

Consultation Response

Which? response to the HM Treasury Consultation on The Appointed Representatives Regime

April 2026

Which? welcomes the opportunity to respond to HM Treasury's consultation on the Appointed Representatives (AR) regime. Which? supports the government's direction of travel and is encouraged by HM Treasury's commitment to improving the AR regime so that it can better protect consumers. Strengthening the accountability of principal firms overseeing ARs is essential to meeting the FCA's Consumer Duty requirement to prevent foreseeable harm and to ensure consumers receive consistent protection regardless of how financial services are distributed.

Summary

- The introduction of a regulatory gateway that requires authorised firms to gain permission from the Financial Conduct Authority (FCA) prior to acting as principals over ARs is an important and necessary reform to address well evidenced harms.
- Which? supports the extension of the Financial Ombudsman Service (FOS) jurisdiction to AR-related complaints where a principal firm is not responsible in order to close the current redress gap.
- Which? supports bringing all ARs within scope of the Senior Managers & Certification Regime (SM&CR) to ensure individual accountability is consistent across the industry.
- Which? supports moving detailed requirements into the FCA Handbook, provided core statutory protections are anchored in primary legislation.
- Which? is concerned about granting automatic deemed permission to all existing principal firms given the evidence of widespread harm and historic misconduct within some AR networks.

Full Response

The AR framework enables a wide range of firms to carry out regulated activities without direct FCA authorisation by operating under the responsibility of an FCA-authorised

principal¹. This model operates across diverse sectors, including insurance distribution (such as travel or GAP insurance sold by retailers), investment management and consumer credit offered by motor dealers.

We recognise the role that the AR regime plays in supporting competition, innovation and consumer choice. However, significant shortcomings in oversight across parts of the market have demonstrated a clear need to strengthen consumer protection, enhance transparency and ensure robust and consistent regulatory oversight.

Which? supports the introduction of a regulatory gateway that requires authorised firms to gain permission from the FCA before acting as principals for ARs.

Evidence from the FCA, Treasury Select Committee and broader supervisory work consistently shows that weaknesses in oversight, transparency and accountability have resulted in significant and foreseeable consumer harm. These findings highlight material concerns about the ability of some principals to exercise adequate control over their ARs.

The FCA's 2016 Thematic Review found that many principal firms had significant shortcomings in their control and oversight of ARs. Nearly half of the firms assessed could not show that they understood the scale and complexity of the risks their ARs posed. This led to mis-selling and consumer detriment in a third of cases due to insufficient monitoring and governance².

In its 2022 Policy Statement on the AR regime and the associated Multi-Firm Review, the FCA found persistent and significant failings in principal oversight. The FCA reported that principal firms generated between 50% and 400% more supervisory cases and complaints than other directly authorised firms. The FCA also identified widespread weaknesses in due diligence, inadequate ongoing monitoring, unclear allocation of responsibilities, and examples of ARs operating beyond the principal's core expertise. In several instances, principals could not evidence proportionate or effective oversight frameworks. The FCA concluded that these weaknesses created "significant risks of consumer harm" and required reform³.

The Treasury Select Committee reinforced these concerns in its 2021 report. The Committee highlighted that weaknesses in regulatory supervision had allowed "significant consumer harm over a sustained period" and stressed that regulators must intervene more decisively where shortcomings in oversight place consumers at risk⁴.

¹ HM Treasury (2026) Consultation: The Appointed Representative Regime Available at: https://assets.publishing.service.gov.uk/media/698c8c44bd090be481c28788/ARs_Consultation.pdf

² FCA (2016) Thematic Review TR16/6: Principals and their Appointed Representatives in the General Insurance Sector Available at: <https://www.fca.org.uk/publications/thematic-reviews/tr16-6-principals-appointed-representatives-general-insurance>

³ FCA (2022) PS22/11: Improvements to the Appointed Representatives regime Available at: <https://www.fca.org.uk/publication/policy/ps22-11.pdf>

⁴ Treasury Select Committee (2021) Lessons from Greensill Capital Available at: <https://committees.parliament.uk/publications/6800/documents/72205/default/>

Most recently, HM Treasury's 2025 Policy Statement further confirmed the need for intervention. The Statement noted that the current regime "no longer provides sufficient assurance that principals are capable of effectively overseeing the activities carried out under their responsibility". It cited continuing evidence of elevated misconduct, poor due diligence and inconsistent oversight despite earlier regulatory interventions, concluding that the statutory reform is necessary to deliver meaningful and durable improvements⁵.

Taken together, these findings demonstrate that long-standing supervisory weaknesses, gaps in consumer transparency and unclear routes to redress have resulted in inconsistent levels of consumer protection across the market.

Introducing a gateway that requires principal firms to obtain permission from the FCA is an important step towards ensuring that firms only assume principal responsibilities when they have the relevant capability, resources and structure to do so. Current oversight weaknesses threaten to undermine consumer confidence and reduce good outcomes.

Which? supports the proposal to extend the Financial Ombudsman Service (FOS) jurisdiction to AR complaints where a principal firm is not responsible in order to close the current redress gap.

Which? considers this reform to be essential. Currently, consumers are sometimes left without a route to redress where it becomes clear that a principal firm is not responsible for the acts or omissions of its AR which are relevant to a FOS complaint. We support HM Treasury's view that it is unfair to leave consumers in these cases without access to the FOS to resolve disputes⁶, as they are left unprotected in a way they are unlikely to anticipate. We therefore support extending the FOS compulsory jurisdiction so that the FOS can consider such complaints.

HM Treasury's proposal is necessary to close the accountability gap and ensure consumers have a consistent path to redress, regardless of whether they engage with an authorised firm or an AR. Further, as noted by the Financial Services Consumer Panel in its response to this consultation, it is important that the scope of ARs activities that are subject to FOS jurisdiction is communicated to consumers in a clear way⁷.

Which? supports bringing ARs within scope of the SM&CR to ensure individual accountability is aligned across the industry.

This reform will ensure that individuals performing key roles will be held to the same standards as their equivalent counterparts in firms that are authorised directly. This is a

⁵ HM Treasury (2025) Policy Statement: Reform of the Appointed Representatives Regime Available at: https://assets.publishing.service.gov.uk/media/6895f83b9c63e0ee87656a27/250808_ARs_Policy_Statement_-_final_for_publication.pdf

⁶ HM Treasury (2026) Consultation: The Appointed Representative Regime Available at: https://assets.publishing.service.gov.uk/media/698c8c44bd090be481c28788/ARs_Consultation.pdf

⁷ Financial Services Consumer Panel (2026) Financial Services Consumer Panel response to HMT consultation: The Appointed Representatives Regime Available at: <https://www.fca.org.uk/panels/consumer-panel/publication/financialservicesconsumerpanelresponseohmttheappointedrepresentativesregimeconsultation.pdf>

proportionate and necessary step to ensure that oversight is exercised with the rigour consumers should be able to expect. Extending the SM&CR targets accountability without imposing new regulatory obligations or making changes to the AR structure. Instead it applies an existing and well established framework that is well understood across the industry.

Which? supports a move to FCA Handbook rules provided core protections are anchored in primary legislation.

The Financial Services and Markets Act 2000 (FSMA) remains the foundation of the AR regime, providing essential protections by ensuring that consumers are only exposed to regulated activities when oversight arrangements are clear and enforceable. The general prohibition found in s19 of FSMA⁸ is fundamental in ensuring that regulated activities may only be undertaken by authorised or exempt persons.

While moving detailed requirements into FCA rules may improve flexibility, the fundamental conditions governing principal responsibility and the AR relationship must not be diluted. Consumers need certainty that accountability is anchored in the law and will not be subject to change through FCA handbook amendments alone. Statutory safeguards must remain in primary legislation.

We understand that HM Treasury is considering amending s39 of FSMA⁹ and the Financial Services and Markets Act 2000 (Appointed Representatives) Regulations 2001. Specifically, the tenet that a principal firm is legally responsible for the acts of its AR must be preserved in statute. Further, the private right of action (s138D of FSMA) which applies to the AR regime but operates through the liability of a principal firm must remain intact.

In relation to moving detailed requirements relating to the contractual relationship between principals and ARs to FCA rules, we would like to better understand whether this approach will 'loosen' or 'tighten' the requirements as set out in legislation. In this regard, we would welcome further details on the scope of the amendments being contemplated, as well as what requirements will be moved to FCA rules. Whatever the approach, it is essential that appropriate consumer protections remain in place.

As part of this shift, we consider that requirements relating to the Financial Services Register should also be strengthened. Currently, only certain ARs are required to be included on the register, which can make it difficult for consumers to identify the authorised firm responsible for an AR's activity. Moving and expanding these requirements into FCA rules provides an opportunity to standardise use of the register. This would improve transparency and make it easier for consumers to identify who is accountable. We would support requiring all ARs to be included on the FCA register..

Deemed permission for all existing principal firms does not seem appropriate given the evidence of widespread harm and historic misconduct.

⁸ Financial Services and Markets Act 2000, Section 19 Available at: <https://www.legislation.gov.uk/ukpga/2000/8/section/19>

⁹ HM Treasury (2026) Consultation: The Appointed Representative Regime Available at: https://assets.publishing.service.gov.uk/media/698c8c44bd090be481c28788/ARs_Consultation.pdf

Granting existing principal firms deemed permission under a new regulatory regime must be assessed against the backdrop of historical misconduct across the financial services industry.

Allowing all current principals to transition automatically into a new gateway risks undermining the integrity of the reforms. Some degree of reassessment of existing principals, focusing on firms with high risk AR networks and applied in a proportionate manner, is necessary to ensure that only those firms capable of preventing established harm are eligible to retain their principal status. Without this balanced approach, the reforms risk perpetuating existing weaknesses rather than remedying them.

If firms with a history of poor oversight are allowed to continue operating without robust assessment, the reforms risk merely rebranding existing failures. The FCA must ensure that principal firms demonstrate strong oversight systems, a clear understanding of AR risks and the ability to meet the standards expected under the Consumer Duty.

Conclusion

Legislative and regulatory reforms must deliver a regime that is transparent, accountable and capable of delivering good outcomes for consumers. Implementation should proceed at pace to ensure long standing weaknesses in the AR regime are fully addressed and that the distribution of financial services under AR models provides consumers with the protection they expect and need.

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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