. W4.0 isn’t a fund or a trading platform. We don’t hold or manage your money, and we don’t give personalised advice. Instead, we offer structured investment strategies, expert commentary, and tools to help you make informed decisions. You decide what to follow and when to act.

Can I follow strategies using my existing broker?

Yes, W4.0 is completely platform-independent. You can follow and act on strategies using any broker, ISA provider, or SIPP platform. There’s no need to move your money or change your existing setup — you stay in control.

The Ts&Cs are under English law and jurisdiction but the client agreement is with a UAE entity, W Four Point Zero FZE LLC. The emails were delivered from “Woodford Views, Bahnhofstrasse 21, 6300 Zug, Switzerland”, so there does not appear to be commentary provided from, or any client relationship with, a UK-based entity.

The Ts&Cs confirm that W4.0 is not FCA regulated entity and is not offering regulated services. They state the opinions will not constitute investment advice. Any content and commentary are considered “public information” although clients will have to subscribe to receive the email commentary.

How is it (not) regulated?

Advice

W4.0 is at pains to make clear it is not providing personalised or even general advice. FCA guidance is tolerably clear that an element of opinion as to a course of action is a key distinguishing factor between **advice and information**. The “we will not tell you what to do” line is therefore an important way to try to avoid clients feeling they are getting recommendations. There is heavy reliance on the idea that what is being provided is mere information.

The FCA guidance goes on to say that “a person can give advice without saying (or implying) categorically that the customer should invest. The adviser does not have to offer a definitive recommendation as to whether the customer should go ahead” – so-called ‘implicit recommendations’. The W4.0 business model will have to tread this line with care.

The FCA says (in PERG 8.24.1A-B) a firm will need authorisation to give non-personalised advice (albeit an appropriately authorised firm can do it without permission to ‘advise on investments’ (ie personal recommendations)). One to consider given that W4.0 is very keen to highlight that it is not in the business of giving (personalised) advice.

Arranging

Another potentially relevant activity is that of ‘arranging deals in investments’ but it appears there is no ‘arranging’ taking place by ‘click throughs’ or access to brokers or platforms. Indeed, the terms mention that “This Platform may contain links or references to other websites, these are provided for your convenience only. If you use these links, you leave the Platform....”. It would seem W4.0 is comfortable it is not the ‘middle-man’ introducing (in the regulatory sense) retail clients to brokers and/or platforms

Where we see particular brokers pay for introductions that are linked to investments subsequently made, there is a greater risk of (regulated) ‘arranging’. Letting consumers make what they will of strategies, investing as they see fit via their own established brokerage accounts, for a fee paid by the consumer (not the broker) would probably tread the right side of the line.

Copy trading

W4.0 is unlikely to amount to a copy trading arrangement, however it could call into question the FCA’s position on this if it were. The role of the platform becomes crucial here as the likely party that will have to shoulder the responsibility for any discretionary management (and the relevant ESMA guidance). The role of the unregulated ‘trader’ becomes increasingly unclear and the platform as the regulated party faces significant exposure if/when the strategy, ‘signals’ or market commentary proves to be wrong.

From one angle, W4.0 appears to be a ‘mirror’ trading or ‘finfluencing’ arrangement, analogous to other examples of unregulated offerings in the market. Brokers allowing their clients to use the service should try to monitor the situation, if and to the extent they become aware of W4.0 in the background.

FCA Action

The FCA was **reportedly** “engaging” with Woodford over this latest venture on the back of the £46m fine issued at the beginning of August regarding the Woodford Investment Management saga. £5.88m of this was attributed to Woodford himself (albeit he is disputing the **fine**) and is a clear signal that he is very much on the regulator’s radar.

The FCA did say it would “take our decision to ban into account when considering any application for authorisation”. What this means (and how an individual who is banned could front a venture seeking authorisation) remains to be seen, however all eyes will be on how the FCA looks to deal with this latest offering outside the regulatory perimeter.

Closing

The emergence of 'finfluencing' in the retail investment market does, for the time being, raise more questions than answers. Rapid growth in a regulatory environment that is simply trying to keep up has created an ever-growing grey area which brings with it significant risk and possible regulatory exposure for the banking, broking, trading and custodian firms caught in the crossfire. Hopefully the 'finfluencer' crackdown and Advice Guidance Boundary Review can help us all 'see the wood for the trees' but please get in touch if you'd like to discuss.



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Raising the bar: The FCA's multi firm review of CFDs

The FCA's latest **multi firm review** into how Contracts for Difference providers are delivering on the Consumer Duty's Price and Value outcome should serve as a wakeup call for the sector, following the December 2024 Dear CEO **portfolio letter**. Both of these were a 'shot across the bows' of the CFD sub-sector. Published in November 2025, the Review paints a mixed picture: while some firms have made meaningful progress, many still fall short of the FCA's expectations on pricing transparency, fair value assessments, and the treatment of retail clients.

For an industry long accustomed to rapid innovation, aggressive competition, and relatively complex pricing structures, the Consumer Duty represents a fundamental shift in mindset. It requires firms not only to justify their pricing, but to demonstrate – with evidence – that their products and services deliver fair value to consumers. The FCA's review makes clear that many CFD providers are not yet meeting that standard.

FCA findings: a brief re-cap

Based on an information request to a quarter of CFD providers involved in the manufacturing and distribution of CFDs, across a range of firms (driven by number of retail clients and client money held), the FCA considered: Board oversight of Consumer Duty; the overall quality of Fair Value Assessments ("FVAs") made; consideration of target market, including appropriateness tests under COBS 10A; CFD-related costs and charges, including overnight funding charges; and interest on margin. The FCA's findings were unambiguous, albeit it is hard to get a sense of relative population sizes falling within 'good practice' and 'bad practice':

- **Overall:** the FCA identified a mixed implementation of the Consumer Duty, with some firms recognising this as the watershed the FCA

intended, whilst others clearly had not. There were examples of a minority of firms simply re-stating requirements as opposed to demonstrating how they meet the Duty.

- **Fair value:** some firms had performed effective peer comparison against direct competitors, whilst others only gave limited consideration to certain execution costs as opposed to overall costs or relied on an inappropriate, sometimes overseas, peer group, with varied practice in relation to overnight funding charges. Many firms also failed to consider other indicators of value, such as complaints and satisfaction metrics.
- **Client interest:** a small number of firms were paying interest on client's margin deposits, with most of those that did not failing to consider whether it would be appropriate to do so.
- **Appropriateness testing:** some firms had tightened appropriateness testing on minimum criteria of wealth, if considered inappropriate, with some firms making limited or no changes in light of previous feedback.
- **Vulnerability:** the early adopters had moved to proactive monitoring of potential indicators of vulnerability, with those lagging still reliant on reactive measures and some firms clearly still

not assessing vulnerability in line with FCA expectations.

- **Fees and charges:** most firms had reviewed charges, with some disclosing all applicable fees and charges, with appropriate risk warnings, but the FCA flagged significant variations in practice, particularly around overnight charges and interest rates.

What this Means for CFD Providers

The Consumer Duty is not a one-off compliance exercise. It is an ongoing obligation requiring firms to continuously assess, evidence, and improve the value they deliver to clients. The multi-firm review should be heeded as a warning to the sector ahead of likely additional data-led exercises and more targeted thematic reviews in 2026. Below is a summary of the key steps that we would advise CFD providers to take now:

- **Gap analysis:** perform a gap analysis against the core themes arising from the review to identify – on a risk-led basis – any potential areas of exposure. Even if none are identified, this still provides comfort to senior management, as well as acts as a key approach to documenting strong and effective corporate governance;
- **Strengthen FVAs:** ensure these are analytical, insightful and not administrative in nature. FVAs should be robust, data-driven and outcomes-focused. Likely areas of uplift and scrutiny might include: robust benchmarking – as opposed to 'finger in the air' – against an established and considered peer group; performing an assessment of the value of ancillary services, such as research tools, education and platform features, as well as other non-financial indicators (e.g. complaints and customer satisfaction) of value; and ensuring that these are clearly-documented and challenged through governance;
- **Interest on client margin accounts:** given the FCA's findings, only a small number of firms sampled were paying interest on retail clients' margin deposits, with the majority not having considered this. Firms should ensure that this is considered as a matter of policy, with the

rationale and conclusions documented accordingly;

- **Pricing transparency:** with a particular focus on overnight funding charges, firms should identify opportunities to simplify their fee / charging structures. Likely areas of scrutiny might include: assessing all charges that apply and their appropriateness in light of Consumer Duty expectations; ensuring clear, plain-English explanations of how overnight charges are calculated, providing worked examples that show their impact; and, making sure that disclosures are provided on a prominent and timely basis; and
- **Shift to proactive monitoring of vulnerability:** whilst covered under 'good practice', it is clear that the FCA expects a cultural shift towards proactive and data-led monitoring for characteristics of vulnerability, such as proactive monitoring of daily or intra-day trading and funding to identify potential concerns. Where identified, firms should then ensure that the framework in place facilitates appropriate action, i.e. limitations or alerts.
- **Governance and record-keeping:** firms should take the opportunity to ensure that governance in relation to Consumer Duty is operating as it should: i.e. is the Board reviewing and scrutinising FVAs; is MI duly focused on consumer outcomes; is Consumer Duty clearly embedded via pricing committees and product governance forums; and has the Board set a clear risk appetite for consumer harm? As is always the case, firms should ensure that both the discussions and outputs from these are clearly documented. Fundamentally Boards should be able to unequivocally answer the question: how have we got comfortable that our clients are receiving fair value?



In conclusion, the FCA's multi firm review is more than a compliance update - rather it is a signal of the FCA's expectations for the future of the CFD market. Fair value is now a central regulatory theme, and firms must be able to demonstrate, not merely assert, that their pricing structures and product features deliver good outcomes for clients. The CFD providers that acknowledge and align with this shift will not only reduce regulatory risk but also build stronger, more sustainable relationships with their clients. Those that do not may find themselves facing tougher scrutiny, reputational damage, or potential supervisory intervention – or worse...



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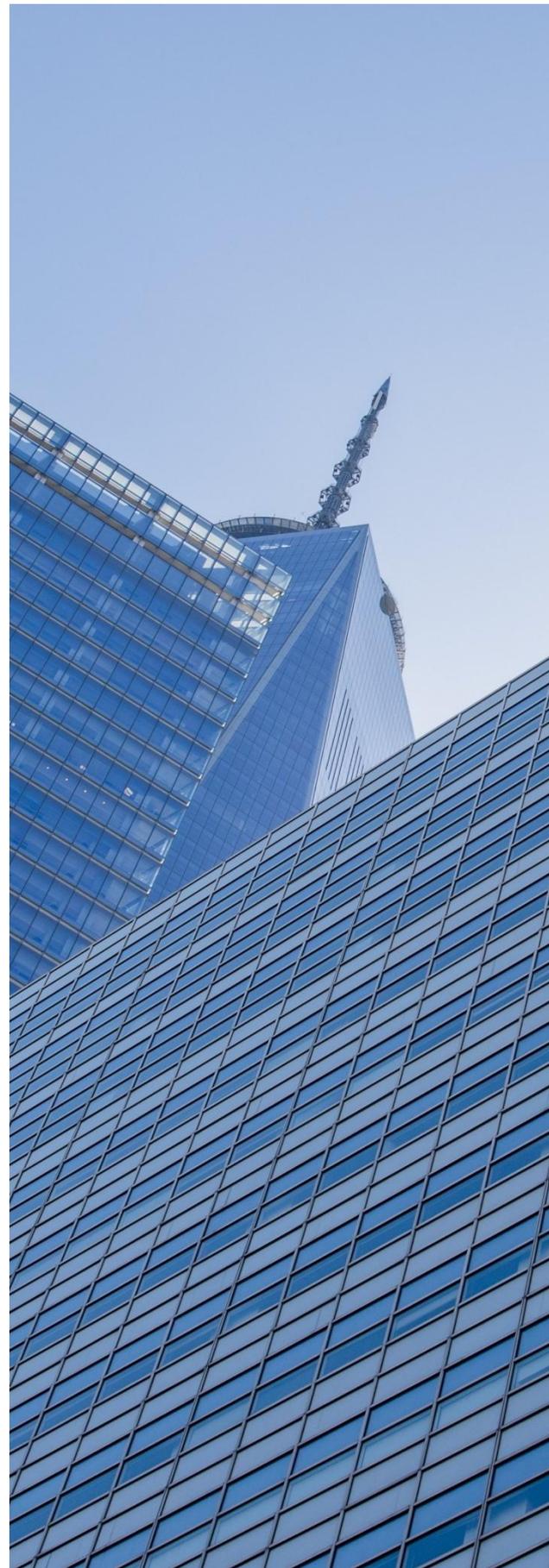
We work with all types of firms across the retail investment sector, including:

- Wealth managers, DFMs, IFAs, networks, national advisers and consolidators and platforms
- Investment platforms, brokers and custodians, and SIPP operators
- Regulatory hosting or Principal firms and their ARs
- Wealth management and distribution divisions at banks, life insurers, asset managers and SIPP providers
- Robo-advisers, Online Discretionary Investment Managers (ODIMs) and FinTech start-ups
- Financial promotion approvers, 'influencers', social, copy and 'free' trading platforms, and CFD brokers
- Unregulated businesses outside the FCA's perimeter, seeking authorisation or relying on exemptions
- Regulated individuals, approved or certified persons and senior managers, often with the benefit of D&O insurance
- International clients setting up a regulated entity in the UK or firms conducting investment business overseas

Key areas of expertise

- Regulatory & Compliance Advisory: product governance, regulatory structures, regulatory change and risk management, anti-Financial Crime including MAR, AML/MLR and bribery, SM&CR, FinProms, COBS, PROD, SUP, SYSC, DISP and the rest of the FCA Handbook
- Prudential regulation: IFPR, MiFIDPRU, ICARA and Wind-Down Plans, FCA consolidation review, offshore and debt funding, group consolidation and capital adequacy, 'polluter pays' and 'Resolution'
- Distribution Models: new propositions and distribution arrangements, client and intermediary agreements, adviser / DFM partnering (e.g. JVs, vertical integration, trading styles, 'agent as client' and 'reliance on others' or outsourcing and co-manufacturing), inducement rules, conflicts of interest and adviser charging
- Consumer Duty and Conduct Risk: former FCA skilled persons advise on Consumer Duty, conduct risk frameworks, compliance and mitigation for firms and their approved or certified persons and senior managers, including the Principles for Businesses, Threshold Conditions, clients' best interests, vulnerable clients, suitability, conflicts and whistleblowing
- M&A: corporate support (including PE-backed buy & build and portfolio work), regulatory due diligence, structuring and acquisition strategies, 'change in control', client and FCA comms and steps plans

- Governance Reviews: review of governance arrangements, policies and procedures, Board effectiveness and compliance with the SM&CR, including SMF applications and interview preparation
- Financial Ombudsman Service and Systemic Risks: dealing with mis-selling, root cause analysis, remediation programmes, and notifications to the FCA under SUP 15 or PRIN 11, individual or systemic FOS complaints under DISP, Court claims and Judicial Review of the FOS
- Investigations and (Shadow) Skilled Person Reports: internal investigations, privileged legal advice on findings and skilled persons' 'review and recommend' reports on remedial actions and regulatory rehabilitation
- Pensions: advising on regulatory requirements for pension transfers and SIPP due diligence, dealing with mis-selling and maladministration complaints, DB transfers thematic and past business reviews, customer contact and redress exercises, and FCA enforcement and systemic liability issues (such as 'insistent clients', introducers and outsourced PTS)
- Enforcement, 'Close Supervision' or 'interventions' by the FCA: advising on interactions with the FCA, from responding to informal or formal information requests, thematic reviews, questionnaires, surveys and s165 Information Requests, dealing with VREQs / OIREQs or VVoPs / OIVOPs, and with Enforcement action, including before the RDC or Tribunal





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