

Consumer Duty & Consolidators – Discussion with FCA April 2024

Note: These are notes based on discussions with the FCA in April 2024.

FCA Direction of Travel

The FCA is increasingly attentive to consolidators, networks, and vertically integrated models, recognising that while consolidation is not inherently problematic, it introduces heightened Consumer Duty risks, particularly around:

- Changes to client propositions post-acquisition
- Consistency of service delivery
- Value for money for legacy clients
- Client understanding and informed consent

The FCA's central concern remains unchanged:

Clients must continue to receive the service and value they were promised, regardless of ownership changes.

Key Consumer Duty Risks in Consolidator Models

Proposition Drift

Risk:

Clients buy into one proposition but are subsequently migrated to another following acquisition.

FCA concern:

- Clients may receive a different service, different adviser, or different charging structure without adequate explanation or consent.
- “Economic equivalence” is not enough; outcomes and expectations matter.

Ongoing Fees Without Equivalent Service

Risk:

Centralisation and scale efficiencies reduce service intensity, while ongoing fees remain unchanged.

FCA concern:

- Charging for services that are no longer delivered breaches Price & Value and Consumer Understanding outcomes.
- “Group standardisation” cannot dilute individual client outcomes.

Client Segmentation & Value Erosion

Risk:

Legacy clients, often with smaller portfolios, are absorbed into a centralised model that may not represent value for money.

FCA concern:

- Cross-subsidy masking poor outcomes for some cohorts
- Clients paying for complexity they do not need (e.g. DFM, layered charges)

Adviser Turnover & Relationship Loss

Risk:

Post-transaction adviser churn disrupts long-standing client relationships.

FCA concern:

- Loss of relationship knowledge
- Reduced client understanding
- Increased risk of disengagement and missed reviews

Conflicts of Interest

Risk:

Commercial incentives encourage migration to in-house solutions (DFM, platform, model portfolios).

FCA concern:

- Clients are being moved into solutions that benefit the group rather than the client
- Inadequate justification for increased cost or complexity