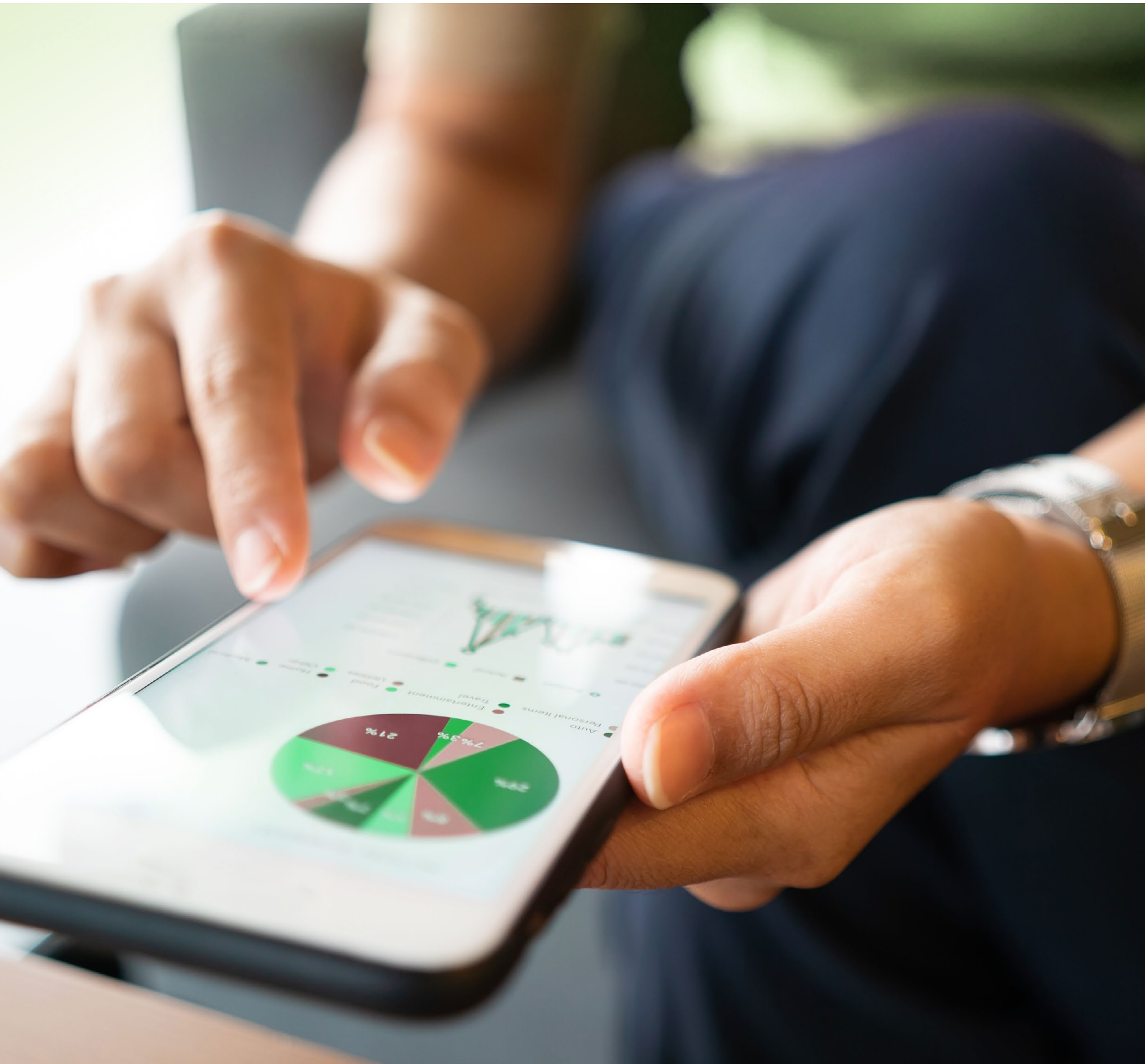
Supporting a New Retail Investment Culture

Final Report from the Risk Warnings Review



April 2026

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Foreword
from HM Treasury

Britain's world-leading financial services sector is a cornerstone of our economy, supporting jobs and investment in every region and nation of the UK. This is a direct reflection of the strength and depth of our capital markets, which deliver for investors whilst supporting British firms to start, scale, list and stay here. Yet too often ordinary people do not enjoy the long-term benefits of investing their own savings.

The Chancellor and I are determined to change that so more savers can reap the benefits of investing. Our ambition, shared with industry, is simple: to make more people aware of the benefits of investing in a way that meets their needs. Through better information that captures both the risks and long-term benefits that investing can offer, we will support more people to achieve their long-term financial goals.

For many households, cash savings play an important role in preparing for a rainy day. But for long-term goals, investing can offer a powerful way for people to make their money work harder. When compared to cash, investing can bring higher returns over the long term and better protect savers from the impacts of inflation.

We know that too many people have been deterred from investing by generic risk warnings that unduly warn people off from investing rather than giving them the balanced information they need to make an informed decision. This is a concrete example of where a culture of too much risk aversion is harming household finances, and it must change.

The Chancellor and I are grateful to the Investment Association for coordinating this work, and for each firm who has shared their expertise and experience in shaping the final recommendations. We look forward to seeing industry put these recommendations into action and breathing a new lease of life into the UK's retail investment culture.

Lucy Rigby KC MP
Economic Secretary to the Treasury

Foreword
from the Chair of the Risk Warnings Review

Over the last decade, the UK has led the way in seeking to build higher standards of consumer protection into how firms serve their clients. Well intentioned policy, whose general goals are shared by industry, has morphed into a degree of risk aversion that has had damaging consequences for the UK's retail investment culture. We have become a population over-saved but a nation under-invested. The UK has the lowest rate of personal equity investment in the G7. Efforts to protect consumers have, over time, undermined good long-term outcomes for financial well-being and resilience.

Risk warnings illustrate the challenge at hand. The combined effect of rules, guidance, supervisory practice and industry caution have made phrases such as "capital at risk" ubiquitous. Their routine use has deterred engagement, particularly for people seeking clarity and reassurance about the nature of investing.

This Review starts from a simple proposition: protecting consumers should not mean deterring them from participating in capital markets. Over the past six months, our Review team has taken a deliberate and evidence-led approach to examining how risk warnings are currently used, how they are interpreted by consumers, and how firms apply them in practice.

We have looked at existing regulatory expectations, analysed deep consumer research, and engaged extensively with firms, advisers, consumer representatives and policymakers. We have tested assumptions, challenged orthodoxies, and explored where good intentions have led to poor outcomes. Throughout, the focus has been on real consumer understanding, not theoretical compliance.

The conclusions are not always comfortable. There are difficult areas of interpretation, and genuine tensions between clarity, proportionality and liability. But this report is clear that the current position is not sustainable, and it sets out a practical way forward. One that re-anchors risk warnings in their original purpose: helping people understand risk in context, rather than overwhelming them with it.

This report therefore marks the start of a new path. It offers a framework for reform that maintains high standards of consumer protection while supporting confident participation in investment and saving. It aims to encourage better communication, better judgement and better outcomes — for consumers, firms and the wider economy alike.

I am grateful to all those who have contributed their time, expertise and challenge to this work. The quality of engagement has been exceptional, and the diversity of perspectives has strengthened the final report considerably.

I am most grateful to the Chancellor, Rt Hon Rachel Reeves MP, for asking the Investment Association to undertake this work and me to act as its Chair.

Chris Cummings
Chief Executive, The Investment Association

Foreword
from the Financial Conduct Authority

Almost 20 million people in the UK already hold some form of retail investment.

But more could benefit.

That's why building a healthy investment culture in which more people feel confident to invest is one of our strategic aims. It would benefit consumers and could fuel the wider economy.

Achieving it requires us, together, to deepen trust and rebalance risk.

That's why we've created targeted support. From April, millions of people could start receiving suggested investment products that would suit someone like them.

Consumer confidence is required. That comes from knowing, clearly, what it is you're buying. Balanced information on what you could gain, and what the risks are. So that people can make informed decisions.

Too often risk warnings to potential investors have been driven by what firms think our rules say and established expectations that have built up over time, rather than what works for the intended reader.

So, in December, we clarified our expectations about how firms should communicate risk.

This helped remove potential barriers to firms communicating clearer explanations of how people should consider risk when considering investing in mainstream investment products.

We've also been pleased to support the Investment Association's ambitious work with the Investment Risk Delivery Group to bolster a vibrant investment culture in the UK.

I'm looking forward to seeing firms put this new approach into practice. It will help industry produce meaningful risk statements that genuinely help consumers understand not just possible risks but also the potential returns.

The delivery group's work has also highlighted areas where firms believe greater clarity on regulatory expectations are needed. We welcome the feedback and are actively considering what more we do to support firms provide clear information to support consumers.

Taking steps to enable a greater culture of retail investing isn't easy, but we've shown we're up for the challenge. And we welcome industry-led work like this that shares our goal of helping people get more from their money. And critically, helping consumers to make informed decisions so that they can navigate their financial lives.

Sarah Pritchard
Deputy Chief Executive, Financial Conduct Authority

Acknowledgements

The Review team would like to express its sincere thanks to all those who contributed to the Risk Warnings Review.

Technical Expert Group

We are especially grateful to the Chair of the Expert Group, Claire McAlees (Hargreaves Lansdown) and the members of the expert group for their extensive work in supporting the development of the key findings and guidance. In particular, we would like to thank David Corris (St James's Place) and Phil Spyropoulos (Eversheds Sutherland) for their central role in developing the guidance.

Industry Association Partners

We also extend warm thanks to all the trade associations who participated actively in the development and oversight process and we hope will contribute to the implementation phase. Their insights, challenge and practical experience were invaluable in ensuring the Review reflects the realities of firm-facing implementation and the diversity of the UK retail investment landscape.

Regulatory and Government Engagements

We thank colleagues at the FCA and HM Treasury for their engagement during the Review, including FCA feedback on interpretive aspects of the financial promotion rules and their support during the finalisation of the guidance.

Consumer Research Partners

Finally, we acknowledge the contributions of external research partners, the Wisdom Council and Boring Money, whose work enriched the evidence base and strengthened the Review's findings.

Executive Summary

The Risk Warnings Review has worked at pace to deliver its central objective of reframing industry use of risk warnings on mainstream investment products to improve investor understanding and promote confident participation. In the course of the deliberations, the Review team undertook a wide range of consumer research and discussion with industry and regulators, as well as reviewing a strong base of existing work on the subject of risk warnings and consumer communication.

Key Findings

Our work finds that current practice in risk communication has been informed by the interaction of the existing rulebook, supervisory messages over many years and industry interpretation that is predominantly cautious. In consequence, reliance on standardised phrases such as “capital at risk” has become a compliance standard rather than an effective tool for consumer understanding. Consumer Duty provides an opportunity to revisit approaches, but the way in which the Duty interacts with existing financial promotion rules requires clarification.

New consumer research commissioned from the Wisdom Council and Boring Money for the Review, as well as existing evidence, shows that current warnings are widely misunderstood, frequently ignored, and in many cases actively deter appropriate engagement with long-term investing. In contrast, risk communication is most effective when it is contextualised, balanced, written in plain language, and aligned to different stages of the consumer journey. Simple, accessible explanations of how investments can rise and fall, presented alongside relevant benefits and explicit time horizons, are more likely to be read, understood and trusted than blunt, loss-focused boilerplate language.

Recommendations

The Review’s recommendations focus on the overarching objective of supporting a new UK investment risk culture in which consumers are empowered to take well-informed risk for long-term financial resilience, consistent with the Government’s growth objectives and the FCA’s Consumer Duty.

The Review identifies immediate actions firms can take under the current rulebook, alongside a number of structural issues requiring regulatory and supervisory change. Clarifications published by the Financial Conduct Authority during the course of this Review have been helpful and provided additional confidence on the scope for change. We see ongoing dialogue between the regulator, industry, consumer representatives and wider stakeholders as a prerequisite for success.

The recommendations are underpinned by four key principles:

1. Disclosure on risk should be contextualised and balanced.
2. Clear and accessible language should be the basis for all communication with consumers.
3. Statements in communications with consumers should be proportionate, credible and effective.
4. Risk messages should be fitted to the consumer journey.

1. What firms can do now under the current framework

The Review is publishing guidance with this report to support immediate improvements in how risk is communicated in mainstream investment promotions, including moving away from routine use of "capital at risk" as a default. The guidance clarifies where risk disclosure is needed and provides practical examples of how to explain risk and reward in plain English and in context, giving firms a defensible route to move away from formulaic wording now. Over time, this should materially reduce reliance on standardised language and support more effective risk communication across the consumer journey.

Full application of these principles also informs our wider recommendations, particularly as it relates to risk communication through the consumer journey.

2. Areas for further regulatory and supervisory change

To address the root cause of the challenge and provide long-term clarity for firms, the Review also identifies structural constraints that need to be addressed:

- The way financial promotion rules are written and enforced in practice has entrenched reliance on phrases such as "capital at risk" as a compliance shorthand, rather than supporting clear, contextual explanation of how investment risk operates. We call for the FCA rules governing financial promotions – specifically Conduct of Business (COBS 4) – to be revisited to reflect this.
- The principle of standalone compliance, requiring each individual financial promotion to be compliant in isolation, discourages potential investors. Reform should focus on enabling contextual, plain-language explanation of risk and reward across the consumer journey, rather than formulaic repetition on every document and aligning supervisory practice with outcomes-based regulation.
- The impact of both the guidance and any future reforms will depend not only on written rules, but on how expectations are applied through supervision, enforcement, and dispute resolution. This requires consistent alignment between FCA policy and supervisory practice, and between FCA expectations and Financial Ombudsman Service decisions.

Taken together, these issues are not straightforward. To facilitate progress, we propose two key measures under which there is a clear process for industry and regulator to work together:

1. **Establishment of an Implementation Forum** to discuss practical issues arising from the application of the Review Guidance and wider research, including the FCA. It will be an opportunity to help solidify a shared understanding of expectations and resolve the inevitable questions that will arise.
2. **Reconvene the Review Steering and Technical Expert Group** in six months both to review progress and feedback related to the guidance, and to discuss further actions. This would also allow us to take stock of other relevant developments, including CCI implementation and progress in the Retail Investment Campaign.

Part One: Introduction and Process

In July 2025, as part of the Leeds Reforms, the Chancellor asked The Investment Association (IA) to lead a review of the way investment risk warnings are presented to consumers. The request reflected a growing recognition that the UK's investment risk culture is not functioning as intended. Too many households remain in cash for the long term, participation in capital markets remains low, and standard risk warnings can reinforce fear and disengagement rather than supporting informed decision-making.

In response, the Investment Association convened a Steering Group, chaired by the IA's Chief Executive, Chris Cummings, bringing together senior leaders from across financial services, trade bodies and consumer representatives, with HM Treasury, the Financial Conduct Authority and the Financial Ombudsman Service participating as observers.

Objectives and delivery structure

At the outset, the Review agreed the following objectives for its work:

- Reframe industry use of risk warnings on mainstream investment products to improve investor understanding and promote confident participation.
- Work to align, where possible, such communications with the broader regulatory context, including the Consumer Duty, and ongoing policy developments such as the new retail disclosure framework for CCIs and the Advice Guidance Boundary Review.
- Coordinate a shared approach across Government, regulators, and industry stakeholders to ensure consistency, clarity, and confidence in risk messaging.
- Identify any further work that is needed beyond the immediate focus on investment risk warnings that may help overall to improve consumer understanding of investment risk.

The Review's overall mission has been to support a new UK investment risk culture in which consumers are empowered to take well-informed risk for long-term financial resilience, consistent with the Government's growth objectives and the FCA's Consumer Duty.

The work has been undertaken through a structured, collaborative process. Supporting the Steering Group has been a Technical Expert Group, chaired by Claire McAlees (Hargreaves Lansdown), responsible for the detailed development of analysis, research, and proposals. The Technical Expert Group was made up of practitioners and experts with direct responsibility for compliance, financial promotions, marketing, product design, and policy within firms and trade bodies. It included representatives from law firms, consumer research organisations, and trade and consumer bodies, ensuring that regulatory interpretation, behavioural evidence, and consumer perspectives are integrated throughout the work. The development of the accompanying guidance was led by David Corris (St. James's Place) and Phil Spyropoulos (Eversheds Sutherland).

Engagement with FCA

The work of the Review has also been informed by ongoing engagement with the FCA, which has been an observer throughout the process. During the course of the Review's work, the FCA published a communication to industry[1] setting out its expectations for the promotion of mainstream investments. The FCA webpage sought to clarify perceived common misunderstandings within the industry and outlined some considerations when promoting investment products.

The FCA reiterated that it does not prescribe specific wording for risk disclosures, that there is no requirement for risk information to be presented as a separate standalone warning, and that communications should be designed to support consumer understanding in line with the Consumer Duty.

In practice, this has given firms greater confidence to move away from formulaic boilerplates (including routine reliance on 'capital at risk') and towards risk explanations that are integrated into the promotion, balanced, and written in plain English.

The FCA's publication was welcomed by firms as an important step in improving consistency and

[1] FCA, Risk warnings for mainstream investments, December 2025

confidence in how the rules are applied in practice. It provided a helpful regulatory foundation for the Review's work, which has focused on understanding how consumers interpret risk information, testing alternative approaches, and translating Consumer Duty principles into practical guidance and wider considerations for reform.

Research Methodology

The programme began with an extensive evidence-gathering phase, comprising:

- A literature review of existing academic, regulatory, and industry research on investment risk warnings and consumer behaviour. This included work by Hargreaves Lansdown, The Investment and Savings Alliance (TISA), The University of Nottingham, Barclays, Vanguard and Robinhood as well as a range of FCA and wider material.
- Over 20 structured interviews with firms across the investment distribution chain, focusing on current practices, perceived constraints, and supervisory experience.
- Analysis of the regulatory framework governing risk disclosure, with particular attention to the FCA's Conduct of Business rules –(COBS 4) and the interaction between formal rules and supervisory expectations.

Building on this rich base of existing research and insight, the Review commissioned new consumer research projects from The Wisdom Council and Boring Money. The research outputs are published in full alongside this report.

The Wisdom Council – Testing Alternatives to 'Capital at Risk'

The Wisdom Council's research aimed to inform how we communicate risk and establish useful alternatives to 'capital at risk'. The research was carried out in two phases:

1. **Investor discussion group:** in October 2025, an in-person discussion group with 14 retail investors was convened to discuss and feedback on nine short risk and reward communications. Findings from these discussions were used to refine the nine risk and reward communications into three variants, approved for testing at scale.
2. **Testing and evaluating risk and reward communications at scale:** informed by phase one, an A/B test was designed to assess the effectiveness of each variant against the control statement: 'Capital at risk. Past performance does not guarantee future returns.' A survey of 1,010 savers and novice investors explored instinctive positive or negative responses to each variant, comprehension and the impact on the intention to invest. Participants were split into three closely matched groups; each was presented with the control statement and one variant and asked the same ten questions. The survey was in the field from the 18 November – 2 December 2025.

Boring Money – Investment Risk Communication across the Customer Journey

Boring Money focused on interviewing savers and low-confidence investors to better understand the journey from seeing an investment advert to making the decision to invest. The research focused on uncovering where and how risk and reward is best presented across the journey to becoming a retail investor.

In November 2025, Boring Money carried out in-depth, one-on-one interviews with a mix of 16 savers and low-confidence investors. Participants were asked to complete a pre-interview exercise to record or photograph any investment adverts and content they observed in the course of a typical week and to note down any previous research into investing they have done.

This material was used alongside some examples sourced by Boring Money to support conversations about drivers and barriers to investing, reactions to risk disclosures and how risk and reward should be communicated across the journey to investing. This included talking participants through a typical saver to investor journey and investigating what information would help them at each stage.

Part two: Key Findings

The Review has identified six key findings that underpin our guiding principles and shape the recommendations for future action outlined in Part Three.

Key Findings
1. Risk communication is broader than financial promotions but there is no framework to ensure a consistent approach through the journey.
2. Consumer perceptions of risk act as a significant behavioural barrier to investing.
3. Current standardised risk language is widely misunderstood and often counterproductive.
4. Savers and investors are more likely to comprehend short communications that balance information about risk and reward using clear, accessible language.
5. Standalone compliance drives defensive behaviour by firms. A shift in approach will support better outcomes.
6. Firms require greater clarity and confidence to innovate responsibly.

Key Finding 1: Risk communication is broader than financial promotions but there is no framework to ensure a consistent approach through the journey

While the focus of the Review is on financial promotion activity, a recurring theme across the literature review, industry interviews and Boring Money research is that investment risk communication cannot be understood solely through the lens of individual financial promotions. In practice, consumers encounter messages about risk across multiple stages of the journey, including advertising, educational content, onboarding, product selection, and ongoing communications.

However, the regulatory framework governing risk disclosure is spread across multiple areas of the FCA rulebook (including COBS, COLL, FUND, DISC) and other regimes such as the Advertising Standards Authority. While each regime pursues similar objectives of clarity and prominence, the cumulative effect is duplication and inconsistency. Firms report that this fragmentation makes it difficult to design coherent, journey-wide communications.

As subsequent findings emphasise, these structural issues are intensified by a combination of consumer perceptions of risk, standardardised risk warning language and standalone compliance expectations. Consumers encounter the same or similar warnings repeatedly, often without additional context, reducing both engagement and trust. Rather than reinforcing understanding, repetition can signal that investing is inherently dangerous, even when products are mainstream and suitable.

Consumer Duty in turn adds an additional consideration to the assessment of effective risk communication. The introduction of the Consumer Duty marks a shift from prescriptive, process-driven compliance to an outcomes-based assessment of whether communications support good consumer decisions. Under this framework, the effectiveness of risk communication should be judged by whether it is likely to be understood and helpful, not merely by whether it is prominent. Firms report uncertainty about how the Duty should be applied in practice to risk warnings, particularly where supervisory expectations appear to lag behind the shift to outcomes-based regulation. This uncertainty reinforces defensive behaviour by firms and limits experimentation with more effective approaches.

Key Finding 2:
Consumer perceptions of risk act as a significant behavioural barrier to investing

Existing consumer research, including work by TISA and our new research with the Wisdom Council and Boring Money, confirms that many retail consumers approach investing with pre-existing negative perceptions of risk. The interviews conducted by Boring Money highlighted that risk is understood as binary, with savings considered 'safe' and investments considered 'risky' – particularly amongst savers and lower confidence or novice investors.

Investment risk is frequently equated with gambling, fraud, or the likelihood of losing everything, rather than with variability of returns over time. These perceptions are often reinforced rather than corrected by standard risk warnings.

These effects are not evenly distributed. The research from TISA and the University of Nottingham found that reframing risk warnings to include long-term return patterns had an outsized effect on increasing investment allocations by minority groups, including low-confidence savers.[2]

This was also borne out in The Wisdom Council's survey which found that savers had a more negative response than investors to the different risk and reward communications tested.

As a result, current approaches to risk communication reinforce existing participation gaps, even where investment products are appropriate for consumers' goals and time horizons.

Importantly, the research also shows that many consumers overestimate the downside risks of investing while underestimating the long-term risks of holding cash. TISA research provides further evidence of this miscalibration. It finds that consumers' perceptions of investment risk are materially overstated when compared with historical performance data, with perceived downside risk estimated to be around ten times greater than observed outcomes over long-term investment horizons. Boring Money data further shows that cash savers are unsure if their invested money will grow over time, with just 1 in 4 cash savers believing there is a 75% chance or more that a £1,000 investment would be worth more than £1,000 after 5 years.[3]

Risk communication that focuses narrowly on potential loss, without context, fails to support balanced decision-making between saving and investing.

Key Finding 3:
Current standardised risk language is widely misunderstood and often counterproductive

The phrase "your capital is at risk" has become the most visible symbol of current practice. Although widely used on adverts, investment websites and in promotional literature, consumer testing and industry experience indicate that it is poorly understood even if many consumers have become conditioned to expect to see it. It is often interpreted as implying a high probability of loss or even total loss, rather than as a general statement about investment risk linked to market volatility.

The Wisdom Council research shows that following the 'capital at risk' phrasing, investors and savers are less likely to say that they would start investing than when they are presented with more balanced communications setting out investment risk and reward. Behavioural evidence shows that such loss-dominated framing reduces willingness to invest without improving comprehension.[4] In some cases, it may actively distort perceptions by making mainstream investments appear closer in nature to high-risk or speculative products.[5] This undermines the intended purpose of consumer protection.

[2] How do risk warnings impact investment choice? TISA & University of Nottingham, March 2024

[3] The keys to unlocking greater investment in Stocks and Shares ISAs, TISA & Oxera, November 2022 Boring Money, 'Perceptions of Risk, Savers & Investors', base: investors = 1,918; savers = 2,680; from a survey of 6,070 nationally representative UK adults in Jan 2025

[4] Balancing Risk Warnings: How modified language leads to increases in investing, Hargreaves Lansdown, July 2025; How do risk warnings impact investment choice?, TISA & University of Nottingham, March 2024.

[5] Feddersen, M., Gilchrist, C., Hayes, L., Mullet, T., Robertson, H., Smart, L., Steward, N., Titley, J., Choosing wisely: preferences, comprehension and the effect of risk warnings on financial promotions for investment products, Financial Conduct Authority, June 2020.

At the same time, industry interviews highlight that the continued use of this language is driven less by belief in its effectiveness and more by a desire for regulatory certainty. Firms believe that moving away from established wording heightens the risk of regulatory scrutiny, even though evidence suggests that alternative approaches can be more effective in improving consumer understanding and decision-making.

Key Finding 4:

Savers and investors are more likely to comprehend short communications that balance information about risk and reward using clear, accessible language.

Research carried out by The Wisdom Council considered the impact of different wording used in the first phase of a customer's journey, such as an investment advert. Introductory wording was found to perform best when it avoids jargon, uses consumer-centred language (for example "your money" instead of "capital"), sets realistic expectations (can rise and fall), and balances the potential risk and reward.

The research also highlights important design implications: contextual reference points can be helpful in framing investments appropriately, for example making some comparison to returns on cash savings and setting out a specific time horizon over which investors can typically grow their money such as 5-10 years.

However, it is worth noting that these time horizons can also produce misconceptions among a minority of consumers (for example, confusion about locking up their money for 5-10 years). This reinforces the point that no single statement can convey all the information that consumers need to make an informed decision – for example, in the investor workshop carried out as part of The Wisdom Council research, participants highlighted that diversification is an important investment concept but this may be better explained at a different stage in the process.

This emphasises the need for journey-wide communication and the importance of tailoring the information to each stage.

Risk and reward communications tested by Wisdom Council research

Control: 'Capital at risk. Past performance does not guarantee future returns.'

Variant A: 'Historically, money invested for more than five years grows more than cash savings. Your investments can also fall, so you might not get all of your money back.'

Variant B: 'Investing for 5-10 years or more can help you build long-term savings. Remember, investments can also fall, so you might not get back all of your money.'

Variant C: 'Remember, growth is not guaranteed. Investments can fall as well as rise.'

Across the three alternative ways of communicating investment risk and reward tested by the Wisdom Council, all three alternatives were perceived as more consumer- and beginner-friendly, less legalistic and less negative than the control statement.

The control wording was more likely to lead consumers, particularly savers and younger respondents, to infer the possibility of "losing everything". In contrast, variants 'A' and 'B' were more likely to encourage people to invest, combining balanced messaging with clearer, more everyday language. Whilst the shorter format of variant 'C' was easy to understand (61%), it lacks the balance of information sought by potential investors.

Variants 'A' and 'B' can be referred to as evidence-based reference examples for early journey communications – participants responded well to the cash comparison, explicit time horizons and long-term messaging.

The Wisdom Council's findings reinforce previous research from Hargreaves Lansdown, which found that replacing standard risk warnings with more balanced messaging both increased ISA opening rates amongst new customers and increased equity allocations amongst existing customers.[6]

However, the research highlighted that all these communications are just one piece of information investors are presented with, potentially best used at the start of the investment journey.

[6] Balancing Risk Warnings: How modified language leads to increases in investing, Hargreaves Lansdown, July 2025

Key Finding 5:
Standalone compliance drives defensive behaviour by firms and does not support better consumer outcomes

The FCA's principle of standalone compliance has a profound influence on how firms design risk communication. By requiring each individual financial promotion to be compliant in isolation, it encourages firms to embed full risk warnings at every touchpoint, regardless of context or relevance.

The behavioural impact here is often negative: consumers skim or ignore repeated warnings or infer that the risks must be unusually high because of the volume and prominence of the disclosures. Evidence from consumer research suggests that this approach can reduce engagement, particularly in early-stage communications where consumers are deciding whether to explore investing further. Boring Money's research highlighted that repeated, negative language can be a deterrent – particularly amongst those consumers who identify as more risk-averse. Instead, firms should focus on balanced, simple communications that reinforce brand credibility and transparency.

The Review finds that more effective outcomes would be supported by a shift towards proportionate, journey-wide compliance, where risk communication is assessed across the customer journey and placed where it is most meaningful, anchored in consumer understanding.

Customer journey research supports this behavioural explanation. It indicates that "capital at risk" is often ignored in advertising contexts and can be actively alarming for those furthest from investing, who tend to have a more emotive response to risk.[7] However, the Boring Money research indicates that later in the journey, at the point that a tax wrapper or investment account is selected, a short risk and reward communication can be a useful reminder. Consumers feel they should have been educated on what risk means by this stage. In other words, the same wording and prominence can have very different effects depending on where it appears, which standalone compliance tends to disregard.

This is consistent with emerging evidence from live customer journeys. Recent research by Vanguard, which tested alternative risk disclosures in an execution-only ISA onboarding process, found that clearer, more balanced and better-sequenced risk communication reduced customer drop-off by 23% compared to existing wording. This suggests that improving how risk is explained can support engagement without diminishing consumer protection.[8]

A shift in approach will both drive better customer outcomes and simplify operational experience. Firms report significant compliance burdens associated with the approach of standalone compliance, including repeated internal reviews and supervisory interactions.

Key Finding 6:
Firms require greater clarity and confidence to innovate responsibly

Across interviews and technical discussions, firms consistently expressed a desire to improve how they communicate risk, informed by behavioural evidence and consumer testing. However, they also highlighted a lack of confidence about how far they can go without exposing themselves to regulatory or legal risk.

This uncertainty is shaped not only by written rules but by informal supervisory feedback and concerns about retrospective interpretation. As a result, firms often default to established patterns that are known to be suboptimal but perceived to be safe.

The findings therefore point to the importance of clarity, consistency, and alignment across policy, supervision, and dispute resolution. Without this, even well-evidenced improvements are unlikely to be adopted at scale.

Taken together the, findings indicate that the issue is not limited to a single phrase or channel. It reflects a broader misalignment between the objectives of consumer protection, the behavioural realities of how consumers interpret risk, and the way regulatory requirements are currently applied in practice. Addressing this misalignment offers a practical opportunity to improve consumer outcomes in the near term and to set a clearer direction for longer-term reform.

In this respect, the industry has found the FCA clarifications in December last year helpful and we hope this Report and accompanying guidance can build on this to provide greater confidence moving forward.

[7] Mullet, T., Smart, L., Stewart, N., Occasional Paper 47: Blackbird's alarm call or nightingale's lullaby? The effect of tweet risk warnings on attractiveness, search, and understanding, Financial Conduct Authority, December 2018
[8] Building consumer confidence: Reframing risk and guiding investor behaviour, Vanguard, February 2026

Part Three: Recommendations

Based on these findings, our recommendations fall into two categories underpinned by a set of four principles which act as a foundation for durable change:

1. **What firms can do now under the current rulebook** where firms do not need to wait for regulatory change. The accompanying guidance is intended to clarify how existing rules can be interpreted and applied in a way that is consistent with the Consumer Duty and supportive of consumer understanding.

2. **Areas for further regulatory and supervisory change**, which include a revisiting of COBS rules and reform of standalone compliance to allow firms to consider appropriate and decision-useful risk and reward communications across the journey to taking out an investment product. We also envisage further consumer research to support this next phase, linking also to implementation of new CCI rules which may require a different approach to communicating key investment concepts.[9]

Principles for risk communication

The following four principles have been crafted to align with the Consumer Duty's focus on consumer understanding and outcomes, and to provide a common framework for both the near term guidance and the Review's call for further action.

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 participation in capital markets. Balanced explanations of risk must be understandable to everyone, not just financially literate or experienced investors. 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).

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, or giving them undue prominence, can discourage consumers before they have understood the basics. Poor sequencing and presentation turn compliance into a cause of disengagement.

[9] This work builds on our existing body of research and guidance on investor communication, first developed in response to the Asset Management Market Study and the implementation of PS19/4. It is available through our CCI hub.

1. What firms can do now under the current rulebook

The Consumer Duty provides a strong foundation for improving risk communication without waiting for changes to formal rules. Under the Duty, firms are required to ensure that communications meet consumers' information needs, are likely to be understood and support effective, timely, and properly informed decision-making.

In addition, the Review's evidence, the regulatory guidance developed, and the FCA's clarification during the process, indicate that firms do not need to default to the phrase "capital at risk" to comply with risk disclosure requirements for mainstream investments, provided that communications explain the risk of loss clearly, fairly and in a way consumers are likely to understand.

Applied to investment risk, this creates scope for firms to move beyond formulaic warnings and towards clearer, more supportive explanations of risk.

In the near term, firms can:

- Interpret existing disclosure requirements with a focus on consumer understanding and outcomes, rather than defaulting to standardised wording or defensive repetition.
- Replace jargon-heavy or abstract phrases with plain, language – using consumer testing as a reference point – that explains what investment risk means in practice, while remaining accurate and balanced.
- Integrate explanations of risk into the natural flow of communications, alongside benefits and product features, rather than presenting warnings in isolation or as boilerplate.
- Tailor the timing and prominence of risk communication to the stage of the consumer journey, recognising that different information is most helpful at different decision points.
- Use consumer testing, behavioural insight, and monitoring as part of Consumer Duty compliance to evidence that risk communication supports informed decisions rather than deterring suitable consumers.

Industry guidance and role of the Wisdom Council project

The guidance document, published alongside this Review, has been developed as a toolkit to show firms what can be done to reform risk statements under the current regulatory framework and to help them move away from capital at risk style warnings in the near term.

We are also publishing research undertaken by The Wisdom Council which explores how alternative wording can have a positive impact on potential and existing investors.

We have integrated the critical findings from The Wisdom Council's report into our principles and recommendations, which aim to support comprehension, engagement and good outcomes for retail investors. While it is not the intention to provide boiler plate language, the Wisdom Council output offers an evidence-based foundation for communications in the initial stages of a customer's journey for firms to draw on. As we reference earlier in the report, other research also exists to support such a direction of travel.

Wisdom Council Output: Better Testing Variants to Capital at Risk

Variant A: *'Historically, money invested for more than five years grows more than cash savings. Your investments can also fall, so you might not get all of your money back.'*

Variant B: *'Investing for 5-10 years or more can help you build long-term savings. Remember, investments can also fall, so you might not get back all of your money.'*

At the same time, firms will need to consider whether and how to tailor the suggestions in this document and the accompanying guidance to their target market and products and carry out further testing where necessary. This may depend on a range of factors, including nature of the product, position in the distribution chain and the type of customer.

Embedding new approaches under the guidance

While the direction of travel under Consumer Duty is clear, the process of developing the accompanying industry guidance has highlighted that there remain areas of practical ambiguity in how existing financial promotion rules are interpreted and applied in practice. In particular, there are differing interpretations of what constitutes an inducement to invest, especially where communications relate to services such as ISAs, platforms or advice, and where a controlled investment only arises later in the consumer journey.

To reflect this, the Review has developed a RAG-rated "risk warning ladder", to help firms navigate these judgement calls in a structured and transparent way. This is not intended to create new requirements or safe harbours, but to surface where implementation sensitivity is highest and where firms should expect to exercise greater care.

As a way to advance the necessary work, we propose the creation of an Implementation Forum, including the FCA. This will create an opportunity to share practical challenges that will inevitably arise in an area as complex as financial promotions, particularly where the guidance has sought to explain FCA expectations in a way that has not previously been undertaken. Experience shared in the Implementation Forum could also be very useful as regulators and industry consider the shape of the further actions recommended above.

2. Areas for further regulatory and supervisory change

While near-term improvements are both possible and necessary, the Review's work also highlights structural constraints in the current framework that limit how far firms can go in delivering effective risk communication. Addressing these issues will require regulatory and supervisory change.

Review of regulatory framework needed

The guidance published alongside this report is intended to help firms interpret and apply existing rules in a way that is consistent with the Consumer Duty and supportive of better consumer outcomes. However, durable change will require the regulatory framework itself to reflect this interpretation. In particular, elements of COBS 4.2.4 and COBS 4.5 will need to evolve to support contextual, journey-based risk communication and to reduce reliance on mechanical or formulaic disclosure. Without this alignment between guidance and regulation, improvements are unlikely to be sustained at scale.

COBS 4.2.4 – Fair, clear and not misleading financial promotions:

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;

COBS 4.5.2 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;

The framing of risk disclosure for mainstream investments within COBS 4 should be reviewed. Although the rules do not mandate specific wording, the interaction between rules, guidance and supervisory expectations has, in practice, driven widespread reliance on quasi-prescribed phrases that are often ineffective and misunderstood. COBS 4.2.4's emphasis on making 'capital at risk' clear has been operationalised as repeated use of 'capital at risk' as a compliance proxy, which can distract from more meaningful explanation of how and when losses may arise. The FCA should therefore shift regulation towards contextualised explanation of risk and reward, encourage consumer-tested alternatives and clarify how 'fair, clear and not misleading' should be applied in an outcomes-focused way, including by removing or reframing 'capital at risk' terminology in favour of a plain-language requirement to explain the risk of loss in context and alongside relevant benefits.

We also recommend that the review looks at COBS 4.5 so that "fair and prominent" is explicitly assessed by whether retail consumers are likely to notice and understand the relevant risks in context, rather than by proxy measures such as fixed wording, positioning, or repetition. The FCA should clarify "relevant risks" as those material to the consumer's decision, permit appropriate prominence and journey-based sequencing (including layering in digital channels), and confirm that evidence-based contextualisation is not, of itself, "diminishing" risk. This should be supported by an evidencing framework and supervisory safe harbour where firms can demonstrate, through proportionate testing and monitoring, that their communications improve consumer understanding outcomes.

Journey-wide compliance remains an area for further development

The report identifies the principle of standalone compliance as a central structural driver of ineffective risk communication. While the Boring Money research indicates how risk and reward can be better communicated throughout the customer journey, with an emphasis on increasingly educational and contextual information as an individual progresses, this report does not provide a fully specified alternative model for how journey-wide compliance should operate in practice. Further work will be required to explore how compliance responsibilities should be assessed across multiple touchpoints, how supervisory assurance could be provided at a journey level, and how flexibility in sequencing and presentation can be balanced with safeguards against misleading promotion. The research and recommendations on journey-wide compliance should therefore be understood as setting a direction of travel rather than defining an end-state operating model.

Effective change depends on supervisory and dispute resolution alignment

The impact of both the guidance and any future reforms will depend not only on written rules, but on how expectations are applied through supervision, enforcement, and dispute resolution. This work cannot, on its own, ensure consistent alignment between FCA supervisory practice and Financial Ombudsman Service decisions. Without such alignment, firms are likely to remain cautious, limiting their willingness to adopt more effective approaches and reducing the real-world impact of the guidance.

These changes would allow risk communication to function as a tool for informed decision-making rather than a compliance artefact. The guidance set out alongside this report provides an immediate pathway for improvement, while the change agenda identified here offers a roadmap for reform that is consistent with the objectives of the Consumer Duty and the broader goal of improving the UK's investment risk culture.

Review of Progress

To take stock of both the immediate change process and momentum for the wider changes outlined above, we would like to reconvene the Review Steering and Technical Expert Group in six months. This would also allow us to take stock of other relevant developments, including CCI implementation and progress in the Retail Investment Campaign. It is also likely that further consumer research will be needed as the process advances.

The IA is happy to continue to act as the secretariat for this purpose, while ensuring that this remains a pan-industry endeavour, informed by close dialogue with policymakers, regulators and consumer representatives.

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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 Report.

This Report 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.

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April 2026