

8 March 2024

**Consumer Investments Advice Policy
Financial Conduct Authority
12 Endeavour Square London
E20 1JN**

Submitted via email to: DP23-5@fca.org.uk

RE: DP23/5 Advice Guidance Boundary Review – proposals for closing the advice gap

BlackRock¹ is pleased to have the opportunity to respond to the Financial Conduct Authority (the 'FCA') and HM Treasury ('HMT') consultation on the Advice Guidance Boundary Review ('Consultation Paper').

As an asset manager, BlackRock is a fiduciary that manages investments on behalf of investors across a range of markets and asset classes. Our investment approach is rooted in our fiduciary duty: we start with our client's objectives, we seek the best risk adjusted returns, and we underpin our work with research, data, and analytics.

We welcome the opportunity to comment on the issues raised by this Consultation Paper and will continue to contribute to the thinking of the FCA and HMT on this and other topics.

BlackRock is very supportive of the work undertaken by the FCA and HMT to close the advice gap and welcomes the proposals put forward in DP23/5. Indeed, BlackRock's mission is to help more and more people experience financial wellbeing and we see initiatives that democratise access to capital markets as a key component of this.

As the Consultation Paper rightly recognises, there is a need for reform of the Advice-Guidance Boundary to enable firms to provide their customers with more engaging forms of support with their financial decision making and we believe the proposals detailed in DP23/5 have the potential to meaningfully impact the financial wellbeing of people across the UK.

However, while we are highly supportive of the work the FCA and HMT have done, we would stress that the first proposal, *Further clarifying the boundary*, is least likely to move the dial on this issue as a standalone. Further clarifications would be helpful for firms, however, we do not believe that this will be a sufficient solution to close the advice gap.

With this in mind, in terms of prioritisation, we would support the FCA and HMT focusing most attention on taking forward the other two innovative proposals: *Targeted Support* and *Simplified Advice*. We discuss our rationale for this thinking, as well as our broader thoughts on the proposals, in more detail below.

¹ BlackRock is a leading provider of investment, advisory and risk management solutions, and has been active in the UK for over 50 years. Our purpose is to help more and more people experience financial well-being.

Targeted Support

BlackRock is highly supportive of the *Targeted Support* proposal. Of the three proposals, we believe this proposal will have the most take up and use across the financial services industry.

In our view, such support will help consumers better understand the financial world as it pertains to them, helping them build confidence in financial decision making. By providing suggestions, not advice, *Targeted Support* will not be a substitute for people needing a personal recommendation and we believe the ‘People like You’ framing of *Targeted Support* will be useful in helping consumers to understand that they are not receiving a personal recommendation although this should still be accompanied by relevant disclosures to ensure this is well understood. Indeed, we see *Targeted Support* models as offering a route into *Simplified Advice* propositions or Financial Advice referrals for consumers should they need it.

The Paper rightly notes that not only are firms in possession of a considerable amount of information on their customers, but technological innovations have improved their ability to use this to better understand an individual’s financial circumstances. In order to continue to capitalise on these technological innovations, we support the FCA and HMT ambition to build a future-proofed regulatory regime which can evolve over time and enables firms to utilise innovations like Open Finance, Pensions Dashboards, and developments in AI, in order to build longer-term financial wellbeing.

Overall, we support the ‘outcomes-based’ regulatory approach to *Targeted Support*. This aligns with the Consumer Duty and the wider drive by the FCA to foster innovation and maximise the diversity of products and services that are available to UK consumers.

Use cases

We fully agree that the list of scenarios provided in the Paper lend themselves to *Targeted Support* consumer journeys, including support to non-investors, support for wealth accumulation decisions, and support for wealth decumulation decisions. These scenarios are suitable for a *Targeted Support* regime, with each clearly addressing potential saver harms related to inaction.

We would also note that there may be use cases whereby a firm would endorse consumer behaviours, as well as preventing harm or tackling inaction. We see building financial confidence as a crucial outcome of this regime and believe customers could equally benefit from being told they are on the right path and aligned with other people like them, in order to give them the confidence to continue on their financial journey.

With this in mind, we see most merit in *Targeted Support* being offered in the background on an opt-out basis, rather than only allowed around certain decisions. This will reduce friction and allow the service to be able to reach its full potential.

Related to this, we also believe that *Targeted Support* should not be subject to explicit charges. Given the generic nature of targeted support as compared to simplified or holistic advice, it should be offered without additional costs. Requiring a charge to be paid would be a significant hindrance for meaningful take up by UK households, especially those on lower incomes who may benefit most from this regime.

Limitations

We do not feel that product, investment, or monetary limits should be necessary for *Targeted Support*. However, this is not to say that we believe every financial decision is appropriate for *Targeted Support*.

The Discussion Paper rightly highlights DB pension transfer advice as not being appropriate for this regime. We would also highlight the need to ensure complex or unregulated investments are not recommended to customers as part of *Targeted Support*. Overall, we believe an approach of carving out the scenarios which are not appropriate for this regime, instead of providing a prescriptive list of scenarios which are, is the best way forward.

There is also a concern of firms using *Targeted Support* as a mechanism to sell their own product range and drive consumers toward high-cost products, at the expense of the consumer being able to consider other product choices, that may be more appropriate for the consumer's needs. The *Targeted Support* regime should require firms to operate Product Governance controls that identify and mitigate these risks.

Simplified Advice

BlackRock is supportive of the concept of *Simplified Advice* and welcomes that the FCA has taken onboard much of industry feedback on the original proposals in order to make this regime more commercially viable. However, while we are very supportive of the concept, we believe more work may be needed, in conjunction with firms interested in delivering *Simplified Advice*, to finesse the regime and make it more workable for them to deliver.

We broadly agree that the scenarios listed in the Discussion Paper lend themselves to the provision of *Simplified Advice*. However, whilst we recognise that decumulation decisions can be complex, and that *Simplified Advice* is narrow in scope, we believe that narrow decumulation decisions could be included within *Simplified Advice*. For example, pot consolidation prior to deciding on a decumulation product or the purchase of the best value annuity on the market.

We also disagree with the limit of £85,000 placed on the regime, we understand that this is aligned with FSCS coverage, however, there is a significant gap between this and the point at which you could receive personalised financial advice from an IFA. We see no rationale for denying individuals with larger sums to invest access to the service, although it should still be made clear to those with larger sums that they may benefit from full regulated advice.

We encourage the FCA and HMT to work with interested individual firms on their *Simplified Advice* proposition plans to determine how this regime could be taken forwards in a manner that delivers good consumer outcomes and commercially viable.

Further clarifying the boundary

There is potentially a role for further clarifying the boundary between advice and guidance, particularly in areas where the FCA Perimeter Guidance, most notably PERG 8.28, conflicts in terms of whether a support initiative is allowed or not allowed.

However, we believe this will not be enough to close the advice gap as a standalone solution. Indeed, there are many firms who currently operate very close to the boundary in order to support their customers and are still unable to meaningfully help them with their financial decision making.

With this in mind, we would suggest that *Further clarifying the boundary* is a third order priority for the FCA and HMT, and more focus is placed on the other two proposals.

Specific Considerations for Pension Scheme Trustees

Retirement choices are some of the most significant financial decisions people will make in their lifetime – the decisions taken on how much to spend and when, are going to impact their financial wellbeing for the rest of their lives. As such, we support the work from DWP on Helping Savers Understand their Pension Choices and TPR’s workstream around retirement income.

We increasingly see that our clients want to offer their members more guidance to help them with retirement decisions, as well as providing retirement solutions. This is only set to continue as legislation is in place requiring trustees to not only offer retirement solutions, but to do so on a default, ‘opt-out’ basis.

We therefore urge the FCA to work with TPR to refine joint guidance to make clear how *Targeted Support* might be applied for trustees. The examples included in the Paper – which detail a range of scenarios within the scope of support – would also be helpful for trustees, as this could provide them with confidence and reassurance regarding the boundary and their fiduciary duty.

BlackRock is highly supportive of the proposals laid out in DP23/5 and believes they have the potential to meaningful improve the financial wellbeing of households across the UK. However, we believe most resource should be spent on the second two proposals, *Targeted Support* and *Simplified Advice*, ahead of *Further clarifying the boundary*.

We welcome the opportunity to comment on the issues raised by this Discussion Paper and will continue to contribute to the thinking of the FCA and HMT on any issues that may assist in the final outcome. We welcome further discussion on any of the points that we have raised.

Yours faithfully,

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