Risk Warnings Review

Practical Guidance for Firms

v1.0

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Purpose of this guidance

The starting point for risk disclosure of mainstream investments should be consumer understanding. Under the Consumer Duty, firms are expected to communicate in a way that meets consumers' information needs, is likely to be understood, and supports effective, timely, properly informed decisions. In practice, this means applying the principles under the Consumer Duty as well as the FCA Handbook requirements on financial promotions and risk disclosure in a way that prioritises comprehension and decision quality, not generic repetition.

This guidance is intended to support firms in doing exactly that. It sets out a Consumer Duty–led interpretation of the existing financial promotion rules, particularly those in COBS 4, and explains how firms can meet their regulatory obligations while providing clearer, more balanced explanations of investment risk. It does not introduce new requirements, prescribe specific wording or replace firm-specific policies. Instead, it clarifies how existing rules can be applied in a way that better reflects how consumers understand risk in practice. It is designed to help firms move away from defensive, standardised disclosures and towards proportionate, contextual explanations of risk and reward that are appropriate to the content and stage of the consumer journey.

Worked examples illustrating how this can be achieved under the current rulebook are intended to give firms greater confidence to innovate responsibly while remaining compliant. These should be read in conjunction with the research accompanying the Risk Warnings Review. We have worked collaboratively with the FCA throughout this process to help firms feel confident in taking a bolder approach.

Given that practice will continue to evolve, this will be treated as a living document. The Review recommends an Implementation Forum to monitor experience and, after six months, an assessment as to how the guidance is working in practice and whether any updates are needed. The examples given are not designed to represent best practice so as to leave scope for firms to innovate and adapt their approach to their target market. They are provided purely as an opportunity to see the principles set out in a practical situation.

Consumer Duty and interpretive principles

Consumer Understanding outcome

PRIN 2A.5.3 R

1. A firm must support retail customer understanding so that its communications:

a) meet the information needs of retail customers;

b) are likely to be understood by retail customers; and

c) equip retail customers to make decisions that are effective, timely and properly informed.

2. A firm must communicate information to retail customers in a way which is clear, fair and not misleading.

To achieve the goals set out in PRIN 2A.5.3R, risk disclosures should be proportionate, contextual, and outcome focused. Firms should provide explanations that help consumers make informed decisions with confidence, rather than deter engagement unnecessarily. Firms should be aware that deterring consumers from buying products that are appropriate for them is unlikely to align with the Consumer Duty.

This means presenting risk information in a balanced and contextual way, reflecting appropriate factors such as time horizon, diversification, and comparisons to cash or other alternatives relevant to the product that consumers may be considering. Where firms make contextual comparisons, they should ensure these are credible, evidence-based and not selectively framed, with an audit trail that records the data source, method and key assumptions (and that can be shared with customers in an accessible way, where appropriate). The emphasis given to each risk should be guided by its likelihood and potential impact, avoiding disproportionate or overly cautionary messaging that can create barriers to investing.

By reframing 'warnings' as supportive risk communications, firms can meet the FCA's rules and expectations while empowering consumers to make better, more confident investment choices.

With this in mind, the FCA financial promotion rules should be interpreted in line with the following principles:

1. Disclosure on risk should be contextualised and balanced

Ideally risk information should not be presented in isolation, nor should it exaggerate any upside or downside with investing. Even a simple "you could lose money" statement can be misleading, especially to novice or under-confident investors, because it over-emphasises the downside and fails to explain how investments work.

Rather than 'Risk warnings', this document refers to 'balanced explanations of risk', which would normally form part of the main body of a communication. They may not be obviously identifiable as a 'risk warning' by a casual reader, but rather an integral element of the broader articulation of a product or service. They are unlikely to be a footnote placed out of context and easily missed or ignored by a recipient of the message.

Balanced explanations of risk should support decision-making rather than add uncertainty. Putting risk in context, will help firms meet Consumer Duty obligations and may increase consumers' confidence in their choices.

This approach does not supersede any FCA rules that require specific risk warnings to be provided, for example disclosure for a Long-Term Asset Fund.

2. Clear and accessible language should be the basis for all communication with consumers

Clarity for all types of investors and potential investors is vital. Clear messages build trust and confidence, while jargon-heavy or defensive messages reinforce inequality and discourage participation in capital markets. Communications setting out a balanced explanation of risk must be tailored to take into account the characteristics of retail customers, including any characteristics of vulnerability and should not be solely focused on financially literate or experienced investors. (see PRIN 2A.5.8R). Complex, legalistic, or jargon-heavy warnings create barriers and widen participation gaps, discouraging the groups most in need of support in their decision making.

3. Statements in communications with consumers should be proportionate, credible and effective

Risk communications must be credible. Consumers should trust that statements about investing are grounded in fact and are not misleading. Balanced explanations of risk should not be overloaded with statistics or caveats that overwhelm or confuse. This principle recognises that proportionate, messaging helps both consumers (through clarity and trust) and firms (by showing a defensible basis for what is said).

When firms are undertaking consumer testing of their consumer communications, for example as part of their Consumer Duty validation, they should consider including consumers' understanding of risk statements and how they interact with those communications in that testing.

4. Risk messages should be fitted to the consumer journey

Balanced explanations of risk are most effective when they appear at the right moment and in the right form. By fitting messages to the journey, firms support genuine understanding without deterring appropriate investment. Placing generic warnings too early, when not needed, or giving them undue prominence, can discourage consumers before they've understood the basics. Poor sequencing and presentation turn compliance into a cause of disengagement.

1. When risk information is and is not needed

This section sets out key takeaways and a balanced understanding of the application of relevant Handbook requirements, including when risk information should be provided. The RAG rating provides a practical framework for firms to assess the relative risk associated with different categories of communication and to determine the level of scrutiny and controls that should be applied.

The examples that follow illustrate how these principles can be applied to specific requirements in the Handbook. The same approach should be taken to interpreting other requirements that are not specifically addressed below. Without limiting the scope of this approach, other such rules could include COBS 4.5.7 on tax warnings.

Guidance on COBS 4.2.4 G(1) – Clarity on Capital at Risk

COBS 4.2.4 G(1)

A firm should ensure that a financial promotion:

(1) for a product or service that places a client's capital at risk makes this clear;

Key Takeaways

- COBS 4.2.4 G(1) is guidance, not a rule, on how to comply with COBS 4.2.1 R "A firm must ensure that a communication or a financial promotion is fair, clear and not misleading."
- The reading of COBS 4.2.4 G(1) below allows industry to distinguish very high level 'call to action' messaging from financial promotions with additional elements of persuasion or incitement to convince a consumer to engage in activity putting capital at risk.
- COBS 4.2.4 G (1) sets out that firms should make investment risk clear, not to merely repeat the phrase "Your capital is at risk."
- Instead of defaulting to the phrase "capital at risk", firms should aim to provide clear, contextual explanations of investment risk, which supports consumer understanding while aligning with FCA rules.
- The Consumer Duty requires firms to support consumer understanding in their communications. It does not prescribe formulaic disclosure.

Interpretation

Communications that are not financial promotions

Where a firm is only describing the types of regulated activities it undertakes, giving basic information about the firm and not issuing any form of call to action, this is not a financial promotion and so no risk statement would be needed as a result of this guidance.

This approach could also be applied in other similar situations. For example, simply mentioning a firm provides mortgages does not trigger a need to explain the implications of not keeping up with repayments (MCOB 3A.1.9).

Where a communication is not a financial promotion, COBS 4.2.4 G does not apply and so no explanation of capital at risk is required as a result of that requirement. However, firms will still need to ensure that the information provided is clear, fair and not misleading, in particular the requirements of COBS 4.5.2 R discussed below. The Consumer Duty obligations of course also apply.

Financial promotions and the requirements for risk information

COBS 4.2.1 R is a binding rule "A firm must ensure that a communication or a financial promotion is fair, clear and not misleading."

The supporting provision COBS 4.2.4 G is often applied by firms as though it were a rule, but it is strictly guidance. While it may well be sensible, in many scenarios, to follow the course of action recommended by guidance, as the FCA's Handbook Guide explains, "Guidance is not binding and need not be followed to achieve compliance with the relevant rule or requirement."

It follows therefore that it is possible within the rules to keep a communication or a financial promotion fair, clear, and not misleading without calling attention to capital being at risk, at least in some circumstances.

This is most likely in communications that are high level promotions for non-specific products or services. Communications that have an element of inducement and equate to a call to action such as 'open your account today' or 'begin your investment journey', while likely to be financial promotion, may not require information that an investor's capital is at risk if there is no additional element of persuasion or incitement, such as a reference to potential benefits stemming from that capital being at risk. The call to action would not itself trigger a requirement for risk information.

In contrast, financial promotions that include specific additional words or images that further influence or convince a consumer to engage in activity that would put their capital at risk would require risk information. In keeping with the other guidance in this document, this is not solely a matter of space available, but rather a matter of substance. To keep a communication "fair, clear, and not misleading", it needs to avoid a discussion of potential investment upsides if these arise from taking a risk that is not itself also discussed.

Further, where a firm is promoting a service, such as financial advice or an investment platform that does not itself put capital at risk but does mention or imply benefits that arise from putting capital at risk via a subsequent product or service, that risk to capital should be acknowledged in the promotion of the original service.

What this means in practice

Our examples below show how this interpretation creates a risk explanation ladder that can help firms better to navigate current requirements.

We set out our understanding of this risk explanation ladder, highlighting areas where industry must still take care to consider and discuss with supervisors the implications of the language used. The main Risk Warnings Review recommends that the regulator and industry use an industry Implementation Forum to advance the objectives of the Review and start to provide greater certainty on good practice going forward, alongside ongoing FCA work in this area.

Certain categories are clear and our guidance reflects this:

- At the lower level, **image advertising or messages about corporate capability require no risk messaging**. Where firms commonly apply a 'capital at risk' message today[1], this is unnecessary. It is also the case that general educational and information material that does not encourage any action from the recipient does not require risk messaging.
- At the top level, it has always been clear that **where a controlled investment product is being promoted, risk information must be provided**. As we explore in later sections, the way in which that information is provided could usefully evolve and we set out guidance on this subject.

Other levels of the risk explanation ladder remain more complex and ambiguous:

- Material that merely encourages participation in the investment process or refers to opening an account, such as Exhibit 1[2], is unlikely to need an explanation of risk. Equally, where a firm is promoting a service, such as financial advice, that does not itself put capital at risk, it does not need to explain that capital may be at risk further down the consumer journey. This would change if the material also contains specific additional words or images that further influence or convince a consumer to engage in activity that would put their capital at risk and would make the material unfair or misleading without such explanation.
- In contrast, where promotions include additional information and images that carry implications about the benefits of a product or service, this makes the inclusion of relevant risk information more important in ensuring that the promotion is overall fair, clear and not misleading. Exhibit 2 provides an example of this.

[1] As at date of publication: April 2026

[2] It should be noted that all exhibits and examples in this guidance are provided with a view to the requirements relating to capital being at risk. Other financial promotions and advertising rules may apply.

EXHIBIT 1: Promotion of a Stocks & Shares ISA via a Push notification, which leads to a website landing page with investment fund selection.

EXHIBIT 2: Website page providing more information about investment opportunities and returns

Invest with our award-winning Stocks & Shares ISA

Log In | Sign up

Grow your wealth and invest with confidence with the Finance Awards Best Stocks & Shares ISA 2026.

Choose your first investment fund to get started.

Investing can lead to greater returns than regular savings accounts, especially when held for 5-10 years or more. However, investments can fall in value, so you might not get back all of your money.

Global Shares

Fund price as of 22/01/26 £4.20

1 year | 3 years | All time

Track the global stock market with shares in more than 1,600 companies, such as Apple and Amazon.

Overseas Corporate Bonds ESG

Fund price as of 22/01/26 £1.72

1 year | 3 years | All time

Balance your risk and diversify your portfolio by adding corporate bonds issued by overseas companies.

Global Technology Shares

Fund price as of 22/01/26 £2.19

1 year | 3 years | All time

Back the building of new technologies by investing in the biggest tech companies.

Investment Risk Ladder in Practice – Non-Exhaustive Examples and RAG Rating of Regulatory Risk

The RAG tables and examples should be treated as prompts to structure judgement and review controls, not as a definitive list of compliant/non-compliant templates.

GREEN sets out examples where risk information would not be required either because there is no financial promotion or the reference to products or services is high level.

	Examples	Risk Information Required	Reasoning
Image and brand advertising	"XYZ – Experienced Investors" "Trusted by clients for over 200 years" "Long term thinking for a changing world"	No	There is no inducement for the reader to take any form of action and so this is not a financial promotion.
Corporate capability and expertise	"Our teams analyse markets globally" "Active investment specialists"	No	There is no inducement for the reader to take any form of action and so this is not a financial promotion.
Educational / informational	"Investing plays an important role in long term saving" "Many people invest to plan for the future"	No	There is no inducement for the reader to take any form of action and so this is not a financial promotion.
Educational / informational	A webpage provides a link to a page entitled "The benefits of investing" (or similar scenario where benefits detailed on a separate page).	No	The presence of this link does not trigger a need for a risk statement on the source page. The page that sets out the benefits of investing and refers to investment products (e.g. Pension, Unit Trust, OEICs) would need to include a balanced explanation of the risks as well. It is unlikely that a separate page for "the risks of investing" would aid consumer understanding as much as a joined-up discussion of benefits and risks alongside each other.
Educational / informational	A social media profile that states "As a Financial Planner for XYZ Advisers, I love helping business owners and families navigate their financial journeys" alongside contact details.	No	As explained in PERG 8.4.20G this is likely to be too far removed from any investment activity to be considered an inducement. There is no mention of any activities or products that put capital at risk, therefore, a risk warning or similar risk statement would not be expected on the post.
Educational / informational	"You can invest through a platform" "Advisers can help explain investment options" "Funds are one way people access markets"	No	There is no inducement to take action or offer directional messaging. Small changes that introduce a call to action such as "Contact our advisers who can help you understand investment options" would not alter this position.
Product-agnostic investing Promotion	"Start investing today" "Begin your investment journey now"	No	High level promotions for non-specific products or services do not require risk information as they do not include specific additional words or images that further influence or convince a consumer to engage in activity that would put their capital at risk.

AMBER sets out examples where risk information may be required, and the detailed wording and context could alter the position from the typical situation listed below.

	Examples	Risk Information Required	Reasoning
Educational / informational	A blog post titled "Top 5 Tips for First-Time Investors."	No	General education does not need a risk statement on every tip as long as the tip does not encourage the reader to engage in an activity that would put capital at risk. The general requirement for a regulated firm to provide clear, fair and not misleading communications may mean risks are naturally mentioned as part of the narrative.
Product-agnostic Platform Promotion	"Firm xyz can help you organise and see your investments all in one place"	No	The statement is simply describing the firm's capabilities without promoting a product or service that will put capital at risk. Once the consumer is presented with specific investments the firm will need to explain that capital is at risk in an appropriate way. This would cross the line to needing an explanation of risk if it included any further information designed to persuade the reader to make an investment based on explaining the benefits of investing.
Product-agnostic ISA Promotion	Push notification that states "Last chance to use your £20,000 ISA allowance before the tax year ends"	No	The inducement here is to use a platform service. The implication of missing out on the ISA allowance may be seen as doing more than the high level examples to persuade the client to engage. However, as the statement does not specifically refer to the use of a stocks and shares ISA, and does not explicitly refer to investing, no risk statement is expected because there is no inducement to put capital at risk.
Service Promotion	"Open a stocks and shares ISA and invest today"	No	This wording promotes the availability of a service (opening a stocks and shares ISA) but does not describe any particular investment, returns, or benefits of investing. On its own, it does not present information that would require a balanced explanation of investment risk. Nor would a generic reference to 'award-winning ISA' as per Exhibit 1. However, if the statement appeared alongside additional wording, imagery, or data that highlighted potential benefits of investing (for example references to growth, performance, or wealth-building), firms should ensure that relevant risks are also made clear so the communication remains fair, clear and not misleading. Language such as 'top performing' or 'award winning performance' would cross this line.

	Examples	Risk Information Required	Reasoning
Service description	A webpage setting out the charges for an investment service or product that puts capital at risk	No	If the page only sets out charges it remains a clear and fair communication even if there is no reference to risk. However, this would change if there were mention of potential benefits. For example, if the page included a measure of 'the effect of charges on your investment return' that showed charges would reduce investment growth of 5% to 4% it would also need to explain that investment returns are not guaranteed and investors could get back less than they invested.
Service promotion	"Come and talk to an adviser about how to maximise your pension"	Yes	This wording is high level and calling for the reader to seek investment advice, which does not itself put capital at risk. However, the word 'maximise' could imply capital at risk later in the journey as maximising potential returns will involve taking risk. It is unlikely that mentioning the possibility of maximising returns without also covering the risk this entails, passes the clear, fair and not misleading test. Alternatives such as "how to use your pension to plan for a perfect retirement" could remove the inference and associated need to explain risk.

RED sets out examples where risk information would always be required because of a clear inducement connected to an investment product.

	Examples	Risk Information Required	Reasoning
Product-specific promotion	A webpage listing several funds available for investment in a Stocks and Shares ISA	Yes	This is likely to be an inducement to invest in one of these funds and so the guidance expects the page to explain that the consumer's capital is at risk. This should still be done in a balanced way using terms the firm's target market are likely to understand.
Implied risk reduction	"Take the guesswork out of investing with the XYZ multi-asset portfolios".	Yes	Removing the guesswork suggests the risk is reduced and so it would be unfair and potentially misleading not to clarify that investment risk remains if the reader invests in these portfolios.

2. From Formulaic to Contextual Statements

As firms move from considering when risk information is needed to how it is provided, a range of considerations come into play. Using balanced, factual language without unfairly downplaying or exaggerating the risks can increase consumer understanding and may support firms in meeting the expectations of COBS 4.2.4G and Consumer Duty requirements. Placing this wording in the natural flow of the information provided will also increase the likelihood of consumers engaging with it and understanding the message it is trying to convey.

The research published as part of the Risk Warnings Review, together with existing research referenced in the Final Report, provides further insights as to how to communicate effectively with the consumer.

Examples of poor practice

Example 1:
The common phrase *"The value of investments can fall as well as rise"* meets the rule's literal wording but does little to aid understanding of how often each of these scenarios is likely to occur. It may also not be clear to all consumers how 'the value of investments' relates to their money. Instead, firms are encouraged to use contextual explanations that help consumers grasp what "risk" means in practice.

Example 2:
Placing a risk statement separate to the main flow of the communication is likely to reduce consumer engagement with it. For example, a text footnote in a video that says "you may not get back all you invested" as the audio talks about a "return that is likely to be higher than available in a savings account over the long term" is less likely to be understood than the audio including a reference to the appropriate risk in context. If the audio is sufficiently balanced, then an additional text warning is not required.

Examples of effective approaches

Example 1:
A chart showing investment performance vs cash over 10 years with a discussion paragraph explaining investments usually beat cash, but return is not guaranteed.

Rationale: Because capital at risk is explained in the discussion paragraph, you do not need a separate risk warning (this is what we mean by 'balanced explanation of risk').

Consideration of the format of a chart: showing discrete calendar year performance is more likely to show only positive returns, especially if only a small number of data points are used. A line chart showing rises and falls is more likely to be a balanced indication of risk and reduce the need for text-based explanations. However, charts should also be visually engaging and understandable: if a visual feels overly complex, many consumers may disengage (especially on digital channels). Firms should use simple language, minimal clutter and clear annotations to communicate the core message at a glance.

Example 2:
Video script promoting why you should start investing.

"Why should you invest? Well, investing gives your money a chance to grow faster than inflation and we know how much that has hit. Just look at the cost of a takeaway coffee now versus 10 years ago – that's inflation.

Your investments can lead to greater returns than a regular savings account, especially when you hold those investments for 5-10 or more years.

But, the value of your investment can go down as well as up, so make sure to have a cash safety net for any emergencies (like a boiler breaking) so you will not have to dip into your investments early. And make sure any high interest debts are also paid off before getting started.

You'll also need to understand things like what you're investing in and how much risk you're willing to take – are you in a position to take more risk for the possibility of a greater financial reward, or a lower risk option that gives you more peace of mind but might not grow as much. With investing, there's something for everyone.

Rationale: Similar to Example 1, because capital at risk is explained in the discussion paragraph, you do not need a separate risk warning and the video script provides a balanced contextualised message.

3. Position in the Consumer Journey

Balanced explanations of risk should appear where they support understanding. Firms should avoid unnecessary duplication, but should ensure that key risks are presented at points in the journey where they are likely to influence consumer decisions.

For example, an online journey might show:

1. **High-level marketing or brand page** (not a financial promotion): a product-specific risk statement may not be needed.
2. **Product explanation:** concise, prominent explanation of the key risks relevant to the product.
3. **Further product detail:** additional fuller context and explanation of how those risks may affect the consumer.
4. **Application or summary stage:** summary explanation and confirmation that the consumer has understood the risks.

Guidance on COBS 4.5.2 (2) R – Fair and Prominent Indication of Risk

A firm must ensure that information:

(2) is accurate and always gives a fair and prominent indication of any relevant risks when referencing any potential benefits of relevant business or a relevant investment;

(4) does not disguise, diminish or obscure important items, statements or warnings.

(5) uses a font size in the indication of relevant risks that is at least equal to the predominant font size used throughout the information provided, as well as a layout that ensures that such indication is prominent;

Key Takeaways

- Clarity and balance are more effective than generic and repeated disclosure.
- Design, language, and timing should work together to achieve comprehension. It is unlikely that the specific order of words, or even sentences, will alter the compliance of a financial promotion, unless it fundamentally affects what consumers would understand when they receive it.
- COBS 4.5.2 R allows some flexibility in communication, provided the result is fair, clear, and not misleading.

Interpretation

- Not all bullets in the COBS 4.5.2 R apply to all risks – (2) and (5) refer to relevant risks and (4) refers to important items, statements or warnings.
- Interpretation of what is 'relevant' or 'important' should be guided by the Consumer Duty's cross cutting obligations including to enable and support retail consumers to pursue their financial objectives and the Consumer Understanding outcome (PRIN 2A.5.3 R)
- Requirements and restrictions imposed by this rule do not override the firms' responsibility to be clear, fair and not misleading and so all explanations of risk should be balanced. Overstating and understating risk can both be misleading.
- Prominence should be proportionate to the materiality of the risk and the nature of the benefit being described. Other than the size of the font the rules do not require 'equal prominence' when describing potential risks and benefits.

Rationale

COBS 4.5.2R (2) requires fair and prominent disclosure of any 'relevant risks'. The rule does not require disclosing such risks in a prominent fashion if that would give an unfair picture of the risks and reward offered by the product, so it follows that risks that are less likely to occur or will have smaller impacts on consumers may not be 'relevant risks'. This then carries through to COBS 4.5.2R (5) where 'relevant risks', rather than all risks, have specific requirements about font size and layout.

This does not mean that all other applicable risks can simply be ignored. Firms should consider whether they should still be disclosed in an appropriate fashion that gives a fair representation and supports consumer understanding and good decision making. Some risks may be so unlikely or have such a small impact that including them could obscure more significant risks or overwhelm consumers leading to worse decisions. Omitting such risks would be appropriate.

COBS 4.5.2R (4) should also be interpreted as seeking to ensure a fair explanation is provided to consumers to aid their decision making. Setting a risk in context or providing evidence-based explanations is not 'diminishing' a risk if it helps consumers' understanding as long as it remains sufficiently prominent within the overall communication.

Under the Consumer Duty, the prominence of each explanation of risk should be considered through the lens of consumer understanding. The objective is to ensure that a typical retail investor notices and comprehends the key risks, without clutter, repetition, or loss of meaning.

Application

1. Fair, not always equal, prominence
An indication of risk is required to be 'fair and prominent' in relation to potential benefits. Equally prominent indication of risks and benefits is therefore only required where both are similarly impactful on the consumers' decision making, so that any such disclosure is fair. Other risks should be disclosed with appropriate prominence to ensure that communications are fair, clear and not misleading.

2. Ensuring clarity without overload
Firms should avoid excessive repetition that obscure key messages. There is no need to disrupt a natural narrative to insert descriptions of risk that would still be seen and understood by consumers if placed in a more natural position. Clarity comes from good design and plain language, not volume of text.

3. Balancing risk and benefit
Risk and reward are often closely linked, and it may be unhelpful to describe one in isolation from the other. Addressing both in a clear and balanced way does not, in itself, 'diminish or obscure' risk for the purposes of COBS 4.5.2 R(4). Under the Consumer Duty, firms are required to support consumer understanding, which may involve explaining risk and potential benefit together where this helps provide appropriate context.

The language used should help consumers understand both the possibility of loss and the potential for gain, without giving undue emphasis to either. This does not require risk and reward to be presented on an equal footing, but rather that communications avoid bias or distortion in how risks and potential benefits are described.

For example:

A balanced managed fund such as this is more likely to keep pace with or exceed inflation than cash held in a savings account. Unlike cash savings, the return on such an investment is uncertain and, although it is unlikely, you could get back less than you invested. In general, if you hold the investment for the long term (at least 5 years) the fund is more likely to achieve its objectives and deliver a positive return.

There are undoubtedly improvements that could be made to the above extract to improve consumer understanding depending on the target audience. It is, however a balanced and fair explanation of the risk. There is no need to add a second 'warning' to the end. The requirement for the explanation of risk to be prominent does not mean that because two benefits are mentioned ("more likely to keep pace with inflation" and "the return is more likely to be positive") that the risk of capital loss needs to be mentioned twice as well.

The explanation of how to mitigate the risk i.e. hold the investment for the long term, helps consumers make better financial decisions. It is therefore not 'diminishing the risk' and should not be viewed as contravening COBS 4.5.2R (4).

Nor is the description of a negative return as "unlikely" diminishing the risk. Rather it is giving the consumer a fair description of the likelihood of the risk materialising – historical data shows that far more investors have received positive returns than negative ones. Firms will need to consider if this description is fair based on their target market and the rest of the client journey. For example, a firm where clients are advised and evidence shows the vast majority invest for at least 5 to 10 years can be confident that loss is 'unlikely'. A platform focussed on more active investors with a proportion of day traders or with average holding periods under 5 years are more likely to need to qualify this statement or explain the context of needing to hold the investment for the long term for this to be the case.

The opening and closing sentences could be viewed as implying there is risk because "more likely to" implies uncertainty. There would logically need to be the possibility that it does not keep pace with inflation and a possibility of negative returns for this wording to make sense. However, this is not sufficient to present a fair indication of the risk to capital and so the middle sentence is required. Nor should this explanation of the risk be placed in a separate footnote or other similar location where it may be missed.

4. Implications for Practice Across Different Media

While the core principle is media-neutral, what is a fair and prominent indication of risk in context may depend on the medium of the communication. Different forms of communication inherently have different possibilities and limitations.

Written print media

In print, "fair and prominent" largely comes down to visual presentation and layout, in addition to the content and sequencing of it.

The rules require the balanced explanation of relevant risks to be in a font size at least equal to the predominant font size used in the rest of the information provided. They must also be placed in a position that is prominent, often near or immediately following any claims about potential benefits.

Risks must be presented in the same language and with an appropriate level of detail compared to the explanation of benefits. For example, avoiding technical jargon (or explaining it clearly) when explaining the risks if the rest of the text is simple.

Short form digital media (Push Notifications, Social Media Posts, Stories, Shorts)

Short-form formats can impose severe constraints (for example character limits and truncated previews), creating a higher risk that key information is abbreviated or missed. Firms should consider whether a short communication contains sufficient information to amount to an inducement, or whether it is better treated as signposting to a fuller explanation. Where firms do communicate benefits, they should use balanced wording that may help consumers understand both potential upside and downside, and should avoid definitive or one-sided claims.

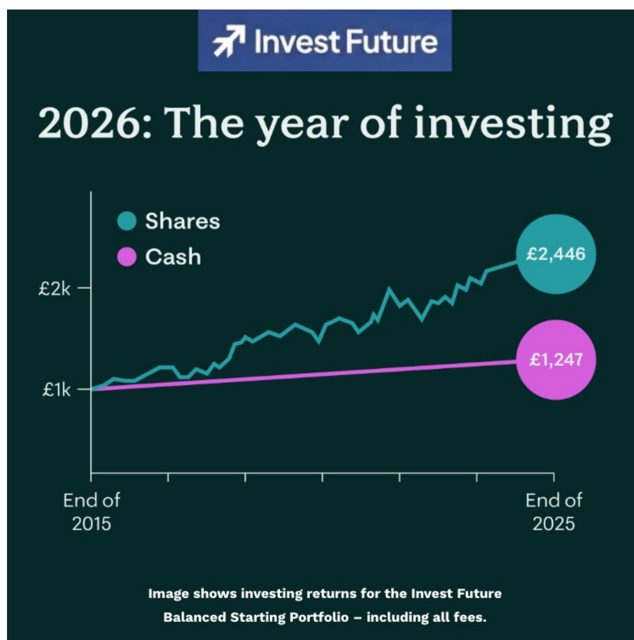
The primary challenge is placing the balanced explanation of the risk where it cannot be avoided by the consumer. Where appropriate, the risk should be discussed within the main text of the promotion. It must be visible without the need for a user to click "see more" or navigate away from the post, unless the benefits are also located in that separate place.

The examples in Exhibit 3 show short-form messages which are not promoting a specific service or investment activity that puts capital at risk and so no explanation of risk is required at this stage.

EXHIBIT 3: Example Instagram Post ads where risk information would not be needed:

In contrast, Exhibit 4 is a financial promotion for the Invest Future Balanced Starting Portfolio giving specific information on that service not just a wider investment platform. As such it is required to provide an explanation that capital is at risk. The advert would therefore be non-compliant as it stands, and firms would of course have to consider other aspects of regulatory compliance beyond capital at risk.

EXHIBIT 4: Example of a promotion where further risk information would be required



The explanation that investors may get back less than they invested would need to be prominent in order to balance the chart which gives the impression that shares have beaten cash for the whole of the last decade. Few consumers are likely to pick up on the fact that the chart only applies to someone investing in 2015 and there would be periods where consumers could have experienced an overall loss on their investment if they had only invested for part of the period.

Due to the brevity, such short-form media is therefore often not appropriate for promoting financial products, as it is difficult to present a balanced view of both benefits and risks. The communication must maintain balance even in its concise form. The preference therefore may be to avoid circumstances where a balanced explanation of the risk needs to be incorporated, see 'When risk information is and is not needed.'

While signposting (e.g., a link) to full terms and conditions is acceptable, it does not negate the requirement for the initial promotion to include the necessary prominent balanced explanation of the risk. This could also result in a message judged too complicated for short-form media.

Long-form digital media

Long-form media benefits from fewer space constraints and can be resized, layered, and feature interactive/animated elements. Therefore, it is possible both to have longer-form explanations but also use alternative flows of information. However this flexibility is used, the balance of risk and reward should be maintained. Eye catching features should not be used solely to draw attention to potential benefits or to risks, as this is likely to mislead consumers.

Video Media (TV Ads, YouTube Videos)

Video combines audio and visual elements and can use either of these to meet the relevant requirement.

If visual statements are used (e.g. as an overlay to a speaker), these need to be clear and legible and present for a sufficient duration. The text must contrast appropriately with the background and be in an appropriate font size. It is difficult for consumers to read one set of words while listening to another. If the risks are in one format and the benefits are in another it is unlikely the consumer will take away a balanced understanding as they will have focussed on one format over the other. A clear contextual explanation of the risk is more likely to be achieved by ensuring both audio and text elements are themselves balanced.

A balanced explanation of risk could therefore also be captured verbally in the audio track. We note that COBS 4.2.2 G also indicates that the broader fair, clear and not misleading rule applies "in a way that is appropriate and proportionate taking into account the means of communication, the information the communication is intended to convey and the nature of the client and of its business, if any."

Annex

List of firms, trade bodies, consumer groups and experts involved:

The Investment Association (Chair and Secretariat)
Hargreaves Lansdown (Chair of the Technical Expert Group)

Aberdeen/Interactive Investor
AJ Bell
Association of Investment Companies
Barclays Private Bank & Wealth Management
BlackRock
Boring Money
Evelyn Partners
Eversheds Sutherland
Fidelity International
Moneybox
Nationwide
Ninety One
Octopus Investments
Personal Investment Management & Financial Advice Association
Quilter
Robinhood
Schroders Personal Wealth
St James's Place
The Association of British Insurers
The Investment and Savings Alliance
The Wisdom Council
UK Finance
Vanguard

Observers

Financial Conduct Authority
Financial Ombudsman Service
HM Treasury

The IA, together with firms, trade bodies, consumer groups and experts as set out in the Annex herein (the "**Working group**"), which for these purposes includes their respective directors, officers, employees and agents have produced this guidance.

This guidance reflects a structured, evidence-led programme of work, including extensive stakeholder engagement, detailed technical analysis, and in-depth consumer research examining how risk warnings are currently used, understood and applied in practice. It brings together these insights to assess the effectiveness of existing approaches and to develop practical proposals for improving the communication of investment risk and reward. The IA will continue to act as secretariat to support ongoing work in this area, ensuring that it remains a pan-industry endeavour informed by close dialogue with policymakers, regulators and consumer representatives.

This guidance is being issued to the general public for information purposes only. It is intended to support understanding of consumer perceptions of investment risk communications and to provide insight into potential approaches to communicating risk and reward. It has not been produced to meet the individual requirements of any specific organisation.

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The findings presented reflect observed behaviours, perceptions and responses from specific research samples and should not be interpreted as representative of all investors or as predictive of future behaviour. Interpretation and application of the findings should take into account the limitations inherent in qualitative and quantitative research methodologies.

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