

# PRESS RELEASE

**Embargoed until 12.00 Wednesday 3 July 2024**

## **Research reveals widening advice gap since launch of new Consumer Duty regulation**

- Just 9% of British population benefits from paid for financial advice
- Over half (55%) of advisers are turning clients away as they grapple with new regulation
- Four fifths of advisers say Consumer Duty is making it harder to service more clients
- But, of those who pay for advice 91% find it helpful (up from 87% in 2023 and 77% in 2022)
- Trust in advice seems to be growing with this shifting down the list of barriers for consumers from top to third this year

A major study published today by financial consultancy the lang cat, reveals an increase in the Advice Gap with fewer people paying for and benefiting from financial advice. This follows the introduction last year of the FCA's Consumer Duty regulation.

The Advice Gap study features YouGov research<sup>1</sup> amongst over 2000 British adults and fieldwork<sup>2</sup> by the lang cat involving over 200 financial advisers. It shows that just 9% of people now pay for financial advice, down from 11% in 2023. This is despite the biggest regulatory overhaul of the financial services sector in a decade that was introduced to provide better outcomes for consumers.

But worryingly, instead of improving access to suitable products and services, the lang cat's findings reveal that over four fifths (80%) of advisers believe the regulation has made it harder for them to service clients. In particular, this is impacting those with low investable assets and over half (55%) have stopped serving them as a result.

The findings suggest that many advisers have used Consumer Duty as an opportunity to rationalise their client numbers. The requirement to ensure

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<sup>1</sup> 5 June 2024 sample size 2024 and 14 June with sample size of 2073 representative of GB adults

<sup>2</sup> Lang cat research amongst over 200 advisers 16/05 - 06/06 2024

products and services are clearly targeted at consumers for whom they are most suitable for, and ensuring fair value, has created a sharper focus on wealthy consumers approaching and transitioning through retirement.

On the upside, the data shows that of those who pay for advice, 91% find it helpful, with this figure jumping by 14% over the past two years. Over half (56%) said they valued the service and more than a third (37%) said taking the advice gave them peace of mind about having enough money in future.

Cost is the main barrier to people seeking paid advice with one in five (20%) writing off the process as they think it's too expensive. This has replaced trust in the profession as the main deterrent. When customers were asked which if anything would need to change for them to pay for financial advice, 31% said trust, down from 38% last year, which could be as a result of the Consumer Duty regulation.

Commenting on the findings, Mike Barrett, Consulting Director at the lang cat says, "Consumer Duty has triggered a major overhaul of the advice sector. The requirement to have a clearly defined target market, and represent fair value, has naturally resulted in advisers ensuring they offer their services to those with the most assets and complex needs.

"This is not a criticism of the profession- in fact it makes complete sense. Advisers run businesses; they are not paid to deliver social policy. However, change is required to ensure more consumers can access financial advice and support when needed. Our research shows that the FCA's work on the Advice Guidance Boundary review is broadly supported by the advice sector, albeit the majority of firms will not develop new services alongside their existing 'full advice' offerings. Whoever forms the next Government must ensure the FCA accelerates this work from consultation to final policy. This means consumers who are unable to access traditional advice, can get some help with their increasingly complex financial lives."

- Ends -

**For further information, contact:**

Nicola Cannings, PR Director, the lang cat

T: 0771 366 9899

email: [nicola@thelangcat.co.uk](mailto:nicola@thelangcat.co.uk)

**Notes to editors:**

The lang cat is Leith's leading (probably) specialist financial services consultancy. The lang cat works with financial advisers and providers, helping them develop

new propositions, turn marketing strategy into action and articulate their services in such a way that people without financial services degrees have a hope of understanding them. It aims to make the industry a little bit less corporate and stuffy and a little bit more human.

The lang cat market insight powers Analyser which has been designed to help advice professionals research and conduct due diligence on platforms and MPS providers and ranges. Analyser puts suitability front and centre and gives an audit trail of every decision taken, through a software system that's fast, accurate and independent. Advice professionals can find further information and sign up to a free 14-day trial at <https://www.langcatanalyser.com/>