ARTICLE

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Consumer Duty: How can wealth managers stay on the front foot in 2026?

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- Since coming into force on 31 July 2023, the FCA's Consumer Duty has raised complex questions about scope and compliance, especially for wealth managers given the complexities of their businesses and diverse client profiles. Recent publications at the end of 2025 include a consultation on targeted clarifications to the FCA Handbook and fresh supervisory guidance, with a further consultation on the Duty's scope expected in early 2026. This could finally bring much-needed clarity – or the possibility of some further unhelpful steers from the regulator – for wealth managers.
- Here, we highlight ongoing uncertainties affecting the application of the Duty to wealth management and outline key review areas for wealth managers in 2026. We also suggest steps wealth managers can take to influence the Duty's future direction.

1 Are UK wealth managers "over-implementing" the Duty?

- In September 2025, FCA CEO Nikhil Rathi acknowledged in a letter to the Chancellor that some firms had adopted an "unduly prescriptive or administrative approach" to the Duty, though he did not specify where over-implementation was happening. The upcoming 2026 consultation may offer more insight on this point.
- Based on market intelligence, we are aware that some firms are also adopting a conservative approach to applying the "non-retail financial instrument" exemption, which states that financial instruments with a minimum denomination or investment amount of £50,000 are not subject to the Duty, and is typically more relevant to high-net-worth investors than to high-street retail customers.
- Beyond this limited example, there is little evidence of significant over-implementation among wealth managers. The broader challenge is that, because the Duty is principles-based and the guidance given is generic, it is hard for firms to gauge whether they have exceeded what the FCA requires. As a result, the variation in firms' approaches likely reflects differences in risk appetite rather than systemic over-compliance, underscoring the need for clearer, sector-specific guidance from the FCA.
- The FCA is also consulting on changes to the professional client opt-up regime in CP25/36 and we expect it to publish finalised rules in H2 2026. Broadly, the FCA proposes to allow clients with investable assets of at least £10 million to opt-up, or for firms to use a modified qualitative test to opt up other clients. For clients who are opted up, the application of Consumer Duty would be limited only to the opt-up process. This may reduce the scope of the Duty for some wealth managers with high-net-worth or sophisticated clients.

KEY ACTION POINTS

- **Now:** Wealth managers which are selling products with a minimum investment amount of £50,000 should consider applying the "non-retail financial instruments" exemption (if they are not already doing so). In practice, this may be most relevant to wealth managers providing services to high-net-worth clients.
- **During 2026:** Wealth managers should review the new FCA professional client opt-up rules, when finalised, and consider how these could apply to the firm's client base.

2 How does the Duty apply where wealth managers use the "agent as client" approach?

- The Duty centres on the distribution chain, requiring firms to focus on outcomes for the end retail customer – even if there is no direct interaction with the end customer. Many wealth managers will provide services directly to the end client, but some may operate "agent as client" business models, where they provide services to an intermediary (such as an IFA) standing between them and the end retail investor, which can introduce extra complexity.
- Normally, FCA rules allow firms to treat intermediaries as their client (the "agent as client" rule), but under the Duty, a "look-through" principle applies: firms are treated as carrying on retail business if a retail customer sits at the end of the chain, even if the firm does not interact directly with that retail customer. The only exception is where a firm cannot "determine or materially influence" outcomes for the end retail customer, although this standard is relatively poorly defined and often difficult to apply in practice.

> *The Duty imposes new obligations on firms acting under the 'agent as client' rules in COBS 2.4. Firms must consider if there are retail customers at the end of the distribution chain and if they can determine or materially influence outcomes for them. Where this is the case, firms must comply with the Duty. [...] Firms can, however, continue to apply the 'agent as client' rules in relation to other requirements. For example, a discretionary wealth manager may continue to treat financial advisers as their client for the purpose of assessing proposed transactions under the suitability requirements.*
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> **FINANCIAL CONDUCT AUTHORITY, FINALISED GUIDANCE 22/5**

- This raises the question of how much granular data wealth managers are expected to collect and retain on underlying retail customers in a distribution chain. FG22/5 (the FCA's final non-Handbook Guidance for firms on the Consumer Duty) is typically vague on the issue, acknowledging chain complexity and advising firms to "do what is reasonable". It suggests that manufacturers without direct knowledge of end customers should address the Duty through their due diligence on other firms and possibly by using periodic surveys to distributors.
- In practice, regular due diligence questionnaires are widely used to demonstrate reasonable efforts to assess customer outcomes. This method is familiar from MiFID product governance rules, and there is widespread acceptance across the industry of proportionate due diligence and information exchange by manufacturers and distributors. It also avoids the need to transfer large amounts of client data, which may be commercially unpalatable to the intermediary and potentially also create data protection challenges and increase operational risks. In addition, it makes clear that wealth managers are not expected to assess suitability for each underlying client when servicing intermediaries.
- Proactive information exchange between manufacturers and distributors will become even more important after the FCA's new Consumer Composite Investment (CCI) disclosure rules take effect on 6 April 2026.
- However, recent FCA queries about what data wealth managers hold on end customers suggest the regulator may not always view due diligence questionnaires as sufficient. It is unclear whether this reflects the actions of individual supervisors or a shift in FCA expectations. Until the FCA clarifies its position, we believe broadening the Duty's "look-through" requirements would be disproportionate – especially given recent remarks about over-implementation – and would not align with FG22/5 guidance.

KEY ACTION POINTS

- **Now:** Given the increasing FCA focus on "agent as client" relationships in the wealth management context, firms should consider reviewing their existing approach to conducting due diligence on intermediaries which act on behalf of an underlying retail customer (e.g. IFAs, professional family offices, etc.). We would recommend reviewing any surveys or other periodic assessments to ensure that these are sufficiently robust to provide reasonable evidence of the firm's approach to ensuring good outcomes for end retail customers.

- **Now:** To the extent that they have not already done so, wealth managers should record their approach to these "agent as client" relationships within their Consumer Duty policies and their ongoing reviews to demonstrate that they recognise that the Duty applies in these situations and that the firm is taking appropriate and proportionate action in accordance with the FCA's guidance.
- **During 2026:** Monitor for any further FCA guidance or supervisory feedback on its expectations in relation to "agent as client" business models.

3 Application of the Consumer Duty to cryptoasset activities

- It has now been confirmed that the new UK regime for the regulation of cryptoasset-related activities will enter into force on 25 October 2027. Although the FCA is currently consulting on the rules that will apply to firms undertaking cryptoasset activities (and therefore the regulatory framework is not yet fully finalised), it has hinted that it may apply the Duty to cryptoasset business, supplemented by sector-specific guidance. The specifics of applying the Duty in this context are expected to be set out in a further consultation later in 2026.
- In CP25/25, the FCA noted that there could be unique challenges with seeking to apply the Duty to cryptoassets. These include the lack of clear issuer for some cryptoassets (which may in turn make it harder to comply with the Duty's Product and Services outcome in relation to the distribution chain) and potential difficulties in applying the concept of fair value under the Price and Value outcome to certain cryptoassets, given that their price can be highly volatile and they may lack an intrinsic value.
- Wealth managers that carry on cryptoasset-related activities (or which expect to do so in the future) should therefore begin considering how their Consumer Duty frameworks could be adapted to apply to their cryptoasset business. This may require further analysis of the target markets for crypto products and their associated distribution channels, how the firm can satisfy itself that they deliver fair value to retail investors, and the communications that the firm uses and customer support it offers in relation to the cryptoasset class.

KEY ACTION POINTS

- **During 2026:** Wealth managers should monitor for the publication of the FCA's anticipated further CP on applying the Duty to cryptoasset business later in 2026.
- **During 2026:** Following the publication of the FCA's further consultation (and depending on the precise proposals), wealth managers should identify the potential cryptoasset products they offer and activities that they undertake which will be in scope of the Duty, their role as manufacturer and/or distributor, and any affected distribution chains. They should also review and identify any potential areas of weakness in relation to the FCA's expectations across the Duty's four outcomes and its cross-cutting rules and consider whether their Consumer Duty framework needs to be adapted to reflect the specific nature of cryptoasset business.

4 Are wealth managers acting as co-manufacturers with third parties?

- The FCA has recently focused on co-manufacturer obligations under the Duty, a concept initially created under the MiFID product governance rules and now central to the Duty’s Products and Services outcome. Co-manufacturing provisions require clear written allocation of compliance responsibilities when firms collaborate, preventing ambiguity and blame-shifting when issues arise.
- The FCA’s stance again appears mixed. Its December 2025 statement on co-manufacturing, motivated by concerns of over-implementation, clarified that co-manufacturers do not need joint decision-making or equal responsibility – just that the agreement must reflect reality. Yet, there have been instances, such as the FNZ case reported in the media in

November 2024, where the FCA appeared to push for a broader application of the co-manufacturer label, raising the prospect that some third-party relationships – traditionally seen as outsourcing or mere service provision – may need to be reclassified as co-manufacturing arrangements.

- Many wealth managers have previously treated third-party technology providers as service providers rather than co-manufacturers, since they have concluded that these third parties typically do not influence key aspects of the end product or service. However, the FCA may be questioning this approach, meaning that some third-party relationships may now need to be recategorised, with written agreements to clarify each party's obligations under the Duty, especially in advance of the new CCI disclosure rules from April 2026.
- FG22/5 confirms that firms remain responsible for compliance by outsourced providers, but (wisely) does not suggest that all outsourcing is co-manufacturing. Nonetheless, the FCA's upcoming Consumer Duty consultation is expected to address the boundary between outsourcing and co-manufacturing. While wealth managers would welcome practical and proportionate clarifications, a cautious approach from the FCA could mean more third-party relationships being drawn within the co-manufacturer classification, requiring more written agreements and clearer allocation of responsibilities.

KEY ACTION POINTS

- **Now:** Wealth managers should already have identified key third-party relationships and in each case, have a documented rationale for classifying them as the provision of third-party services (only), outsourcings or co-manufacturing relationships. If this has not been done, firms should revisit this.
- **Now:** Wealth managers should already have ensured that there where a relationship has been classified as a co-manufacturing relationship, there is proper contractual documentation in place with the relevant third party which adequately addresses the division of responsibilities under the Duty. However, they may need to review this if a relationship is reclassified as involving co-manufacturing. The recent FCA statement on co-manufacturing implies that the split of responsibilities in the agreement should reflect how arrangements operate in practice.
- **During 2026:** When the FCA publishes its proposed clarifications on co-manufacturing (which are expected in Q2 2026), wealth managers should test their existing rationales against any updated guidance to ensure that their classification of each relationship remains justifiable.

5 How should wealth managers demonstrate that they are providing fair value?

- The concept of "fair value" under the Duty has always been controversial, with the FCA insisting it is not a price regulator – despite interventions on pricing. Initially, some believed the FCA would focus on firms' processes for assessing value, rather than questioning actual prices or benefits, provided firms could justify their approach. However, it is now clear the FCA uses both procedural and substantive lenses, particularly scrutinising products or services with high margins or outlier charges.
- Recent FCA interventions have focused on cash management practices, such as interest retention and "double-dipping" fees. Yet, assessing fair value for non-cash investment products and discretionary services remains unresolved, with minimal regulatory guidance provided, even though fair value analysis is, by nature, highly complex.
- The challenges are numerous, and include:
  - Defining "reasonable benefit" for investment products is inherently difficult.
  - Outcomes depend on investment performance, yet the FCA's guidance is clear that bad outcomes resulting solely from market conditions are not in themselves evidence that the Duty has been breached.
  - For discretionary or advised services, managers might not beat a benchmark every period, but this does not mean fair value is necessarily lacking.
  - Portfolio construction may justify lower-performing holdings, depending on client needs – fees on cash positions may be higher than investment returns for valid liquidity reasons, for example.

  - Broader factors – risk appetite, tax, investment strategy etc – make objective fair value modelling difficult.

- FG22/5 gives little detail on modelling fair value, leaving firms to decide what is "proportionate". Anecdotal evidence suggests the FCA has sought detailed data from some sectors, questioning whether firms can prove fair value objectively rather than relying on subjective claims.

- The FCA has largely ducked these issues until now. But with the government seeking more retail investment, and the Duty central to regulatory strategy, greater clarity will be needed. To its credit, the FCA has publicly recognised the need for rebalancing the debate around investment risk versus consumer protection, but as more consumers invest, the Financial Ombudsman Service is likely to see rising cases involving the Duty, increasing pressure on the FCA to provide firmer guidance on determining fair value for wealth managers.

KEY ACTION POINTS

- **Now:** Wealth managers should already have ensured that their fair value frameworks have adequately addressed the issues already identified by the FCA, including payment of interest on cash balances, avoiding any "double-dipping" in relation to fees and ensuring that customers are not being improperly directed towards unnecessary higher cost services. If not, firms should review these areas promptly.

- **Now:** Wealth managers should also already have ensured that the broader analytical framework used to assess the fair value of their products and services is coherent, with clearly defined criteria for how the product or service delivers value which is underpinned by appropriate data. It is important that if challenged by the FCA, the manager can provide a robust justification for why it has reached the conclusion that a product or service provides fair value, citing appropriate objective evidence; if it can do so, it will be in a much stronger position to resist FCA pressure to adjust pricing structures and levels.

- **During 2026:** Wealth managers should continue to monitor for further FCA engagement and supervisory announcements in this area, as fair value remains one of the regulator's identified sector-specific priorities for the wealth management and advisory sector in the FCA's 2025/26 Consumer Duty priority list.

6 What should wealth managers do when they identify foreseeable harm to customers?

- Under the Duty, wealth managers must take reasonable steps to avoid causing foreseeable harm to retail customers. Crucially, they must also proactively consider remedial action or redress when harm is identified – even if no complaint is made. This contrasts with previous pre-Duty requirements, where outside of formal redress schemes, the emphasis was generally on responding to customer complaints.

- FG22/5 sets out that firms should act "in good faith" when deciding on remedies, considering relevant Financial Ombudsman Service decisions as benchmarks. Not all cases require financial compensation – sometimes a process change or apology is sufficient. No redress is required if harm arises from risks inherent in a product, provided these were clearly explained and accepted by the client, aligning with the Consumer Understanding outcome. This is especially significant in wealth management, given the inherent risks of investment products.

- Given the shift towards firms taking proactive and timely steps to remedy identified harm, it is important that there is appropriate monitoring and oversight of individual cases to help identify whether there is a pattern which could indicate a wider, systemic problem which requires a coordinated response from the firm. Firms should also ensure that senior managers are provided with accurate and timely information to allow them to discharge their obligations in relation to the oversight of retail-facing activities.

- Although the Duty is not retrospective, the FCA has confirmed that it does apply to acts or omissions post-implementation regarding pre-existing products. For example, while a sale pre-Duty is judged by earlier standards, current complaint-handling and support fall under the Duty, affecting how resolutions are framed and supported. Ongoing services delivered post-Duty must also comply with the new, higher requirements.

- The FCA is also laser-focused on the treatment of customers with vulnerability characteristics. Wealth managers have been slower than other sectors in identifying vulnerable clients, and the FCA is likely to expect to see improvements in identification, support, and board-level oversight in this area.

KEY ACTION POINTS

- **Now:** If they have not already done so, wealth managers with low volumes of customers with identified characteristics of vulnerability should verify that this is not due to a failure in the firm's processes. When investigating any low volumes, they should ensure that they properly record any steps they have taken to investigate the accuracy of the reported figures, as vulnerability in the wealth management sector is another key FCA focus in its list of 2025/26 priorities under the Duty.
- **During 2026:** If a wealth manager has adopted a more reactive approach to date in relation to identified instances of potential customer harm under the Duty, it should consider revisiting its procedures and developing a plan for how to act quickly and proactively when issues arise. As the wealth management sector is expected to remain under considerable FCA scrutiny in relation to the Duty in the coming year, firms are likely to benefit from getting on the front foot and having well-defined processes for remedying instances of potentially significant customer harm.

7 Will the FCA's review of the Duty result in reduced obligations for wealth managers?

- A forthcoming FCA consultation in Q2 2026 aims to clarify aspects of the Duty, particularly for wholesale firms, who may see reduced obligations if far removed from retail customers. For wealth managers, however, any significant reduction in the Duty's scope remains unlikely. The FCA continues to emphasise the importance of the Duty for both high-street and high-net-worth clients, positioning it as a key pillar of UK retail investment protection and market participation. The Duty's entrenchment in policy means repeal or radical cutback is not on the horizon – the FCA has cited the Duty as a basis of too many policy initiatives for that.
- However, as noted throughout this article, the lack of clear, tailored guidance – on agent as client arrangements, the outsourcing/co-manufacturing boundary, and the application of fair value – creates continual uncertainty for the sector. Without clear parameters, the FCA's broad, principles-based approach allows shifting interpretations, making compliance unpredictable.
- Despite the risk that new guidance could be overly prescriptive, in our view it would be better for the sector to seek detailed, pragmatic clarification from the FCA than to continue with the current uncertainty. In this respect, 2026 represents a golden opportunity for the industry, set against the government's growth agenda and push for retail participation. Although the Duty will not disappear, we would strongly encourage wealth managers to engage with the FCA's forthcoming consultation (either directly or through their industry associations) to help shape a more proportionate and clear application of the Duty's principles to the sector.
- In the meantime, if wealth managers are proposing to provide the new regulated activity of "targeted support" from 6 April 2026, they will also need to consider whether their existing Consumer Duty framework adequately covers that activity or whether it needs to be reviewed and revised.
- As the new year dawns, there is a real prospect of striking a more appropriate balance between consumer protection and proportionate regulation, with real benefits for wealth managers and investors alike. We are optimistic that the FCA and the industry will rise to the occasion.

KEY ACTION POINTS

- **During 2026:** Wealth managers should monitor for the publication of the FCA's expected consultation on clarifying further aspects of the Consumer Duty in Q2 2026 and provide feedback (either directly or through industry associations) to help shape the future application of these requirements.

FOR FURTHER INFORMATION, PLEASE CONTACT

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