Growing together, with integrity and respect

Money Wise UK® – Compliance Summary for Financial Planning Firms

January 2026

This month's update focuses on AI and retail financial services, pure protection distribution, cryptoasset regulation, sustainability disclosures and labels, plus several practical "day-to-day compliance" items (CPD, operational email risk, conflicts and IHT relief changes).

Risk warning / important note: This is a *high-level* summary of selected January 2026 items (and related FCA publications referenced). It is not advice. Each firm should review the underlying publications and assess relevance to its own permissions, propositions, clients, and distribution chains.

1) Review into the long-term impact of AI on retail financial services (The Mills Review)

What's happened

The FCA has launched a forward-looking call for input on how AI could reshape retail financial services towards 2030 and beyond, covering market structure, who controls the customer relationship, the regulatory perimeter, consumer outcomes, and future regulatory approach.

Key signals from the FCA include:

- AI could materially lower servicing costs and enable hyper-personalised propositions, but whether consumers benefit depends on competition and passthrough.
- A real risk is value "migrating" to AI-enabled services outside the regulatory perimeter, including guidance/advice-like outcomes delivered by unregulated tools.
- The FCA frames this as outcomes-based and technology-neutral (not an immediate rule change), with input sought on opportunities/risks and how existing frameworks might need to adapt.

Deadline: The FCA speech references a response deadline of 24 February.

Money Wise UK thoughts

For advice firms, this isn't "future-gazing for fun", it's the FCA effectively asking: who will hold the client relationship, and how do we avoid a world where consumers delegate decisions to tools they don't understand (or that aren't accountable)? This will increasingly link to:

- Consumer Duty evidence of customer understanding
- Operational resilience (including third-party tech risk)
- Oversight of communications and "AI-assisted" workflows (marketing, triage, suitability support)

Practical actions for firms

- Create an AI register (use cases (i.e. what is it doing), owners (accountability), risks, controls, monitoring, escalation (what happens if it goes wrong).
- Ensure human accountability for any AI-supported client comms or decisioning.
- Stress test “perimeter drift”: are you inadvertently offering “guidance-like” outcomes via tools, content, or prompts?

2. Pure Protection Market Study (MS24/1) – interim findings (January 2026)

What's happened

The FCA published interim findings on distribution of pure protection products. It notes the market often works well, but there are areas that could work better - including the "protection gap", claims experience, and switching incentives.

Notable points signposted by the FCA:

- The FCA highlights a protection gap: many consumers don’t hold pure protection, and many haven’t considered their needs.
- The FCA plans stakeholder workshops in Spring 2026 and aims to publish a final report in Q3 2026.
- It calls out three specific improvement areas: claims ratios, unnecessary switching driven by incentives, and steps intermediaries can take to improve claims experience.
- The interim report reminds manufacturers/distributors of obligations under PROD 4 and Consumer Duty, including the impact of distribution arrangements (including commission) on value and competition.

Money Wise UK thoughts

Protection is often where "good outcomes" are most tangible, it either pays when it's needed, or it doesn't. The FCA emphasis on claims experience is a reminder that Consumer Duty doesn't stop at sale: post-sale engagement and support during a claim is where trust is won or lost.

Practical actions for firms

- If you distribute protection: review whether you can evidence:
  - why product selection is in the client's best interests (not panel economics)
  - how you manage switching decisions and avoid "churn"

    - how you support clients at claim stage (expectations, documentation help, proactive follow-up)
- Check PROD/Consumer Duty documentation: distribution arrangements + fair value narrative should be clear and auditable.

3. A new regime for cryptoasset regulation (FCA hub page)

What's happened

The FCA has consolidated guidance to help firms prepare for the new FSMA cryptoasset regime, including standards, authorisation/supervision expectations, gateway operation, transitional provisions, and an indicative timeline via its crypto roadmap.

Money Wise UK thoughts

Even if you don't advise on crypto, client exposure is now common. The regulatory direction is: more perimeter clarity, more governance, and less tolerance for vague disclosures. This is also a financial promotions and reputation risk area for advice firms.

Practical actions for firms

- Confirm your "house view" and documented approach for crypto enquiries.
- Ensure marketing language does not drift into implied endorsement.
- If you have any crypto-related activity in-scope: begin mapping likely authorisation and controls expectations using the FCA hub material.

4. Sustainability Disclosure Requirements and Labelling regime (SDR)

What's happened

The FCA SDR and labelling regime remains a key framework for UK asset managers and for advisers relying on sustainability-related product descriptions. The FCA's SDR pages set out label categories and expectations (including the "Impact" label requiring a clear sustainability objective and credible measurement/reporting approach).

Money Wise UK thoughts

For advisers, the practical risk isn't only "greenwashing", it's client misunderstanding (thinking a label means "risk-free" or "guaranteed impact"). SDR should be treated as part of your Consumer Duty communications discipline: clarity on what a product is trying to do, and what it is not.

Practical actions for firms

- Review how your website, brochures, and suitability letters describe sustainable portfolios.
- Ensure any sustainability claims are:
  - specific (what objective? what approach? what evidence?)
  - balanced (trade-offs and limitations included)
  - consistent with the underlying manager's SDR disclosures (where relevant)

5. FCA confirms CPD changes for insurance distribution (PS25/21)

What’s happened

From publication of PS25/21 (9 Dec 2025), the FCA removed the mandatory 15-hour CPD minimum for non-investment insurance (general insurance and pure protection) and funeral plans. Knowledge and competence requirements still apply, but firms now set appropriate CPD levels based on roles and needs.

Money Wise UK thoughts

This is flexibility, not a signal to reduce standards. The compliance risk is firms misinterpreting flexibility as optionality. The FCA will still expect role-appropriate competence, evidenced through CPD, supervision and QA.

Practical actions for firms

- Update CPD policy wording: clarify what is mandatory, what is role-based, and how you evidence competence for protection distribution.
- Ensure “long-term insurance” CPD requirements remain properly met where relevant (e.g., IBIPs, annuities, long-term care).

6. Email oversight – managing operational risk in client communications

Summary

The operational risk theme here is simple: missed or unactioned emails can cause client detriment, regulatory breaches, and potentially uninsurable losses. Common failure points include spam filters, unmonitored legacy inboxes, outdated FCA contact details, weak out-of-office controls, and unclear workflow ownership.

Money Wise UK thoughts

This is one of those “boring controls” that can become a major incident. It fits neatly under:

- Operational Resilience
- Consumer Duty (avoidable friction / avoidable harm)
- SM&CR accountability

Practical actions for firms

- Assign accountable owners for key inboxes (and set cover arrangements).
- Implement a light "ticketing" or task capture process for instruction emails.
- Review FCA Connect contact details and ensure the right people receive regulator comms.

7. Business & Agricultural Property Relief threshold increased to £2.5m (from April 2026)

What's happened

Government confirmed the threshold for 100% APR/BPR will increase from £1m to £2.5m per estate from April 2026, and is transferable between spouses/civil partners (potentially £5m combined), on top of other allowances.

Money Wise UK thoughts

This is meaningful for business owners and farming families, but it doesn't remove the need for planning. The bigger risk remains: clients assuming relief is automatic, permanent, or simple, and leaving succession and estate planning too late.

Practical actions for firms

- Identify affected clients (business owners, farmers, families with qualifying assets).
- Update planning assumptions and scenario tools for April 2026 changes.
- Re-check wills, shareholder agreements, trusts, and insurance funding strategies.

8. Conflicts of interest management – FCA focus remains intense

Summary

The FCA continues to scrutinise conflicts management, particularly where business models can create inherent conflicts (deal structures, vertical integration, joint ventures, overlapping roles). The expectation is robust identification, tailored procedures (not generic), meaningful mitigations, and evidence of ongoing monitoring.

Money Wise UK thoughts

Conflicts registers are increasingly treated like a live risk management tool, not a compliance artefact. If the mitigations aren't specific and testable, the FCA will assume they're not real.

Practical actions for firms

- Refresh your conflicts register with business-model conflicts (not just adviser/client conflicts).
- Make mitigations practical: who checks what, how often, what MI, what happens if breached.
- If you have any form of vertical integration or JV: document the conflicts and the controls clearly.

9. Mortgage rule modernisation – FCA next steps (FS25/6)

The FCA's roadmap continues under four themes: access for first-time buyers/underserved groups, later-life lending, innovation, and vulnerable consumer protections.

Money Wise UK thoughts

Later-life borrowing and vulnerability are converging themes. If your firm touches mortgages or later-life planning, this roadmap should sit in your horizon scanning log for 2026.

Recommended “next actions” (January 2026)

Immediate (next 4–6 weeks)

- Log the Mills Review and decide whether you want to respond (or at least align your internal AI governance to the FCA themes).
- Review protection distribution processes against interim findings (switching, claims support, value).
- Update CPD policy wording for protection / GI distribution. (what is mandatory, what is role-based, how you decide what’s appropriate and how you evidence it).

Next 3 months

- Refresh sustainable investing communications for SDR alignment and customer understanding.
- Strengthen email operational controls and evidencing (ownership, spam checks, leavers, workflows).

Ongoing

- Tighten conflicts registers and make mitigations auditable.
- Maintain horizon scanning log with clear owners and deadlines. (what’s changing, does it apply to us, etc)