Post-implementation review of the Retail Distribution Review – Phase 1

December 2014

Financial Conduct Authority

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1. Overview

Background to RDR and the PIR

1.1 The Retail Distribution Review (RDR) was a once in a generation change to make retail investment markets work better for consumers. It introduced new rules for investment advisers and platforms, which introduced higher minimum levels of adviser qualifications, amended disclosure rules in relation to adviser charging and services, and realigned adviser and platform incentives with those of consumers' by removing the commission they received from providers.

1.2 At the end of 2012, the majority of changes arising from the RDR came into force. While developing the proposals, we committed to carrying out a Post-Implementation Review (PIR) to help us determine the extent to which the RDR delivered the outcomes it was designed to achieve.

1.3 We commissioned external consultants Europe Economics to undertake the first phase of the review. The aim of this first phase is to consider whether the RDR is on course to deliver its original aims and flag any immediate issues, rather than definitively evaluate whether or not all of the expected impacts of the RDR have materialised, which will take much longer. Their report is published today.

What have we found?

1.4 Overall, while in many respects the longer-term effects of the RDR are yet to become clear, the evidence from the first stage of the review shows a positive picture, with encouraging signs that the RDR is on track to deliver its objectives in many areas. In particular:

- The removal of commission paid by providers to advisers and platforms has reduced product bias from adviser recommendations reflected in a decline in the sale of products which paid higher commissions pre-RDR. It has also made it easier for consumers and advisers to compare platforms, increasing competitive pressure and leading to a significant reduction in Direct-to-Consumer (D2C) platform charges.

- Product prices have fallen by at least the amounts paid in commission pre-RDR, and there is evidence some product prices may have fallen even further. This is due in part to the introduction of simpler products and funds which have a lower charge and advisers and platforms exerting more competitive pressure on providers, with platforms increasingly able to negotiate lower product costs. The removal of commission also means that providers who sold lower or no commission products pre-RDR are now competing on a more equal basis. The evidence suggests that adviser charging is likely to have increased post-RDR, at least for some consumers. A longer-term review of prices should bring greater clarity as to the effect of RDR on total cost of investment.

- The vast majority of advisers are now qualified to the new minimum standards and there has been an increase in the number of advisers going beyond these minimum standards. The increase in qualifications, along with greater focus on provision of ongoing advice services, indicate positive moves towards increasing professionalism in the advice market.

- Overall firms appear slightly better placed to deliver on their long-term commitments, with both average revenues and profitability of advisory firms having increased. The costs to firms of complying with the RDR have been in line with or lower than expectations, with ongoing costs largely successfully absorbed into business as usual costs by the industry.

1.5 In some areas the market is adjusting and more time may be needed for the full effects of RDR to become apparent. In particular:

- We appreciate there has been much concern about an advice gap and therefore asked Europe Economics to consider the evidence on this point. There is little evidence that the availability of advice has reduced significantly as a result of the RDR, with the majority of advisers still willing and able to take on more clients. However by revealing the true cost of advice, the RDR has led some consumers to consider the extent to which the advice they receive represents value for money, and in some cases conclude it does not. This group includes consumers who would be likely to pay for a cheaper form of advice, for example that which may be provided by a simplified advice model. We will continue to monitor the provision of advice going forward.

- There are clear opportunities for innovation in the market, particularly in relation to simplified or automated advice. However, there is currently a considerable perception of regulatory risk among potential providers related to both the FCA and the Financial Ombudsman Service (FOS). We are already taking steps to address this (see below).

- In relation to quality of advice, the improvements in professionalism and reduction in product bias should be improving the quality of advice offered by advisers. However, further time and evidence will be needed to fully evaluate this.

1.6 Lastly there is one area which warrants earlier attention and which we will seek to address through the next steps set out below.

- The third cycle of our thematic review on the implementation of the RDR shows that firms have materially improved in clearly disclosing to clients the cost of their advice and the scope of their services (whether advice is independent or restricted). However, there remains some scope for further improvement, in particular regarding disclosing the cost of ongoing services. Our consumer research suggests that consumers' understanding of both adviser charges and the nature of advice is limited. There may be some improvement in consumers' understanding as firms' compliance with the disclosure requirements improves, but the complexity of charging structures and the manner in which this information is communicated may increase consumer search costs and limit the extent to which consumers are able to drive effective price competition between advisers.

Next steps

1.7 We are keen to remove any unnecessary regulatory obstacles that may stand in the way of simplified advice or other such services being developed. We are aware that some firms perceive regulatory uncertainty in this area, and we have already taken a number of steps to try and address this, including consulting on guidance in relation to sales that involve a personal recommendation and those that do not. Our final guidance will be published early in 2015. We have also recently launched Project Innovate, which presents an opportunity for businesses wishing to develop simplified advice models or other innovations that may deliver benefits to consumers in this area.

1.8 We recognise that in some areas the transparency rules are not resulting in improved consumer understanding, in particular in relation to the adviser labels of 'independent' and 'restricted'. We are interested in hearing stakeholders' ideas for better ways to present information to consumers on the nature of advice services. This could include, for example, developing a proposal put forward by the Smaller Business Practitioner Panel to introduce a simple label that better sets the consumers' expectations by explaining the scope of the firm's advice. This work will also take on board the implementation of the Markets in Financial Instruments Directive II (MiFID II) changes on advice labelling. We are also interested in ideas for how to better present information on advice charges, for example, using insights from behavioural economics to improve consumers' understanding of the cost of advice. This work will form part of the FCA's wider work on the provision of information to consumers, due for publication in Q1 2015.

1.9 The next phase of the PIR will be published in 2017, allowing us to draw from at least three years of evidence. As firms complete the transitional process, we expect to be able to undertake a more complete analysis as to the medium-term impacts of the RDR. We will also continue to monitor trends throughout the post-implementation review period. A subsequent, third phase of the review will consider the longer-term implications.

2. Introduction

2.1 In this chapter we set out:

- the aims of the RDR and the main changes implemented as a result of it
- our approach to the PIR
- wider changes in the market post RDR implementation

Background on the RDR

2.2 The RDR, was launched by the Financial Services Authority (FSA) in 2006. It was a once in a generation change, designed to make retail investment markets work better for consumers.

2.3 It introduced new rules in relation to investment advisers and platforms, which aimed to raise levels of adviser qualifications, improve the transparency of adviser charging and services, and realigned adviser and platform incentives with those of consumers' by removing the commission they received from providers. The majority of these rules were required to be implemented by the end of 2012, with rules in relation to platforms taking effect from April 2014.

2.4 The desired outcomes of the RDR were set out in a discussion paper (FSA DP07/1) published by the FSA in June 2007 and included:

- standards of professionalism that inspire consumer confidence and build trust
- an industry that engages with consumers in a clearer way about products and services
- remuneration arrangements that allow competitive forces to work in favour of consumers
- a market that allows more consumers to have their needs and wants addressed
- an industry where firms are sufficiently able to deliver on their longer-term commitments and where they treat their customers fairly
- a regulatory framework that can support the delivery of all of these aspirations and does not inhibit future innovation where this benefits consumers

The PIR

2.5 While developing the RDR proposals we committed to undertaking a PIR to help us determine the extent to which the RDR delivered the outcomes it was designed to achieve.

2.6 In November 2011 we published our proposed approach, including how we intended to measure progress and impact. We set out that we intended to measure short-term success indicators at least two years after RDR implementation, but would wait until a later date to measure longer-term indicators.

2.7 We are now approaching two years since RDR implementation and so have undertaken the first phase of the PIR. Follow-up phases of the PIR are planned to consider the longer term indicators and further details on this are set out in the next steps section of this report.

2.8 The first phase of the PIR aims to indicate the extent to which the RDR is on course to deliver its original aims and flag any immediate issues, rather than definitively evaluate whether or not all of the expected impacts of the RDR have materialised, which will take much longer. It also looks at the cost of implementing the RDR rules.

2.9 To ensure the independence of the review, we commissioned external consultants, Europe Economics, to carry out the first phase of the PIR. Their report is published today.

2.10 Europe Economics have considered evidence from a wide variety of sources, including additional research we commissioned from two other consultants, NMG and Towers Watson. These reports are also being published today:

- NMG 'Impact of the Retail Distribution Review on consumer interaction with the retail investments market - a quantitative research report': a quantitative study based on consumer surveys and analysis.

- Towers Watson 'Advice Gap Analysis: Report to the FCA': estimates whether there is a gap between demand for investment advice and capacity available to meet that demand.

2.11 Europe Economics have also drawn on findings from the FCA's three-stage thematic review which assesses how firms have implemented the RDR requirements. The first cycle of this work was published in July 2013, the second cycle in March 2014 and the third cycle, Retail investment advice: Adviser charging and services, is published alongside this report.

2.12 The Financial Services Practitioner Panel also commissioned KPMG to conduct their own research seeking the views of senior industry executives on the initial impacts of the RDR on consumers. This research has also been fed to Europe Economics for them to consider and draw on.

2.13 Other evidence considered by Europe Economics includes data collected by the FCA, market research reports and interviews they have conducted directly with firms.

Wider changes in the market

2.14 There have been a series of key developments in the market since the implementation of the RDR two years ago. For example, there has been continuing growth in the use of platforms, both by advisers and by consumers going direct. These and other market developments have been taken into account in Europe Economics' analysis.

2.15 There are also some significant regulatory and public policy changes that will take effect in the next few years and that will likely affect the needs of consumers and demand for retail investment advice. These include pension reforms, changes to Individual Savings Accounts (ISAs) and the implementation of MiFID II legislation and an overview of these changes is set out below. In considering the findings from the first phase of the PIR, we are also keeping an eye on these future developments and will take them into account in our future actions.

Pension reforms

2.16 From April 2015 consumers will have much more freedom around how they use their pension pot from the age of 55. This will mean they will have the option of taking their pension savings as cash and/or buying an annuity (or other income generating guaranteed products that may emerge), and/or using pension drawdown but without any limits applied.

2.17 To support this increased flexibility the Government announced a 'Guidance Guarantee', which entitles everyone with a defined contribution (DC) pension fund to access free (at the point of delivery), impartial guidance, including being able to have a face-to-face conversation about their options when accessing their pension savings. It will not be mandatory for people to take this guidance to access their pension savings, but they will be signposted to the Pensions guidance service before they do.

2.18 The guidance is not intended to replace financial advice given by regulated advisers – in PS14/17 we set out that for many people the appropriate route will still be to take regulated financial advice. Indeed it is intended that the guidance will signpost people to additional specialist help where appropriate, including, for example, regulated financial advice or debt advice.

Changes to ISAs

2.19 Another important 2014 Budget announcement was the introduction of the New ISA (NISA) which has an increased allowance of up to £15,000 per year and enables increased flexibility between cash and stocks and shares NISAs.

2.20 This change in ISA allowance should, in principle, increase the demand for ISAs and potentially bring more consumers into the retail investment markets through increased visibility of stocks and share ISAs. This may well drive increased demand for investment advice.

MiFID II

2.21 MiFID II is a very broad piece of EU legislation, and will apply from January 2017. In March 2015, we plan to publish a discussion paper considering how we will implement the investor protection aspects of MiFID II.

2.22 The Directive includes a European-wide ban on independent advisers retaining commission from third parties, enhanced requirements on inducements and new standards on the remuneration of sales staff and firms' product oversight and governance.

2.23 In some areas, MiFID II requirements are similar to those introduced by the RDR (e.g. the requirement to classify advice as independent or not), in other areas the requirements go further (e.g. the general ban on portfolio managers retaining commission from third parties). MiFID II allows member states, in exceptional cases, to maintain additional rules on areas such as inducements and independence where certain criteria can be satisfied.

3.
Executive summary from Europe Economics' report

1 Executive Summary

This is Europe Economics' final report on the impacts of the Retail Distribution Review (RDR). This work is part of the first phase of the Financial Conduct Authority's (FCA's) post-implementation review (PIR) of the RDR.

1.1 Introduction

The RDR was launched by the Financial Services Authority (FSA), the predecessor body of the FCA, in 2006. It made a number of significant changes to the way investment products are distributed to retail consumers in the UK, with the aim of establishing a resilient, effective and attractive retail investment market that consumers had confidence in and trusted. In particular these changes included:

- Improving levels of professionalism amongst financial advisers.
- Providing consumers with greater clarity as to the nature of the advice they are receiving and the cost of that advice.
- Changing remuneration arrangements between providers, advisers and platforms to better align with the interests of consumers.

In 2011 the FSA made a public commitment to undertake a PIR of the RDR to determine the extent to which it had delivered the desired objectives. This report feeds into the first phase of the FCA's PIR. Given the recent implementation of the RDR rules this review investigates the impacts of the RDR to date. A definitive evaluation is not possible at this early stage, however subsequent stages of the PIR are planned. The PIR also takes into account that the retail investment market is subject to other dynamic effects, such as the continued growth in platforms as distribution channels for retail investments, both for sales Direct to Consumers (D2C) and where advisers use platforms.

The FCA's statutory objectives differ from those of the FSA. In particular the FCA has a competition remit with a particular focus on consumer outcomes. We have therefore considered topics relevant to the competition remit of the FCA.

1.2 Our key findings

The impacts of the RDR are yet to be fully realised. Even so, we are able to identify the following positive impacts, at least partly attributable to the RDR.

- The RDR has initiated a move towards increased professionalism among advisers. One indicator of this is the vast majority of advisers now being fully qualified to QCF Level 4 compared to Level 3 pre-RDR, with an increasing number attaining an even higher qualification level, i.e. chartered status. In addition, membership of professional bodies has increased. Another indicator is the increased focus by advisers on the provision of more holistic, ongoing advice services. These are all signs of increasing professionalism in the industry, although more time will be needed before these improvements could be expected to translate into better consumer outcomes or observable improvements in consumers' confidence and trust in the financial advice industry more generally. Chapter 3 presents the evidence for these findings.

- The ban on third-party commissions has reduced product bias. As addressed in Section 6.3 of this report, this is evident, for example, from a decline in the sale of products which had higher commissions pre-RDR and an increase in the sale of those which paid lower or no commission pre-RDR. Although other factors, such as the influence of platforms, will also have effected changes here they do not fully explain the step changes in product mix sold just around RDR implementation of the adviser rules.
- Consumers are increasingly shopping around between different D2C platforms and exerting competitive pressure on platform charges. Evidence presented in Section 6.2 of this report shows that the complexity of D2C charging has reduced through the removal of rebates, enabling consumers to compare prices better across platforms — and these charges appear to be declining post-RDR, and may continue to fall in the longer term if platform use continues to grow. Charges for Business-to-Business (B2B) platforms have declined from pre-RDR levels, although the evidence indicates the drivers for this extend beyond the RDR.
- Charges for retail investment products have been falling post-RDR. Product prices have fallen by at least the amounts paid in commission pre-RDR, and there is evidence some product prices could have fallen even further, due in part to competitive pressure from platforms and advisers, e.g. to gain access to lower cost share classes, and also the introduction of simpler products with lower charges. Evidence for these findings is discussed in Section 6.3. However there is evidence that the cost of advice has increased. In relation to total cost of investment — or indeed the benefit to consumers from the advice received — the evidence does not yet enable us to draw firm conclusions as to whether this has changed post-RDR. The ranges in pre- and post-RDR estimates of platform, product and adviser payments, and the various ways in which these feature in different investments, means it is not yet clear whether declines in product and platform prices are more or less offset by increases in advice costs. A longer post-RDR trend in prices should bring greater clarity on this. Evidence for these findings is consolidated in Section 8.3 of this report.
- The initial signs are that advisory firms appear slightly better placed to meet their long-term commitments. Though there was some exit from the advisory market, particularly in the period leading up to the RDR, by the banks and by some financial advisers, numbers of advisers and advisory firms now appear stable. There remains a large number of advisory firms and advisers to serve consumers. Among advisory firms, average revenues have been increasing over the past few years. Profitability and capital and reserve levels of firms in the retail investment market has also increased, and the percentage of firms posting a loss has decreased, for the majority of firms. Profitability among larger firms is however weaker, although this situation pre-existed the RDR. The evidence for these findings is presented in Chapter 7.
- Costs of complying with the RDR have been in line with or lower than expectations, as described in Section 8.2 of this report.

In other areas the market is adjusting and more time may be required for the full effects of the RDR to become apparent. In particular:

- The market is adjusting to offer advice which is more tailored to consumers' demands. Evidence presented in Section 5.3 of this report shows that ban on commission has led many firms to consider the fundamentals of their business models and make key changes, e.g. segmenting their customers, with some focusing on services to those with higher levels of investible assets and more complex (and profitable) investment advice needs. Despite these changes there is little evidence that the availability of advice has reduced significantly, with the majority of advisers still willing and able to take on more clients. At the same time consumers are increasingly buying products on a non-advised basis, such as D2C platforms, as described in Section 5.2.
- In considering the 'advice-gap' attributable to the RDR (in Section 5.4), we distinguish between three groups of consumers who may have a need for investment advice but who may not be receiving it for different reasons: (a) those not engaged in the investment market; (b) those unwilling to pay for advice at true cost; and (c) those seeking advice but where firms are unable or unwilling to provide them advice.
  - The first group, though important, does not constitute an 'advice gap' in that the affected consumers are not actively looking for investment advice (they might, of course, benefit from unregulated, generic advice). The bank exit may have increased the size of this group as evidence suggests bank based advisers were effective in prompting a decision to invest from unengaged consumers. It is debatable whether this is an RDR effect, as bank exit appears driven by a combination of factors, including wider strategic considerations.
  - The second is driven by consumer choice about value for money and existed to a degree prior to the RDR. To the extent that this is a choice by consumers as to whether they are willing to pay for investment advice, whether this group is a 'gap' is arguable. By revealing the true cost of advice the RDR is likely to have increased the size of this group, although the evidence suggests the size of this increase has been limited by the move by the majority of firms to adopt contingent charging structure rather than up-front fees. This group includes consumers who we expect would pay for cheaper forms than the full advice model — the absence of these cheaper models therefore creates a forced choice for this group. There are signs that in time the market will adjust to address at least part of this gap by developing cheaper advice offerings that these consumers may consider value for money.
  - The third group is firm-driven. This group of consumers is likely to have increased under the RDR as a result of firms moving to target higher wealth, higher margin consumers. Some firms are segmenting their client books and focusing on wealthier customers. Where this is the case, the evidence suggests the number of consumers affected is generally small and that these consumers are likely to have been picked up by other adviser firms. Advisers have capacity and have been taking on new clients. There is little evidence that consumers perceive themselves to have been abandoned by advisers. As this gap is likely to be small, to the extent there are firms willing to provide advice to lower wealth consumers, the market should be able to resolve this in time.
- As discussed in section 5.4 and 8.3, the RDR has created an opportunity for innovation in the market, and there are encouraging signs that innovation will occur, but actual innovation to

date has been limited. This applies particularly to simpler or more automated advice offerings. However, there is a widespread perception of regulatory risk which is likely an inhibiting force.

- Those consumers who are receiving full advice now are more likely to be receiving better quality advice due to advisers being better qualified and the reduction in product bias. Definitive conclusions on the quality of advice will be better drawn once sufficient time post-RDR has elapsed and changes are visible on consumer outcomes. However the evidence currently available implies adviser charges have increased post-RDR, at least for some consumers. This is likely to reflect limited competition in the advice market: disclosure by firms still in need of improvement, and limited consumer awareness and understanding of adviser charging, can limit consumers' ability to shop around effectively, and hence exert downward pressure on prices.

Lastly there is one area which may warrant earlier attention:

- The RDR has led to improvements in the disclosure of information provided by firms to consumers. In relation to adviser charging and the nature of the advice offered, however, the clarity of some firms' disclosures still require improvement: consumers can still be confused as to the charges they are paying and the differences between independent and restricted advice. Whilst consumers' understanding may improve as firms' application of the disclosure obligations improve across the board, the complexity of charging structures and the manner in which this information is communicated may increase consumer search costs and limit the effectiveness with which consumers engage with the market. One implication of this is that consumers are less likely to be able to shop around effectively for an adviser and in doing so drive competition between advisers. A lack of appreciation by consumers for the services provided by independent advisers may also undermine the incentives of these to improve the quality of their advice, or increase the attraction of the restricted model. Chapter 4 of this report presents the evidence for these findings.

1.2.1 Comparison to the RDR's objectives

Drawing upon the above summary and the underlying evidence presented in the remainder of this report we now consider the overall impact of the RDR to date against its *ex ante* objectives.

Standards of professionalism that inspire consumer confidence and trust
There are indications of a move towards a more professional advice market. Although higher professional qualification does not automatically translate into improved conduct, higher levels of qualifications and skills can be expected to improve the quality of advised services. However, any increased consumer trust and confidence in the market is not yet evident.

An industry that engages with consumers in a way that delivers more clarity on products and services
Whilst there has been improvements in the disclosure of information provided to consumers there is still a lack of clarity amongst consumers in relation to advice services and charges which is likely to limit the extent to which consumers exert competitive pressure on advisers.

Remuneration arrangements that allow competitive forces to work in favour of consumers

The removal of commission has led to the reduction of product bias in adviser recommendations, resulting in the enhancement in quality of advice for at least some consumers. The removal of platform rebates has reduced the complexity of D2C platform charging, enabling consumers to better compare prices across platforms. This competitive pressure has led to a decline in D2C platform charges post-RDR. Advisers and platforms are now also better able to exert pressure on providers, with platforms increasingly able to negotiate lower product costs. On the other hand, the cost of advice appears to have increased. However the impact on the total cost of investment — and the value obtained by consumers — are not yet clear.

An industry where firms are sufficiently able to deliver on their longer term commitments and where they treat customers fairly

Firms appear slightly better able to deliver on their longer term commitments, providing they use their increased profitability to continue to build up capital reserves. Profitability among the larger firms remains relatively low. The costs of complying with the RDR have been in line with or lower than expectations.

A market which allows more consumers to have their needs and wants addressed

The market is showing signs of adjusting to offer advice which is more tailored to consumers' demands. There are likely to be a group of consumers who are not willing to pay for full advice at true cost but who may be willing to pay for a cheaper alternative form of advice.

A regulatory framework that can support delivery of all aspirations and does not inhibit future innovation where this benefits consumers

Industry commentators suggest that 'simplified advice solutions' designed for the mass market might be profitable and there are encouraging signs of innovation in the market, particularly in relation to simplified or automated advice. However, there is a considerable perception of regulatory risk among potential providers (related to both the FCA and the Financial Ombudsman Service). Recent signals from the FCA, e.g. its guidance consultation on sales which involve a personal recommendation and those which do not and its recent feedback statement on Project Innovate, may help to address this.

4.
Discussion and next steps

4.1 These findings are encouraging and on the whole we are pleased with the progress against the RDR objectives to date.

4.2 Advisers are now better qualified and there are indications the industry is becoming increasingly professional. Adviser recommendations are no longer influenced by commission paid by product providers, potentially prejudicing the advice. This is a positive indication that the RDR is beginning to deliver significant benefits for advised consumers. It is also particularly important given the Government's pensions and ISA reforms, which are likely to result in increasing numbers of consumers taking some sort of investment advice.

4.3 Consumers are driving more effective competition in the D2C platform market. This is especially encouraging given that this is a market which appears likely to continue to grow going forward. As more consumers use platforms, this is likely to increase the competitive pressure on them further. If current trends continue, this is likely to deliver further benefits to consumers in terms of lower platform charges and potentially lower cost and better quality products (as increased platform use means platforms are in a stronger position to negotiate with product providers).

4.4 We believe it is important that the 'advice gap' is clearly defined and we believe we now have some clear evidence as to the consumers potentially affected. There is little evidence that the availability of advice has reduced significantly, with the majority of advisers still willing and able to take on more clients. However, by revealing the true cost of advice, the RDR has led some consumers to consider the extent to which the advice they receive represents value for money, and in some cases conclude it does not. This is not necessarily a bad thing and for many consumers the decision that advice is not worth paying for at true cost may be the right one, given the amount they have to invest and their experience and knowledge of the market. We will also continue to monitor advice provision going forward.

4.5 To the extent there is demand from some consumers for lower cost simplified advice, not currently offered by the market, this demand also existed pre-RDR. We believe it is possible for firms to offer such services under the current rules. We have been taking steps to address the uncertainty firms perceive in this area:

- We consulted earlier in the year on guidance in relation to sales that involve a personal recommendation and those that do not and our final guidance will be published early in 2015.
- We have also been engaging with industry throughout the consultation and will continue to do so afterwards. We have included the FOS in these discussions.
- We will use Project Innovate to provide further assistance to businesses wishing to develop new simplified advice models. We believe that firms could offer simplified advice offerings which would meet consumers' demands should they wish to do so.

4.6 In relation to the transparency rules, we are pleased to see material improvements in firms' disclosure, as set out in detail in the thematic review published today. However, there is scope for further improvement, particularly regarding disclosure of the cost and services.

4.7 We recognise that, in some areas, the transparency rules are not resulting in improved consumer understanding, in particular consumer understanding of the adviser labels of 'independent' and 'restricted' appears limited and these rules are unlikely to have their desired effects. We are interested in hearing stakeholders' ideas for better ways to present information to consumers on the nature of advice services. This could include, for example, developing a proposal put forward by the Smaller Business Practitioner Panel to introduce a simple label that better sets the consumers' expectations by explaining the scope of the firm's advice. This work will also take on board the implementation of MiFID II changes on advice labelling. We are also interested in ideas for how to better present information on advice charges, for example, using insights from behavioural economics to improve consumers' understanding of the cost of advice. This work will form part of the FCA's wider work on the provision of information to consumers, due for publication in Q1 2015.

4.8 The next phase of the PIR is planned for publication in 2017. We will use the findings from this first stage of the review to consider target areas for the next stage – in particular, what data gathering and research we may want to undertake to help us understand whether quality of advice has improved.

4.9 We will continue monitoring trends throughout the post-implementation period and as part of our business as usual work. This will help us to identify whether further changes in the retail investment market are necessary for this market to deliver good outcomes for consumers.

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