ROYAL LONDON

It's everyone's business

The meaning of value

How consumers and financial advisers define value

THE LANG CAT

Contents

Introduction

Welcome to our second annual study looking at the meaning of value.

As we start to build our analysis of the trends as to how value is perceived, some themes begin to harden, and we can see some early signs of improvement in certain areas. Perhaps all this focus on defining, measuring and, ultimately, delivering value is beginning to pay off.

There are still some persistent concerns among advisers as to how best to measure value, and to demonstrate this in a way that satisfies the requirements of the Regulator. However, it appears that many advice firms have been reassessing their proposition to clients, either to streamline or unify their advice offering and fee structure or simply to reassess their ongoing service model. Arguably, both will be driven, at least in part, by the ongoing focus on the Consumer Duty, and the Regulator's review of ongoing advice services.

Whatever the driver, something is working, as there is a significant uptick in client positive ratings when it comes to value. When asked to rank on a scale of 1-10 how they would rate their financial adviser when it comes to value, two thirds (66%) of clients awarded a score of 7 or above, compared with 54% in our 2023 study.

There is a great deal of alignment between the expectations of clients and advisers on what constitutes value, although as with the previous study, clients still appear to value investment performance more highly than advisers perceive. There are also some noticeable differences by gender, when we look at the more detailed breakdown.

Overall, we can start to paint a picture of how the perceptions of advice change, with many people starting their journey simply looking to answer a particular question, but then realising the much greater benefits of a holistic, goals-based approach to their later life finances.

As the FCA moves forward with the Advice Guidance Boundary Review, the hope is that consumers can be provided with more meaningful guidance, ultimately leading more people to take advice when the time is right.

Thanks to our research partners, the lang cat and Opinium, for once again producing a thought-provoking analysis on what is really meant by 'value.'

JAMIE JENKINS
Director of Policy and Communications
Royal London November 2024

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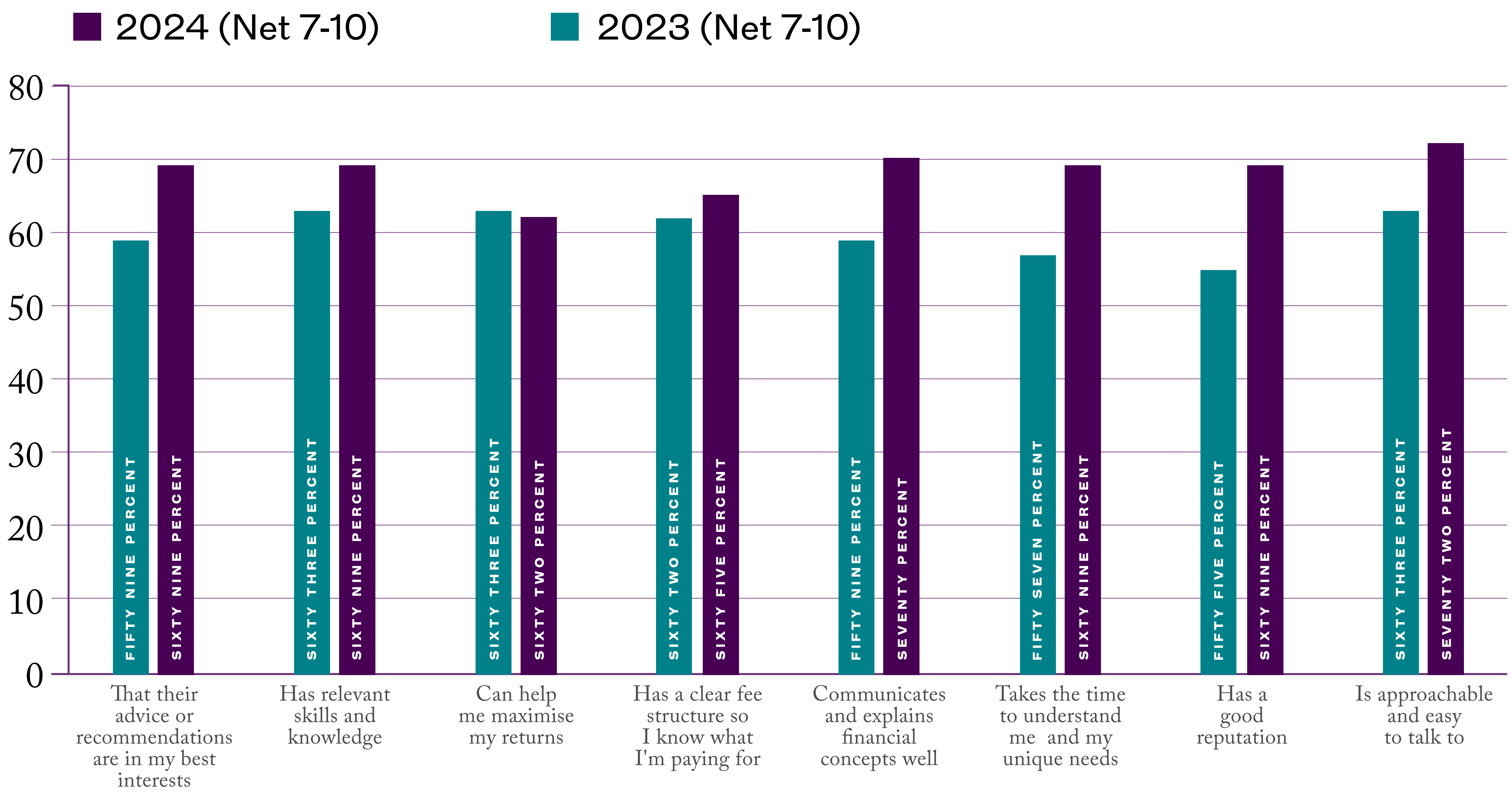
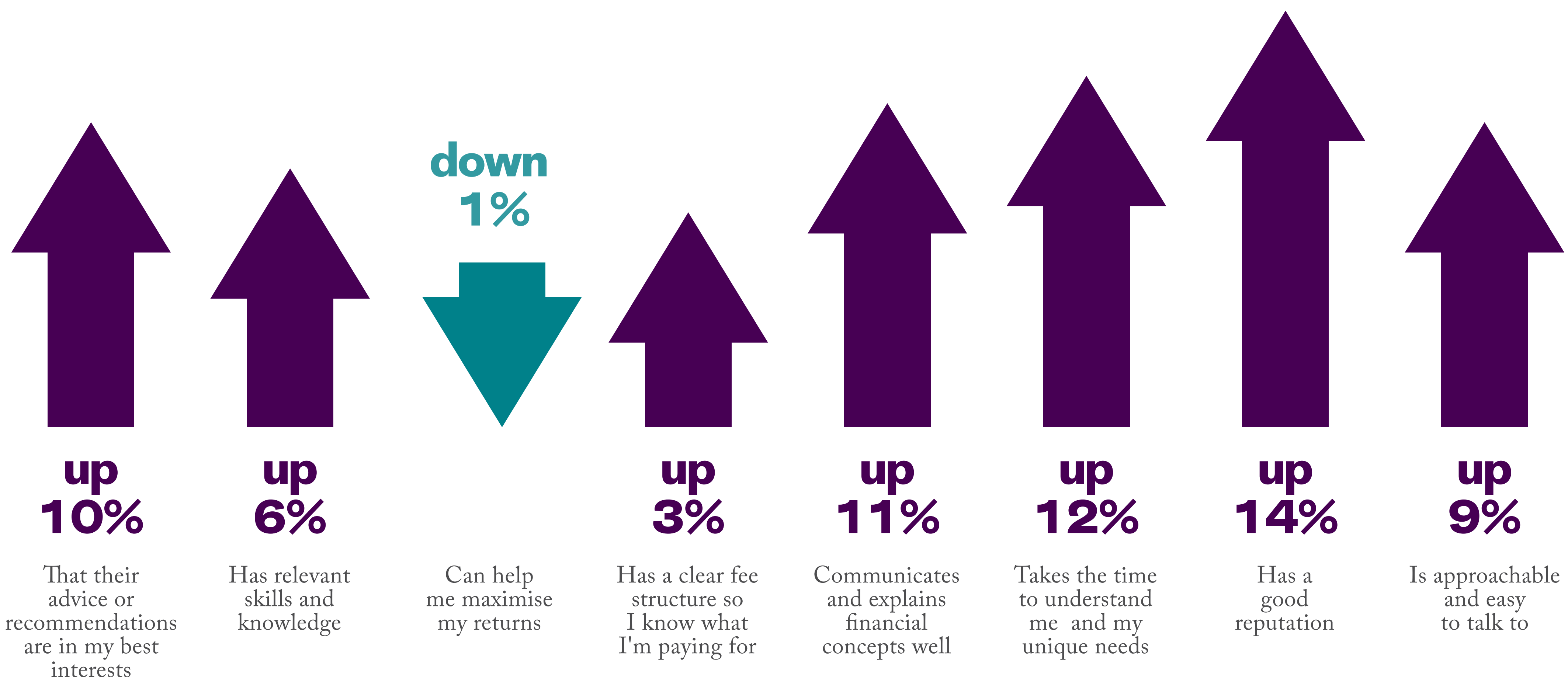
Key findings

"In 2024, **66%** of clients rated their financial adviser at seven or above when it comes to value. That's up from **54%** in 2023."

1. Consumer satisfaction with their adviser is increasing

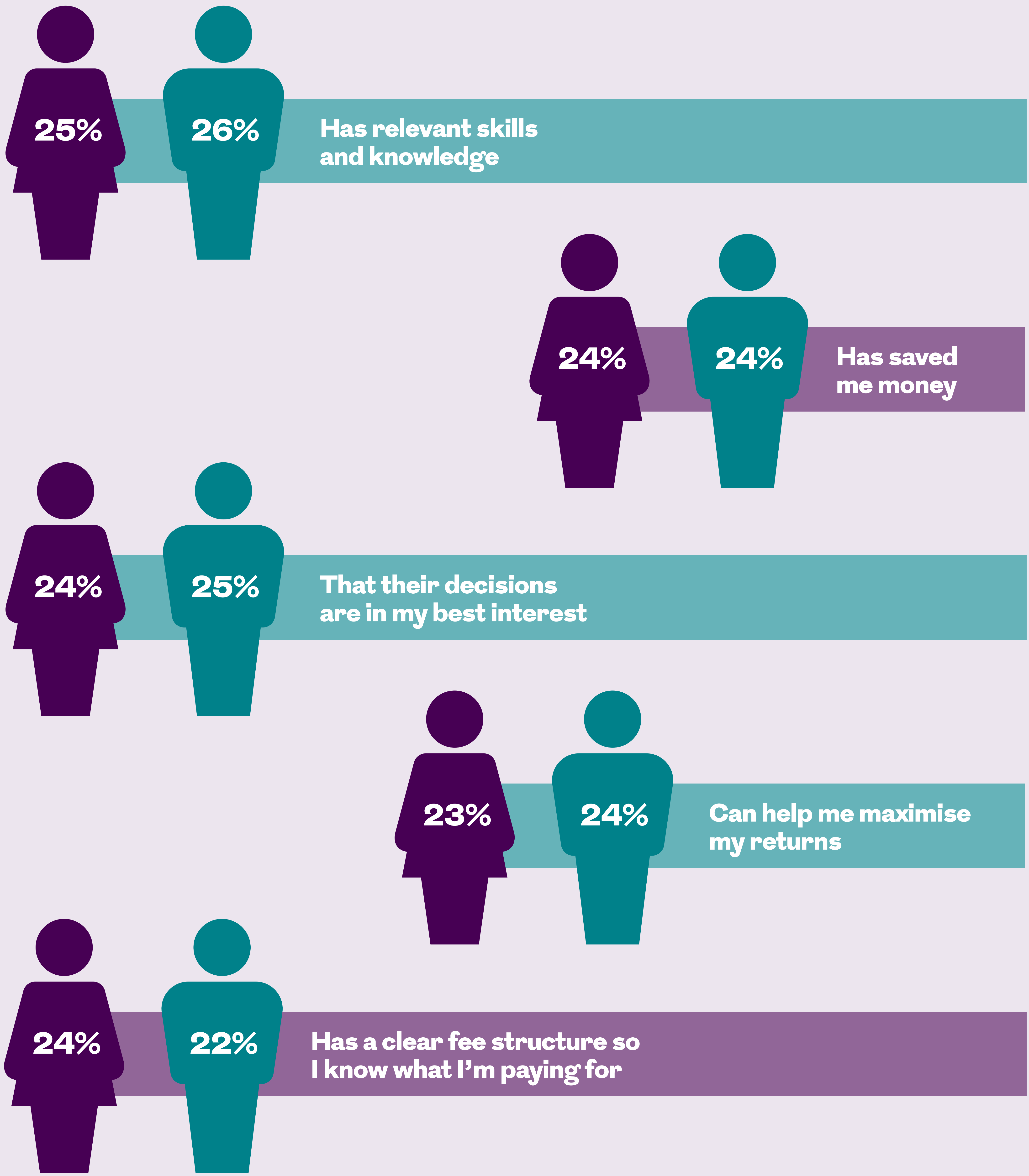




2. What consumers value from an adviser (top 5 aspects)

Female

Male



3. What consumers value from financial services providers? (top 5 aspects)

4. Importance of investment

45% of consumers who have an adviser say it is the most important factor for them when assessing overall value for money, but only 24% of advisers believe it has a big impact.

02

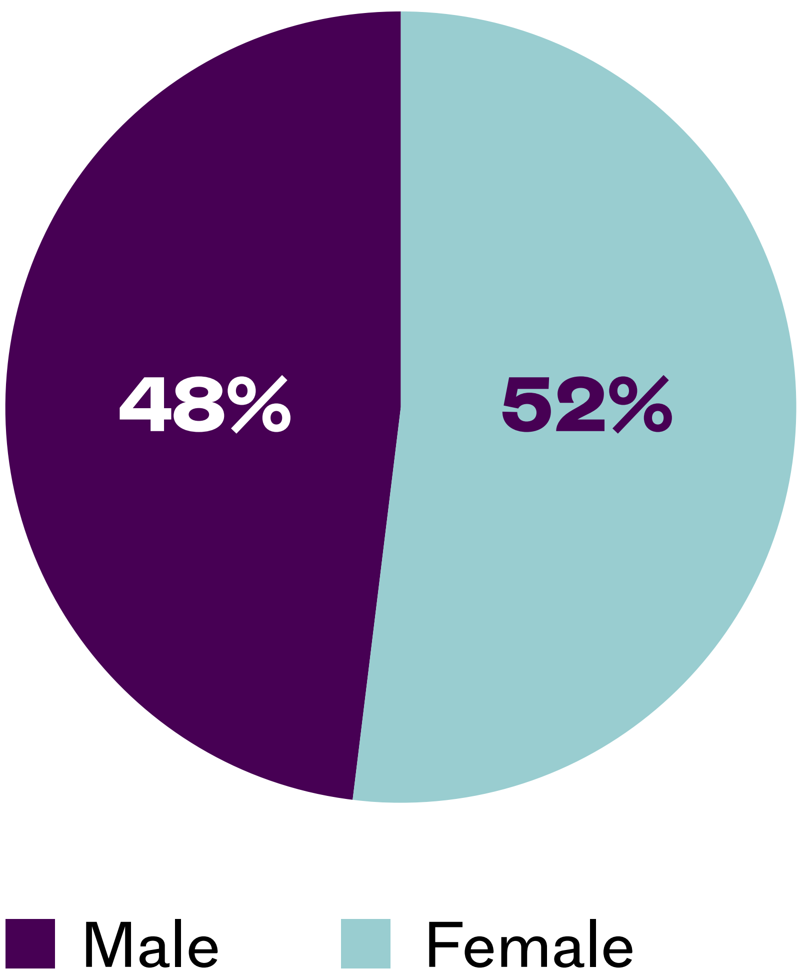
Research introduction

“We started our research by asking an open question, free of any unprompted answers. In the context of buying a product or service, what do you think value is?”

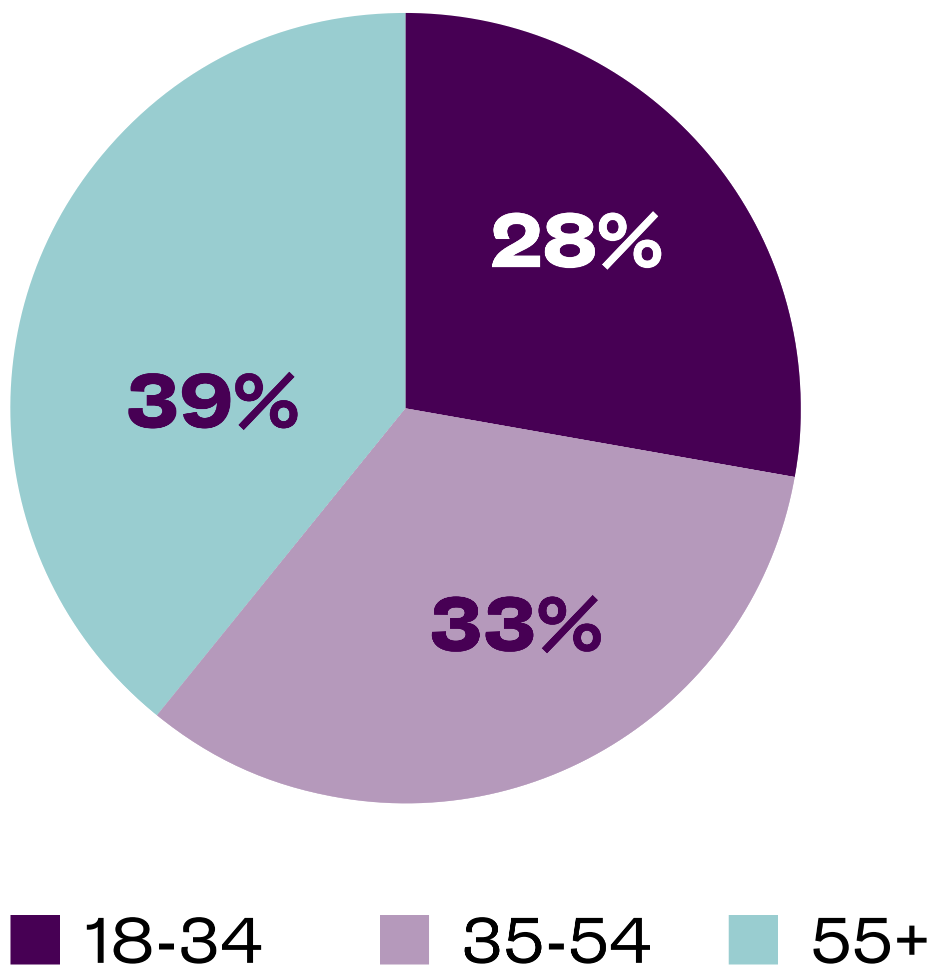
The adviser research was conducted in September 2024 by the lang cat, using their adviser research panel. 170 respondents generously gave up their time to complete the survey, with follow-up interviews held to discuss the results in more detail. The consumer research was conducted by Opinium between 18 and 23 September 2024. 2,000 UK adults, weighted to be nationally representative, completed the survey.

Our consumer cohort

Consumer research respondents

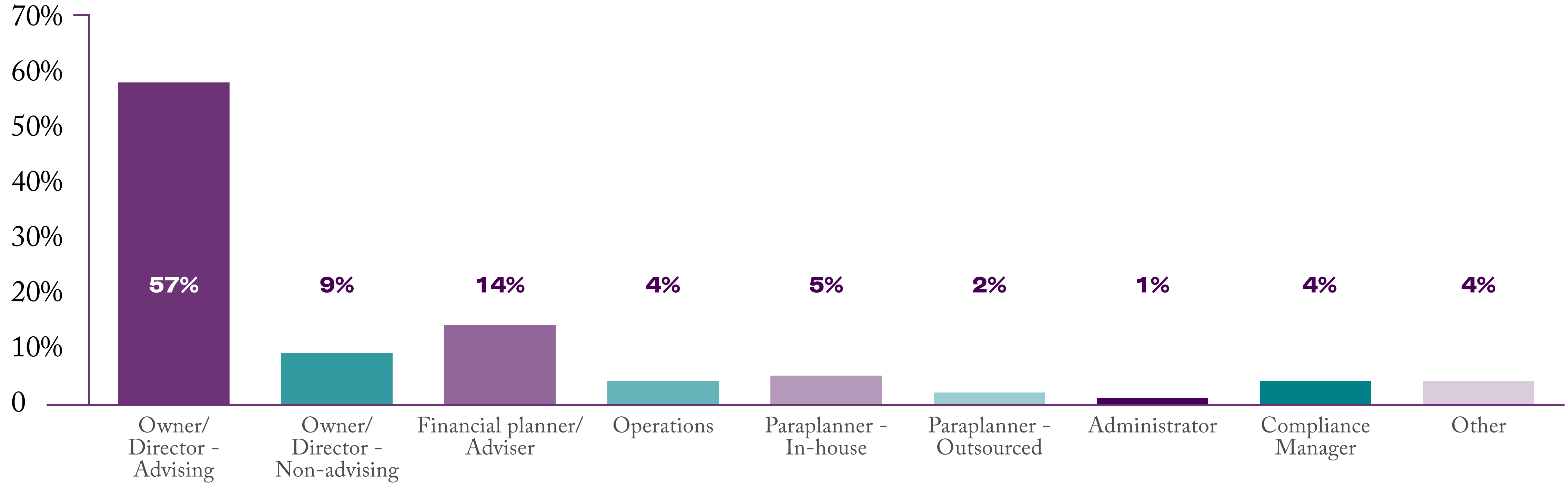


Consumer research respondents age



Our adviser cohort

72% of our adviser respondents work for or own directly authorised independent firms.
The remainder are either part of a network or restricted.



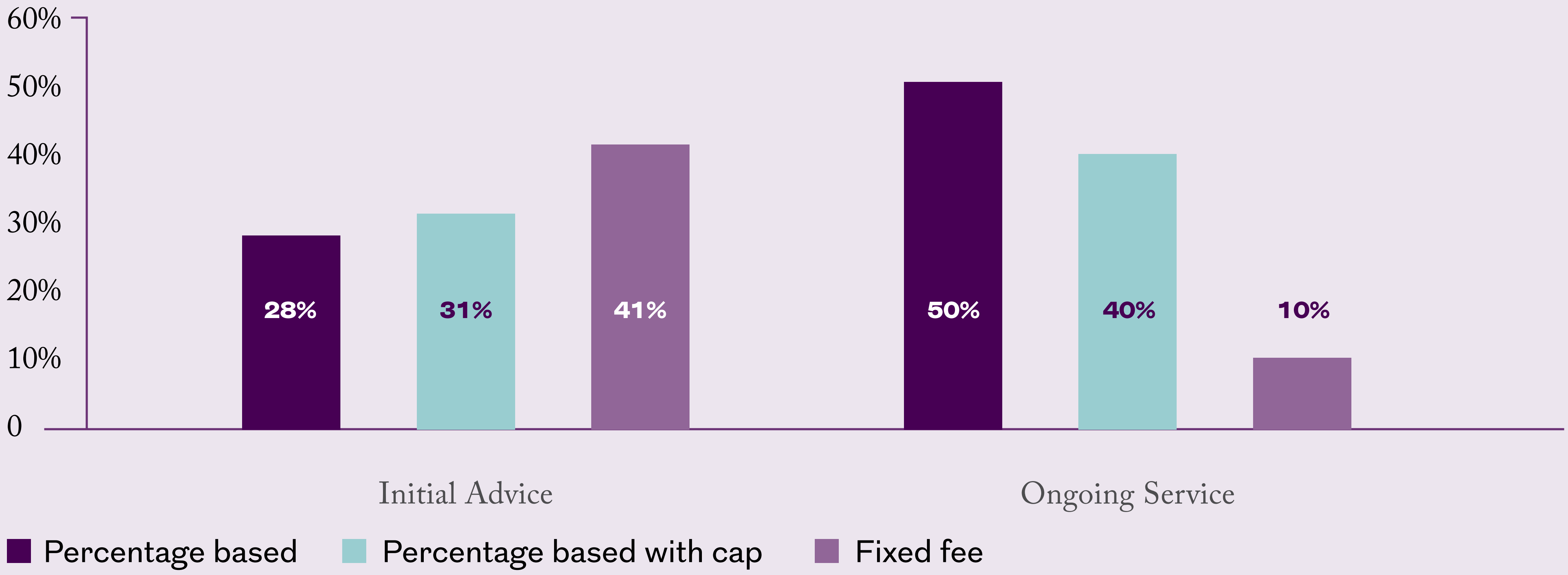
Assets under management

Throughout this research we will make the distinction between small and large firms, defined as follows:

Firm size (AUA)	Split
Small (<£250m)	**72%**
Large (>£250m)	**28%**

Amongst our adviser respondents, fixed fees are the most common single method of charging for initial advice, however for ongoing services the opposite is true. Here, percentage-based fees are used by 90% of respondents, with 40% applying a cap to these fees. Fixed fees, despite being used by 41% of respondents for initial advice, are only used by 10% for servicing fees.

Method of adviser charging



There are some differences across the firm size split, with larger firms favouring percentage-based over fixed for initial advice. For ongoing service, both favour a percentage fee, but smaller firms are more likely to have capped ongoing percentage-based fees compared to larger firms (42% for smaller firms vs 33% for larger)

When we compare these findings to the 2023 study (conducted immediately after Consumer Duty had been implemented) we can see a small shift towards capping fees for ongoing servicing, with an additional 5% of firms adopting this model. This supports the theme we identified in 2023, with over a third of advice firms changing their fees as a result of Consumer Duty. **[1]**

[1] https://www.royallondon.com/about-us/media/media-centre/press-releases/press-releases-2023/november/consumer-duty-fair-value-prompts-37-per-cent-of-adviser-firms-to-change-their-fee-structure/

What advisers thought

"Fixed fee is set **per client**, we use a percentage of initial assets being invested as a starting point and then agree a fixed fee with [each] client based on **requirements**."

"Fixed Fee for **planning**, capped % for **implementation**."

"Fees **differ** depending on quarterly or half yearly review. Fees are **tiered** and family linked."

"We reviewed **charging structures** for consumer duty – all 8 advisers in the firm were charging differently. Post CD we are using a unified approach that they can justify, with three tiers for low, medium and high **complexity**."

What advisers thought

Hybrid model. New clients pay £5k to £10k for a three-stage meeting process and financial plan, then 1.5% on new investments or transfers. I **trim** the % charge depending on the numbers to ensure the case is profitable for us, but that we're also charging the client what **we feel is a fair fee.** Ongoing, we charge £1,500 per year as a financial planning and intermediation fee, plus 0.65% p.a. OAC. We currently **don't tier or cap this.**

Tiered initial **percentage-based** fees, subject to a minimum.

We are **really trying** to get the fees linked to the work that we do – I think that's a very big way of **ensuring value.**

03

What do consumers value from advisers?

> "Value is subjective and is in the eye of the beholder."

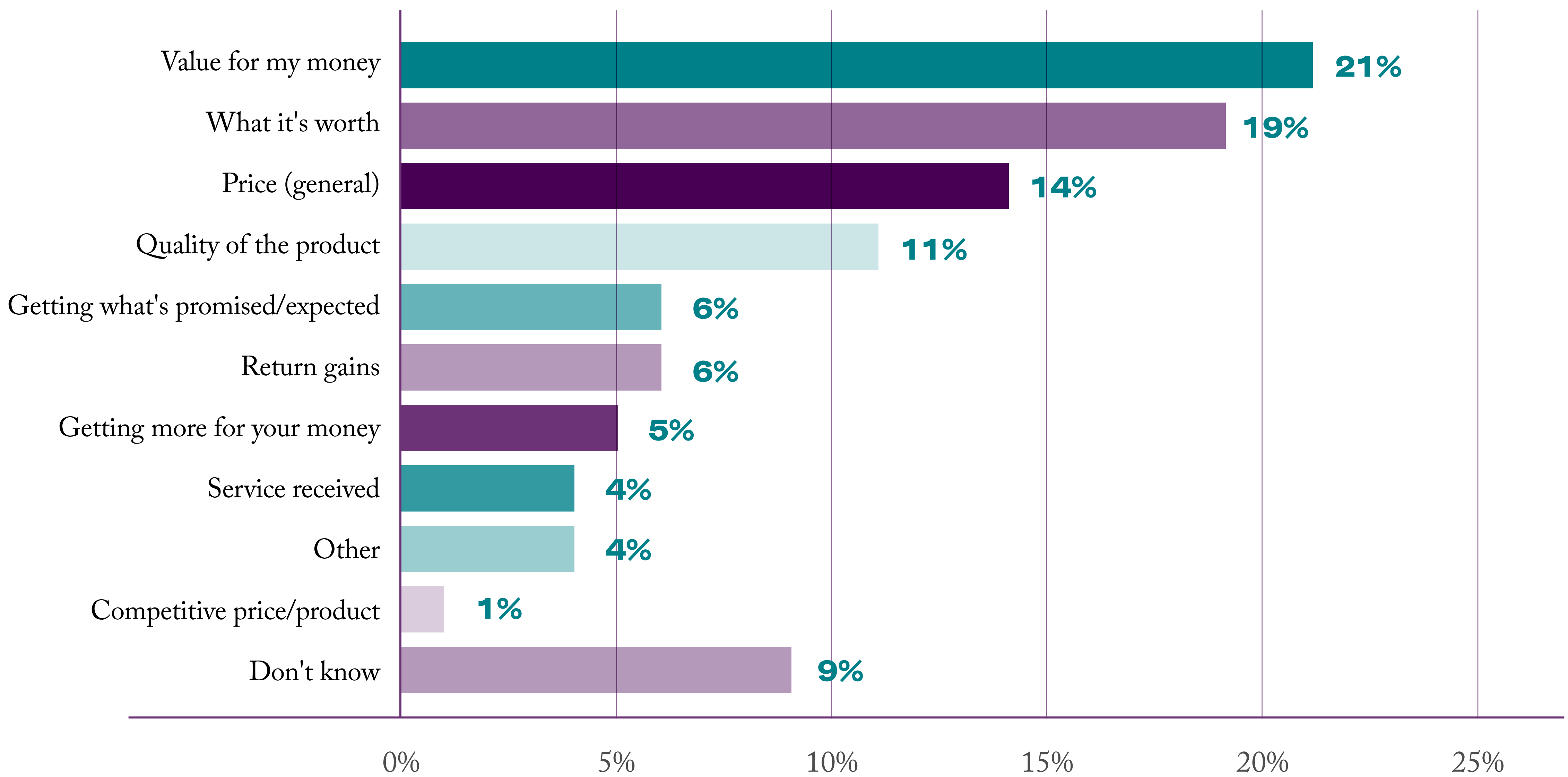
What do consumers value from advisers?

To start with, we wanted to understand what consumers value from advisers and financial advice. Advisers not only have a commercial interest in developing services that are attractive to consumers and meet their needs, but since the advent of Consumer Duty there is also the regulatory requirement to evidence fair value.

Our consumer research started by asking the following: "In your opinion, what do you think "value" is (in context of purchasing a product or service)?" This was deliberately set as an open question to avoid "leading the witness". We wanted to test how consumers might respond to this, and what would be in their minds.

As you'd expect we had a wide range of responses, which we've grouped into themes. A large number of consumers responded with something similar to the dictionary definition of value, highlighting the relationship between the price and the quality of the product. Some equated value to a competitive price, or "getting more for your money", and a noticeable 9% admitted to simply not knowing. All in all, this unprompted question serves as a reminder that value is subjective and is in the eye of the beholder.

Consumer research: In your opinion, what do you think "value" is (in context of purchasing a product or service)?



We asked our adviser research panel a similar open question, asking for their views as to what they believe consumers value when working with a financial adviser. Again, we've grouped the responses into themes, showing a mixture of attributes and skills that customers will value from their adviser.

Knowledge/expertise/adviser skill (e.g. actually giving advice, tax efficiency, etc.) – c40%

> "Someone who listens, asks what they want, trust, experience and knowledge… sense of humour…"

> "Wisdom, knowledge, experience and someone to sense check their plans and decisions. Someone to talk to and bounce ideas and plans off."

> "Someone to guide and point them in the right direction and guide them through big important decisions."

Peace of mind/reassurance – c35%

> "The peace of mind that they receive by having an expert in their corner. My clients tell me that having someone to talk to and knowing they have someone looking after their affairs is the thing they value most."

> "Some clients will put value on the fact that while they are successful people within their own field, they recognise financial planning isn't their area of expertise, so they're happy to have a team of trusted advisers behind them."

Trust – c33%

> Honesty, working with someone they trust, someone that listens. Education, having complex financial decisions simplified, taking the worry away

Forming a relationship/hand-holding/guardian – c33%

> The support that the adviser provides. Not the investment performance but the support and the help in life and investments.

> Someone they trust to come to for advice or use as a sounding board. In our most recent client survey (2021 - new one will be issued shortly), the thing they valued most was 'having a go-to person for my financial affairs'

> Being able to have their hands held, have financial issues explained and continuity of service, while not feeling ripped off.

It's not all about the holistic qualities though, around 10% believed investment performance was critical to clients.

> Results / good performance. If performance is good then the consumer is happy. Second to that, attentiveness and responsiveness.

> Personal and professional service… and fund performance of course!"

Next, having asked the open questions, we now wanted to test prompted responses. Again, for both consumers and advisers we asked respondents the same question, this time ranking aspects that they might value (or advisers think consumers value) from a financial adviser.

Consumer research: What do consumers value from a financial adviser, prompted & ranked

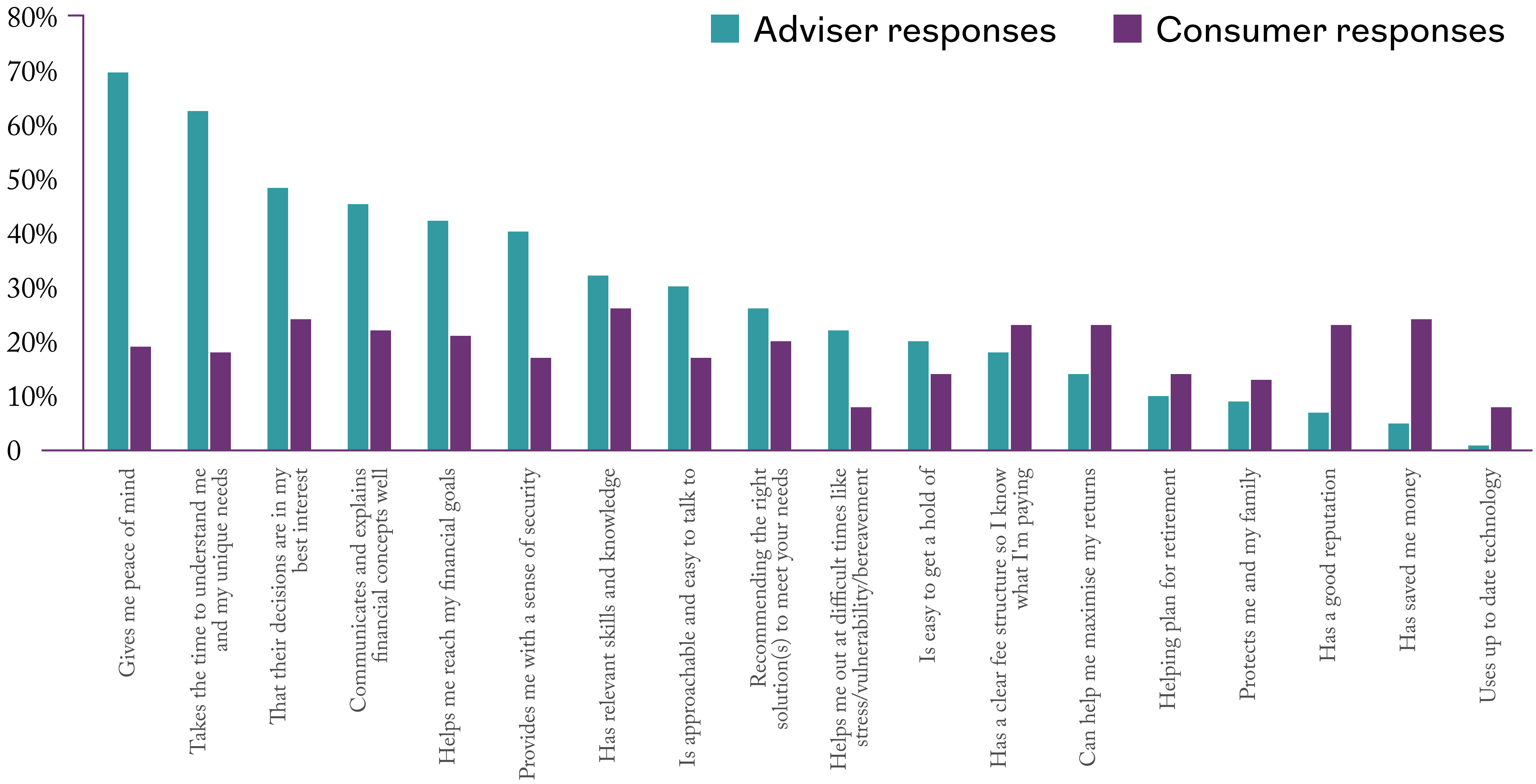
Aspects of consideration	Total	Gender	
		Male	Female
Has relevant skills and knowledge	26%	26%	25%
Has saved me money	24%	24%	24%
That their decisions are in my best interest	24%	25%	24%
Can help me maximize my returns	23%	24%	23%
Has a clear fee structure so I know what I'm paying for	23%	22%	24%
Has a good reputation	23%	22%	23%
Communicates and explains financial concepts well	22%	18%	25%
Helps me reach my financial goals	21%	22%	20%
Recommending the right solution(s) to meet your needs	20%	17%	23%
Gives me peace of mind	19%	17%	20%
Takes the time to understand me and my unique needs	18%	15%	20%
Provides me with a sense of security	17%	15%	19%
Is approachable and easy to talk to	17%	14%	21%
Is easy to get a hold of	14%	15%	14%
Helping plan for retirement	14%	16%	13%
Protects me and my family	13%	13%	14%
Helps me out at difficult times like stress/vulnerability/bereavement	8%	6%	9%
Uses up-to-date technology	8%	10%	5%

The above table shows the responses from the consumer research, asking all consumers - whether they have paid for advice or not - what they might value from working with a financial adviser. These findings are broadly consistent with the 2023 study. In last year's paper, “advice and recommendations are in my best interest” came out top, closely followed by “has relevant skills and knowledge”.

When we compare this with the adviser research (asking advisers what they think consumers value from advice) we can see some alignment between both cohorts but it is far from a perfect correlation.

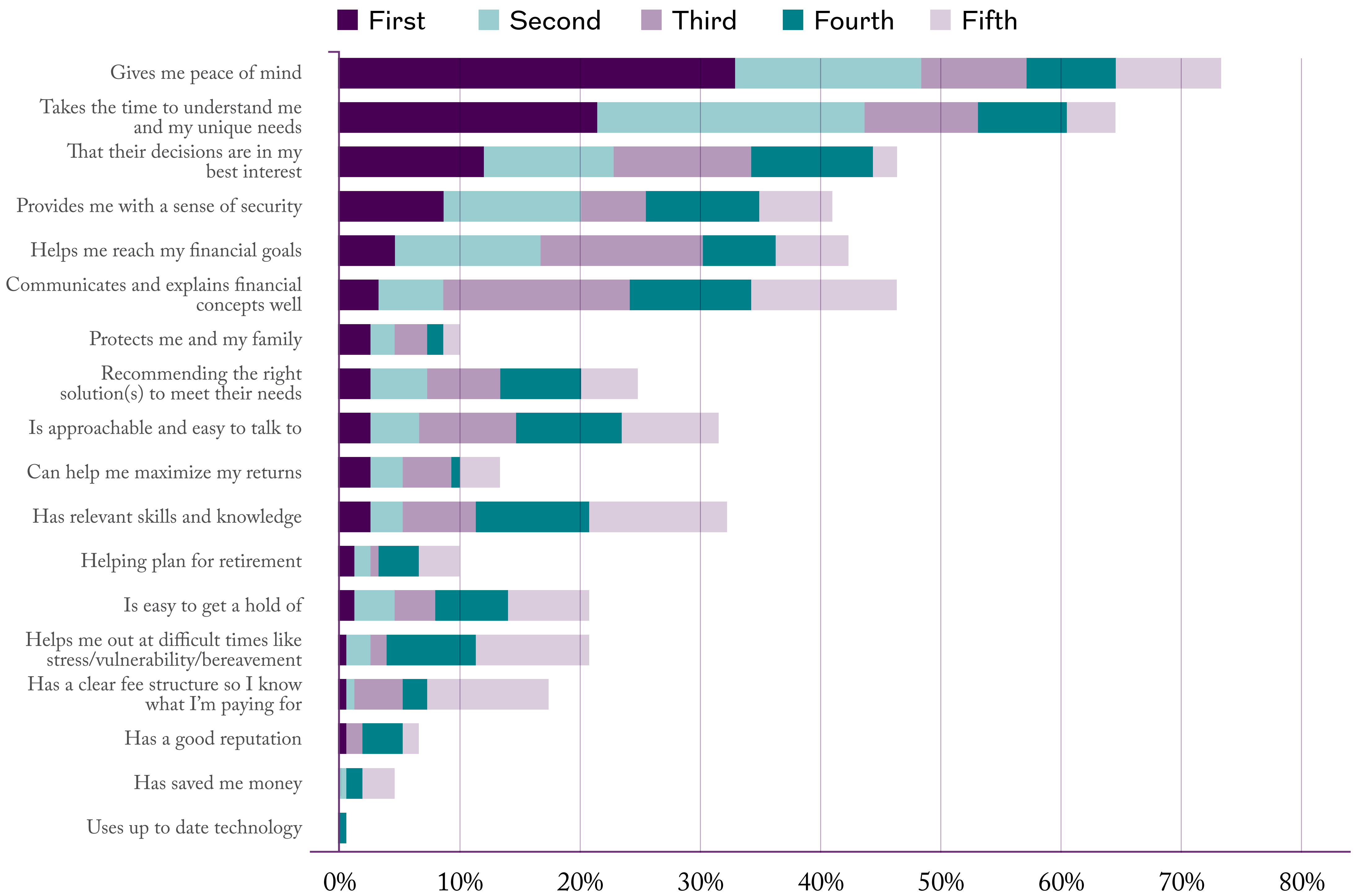
As you'd expect, advisers know how to meet customer needs and what they value. However, it is interesting to note that some of the tangible aspects, such as being able to maximise returns and demonstrate the right level of skills and knowledge, appear higher up on the consumer side. These aspects are important to consumers and need to be demonstrated before the softer intangible benefits of advice can be articulated.

What do advisers think consumers value from advice, alongside what consumers say they value.



Of course, advisers have to blend most of the aspects listed into one overall service proposition. Whilst all aspects play their own part, we wanted to understand what advisers feel are the most important aspects that consumers will value, so we asked them to rank them in order of importance. The ranking shows a strong focus on the softer aspects – ensuring peace of mind, taking time to understand the client's personal circumstances and providing the client with a sense of security.

Adviser research: Based on the five factors you think consumers value most, where 1 = the most important factor, please rank the level of importance of each factor



> Even at the first meeting, I always talk about peace of mind and being able to sleep at night. And that test is on both sides - I need to be able to sleep at night [knowing] that I've done the right thing, and I want clients to be able to sleep at night too. Because if they can't sleep, they'll let me know - which in turn, will make me lose sleep!

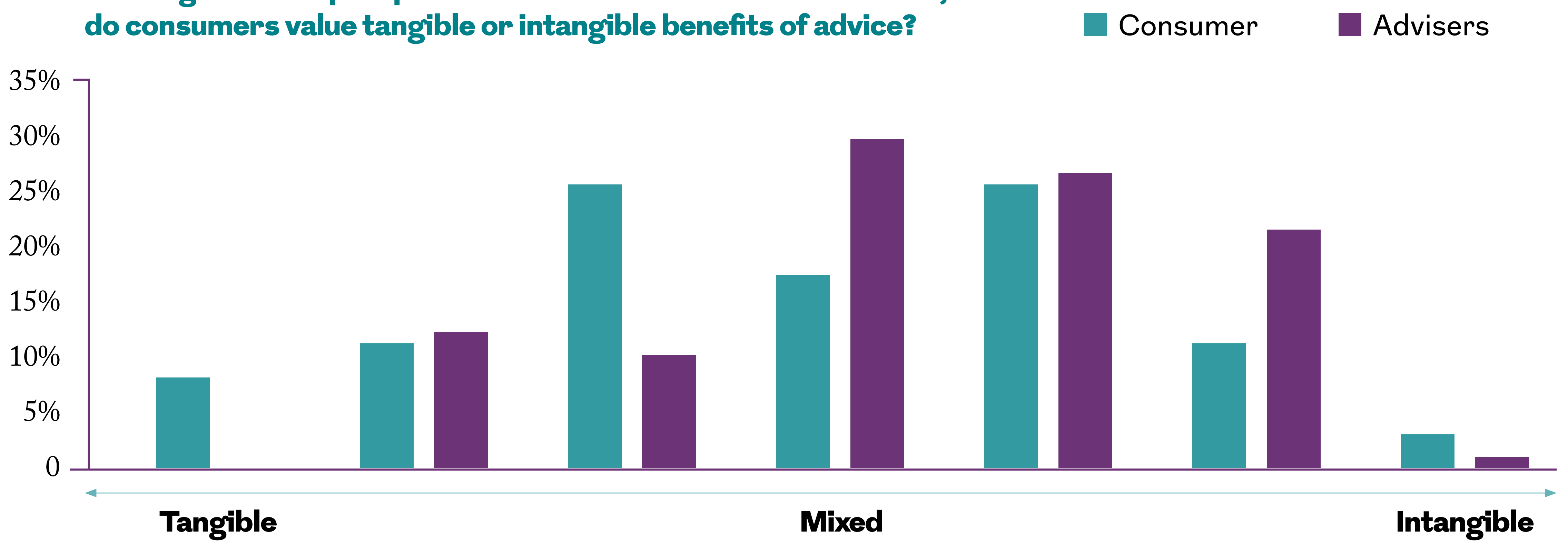
> I think peace of mind means clients don't have questions about money in the back of their minds the whole time. They don't need to think about it. And when they do see something that worries them, they know there's an answer within reach... They are reassured that somebody else is doing that thinking for them."

As we have seen previously, consumers value a combination of both tangible measures (such as investment returns and making money) alongside the intangible such as peace of mind and a sense of security. We wanted to explore this further, asking both consumers and advisers to imagine a scale. On the left-hand side are tangible benefits and on the right-hand side, the more intangible benefits. We asked consumers to place where they felt they sat on the scale in terms of their desired outcomes from the advice process. And we asked advice professionals to place where they felt consumers would place themselves on average.

Adviser v Consumer: Intangible v Tangible

The results below show that whilst advisers lean more towards the intangible side of the scale, believing consumers are likelier to place more weight in the intangible benefits of advice, the consumer research highlights a slight disconnect from this perception, illustrating a bigger spread of opinion, with the tangible benefits more at the forefront of customers' minds than one might have expected.

Looking from the perspective of both consumers and advisers, do consumers value tangible or intangible benefits of advice?



Consumers will make their decision on whether to use a financial adviser, and also which one to choose, based on a combination of these tangible and intangible measures, but also on some wider factors about the firm itself. We tested a number of these factors, with the results below showing some interesting findings. There is a clear preference amongst consumers for more goal and relationship-based advice, delivered by independent firms. Given the choice as part of the "how I pay for advice" question, consumers will also prefer to pay for the advice via a fixed fee.

Consumer research. Thinking about your relationship with your financial advice firm if you have one or imagining what you'd like were you to seek advice. How important do you feel the following factors would be when considering which financial advice firm to take advice from?

	That advice firm I use is fully independent, able to recommend products and services from the whole market versus one that recommends products and services from a more focused range	That advice firm I use is a small, local firm versus part of a bigger organisation	That I can pay for the advice with a fixed fee £ amount	That firm just focuses on my specific financial goal versus taking wider look at things like my relationship with money, my wider family needs	Whether you'd expect a close, ongoing relationship with your advice firm
NET: Important	73%	51%	74%	68%	63%
NET: Not important	14%	33%	12%	16%	19%

04

Do consumers value advice?

"We are really trying to get the fees linked to the work that we do – I think that's a very big way of ensuring value."

In this next section we explore what is arguably the most important dynamic of all, the relationship between customers and their advisers. We look at the reasons behind seeking advice, the role consumers expect their adviser to play, the resulting satisfaction levels and some related issues. Note, for all of the below unless otherwise stated the consumer research sample is consumers who have paid for advice in the last two years.

Consumer research. What did you want to get out of using a financial adviser when you first started using one?

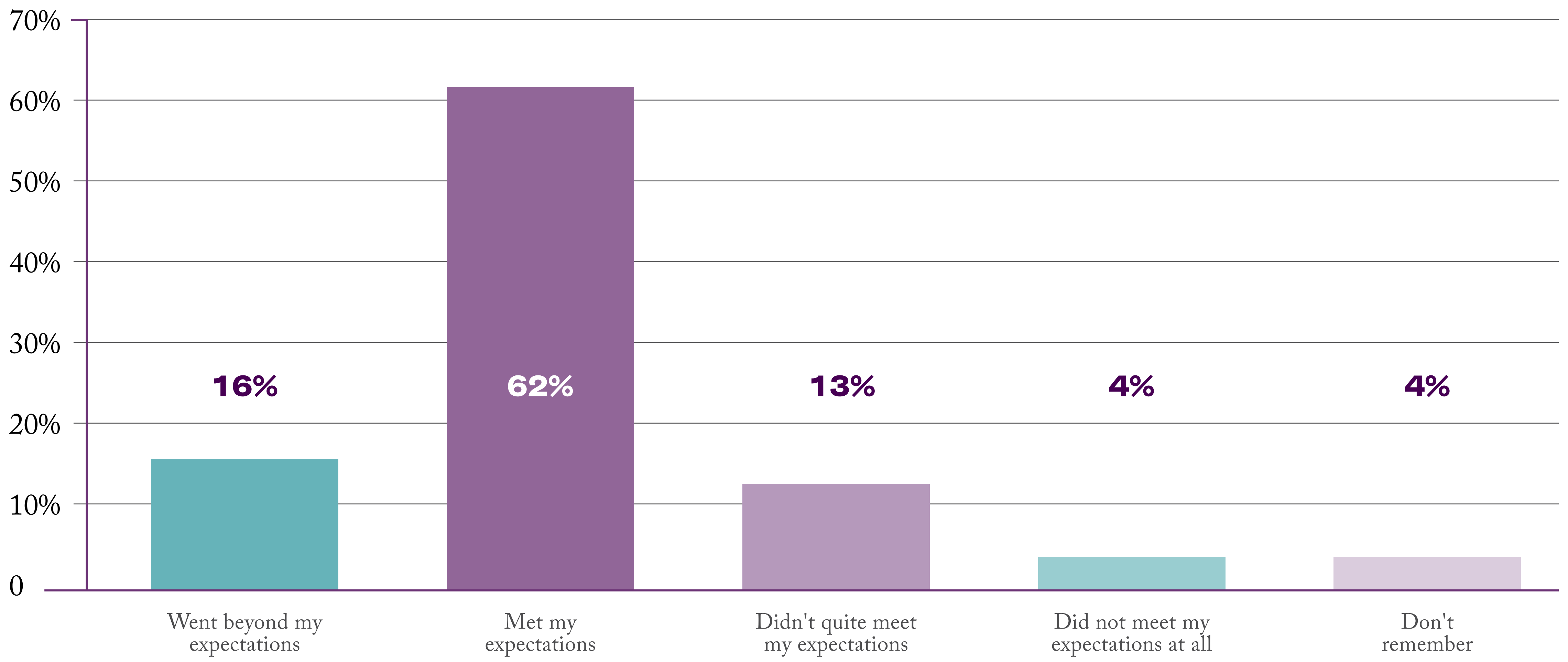
Consideration	Total
Meet my financial goals	32%
Just someone to help me when and where it is needed in terms of financial management only	29%
To help plan for my retirement	28%
Create a plan for my future	27%
For someone to trust	25%
Someone to help me make the difficult decisions	24%
To have someone understand my situation	24%
Help to sort out my finances	23%
Establish a long-term relationship with ongoing support	19%
Educational guidance on my finances and the financial market overall	18%
Other (please specify)	4%
None of the above	4%

First off, we probed at the desired outcomes at the point of customers starting out in their adviser relationship. We gave respondents a list of potential motivating factors and asked them to select the primary drivers. The results show a wide distribution of options, underlining that advice is sought for a number of different reasons.

Placing in first, third and fourth place respectively, meeting financial goals, planning for retirement and creating a plan for the future illustrate the more tangible, goal-based desired outcomes.

But factors such as trust, having someone to help make difficult decisions and having someone understanding their situation, were each selected by at least one in four consumers. This shows that the modern advice relationship is often just as much rooted in psychology as it is in the more traditional, product-centred activities.

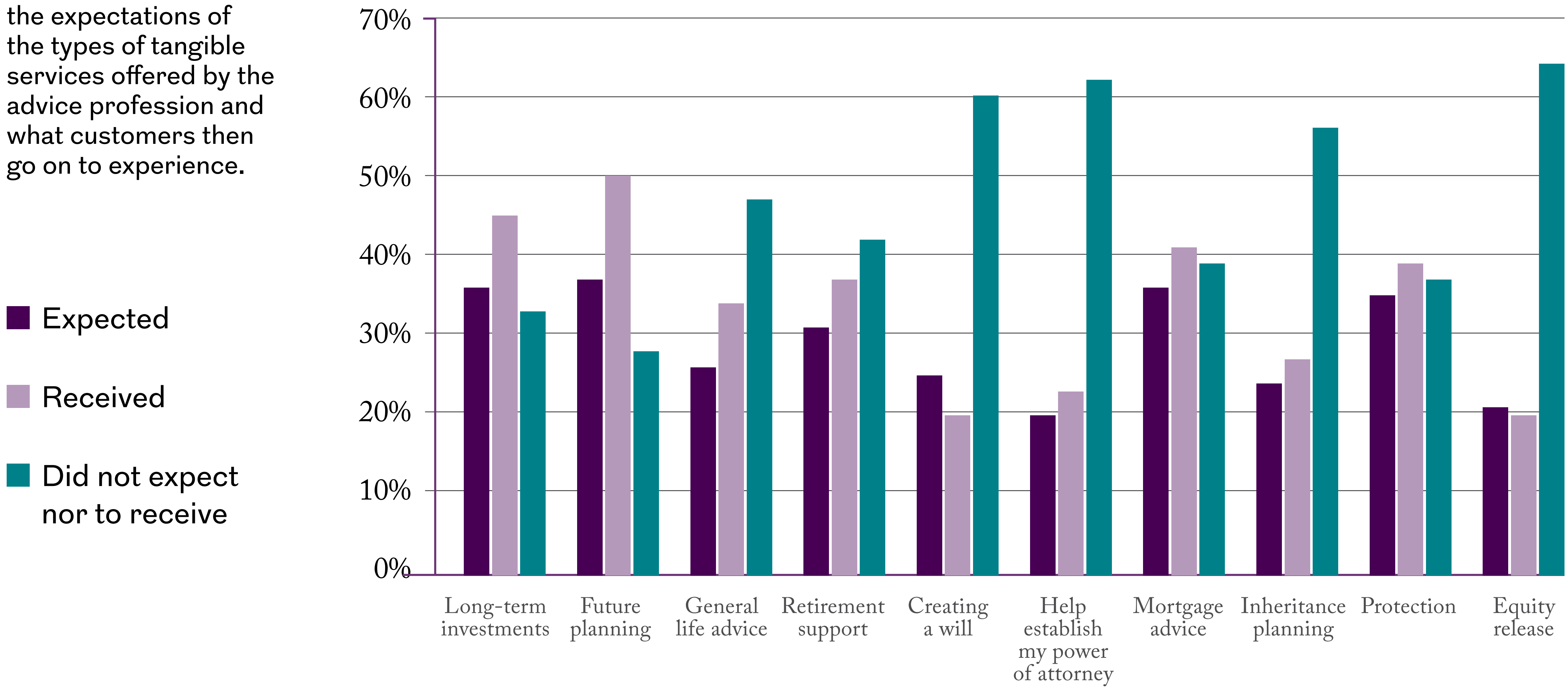
Consumer research. From your overall experience with your financial adviser, do you feel that the advice you received met your expectations?



Next, we looked at the extent to which customers' experience of their advice met their expectations. At a glance we can see that this provided a good endorsement for the advice sector, as over three-quarters concurred with meeting or exceeding expectations, and crucially, only one in 25 stated definitively that their experience of advice did not meet their expectations at all.

Then we looked at whether there are disconnects between the expectations of the types of tangible services offered by the advice profession and what customers then go on to experience.

Consumer research. What service offerings did you expect to be offered versus what offerings were actually provided from your financial adviser?



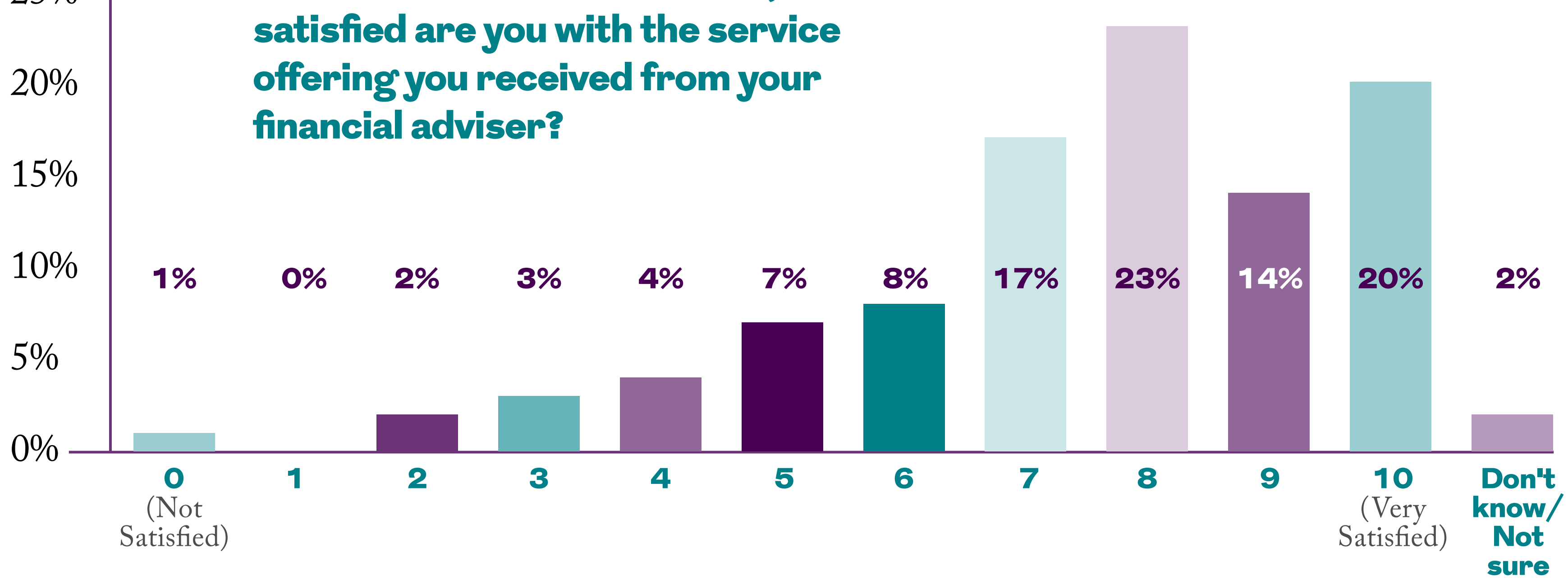
There are three distinct points to draw out here:

1. There are no significant negative gaps between the services customers expected to receive going into an advice relationship and what they reported as experiencing, with only equity release, power of attorney and will creation showing a minor gap. However, we know that most advice firms will have trusted referral arrangements in place should the need arise.

2. Services like future planning and general life advice report a positive gap between expectation and experience – suggesting that some consumers enter the advice relationship with a specific need but then go on to experience a wider, more holistic advice experience.

3. And perhaps most important point of all can be detailed in the next question, where we probed at overall satisfaction levels experienced.

Consumer research. Overall, how satisfied are you with the service offering you received from your financial adviser?



Yes, there may be gaps and disconnects between the expected and experienced service menu, but a more important metric is whether customers then go on to be satisfied with their services. Here we see well over three-quarters (74% rating 7 and above) reporting good to high satisfaction levels with the core service offering from their financial adviser.

With fees and charges being such a tangible component part of any discussion around fair value and value for money, it was incumbent on us to also probe customer understanding of their fees.

Again, the data paints a broadly positive view, with nearly three-quarters of consumers identifying as having a good understanding of their fee levels. Given that in a survey environment it's unlikely that a customer will have their latest fees and disclosure details to hand, it's encouraging that so many identify as having such a good understanding.

Consumer research. Overall, how satisfied are you with the way you are charged?

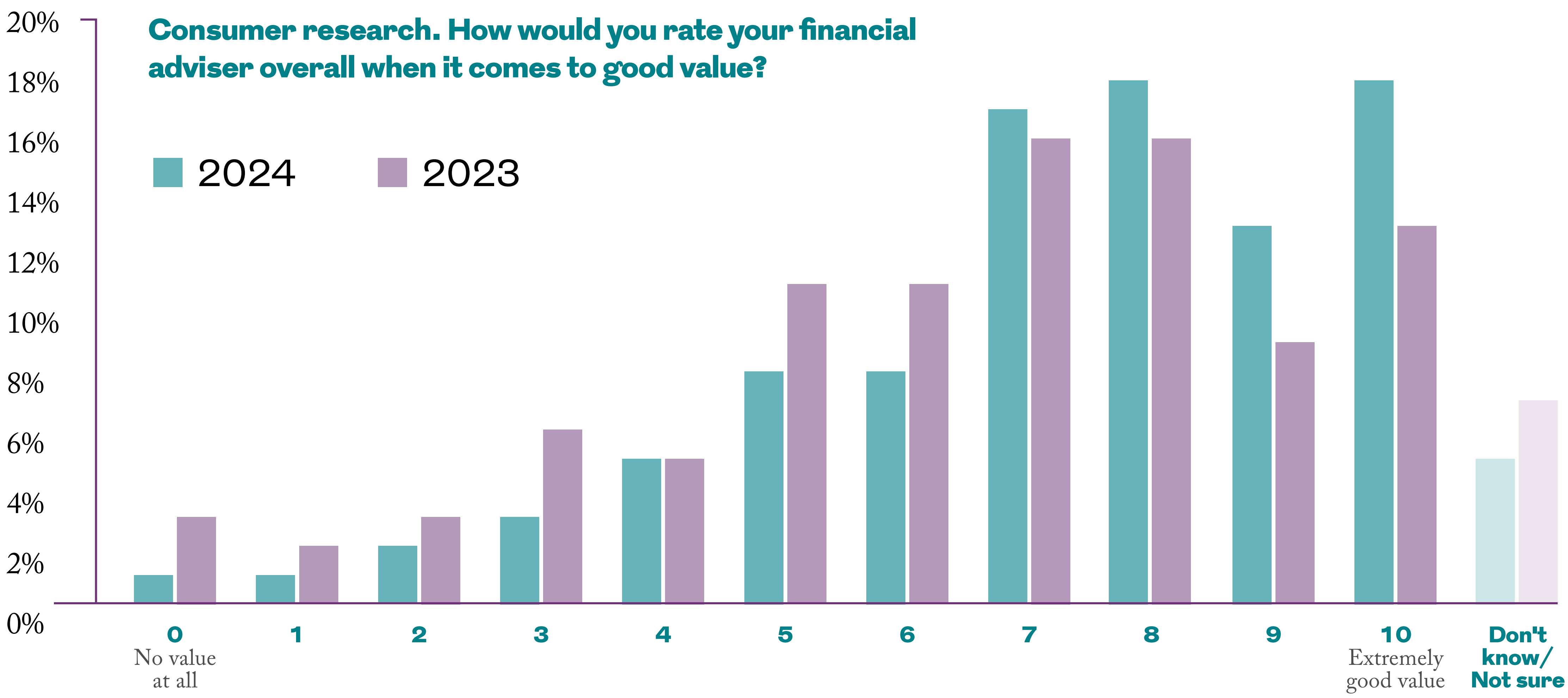
We looked at fees and charges again in a further question but from a different perspective. Here we focused on examining satisfaction levels with the way consumers are charged. Firstly, we would expect satisfaction levels to be more moderate than in other metrics – after all, do any of us actively enjoy being charged for anything? Despite this, again, the picture is broadly positive, with the majority reporting fair or good satisfaction levels. With fees and charges often a delicate and emotive subject for so many, this feels like a good reflection of the advice profession.

The pattern does change, albeit relatively moderately, at the highest age band. The most obvious explanation is that planning needs are naturally more complex here with more at stake. Fee levels are likely to be higher as a result. Arguably of more concern in this demographic is the one-in-ten who report that they don't know, hinting at a lack of clarity on the mechanics of how fees and charges operate – entirely at odds with industry efforts. With the 55+ demographic being at the very core of financial planning in the UK, this is certainly a data point to watch in future studies.

We close this section looking at two questions at the very core of this study.

- How do consumers rate their adviser when it comes to overall good value?
- And how do they rate some of the underlying component parts?

Consumer research. How would you rate your financial adviser overall when it comes to good value?

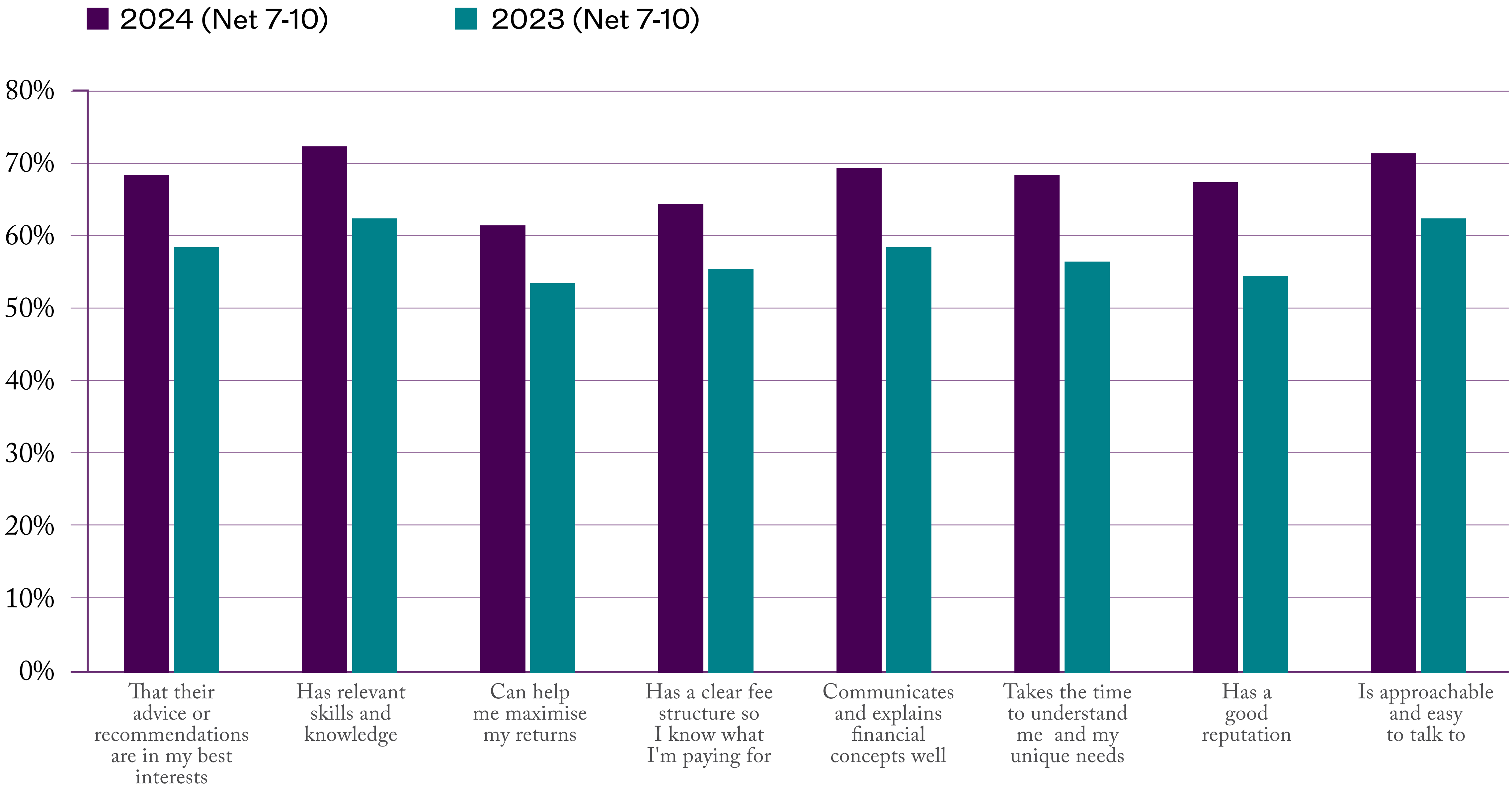


Again, we can see above that the data is hugely encouraging. At a high level, we can observe that overall, value judgements are significantly up year on year. In 2024, two-thirds report ratings of 7 and above compared to 54% in 2023.

As with the fee question, this pattern does change when we look at it by age bracket, with the 55+ age cohort being the least likely to award 9 or 10 out 10 marks for value. Whilst almost two thirds of those 55 and over are awarding mark of 7 and above, for most advice firms this is their core customer base so perhaps leaves room for improvement.

Overall these results paint a hugely encouraging picture for the advice profession. And especially so when we look at the attributes contributing to the overall score, and how these compare to the 2023 study.

Consumer research. Based on your current experience with your financial adviser, please rate how satisfied you are with each of the following factors



Encouragingly, all the metrics show levels of increased satisfaction compared to wave 1 of the study in Autumn 2023. Whether it's tangible metrics relating to advice, expertise and knowledge, or softer skills like communication or approachability, an uptick in ratings across all factors is a positive reflection of the advice profession. One that will be viewed by some as an endorsement of the early effects of Consumer Duty on the sector.

> **I find it very rewarding when we get positive feedback from clients. I don't think we make enough of it. Also, sharing those testimonials within the business. It's really good for the morale of the team when we hear that, and it's good to hear our clients are happy."**

> **We send out client questionnaires, and the results are always very positive. My clients always seem very happy, and I know we produce good outcomes for people.**

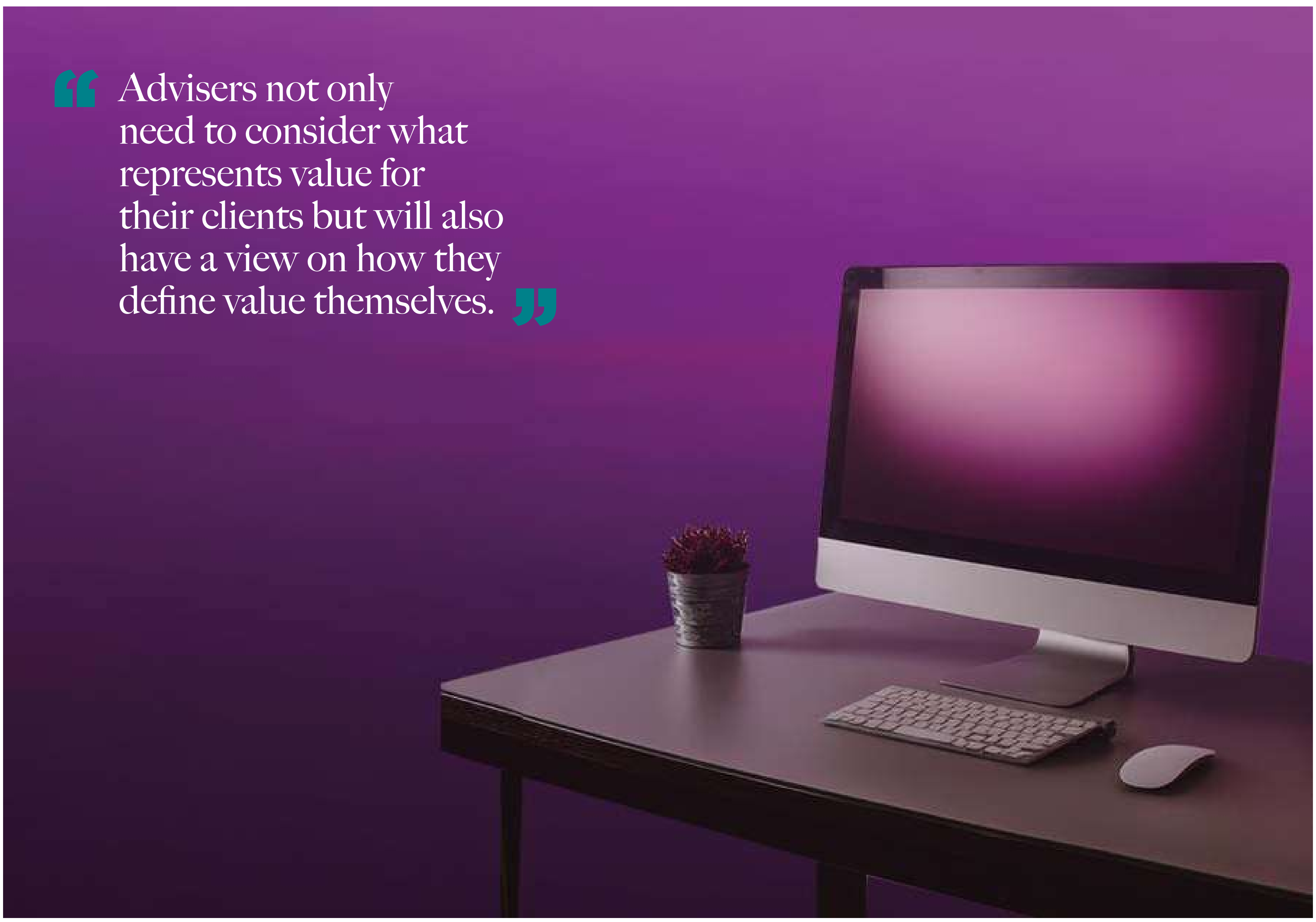
05

What do consumers value from providers?

> "The way someone judges the value of their financial adviser is likely to be different to the way they assess their providers."

Having looked at what consumers value from their financial adviser, it is time to explore their relationships with financial services providers. As everyone knows, an individual's value judgement is not only subjective, but also contextual. The way someone judges the value of their financial adviser is likely to be different to the way they assess their providers.

As with the first section, we've used a mixture of consumer and adviser research, allowing us to compare and contrast views from both cohorts. Advisers not only need to consider what represents value for their clients but will also have a view on how they define value themselves. This dual role is especially important for providers to understand, as they look to serve both the adviser and their clients. First up, we asked consumers what they would value from a financial services provider.



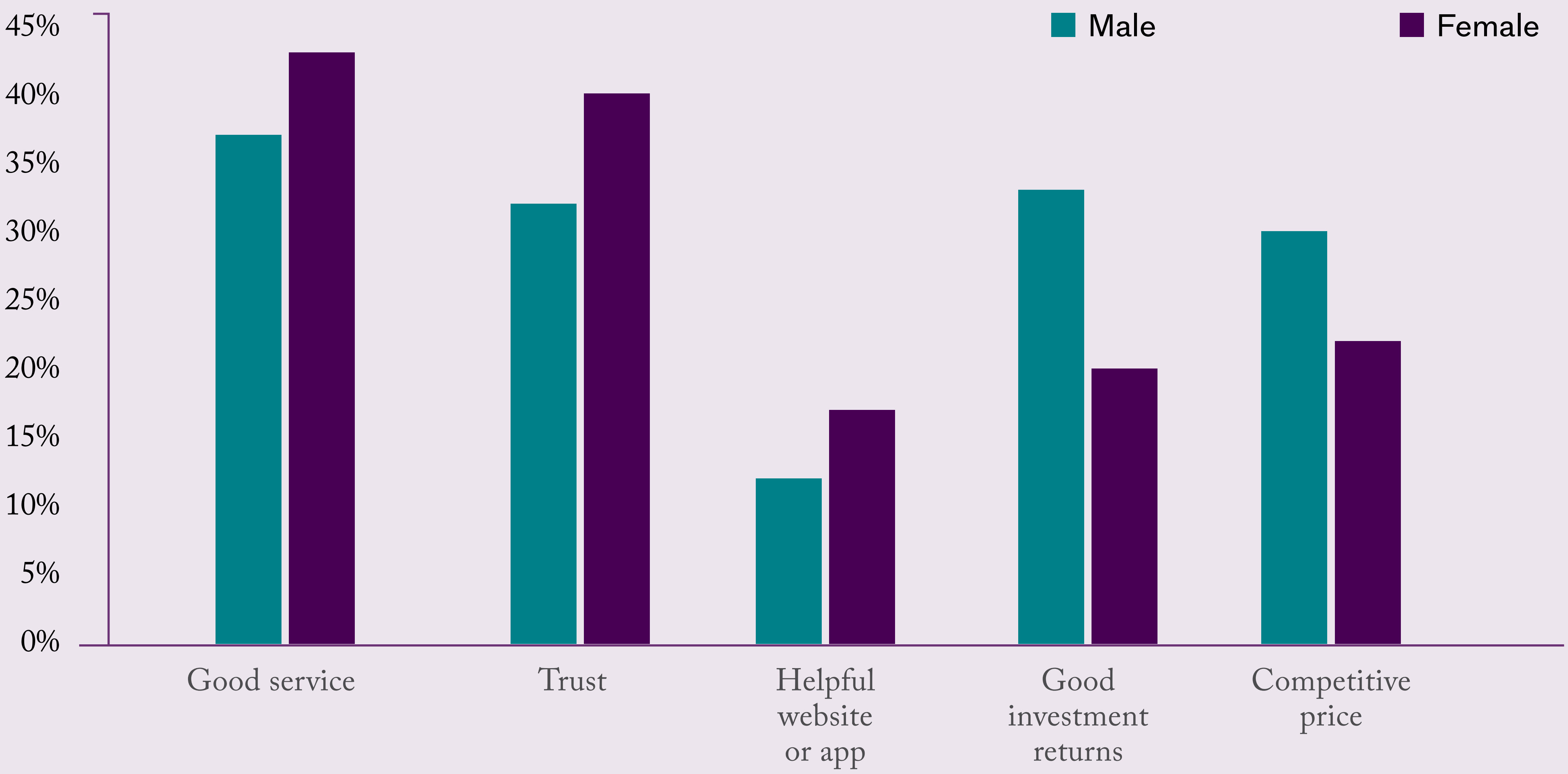
> "Advisers not only need to consider what represents value for their clients but will also have a view on how they define value themselves."

Consumer research. We've listed some factors that we think you might value from financial products and services below. Please select the three most important factors to you

Aspects of consideration	Total	Gender	
		Male	Female
Good service	40%	37%	43%
Trust	36%	32%	40%
Good investment returns	26%	33%	20%
Competitive price	26%	30%	22%
Sense of financial security	25%	23%	27%
Rewards for loyalty	18%	16%	19%
Helpful website or app	15%	12%	17%
Expertise	14%	13%	15%
Financial strength	14%	15%	13%
Help to achieve financial goals	10%	10%	10%
Clear website information	10%	9%	10%
A well-known brand	10%	10%	10%
Being able to contact the company by phone	10%	8%	11%
In it for the long term	6%	7%	5%
The providers' approach to environmental issues	4%	5%	4%
Guidance tools and calculators	4%	4%	5%
Other (please specify)	1%	1%	1%
None of the above	5%	5%	4%

These results are very similar to the findings from the 2023 study where good service, investment returns and a competitive priced formed the top 3. Exploring these consumer results in more detail, we can see some noticeable gender splits emerging. Male respondents are more focused on good investment returns and more likely to be price sensitive, whereas good service and a sense of trust are more important for females.

Factors from financial products: Difference between male and female

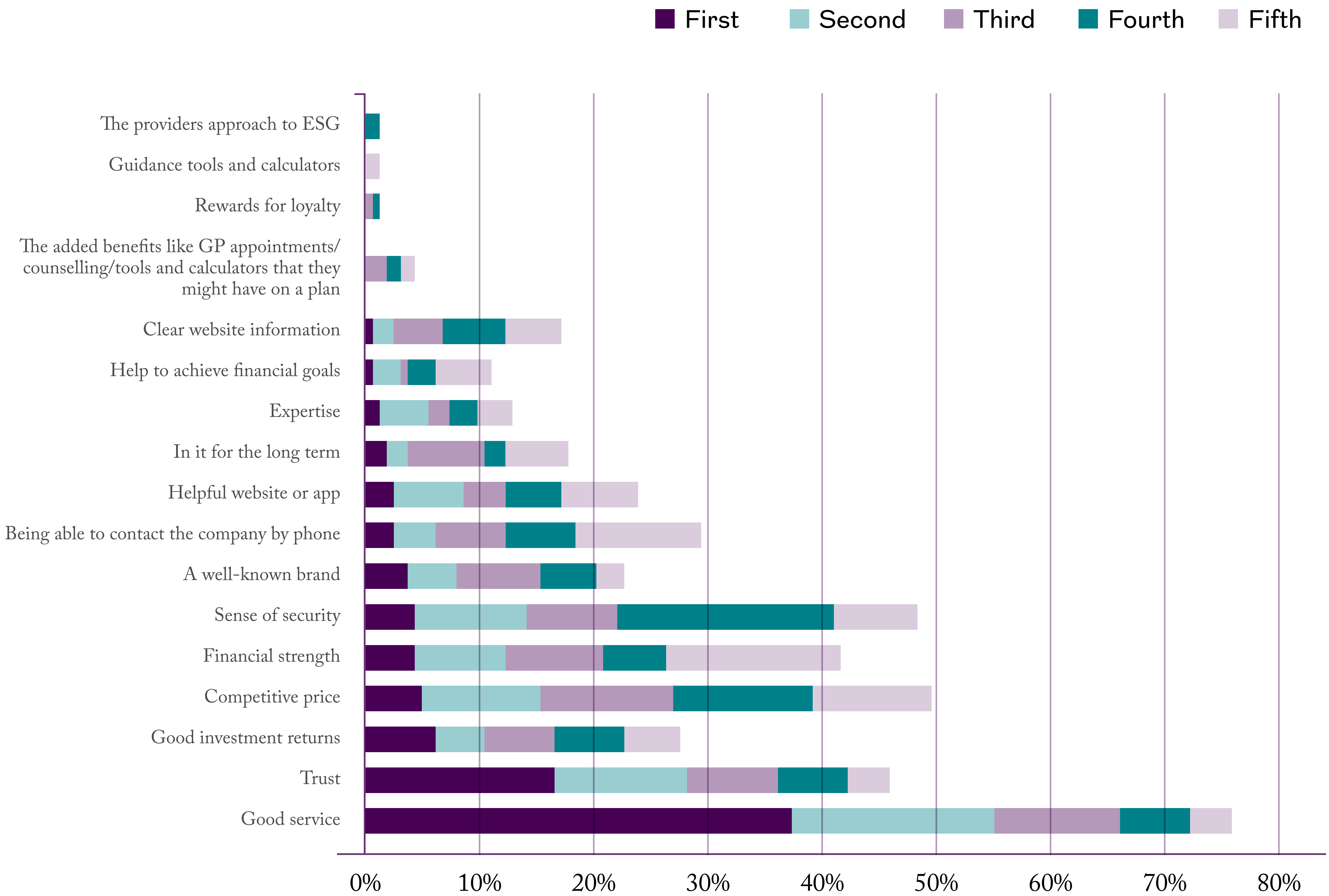


When we compare the consumer and adviser responses side by side we find a strong alignment of views, with the importance of service shining through strongly. Both the adviser and consumer responses identified the same top 4 aspects. Consumers want good service, from a provider they can trust, with good investment returns all at a competitive price.

The importance of good service from providers comes through loud and clear in these results. 87% of advisers felt it was the most important aspect when selecting a provider on behalf of their clients, and amongst the 55+ age brackets the consumer research shows almost half of consumers (48%) identify good service as the most important factor, compared to 40% for all age groups.

In the same way that need to blend different value aspects to create a compelling advice proposition, they need to combine the different features when recommending providers for clients to use. We asked advisers to rank these aspects in order of importance, with the results again emphasising the importance of good service.

Adviser research. We've listed some factors that consumers might value below. Please select the TOP 5 aspects that you think are most important to consumers



Looking at the adviser verbatim responses a number of other themes emerge, providing further insight into what "good service" actually means.

Clarity – c24%

> "...Clear uncomplicated documents and communication..."

> "...Clear communication is not hard, but is a huge failing by product providers. They get bogged down in jargon and make things so much harder than they need to be which is why consumers often then seek advice on how to navigate it."

Good functionality and admin stuff – c20%

> "Performance (both investment, where relevant, and admin) and price."

> "Efficiency and speed of admin - doing things when they say they will."

> "Decent online functionality."

> "A good app, processing time of accessing PCLS/Income etc."

> "My clients have no need to contact the providers directly, so they won't value customer service too highly. They also aren't able to compare platforms. They just want something that looks good."

Efficiency – c20%

> Efficiency of paying out/ investing new funds etc."

> Speed and ease of making transactions.

> Websites that work, phones answered promptly and decent admin. None of which are consistently delivered, which suits us because we make some of our money by delivering those things.

In their responses, 10% of advisers felt that consumers have no relationship with the provider. All work is conducted via the adviser, therefore they don't need to think about what they would value from them.

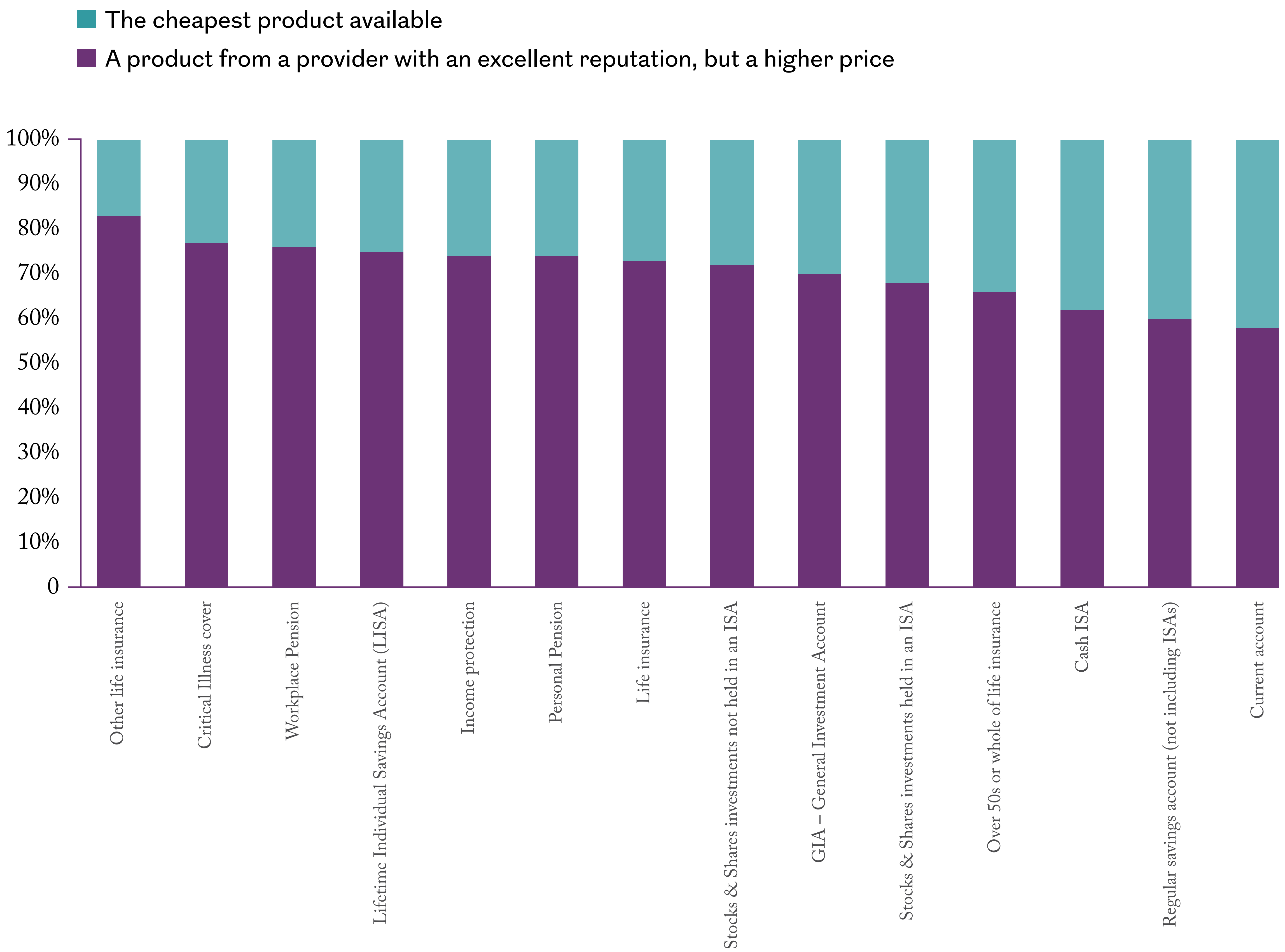
> I tend to think that clients working with an adviser have little or no connection with the product provider, and no natural affiliation.

> I am not sure advised clients care that much if they trust their provider(?).

> Providers are very commoditised in the mind of financial planning clients. Most clients have no interest in what platform and funds they are in. They want fair prices relative to competitors and products that do what they say they do. But they also rely heavily on their adviser to make that assessment of value for them.

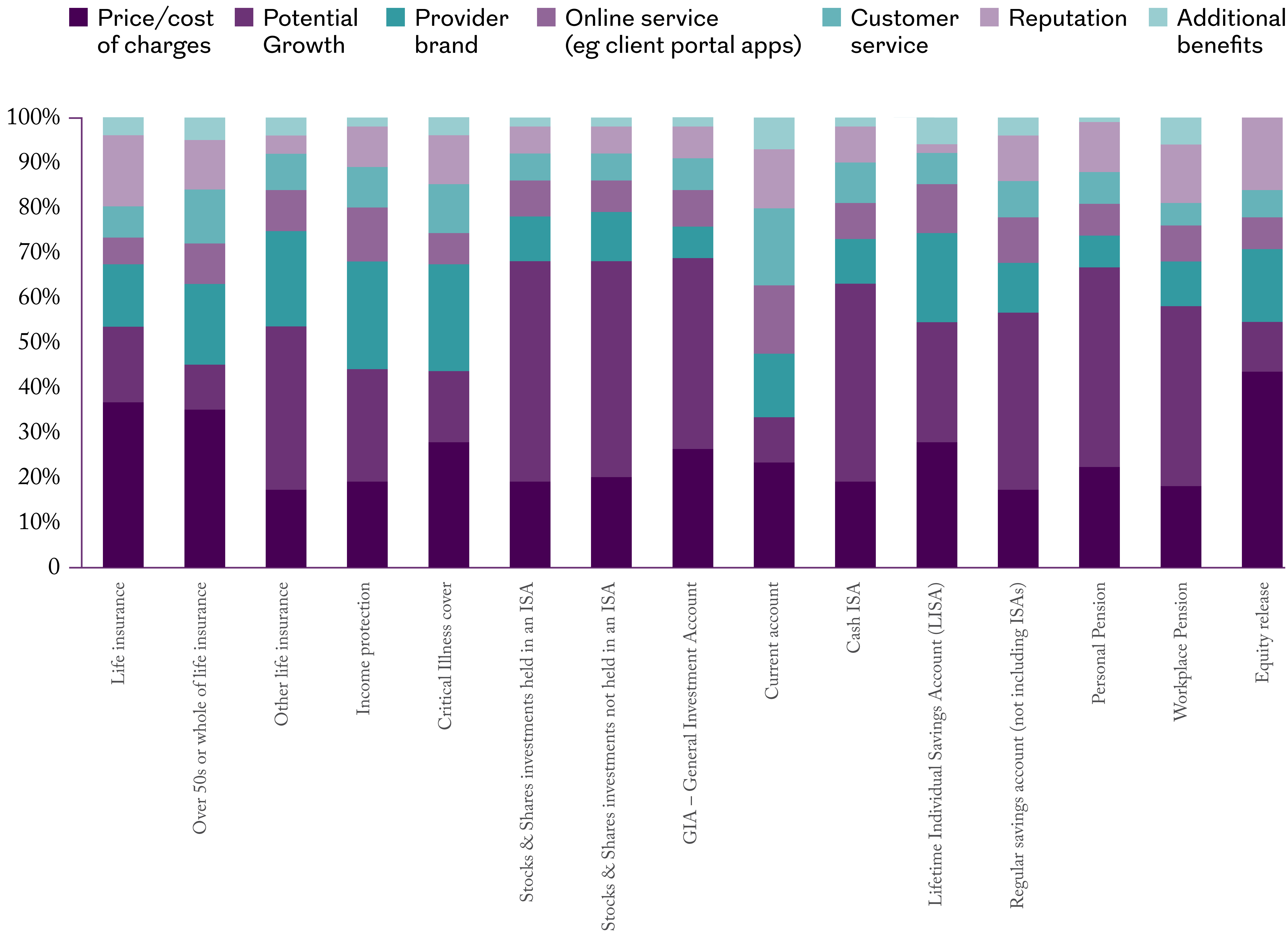
As we said before, consumer value judgements are contextual. Consumers will make different judgements for each individual product or service they are purchasing. Within financial services, we wanted to understand how this balance might play out, and whether consumers would prefer the cheapest possible product, or a product from a provider with an excellent reputation, but at a higher price.

Consumer research: If you were selecting a financial services product, which one of the following would you be most likely to select?



Looking at the results above, we can see that consumers are more likely to be price sensitive for day-to-day personal finance products such as a current account and regular savings. Whereas for more infrequent purchases such as life insurance and pensions, price is less important, and other factors such as potential growth and the provider's brand come into play. These factors can be seen below.

Consumer research: For each of the financial services products that you have, what would you say was the most important factor influencing your decision to choose that product?



06

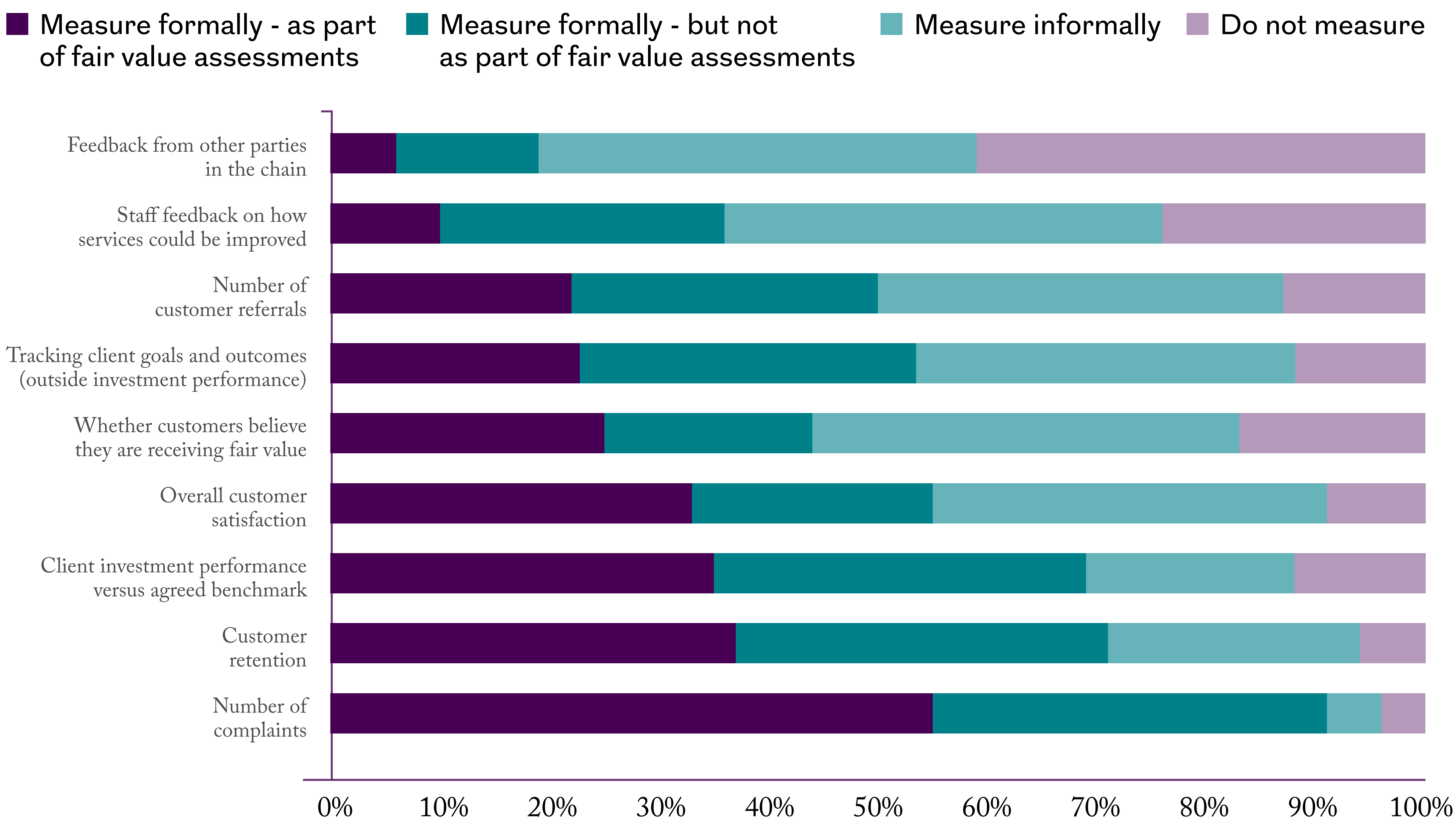
Measuring value

> "A lack of clear guidance from the regulator, as well as a lack of resources to tackle the issue, came up as frequent themes."

For this section we are predominantly looking at our adviser research, focusing on how firms are measuring and evidencing value. This is a topic that has come under regulatory scrutiny recently with the introduction of the Consumer Duty, creating the requirement for all firms to annually assess their products and/or services to ensure they represent fair value. In this section we'll explore how firms are approaching this challenge, and how these assessments impact their conversations and regular reviews with their clients.

First, we asked our adviser cohort which of the following data items are measured, and whether those measures are formal or informal and/or included within their fair value assessments. These data items form part of the FCA's own finalised guidance for Consumer Duty. [1]

Adviser research. Which of the following do you measure?



Looking at the results, we can see a trend towards formal measures of tangible aspects of the client relationship, such as number of complaints, customer retention and investment performance. However, the softer measures such as customer satisfaction, tracking goals and outcomes and whether customers believe they are receiving fair value are proving more challenging to measure.

When we spoke with advisers as part of this research exercise, advisers from smaller firms all cited difficulties in measuring and evidencing fair value in a manner that they perceive the FCA requires. In particular, a lack of clear guidance from the regulator, as well as a lack of resources to tackle the issue, came up as frequent themes. If we look at the differences between large (over £250m AUA) and smaller firms in our research, we can see some clear differences. Larger firms are more likely to measure most aspects formally as part of fair value assessments; smaller firms are more likely to do this informally.

[1] Source 11.33 **https://www.fca.org.uk/publication/finalised-guidance/fg22-5.pdf**

"You can't just **measure value** in terms of time spent or what you're charging. But if you haven't any idea of that, I think it's **very hard to quantify** because you haven't got anything to measure against."

"We use investment performance, annual allowances, tax saved etc to help **demonstrate value**, but it's not the main focus. We send a "consumer duty questionnaire" asking about **satisfaction** etc after review meeting. Client isn't sat with the adviser then, so doesn't feel pressure to be polite."

"Measuring and evidencing **intangible measures of value** is doable, but uses up a lot of capacity. Seems to be pitched towards larger firms with larger resources. **We want to do it**, but it's hard to do it objectively in a time efficient manner."

The importance of investment performance

The relative importance of investment performance as part of a fair value assessment is an area that has sparked much debate over recent years. 35% of firms in our survey include this as a formal measure within their own assessments, rising to 54% for larger firms.

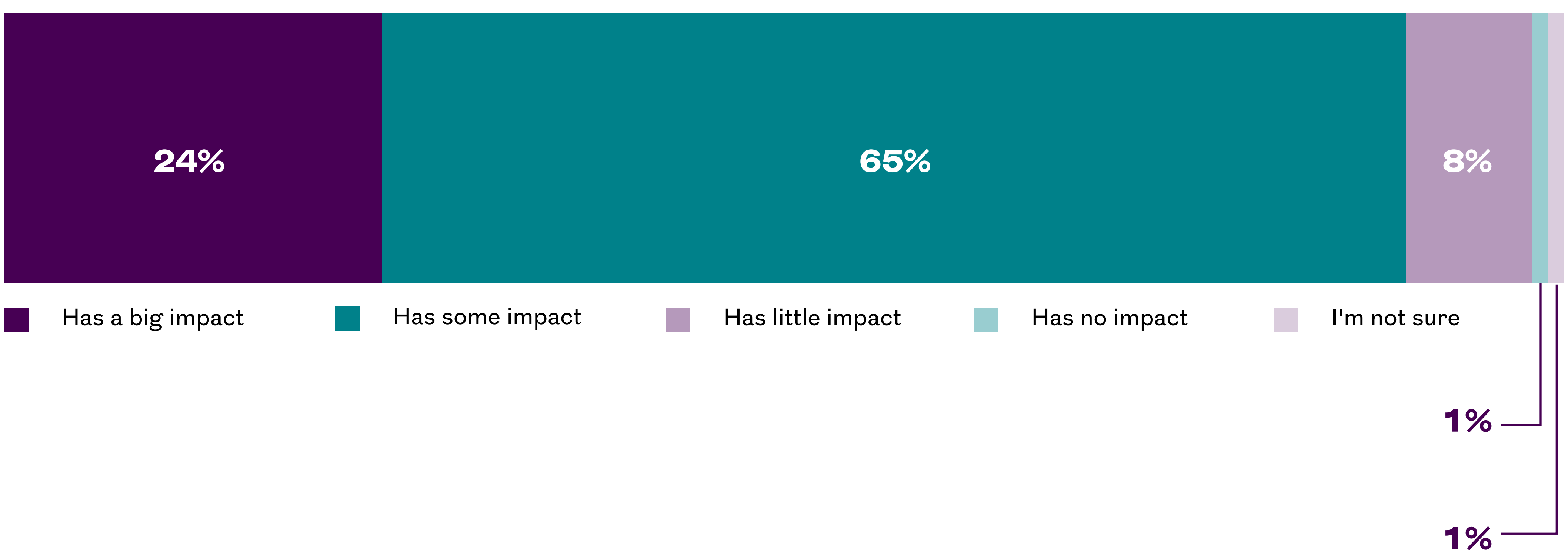
As part of the consumer research, we asked consumers who have paid for advice how important investment performance is for them when considering the value of their relationship with their adviser. 45% said it is the most important factor, but with quite a significant disparity between male and female respondents.

Consumer research: How important is the investment performance to you when considering the overall value for money?

Aspects of consideration	Total	Gender	
		Male	Female
It is the most important factor	45%	50%	38%
It is important, but not the most important factor	31%	29%	34%
It is a consideration, but not hugely important	17%	16%	18%
Investment performance can't be predicted, so it is not important to me at all	7%	5%	10%

When we asked advisers a similar question, investment performance is seen to have some impact but isn't the most important aspect that clients will consider.

Adviser research: To what extent does investment performance impact customer perceptions of the value that the advice profession adds?



Every client is different, so they value things in different proportions. We've got some clients who are very pounds, shillings and pence value oriented. If we can save them some income tax or some inheritance tax or whatever, then that really appeals.

For others, it's peace of mind, and knowing they are comfortable. Being able to say to them they can afford to retire, or give money away, or that they can retire while they're young enough to actively do stuff is really important to them. That kind of peace of mind is huge."

Portfolio performance is important, but in [the] right context. We are making sure that money is growing, but in a safe way. Focusing on goals, and then ensuring that [the] client is allocated appropriately as to when the money is needed is [the] most important thing.

The debate on planning vs investment management is too binary. Need to strike the right balance. Ultimately we need to make the clients money and to ensure they achieve their goals.

Consumer vulnerability

The Consumer Duty requirement for all firms to ensure their products or services represent fair value requires additional steps to be taken for customers facing vulnerable circumstances. Given the FCA's current work in this space, we wanted to understand how advisers feel the issue of vulnerability impacts the topic of fair value.

Some respondents believe it should have no impact on fair value, as vulnerable customers shouldn't need the extra attention. Clients are assumed to be vulnerable and then service adapted accordingly.

> **It shouldn't – everyone should be treated the same.**

> **The focus is to ensure vulnerable clients don't get less than the same good value other clients get, rather than delivering better value.**

> **I don't think it does much, we try and treat all our clients the same when it comes to fair value, and each client is assessed on their own merits for vulnerability.**

Conversely, others believe it will have a big impact on the overall value, with clients in vulnerable circumstances likely to need additional support at key moments.

> **Vulnerability has a major impact on fair value as we have more work to do and we are paid less in terms of extra hours ensuring we cover all aspects of vulnerability.**

> **Huge impact, as arguably it is when we are needed most. Essential that clients understand what is being done and why. I meet with clients or check in every other week if they are regarded as vulnerable. This is less about financial circumstances and more about personal circumstances when they are in a vulnerable state.**

> **Vulnerable clients are more likely to see fair value from the things that are impacted by their vulnerability; safety, security and peace of mind.**

> **Everyone is unique – empathy, sensitivity and objectivity are essential and especially so for those with vulnerabilities.**

> “If you treat ALL customers fairly then it doesn't impact fair value as they all get fair value, sometimes those who are vulnerable just get more fair value due to the extra time spent with them.”

There was focus on the intangible benefits that customers in vulnerable circumstances will benefit from, however these benefits are often difficult to evidence and measure.

> When a client is vulnerable it is important to ensure they have what they need at a cost that is reasonable, and not necessarily based on the amount of time given to that client.

> Value is subjective and very difficult to measure, hence why the whole concept of 'fair value' is flawed, especially when we are asked to mark our own homework!

However, some respondents think it is just more unnecessary regulation.

> More nonsense from CD - if an adviser wasn't adapting for vulnerable clients before CD, then why hasn't the FCA struck them off?!! I can see that in certain circumstances there may be a higher cost of advice delivery for vulnerable clients so what might seem 'expensive' for a non vulnerable client may be fair value for a vulnerable client who has additional needs which create a real cost to an adviser.

> I feel like the issue of vulnerability has been taken way too far. Of course we flex our advice and approach to respond to the individual needs and communication style that works best for the client. We really care for the people we work with, and the elderly and most vulnerable clients in particular. I think having empathy, demonstrating true care, and a genuine passion for them getting great outcomes is all incredibly valuable, as there are many unscrupulous advisers out there that would not take this approach. However, some of the steps being put into place to address vulnerability and potential vulnerability seem way OTT.

07

Conclusions

“All of the underlying metrics contributing to these value judgments are also showing a year-on-year increase.”

Conclusions

Twelve months ago, when the first edition of this study was completed, we were a few months into the post-Consumer Duty world. Back then we found the inevitable teething problems with the initial implementation, but we also saw some positive signs. 37% of advice firms had changed their fee structures as a result of completing their fair value assessments, and over two thirds (68%) of respondents said these assessments had been a worthwhile exercise.

A year later we find further positive signs within the advice profession. Consumers paying for advice say they are increasingly receiving good or excellent value for money. In 2024, two-thirds of consumers who have paid for advice report value ratings of 7 and above compared to 54% in 2023. All of the underlying metrics contributing to these value judgments are also showing a year-on-year increase. It is too early to directly attribute these improvements to the changes introduced as a result of Consumer Duty, however based on the first set of data the FCA's Consumer Duty objective to improve standards and customer outcomes is certainly moving in the right direction.

Fee models continue to evolve post-consumer duty with a small shift to capping fees for ongoing servicing. Encouragingly, three quarters of consumers have a good understanding of the fees they're paying, with 81% happy with the amount they are paying.

However, whilst these overall scores are hugely positive and a strong endorsement for the advice profession, there are a few areas that advisers should focus on. Firstly, the over 55 age group are slightly less satisfied than the overall average. On one hand this is perhaps unsurprising perhaps given the complexity of this life stage from a financial planning point of view, however considering the commercial importance of this age cohort to most firm's advisers should ensure they are meeting all the needs and expectations of these customers.

Another area advisers could focus on is ensuring the issue of investment performance is addressed. As with last year's research, we found a misalignment between advisers and consumers as to the importance of investment performance when considering value. Overall consumers express a preference for goal-based relationship led advice but don't fall into the trap of thinking it isn't important to evidence tangible aspects. 45% of consumers who have paid for advice say investment performance is most important factor for them when assessing overall value vs 24% of advisers who think it has the biggest impact. Advisers we spoke with as part of the research have recognised this, with additional support and explanations provided at an early stage in the client relationship. The view being that if there is work up front to explain how investment performance can't be controlled, clients are more likely to understand this as time goes on.

A further area where advisers could add additional value to their clients is by helping them prepare for inheritance planning by arrange wills and POAs, as well as exploring options for equity release. Our research shows this is an area where consumer expectations are not being fully met. From an adviser's perspective these are also arguably foreseeable harms that need to be avoided under Consumer Duty.

Speaking of Consumer Duty, as with last year's study, adviser sentiment towards the changes remains positive, however amongst advisers we spoke with all expressed concerns about how to evidence fair value in a time efficient manner. Measuring the unmeasurable, and the less tangible aspects of the adviser/client relationship is something advisers are still getting to grips with. We would like to see the FCA build on this positive sentiment by providing the advice profession with more help & good practice examples, especially for small advice firms to follow.

This challenge of measuring the unmeasurable is highlighted when we go back to the core aim of this study, looking at what consumers actually value. The wider consumer population generally place skills and knowledge as the top attribute they look for in an adviser, however, consumers who have experienced advice cite the emotional and psychological benefits as most important. We also know that many consumers enter an advice relationship with a specific need but end up with much wider, more holistic benefits like unexpected future planning support.

All this supports the view we need to work collectively to make advice more accessible for a wider segment of the population. The benefits of advice, and the high levels of satisfaction from those who are receiving it should be experienced by more than the 9% who are currently fortunate enough to be employing an adviser. [1] The FCA's work to address the advice guidance boundary is a vital step to achieving this aim. In advance of the next consultation papers for this work we remain cautiously optimistic that positive change can be implemented, improving the availability and accessibility of advice, and building on the high levels of consumer satisfaction and overall value that are currently being delivered by the advice profession.

> "Consumers paying for advice say they are increasingly receiving good or excellent value for money."

[1] Source **https://adviser.royallondon.com/articles-and-guides/research/lang-cat-advice-gap-2024/**

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