

Streamlining Consumer Duty – A Welcome Update from the FCA

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In recent years, implementation of the FCA Consumer Duty regime has been a significant challenge for most financial services firms. The cross-cutting rules, by their nature, are difficult to interpret and apply especially in a wholesale context, such as in the case of alternative asset managers that use private wealth distribution channels. The FCA has recently published a series of [updates](#) on the progress of its Consumer Duty work, re-emphasising its focus on supporting growth and streamlining the regulatory requirements. The regulator's stated objective is to achieve more flexibility, predictability, and improved efficiency for firms.

For more background on the FCA's Consumer Duty initiatives please see our previous articles:

- [UK Financial Conduct Authority consults on payments, e-money and other firms to comply with "Consumer Duty"](#) (January 2022)
- [Consumer Duty Implementation: Good Practice and Areas for Improvement](#) (March 2024)
- [Consumer Duty Implementation for Insurance Firms: Good and Poor Practice](#) (July 2024)

Application to Emerging Sectors, including Cryptoassets

Alongside its work to refine the Consumer Duty framework for established markets, the FCA is also considering how the regime should apply to firms active in the cryptoasset sector. As part of its wider consultation on bringing cryptoasset activities within the regulatory perimeter, the FCA is exploring whether the Consumer Duty should apply directly to cryptoasset firms – supported by additional sector-specific guidance – or whether a bespoke set of conduct rules would be more appropriate to address the unique characteristics of these markets.

This reflects the FCA's wider objective of ensuring consistent consumer outcomes across both traditional and digital asset markets. Issues such as volatility, product governance, and custody models raise particular challenges for the "fair value" and "consumer understanding" outcomes. The regulator's approach is expected to influence the standards applied to crypto exchanges, wallet providers, and firms offering tokenised investment products.

Application to Wholesale Firms

Many firms, including smaller alternative asset managers, that have little or no direct interaction with retail customers and investors have struggled to understand how Consumer Duty applies to them. For firms that operate globally and offer their funds or structured products to high-net-worth individual investors, the evolving rules and the FCA's supervisory [approach](#) to higher risk investments and client categorisation procedures have been the source of ongoing uncertainty.

The FCA has now [written](#) to HM Treasury emphasising its commitment to remove disproportionate burdens on wholesale firms and give them confidence to act proportionately. Wholesale firms and their senior managers will welcome the FCA's plans for 2025/2026 to:

- **Provide guidance to firms working together to manufacture products for retail customers.** The FCA intends to provide more clarity on its supervisory approach and expectations that will reduce the potential for misunderstanding leading to excessive compliance costs, duplication of effort between firms and adverse impacts on business models where firms collaborate.
- **Consult on client categorisation rules.** The FCA has promised to set out clearer, up-to-date standards for firms to identify individuals capable of being treated as professional clients, including introducing a new test at a high threshold of assets, to draw a brighter line. The regulator has recognised that certain investors who have the knowledge, experience, sophistication or resources do not need retail protections. The legislators and regulators have acknowledged for some time that the regime for offering funds and other higher risk investments to high net-worth investors needs a review, but the earlier plans to modernise the legislative exemptions for promotion of private investments and collective investment schemes were unhelpfully dropped. In its letter, the FCA has urged the HMT to look at this regime again to ensure consistency with the FCA's plans to review the client categorisation regime.

- **Consult on the application of the Consumer Duty through distribution chains.** The FCA plans to assess how the existing Consumer Duty exemptions are working and consider whether to draw a clearer line on business-to-business activities which should not be captured.
- **Remove business with non-UK customers from the scope of the Consumer Duty.** The FCA has acknowledged that firms that operate globally can struggle to reconcile obligations from different jurisdictions. The FCA will consider the potential impact on consumers, including UK expatriates, before making these proposals.

Consumer Duty Focus Areas and Action Plan and Timeline

Consumer Duty regime remains a focus area for the FCA's supervisory work. A recently published webpage [alert](#) sets out key Consumer Duty initiatives for 2025/26. These include:

- **Multi-firm reviews** examining how firms have embedded Consumer Duty across sectors and are working towards improving consumer outcomes. The FCA's work includes four cross-cutting review projects looking at how firms: (i) design products and services to meet customer needs; (ii) monitor consumer outcomes; (iii) design customer journey, with a particular focus on friction throughout the journey; and (iv) communicate with customers to help them make informed decisions
- **Data protection:** Engaging with the Information Commissioner's Office (ICO) and reviewing how firms balance their vulnerabilities against data sharing and data protection expectations. Together with the ICO, the FCA plans to provide further guidance in this area in Q1 2026.
- **Price and value outcome:** The FCA is conducting a market study into pure protection insurance. Related projects also include the FCA's work on unit-linked pensions and long-term savings, transparency of charges across the value chain and how firms assess overall product value, and the FCA's market study into premium finance.
- **Sector-specific priorities.** The FCA has highlighted future work in retail banking relating to fair value in SME business current accounts, consumer understanding in the credit card market and its expectations for wealth and advice firms when assessing fair value. Another focus area is on model portfolio services firms.

Implications for Digital Asset and Fintech Firms

For firms active in digital assets, tokenisation or fintech-driven distribution, the FCA's direction of travel signals that Consumer Duty principles are likely to inform the design and marketing of cryptoasset products in the UK. While the precise scope remains under consultation, cryptoasset firms preparing for FCA authorisation should anticipate expectations around "fair value", transparency of fees and customer understanding that mirror the Consumer Duty's core outcomes. Early adoption of these standards may ease future compliance and demonstrate a proactive approach to consumer protection.

Timeline and Action Points for Firms

The FCA has produced a useful [2025/2026 timeline](#) of its Consumer Duty workstreams and commitments grouped under four headlines:

- Reviewing the foundations
- Future-proofing disclosure
- Reducing the administrative burden
- Streamlining the requirements

Firms in scope of Consumer Duty obligations should be prepared for a review of their implementation of Consumer Duty as part of the multi-firm and sector-specific initiatives highlighted in the FCA's Consumer Duty Focus Areas [alert](#).

Wholesale firms should be proactive about responding to the FCA's upcoming consultations on client categorisation and distribution chains. The regulator has shown a willingness to take onboard the industry's feedback about the impact of its policies on compliance costs and burden, and the resulting damage to the competitiveness of UK as a capital markets jurisdiction of choice. Now is the time to articulate the industry's concerns and requirements through trade body associations.

Firms operating in or adjacent to the digital asset space should also monitor the FCA's upcoming cryptoasset consultations, which may extend Consumer Duty-style obligations to this rapidly evolving sector. Proskauer will continue to track these developments and advise clients on practical steps to align governance, disclosure and product design processes across both traditional and emerging asset classes.

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