

The Financial Ombudsman Service response to the Financial Conduct Authority consultation on simplifying the pensions and investment advice rules

May 2026

About us

The Financial Ombudsman Service (Financial Ombudsman) was set up by Parliament under the Financial Services and Markets Act 2000 to resolve individual complaints between financial businesses and their customers fairly and reasonably, quickly and with minimal formality.

Introduction

The Financial Ombudsman welcomes the opportunity to respond to the Financial Conduct Authority (FCA) consultation on simplifying the pensions and investment advice rules. Our response focuses on the elements of the consultation relevant to our service and our ability to resolve complaints efficiently and effectively.

We welcome the opportunity to engage further on this subject and are happy to discuss this consultation and its potential impacts, as well as other areas of shared interest, at any point.

Our response

Our response focuses on five key areas:

1. Shift from prescriptive rules to high-level principles
2. Proportionality in the advice process
3. Impact on complaint handling
4. Proportionality, consistency and suitability requirements
5. Removal of the annual review requirement

Shift from prescriptive rules to high-level principles

The Financial Ombudsman recognises the FCA's direction of travel to remove or streamline detailed, prescriptive requirements and place greater reliance on overarching principles such as the Consumer Duty, PRIN and 'best interests'. This is reflected in one of the new measures to strengthen the redress system we have proposed, alongside the FCA: to adapt the current 'fair and reasonable' test we apply by removing 'good industry practice' as a relevant consideration and to make clear that only the standards applicable at the time of the act or omission complained about will apply. In line with the FCA's direction, these proposed changes are intended to improve alignment with FCA rules, guidance and standards

We do not expect this shift proposed by the FCA to undermine our ability to determine complaints. However, greater reliance on high-level principles inevitably increases the scope for differences in view in how those principles should be applied. Clearer regulatory guidance about the application of the principles will therefore become more important. As some firms have, to date, been reluctant to share their price and value assessments under the Consumer Duty, we have some concern that an increased reliance on the Consumer Duty without greater firm engagement on this issue could make complaint resolution more contentious.

In order to mitigate this risk, we would welcome case studies and good/bad practice examples from the FCA to demonstrate how it expects the new framework to operate in practice and to reduce uncertainty for firms. We note that the FCA has indicated it intends to do this in some areas. We also welcome ongoing engagement between the Financial Ombudsman and the FCA. We have already been working together to modernise the redress system and improve alignment between our two organisations. We look forward to continuing this collaboration, including through the FCA sharing with us its views on emerging or contentious issues, to ensure clarity and alignment on the regulatory standards for Simplified Advice whilst establishing a robust complaint handling process.

Proportionality in the advice process

The Financial Ombudsman agrees with the FCA's emphasis that firms can take a proportionate approach aligned to the nature, scope and risk of the advice. This is a sensible and pragmatic framing of the FCA's expectations, and we note that the consultation includes helpful clarifications, such as allowing firms to recommend certain investments without assessing knowledge where the product would be suitable for someone with no investment knowledge. Similarly, our view is that replacing 'necessary' with 'sufficient' information is appropriately qualified by risk, client characteristics (including vulnerability), and product complexity. We expect this to support access to advice.

Impact on complaint handling

The FCA has set out that it does not envisage any material practical effects on the Financial Ombudsman's casework. Overall, we do not think the proposals will have a material impact on our ability to assess the suitability of advice or the typical complaint outcomes from our casework, subject to there being appropriately detailed guidance on regulatory expectations that we can use as the basis for determining fair and reasonable. Any changes to our approach should be marginal. We will need to embed the amended rules once implemented, but this is not expected to present significant operational difficulties.

Proportionality, consistency and suitability requirements

The FCA has raised the principle of 'reasonable proportionality'. Assessing what is 'reasonably proportionate' in differing scenarios (for example, mainstream investments versus non-mainstream assets) may require more nuanced decision-making. This may make consistency difficult to explain, even though this type of assessment is not new to us. We will mitigate this in the same way we do in other areas of our casework – through clear explanation of what makes each case different and through on-going engagement with industry to improve their understanding of, and confidence in, the way the Financial Ombudsman will approach issues. Close engagement between us and the FCA will be necessary to ensure clarity and alignment, and clear regulatory guidance – ideally to include good and bad practice examples.

The FCA is considering applying a proportionate suitability framework for professional clients, broadly aligned with the approach for retail clients and reflecting client type, service scope and product complexity. It is more common for us to receive complaints about the client classification (professional vs retail) rather than about the differences in suitability standards once classification is established. In our view, the proposed approach appears sensible and is unlikely to require a substantive change in our casework approach.

The FCA has also proposed removing the requirement for suitability reports for life policies and insurance-based investment products to explain why a recommendation best meets a client's demands and needs, while retaining the requirement to explain why the product is suitable against relevant criteria. In our view, this is unlikely to result in a material change to complaint outcomes, as firms must still demonstrate suitability and we rarely uphold complaints based solely on the wording of the 'reasons why' section.

Removal of the annual review requirement

The FCA is proposing to offer firms the opportunity to apply greater flexibility in setting the frequency of ongoing advice reviews. We do not expect this change to have a significant impact on our casework. Complaints may become more nuanced, for example around whether the chosen review frequency was reasonable, but assessing contractual terms, individual circumstances, and outcomes under the Consumer Duty are all elements of our existing casework approach. We are mindful that explaining our decisions, and demonstrating consistency between our decisions, may become more difficult in the context of this greater nuance. As stated previously in relation to proportionality, consistency and suitability requirements, we will mitigate this in the same way we do in other areas of our casework.

Conclusion

As set out above, we recognise and are adapting our approach to align with the direction of travel set out in the FCA's proposals – in particular, the removal of overlapping prescriptive rules in favour of a more proportionate, outcomes-based framework underpinned by the Consumer Duty.

An increased reliance on high-level standards rather than detailed rules is likely to make it harder for the Financial Ombudsman to maintain and demonstrate consistency, but this can be addressed through close working with the FCA and clear guidance from the FCA.

We do not expect the proposals to have a detrimental impact on our ability to determine complaints, and we acknowledge the potential of the proposals to reduce unnecessary administrative burdens on firms and improve access to advice for consumers.

We will continue to monitor complaints we receive in this area and share our insight with the FCA. We look forward to continued collaboration with the FCA on the issues raised in this consultation.