Money Wise UK®

Growing together, with integrity and respect

Money Wise UK® – Compliance Summary for Financial Planning Firms

May 2026

This month's update covers the FCA's annual work programme, the new Inheritance Tax rules for pensions, the Pension Schemes Act 2026, proposals to simplify advice, fresh life expectancy data, the state of retirement saving, the rise in inheritance disputes, and support for vulnerable customers.

The aim is the same as always. We highlight the regulatory developments that may affect financial planning firms. We then translate them into practical actions that support good governance, Consumer Duty compliance and good client outcomes.

Important note

This document highlights selected regulatory developments and technical updates. It is not regulatory or legal advice. Each firm should consider whether these developments apply to its own business model, permissions and client base. Seek compliance or legal advice where required.

1. FCA Annual Work Programme 2026/27

What has happened

The FCA has published its annual work programme for 2026/27. It sets the regulator's priorities for the year and signals where supervision will focus.

The key priority areas include:

- faster authorisations and better firm interaction, using AI, digital forms, data analysis and risk-based supervision
- a reduced reporting burden, with some data returns and 'nil returns' retired
- reforms to investment and fund rules, including pension charges and value, alternative fund manager rules and the securitisation framework
- better consumer outcomes through financial inclusion, support for vulnerable customers, pensions value work, targeted support and simplified advice
- the new Consumer Composite Investments regime and a review of MiFID disclosures
- sharing good and poor Consumer Duty practice, and clarifying how the Duty applies through distribution chains
- tougher action on financial crime, including online promotions and finfluencers, with tighter AML and sanctions controls

The FCA has also said it wants to open its doors to fast-growing financial firms, offering earlier and more active support through its innovation services.

Money Wise UK thoughts

This is the regulator's map for the year. It rewards close reading.

Two themes stand out for advice firms. First, the FCA wants to cut friction. Faster authorisations and fewer returns are welcome. Second, it is sharpening its focus on outcomes, vulnerability and financial crime.

The plan to share good and poor Consumer Duty practice matters most. The FCA is moving from telling firms what to do towards showing them what good looks like. Firms that learn from those examples will be better placed.

Notice the recurring word. Outcomes. The work programme reinforces that Consumer Duty is not a one-off project. It is the lens through which the FCA now judges everything.

Practical actions for firms

Firms should:

- read the work programme at the board or senior management level
- map the priorities that touch their permissions and client base
- watch for FCA good-practice and poor-practice Consumer Duty examples and learn from them
- review how the Duty applies across their distribution chains
- keep financial crime, vulnerability and AI governance high on the agenda

Sources & further reading: FCA Annual Work Programme 2026/27 · FCA opens doors to fast-growing firms · Trust, tradition and the future of mutual growth

2. Inheritance Tax on Pensions – Technical Note

What has happened

On 14 May 2026, HMRC published a technical note on the Inheritance Tax (IHT) changes for pensions. The changes apply to deaths from 6 April 2027.

The note explains how the rules will apply to personal representatives, scheme administrators, and beneficiaries. It sets out how notional pension property is identified, valued and allocated, who reports and pays the tax, and how withholding notices and the pensions direct payment scheme operate.

Three points stand out. The reduced 36% IHT rate for charitable giving will apply, with pensions sitting in the 'general' component of the estate. Quick succession relief can apply where pension property has already been taxed and is taxed again within five years. And the long-running double taxation issue is partly resolved.

On double taxation, HMRC confirms that funds equal to the IHT paid on a pension will not also be subject to Income Tax for deaths after 75. Precise workings are still to follow. See Appendix 1 for a worked example and the indicative timetable.

Money Wise UK thoughts

This is one of the most significant technical changes facing retirement clients. It reshapes how pensions are paid out upon death.

The details on regular gifting matter. HMRC confirms the normal expenditure out of income exemption is unchanged. Gifts from pension income can still qualify, but only if they meet all three tests. They must form part of normal expenditure, be made out of income, and leave enough income to maintain the donor's standard of living.

The double taxation clarification also has planning value. Who pays the IHT now affects how much Income Tax the beneficiary faces later. That is a real conversation to have with clients.

Under Consumer Duty, the risk here is consumer understanding. These rules are complex. Clients need clear, plain-English explanations, not technical jargon, so they can make informed decisions.

Practical actions for firms

Firms should:

- identify clients whose estate planning relies on passing pensions free of IHT
- review death benefit nominations and beneficiary planning ahead of April 2027
- model how paying IHT from the pension versus the estate affects the beneficiary's Income Tax
- revisit gifting strategies using the normal expenditure out of income exemption
- explain the changes in plain English and record that clients understand them
- watch for the secondary legislation, templates and guidance due across 2026

Sources & further reading: HMRC technical note: Inheritance Tax on pensions

3. Pension Schemes Act 2026 Becomes Law

What has happened

The Pension Schemes Act 2026 has been enacted. It brings major reform to the UK pensions system.

Key measures include:

- automatic consolidation of small pension pots
- a Value for Money framework to standardise how value is assessed, improving transparency and comparability
- multi-employer defined contribution 'megafunds' of at least £25 billion to cut costs and widen investment
- consolidation of Local Government Pension Scheme assets into FCA-regulated pools
- greater flexibility for Defined Benefit schemes to release surplus funds, potentially unlocking around £160 billion

The Act sets the structure. Much of the detail will follow in regulations and guidance.

Money Wise UK thoughts

The headline is value. The Act tries to make every pound saved work harder.

The Value for Money framework is the part advisers should watch. Standardised value assessments will make it easier to compare schemes. That is good for clients, but it also raises the bar for firms that recommend or review workplace pensions.

Small pot consolidation should reduce the clutter of lost and stranded pensions. Many clients will welcome that. Advisers can play a useful role in helping clients understand what consolidation means for them.

This is firmly a fair value story, and fair value is one of the four Consumer Duty outcomes. Firms that can already evidence value will adapt easily.

Practical actions for firms

Firms should:

- follow the regulations and guidance that will give the Act its detail
- consider how the Value for Money framework affects workplace pension advice and reviews
- be ready to explain small pot consolidation to clients in plain English
- revisit how the firm evidences fair value under Consumer Duty
- review DB transfer and surplus discussions in light of the new flexibility

Sources & further reading: Pension Schemes Act 2026 (legislation.gov.uk)

4. Simplifying the Advice Process – FCA Consultation (CP26/10)

What has happened

The FCA has published a consultation paper on simplifying the advice process. The consultation closed on 22 May 2026, with a Policy Statement likely in Q4.

The proposals would tidy up guidance left over from the addition of MiFID II rules, making the handbook easier to search for both people and AI. Other proposals would:

- allow advisers to consider 'sufficient' rather than 'necessary' information when assessing suitability
- remove the need to assess knowledge and experience for products aligned to a target market that includes inexperienced investors
- allow risk and capacity for loss to be assessed more proportionately, without long questionnaires
- support more joined-up reporting across pensions and investments
- allow less frequent reviews for simpler clients, with an expectation of lower fees

See Appendix 2 for a fuller summary of the proposals and what they could mean.

Money Wise UK thoughts

This is a welcome shift towards proportionate, real-life advice. It could make good advice more accessible.

The move from 'necessary' to 'sufficient' information is sensible. It gives advisers room to tailor the service to the client in front of them. Risk discussions could become genuinely meaningful, rather than 20 box-ticking questions that leave a client 'Balanced for life'.

But proportionate is not the same as light-touch. The annual review is not disappearing. For most clients, it remains central to the Consumer Duty cross-cutting rule: enabling and supporting customers to pursue their financial objectives.

Watch the fee point. Where service reduces, fees should follow. Charging an ongoing fee for a service that is not delivered is a clear fair value and Consumer Duty risk. The FCA has flagged disengaged clients who still pay as an area of concern.

Practical actions for firms

Firms should:

- review the proposals and consider responding if they have not already
- consider where a more proportionate suitability approach could improve client outcomes
- make sure reduced-service clients are charged fairly for what they actually receive
- review how disengaged clients are handled, including trail and ongoing fees
- keep annual review processes strong, while preparing for a more flexible model for simpler clients
- watch for the Q4 Policy Statement before changing processes

Sources & further reading: FCA CP26/10 response form · FCA CP26/10: Simplifying the pensions and investment advice rules

5. New Life Expectancy Figures

What has happened

On 20 May 2026, the Office for National Statistics published its latest life expectancy figures. They use cohort projections, which assume future improvements in mortality.

Highlights include:

- girls born in 2024 can expect to live to 90.2 years on average, and boys to 86.9 years
- for those born in 2049, projections rise to 92.4 years for girls and 89.6 years for boys
- a 65-year-old woman in 2024 can expect a further 22.7 years, and a man a further 20.0 years
- 26.3% of girls and 18.3% of boys born in 2049 are expected to reach age 100

Money Wise UK thoughts

These numbers are not dry statistics. They are the backbone of every retirement income plan.

Longevity is rising, and clients consistently underestimate how long they may live. A 65-year-old couple today has a strong chance that one partner will reach their 90s. Plans built on shorter horizons risk running out of money too soon.

This is why sequencing risk, income sustainability and a sound decumulation strategy matter so much. Longer lives mean longer retirements to fund, often through volatile markets.

For Consumer Duty, this is about good outcomes over a full lifetime. Firms should make sure income plans are stress-tested against realistic, and often longer, time horizons.

Practical actions for firms

Firms should:

- use realistic longevity assumptions in cash flow and decumulation planning
- stress-test retirement income against longer time horizons
- help clients understand the real risk of outliving their money
- revisit sequencing risk and sustainable withdrawal strategies
- record how longevity is factored into retirement income advice

Sources & further reading: ONS life expectancy figures

6. Pensions Commission Interim Report – Britain is Undersaving

What has happened

The Pensions Commission has published an interim report on retirement saving. It warns that Britain is undersaving, and that tomorrow's retirees are on track to be poorer than today's.

Its findings include:

- around half of low and middle earners save only at minimum Automatic Enrolment levels, with little else to fall back on
- 45% of working-age adults, around 18 million people, are not saving into a pension at all
- just 4% of wholly self-employed workers are saving for retirement
- around 3 in 10 private pension pots are accessed at the earliest opportunity, and half of all pots are taken in full
- nearly half of pots taken in full are spent on large expenses such as a car, holiday or home improvements

A final report with recommendations will follow in early 2027.

Money Wise UK thoughts

This is a sobering picture, and it is also an opportunity for the profession.

The savings gap is real. Many people are not saving enough, and many access pots early without a plan. Advisers are part of the answer, not the problem.

It also reframes the value of advice. Good planning is not just about investment returns. It is about helping people save enough, access pensions sensibly, and avoid spending a lifetime's savings too soon.

Expect this report to feed into future policy and possibly higher Automatic Enrolment minimums. Firms should consider how they reach and serve underserved clients, including the self-employed and the children of existing clients.

Practical actions for firms

Firms should:

- consider how the firm can help address the savings gap within its model
- review how it serves underserved groups, including the self-employed
- use the report to articulate the wider value of advice to clients
- watch for the final report and recommendations in early 2027
- frame early pension access conversations around sustainable, planned outcomes

Sources & further reading: Britain is undersaving for retirement (Pensions Commission)

7. Estate Planning and the Rise in Inheritance Disputes

What has happened

Research highlighted by STEP shows that a lack of estate planning and poor communication within families is fuelling a significant rise in inheritance disputes.

The findings point to families who have not planned, not talked, or not recorded their wishes clearly. As wealth passes between generations, the gaps lead to conflict.

Money Wise UK thoughts

This sits naturally alongside the pensions IHT changes. As more wealth passes on death, planning and communication become essential.

Disputes are rarely just about money. They are about clarity, fairness and feeling heard. A clear, openly discussed plan prevents many problems before they start.

Advisers are well placed to help. Encouraging clients to document wishes, review beneficiary nominations and talk to family can head off future conflict.

There is a money-and-meaning point here, too. Estate planning is one of the most human parts of financial advice. It is about legacy, family and values, not just tax.

Practical actions for firms

Firms should:

- encourage clients to keep wills, nominations and Lasting Powers of Attorney up to date
- prompt open family conversations about intentions where appropriate
- review estate planning alongside the new pensions IHT rules
- record clients' wishes clearly and revisit them regularly
- work with solicitors and STEP practitioners where specialist advice is needed

Sources & further reading: STEP: estate planning and inheritance disputes · STEP Barometer

8. Supporting Vulnerable Customers, AI and Cyber Resilience

What has happened

Two further strands of FCA activity are worth noting.

First, the FCA continues to focus on vulnerable and bereaved customers. It is reviewing whether investment firms do enough to support bereaved clients, and has published vulnerability research on improving outcomes for consumers engaging with financial services.

Second, the FCA, Bank of England and Treasury have issued a joint statement on frontier AI models and cyber resilience. It signals growing official attention to the risks and resilience of advanced AI.

Money Wise UK thoughts

Vulnerability is not a tick-box. It is central to Consumer Duty and to treating clients as individuals.

Bereavement is a clear vulnerability moment. How a firm handles a grieving client says a great deal about its culture. Clear, compassionate processes matter, and the FCA is watching.

On AI and cyber, the message is that resilience is now a governance issue. Firms using AI, including in the advice process, must understand the risks, protect client data and keep human oversight.

Both strands point the same way. Good outcomes depend on strong governance, clear processes and genuine care for clients, especially when they are at their most vulnerable.

Practical actions for firms

Firms should:

- review how the firm identifies and supports vulnerable and bereaved clients
- make sure bereavement processes are clear, compassionate and well documented
- assess where AI is used and how client data is protected
- keep human oversight at the heart of any AI-assisted advice
- review cyber resilience and incident response arrangements

Sources & further reading: FCA review: supporting bereaved customers · FCA vulnerability review (PDF) · Supporting customers through challenging times · FCA, BoE & Treasury joint statement on AI and cyber resilience

Final Thoughts

May's updates point to five clear themes:

- the FCA wants a simpler, faster, more proportionate regime, but not a lower bar on outcomes
- pensions are changing fast, from IHT to the Pension Schemes Act, and clients need clear guidance
- longevity and undersaving make sound retirement income planning more important than ever
- estate planning and family communication are rising priorities as wealth passes between generations
- vulnerability, AI and cyber resilience are now core governance issues, not afterthoughts

Beneath the regulation sits a human story. People are living longer, saving too little and finding it hard to talk about money and death. That is exactly where good advice earns its value.

For financial planning firms, the practical message has not changed. Good governance is not about having documents. It is about using them, evidencing good outcomes, and putting clients first.

Sources & further reading: The world is awful. The world is much better. The world can be much better. · Our World in Data: population simulation tool

Appendix 1 – Deeper Analysis: Inheritance Tax on Pensions

The IHT changes for pensions take effect for deaths from 6 April 2027. They are technical, but the planning points are clear.

1. Charitable giving and the reduced rate

Estates can qualify for the reduced 36% IHT rate where 10% of a component is left to charity. Pensions will sit in the 'general' component, as expected. For pensions, leaving to charity includes a charity lump sum death benefit, and pension funds paid to a charity that do not meet that exact definition.

Components can be merged, so the combined components can qualify for the reduced rate. This creates real planning scope for charitably minded clients.

2. Quick succession relief

Quick succession relief can apply, as with any other estate asset. Where notional pension property already subject to IHT is taxed again within five years, relief is available. This matters where wealth passes twice in a short period.

3. Double taxation – a worked example

HMRC confirms that funds equal to the IHT paid on a pension will not also be subject to Income Tax for deaths after 75. The same applies to deaths before 75, where death benefits should have been settled within two years and were not.

Take a £100,000 pension pot, all of which is subject to IHT, so £40,000 of IHT. If the scheme administrator pays the IHT from the pot, £60,000 remains, and that £60,000 is subject to Income Tax on withdrawal.

If, instead, the personal representatives pay the IHT from the free estate, or the beneficiary pays it from their own money, the full £100,000 stays in the pension. The beneficiary is then treated as receiving only £60,000 of taxable income from the £100,000 pot. Precise workings are still to come.

4. Regular gifting out of surplus income

HMRC confirms the normal expenditure out of income exemption is unchanged. Gifts from funds withdrawn from a pension can still qualify, or have their value reduced for IHT, but only against the usual tests.

A qualifying gift must: form part of the donor's normal expenditure; be made out of income; and leave the donor with enough income to maintain their normal standard of living. Each case turns on its own facts.

5. Indicative timetable

- Spring 2026: draft regulations on information sharing, plus draft templates and guidance
- Spring/summer 2026: regulations made and laid, with a 6 April 2027 commencement
- Spring to autumn 2026: process design, guidance and support tools
- Autumn/winter 2026/27: draft guidance shared with industry
- Winter/spring 2026/27: communications to publicise the changes
- Spring 2027: final guidance and supporting materials published

HMRC will update its tax manuals for April 2027 with detailed guidance on IHT and pensions.

Appendix 2 – Deeper Analysis: Simplifying the Advice Process (CP26/10)

The FCA's consultation on simplifying advice could reshape day-to-day practice. The consultation closed on 22 May 2026, with a Policy Statement expected in Q4.

1. Tidying the handbook

Earlier details were not removed when MiFID II rules were added. This made the handbook hard to search for people and for AI. The FCA proposes to tidy this, which is a sensible housekeeping step.

2. 'Sufficient' rather than 'necessary' information

The FCA suggests advisers consider 'sufficient' information rather than 'necessary' information when assessing suitability. The aim is to let firms offer different advice services to different types of clients, tailored to their needs.

3. Knowledge and experience

Firms would not have to assess knowledge and experience when recommending products aligned to a target market that includes inexperienced investors. This would ease the journey for first-time investors and the children of existing clients.

4. Proportionate risk assessment

Firms could assess risk without complex questionnaires and take a proportionate approach to capacity for loss. The aim is to end the era of clients answering 20 random questions and being labelled 'Balanced for life'. Risk conversations could become more real and evolve with the client.

5. Joined-up reporting

Reporting can be complex, with separate reports for investments and pensions. A more joined-up approach would save firms admin time and spare clients from having to decipher multiple lengthy reports.

6. Review frequency and fees

Annual reviews remain crucial for most clients, supporting the Consumer Duty cross-cutting rule that enables and supports customers in pursuing their financial objectives. For simpler clients, such as the children of existing clients, a review every two or three years could suffice. A reduced service should come with lower fees.

The FCA has seen varied approaches to clients who are not engaged but still pay fees. Firms must still ensure good outcomes for anyone paying for a service. Many firms switch off trail where clients are disengaged, as meeting Consumer Duty is otherwise difficult. New handbook guidance will clarify firms' options.

More Details: Money Wise UK Review of Advice Consultation