

The logo for Money Wise UK, featuring the text "Money Wise UK" in white, sans-serif font, centered within a blue, brush-stroke style rectangular background.

Money Wise UK®

Growing together, with integrity and respect

**Non-Financial Misconduct: What It  
Means for Financial Planning Firms  
A Money Wise UK® Perspective on FCA  
Policy Statement PS25/23**

# Introduction

The Financial Conduct Authority has introduced new rules on Non-Financial Misconduct (NFM), marking a clear shift in how behaviour within firms is viewed.

Historically, issues such as bullying, harassment or inappropriate conduct were often treated as internal HR matters.

That position has now changed.

The FCA is clear:

*Behaviour, culture and conduct are directly linked to regulatory outcomes.*

This paper sets out:

- What has changed
- What NFM covers in practice
- What the FCA expects
- What this means for financial planning firms
- A practical action plan ahead of implementation in September 2026

## What Is Non-Financial Misconduct?

Non-Financial Misconduct covers behaviours that cause harm, distress or create an unsafe or hostile environment.

This includes:

- Bullying or intimidation
- Harassment or discrimination
- Threatening or abusive behaviour
- Conduct that undermines colleagues or workplace culture

Importantly, this is not limited to the office.

NFM can occur:

- In the workplace
- At work-related events
- In online or digital interactions linked to a professional role

In some cases, behaviour outside of work may also be relevant where it raises questions around:

- Honesty
- Integrity
- Fitness and propriety

## Why the FCA Is Focusing on This

This is not simply a conduct issue.

It is a **culture issue**.

The FCA's position is that poor behaviour:

- Undermines psychological safety
- Discourages speaking up
- Weakens governance
- Increases the risk of poor client outcomes

In simple terms:

*A firm cannot deliver good outcomes if its internal culture is not functioning properly.*

This aligns with the broader direction of regulation:

- Consumer Duty
- Governance and accountability
- Fitness and propriety

## What Has Changed

### 1. NFM Is Now Explicitly Linked to Conduct Rules

Serious non-financial misconduct can now:

- Breach the Conduct Rules
- Lead to regulatory consequences

This moves NFM firmly into the regulatory framework, not just internal policy.

## 2. Wider Application Across Firms

The expectations apply more clearly across:

- Non-bank firms
- Financial planning firms
- Smaller regulated businesses

Many firms that previously saw this as peripheral will now be fully within scope.

## 3. Fitness & Propriety Is Expanding

NFM must now be considered when assessing whether individuals are:

- Fit to perform their role
- Appropriate to remain approved
- Suitable to represent the firm

This includes behaviour:

- At work
- At firm-related events
- On social media

## 4. Greater Emphasis on Firm Responsibility

The FCA is clear:

*Responsibility sits with firms.*

This includes:

- Prevention
- Identification
- Investigation
- Response

## What This Means in Practice

For financial planning firms, this is not about introducing something entirely new.

It is about raising the standard and evidencing it.

The key shift is:

From informal culture → to evidenced culture.

Firms will need to demonstrate:

- Clear expectations of behaviour
- Consistent handling of issues
- Fair and proportionate responses
- Strong governance oversight

## Common Risk Areas for Financial Planning Firms

While large institutions may face systemic risks, financial planning firms should focus on:

### **1. Informal Cultures**

- Smaller teams
- Close working relationships
- Less formal escalation processes

### **2. Lack of Documentation**

- Issues handled informally
- Limited audit trail
- Inconsistent outcomes

### **3. Blurred Boundaries**

- Social events
- Client entertainment
- Hybrid working environments

### **4. Manager Dependency**

- Reliance on key individuals
- Variability in handling situations
- Limited oversight

# Money Wise UK View

This is a cultural regulation, not just a compliance update.

Firms that approach this as:

- A policy exercise
- A training module

will miss the point.

The FCA is not asking:

“Do you have a policy?”

It is asking:

“Does your culture consistently support good behaviour, and can you evidence it?”

# Action Plan for Financial Planning Firms

## Timeline: Now → September 2026

### 1. Policy & Framework Review

**Objective:** Ensure internal documentation reflects FCA expectations.

Actions:

- Update Conduct Rules policies to explicitly include NFM
- Review disciplinary procedures
- Clarify expectations around:
  - Workplace behaviour
  - Social events
  - Online conduct
- Align HR and compliance frameworks

### 2. Training & Awareness

**Objective:** Ensure all staff understand NFM and expectations.

Actions:

- Deliver firm-wide training on:
  - What NFM is
  - Real-life examples
  - Reporting expectations
- Provide enhanced training for managers:
  - Reasonable steps obligations
  - Handling concerns
- Embed into annual compliance training

### 3. Reporting & Speak-Up Culture

**Objective:** Create an environment where issues are raised early.

Actions:

- Review whistleblowing arrangements
- Ensure confidential reporting channels exist
- Communicate clearly:
  - How to report concerns
  - That concerns will be taken seriously
- Encourage early discussion, not escalation

## 4. Investigation Framework

**Objective:** Ensure consistent, fair and proportionate responses.

Actions:

- Define investigation procedures
- Establish:
  - Roles and responsibilities
  - Timescales
  - Documentation standards
- Ensure:
  - Proportionate response
  - Fair treatment
- Avoid:
  - Ignoring issues
  - Overreacting to minor concerns

## 5. Fitness & Propriety Integration

**Objective:** Embed NFM into ongoing assessments.

Actions:

- Update annual Fit & Proper processes
- Include conduct-based considerations
- Ensure consistency across advisers
- Document rationale for decisions

## 6. Governance & Oversight

**Objective:** Ensure senior-level accountability.

Actions:

- Assign ownership (e.g. SMF or senior manager)
- Include NFM within:
  - Board reporting
  - Consumer Duty MI
- Track:
  - Incidents
  - Trends
  - Outcomes
- Maintain a clear audit trail

## 7. Notification & Regulatory Awareness

**Objective:** Ensure compliance with FCA reporting expectations.

Actions:

- Identify when NFM triggers notification requirements
- Align with existing breach reporting processes
- Ensure timely and accurate reporting

### Key Questions for Firms

- Do we have a clear definition of unacceptable behaviour?
- Would staff feel comfortable raising a concern?
- Are managers consistent in how they respond?
- Can we evidence how issues are handled?
- Is our culture visible in our governance, or assumed?

### Final Reflection

This is not about turning financial planning firms into corporate HR functions.

It is about recognising something more fundamental:

Culture is not separate from regulation.  
It is a core part of it.

The FCA's direction is clear.

Firms will be expected to demonstrate:

- Respect
- Professionalism
- Accountability

Not just in client outcomes, but internally.

### Money Wise UK Summary

The firms best positioned for this change will typically have:

- Clear behavioural expectations
- Open and safe reporting environments
- Consistent handling of issues
- Strong governance and documentation

In simple terms:

*A culture that works in practice — and can be evidenced when needed.*

# Proportionate Implementation: What This Looks Like in Practice

One of the most common questions for financial planning firms is:

“What does this actually look like for a business our size?”

The FCA is not expecting smaller firms to replicate the frameworks of large institutions.

However, it is expecting firms of all sizes to demonstrate:

- Clear expectations
- Consistent handling of issues
- Appropriate governance
- Evidence of outcomes

The key principle is:

Proportionate, but real.

## Example: Firms with Fewer Than 5 People

In smaller firms, culture is often informal and relationships are close.

This can be a strength.

However, it can also create risk where expectations are not clearly defined or documented.

A proportionate approach would typically include:

### **Clear Behaviour Expectations**

A short-written statement (1–2 pages) covering:

- Expected standards of behaviour
- Zero tolerance for bullying, harassment or intimidation
- Expectations at:
  - Work
  - Client events
  - Online

This does not need to be complex.

It simply needs to be clear and visible.

## **Training and Awareness**

Rather than formal programmes, this may take the form of:

- A team discussion
- Real-life examples
- Clear explanation of expectations

The key requirement is to:

- Ensure understanding
- Record that it has taken place

## **Simple Reporting Structure**

In most cases:

- Concerns are raised with the senior individual or director

Where this is not appropriate, firms should consider:

- An alternative route
- External support (e.g. compliance consultant)

In very small firms:

Psychological safety is more important than process.

## **Basic Handling and Documentation**

Firms should:

- Take concerns seriously
- Act promptly
- Record outcomes

A simple log is sufficient:

- Date
- Issue
- Outcome

## **Fitness & Propriety**

This can be incorporated into existing processes by adding:

- A simple conduct-related consideration within annual assessments

## **Governance**

A light-touch approach is appropriate:

- Annual discussion
- Brief record of any issues or observations

## **What Good Looks Like**

- Clear expectations
- Open communication
- Basic documentation
- Ability to evidence decisions if required

## **Example: Firms with 5–10 People**

As firms grow, the need for structure increases.  
The focus should be on consistency, rather than complexity.

## **More Structured Policy**

A short Conduct & Behaviour Policy covering:

- Definitions of non-financial misconduct
- Examples of unacceptable behaviour
- Scope across:
  - Workplace
  - Events
  - Online

## **Structured Training**

- Annual training session
- Inclusion of real scenarios
- Clear expectations for managers

Attendance should be recorded.

## **Defined Reporting Channels**

- Primary reporting line
- Alternative contact
- Consideration of anonymous reporting

## **Light Investigation Framework**

A simple, consistent approach to:

- Reviewing concerns
- Gathering information
- Documenting outcomes

Consistency becomes increasingly important at this size.

## **Fitness & Propriety Integration**

- Explicit inclusion of conduct considerations
- Consistent application across individuals

## **Management Information and Oversight**

A proportionate approach may include:

- Tracking number of issues
- Identifying themes (if any)
- Quarterly discussion at management level

This does not require complex dashboards.

## **Manager Responsibility**

Managers should:

- Set expectations
- Address concerns early
- Support a positive culture

However, responsibility remains:

*Limited to what they could reasonably have known.*

## What Good Looks Like

- Clear policy
- Consistent handling of issues
- Defined reporting routes
- Basic governance oversight

## Key Principle

Across all firm sizes, there are two common risks:

### Over-Engineering

- Excessive policies
- Complex frameworks
- Corporate-style processes

### Underestimating the Requirement

- Informal handling of issues
- Lack of documentation
- Inability to evidence decisions

## Final Thought

For smaller firms, this is not about scale.

It is about credibility.

If asked:

*“How do you manage non-financial misconduct?”*

The answer should be:

- Clear
- Consistent
- Evidenced

### Simple Summary

- Firms under 5 people → Keep it simple, visible and documented
- Firms up to 10 people → Add structure and consistency

This approach ensures firms meet regulatory expectations without losing the cultural strengths that smaller businesses often have.