



# Response to CP26/10: Simplifying the Pensions and Investment Advice Rules

**Submitted by:** Pillar Client Services Ltd (Company No. SC881118) **Date of submission:** 12 May 2026 **Consultation deadline:** 22 May 2026 **Respondent type:** Unregulated infrastructure provider supporting FCA-authorized firms **Submission route:** FCA Connect online consultation portal (cp26-10@fca.org.uk fallback) **Public version:** Available at [pillarcs.co.uk/resources/cp26-10-response](https://pillarcs.co.uk/resources/cp26-10-response)

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## Cover statement

Pillar Client Services Ltd is a white-label, non-advice outsourced client review and relationship management service for UK IFA firms. Pillar is not regulated by the Financial Conduct Authority. It operates as a data processor inside the adviser's authorised permissions and systems. Pillar's commercial proposition is to deliver structured, evidenced, ongoing review activity to the client segment that is economically unviable for advisers to service at senior adviser rates, principally clients paying less than the firm's profitability threshold.

Pillar welcomes CP26/10. The proposals confirm the regulatory direction Pillar has designed for since founding. This response focuses on the ongoing advice service proposals in Chapter 3 and the disengaged client guidance, because these are the areas where the proposed rules intersect most directly with the operational practice Pillar delivers for adviser firms. Pillar has not responded to questions outside its practical expertise, including those on qualifications, professional client suitability and insistent clients.

The response is grounded in three sources of evidence. First, operational data from the live deployment at Paterson Financial Planning, an FCA-authorized IFA firm in Scotland: 20 reviews completed in April 2026, 3 escalations to the regulated adviser (15% escalation rate), £11,000 of revenue generated from those escalations, internal Quality Audit score 4.12 of 5 (GREEN). Second, the FCA's own Consumer Duty Board Reports observations published 16 April 2026, which directly engage the question of how monitoring obligations propagate through outsourced delivery. Third, direct conversations with adviser principals and compliance officers across 29 target firms conducted during Q1 2026.

This response is publicly available at [pillarcs.co.uk/resources/cp26-10-response](https://pillarcs.co.uk/resources/cp26-10-response). Pillar is content for the FCA to publish the response in full as part of the consultation outcome.

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## About the respondent

Pillar Client Services Ltd is an unregulated UK limited company (Companies House SC881118), registered in Scotland, providing outsourced client review and relationship management under white-label to FCA-authorized IFA firms. Pillar's Client Review Managers work inside the adviser's Intelliflo environment, under the adviser's brand, conducting structured review activity for clients whose service needs do not justify senior adviser time. Pillar does not give regulated



advice. Pillar does not hold client money. Pillar is not a distribution channel. Pillar is operating infrastructure that lets a regulated firm deliver proportionate, evidenced ongoing service to segments it cannot otherwise serve economically.

Co-founder Brian McLaughlin holds an Executive MBA from Warwick Business School (Specialism), with a dissertation on the cultural determinants of innovation in UK wealth and asset management firms (McLaughlin, 2024). Co-founder Damien Paterson is principal of Paterson Financial Planning, an FCA-authorised IFA firm in Scotland, which is the live deployment site referenced in this response.

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## **Response to Question 7: The FCA's expectations on the frequency of ongoing advice reviews**

Pillar supports the proposal to replace the mandatory annual review with a review cadence determined by reference to the client's needs, characteristics, objectives, attitude to and ability to bear risk, and the nature of the underlying investments. This is the correct regulatory intent and matches the operational reality of how proportionate client service should be designed.

Three observations.

First, the annual review requirement has created a compliance performance that does not always deliver substantive value to lower-value clients. In practice, Pillar observes firms conducting perfunctory annual contact with sub-profitable clients, generating paper that satisfies the prescriptive rule but delivering limited ongoing benefit to the client. This is a known failure mode of prescriptive regulation: it converts outcome obligations into process obligations, and firms rationally satisfy the process at minimum cost. The proposed shift to proportionate, needs-based frequency is the correct response because it forces firms to justify the service against Consumer Duty outcomes rather than against a frequency rule.

Second, the operational challenge for firms is not the freedom to set different frequencies. It is the governance discipline to assess each client's needs, document the frequency decision, and revisit it when circumstances change. The FCA's case studies in paragraphs 3.11 to 3.20 correctly illustrate biennial and triennial cycles as acceptable. The binding constraint on small adviser firms will be the evidence burden, not the frequency choice. Many small IFA firms lack the management information infrastructure to generate and maintain the evidence at scale. This is a structural capacity constraint, not a rule design issue. It suggests the FCA should consider in its guidance how firms can demonstrate needs-based frequency decisions at scale without creating disproportionate administrative burden.

Third, the academic evidence on culture and innovation in this sector is directly relevant. McLaughlin (2024) examined the determinants of innovation capability in UK wealth and asset management firms via survey of industry professionals. The findings indicate that risk-averse culture with fear of failure is the most frequently cited barrier to innovation in the sector, followed by lack of resources allocated to innovation. Proportionate service design is, for most firms, an innovation in operating model. The transition to the proposed rules will therefore be harder for firms with the cultural characteristics most common in this industry than the consultation's cost-benefit analysis assumes. The FCA's transition guidance should reflect this.



## Recommendation for Question 7

Publish illustrative case studies of needs-based frequency decisions across a range of client profiles, including engagement and vulnerability characteristics alongside risk-and-complexity. Pillar would contribute operational case material from the Paterson Financial Planning deployment if useful.

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## Response to Question 8: Additional guidance on how firms should meet the expectations

Additional guidance would be valuable but should not reintroduce prescription through the back door. The policy intent is to move from a rule-based regime to an outcomes-based regime governed by Consumer Duty. Detailed guidance risks becoming the de facto rule.

Pillar recommends guidance focused on three areas.

One, the audit trail. Firms will need to demonstrate, after the fact, that the frequency decision was reasonable for the client at the time. Guidance on what constitutes a sufficient record of the frequency rationale is more helpful than guidance on the frequency itself.

Two, the handling of segmented client books. Most IFA firms serve a distribution of client types, from high-value engaged wealth planning clients to legacy low-value clients on inherited books. Guidance should confirm that it is acceptable, indeed expected, for a firm to operate different service levels for different segments, provided the segmentation is documented, the pricing is transparent, and each client's service is consistent with their individual needs. Without explicit confirmation, many compliance officers will advise against segmentation out of caution.

Three, the use of third party infrastructure. Firms that outsource review and relationship management functions to non-advice providers such as Pillar should have clear guidance on what is permissible. This is addressed implicitly in the proposed rules on charging for related services (paragraph 3.8) but would benefit from explicit recognition. Outsourcing of non-advice activity to regulated-firm-controlled infrastructure is the only practical way most small IFA firms can deliver proportionate ongoing service to sub-profitable client segments within the economics of their business.

## Recommendation for Question 8

Include in guidance explicit confirmation that non-advice client review and relationship management delivered by third party providers under white-label and data-processor governance is an acceptable approach to proportionate ongoing service.

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## Response to Question 9: The proposal on proportionality of ongoing services

Pillar strongly supports the proposal. It legitimises the tiered service model which is the only economically viable response to the structural problem faced by IFA firms serving legacy low-value client books.



The cost-benefit analysis in the consultation paper, in particular Table 10, estimates 101,000 new alternative ongoing advice model consumers and 30,000 existing consumers switching to alternative ongoing models in the central scenario. 131,000 consumers in alternative models is a substantial market. The FCA's central NPV of £626.2m over ten years confirms the policy direction is commercially significant, not marginal.

Pillar observes that the cost to a firm of setting up an alternative ongoing advice model is estimated at £1,938 one-off and £4,833 per year for a small firm (CBA paragraph 90). These are in-house costs. They assume the firm builds the capability internally. For most small IFA firms, this is an unrealistic assumption. The firm does not have the headcount, the management information or the regulatory comfort to design and operate a separate service line without external support. The outsourced route via unregulated infrastructure providers such as Pillar bypasses these setup costs and provides immediate operational capability at a transparent per-client fee. The FCA's own numbers therefore support the case for a robust outsourced infrastructure market alongside in-house delivery.

The Cameron and Quinn (2011) Organisational Culture Assessment Instrument is useful in thinking about which firms will choose which route. Firms dominated by hierarchy and market cultures tend to prefer external delivery because it is a contractual, control-based, economically rational response. Firms dominated by clan and adhocracy cultures tend to attempt internal innovation but struggle in regulated environments because the cultural characteristics that enable innovation do not readily coexist with the compliance characteristics demanded by this regulation. Policy design should anticipate both routes.

### **Recommendation for Question 9**

Retain the proportionality proposal as drafted. Supplement with guidance that explicitly recognises outsourced non-advice review and relationship management infrastructure as a legitimate route to proportionate service, subject to appropriate governance at the regulated firm level.

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## **Response to Question 10: Charging for related services**

Pillar strongly supports paragraph 3.8. The confirmation that firms may charge ongoing fees for services that relate to an earlier personal recommendation, without those services themselves constituting advice, is critical to the commercial viability of the proportionate service model.

This is the regulatory clarification that most directly enables Pillar and similar non-advice infrastructure providers. It removes the longstanding commercial uncertainty that "if it feels like it relates to an old recommendation, it might be regulated advice and must therefore be delivered by a qualified adviser". That uncertainty has inhibited the development of proportionate ongoing service in the UK market for more than a decade.

Pillar recommends the final policy maintain this clarity with two additions.

First, the FCA should provide a worked example of a non-advice relationship management service that is related to an earlier personal recommendation. Pillar's own service would be one such example. Pillar would willingly contribute operational material.



Second, the FCA should confirm that the charging of ongoing fees for related services is compatible with the payment flowing directly from the adviser firm to the third party service provider. The current draft implies this but does not state it explicitly. Without explicit confirmation, some compliance officers will continue to treat third-party payment arrangements as high-risk.

### **Recommendation for Question 10**

Retain paragraph 3.8 as drafted. Add an illustrative worked example of a non-advice related service delivered by a third party, and confirm the compatibility of related-service charging with payment by the adviser firm to the third party.

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## **Response to Question 15: The proposal on disengaged clients**

Pillar strongly supports the proposal. The formalisation of the expectation that firms must take reasonable steps to re-engage and, where re-engagement fails, consider whether continuing to charge the client is appropriate, is the single most important Consumer Duty clarification in the consultation.

The disengaged client problem is well documented across the industry. Many firms hold historic client relationships where the client paid for advice on a recommendation ten, fifteen or twenty years ago, has had minimal substantive contact since, but continues to pay ongoing charges. The structural problem is that servicing these clients to a standard that delivers demonstrable ongoing value is economically unviable at senior adviser time, but offboarding them causes immediate revenue loss and, in some cases, leaves the client in worse practical circumstances than continued light-touch retention. The proposal correctly forces firms to confront the choice.

This question is now also load-bearing for the FCA's own observations on distribution chain monitoring. In the FCA's Consumer Duty Board Reports observations published 16 April 2026, the regulator stated that "monitoring of outcomes in distribution chains was often weak, especially where firms rely on intermediaries or outsourcing partners". The same observation noted that some board reports did not include evidence that good outcomes were being delivered through outsourced consumer support, and confirmed that firms cannot delegate any part of their Duty responsibilities to third parties. The FCA further confirmed it will consult on changes to rules and guidance for distribution chains during 2026.

The 16 April observations and the disengaged client proposal point in the same direction. The principal firm cannot delegate the duty. The principal firm must retain visibility, must evidence outcomes, and must monitor the third party. This is exactly the governance posture the Pillar model is designed to support: structured, documented, escalation-flagged review activity delivered to the principal's specification, inside the principal's systems, with full audit trail. It is the opposite of opaque delegation. It is delegated execution under retained oversight.

Three implementation observations.

First, "reasonable steps" to re-engage will require operational definition. In Pillar's experience, re-engagement at scale across a back book of several hundred clients cannot be delivered by senior advisers within economic time. It requires dedicated infrastructure: phone-based contact



attempts, structured questionnaires, documented contact logs, and clear escalation rules for clients whose responses indicate a material change in circumstances. This is exactly the infrastructure that non-advice providers such as Pillar supply, on the principal's terms, with the audit trail the 16 April observations demand. Guidance should confirm that reasonable steps can include contact delivered by third party non-advice providers on behalf of the authorised firm, provided the principal retains documented oversight.

Second, the threshold at which a firm "must consider whether it is appropriate to continue to provide the service and charge the consumer" (paragraph 3.21) will be interpreted by firms in widely different ways. Some will offboard at the first failed contact. Others will wait five years. The FCA should consider providing a safe harbour definition, for example, "two documented contact attempts across a twelve month period without substantive client response" as a trigger for the re-assessment obligation. This would standardise practice and protect consumers from firms that delay the re-assessment indefinitely.

Third, there is a risk that firms respond to the proposal by offboarding disengaged clients rather than investing in re-engagement. Mass offboarding is not a consumer-protective outcome. Many disengaged clients are disengaged because their adviser has not contacted them meaningfully, not because they do not need the service. The FCA should consider monitoring the volume of client offboarding in the two years following implementation and intervene if firms are using the proposal to cut clients rather than to re-engage them.

### **Recommendation for Question 15**

Retain the proposal as drafted. Add guidance, consistent with the 16 April distribution chain observations, confirming that reasonable re-engagement steps may be delivered by non-advice third party providers under documented governance by the regulated firm. Consider a safe harbour definition of the trigger for the re-assessment obligation. Monitor offboarding volumes post-implementation to detect unintended consequences.

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## **Response to Question 16: Additional guidance on disengaged clients**

Additional guidance is necessary. The proposal as drafted gives firms substantial discretion, which is appropriate, but the industry will need illustrative examples to implement consistently.

Pillar recommends guidance covering four areas.

One, the content of re-engagement attempts. What does good look like? A generic annual mailing is unlikely to constitute reasonable steps. A structured phone-based conversation with a documented script, a client-facing questionnaire returning substantive information, and a clear escalation pathway for material changes, is. Guidance should describe the characteristics of substantive re-engagement without prescribing the exact method.

Two, the treatment of clients who engage partially. Some clients respond to contact but decline to participate in a full review. These are not fully disengaged. Guidance should clarify that partial engagement, properly documented, can be a reasonable basis for continued lighter-touch



service at a proportionate fee, provided the client's needs, characteristics and ability to bear risk have been assessed sufficiently.

Three, the treatment of vulnerable clients. Disengagement can be a signal of vulnerability as well as of disinterest. Guidance should require firms to consider whether non-response may reflect cognitive decline, bereavement, illness or financial stress, and to escalate accordingly. This is consistent with Consumer Duty expectations on vulnerable customer handling.

Four, the audit trail. Firms must be able to demonstrate, for each client, what reasonable steps were taken, the client's response or non-response, the assessment that followed, and the basis for the continued service and charging decision. The evidence burden is significant. Guidance should clarify the minimum content of a defensible audit trail, and should explicitly confirm that audit trails generated by third party providers under data processor governance, and surfaced to the principal, satisfy the requirement.

### **Recommendation for Question 16**

Publish guidance covering re-engagement content, partial engagement, vulnerable client signals and audit trail expectations. Confirm that audit trails generated by third party non-advice providers under principal governance satisfy the requirement, consistent with the 16 April distribution chain observations. Pillar would contribute operational templates from the Paterson Financial Planning deployment if useful.

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## **Response to Question 22: Cost-benefit analysis**

The CBA is well constructed and the central NPV of £626.2m over ten years is credible given the market size data in Chapter 6.

Pillar makes two specific observations on the firm-cost estimates.

First, the estimated cost to a small firm of establishing an alternative ongoing advice model is £1,938 one-off plus £4,833 per year (paragraph 90). These are in-house costs and assume the firm develops capability internally. For most small firms, the realistic delivery route is to contract a third party non-advice provider, which bypasses the one-off setup cost entirely and converts the ongoing cost into a per-client variable fee. At Pillar, the standard fee is £450 per client per year for fully managed annual review delivery. For a firm serving 100 low-value clients, the per-client model produces £45,000 per year of ongoing cost with zero setup, compared with the CBA estimate of £4,833 ongoing plus the unmodelled internal labour cost of actually operating the service. The per-client model is more expensive in nominal terms but is the only model that scales to firms without spare in-house capacity, which is the majority of the small firm population.

Second, the CBA does not model the principal-firm oversight cost demanded by the FCA's 16 April 2026 distribution chain observations. The principal firm carries an irreducible monitoring cost regardless of which delivery route it chooses. In the in-house route, that cost is bundled into the £4,833 per-firm-per-year figure. In the outsourced route, that cost is the principal's contracted oversight and MI activity, which the third party must support. Outsourced models that do not produce evidence to principal-firm-grade standard will fail the 16 April test as soon as



supervisors apply it. The market efficiency of the policy depends in practice on a third-party infrastructure market that produces this evidence as a designed-in property, not a retrofit.

Pillar's deployment at Paterson Financial Planning is one operational data point against the CBA. April 2026 actuals: 20 reviews completed, 3 escalations to the regulated adviser (15% escalation rate), £11,000 of revenue generated from those escalations, internal Quality Audit score 4.12 of 5 (GREEN). The escalation revenue covered the cost of the review programme 2.4 times over in the month. The outcome is a defensible audit trail produced as a by-product of the review activity, which is the property the 16 April observations reward.

## Recommendation for Question 22

Retain the CBA. In ongoing monitoring, track the emergence and scale of third-party non-advice infrastructure providers as a leading indicator of policy effectiveness. Treat the 16 April distribution chain observations as binding alongside the CP26/10 final policy: the outsourcing route is only consumer-protective where the audit-trail evidence is principal-firm-grade by design.

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## Closing statement

CP26/10 is the correct direction. It formalises the proportionate service model that the economics of modern adviser firms require, aligns it to Consumer Duty, and closes the loophole of charging disengaged clients without demonstrable ongoing value.

Read alongside the FCA's 16 April 2026 distribution chain observations, the policy gives the industry a clear instruction. The principal firm cannot delegate the duty. It can delegate the execution, provided the evidence trail is principal-firm-grade and the oversight is documented. That is the model Pillar is built to support.

Pillar designed its operating model from the ground up for the regulatory environment CP26/10 describes. Pillar is therefore strongly supportive and has focused this response on the operational implementation questions where it has direct experience.

Pillar would welcome the opportunity to contribute further to the FCA's policy development and to provide operational evidence from the Paterson Financial Planning deployment as the policy moves toward the expected Q4 2026 Policy Statement and the 2026 distribution chain consultation.

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## Contact for this response

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The response is signed and submitted under the sole signing authority of the named director, in accordance with the company's governance position pending execution of the Shareholders' Agreement. Pillar is content for the response to be published in full and is happy to engage further with the FCA on any of the points raised.



## Exhibit A: Consumer Duty mapping for the Pillar model

This exhibit is referenced in the responses to Questions 8, 15 and 16. It maps Pillar's operational model to the four Consumer Duty outcomes and is provided as evidence that proportionate, outsourced, non-advice review is consistent with the Duty when properly governed.

Consumer Duty Outcome	Pillar operational evidence	Principal-firm responsibility
Products and services	Pillar service is non-advice review and relationship management. Scope documented in Master Services Agreement and Schedule of Services. Out-of-scope items routed to escalation.	Principal selects the client segment in scope. Principal owns product suitability.
Price and value	£450 per client per year, fully managed. Transparent, contractual, per-client. No setup fee. Documented in firm-side fee disclosure.	Principal documents fair value assessment for the segment.
Consumer understanding	Review is delivered under principal brand. Client communications follow principal templates. No Pillar-branded communication reaches the client.	Principal owns brand and tone of voice.
Consumer support	Phone-based structured review. Documented contact attempts, escalation triggers, vulnerability assessment, partial-engagement handling. Audit trail produced per review.	Principal reviews exception queue and Quality Audit MI.

## Exhibit B: Pilot data, April 2026

Source: Paterson Financial Planning live deployment, April 2026.

Metric	April 2026 actual
Reviews completed	20
Escalations to regulated adviser	3 (15%)
Escalation revenue generated	£11,000
Internal Quality Audit score	4.12 / 5 (GREEN)
Return on review programme cost	2.4x

Underlying data and audit-trail samples available to the FCA on request, subject to client confidentiality and data processor governance.



## References

Cameron, K.S. and Quinn, R.E. (2011) *Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework*. 3rd edn. San Francisco: Jossey-Bass.

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Schein, E.H. (2017) *Organizational Culture and Leadership*. 5th edn. Hoboken: Wiley.

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