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[Home](#) / [News](#) / [FCA sets out plan to tackle investment harm](#)

# FCA sets out plan to tackle investment harm

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The consumer investments market accounts for £1.6 trillion held or invested by consumers through the services of over 6,000 wealth managers, advisors and investment platforms. While most of this market meets consumers' needs, there are some areas where harm is occurring.

The FCA has published a [new strategy](#) aimed at giving consumers the confidence to invest, supported by a high-quality, affordable advice market, which should lead to fewer people being scammed or persuaded to invest in products too risky for their needs. The FCA will publish metrics to assess whether these outcomes are being met.

By 2025, the FCA will:

- Reduce by 20% the number of consumers who could benefit from investment earnings but are missing out. There are nearly 8.6m consumers holding more than £10,000 of investible assets in cash.
- Halve the number of consumers who are investing in higher risk products that are not aligned to their needs. 6% of consumers increased their holdings of higher risk investments during the pandemic, with 45% of self-directed investors saying they did not realise the risks.
- Reduce the money consumers lose to investment scams perpetrated or facilitated by regulated firms. Consumers lost nearly £570m to investment fraud in 2020/21 – this has tripled since 2018.
- Stabilise the £833m compensation bill for the Financial Services Compensation Scheme, and target a year-on-year reduction in the Life Distribution and Investment Intermediation (LDII) and investment provision funding classes from 2025 to 2030.

To achieve this, the FCA has set out a package of measures including:

- exploring regulatory changes to make it easier for firms to provide more help to consumers who want to invest in relatively straightforward products

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- strengthening the financial promotions regime in 3 areas; the classification of high-risk investments, further segmenting the high-risk market and strengthening the requirements on firms when they approve financial promotions
- reviewing the compensation framework to ensure that it remains proportionate and appropriate, particularly where firms fail leaving behind compensation liabilities for the FSCS to address. This will reduce the cost and impact of poor advice

Sarah Pritchard, Executive Director of Markets at the FCA, said:

'Investors have never had more freedom - technology has democratised the market, new products have become available, and people have better access to their life savings than before. But that freedom comes with risk. We want to give consumers greater confidence to invest and to help them do so safely, understanding the level of risk. The package of measures we have announced today are intended to support that - we want people to have greater confidence to invest. We also want to be able to adapt more rapidly to the changing market and be assertive where we see poor conduct and consumer harm.'

The FCA has already taken action to improve the market, for example by banning the mass-marketing of speculative mini-bonds and by being more assertive through its ongoing work to stop and disrupt firms and activities causing harm.

The FCA's [Consumer Investments Data Review](#), published alongside the strategy, shows that between 1 April 2020 and 31 March 2021, the FCA's work to tackle harm, included:

- stopping 48 new firms from entering the market where the FCA identified potential for consumer harm (representing 1 in 5 applications)
- opening over 1,700 supervisory cases involving scams or higher risk investments
- publishing over 1,300 consumer alerts about unauthorised firms and individuals

The FCA has set out the focus of its role and the changes that will be made to meet current and future challenges in its [Business Plan 2021/22](#). In early 2022, the FCA will publish wholesale and retail strategies to set out the ambitions for these markets.

## Notes to editors

1. [Consumer investments: strategy and feedback statement](#)
2. The strategy has been informed by responses to the FCA's [Call for Input on the Consumer Investments Market](#)
3. [Consumer investments data review 2021](#)
4. [Consumer investments data review 2020](#)

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