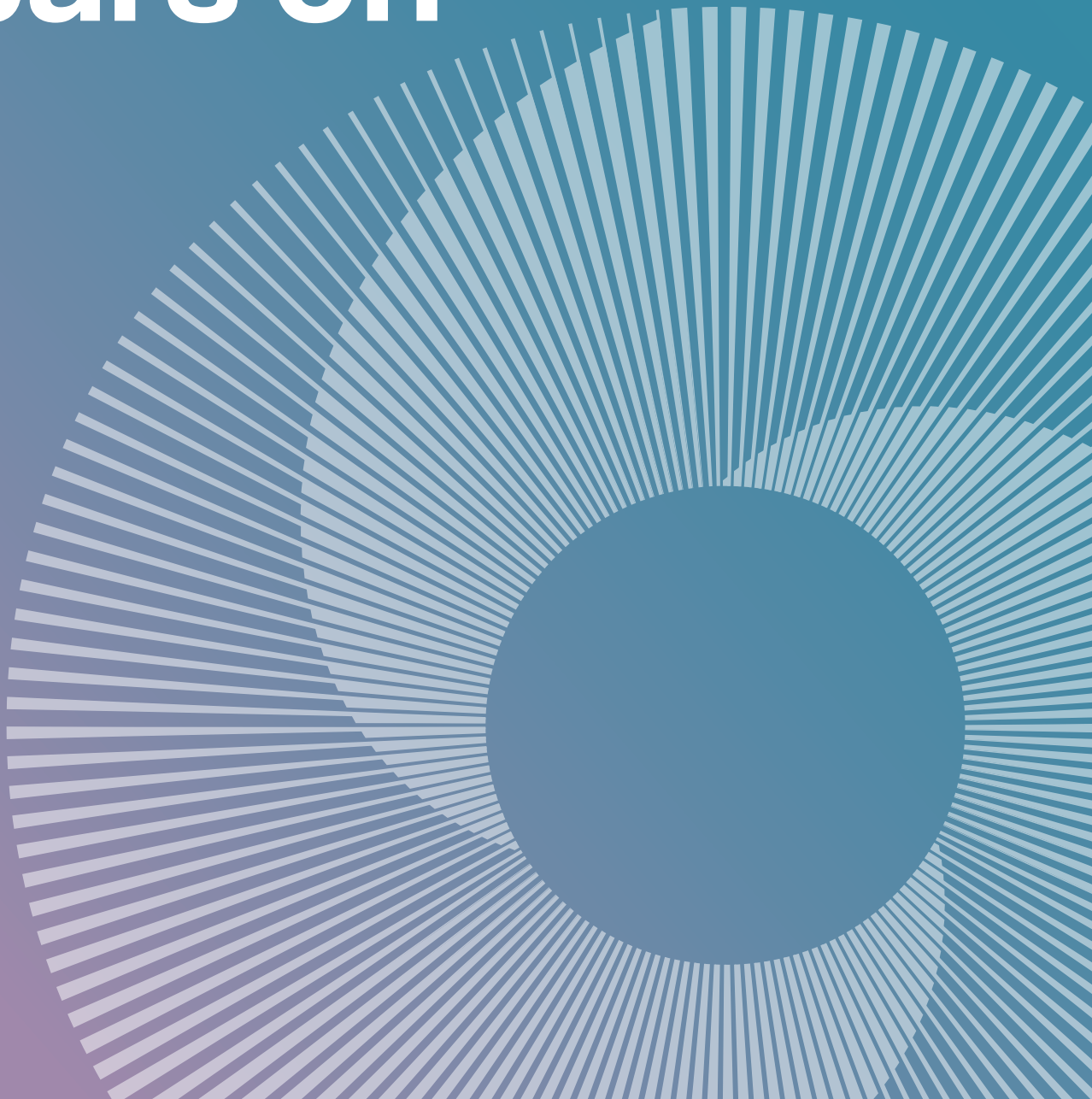


Advice 2025: Consumer Duty two years on



Introduction

Consumer Duty introduced a new regulatory principle. As such, it was designed to be all-pervading: a mindset change for the industry. To what extent has that proved to be the case? Using our Advice 2025 research and Dynamic Planner data, this paper takes a measure at the two-year mark.

While advice firms have been working hard to put the Duty at the heart of their businesses, a lot else has happened. We have a new government, a new global geopolitical landscape. Artificial intelligence (AI), which burst into popular consciousness six months before Consumer Duty implementation with the launch of ChatGPT, is becoming embedded in people's work and lives.

Consumer Duty has provided a lens with which to navigate all that change. And firms are coming to welcome it. Today, over half of advisers (52%) view the Duty as having had a positive impact on their business, according to the FCA – a significant increase from 45% in 2024.¹

In our own conversations, we can see that the regulation has become the framework and foundation the regulator hoped for: part of the language of the industry up and down the value chain.

Inevitably, there have been challenges – most notably, a widening of the advice gap even as the government and the regulator sought to close it. Advice 2025 found two-thirds of firms have raised their minimum level of investable assets since the introduction of Consumer Duty, while around two in five have offboarded clients.

However, help is on the way in the form of targeted support – which the survey found firms keen to embrace. Technology, too, is playing a vital role, with advisers increasing their client bases overall, despite the offboarding trend, as firms derive significant productivity boosts from automating and streamlining their processes.

With the impact on culture and conduct becoming clear as the regulation beds in, some of the formal requirements and bureaucracy of the Duty may be scaled back – the FCA has already done away with the need for firms to have a dedicated in-house champion, for example. However, the principle remains at the heart of the regulatory agenda, providing the basis for targeted support and more.

Aligning with the government's growth agenda, Consumer Duty has the potential to become what advisers have long argued for: a form of regulation that recognises their desire to act in their clients' best interests and gets out of their way to let them do just that.

Chris Jones
Financial Services Director
Dynamic Planner

About Advice 2025

Dynamic Planner's Advice 2025 survey was conducted by Research Without Barriers in the first quarter of 2025.

The research captured the views of 406 advice professionals, including 304 financial advisers, 52 business decision makers and 50 para-planners, from firms of all sizes across the UK.

All research conducted adheres to the UK Market Research Society code of conduct (2023). Research Without Barriers is registered with the Information Commissioner's Office and complies with the DPA (2018).

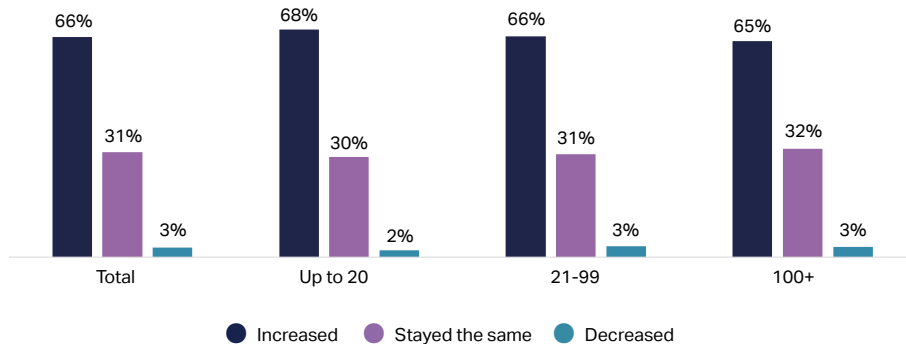
¹ <https://www.globalfinregblog.com/2025/02/fca-updates-on-growth-and-the-consumer-duty/>

Cost-to-serve challenges

The government and the FCA want more of those who need advice to be able to access it. In the short term, Consumer Duty was undeniably a headwind to the achievement of that aim. Across firm sizes, two-thirds have increased their minimum investable assets since the introduction of the regulation, while around two in five have let existing clients go as serving them has becoming uneconomical.

How has your minimum level of investable assets for new clients changed since the introduction of Consumer Duty?

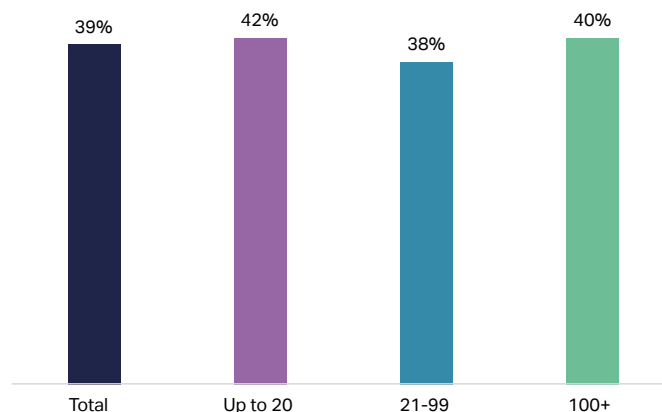
By firm size (no. of employees)



Eighteen months on from Consumer Duty, which of these changes have you made?

'Intentionally reduced client base'

By firm size (no. of employees)



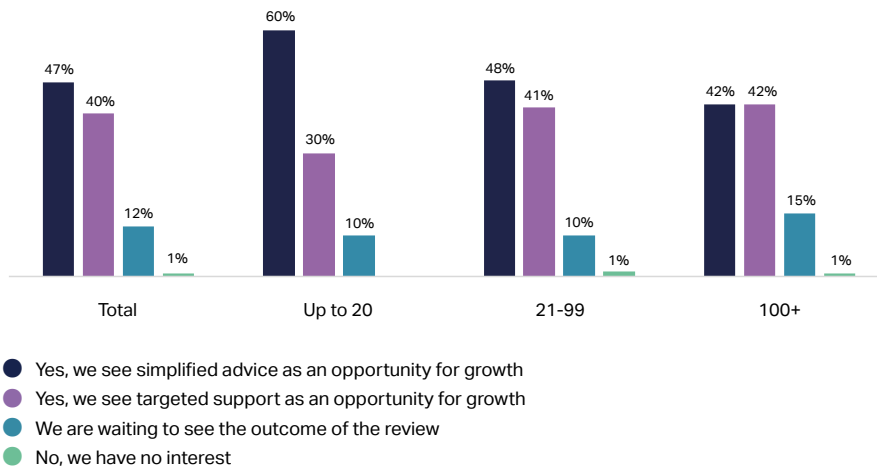
In addition to widening the advice gap, those shifts have anecdotally created headwinds for those building careers in the industry. Advisers new to the role typically gain experience with clients whose financial circumstances are simpler, before moving on to those with higher wealth and more complex needs – but that route has become less available.

Scaling access to advice

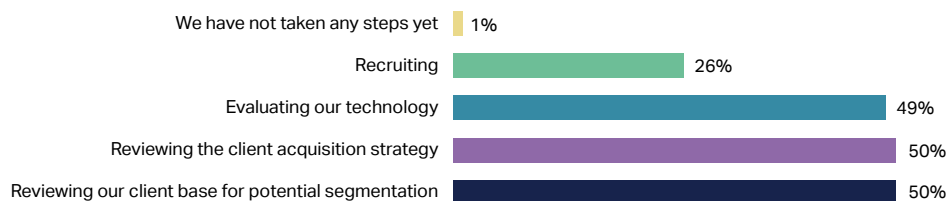
The challenges firms have faced in serving lower-value clients may prove temporary, with the regulator now moving at pace to plug the advice gap. Advice 2025 suggests firms are ready to capture the momentum, with 87% seeing either targeted support or simplified advice as opportunities. And preparation is already underway. Of that 87%, half are reviewing their client bases for potential segmentation, half looking at their client acquisition approaches and close to half evaluating their related technology needs.

Do you expect the outcome of the Advice Guidance Boundary Review to create opportunities for your firm?

By firm size (no. of employees)



You stated that you expect the outcome of the Advice Guidance Boundary Review to create opportunities for your firm - what steps are you taking to prepare?



A one-size-fits-all model has dominated the industry for a long time. Firms need to define, monitor and evidence their processes. When more of that work was manual, a consistent approach – albeit perhaps with bronze, silver and gold tiers – was the best way to maintain control. The limitations have become clear in the wake of Consumer Duty, though, with firms lacking alternatives to their traditional full-service approach to offer to their lower-value clients.

Today, technology provides a framework for the advice process, creating the conditions for a proliferation of service models, all with robust controls and evidencing. The Advice Guidance Boundary work is grounded in those new possibilities. In their full advice businesses, too, firms have the opportunity to offer their clients a broader menu of services, fee structures and communication methods, with the current review of the ongoing service definition potentially creating more freedom. From both a commercial and a consumer perspective, this is positive news.

The Customer Understanding outcome of Consumer Duty will be central. Clients will need to know exactly what they're getting and what they're paying for – in particular, when targeted support is provided to holistic advice clients, as the draft rules suggest will be allowed. But firms have already invested time and effort into improving fee consistency and clarity to comply with the Duty, and can build on that work.

Technology as enabler

While Consumer Duty challenged the ability of firms to deliver quality advice at scale, they have had a powerful ally, in the form of their tech.

Firms identify technology as the number one way they remain compliant with evolving regulation, citing its roles in supporting and evidencing consumer understanding, tracking and evidencing suitability, and creating efficiencies that allow more clients to be served.

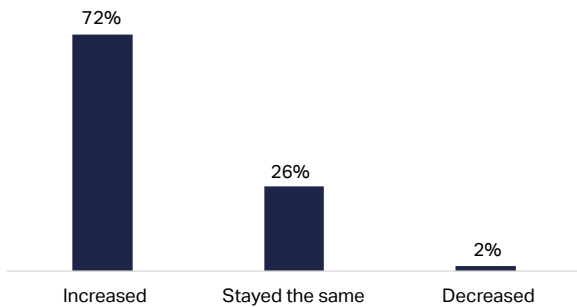
As a result of these efficiencies, and despite the fact that some firms have offboarded lower-value clients, 72% of advisers are serving more clients than they were a year ago – and most expect the trend to continue.

How do you stay compliant with evolving regulations?

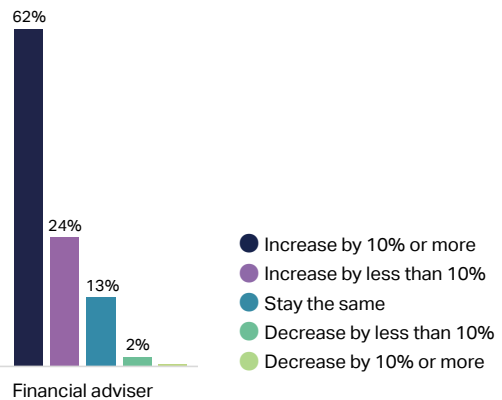


Has the number of clients you serve increased or decreased over the last 12 months?

Financial adviser



How do you expect the number of clients you serve to change over the next 12 months?

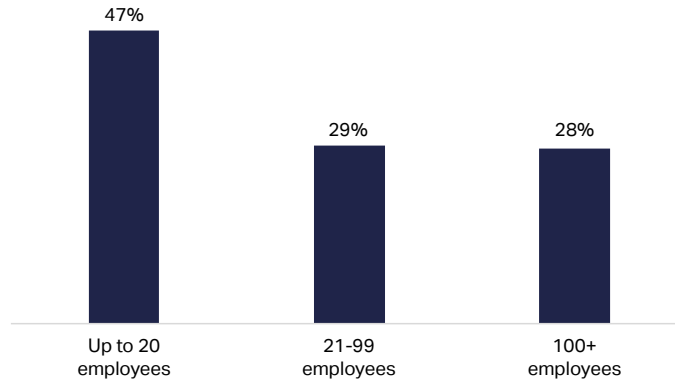


Increases are identified across firms of all sizes, but most strongly among firms with up to 20 employees. Those smaller firms are also the most likely to have taken on new technology since the implementation of Consumer Duty and are perhaps now benefiting from the productivity gains already realised by their larger peers.

Eighteen months on from Consumer Duty, which of these changes have you made?

'Taken on new technology to meet requirements'

By firm size (no. of employees)

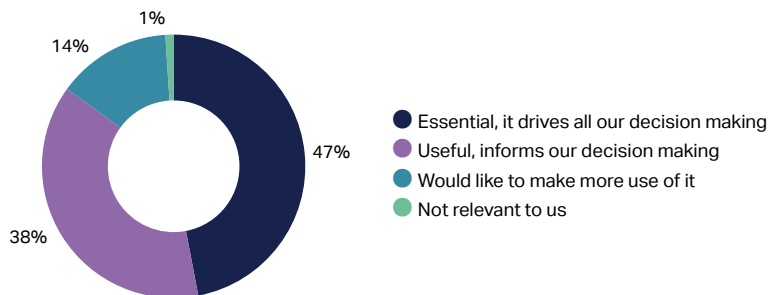


The regulatory focus on data and evidence has pushed advisers towards more systematic approaches to demonstrating both client value and business outcomes. Firms have invested in their technology, joined up their tech stacks and cleaned up their data, so they can get it doing more for them. Advice 2025 found 85% view data as essential or useful for their firm.

With the information they need at their fingertips, firms can build up more complete pictures of their businesses and identify trends, patterns and outliers. This has implications for everything from regulatory reporting to forecasting shifts in client behaviour. In the coming months and years, AI has the potential to make the data work even harder.

How important is data for your firm?

Total



The role of target markets

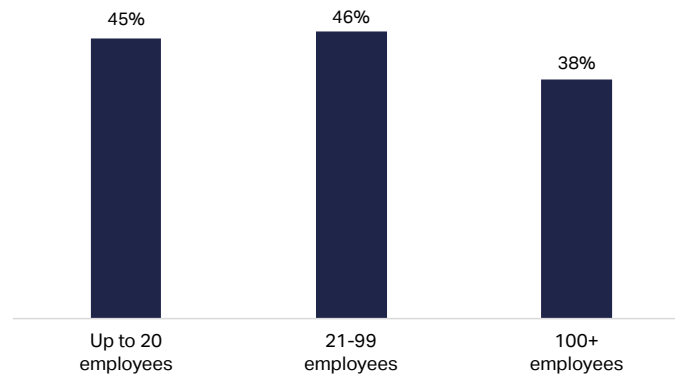
The Products and Services outcome of Consumer Duty put the spotlight on target markets, requiring products and services to be designed to meet the needs, characteristics and objectives of a target group of customers, and distributed appropriately.

Target markets were already a central component of PROD – in fact, the product aspect of the Products and Services outcome simply requires firms to meet the PROD rules. Where Consumer Duty differs is to extend the requirement to services and to tie the two together, so that the focus becomes not on matching the client with the right product, but on the overall outcome that the client achieves from the combination of product and service.

Advice 2025 found 43% of firms have grouped their clients into target markets since the introduction of Consumer Duty, with small and mid-sized firms most likely to have made the change, perhaps because many larger firms were already using this approach. In Dynamic Planner, the number of recommendations tied to a target market have risen by 146% since August 2023.

Eighteen months on from Consumer Duty, which of these changes have you made?

'Grouped our clients into target markets'
By firm size (no. of employees)



Taking this step is potentially transformative for advice firms: a route to ensuring suitability at scale, as well as to defining, delivering and controlling a range of different service models, all facilitated by technology. Target markets are effectively a form of customer segmentation – an approach that thinks about groups of people and what's best for them, and then aiming to meet those needs. Once they are in place, firms can unlock both structural efficiencies and significant client benefits.

Conclusion

Like any big shift in the operating landscape, regulatory or otherwise, Consumer Duty has taken time to bed in. Two years in, though, the benefits are becoming evident – and the regulation is beginning to play its intended role as a bedrock for change.

The focus on demonstrable client value has pushed the industry towards more professional, evidence-based practices. Those same practices have put firms in a better position to capture tech-driven efficiencies and seize the opportunities that lie ahead, whether in the form of targeted support or of new approaches to delivering ongoing advice.

The offboarding phenomenon was an unfortunate unintended consequence of the Duty but now seems likely to have been temporary, with new routes to advice and guidance opening up for investors with smaller pots. Technology is not only positioned to support those routes, but is driving productivity and pushing down the cost to serve in firms' holistic advice businesses.

Meanwhile, the FCA has committed to a more pragmatic approach and to building future regulation on the Duty where possible. That means firms are no longer braced for further big regulatory hits and can operate with greater confidence.

A regulatory environment that delivers for all is a difficult jigsaw to complete, but the direction of travel appears positive. In the coming months and years, Consumer Duty has the potential to shape an invigorated industry in which firms can innovate and thrive, and a vastly greater share of the population is supported to achieve better financial outcomes.



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