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Assessing Suitability Review

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This report sets out the findings from our review into the market for pensions and investment advice.

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The suitability of advice is important for the financial advisory sector and this was highlighted as one of the seven priorities in our 2016/17 Business Plan.

We initiated this review in April 2016 in recognition of the important role we have to play supporting the sector in delivering suitable advice. The purpose of the review is to assess a statistically robust sample of advice files that allows us to draw conclusions on the suitability of advice and quality of disclosure in the sector as a whole.

Key findings

Our review assessed 1,142 individual pieces of advice given by 656 firms against the suitability and disclosure rules in the Conduct of Business sourcebook. We found the following in terms of suitability:

- in 93.1% of cases, the sector provides suitable advice
- in 4.3% of cases, the sector provides unsuitable advice
- in 2.5% of cases, the sector provides unclear advice

We consider that these are positive results for the sector. We believe they are a result of the successful adoption of the Retail Distribution Review by advisers and reinforced by our previous supervisory and enforcement activities.

Our disclosure results were:

- in 52.9% of cases, the sector provides acceptable disclosure (i.e. our disclosure requirements have been complied with)
- in 41.7% of cases, the sector provides unacceptable disclosure (i.e. our disclosure rules have not been complied with)
- in 5.4% of cases, the sector provides uncertain disclosure

We consider disclosure to be an important aspect of the advice process as it assists customers in making informed decisions about their financial affairs.

Next steps

We will be beginning a communication programme over the course of 2017 and into 2018, where we will share more detail on our findings, including communicating examples of good and poor practice.

Some important changes are coming to the advice and disclosure requirements through the Markets in Financial Instruments Directive II ([MiFID II](#)), the Packaged Retail and Insurance-based Investment Products regulation ([PRIIPs](#)) and the Insurance Distribution Directive (IDD). In a number of areas there will be increased requirements for financial advisers. Firms need to ensure that they take note of the new requirements and make any changes necessary.

We intend to repeat this review in 2019. This will be based upon advice delivered in 2018 and we will measure how the results have changed since 2015. This will also allow us to assess how firms have implemented the requirements introduced by MiFID II, PRIIPs and the IDD.

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