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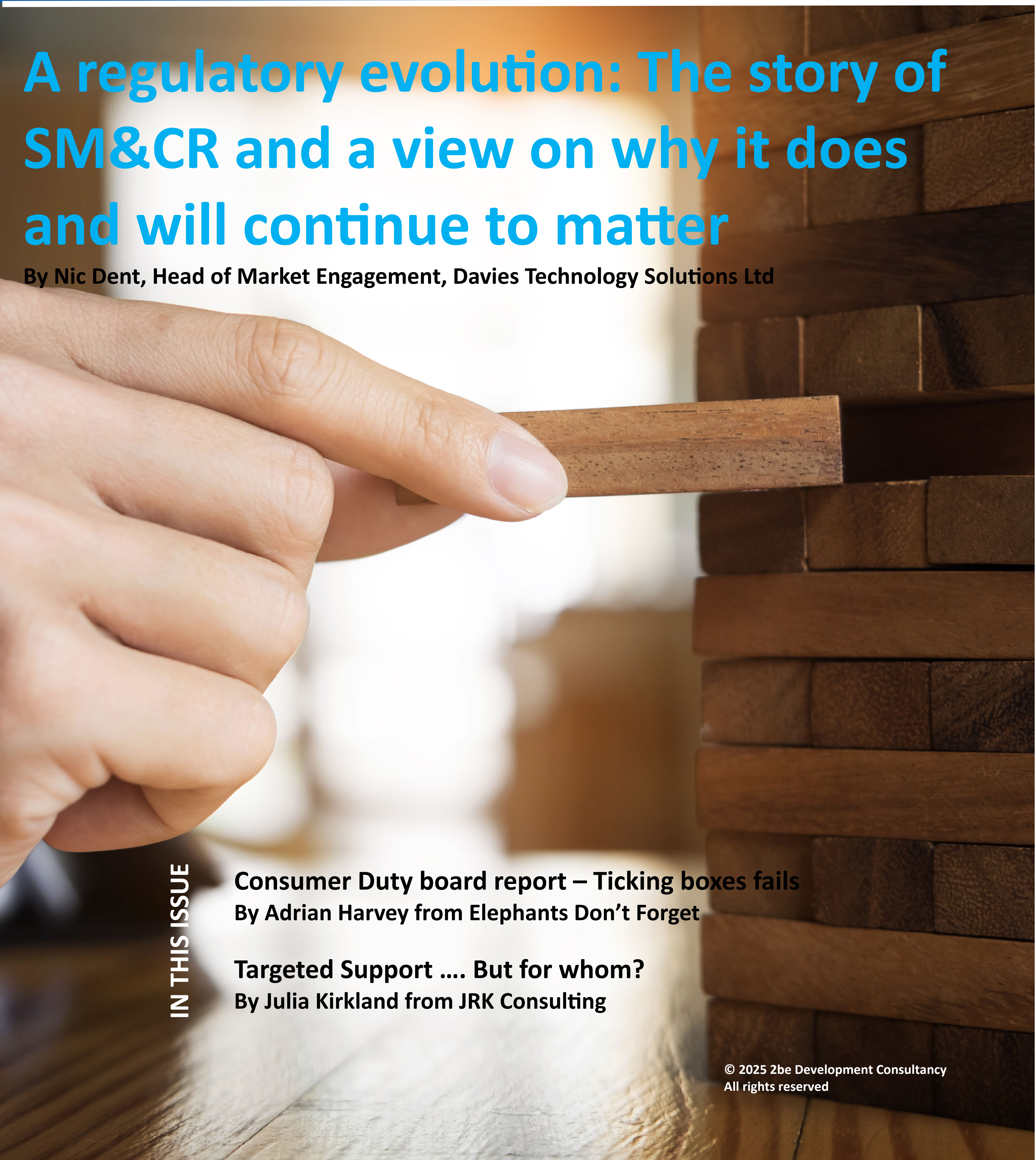

A regulatory evolution: The story of SM&CR and a view on why it does and will continue to matter

By Nic Dent, Head of Market Engagement, Davies Technology Solutions Ltd

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Welcome to the October edition of T-CNews. By the looks of things there will plenty to get you teeth into over the coming months. The review of the SM&CR including the possible removal and replacement of the Certification Regime is definitely food for thought. The potential arrival of targeted support will also create challenges for firms to ensure that they can provide the desired service without crossing regulatory lines. The subject of AI will continue to grow. Rather than regard it as a threat it will be to better to consider how you can best harness its capability to provide even better services to your customers. All these subjects and more are covered in this edition. Enjoy.
Jeff Abbott

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Maureen vs the machine

By Paul Archer from Archer Training

My first job, way back in 1983, was as a Counter Assistant in a building society. I enjoyed my entry-level job and took to night school to further my training. In the meantime, I was just a counter clerk whose primary role was to serve customers at the branch.

During quieter periods, I was asked to type letters. I was given this heavy, bulky monster of a manual typewriter, and my main challenge was to type correctly the first time; otherwise, I would have to discard the paper and start again. In the branch, we had Maureen. She was a splendid addition to our team. Her job was to cover the counter during lunchtime at busy periods.

Maureen, like many of her generation, was an excellent manual typist and could bang out a letter faster than I with zero errors. She was a godsend, so we did a deal. I'd work the counter, which I was particularly good at and enjoyed, and Maureen would knock out the entire day's typing in less than two hours.

Until tech changed things. Let me explain further.

We took delivery of innovative counter equipment that automated the processing of transactions and printing of passbooks. You see it all the time nowadays, but back then it was revolutionary. We were also given a back-office terminal with an interface attached.

With a bit of tinkering, I fabricated this back office monster into the world's first word processor. Well, not the world, but Egham, Surrey, anyway. I learnt to type with the word processor before Maureen came in at 11am, because mistakes could be rectified immediately by pressing the backspace key and retyping. I was slowly but surely completing my typing tasks on two fingers.

Maureen tut-tutted when she saw the machine and walked over to her manual typewriter. Hers was soon upgraded to an electric typewriter, and the following year to a word processor. Suddenly, Maureen's skill of getting her letters typed correctly the first time became a redundant skill. The rest of us could type, albeit slower, but we could correct ourselves as we went.

Soon, everyone was typing their emails, letters, and correspondence, and nowadays typing is ubiquitous, even among the untrained.

The parallel here, which you've already guessed? AI and financial advisers. The current skill of advisers is to possess a broad knowledge of technical aspects, to effectively elicit the client's needs, and to provide complex financial advice. They take exams and continually update their technical knowledge. AI can do this. AI is replacing the need for advisers. It will. As soon as advisers realise this and start focusing on communication as their prime skill, they will move forward, just like Maureen. I forgot to tell you the end of my true story.

What happened to Maureen? She sat back on the counter and became the best counter assistant we've ever had. Like everyone else, she had plenty of dormant talent that came to the fore. Paul Archer works with mortgage and financial adviser firms, helping them increase their revenue from their advisory practices and provider BDMs to achieve their bonuses. Message him on LinkedIn - www.paularcher.uk

Consumer Duty board report – Ticking boxes fails

By Adrian Harvey from Elephants Don't Forget

I'm writing this article a week before the deadline for the second annual Consumer Duty Board Report (CDBR#2). Working with friends at Ocorian, our in-house regulatory expert, Chris Adlard, and several other knowledgeable people, the subject of the second Board Report inevitably came up. These, however, are my words and should not be attributed to any other party.

My personal conclusion from these various conversations and interactions is that the first Board Report (CDBR#1) was a learning exercise for all concerned. The FCA gave firms a great deal of latitude and helpfully published a 'good practice and areas for improvement' response, which will undoubtedly be used this time to hold firms to account. The four elements of criticism that resonated with me were data quality and provision, relationship to the four outcomes, inclusivity, and culture.

But let me first make a rather obvious, but I believe largely overlooked, statement of fact.

> ***"There is no way your customers are going to get consistently good outcomes if your employees are not optimally competent in-role. And we know from millions of interactions that employee incompetence is the norm.[1] Case in point, very few firms have a credible measure of employee competence,***

I believe the FCA was critical of firms that simply chose to repackage existing data sources and made no attempt to get new data. I particularly like the FCA's comments about several firms that claimed to provide great outcomes but offered no data to back these statements up! I must believe the FCA, which styles itself as a "data-driven regulator," will be less forgiving of this approach in CDBR#2.

If one considers the data that most firms would have available on employee T&C (Training & Competence), it is of very little value in relation to CDBR#2. For too long, too many firms in the sector have pursued what the regulator calls a "tick-box" approach to T&C. Yes, more firms are seeing the light, particularly those that trade heavily on quality and brand reputation (but certainly not all of them), but thousands of firms still tick boxes and submit a "sea of green." This data is largely useless for improving a firm's culture, driving good outcomes for all customers, evidencing it, or including anything credible in CDBR#2.

The FCA is undeniably upping their game in relation to these inappropriate but near-default market practices. Firms can learn a great deal from successful FCA enforcements in financial crime that have cited inappropriate T&C practices. For example, in 2021, 45% of final notices identified deficiencies in training programmes, highlighting a reliance on inadequate or "one-size-fits-all" approaches and a culture of poor mandatory training completion. In 2022, three out of four fines cited deficiencies in training arrangements, including a failure to provide risk-sensitive or appropriately targeted training. In 2023, inadequate training for staff was a central theme, with the FCA voicing concerns that staff with due diligence responsibilities had insufficient knowledge to carry out their roles effectively. I have to believe that the regulator will continue their war on inappropriate training practices in CDBR#2.

Smarter firms are using continual assessment methodology (from Clever Nelly) that enables them to gently and collaboratively monitor and optimise the in-role competence of every employee, using less than one minute per day. The data harvested from this method not only provides real-time lead indicators of where consumers may not be getting great outcomes but also provides a new, independent source of data for CDBR#2.

What perhaps surprised me was that, after what is in reality a couple of years of this legislation, a significant number of firms failed to reference the four outcomes. What we used to call a "schoolboy error." The regulator will certainly want to see CDBR#2 reference the four outcomes. Failure to do so almost flags a complete lack of understanding of the legislation.

One point that did not surprise me was the point I have called inclusivity. Having appeared on at least 10 Consumer Duty webinars with literally thousands of Governance, Risk, and Compliance professionals in attendance, what was abundantly clear was that a lot of firms "subbed" the writing of CDBR#1 to a single person in the compliance function. Many admitted to me that is what happened in their firm, and CDBR#1 was a piece of work that needed doing and filing. What I think these firms overlooked was that this approach was inevitably going to be pretty obvious to the regulator.

The board should be monitoring the business in relation to Consumer Duty all year round and, as such, challenging outcomes and activities on an ongoing basis. These challenges should be recorded in minutes and used as evidence of an appropriate culture. This is in contrast to a red flag that Consumer Duty is something the firm has "stuck on" to existing practices and is doing the absolute bare minimum, where there is no record of board challenge or indeed involvement in the production of CDBR#1.

I think the removal of the requirement for firms to have a Consumer Duty Board Champion is in response to this behaviour. After all, the Board Champion almost encouraged firms to pass the responsibility for CDBR#1 to the most logical person!

> "This data is largely useless for improving a firm's culture, driving good outcomes for all customers, evidencing it, or including anything credible in CDBR#2.

Finally, culture. The whole point of Consumer Duty is to ensure the public can trust financial services firms to put their needs and outcomes before excessive or unfair profiting. The FCA concludes that firms need to change their culture from being overly profit-centric to more consumer-centric.

Given my blindingly obvious statement at the beginning of this article, any firm that is unable to meaningfully assess and evidence the in-role competence of their workforce can hardly claim to have a consumer-centric culture. Well, let me restate that. They can claim it, but they won't be able to evidence it!

I believe that as the FCA becomes an increasingly data-savvy regulator, they won't need to look too hard for obvious red flags of slow-to-change or downright inappropriate culture. In the recent FCA Financial Crime Thematic Review, the regulator mentions "training" 92 times. If that isn't a clear indication of the importance they are placing on firms ensuring employees are fully competent to facilitate consumers getting good outcomes, particularly in the two outcomes employees influence most (Customer Support and Consumer Understanding), then I don't know what is!

If I worked in an FCA-regulated firm and was charged with drafting CDBR#2, I would certainly be reviewing my work in the context of employee in-role competence and the data I would use to support any claims that the workforce was optimally competent. I would not want to submit CDBR#2 claiming (completely unfeasibly and unbelievably) that all the employees were super-competent and have no credible data to back this up.

FYI, the FCA has been most helpful in providing guidance to Elephants Don't Forget to enable us to build a Consumer Duty Culture assessment and benchmarking tool. If you would like to know more about this ahead of the formal launch, drop me a line.

Etridge revisited

Nick Baxter
Expert Witness
Residential Mortgages

The turn of the millennium marked a pivotal moment for the UK's banking and legal landscape. A Court judgment, *Royal Bank of Scotland plc v Etridge,* didn't just decide a single case; it fundamentally rewrote the rulebook for how lenders dealt with partners acting as guarantors for business loans. Prior to 2001, the system was a precarious one for vulnerable parties, often leading to devastating financial consequences. Etridge established a clear, practical set of procedures that lenders were obliged to follow, shifting the burden of responsibility firmly onto their shoulders.

The classic turn of the century scenario involved a husband [it usually was then] seeking a loan or increased borrowing for his business, with the bank insisting the loan be secured against the family home, which was often jointly owned with his wife [usually the vulnerable party then]. The wife, who may not have been involved in the business, would be asked to act as a guarantor. Courts recognised that in such situations, the wife could be under undue influence or misled about the risks.

If the business failed, the bank would seek to repossess the home, and the wife would claim the bank should have known of the potential undue influence and had a duty to ensure she received independent advice. The pre-Etridge legal position was messy and inconsistent. To avoid later claims and to ensure the guarantee was enforceable, the lender had to take reasonable steps to satisfy itself that the guarantor had entered into the obligation freely and with a full understanding of the risks.

The judgment placed a heavy, non-delegable administrative burden directly upon lenders. Lenders were forced to hastily redesign their processes creating a new layer of compliance and operational cost for every transaction involving a third-party guarantor. This judgment set a new standard of care, making it considerably harder for banks to enforce such securities unless they could prove strict protocols had been meticulously followed.

Over the last 25 years these protocols have worked well, but what happens when a transaction isn't a ‘pure guarantee’ and is a more complex arrangement where the vulnerable party also has a clear, personal interest in the loan; a so called ‘hybrid transaction’? Let’s say, the primary purpose of the loan is to benefit one party's business, but the loan is advanced to them both, and they are both jointly and severally liable, i.e., the loan is secured against a property that is their shared home. This was the central question for the UK Supreme Court in Waller-Edwards & Anor v One Savings Bank Plc [2024] UKSC 4, a judgment that, again, has significant implications for UK lenders and mortgage brokers navigating so-called 'hybrid transactions'.

The *Waller-Edwards* judgment does not overturn *Etridge*; it refines it and provides a more nuanced test for when its stringent requirements are triggered. Lenders and brokers can no longer apply a one-size-fits-all approach, they must analyse the true purpose and structure of each transaction. Is the loan a Pure Guarantee (e.g., a wife guaranteeing her husband's business loan), a Pure Joint Loan or a Hybrid Transaction (e.g., a couple jointly borrowing for one party's business)? Are there any "Unusual Features" or "Red Flags". This is the new frontline for lenders and brokers. Their staff must be trained to spot features that should trigger further investigation, even in a hybrid or joint-borrower scenario. The new challenge is to spot circumstances such as, a vast disparity in income between the co-borrowers, one co-borrower being significantly older or in poorer health, the business purpose of the loan being overwhelmingly for one party's benefit, with the other gaining nothing or any communication from the co-borrower expressing confusion or reluctance.

Waller-Edwards v One Savings Bank is a significant evolution of the *Etridge* principles. It moves the application of the law from a rigid, label-based test to a flexible, substance-based one. For UK lenders and brokers, the mandate is clear: enhance the due diligence processes to understand the true nature of a transaction and empower staff to identify and act upon those crucial "unusual features" that signal a vulnerable party may be at risk, regardless of their formal title as borrower or guarantor.

Nick Baxter is a residential mortgage expert witness and iNED focusing on credit risk, consumer products/outcomes, governance, compliance and regulation

SM&CR Review CP25/21

By Ian Ashleigh from Compliance Matters

The Senior Managers and Certification Regime (SMCR) has been with us since December 2016 for larger firms and December 2019 for firms regulated by the FCA alone. The SM&CR is an individual accountability regime. It seeks to promote safety and soundness, reduce harm to consumers and strengthen the functioning of the market by making financial services professionals individually accountable to their employers and to the regulators. It also aims to ensure that all financial services staff meet expected standards of conduct. It is set out in FSMA and implemented through the FCA Handbook for solo-regulated firms, and through PRA rules for dual‑regulated firms.

A review of SMCR was announced in December 2022. Since March 2023, in conjunction with HM Treasury and the PRA, the FCA published a Discussion Paper (DP1/23) and the Treasury a call for evidence.

The review has allowed the Regulators to assess how the regime has met its objectives, and how it could be made more effective and efficient. The review will be in two phases. The changes proposed in phase one may be implemented following the consultation, those in phase two require changes to legislation, hence the involvement of HM Treasury. If changes to legislation are brought forward as outlined in the Treasury's how it could make use of both of the flexibilities proposed to reduce the number of pre‑approvals and the number of roles included in the regime. The FCA also plans to explore additional changes to further streamline the regime. Key changes it would explore to further reduce regulatory burden include looking at how it can:

1. reduce the number of SMF approvals, by removing SMF roles or reducing pre-approvals;
2. provide more flexibility to appoint interim SMFs before seeking approval by expanding the use of the 12‑week rule;
3. further streamline the SMF assessment process, e.g. the documents that are requested and the relevant systems;
4. reduce the frequency of submission of SoRs, review the list of PRs, and simplify the Management Responsibilities Maps;
5. design a streamlined regime to replace certification in a way that minimises burden and complexity while ensuring fitness and propriety of individuals;
6. remove the Directory and explore with industry alternative ways to ensure consumers have other sources of information they require; and
7. streamline Conduct Rule breach reporting.

FCA's desired outcomes
The FCA has articulated three outcomes they want the review to achieve:

Increased proportionality of SMCR requirements
Proportionality is already a key feature of the SMCR with different requirements applying to different firms depending on size and complexity. The FCA expects the proposed changes to result in a further reduction in the administrative burden of compliance, while standards of governance and accountability are maintained. The FCA expects to see

- reduced compliance costs for firms
- fewer requests for forbearance from firms seeking to manage changes in SMFs
- Statement of Responsibility submissions to be less frequent
- fewer cases of inappropriate allocation of PRs to SMFs
- fewer firms in scope of the Enhanced Regime thresholds

Improved efficiency of SMCR requirements
Reduced compliance burden and costs, meaning that firms and the FCA can redirect resources.

Greater clarity on the application of some SMCR requirements
Higher levels of compliance in the SMCR areas in which they provide updated or new guidance. A reduced administrative burden on firms but with no consequential reduction in the benefits of the regime
These outcomes should be welcomed by firms as the results of the review are implemented.

Further clarification
Chapter 4 of the consultation paper details the operation of SMCR, below is a summary of the proposals.

The SMF assessment process
The FCA states that proportionality already exists in the SMF assessment processes, and that it applies differing levels of scrutiny to applications using a risk‐based approach. It appreciates, that the way in which proportionality is applied might not have been visible enough to firms and individuals. The level of scrutiny the FCA applies to applications depends on several factors and risks associated with the firm and the skills and experience of the individual. This includes;

- the nature of the SMF role,
- the market in which the firm operates,
- the firm's governance structure, and
- its specific circumstances.

For example, the assessment of whether a candidate is competent for the role of Chief Financial Officer (CFO) in one firm may be different to the assessment for the CFO role in another firm depending on the circumstances.

Criminal record checks (CRC) and disclosures
There is no rule or guidance on the validity period for CRCs. However, the SMF application forms ask for an explanation if the check was not undertaken within the 3 months prior to the submission of the application. In light of feedback that a 3‐month period was too short, the FCA proposes to set the validity period for CRCs obtained for an SMF candidate to 6 months. The FCA also proposes to remove the requirement for firms to undertake a CRC for an existing SMF holder who moves within the same group.

> "The changes proposed in phase one may be implemented following the consultation, those in phase two require changes to legislation, hence the involvement of HM Treasury

Senior Manager Regime – 12-week rule

The FCA acknowledges that the 12-week rule does not always give firms sufficient flexibility to manage changes in SMFs. Its proposals aim to balance improving the usefulness of the 12-week rule for firms in managing changes in SMFs, while ensuring good standards of governance and accountability are maintained.

The FCA proposes to change the 12-week rule so that firms that use it would have 12 weeks to submit an application for an SMF, rather than 12 weeks to get a decision on an application. Once an application has been submitted, the person performing the role under the 12-week rule could continue to perform it until the application is determined. As long as a firm submitted an application within the 12-week period, it would not have breached the rule

Senior Manager Functions and Prescribed Responsibilities

In this phase of the reform the FCA does not propose to remove SMF roles or add additional ones. However, it plans to explore whether SMF roles could be reduced or applications for approvals reduced, in the next phase of the reforms to further streamline the regime.

Similarly, in this phase of the review, the FCA proposes no change to prescribed responsibilities.

Duty of Responsibility

The Duty of Responsibility is set in legislation and changes to it can only be made by changing the law. In light of the feedback that the Duty of Responsibility is useful and supports the aims of the SMCR, the FCA does not consider it is necessary to change it. It agrees that there is overlap between the Senior Manager Conduct Rules and the Duty of Responsibility, and that in many cases following either route would lead to the same result. The FCA considers that the Duty of Responsibility continues to perform a useful role, and that this overlap does not cause significant issues and is generally handled effectively by firms.

Statements of Responsibilities (SoRs) and Management Responsibilities Maps (MRMs)

The submission of SoRs to the regulator is required by the legislation. In support of growth and being a smarter regulator, while keeping in line with the legislation, the FCA proposes to streamline the submission of updated SoRs, by allowing periodic submissions. Under the proposal, firms would still have to keep SoRs (and, for relevant firms, MRMs) up to date at all times at the firm, but they would not need to submit them each time they make a change. Instead, it would allow submission of changed SoRs on a periodic basis and no later than every 6 months after the last submission. This would reduce the administrative burden on firms as they would have more time to comply with the requirement to submit these documents.

Solo-regulated firms could gather all SoRs that had changed across the last 6 months and submit only the latest version of each (together with one up to date MRM, where relevant), all at once. Flexibility is built in and firms that have made changes to any of their SoRs could choose when to submit their updates, within the 6-month limit since their last update. As now, firms that have made no changes to SoRs would not be required to submit anything.

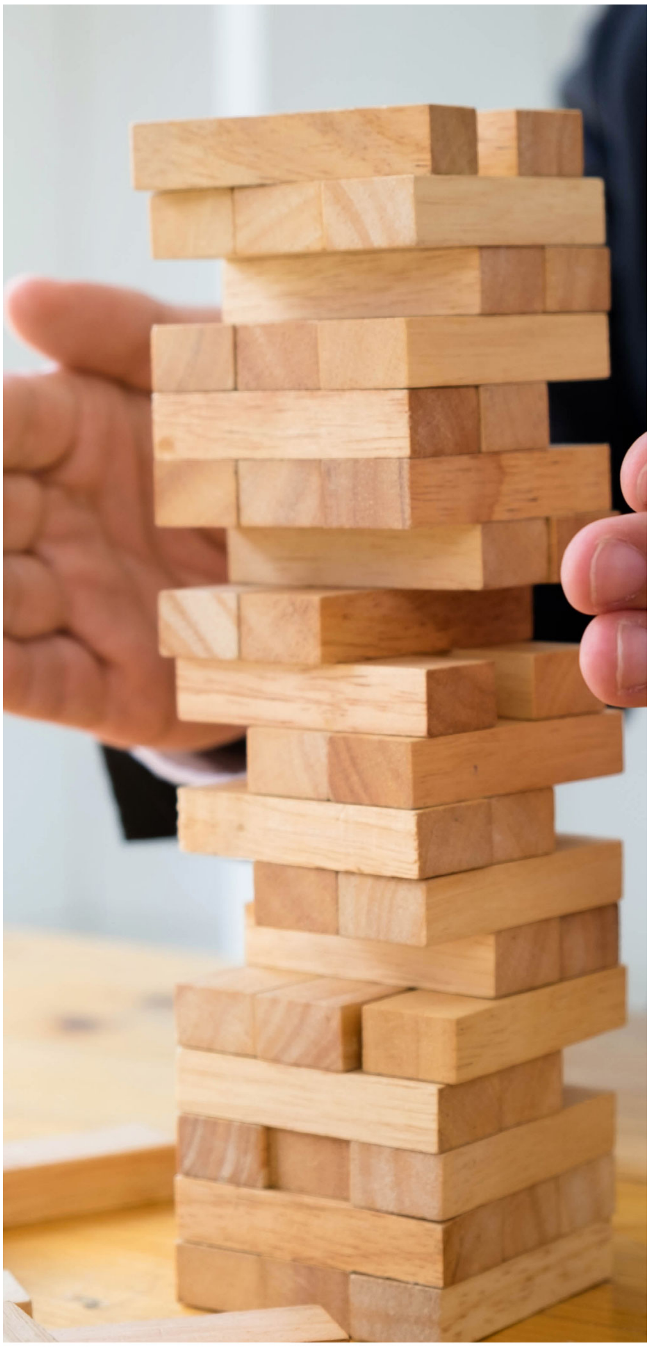
The devil is always in the detail

This is a very high-level summary of the proposals within the Consultation Paper, and you are recommended to read the full detail of the feedback to the FCA and its proposals.

If you require a review of your firm's SMCR arrangements, please contact me contact@compliancematters.co.uk.

A regulatory evolution: The story of SM&CR and a view on why it does and will continue to matter

By Nic Dent, Head of Market Engagement, Davies Technology Solutions Ltd



When the Senior Managers and Certification Regime (SM&CR) was first introduced in the wake of the financial crisis, it wasn't just another piece of red tape. It was a deliberate, considered response to the deep cultural and accountability failings exposed during the meltdown of 2008. At its heart, SM&CR was about restoring something essential: trust in the people who lead and represent financial services firms.

Over the years, that mission has remained remarkably consistent - even as the regime expanded from banks to insurers, asset managers, and solo-regulated firms. By placing individual accountability at the centre of governance, most stake holders and commentators are agreed that the regime has helped sharpen decision-making, clarify roles, and encourage ethical leadership.

Firms have reported stronger handovers, better definitions of responsibility, and a more joined-up culture of risk. Regulators say it's become easier to hold individuals to account. Even employees, when surveyed, increasingly recognise that leadership owns problems when they arise. But no system, no matter how well intentioned, is immune to growing pains.

So, as a direct response to the HM Treasury's 2023 Call for Evidence on the effectiveness of SM&CR and the wider Edinburgh Reforms package, which were designed to ensure the UK's financial regulatory framework supports growth, competitiveness, and high standards post-Brexit - CP25/21 and CP18/25 now mark Phase 1 of a broader effort to modernise the regime: Keep what works, fix what doesn't, and above all, ensure SM&CR remains proportionate, flexible, and fit for the future.

How have we reached this stage?

The current consultation on SM&CR is best understood as part of a regulatory journey that has unfolded over several years. It began with the unveiling of the Edinburgh Reforms of UK financial services in December 2022, covering over 30 regulatory reforms designed to unlock investment and turbocharge growth in towns and cities across the UK. This also adding political weight and commitment from government and regulators to examine simplification and proportionality. The subsequent publication of CP25/21 and CP18/25 this year then sets out more concrete proposals to streamline processes and reduce duplication, particularly for smaller firms, while maintaining accountability.

Most recently, the latest HM Treasury paper has pushed the debate further still, explicitly questioning whether the Certification Regime should remain within FSMA or be reframed to give firms greater flexibility. Taken together, this sequence shows a clear trajectory: from testing industry sentiment, to embedding reform within government policy, to consulting on practical streamlining, and now, to considering potentially important operational change.

What do we think will be changing, and why

The proposals aren't revolutionary - and that's precisely the point. They're broadly careful, pragmatic reforms designed to smooth rough edges without tearing down the framework.

Take, for example, the changes to the 12-week rule. This rule allows temporary cover for senior roles while approvals are processed - a vital safeguard when leadership changes unexpectedly. CP25/21 proposes extending timelines and adding flexibility here, recognising that firms need time to get the right people in place, particularly in today's fast-moving markets.

Other changes aim to reduce duplication. The regulators propose trimming down the list of certification roles by up to 15%, especially where individuals are performing multiple overlapping functions. There are also plans to streamline fitness and propriety checks, giving firms more discretion - with appropriate safeguards - to align these reviews with the actual level of change or risk.

Perhaps most important is the commitment to clearer guidance. Firms have long asked for more direction on what constitutes "reasonable steps," or how to complete Statements of Responsibilities (SoRs) effectively. These reforms promise to reduce the grey areas that can make compliance feel like guesswork.

All of this points to a single, coherent goal: Maintain the integrity of SM&CR but make it less of a bureaucratic burden. Let it breathe, in other words.

Having said that though, as my daily working life is mostly concerned with helping firms ensure they're both managing and evidencing governance arrangements in a measurable, defensible way. I feel the need to call out that this growing commitment to clearer guidance is not just a regulatory courtesy - it reflects the underlying imperative for firms to manage and evidence good governance, dare I say in what might need to be a more meaningful and assessable way than firms have been doing thus far.

Ambiguity around concepts like "reasonable steps" or vague Statements of Responsibilities doesn't just complicate compliance; it undermines firms' ability to demonstrate robust oversight and internal control.

In today's regulatory environment - shaped by SM&CR, the Consumer Duty, and increasing scrutiny of conduct and culture, **evidence matters as much as intent**. A firm may believe its leadership is acting in good faith, but without clear documentation, role clarity, and governance trails, that belief is difficult to stand behind under regulatory challenge. This is why effective governance isn't just a matter of structure - it's a matter of **disciplined execution and transparent accountability**.

For example, DEPP 6.2.9 sets out that *"where disciplinary action is taken against an individual, the onus will be on the FCA to show that the individual has been guilty of misconduct."* On the face of it, this provides reassurance that the burden of proof rests with the regulator, not the individual.

> "The regulators want firms to be proportionate, but they don't want to dilute accountability

However, in practice, and especially under SM&CR, this provision is tightly interwoven with the expectation that Senior Managers can evidence the reasonable steps they took in discharging their responsibilities. The FCA may carry the burden of proof, but the easiest way for the regulator to make its case is by demonstrating that an individual either failed to take reasonable steps, or cannot produce evidence that they did so. Well-maintained records of decisions, escalations, governance minutes, risk assessments, and oversight activity are not just good practice - they are an individual's strongest defence if the FCA challenges their conduct.

By removing grey areas, the proposed reforms empower firms to embed more consistent governance processes - making it easier to assign responsibility, monitor performance, escalate concerns, and most importantly, prove that good governance is not only aspired to but delivered. The ability to show regulators, and stakeholders, that decisions were made with care, that oversight was real, and that duties were actively managed, is ultimately what turns compliance from a liability into a leadership asset.

Why it is not the time to abandon any aspect of SM&CR

Of course, with any regulatory reform, there's always a risk of overcorrection. HMT have raised the possibility of dismantling some key components - most notably the Certification Regime. It's true: Certification has been among the more administratively challenging parts of SM&CR. But to discard the overarching concepts altogether would be a mistake.

The governments proposed removal of the Certification Regime from legislation would remove the annual requirement, and the FCA (we think) supports this change. But that change aim is to replace it with a new, more flexible regime that still ensures fitness and propriety. That means firms cannot necessarily decide to move away from yearly (F&P) reviews altogether, but they may have more scope to tailor the process (e.g. using role-based or risk-based assessment models; leveraging technology for things like trigger-based reviews or ongoing screening checks).

The concern regulators have flagged is that some firms might misinterpret the shift towards flexibility as implying that less frequent reviews are acceptable - for example, assuming that no reassessments are needed unless there's a positional change for example. This is not the direction of travel. The principle remains that evidence has a shelf life and that annual checks are a baseline expectation. On top of that, firms should be considering risk-based or role-based reviews. For example, Senior Managers and customer-facing staff may justify more frequent and/or intensive checks. With lower-risk Certified roles potentially not warranting additional interim assessments beyond the annual review.

So, in short: yes to flexibility in approach, no to relaxing frequency. The regulators want firms to be proportionate, but they don't want to dilute accountability.

A better, smarter future for regulation

The proposed reforms represent a step forward then. They reflect maturity, not retreat. A regime that listens, adapts, and recalibrates is far healthier than one that refuses to evolve.

Retaining SM&CR, while making it smarter and more proportionate, allows the UK to uphold its reputation as a world-class financial centre. It says: we care about standards, but we also understand the realities of doing business. It gives firms the room to innovate, grow, and compete while ensuring they remain grounded in strong governance and ethical leadership.

And as we look to the future, we should recognise that much of the regime's success will depend not just on the rules themselves, but on how they are lived. That's why investing in Training and Competence and elevating it as a strategic priority may be one of the most valuable moves firms can make right now.

Because in the end, regulation is not about ticking boxes. It's about people. And SM&CR, at its best, is a reminder of that truth.

The Competent Employee Rule remains

For firms willing to go beyond a compliance mindset, there are real and lasting business benefits to embedding Training and Competence and the Consumer Duty into the very fabric of their organisational culture. The Competent Employee Rule (SYSC 5.1.1R) still stands as a fundamental regulatory requirement: That firms must ensure employees are appropriately trained, qualified, and supervised to discharge their responsibilities. But more than that, it offers a clear framework for creating a workplace where competence, ethical judgement, and accountability are standard, not exceptional.

When firms cultivate these values deliberately - when they invest in their people not just to meet the letter of the rules, but to live up to their cultural purpose - the rewards are tangible. Staff make better decisions, customer trust deepens, and regulatory relationships improve.

Crucially, firms that are seen to embody strong values and deliver consistently good customer outcomes can turn that integrity into a competitive advantage. In an industry where public confidence is both fragile and fundamental, a reputation for fairness, professionalism and principled leadership becomes one of the most powerful differentiators. In that sense, Training & Competence, Consumer Duty, the Competent Employee Rule, and cultural values are not just compliance tools - they are the cornerstones of sustainable, ethical, and commercially successful financial services.

Training and Competence: The secret weapon

Does T&C demand more focus? If SM&CR provides the skeleton of accountability, T&C is the muscle - the system that makes the regime function in practice.

A good T&C framework ensures that individuals don't just know their responsibilities on paper but understand how to live them day to day. It translates conduct rules into meaningful action. It prepares people to handle ethical dilemmas, regulatory change, and emerging risks.

Consider a scenario where a firm is granted more flexibility under the proposed reforms. They now have longer to file updates to SoRs, or more discretion over how often they conduct fitness assessments. That's only safe if they have confidence that their people are competent, current, and capable. And that's where T&C becomes invaluable.

It's not just about compliance, either. Strong training programmes foster better culture, increase employee engagement, and reduce the risk of inadvertent misconduct. They also provide evidence in the form of training records, assessments and performance reviews, that firms and individuals have taken their responsibilities seriously. When things go wrong, that evidence can be the difference between a regulatory fine and a defensible position.

In short, T&C isn't just a back-office HR function. It's a frontline regulatory tool — and one that will become even more critical as the regulatory environment evolves.

Conclusion: A positive spin & key takeaways

- Modernising SM&CR rather than replacing it: -the current consultations signal that regulators want to preserve what works - accountability, conduct, responsibility - but make the regime more fit for current needs: more flexible, proportionate, less duplicative; more navigable. That's a wise approach, not a retreat from standards.

- Training & Competence is the unsung lever: It supports all pillars of SM&CR: ensuring fitness & propriety, supporting conduct rules, enabling senior managers to understand and discharge their responsibilities, helping firms to demonstrate they have taken reasonable steps. If firms and/or the regulators choose to emphasise T&C, many of the risks of loosening some of the prescription are mitigated.

- Firms that invest in T&C and culture will benefit not just by compliance, but via better risk management, fewer incidents, better retention, perhaps lower regulatory friction. They may also enjoy competitive advantage: clients and investors continue to prioritise governance and ethical conduct.

- Regulatory reform and growth are not incompatible: By removing unnecessary burdens, clarifying expectations, allowing flexibility, the proposals help firms divert more resources to innovation, customer service and expansion, while still maintaining trust. A credible regulatory framework with strong SM&CR and competence can be a differentiator.

Targeted support or regulated advice; it's like state or private education

Henry Tapper
Chair, Age Wage

> Decisions about pensions and retail investments are complex and consumers need support

Phil Young at Zero Support LLP, known to most advisers has told the trade press he is surprised how little interest there has been among advisers about targeted support.
Let me not cast stones at advisers, I haven't been active in the consultation the FCA has had with the groups it feels will offer "targeted support". Like me it seems that financial advisers don't find simplified targeted support interesting to them. So, we're all on the naughty step!
The FCA recently concluded a six-week policy sprint on how providers, banks and platforms could offer targeted support, with the likes of St James's Place, Quilter and Hargreaves Lansdown taking part. I suspect that this was compliance rather than marketing.
A spokesperson for the DWP said it does not comment on speculation about popularity of targeted support
'Our Pension Schemes Bill will help over 15 million people, including by bringing savers' pension pots together in one place which could boost pension pots by £11,000, while our pensions dashboard programme will empower individuals to better prepare for retirement,'
This is civil service for "*get on with it, it's going to be the law*".
What is evident to people whose market is the workplace is that this mass market that will get targeted support and the dashboard as an entitlement. The well-heeled segment of the workforce who are acceptable for regulated advice will continue to be selected. It will be like going to state and private schools and hospitals.
Pensions and retail investments have a vital function allowing people to build wealth and provide income for later life. We want people to invest for their future with confidence, understanding the rewards, risks and protection they will get.
This cannot be taught by targeted support but you can learn most things with the help of artificial intelligence or at least on-line information. So targeted support is the framework for people's learning, a platform for those who want to self-educated
Decisions about pensions and retail investments are complex and consumers need support. The FCA are clear that the equivalent of a state education can get people by, provided it is a sound platform.
This consultation sets out our proposals to introduce a new form of support, called targeted support. Our targeted support proposals will enable firms to provide suggestions designed for groups of consumers with common characteristics to help them make financial decisions.
This consultation also sets out our early thinking and direction of travel on simplified advice and clarifying the Advice Guidance Boundary.

And the FCA are detailing who will be providing targeted support

- Pensions and investment firms including fund and wealth managers, platforms and SIPP operators.
- Pension trustees and trust-based pension schemes.
- Banks, building societies and other firms such as friendly or mutual societies.
- Financial advice firms (particularly Chapter 9 on simplified advice).
- Trade bodies, professional and consultancy firms.

Consumers, groups representing consumers' interests and those who support consumers with their decision-making.

There is a great difference between telling people what they **can** do and what **to** do. No matter how short those emboldened words are, financial advisers have worked out that information is free but that the instruction on complex retail strategy's implementation is valuable and advisers make money out of it.

Targeted support is of course valuable to those who are offering pensions commercially and that includes employee benefits, but the workplace is a notoriously difficult place for professional advisers. For the most part , workplace savers have not had financial advice and it looks from what Phil Young is saying, financial services do not consider their technical capabilities are best deployed on the basics.

We need something between the paid for financial advice and the high level support supplied by the Money and Pensions Service and the regulated financial services needed to get it right.

I think Phil is right to make this differentiation. But we must also recognise that information will in future be delivered by technology and in particular by artificial intelligence.

The quality of interaction between machine and human is improving all the time and every time it works, humans will be more willing to.

The FCA are learning from interaction (or lack of it) with advisers over "targeted support" where the Advice Guidance Boundary Review is being drawn. It is working the boundary out by experimentation with consumers rather than advisers and this is quite right.

I suspect that the Pension Schemes Bill will turn to Act and deliver products that people understand as pensions. The questions they will have will be about the income paid to them, to dependents, its sustainability and the pay they will get from their pensions as time goes on. These offer optionality but not opportunity for financial advisers.

A state education style "targeted support" will require modellers that people can use to get answers to questions. It should not offer regulated advice as to what to do. There will be opportunities for those who want to be told what to do (especially where tax become important) to pay for it.

I am very pleased with the way that the FCA are conducting the consultations that lead to the introduction of targeted support and am comfortable both as a pensioner and potentially a "provider" of targeted solutions , that it is being carried out like this.

I went through the FCA's "sandpit" with my firm and see this as the next stage for the FCA. Targeted Support is not in the sandpit; it is helping construct a new type of retirement plan. It should not be confused with Financial Advice (specialist) nor Pensions Wise (universal), it is about getting things built (targeted).

I wrote about this earlier in the summer when the last consultation was launched

The top 10 things to consider when hiring an operations manager – and why it's the most important hire you'll make right now

By Michelle Hoskin, The Business and Operations Management Network and Standards International Ltd

Let me say this straight: if you're running a professional firm and you don't have a brilliant, capable, get-things -done Business or Operations Manager on your team, you're flying blind.

Right now, we all know that recruitment is hard. Good people are rare. And even when you find them, knowing whether they'll *really* fit into your business and help it grow - that's even harder. But one hire you absolutely cannot afford to get wrong is a Business and Operations Manager.

This is the heartbeat of your business. The bridge between vision and reality. The calm in the chaos.

So, before you rush to fill the seat with someone "who seems good on paper," here are the top 10 things I urge you to consider - based on experience, blood, sweat and many business tears.

1. Know why you're hiring - don't just fill a gap

Too many businesses hire out of desperation. They're busy, things are falling through the cracks, and you think, "We need someone now!" But this role isn't a plaster - it's the backbone of your business. Take time to ask: What *exactly* do we need them to own? What pain are we solving? What will success look like in 3 months, 6 months, 12 months?

If you're not clear on that, neither will they be and chaos will multiply, not shrink.

2. An Operations Manager is not just an administrator with a fancy title

This role isn't about diaries and filing systems. A true leader in Business and Operations Manager is part strategist, part organiser, part therapist, part drill sergeant. They should be driving change, building systems, and making the business work *without you*. You're hiring a thinker *and* a doer.

So, stop looking for someone who's just "good at admin." Aim higher. Expect more.

3. Use Kolbe A Assessments to understand the real them

We use Kolbe A Assessments with our employees and clients because it tells us what CVs can't: how someone naturally operates when left to their own devices. Are they a high Follow Thru? Then systems are their thing. High Quick Start? Brilliant for fast-paced environments but they might hate routine.

Here's the key though: The Kolbe A Index is only powerful if someone on your team knows how to *interpret* it. Don't just print out the score and pat yourself on the back. Use it to shape onboarding, delegation, even how you run meetings. It's gold dust, if you know how to read it.

4. They need more than skills - they need grit

Skills can be taught. Attitude cannot.

You want someone who can handle the messy middle, the half-finished projects, the awkward clients, the systems that *sort of* work but mostly don't. They need to be resilient, solutions-focused, and a little bit obsessive about improvement.

Ask yourself: when the pressure's on, will they crumble or will they *lean in*?

5. Don't confuse tech-savvy with tech-obsessed

Yes, they need to be good with tech. But not just the latest, flashiest software. They need to know how to *use* it to make your business more efficient. It's not about knowing every tool on the market - it's about having the mindset to integrate, automate and streamline what matters.

If they can look at your current clunky process and say, "Let's look to fix that," you've found a keeper.

6. Onboarding: It's not just a week of shadowing

We *all* talk about good onboarding. Very few actually do it properly.

This hire needs more than a login and a company handbook. They need to *understand* the business, your values, your clients, your quirks, your goals. They need structured time with key people. They need a 30-60-90 day plan. They need feedback, constantly.

Good onboarding doesn't happen by accident. It's effortful. But done right, it pays off 10 times over.

7. They need authority - not just responsibility

Don't bring someone in and tie their hands behind their back. If they're meant to own operations, *let them own it*. That means giving them a seat at the table. Let them challenge you. Let them change things. Let them take things off your plate and actually keep them.

If you hire well and then micromanage, you've wasted everyone's time.

8. Culture fit matters more than you think

This person will touch every part of your business - team, clients, systems, delivery. If they don't align with your values, if they don't "get" your way of doing things, friction is inevitable.

Culture fit isn't about liking the same music. It's about shared standards, work ethic, and integrity. If they're not a culture fit, nothing else matters.

9. They need to be obsessed with improvement

Great Business and Operations Managers don't accept "that's just how we do it." They question everything, with kindness, but also with courage.

They should be wired to spot inefficiencies, to track data, to turn chaos into clarity. If they're not suggesting improvements within their first month, they're probably not the right person.

You want someone who *makes your business better* every single week.

> "Skills can be taught. Attitude cannot.
> You want someone who can handle the messy middle, the half-finished projects, the awkward clients, the systems that *sort of* work but mostly don't.

10. You're not hiring a clone - you're hiring a counterpart

Here's the big one. Too many business owners hire people just like them - fast-moving, big-vision, lots of ideas. That's a mistake.

You don't need a copy of you. You need your *counterweight* - someone who grounds the ideas, builds the process, and makes sure the magic actually gets delivered.

This hire should complement you, not copy you.

Hiring a Business and Operations Manager is not just another task on your to-do list. It's a turning point. It's the moment you stop doing everything yourself. The moment you get your evenings back. The moment your business starts to function like the *business* you dreamed of – not a job with 100 hats.

Yes, recruitment is tough right now. But the right person in this role will change your world. Invest the time. Get it right. And when you do – trust them, empower them, and get out of their way.

Because when operations run like clockwork, *everything else* gets easier.

We can help – it's what we are really good at! Reach out…

Earnings Before Intelligence, Truth, Data or Accuracy?

By Phil Ingle from Phil Ingle Associates

We may know what EBITDA means, but what it stand for?

"Bullshit earnings" — that's how the late Charlie Munger, Warren Buffett's right-hand man at Berkshire Hathaway, famously described EBITDA. While this frank assessment might seem harsh, it captures a sceptical, maybe cynical, view of many seasoned investors toward a metric that has become ubiquitous in corporate boardrooms and financial analyses worldwide.

EBITDA, officially standing for Earnings Before Interest, Taxes, Depreciation, and Amortisation, has spawned countless alternative interpretations that reveal the metric's contentious nature. From "Earnings Before I Trick the Dumb Auditor" to" "Everyone's Best Imaginary Tale of Pounds Available" these playful reworkings highlight legitimate concerns about a measure that strips away so many real business costs that critics argue it can make almost any company appear profitable on paper.

The Origins: Everything Before It Tried Deceiving Anyone

EBITDA wasn't developed as a broad profitability comparison tool across industries, but was invented by billionaire investor John Malone in the 1970s as he consolidated cable television systems. Malone's genius wasn't just in building scale—it was in getting Wall Street to focus on a metric that suited his tax-minimisation strategy perfectly.

To Malone, higher net income meant higher taxes, and he believed that the best strategy for a cable company was to use all available tools to minimise reported earnings and taxes, and fund internal growth and acquisitions with pretax cash flow. By introducing EBITDA, Malone created a vocabulary that would eventually dominate corporate finance, though perhaps not always for the right reasons.

EBITDA's popularity stems from several seemingly logical advantages. It provides a better view of actual business health and how well its business model is working by removing capital investment and financing variables. For analysts and investors, EBITDA offers a standardised way to compare companies across different industries, tax jurisdictions, and capital structures.

Practical Purposes: Earnings Become Interesting Topics Despite Anomalies

Operational Focus: EBITDA allows for a clear assessment of a company's operational performance by excluding non-operational factors like interest, taxes, and depreciation. This can provide insight into how well management is running the core business operations.

> “It provides a better view of actual business health and how well its business model is working by removing capital investment and financing variables

Comparative Analysis: It enables analysis and comparison of profitability among companies and industries, eliminating the impacts of financing, government, and other accounting decisions to provide a raw indication of earnings.

Cash Flow Proxy: EBITDA is often used as a proxy for cash flow because it excludes non-cash expenses such as depreciation and amortisation, making it useful for evaluating debt service capacity.

M&A Applications: EBITDA is often preferred over other metrics when deciding which business is more attractive in a mergers and acquisition strategy, as it provides a cleaner view of operational performance.

On the other hand... Every Body In Time Doubts Accounts

However, EBITDA's apparent strengths mask fundamental weaknesses that have drawn fierce criticism from respected investors and analysts. Any metric that can be described as 'profits before costs', as is the case with EBITDA, can be regarded suspiciously.

The Depreciation Delusion: Depreciation is not something that can be breezily disregarded as not really that important. It is a device that spreads the cost of historical investment by the company's management over the expected life of tangible assets. Warren Buffett's pointed question remains unanswered: does management think the tooth fairy pays for capital expenditure? Depreciation can also be an imagined figure: you only know what something is really worth if it is sold. Until that point, everything is an estimate. Right now, I say my car is worth £30,000. But can I prove it?

Even more delusion: Amortisation. Usually defined as depreciation of intangible assets, amortisation could be even more shaky than depreciation. The value of intangibles is more difficult to establish than for tangible, and have you seen how creative CFOs can be when it comes to the creation of goodwill? This becomes more significant when we remember that intangible assets are not far larger on corporate balance sheets than tangibles, and have been for the last 30 years or so.

Not Actually Cash Flow: EBITDA is often treated as a proxy for cashflow. A better description may be a proxy – and a rough one – for cash generation. Show me a company with a meaningful depreciation and amortisation charge that is spending nothing on capital expenditure, and I will show you a business that will fail over time. The metric ignores the reality that most businesses must continually reinvest in their assets to maintain operations.

Misleading for Capital-Intensive Industries: Capital-intensive industries love EBITDA. A company with a 5% operating margin and a depreciation and amortisation charge of 10% of sales will produce an EBITDA figure three times higher than its EBIT. This creates a dangerously flattering picture for businesses that require heavy ongoing investment.

Hidden Working Capital Issues: EBITDA does not account for changes in working capital, and liquidity fluctuates because of interest, taxes and capital expenditures. Companies can appear healthy on an EBITDA basis while facing serious cash flow constraints.

Beyond theoretical concerns, EBITDA creates real-world problems in business decision-making. While designed for external reporting, EBITDA is frequently used in internal management reports, but without explanation as to why.

The metric's limitations become particularly dangerous in highly leveraged situations. Interest in the EBITDA figure could make the company look as though it has more money to pay interest. The reality might be very different. This has led to overleveraging situations where companies appeared capable of servicing debt based on EBITDA multiples but have struggled – especially following interest rate rises.

Furthermore, when a company is not making a net profit, investors can turn to EBITDA to evaluate a company, which can mask fundamental business problems. Companies losing money at the bottom line can still report positive EBITDA, potentially misleading investors about the business's true financial health.

Alternatives for Analysis: Equity Buys Interesting Trades in Debt Alternatives

Given EBITDA's limitations, several alternative metrics provide more accurate pictures of business performance:

Economic Value Added (EVA): By deducting the capital charge, EVA automatically sets aside the profit that must be earned in each period to recover the value of the capital that has been invested or will be invested. Unlike EBITDA, EVA accounts for the true cost of capital and provides a direct link to shareholder value creation.

Free Cash Flow: This metric accounts for capital expenditures that EBITDA ignores, providing a more realistic view of cash generation capabilities. Free cash flow shows what's actually available to shareholders after necessary reinvestment.

Return on Invested Capital (ROIC): ROIC measures how efficiently a company generates profits from its invested capital, providing insight into management's ability to create value.

Operating Cash Flow: Found in the cash flow statement, this metric shows actual cash generated from operations, including working capital changes that EBITDA overlooks.

Despite its flaws, EBITDA isn't entirely without merit in specific contexts. In industries where accounting policies create significant variations in depreciation methods; EBITDA can provide a standardiSed comparison point.

The metric can also be useful for:

- Initial screening of acquisition targets
- Comparing companies with vastly different capital structures
- Analysis of businesses in early stages where depreciation policies haven't stabilised
- Evaluating operational improvements separate from financing decisions

The Bottom Line: Excuse But I Think Data's Approximate

The next time you see a company or sector using EBITDA, just ask yourself: why?

Charlie Munger's characterisation of EBITDA may be colourful, but it reflects a serious concern about a metric that has become widely accepted without sufficient scrutiny. While EBITDA can provide useful insights in specific contexts, investors and analysts should never rely on it as a standalone measure of business performance.

The financial world's amusing alternative definitions - from " Everything Before Investors Think Deeply About-it " to "Elaborate Budget Ideas To Deceive Auditors" - capture more truth than many would like to admit. In an era where clear, honest financial reporting is more important than ever, perhaps it's time to take these playful criticisms more seriously.

Why will it remain popular? Simply because, by excluding ITDA, it will always be a bigger number than Operating profit. And what do companies, Wall Street and the financial media *love*? Big Numbers.

Smart investors understand that no single metric tells the complete story. They use EBITDA, if at all, as one piece of a comprehensive analytical framework that includes cash flow analysis, balance sheet strength, and genuine profitability measures. After all, in the long run, businesses must generate real cash and real profits—not just "Earnings Before Intelligent Tax-Dodging Activities"

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Breaking the silence: Overcoming consumer reluctance in debt recovery

Daniel Spenceley, Head of Policy, Credit Services Association

The reluctance of consumers to engage with their debts is one of the most challenging - and yet most common - barriers to overcome in debt recovery. In fact, when we explored the issue of disengagement in our paper, 'Tackling the Engagement Gap: Addressing the reluctance of consumers to discuss debt', we found that millions of consumers are not engaged in dealing with their debts.

> *This lack of information means that when someone finds themselves in arrears, they are frequently unaware of the types of forbearance that may be available*

It is also the most critical barrier to overcome, because if we cannot speak to those in debt, we cannot demystify the process, we cannot help individuals understand that support, forbearance and tailored solutions are available, and we cannot empower them to take control of their financial circumstances. Where consumers do not engage, their debts will remain unresolved and, for many, their financial difficulties will become entrenched.

There are various reasons that drive consumers not to engage with their creditors and in many cases, consumers are dealing with more than one issue. Debt is often just another challenge for them to contend with. It is important, then, to understand the underlying challenges and consider what needs to change so that individuals feel more comfortable engaging with their creditors.

What we found was that in many instances, feelings of fear or shame which underpinned the reluctance to engage were often rooted in a lack of information. This makes some sense - being in debt is not something we are ever prepared for. When it strikes, it is often out of the blue and is usually accompanied by other challenges. This lack of information means that when someone finds themselves in arrears, they are frequently unaware of the types of forbearance that may be available; they have little knowledge about how to access free advice; and their lack of experience and awareness makes them more susceptible to online misinformation.

It goes without saying that investment in national financial education is crucial. Financial education is limited as it is, and very little explores what it means to be in debt or how one might manage being in debt. We called on the Government to prioritise the implementation of recommendations from the House of Commons' Education Committee, which had been made under the previous government in a report entitled 'Delivering effective financial education'. While there has not been any meaningful movement on financial education, the Department for Education has shared an independent interim report on the national curriculum, which notes that children, young people, and their parents "want more focus on the applied knowledge and skills that will equip them for later life and work" including financial education. We hope to see more detail on what this could look like for financial education when the independent review publishes its final report.

problem. Online misinformation floods the internet, across forums, websites and social media, and it is extremely harmful to consumers that fall victim to it. Sometimes it can be well-meaning but incorrect advice; in many cases, it can be conspiracy theories; and in some other cases, it can be malicious actors looking to exploit those in dire circumstances. We have seen examples of individuals being charged for unregulated and incorrect advice – but because it comes with a message that those in debt want to hear ("get out of debt for free and without any consequences") and because it catches them at a time when they are at their most vulnerable, it can succeed. The biggest problem with all of this misinformation is that it is always the individual consumer who ends up bearing the consequences, not the person dishing it out. It is so important that, if a consumer truly needs advice, they seek it from an impartial and regulated organisation.

When it comes to tackling online misinformation, we did use our engagement report to call on consumer-trusted sources to do more to help educate the public and to debunk these schemes. In a positive step, the FCA recently launched a webpage dedicated to some of the online scams and misinformation that targets members of the public. We still think the regulator could do more to encourage consumers to engage with their creditors, but this is a step in the right direction.

Our own #heretohelp campaign has been an ongoing effort to educate and demonstrate to the public that engagement with creditors is often the most effective and positive step that you can take to address financial difficulties and reach a positive outcome. The campaign has been ably supported in recent years by CSA members with related content shared across websites, social media and other consumer-facing areas.

Eradicating the stigma that comes with being in debt and creating an environment where all feel comfortable engaging with their creditors is the long-term goal, and it may take some time for us to get there. But seeing that the Government and the regulator are hearing the message reassures me that we are not shouting into the void and progress is on the horizon.

Targeted support ... But for whom?

By Julia Kirkland from JRK Consulting

'We want to help consumers navigate their financial lives and plan for the long term. Some of the most difficult financial decisions we face are how to save, invest and prepare for a comfortable retirement. These once-in-a-generation reforms will help people navigate their financial lives and give them greater confidence to invest. This is a win-win for consumers and firms alike.'

I don't like to start an article with a long quote, particularly from the Regulator. But this quote from Sarah Pritchard of the FCA in their Press Release of 30th June I think was of significance. Coming just under two years since the introduction of the Consumer Duty obligations of course she was speaking about the "Targeted Support" reforms. The 30th June was the kick off for a detailed "sprint" where firms design consumer journeys to help create the rule details in the Consultation, a very different consultation methodology for the regulator. The Consultation closed on 28th August 2025 and we can expect the detailed rules by end of 2025. As someone who has written about the challenge of the *advice gap* for some time now, I really hope the statement above by Ms Pritchard becomes a reality.

Of course, the industry will be challenged by a number of issues, principally;

- Many will not seek to choose to add the permission to their existing advice permissions under 55A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. The gateway for authorisation is likely to begin in March/April 2026.
- Appointed Representatives are currently excluded from offering targeted support, but HM Treasury have asked for more feedback on this discrepancy, because of course the AR model is used extensively in the retail advice market.
- The prudential (capital adequacy) requirements are likely to preclude many firms from offering this "service", aside of the fact that in the mind of the regulator. It is hoped that the service is offered free or at a very low cost. Advice firms are currently required to hold a minimum of £20k, if they seek permission to offer targeted support this will rise to £500k. Quite a leap (!) and coupled with the FCA's expectation of income generation a disproportionate risk / reward deficit for most (!)

This is of course aside from the rigour of systems and controls to operate the support.

The FCA have defined 3 scenarios where targeted support is being specifically offered;

- Those currently insufficiently saving for retirement
- Those requiring access to pensions
- Those with cash sums, ready to start investing

> “Would targeted support help the people in this category, i.e. cash rich and limited experience to know what to invest in?

My experience is with those in the last group, cash sums and in some instances, significant cash sums which should be investing and for whatever reason are not. We all know the staggering amount of money in cash ISAs, bank deposits and I have quoted these many times. It still staggers me when I hear “Is it not safer to keep everything in cash?”

Please remember, I am speaking mainly to older people who are likely to be retired or very close to it. There is still a lot of fear about the “City” burning up their money on long lunches and an extravagant lifestyle for themselves in their suits and red braces. That cartoon character is still peddled by the media and oil is poured on the flame by the continued misconduct by the few.

I have changed tack slightly when speaking to groups, I am now angling the “how do you support your children and grandchildren idea”. This came as I remembered by children’s 18th birthdays (2 years apart). Their paternal grandmother had put £5 p.m. for each grandchild (4 in total) in a non-interest bearing bank account until they were 18. Each of them in turn received £1000 cash in a shoe box on their 18th birthday. Whilst the kids had never seen that amount of cash in £50 notes, can you imagine how disappointed I was (!!). Simple pound cost averaging in even a low risk investment could have meant that would have been a lot more. My mother-in-law had not thought to ask anyone, seek advice or recommendations. Using the bank and a free savings account was all she knew.

I’ve started using this example and of course when asked “but what if it goes down?” I say “great you are buying more for your money”!!

Maybe you think it’s too simplistic an example to help explain, how over time small sums put aside (at risk, still in many people’s mind) will help build wealth and beat inflation. Inflation and interest rates are what most of the audience understand and many are watching their children and grandchildren struggle in this economic climate. Many are supporting relatives with cash (one case recently I can think of, where their pension far exceeds their needs and the balance is supporting a son with mental health issues, struggling with the cost of living).

Would targeted support help the people in this category, i.e. cash rich and limited experience to know what to invest in? Personally, I think the answer is yes, but caveated we cannot close the advice gap for everyone. There will be those like my mother-in-law, who won’t think to ask, those who have earmarked additional cash to give relatives struggling (of course the gift rules might still catch them out and that is opening another can of worms) and the number of people who just want to spend it! (My husband wouldn’t argue with that).

The further key question is, who will provide targeted support? And how will they find the people who would benefit from the service?

Given the challenges for the industry as outlined in brief above, the expectation is that the product providers and D2C investment platforms will step up. That will require a whole new cohort of staff to be trained on where the advice line is set and how they engage effectively with the target audience?

Without, favouring or advising I’ve been telling people how and where to get more information from. I don’t talk about individual products or firms just “signposting” them to places where they can find out more.

Every group I speak to, has limited grasp of investment opportunities and I’m doing that by offering to speak to them, in groups. That requires treading shoe leather, to use the old phrase. I can’t see the big providers setting up “audience with” events, but maybe I’m wrong.

Maybe the most important question is actually;

How do we find the people who can benefit from these laudable reforms designed to “help people navigate their financial lives and give them greater confidence to invest”?

Answers on a post card to … :-)

AI Governance: Building trust and compliance in financial services

By Joseph Twigg, CEO at Aveni

The financial services sector faces a unique challenge with AI adoption. While technology promises operational efficiency and enhanced customer outcomes, the stakes are higher than in any other industry. One misstep can result in regulatory breaches, customer harm, and reputational damage that takes years to repair.

This reality demands a fundamentally different approach to AI governance in financial services. Generic models and surface-level safety measures won't suffice when dealing with vulnerable customers, sensitive financial data, and evolving regulatory requirements. Financial institutions need AI systems with governance built into their foundation from the start.

The Regulatory Landscape Is Complex and Evolving

The regulatory environment has intensified dramatically. FCA fines tripled to £176 million in 2024 (1), while the EU AI Act now imposes fines of up to 7% of annual global turnover for AI non-compliance (2). Meanwhile, 84% of UK financial firms identify "safety, security and robustness of AI models" as their primary constraint to AI adoption. (3) (4).

The EU AI Act classifies financial AI applications as "high-risk," imposing strict requirements for transparency, accountability, and ongoing monitoring. The FCA has established six core principles for AI use in financial services: transparency, fairness, accountability, security, redress, and data governance. The PRA focuses on operational resilience and model risk management.

Compliance requires firms to demonstrate systematic approaches to AI governance that span the entire model lifecycle, from development to deployment to monitoring. The challenge is building systems that can deliver compliance consistently.

Moving Beyond Surface-Level Compliance

Traditional approaches to AI governance often treat safety as a single dimension. This creates blind spots that prove costly in financial services applications. A model might perform well on standard benchmarks while still exhibiting bias in credit decisions, hallucinating regulatory advice, or failing to protect sensitive customer data.

Effective AI governance requires a risk-specific approach that addresses each category of potential harm:

- Bias and fairness: Ensuring equitable treatment across customer demographics
- Data protection: Safeguarding personal and financial information
- Misinformation: Preventing inaccurate financial guidance or regulatory advice
- Transparency: Providing clear explanations for automated decisions
- Accountability: Establishing clear ownership and responsibility for AI outcomes

A comprehensive safety framework reduces your exposure to regulatory violations, reputational damage, and operational errors. When regulators ask about your AI governance, you have concrete evidence of proactive risk management rather than reactive damage control.

Each risk category requires dedicated evaluation methods, mitigation strategies, and monitoring systems. A comprehensive governance framework maps these requirements across every stage of the AI development lifecycle.

Practical Governance Architecture That Works

It is important to consider a governance framework specifically designed for financial services AI. For example:

1. Consider the AI Principles: Establish ethical foundations aligned with FCA principles
2. Examine regulatory frameworks: Map requirements from EU AI Act, FCA guidelines, and PRA expectations
3. Assign standards and requirements: Create specific documentation standards for compliance demonstration
4. Summarise our approach: Maintain transparent reporting on governance implementation
5. Create individual artefacts: Develop policies, impact assessments, and compliance documentation

A framework such as this ensures clear traceability from high-level principles to specific technical practices, enabling comprehensive auditing and regulatory demonstration.

As we move into an AI-first world it is important that risk and governance frameworks are prioritised from the outset. It is a fast paced transformation rather than a slow-paced evolution and the industry has the opportunity to be on the front foot with clear planning, parameters and principles in place.

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