

Consultation Response

Which? response to the FCA DP25/3 Expanding consumer access to investments

March 2026

Which? welcomes the opportunity to respond to this discussion paper from the Financial Conduct Authority (FCA) and to share our position on expanding consumer access to investments.

Summary

- **Any policy initiative designed to expand consumer investment first needs to be balanced against the need to ensure consumers' financial resilience.**
- **We are concerned that some current industry practices are falling short of the requirement to prevent foreseeable harm under the Consumer Duty.**
- **The FCA should urgently review the practice of Copy Trading, where we have found evidence of potentially misleading risk classification.**
- **We are concerned that the current self-certification process under the Financial Promotion Order (FPO) exemptions is substantially increasing the existing level of harm in the market.**

Full response

Any policy initiative designed to expand consumer investment first needs to be balanced against the need to ensure consumers' financial resilience

While holding large amounts of cash is sometimes characterised as a missed opportunity, it is important to better understand an individual's personal financial needs and goals. Although inflation may erode the real value of cash savings, it must be recognised that some consumers may be better suited not investing. For example, consumers may keep a cash buffer to protect against income shocks like redundancy, may be setting aside funds for unexpected emergencies like urgent house repairs, or be working towards medium term goals like saving for a deposit or wedding. The decision to invest should therefore be grounded in an individual's circumstances and balanced against the backdrop of an increasingly complex investment market where fraud is becoming more and more sophisticated.

While Which? recognises the drive to reduce excessive cash holdings when it is appropriate to do so, evidence from the FCA Financial Lives Survey¹ shows that a significant proportion of UK consumers have low levels of savings and would struggle to absorb financial shocks. Prior to investing, in addition to managing their level of debt, consumers should typically first have a buffer of at least three months' essential expenses. Some guidance suggests holding as much as a six month buffer.² It is essential that consumers are not encouraged to start investing before they are in a strong enough financial position.

Consumers already have access to a range of investment options, some of which carry extremely high risk. For any expansion to consumer access to investments to be sustainable, it is imperative that investing is a suitable and appropriate route for the individual consumer. While long term, sensible investing can lead to growth, Which? has not seen sufficiently strong enough evidence to demonstrate that a wholesale shift to retail investing, without robust safeguards as to suitability, will lead to better outcomes for consumers. Encouraging consumers to invest when unsuitable could undermine trust and confidence, potentially discouraging participation in investment markets over time.

Which? has particular concerns about how the introduction of targeted support will impact consumers and affect consumer behaviour. While intended to close the advice gap, there is a risk that cohort-level suggestions that are not designed at an individual level will nudge consumers to invest before they are in the appropriate financial position to do so.

We are concerned that some current industry practices are falling short of the requirement to prevent foreseeable harm under the Consumer Duty

Under the Consumer Duty, firms are required to deliver good outcomes to consumers and to be proactive in the prevention of foreseeable harm. With regard to investments, Which ? is concerned that some industry practices are falling short of these requirements. Product design, customer journeys and engagement practices may be encouraging consumers to invest when it is not appropriate to their individual circumstances.

As an example of the failure to prevent foreseeable harm, high risk products, such as Contracts for Difference (CFDs) pose significant risks to consumers. The FCA has confirmed that as many as 80% of investors lose money when trading CFDs³. Which? does not give Which? Recommended Provider status to firms that offer CFD trading given their tendency to deliver poor outcomes to consumers⁴. Which? is concerned with how prevalent they appear to be on investment platforms. There are also concerns with the rigour of assessment tests, with evidence suggesting that these tests are not robust enough; thereby allowing consumers to access high risk products without sufficient understanding. In its

¹ FCA (2024) Financial Lives survey 2024: Key findings. Available at:

<https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf>.

² MoneyHelper, Emergency savings – how much is enough? Available at:

<https://www.moneyhelper.org.uk/en/savings/types-of-savings/emergency-savings-how-much-is-enough>

³ FCA (2025) DP25/3: Expanding consumer access to investments. Available at:

<https://www.fca.org.uk/publication/discussion/dp25-3.pdf>

⁴ Which? (2024) Finding the best Stocks and Shares ISA. Available at:

<https://www.which.co.uk/money/investing/stocks-and-shares-isas/finding-the-best-stocks-and-shares-isa-amK9w1r4F6R1>

multi-firm review of providers, the FCA found that CFDs continue to be sold to consumers who do not fully understand their risks and complexities and raised concern about the strength of the appropriateness assessments⁵.

With regard to Digital Engagement Practices, FCA research shows game-like features in investment apps are leading to worse returns for consumers⁶. The FCA should consider restricting such features for high risk products and should more closely monitor social trading models.

Specifically, the FCA should urgently review the practice of Copy Trading, where we have found evidence of potentially misleading risk classification

Copy trading is a form of investment where a consumer's account replicates the trades of another investor, often in real time and sometimes with little to no ongoing input from the consumer. Which? has identified concerns that this practice may be exposing consumers to significant risk without sufficient protections. Consumers often perceive copy trading as a simple and safe way to invest, while in reality they are fully exposed to underlying risks without many of the associated consumer protections afforded to investment products. Which?'s initial user testing highlights concerns around how risk is classified and presented. As an example, some platforms appear to be using short term data (such as measuring volatility over just seven days) which likely understates the level of risk. Consumers are also susceptible – due to the automatic nature of copy trading – to being exposed to complex investments like CFDs and cryptoassets without understanding the risks that entails.

We are concerned that the current self-certification process under the Financial Promotion Order (FPO) exemptions is substantially increasing the existing level of harm in the market

Which? is concerned that the way FPO exemptions are currently being used is leading to disproportionate regulatory gaps. These gaps allow high risk investments to be marketed to investors who are deemed as sophisticated, but are showing signs of not fully understanding what that entails.

The FCA has already reported worrying abuse of this exemption, including consumers being coached into self certifying as sophisticated investors without a full grasp of the implications.⁷ The FCA has previously suggested the removal of self certification in its perimeter report.⁸ Although the government moved to tighten FPO exemption rules, the changes introduced in January 2024 were very quickly reversed in March 2024, contributing to continued consumer risk. This decision needs to be revisited. Since that reversal the investment environment has continued to evolve, increasingly encouraging new and inexperienced consumers to invest.

⁵ FCA (2024) Contracts for Difference providers: provision of price and value. Available at: <https://www.fca.org.uk/publications/multi-firm-reviews/contracts-difference-providers-provision-price-and-value>.

⁶ FCA (2025) DP25/3: Expanding consumer access to investments Available at: <https://www.fca.org.uk/publication/discussion/dp25-3.pdf>

⁷ FCA (2024) Perimeter Report 2023/24. Available at: <https://www.fca.org.uk/publications/corporate-documents/perimeter-report>.

⁸ ibid

Firms should be held more accountable for ensuring consumers are sufficiently qualified to exempt themselves from standard protections. Self declaration should not be relied upon.

The FCA should work with the government to review FPO exemptions generally, including reform of the self certification regime and reassessment of the qualifying criteria for sophisticated investors. In the interim, the FCA should act by issuing clearer guidance and increasing supervisory scrutiny.

About Which?

Which? is the UK's consumer champion, here to make life simpler, fairer and safer for everyone. Our research gets to the heart of consumer issues, our advice is impartial, and our rigorous product tests lead to expert recommendations. We're the independent consumer voice that works with politicians and lawmakers, investigates, holds businesses to account and makes change happen. As an organisation we're not for profit and all for making consumers more powerful.

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