



Future
Finance



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Future Finance –
Technology Insights Series

The Advice Guidance Boundary Review and the Future of Financial Advice

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Future Finance is pleased to present our third report in our Insights Series: The Advice Guidance Boundary Review and the Future of Financial Advice

This paper explores the intersection of regulation, innovation and technology in financial services, and looks to provide insights and practical support to help firms adapt and thrive in a rapidly changing environment. The insights of this publication have been developed in collaboration with leaders from a range of financial service providers in wealth management, financial advice, pensions, banks, building societies and other stakeholders.

This report focused on The Financial Conduct Authority's (FCA) Advice Guidance Boundary Review (AGBR) and addresses the current 'state of play' amongst financial services providers and advisers working to meet the challenges posed and addressed by the consultation, as well as the potential benefits of combining data and technology to inform consumer decisions and outcomes. We explore the key insights and possible repercussions of the reforms, as understood and explained by the interviewees.

We extend our thanks to all the contributors who generously shared their time and expertise. Their insights were invaluable in shaping this report. We hope you find this report both insightful and practical, and we look forward to our continued collaboration with you in the future.

Sincerely,



Dr Patrick J. Ring
Professor in Financial
Services



**Dr Eleanore
Hickman**
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Law

2 Introduction

Many consumers face the dual dilemma of poor financial awareness and unaffordability of advice and consequently remain underserved. The Financial Conduct Authority's (FCA) Advice Guidance Boundary Review¹ (AGBR) marks a pivotal juncture in regulatory reform aimed at addressing this challenge in order to enhance the support provided to those underserved consumers.

This report – the third in our Future Finance Insight Series – addresses the current 'state of play' amongst financial services providers and advisers working to meet that challenge, as well as the potential benefits of combining data and technology to inform consumer decisions and outcomes. It is based upon a series of in-depth interviews with financial services providers and advisers, as well as other stakeholders, regarding the outcomes of the AGBR. We explore the key insights and possible repercussions of the reforms, as understood and explained by the interviewees.

2.1 Who is this report for?

This report is for anyone who wants to understand the nature, and potential implications, of the AGBR.

Specifically, it will benefit organisations currently assessing how they might take advantage of new, more permissive, proposals to help their customers achieve better outcomes. That includes product and platform providers looking to help their customers' decision-making, as well as organisations considering whether or how to develop their current guidance or advice service to include 'targeted support'. It will also help organisations understand how industry peers view proposals for simplified advice and clarity surrounding the guidance boundary.



FinTechs will gain insight into current perspectives on the opportunities surrounding consumer data management and analysis, helping them to support the delivery of effective consumer 'journeys'.

Lastly, this report will also be of interest to **government, policymakers, regulators, academics** and others interested in regulatory developments in financial advice and assistance.



Financial advisers will find the report valuable when considering how to meet the needs of current or potential clients who are increasingly more difficult to support under traditional business models, an issue exacerbated by the increasing consolidation of the sector. The report can help these advisers better understand whether the reforms proposed under the FCA review offer viable alternatives.

¹FCA's Policy Paper DP23/5 and Consultation Paper CP24/27

3 Background

UK regulators have long sought to cultivate a financial advice market that adequately meets the needs of consumers. In 2012, the Retail Distribution Review (RDR) brought changes intended to enhance the quality of advice, and for those receiving advice this seems to have been successful². However, the RDR also ushered in a switch from commission-based to fee-based advice, which resulted in many consumers being unable or unwilling to pay the cost of advice. In 2016 the Financial Advice Market Review attempted to encourage greater awareness and understanding of the availability of ‘guidance’ i.e. support that does not constitute regulated financial advice, as well as seeking to enhance the development of technology-driven (robo-) advice. By 2020, the regulators accepted that the effect of its various reforms in meeting the broad needs of consumers had been limited.



“Many consumers do not seek, or receive, the sort of help with their finances that would equip them to make better investment decisions. Although there has been some innovation in the market, in particular around the development of automated advice, there is more scope for further development and innovation of models and services that could serve more consumers at different stages of their lives. Our ambition is to facilitate a market that supports consumers so they make the decisions that are right for them, and make the most of the money they have.”

FCA (2020) Evaluation of Impact of RDR and the FAMR

3.1 The advice gap

It is estimated that less than 10% of the adult population paid for regulated financial advice between 2022 and 2024³. This is not just a matter of affordability, it can also be attributed to consumer knowledge and capability and a lack of awareness of, or inability to access appropriate sources of help (see Table 1). FCA research⁴ indicates that “many consumers do not seek, or receive, the sort of help with their finances that would equip them to make better investment decisions.”

Table 1

The four advice gaps	
The free advice gap	Affects those who feel they would benefit from free advice but are unaware of, or unable to access free services
The affordable advice gap	Affects those willing to pay for advice but think it is too expensive
The awareness and referral gap	Affects those who would benefit from advice, but are unaware of the government’s free financial guidance
The preventative advice gap	Where earlier access to advice could stop non-money issues impacting people’s financial position

Source: Open Money (2021) The UK Advice Gap 2021. The Future of Financial Advice: Moving Past the Advice Gaps
²The Lang Cat (2024) The Advice Gap 2024. Available at: <https://thelangcat.co.uk/report/the-advice-gap-2024/>
³ibid
⁴FCA (2020) Evaluation of the impact of the Retail Distribution Review and the Financial Advice Market Review, p.3. Available at: <https://www.fca.org.uk/publication/corporate/evaluation-of-the-impact-of-the-rdr-and-famr.pdf>

3 Background

The motivation behind the AGBR is to address these gaps, particularly in relation to three widespread issues:

Decision-making by individual savers concerning accumulation and decumulation of their pension saving

Lack of understanding of investment risk in making decisions

Lack of engagement with financial issues

The FCA's proposals address both greater availability of guidance (**clarifying the guidance boundary**) and the cost of regulated advice (a new '**simplified advice**' approach). However, most of the initial focus of industry and the regulators has proposals for '**targeted support**', and the development of these proposals in relation to pensions provision in Consultation Paper 24/27, which attempts to address the issues mentioned above.

3.2 The proposals

Each proposal in the AGBR is outlined below. We then focus on targeted support and the factors to consider in its supply and demand. Following that we go on to consider the AGBR proposals as a package.

Finally, we look at developments in open banking and open finance and consider their potential implications in the context of the AGBR reforms.

The three main proposals of the AGBR are:



A clarified advice-guidance boundary



Targeted support



Simplified advice



3.3 Proposal 1: A clarified advice-guidance boundary

Many firms are wary of straying over the advice guidance boundary, taking a conservative approach to the nature of the guidance they provide. As a result, the FCA believes that consumers are getting less guidance than they could.

To clarify the boundary the FCA propose providing more detail about what constitutes guidance, enabling firms to help more consumers with the confidence that they will not inadvertently cross the boundary into the provision of regulated advice. If successful, firms should be able to work much closer to the boundary.

Research insight: A limited impact?

We have learned that this proposal, though welcomed by some, is not likely to bring about a material impact for consumers. Many larger firms already have confidence in their understanding of the boundary between advice and guidance. Smaller firms saw more benefit in greater clarity, but their response remained muted. It was clear from our interviews that the regulatory risk appetite of many organisations means they will continue to take a cautious approach.

3 Background



3.4 Proposal 2: Targeted support

Under targeted support, organisations can use their customer data to identify pre-defined scenarios where better financial outcomes are possible, as well as customer segments to which those scenarios and outcomes apply. Customers falling within the relevant segments can then be provided with those ready-made solutions in the form of suggestions intended to achieve better outcomes compared to their present position.

Targeted support will not be regarded by the FCA as regulated advice. Rather, it would involve suggestions to inform an organisation's customers about action that could likely offer a better outcome for 'people in their circumstances'. It is assumed this will wholly or largely be delivered using technology to provide cost-effective support with little or no cost to customers.



3.5 Proposal 3: Simplified advice

Simplified advice is often regarded as an intermediate step between targeted support and regulated advice. Unlike targeted support, it envisages regulated advice provided on a one-off basis, and related to a specific need. Unlike current regulated advice, it would only require advisers to have an understanding of customer circumstances relating to that specific need.

One example cited for its potential use is someone receiving an inheritance and wanting to know how to invest that lump sum. There would be a fee associated with the provision of this service.

Most interviewees were unconvinced about the viability of simplified advice. We were told that the work involved in providing simplified advice would be costly, and yet the potential to charge for it would be limited. Many felt that consumers would be better off either paying a little more and getting holistic advice or getting the free support available with targeted support.

Our interviewees provided a variety of insights and perspectives on this proposal, the most significant of which we discuss below. Ultimately, there was widespread positivity for the potential of targeted support.



4 Targeted support: Supply-side considerations

Here we analyse industry perspectives on the reforms gathered through our research. Discussions primarily focused on targeted support which is reflected, but we also include perspectives on the other proposals and the possible implications of open banking and open finance.



“I guess it’s like dealing in the art of the imperfect in that you’re trying your best based on the data you have to get people in the right segments.”

Interviewee 3

Turning the targeted support proposals into a consumer proposition will require significant resources and effort from organisations. Key issues identified were: segmentation and the importance of data collection/analysis; delivery; and the assessment of outcomes.



“How do we get the right balance of data points to get the right people into the right segments? That is pretty much the key to it. If you can get the right people into the right segments then you know they’re on their journey. You’ve got your solution and theory and that solution should improve outcomes for those people.”

Interviewee 14

To develop a targeted support proposition organisations will need to understand their customer base and the scenarios in which those customers could achieve better outcomes. This requires appropriate data, and more sophisticated segmentation/scenario combinations will require more data. In this respect, organisations that currently have access to significant amounts of data about their customers, such as banks, should be in a good position to undertake this task.

⁵NMG Consulting (2024) Advice Guidance Boundary Review: Targeted Support for Non-Advised Defined Contribution Pensions. Available at: <https://www.fca.org.uk/publication/external-research/agbr-targeted-support-non-advised-defined-contribution-pensions.pdf>

Some organisations made it clear that, at least initially, they would be developing their targeted support propositions using the existing data they hold. This means organisations can be more confident about the data being used, and in turn more confident about demonstrating a potentially better outcome for consumers. However, this limits the nature or extent of support that might be provided and requires clear communication so that customers understand the implications of the limited information upon which a suggestion is made. Importantly, in interviews and research⁵ it was noted that there is already a consumer expectation that firms have access to much more data about their customers than they do in reality.

Other organisations indicated they will look at their existing data and decide whether there is anything else they need to know about customers in developing and offering support propositions. This could mean either asking customers for data or incorporating an open banking model into their process, both of which appeared to be something of a ‘double-edged sword’. For some, more data meant better support, more informed decisions and a better outcome for the customer. Others raised potential issues such as ensuring the accuracy of data received from clients, keeping the acquired data and permissions for holding data up-to-date, and simply managing increased levels of data. Most interviewees also noted the significance of the implementation of the pensions dashboard, and the data it will provide, in developing targeted support in relation to pension provision.



“How much data do you need to put consumers in a data segment? And then, do you have that data or not? And if you need to go get it, how do you validate it? And ensure it remains accurate.”

Interviewee 1

4 Targeted support: Supply-side considerations

4.1 Customer segmentation

The introduction of the FCA's consumer duty obligations already emphasised the importance of customer segmentation. It was suggested by some interviewees that providing a 'nudge' via targeted support increases the significance of appropriate customer segmentation, making it one of the biggest challenges organisations face.

In discussing segmentation, interviewees mentioned taking account of issues such as customer need and/or customer sophistication. Others discussed segmentation models using additional UK market data, enabling a more comprehensive understanding of behaviours, biases and attitudes when developing segments and customer propositions. It was also noted that continually testing these approaches is essential to ensure the consumer 'journey' is as anticipated and customers are segmented correctly, with the ability to re-classify customers or adjust segmentation where appropriate.

Again, this draws attention to the importance of managing and analysing data. That said, one interviewee commented:

“

“I'd say the industry would admit that it is pretty bad at using the data that it has at the moment.”

Interviewee 12

It was generally accepted that there are opportunities for FinTechs in this area, particularly working with existing established financial providers, to help them use their data to develop effective segmentation and targeted support propositions.



4 Targeted support: Supply-side considerations

4.2 Delivery - digital first

Given the mass-market intentions behind targeted support, digital delivery provides a scalable solution enabling organisations to reach the largest numbers of customers in a way that is commercially viable. However, it was recognised that some customers value the human facing element of financial services and have different propensities to 'self-service', particularly when making an important financial decision. Consequently, many organisations envisaged a human facing option, particularly in the context of serving vulnerable and older customers who may be less trusting of the technology.

It was argued that with the appropriate (and tested) choice architecture and prompts, including checks for understanding, a digital journey can provide consistency and less room for error. Telephone support was seen as necessary support by some, and in some cases is already used to provide guidance. It was noted, however, that this could lead to the disclosure of further, unanticipated, information which might create challenges for organisations in the context of managing the customer journey envisaged by its targeted support offering.

4.3 Consumer duty

Our interviewees noted, some with an element of surprise, the permissive nature of the targeted support regime, creating significant flexibility for how outcomes could be achieved. Nonetheless, they recognised that it is subject to the 'guardrails' of the consumer duty requirements, some suggesting that targeted support will serve as the first material test case of consumer duty since its implementation. The benefit for organisations is that it provides room to innovate in their product and service delivery. The downside is that it creates a level of uncertainty about the boundaries of the regulatory framework.



“

“The consumer duty is the foundation on which targeted support is based.”

Interviewee 17

“

“I absolutely see from our perspective and from the vast majority of firms perspectives, the focus here is going to be doing this as a digital journey.”

Interviewee 3

4 Targeted support: Supply-side considerations

4.4 A high bar?

Regulated organisations currently providing guidance are already subject to the consumer duty requirements. However, it was suggested that as targeted support provides what is essentially personalised support, meeting consumer duty requirements in the context of targeted support needs additional careful consideration. Key issues identified included the need to evidence better outcomes, consumer understanding and the avoidance of foreseeable harm.

The evidentiary requirements of consumer duty mean that organisations will have to invest in customer research and testing to understand client needs and client outcomes. As one participant noted:

“

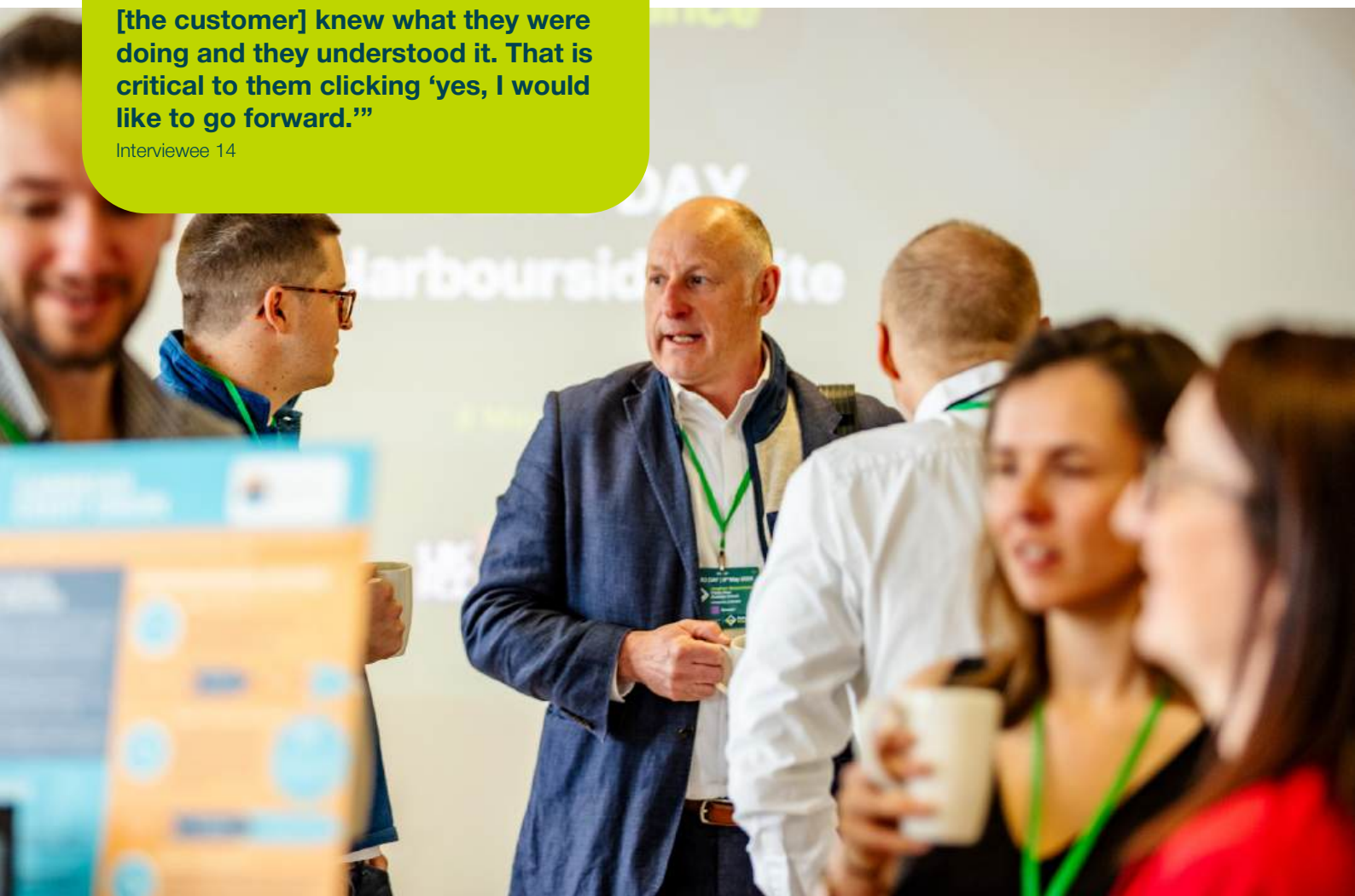
“There will have to be that test that [the customer] knew what they were doing and they understood it. That is critical to them clicking ‘yes, I would like to go forward.’”

Interviewee 14

Evidencing understanding is not easy and something many organisations admitted to having to consider carefully.

Organisations also need to think about how they capture data over time to monitor consumer outcomes, particularly in respect of longer-term financial decisions. The requirement to avoid foreseeable harm means that organisations will need to consider how to manage and monitor this data, and what action to take when they become aware of poorer outcomes based on targeted support suggestions.

Interviewees were also keen to understand how the FCA would assess whether outcomes had been met, and what the threshold tests might be. Some suggested that it would be possible to articulate a regulatory approach to these issues, as well as matters such as disclosure, within a separate regulatory regime for targeted support.



5 Targeted support: Demand side (customer) considerations

5.1 Consumer engagement

It is the proactive intervention of firms that differentiates targeted support from existing forms of support. However, as the intervention amounts only to a 'nudge', it is important that consumers are engaged in this process, so they understand their responsibility for the outcome. That understanding will also be necessary if organisations are to evidence their consumer duty obligations. There are various factors that will influence consumer engagement with the most important outlined in the following sections.

“What I think targeted support is doing is effectively creating a brand-new class of product or service. It’s not product specific in the sense of it being a statement, but nor is it marketing. It sits right slap bang in the middle and allows providers to do a whole lot more at a very personal level with customers, to engage them.”

Interviewee 18

5.2 Existing relationships between customers and their provider

An important factor is the existing relationship an institution has with its customers, which will have been influenced by the nature and extent of their customer communication to date. Some interviewees contrasted the (daily) communications and regular ongoing relationships between banks and their customers and those of workplace pension providers who perhaps have little or no direct interaction with pension savers other than annual statements, or communications via employers or trustees.

As a result, some organisations may be much better placed to more effectively engage their customers in the targeted support 'journey'.



CASE STUDY

The Decision Lab

The Decision Lab employ state-of-the-art behavioural science research and experiments, using thousands of participants, and harnessing big data insights, to create impactful and engaging consumer journeys for clients all over the world. This includes working with fintech, and more traditional financial services companies, to create leading-edge consumer journeys.



5.3 A compelling digital experience

We spoke to interviewees currently involved in providing financial guidance to consumers, who discussed the ‘emotional benefit’ of the support they provided. This included encouraging confidence and security in individuals and their decision-making, as well as engaging the current (spending) consumer with a vision of their future (saving) self as a means of fostering longer-term financial planning⁶. Interviewees also mentioned a number of organisations, in the UK and overseas, at the cutting-edge of consumer engagement. This generally involved leveraging data using data analytics, alongside behavioural insights and technology-enhanced interaction, to create an attractive and participative environment, encouraging individuals to become more involved with their own financial situation.

The expertise, investment and testing needed to adopt this approach is significant, presenting challenges for many organisations. However, the potential benefits of this approach in helping individuals achieve their financial objectives and making informed decisions are obvious. Again, interviewees identified opportunities for technology-driven firms with expertise in this field of consumer engagement to provide a B2B ‘white label’ offering for product providers, as well as potentially providing targeted support themselves.

⁶This approach aligns with an increasing interest in financial wellbeing and ‘money coaching’.

“

“If someone knows what questions to ask or they know they’ve got a problem, they can then start to interact with their personal finances.”

Interviewee 13

5 Targeted support: Demand side (customer) considerations

5.4 Communicating with consumers

Interviewees discussed several issues they believed providers of targeted support must consider as part of their communication strategy.

The nature of the service

Consumers need to be aware that targeted support is neither product information nor product marketing. This provides both opportunities and challenges in communicating the nature, and limitations, of this brand-new class of product/service. This is important for customers because, as one interviewee put it:



“...the issue isn’t really whether you are getting advice or not. It’s who you can hold responsible for what...”

Interviewee 9

Communication that ensures customer understanding of the nature of targeted support, and their responsibility in implementing any suggestions provided, is essential.

Not ‘losing’ people

This involves getting the balance of communication right so that institutions don’t put customers off their targeted support journey, whilst also ensuring they are sufficiently informed and supported to make decisions. Research⁷ indicates the nature of customer journeys, and the language used by financial services organisations, can create customer confusion and barriers to investing. Addressing these issues will be important given the nature of the support being provided.

Tailoring

Having baseline communications that work for all, but that can be tailored for different consumer segments and take into account issues such as vulnerability.

Friction

How to avoid friction e.g. asking for an amount of information that may put off the consumer, as well as when to ‘build in’ friction – which may be necessary to ensure consumers take time to reflect and gain appropriate understanding.



⁷See Oxera (2022) The keys to unlocking greater investment in Stocks and Shares ISAs. Available at: <https://www.tisa.uk.com/wp-content/uploads/2022/11/FINAL-OXERA-REPORT-FOR-PUBLICATION.pdf>, and Hyde, R. and Reynolds, F. (2024) Making sense of S&S ISAs <https://www.tisa.uk.com/wp-content/uploads/2024/03/Making-sense-of-SS-ISAs.pdf>

5 Targeted support: Demand side (customer) considerations

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“If people don’t trust what we’re doing, then the whole thing will fall apart quite quickly.”

Interviewee 3

5.5 Trust and targeted support

Trust in their provider is an important element in customers’ targeted support ‘journey’, enhancing the likelihood of customers reacting positively to both requests for information and suggestions for action.

Strong existing relationships of trust will therefore be an advantage for organisations providing targeted support. Nevertheless, newer entrants may be able to build up trust more quickly than in the past thanks to information flows between individual users over electronic platforms, media and social networks⁸. However, this depends upon consumers having positive outcomes. As one interviewee put it, trust in consumer journeys will best be maintained by:

”

“Really slick, sensible, jargon free, simple consumer journeys, that kind of do what you’d expect them to do.”

Interviewee 3

Importantly, consumers may be less willing to provide additional information needed by firms if they are not clear about the benefit in providing that information, or that their data will be kept securely.

One interviewee suggested that something akin to the ‘branding’ of targeted support by government or the regulator might help consumers have trust in this initiative. Failing that, it was argued that a lot of work was required across the industry to develop a strong and consistent message about the benefits of targeted support – including consistent terminology.

⁸For more on this idea, understood as ‘distributed trust’ see Botsman, R. (2018) Who Can you Trust? London, Penguin Business



6 The AGBR - a framework of support

6.1 The AGBR as a package

So far, we have focused primarily on the targeted support element of the AGBR, as this is what has had most industry and regulatory attention to date. Indeed, some took the view that the take up of targeted support by financial services organisations was likely to make the other reforms much less significant or attractive.

However, many of our interviewees regarded the AGBR proposals as creating a tiered framework of support. At the basic or 'free' end of the framework there is information or guidance. This builds through targeted support, to simplified advice, up to the complex and expensive end of the spectrum - holistic regulated advice.

This 'continuum of help' has the potential to mitigate the guidance/advice cliff-edge in the current regulated framework. Some described the potential for an integrated range of options, allowing consumers to transition across different tiers of assistance. We were told that whilst, from an industry perspective, this would require clearly delineated boundaries between guidance, targeted support, simplified and holistic regulated advice, such distinctions are much less important for those consumers who just want and need help.

6.2 Continuum of help



“It’ll be about making sure that each time you offer a target support intervention, you do the right things to make sure the customer understands what they’re getting, why they’re getting it, and the limitations of what they’re getting as well.”

Interviewee 3

6.3 Confusion

Full implementation of the AGBR reforms mean consumers could receive general financial information, targeted support, and regulated advice (simplified or otherwise) at various times and, perhaps, in overlapping contexts. Some voiced caution that this layered engagement could foster ongoing consumer misunderstanding. Research indicates that distinguishing between guidance and regulated advice remains a challenge for consumers⁹ and some interviewees expressed concern that targeted support may cause further confusion, particularly given the FCA’s own research suggesting unrealistic consumer expectations of targeted support¹⁰. Other interviewees reported that their research so far indicates limited concern that consumers will think the targeted support they receive amounts to regulated advice. Nevertheless, even if consumers are aware that targeted support is not advice, they may not be aware of the implications, such as lack of access to redress.

Others suggested that as most consumers had never engaged with regulated advice, they may perceive targeted support as something that should already be provided – this is supported by existing research¹¹.

Consumers may be well served by the ability to move between the different levels of offerings according to need and ability to pay. However, to access what they need, it is important, at least initially, that consumers know what assistance they are being provided with and what is available.

⁹The Lang Cat (2024) The Advice Gap 2024. Available at: <https://thelangcat.co.uk/report/the-advice-gap-2024/>

¹⁰NMG Consulting (2024) Advice Guidance Boundary Review: Targeted Support for Non-Advised Defined Contribution Pensions. Available at: <https://www.fca.org.uk/publication/external-research/agbr-targeted-support-non-advised-defined-contribution-pensions.pdf>

¹¹ibid

6 The AGBR - a framework of support

6.4 Targeted support and the ‘consumer journey’

Two issues emerged regarding targeted support and the ‘consumer journeys’ it envisages.

Partiality: whilst targeted support can address specific needs for particular consumer segments, it may not address the full range of financial issues they face and may not be appropriate for consumers initially identified within a relevant segment. Organisations will need to consider what one interviewee referred to as ‘off-ramps’ – for example, to come out of targeted support and into regulated advice or broader guidance – as dictated by customer needs. Communication will be key in explaining why, for example, targeted support can be provided in relation to one aspect of an individual’s financial position, but otherwise only guidance is possible.

Ongoing engagement: institutions must “monitor retail customer outcomes and take appropriate action to address any identified poor customer outcomes”¹². This may represent a shift for firms unaccustomed to providing regulated advice and raises important considerations for service delivery. What is meant by appropriate action will depend on the circumstances but could involve providing further advice or assistance.

It will therefore be important for organisations to consider carefully how they monitor the potential outcomes of the consumer journeys they develop for targeted support and the implications of those outcomes.

¹²Consultation Paper 24/7 p.36

6.5 Simplified advice

Views on simplified advice are mixed. While some see it as a useful middle-ground between targeted support and holistic regulated financial advice, others question its viability.

“So I would question at this point in time whether a simplified advice regime will even happen.”

Interviewee 18

Concerns were raised regarding consumer demand, with some doubting whether the market for simplified advice is large enough to justify its development as a standalone proposition, particularly given the contrast with ‘free’ targeted support.

In addition, with the rapid increase in the use of technology and AI in the retail financial advice sector, some advisers were already developing more cost-effective ‘one-off’ regulated advice propositions.

“Simplified advice comes with cost, so that will make targeted support much more attractive.”

Interviewee 16

These were intended to address the needs of customers for whom regulated advice might not otherwise be affordable and were particularly relevant for consolidator firms taking over client banks that included clients incompatible with their current fee model.

“Targeted support is an excellent start, but I think simplified advice is that step between ... you know, people like you or people in your circumstances, and full advice.”

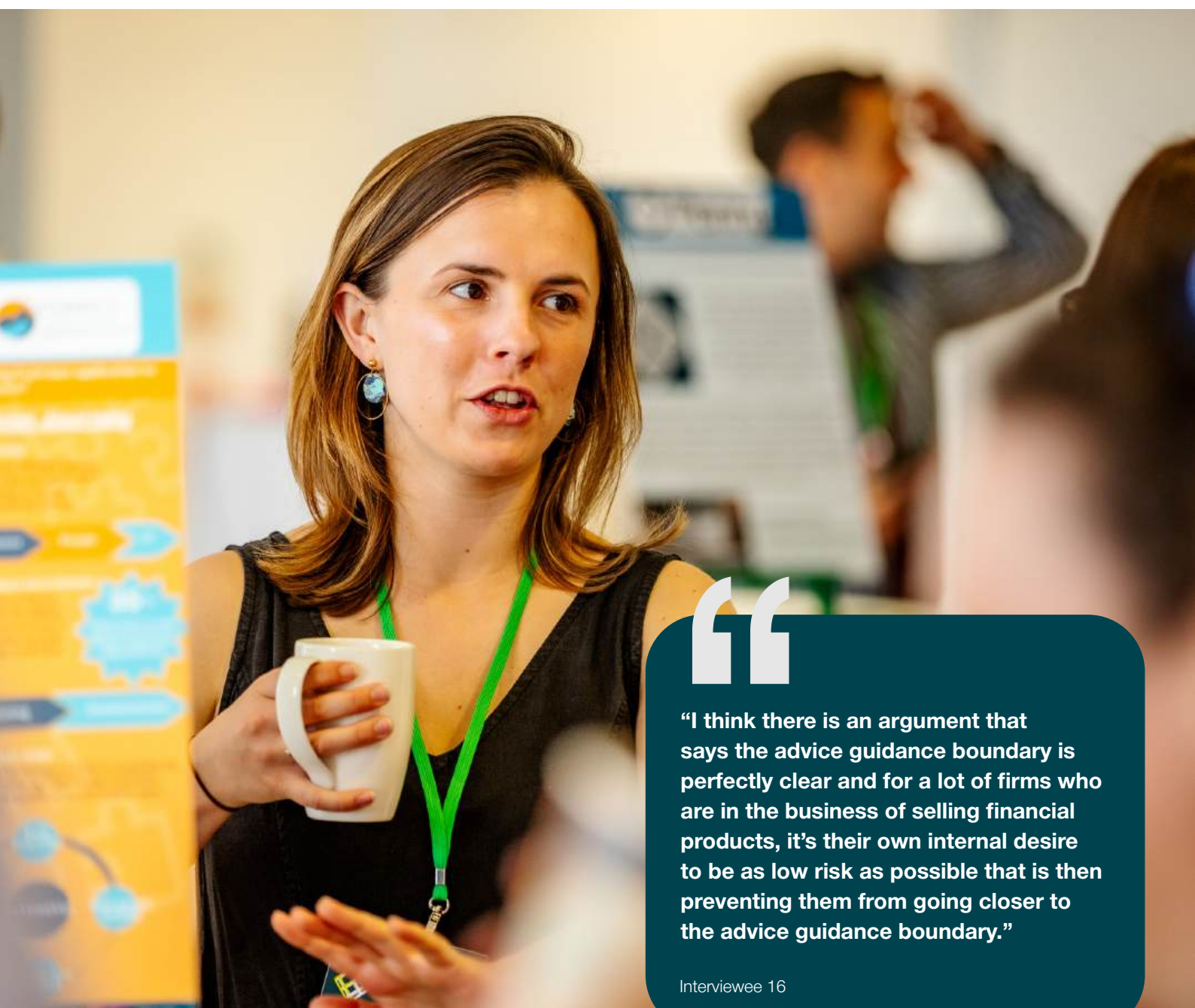
Interviewee 20

6 The AGBR - a framework of support

6.6 The advice/guidance boundary

Many of our interviewees indicated that the advice/guidance boundary was clear, or as clear as it could be, with any uncertainty stemming from firms' risk appetite rather than regulatory ambiguity. Nevertheless, more clarity on the boundary was viewed by some as positive, enabling firms to offer assistance without inadvertently providing regulated advice.

However, some interviewees discussed the possibility of the AGBR creating a new 'boundary'. They speculated about the point at which the collection of additional information for targeted support might start resembling regulated advice. Notwithstanding guidance from the FCA, this could, like the advice/guidance boundary, become an uncertainty affecting the behaviour and decision-making not just of targeted support providers, but also of consumers and the Financial Ombudsman Service (FOS). The attitude of the FOS towards organisations providing targeted support was expressed to be a concern by almost all our interviewees.



“I think there is an argument that says the advice guidance boundary is perfectly clear and for a lot of firms who are in the business of selling financial products, it's their own internal desire to be as low risk as possible that is then preventing them from going closer to the advice guidance boundary.”

Interviewee 16

7 Looking forward - open banking and open finance

Any discussion of the future of financial advice would be incomplete without consideration of the role of open banking and open finance. Although the AGBR proposals do not explicitly mention open banking or open finance, these concepts are inherently linked to the aims of providing better financial support and using data to close the advice gap. Targeted support explicitly considers the expanded use of customer data to make suggestions, and this echoes the broader aspirations of open finance.

Open banking is a practice introduced in the UK in 2016 following a mandate from the Competition and Markets Authority that the nine largest current account providers collaborate and share customer data. The Payment Services Regulation 2017 subsequently formalised access to customer accounts for authorised third parties. The Data (Use and Access) Bill currently advancing through Parliament is expected to facilitate the development of an open finance regime, building upon the existing open banking framework. The difference between open banking and open finance is that the scope of the former is limited to banking data such as account details and transaction history. In contrast, open finance has a broader scope, encompassing mortgages, savings, pensions, insurance and credit.

“[Open banking has] kind of sat in the background for us as a platform. It is something that is there and hasn’t quite been adopted in the way that people expected or to the scale that perhaps people expected. You’re kind of waiting for this world where all this data is really available.”

Interviewee 3

7.1 Perspectives on open banking

Currently open banking is not a major factor in the planning of many targeted support propositions amongst our interviewees. It has not yet had the impact people expected, although some took the view that targeted support might be the catalyst that makes open banking pick up speed.

Part of the concern amongst our interviewees was that a wealth of data is only useful to the extent it can be managed and interpreted, and doing this takes significant time and resources. Nevertheless, as anticipated by the AGBR, more effective use of data is key to making the targeted support proposals succeed.

“If you have low quality data input, the output in terms of support will be low quality as well. So, you’ll put garbage in and you’ll get garbage out. And the knock-on effect of this is that people will go elsewhere.”

Interviewee 2

As already indicated in this paper, one alternative to leaning into open banking within institutions is to buy in the expertise of specialist FinTechs.



7 Looking forward - open banking and open finance



7.2 Consumer reluctance?

Some interviewees expressed concern that individuals would not want open banking-fuelled products because of concerns that it would mean giving away too much information. Further, re-authentication requirements mean institutions risk losing data if customers choose not to re-authenticate. However, optimism was expressed that the resistance to sharing data was declining, with increasing numbers of consumers willing to share their account information. Some expressed a belief that the improved service resulting from effective data usage will break down the remaining consumer resistance.

7 Looking forward - open banking and open finance

7.3 Perspectives on open finance

Some organisations were very positive about the potential of open finance. One interviewee felt that open finance could fill the data gap created by consumers who don't understand how their broader circumstances impact their financial wellbeing and decision-making or are simply unable or unwilling to gather that data. Another interviewee noted how this could help organisations understand how their customers live and interact with the world, opening up the possibility of providing services that better meet their needs.

“

“I think it's unlikely open finance will be the first wave of targeted support coming out, as I think firms want to experiment with it. But I think it becomes really important down the line.”

Interviewee 12

7.4 Industry reluctance

FinTechs and interviewees from a policy background held the view that for open finance to be a success, data sharing would need to be mandated. Firms who hold significant levels of data (and would likely receive requests to share), expressed concerns about the safety of sharing the information they hold on their customers. There is a strong perception that winners and losers will emerge from an open finance environment. Therefore, to get cross-industry co-operation, it may be necessary to either mandate sharing, create competition law penalties in relation to the withholding of data, or create appropriate incentives.

”

“The industry is not going to opt to go for this itself because they're always thinking about themselves. So why would I share my information with another firm when they can steal my customer.”

Interviewee 12



7 Looking forward - open banking and open finance

7.5 The next horizon

Some of our interviewees shared their perspectives on what changes could take place within financial services in a world that uses open finance.

It is evident that sophisticated management and use of data will be key. It is possible that digital wallet providers combine their knowledge of customer transaction data with other available data and then, much like online retail marketplaces, curate a financial marketplace tailored to individuals.

In such a future, consumers may well have the requisite level of trust in organisations who have not traditionally been financial services providers. Novel forms of financial support could take off, for example, where provided through someone's Apple wallet. From there it could be a relatively short step to AI powered robo-advice offerings from a wallet-based platform.

There are many structural, political and legal barriers that would need to be overcome for these kinds of developments to be a possibility. And we pass no comment here about the possible downsides of such a future. However, those who can innovate in the management of personal data to help engage consumers to manage their finances are going to be in the best position to take advantage of what unfolds.



“It feels like a lot of the systems that were built over the 60s, 70s and 80s around credit cards and everything else are ripe for disruption and I think the biggest barrier is the cultural barrier towards innovation and adoption within existing firms.”

Interviewee 2



“In this streamlined world do you need an app if you've got a wallet?”

Interviewee 9



7 Looking forward - open banking and open finance



7.6 Summary: Building the future of financial support

The Advice Guidance Boundary Review represents a significant development in the evolution of financial support in the UK. For many consumers, the current system is failing to provide timely, affordable, and appropriate guidance or advice. The proposed reforms—clarifying the advice-guidance boundary, introducing targeted support, and offering simplified advice—form a possible framework aimed at helping more people achieve better financial outcomes.

Among these, targeted support has received the most attention. If implemented thoughtfully, it would allow firms to use customer data to offer relevant suggestions to specific customer groups—without crossing into regulated advice. However, this is not without its challenges, particularly around customer segmentation, evidencing outcomes, and maintaining trust. Clear communication and responsible use of data will be key to ensuring targeted support is understood and effective.

Looking ahead, open banking and open finance may enhance the quality and reach of this support. In the meantime firms will need to focus on making better use of the data and tools they already have at their disposal.

Taken together, the AGBR proposals represent a step toward a more flexible, inclusive, and digitally enabled approach to financial support. The challenge for firms now is to explore how they can adapt to these reforms to better serve the evolving needs of both their existing and future customers.

The authors would like to thank the interviewees for their participation in this research and for candidly sharing their perspectives, knowledge and experiences in this area.

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The project is part of a wider programme called Next Generation Professional and Financial Services, delivered by Innovate UK and the Economic and Social Research Council. This programme has a specific focus on credit unions, helping them to identify opportunities to adopt innovative products and processes.