M&G Platform

Fair value best practice guide

Helping advisers demonstrate fair value in line with Consumer Duty

For UK Financial Advice Professionals only.



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What is value? How can you measure it? And in such a varied sector as financial advice and wealth management, how can you put a fair price on it?

The FCA Consumer Duty outcome around Price and Value has been kept flexible and wide ranging, with the regulator highlighting it as a particular area of focus for its ongoing programme of Consumer Duty work. In this guide, we consider how all this translates into practical action.

We explore the challenges that fair value presents specifically to advice firms. We outline the steps to an effective fair value assessment framework, from considering target audiences (you can read more about this in our segmentation guide) to identifying the benefits of your service, to breaking down your own costs. Throughout, we highlight the key expectations of the regulator.

As with all our Adviser Guides, this is based on our interpretation of the regulation. Firms will still need to decide what's suitable for them. But we hope the following guide provides a helpful refresher.

If you have any questions or comments, please contact the M&G Platform team or email us at platformadoption@mandg.com



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This guide is provided for information only, and does not constitute advice.

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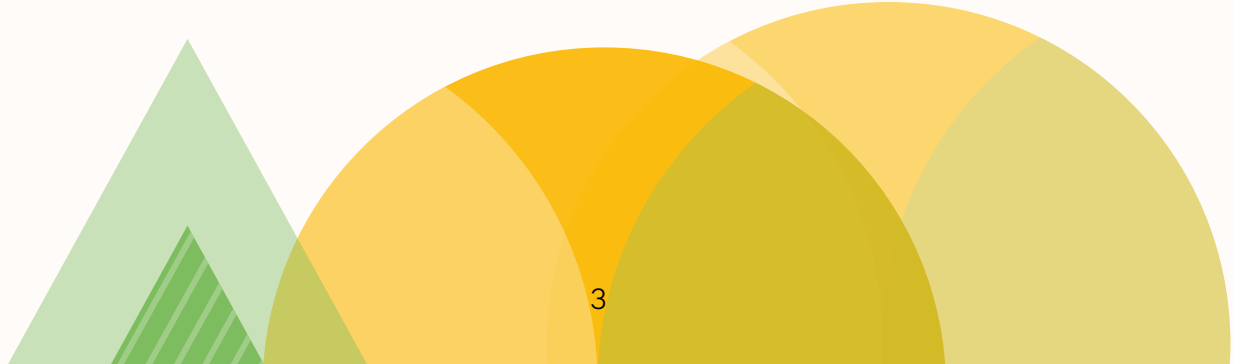


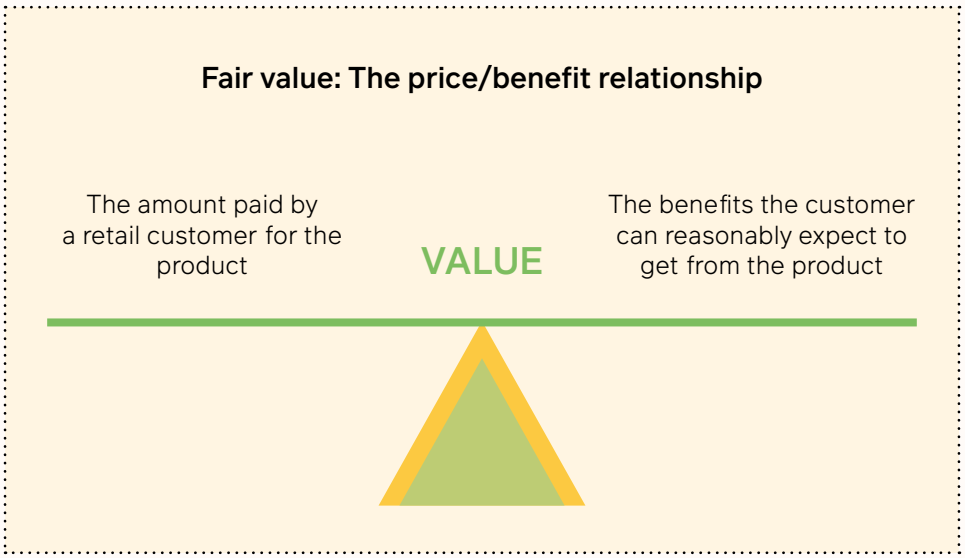
Fair value

Defining fair value under the Consumer Duty

The Consumer Duty covers all FCA-regulated firms that 'can determine or materially influence retail customer outcomes'[1], from mortgage providers to pension providers, high-street banks to wealth managers and investment platforms.

To accommodate such a breadth of activities, the definition of 'fair value' has been left intentionally open. But essentially, the FCA wants manufacturers and distributors to ensure that the price paid for a product or service is reasonable relative to the overall benefit a consumer receives from it.

That benefit might relate to the quality of the product or service, the level of customer service, the potential pay-out or return, suitability for consumers' needs, or other features that consumers find valuable, according to the regulator[2].



1 The price and value outcome – PS22/9 A new Consumer Duty Feedback to CP21/36 and final rules – Scope of firms covered by the Duty, page 15.

2 FG22/5 Financial non-Handbook Guide for firms on the Consumer Duty – section 7.24.

2026 update

As Consumer Duty has become more embedded across the sector, the FCA has published a range of good and poor practice documents to help firms understand how to best follow the rules. The full list of these documents can be found at: https://www.fca.org.uk/firms/consumer-duty/publications-resources

However we would draw attention to the following...

Price and Value Outcome: Good and Poor Practice update[3]

Key messages to firms are as follows:

Consumer Duty outcomes should be considered holistically. It is important not to consider the price and value outcome in isolation. It should be considered alongside the other outcomes (products and services, consumer understanding and consumer support), and cross cutting rules (act in good faith, avoid causing forseeable harm, and enable and support customers to pursue their financial objectives).

Effectively identifying target markets helps in assessing impacts for different customers. Firms should consider the types of customers who are likely to get value from the product (inside the target market) as well as the types who are less likely to get value (outside the target market).

Evidence is vital in fair value assessments but firms should be proportionate in their approach. Assertions made in fair value assessments about the costs and benefits of the product or service, or any other contextual factors, should be backed by reasonable evidence. The extent or level of detail of the supporting evidence should be proportionate to the size of the firm and complexity of the factors being considered.

The FCA does not expect a small firm to apply the same resources or processes to assessing fair value as a large firm. Firms should take a reasonable and proportionate approach in light of their resources, size of client base, and the complexity of the factors being considered in the fair value assessment

3 https://www.fca.org.uk/publications/good-and-poor-practice/price-value-outcome-good-poor-practice-update

Challenges of assessing fair value

Assessing and evidencing fair value as part of the Consumer Duty regime presents a number of challenges – particularly for firms providing financial advice.

1 It's up to firms to interpret what 'fair value' means

The FCA expects firms both to determine and demonstrate what customer benefits their service or products provide and whether the price paid for these by the customer represents fair value. Firms therefore need to spend significant time identifying benefits that can be reasonably derived by target customer groups and decide how they will put cost in context.

2 Value may only be apparent over time

Unlike a car or household appliance, it's often hard to tell if a financial service 'works' right away – especially one linked to financial performance. The true value may only be determined in hindsight as longer-term investment returns are realised, tax is saved, or other client objectives are achieved.

3 Some benefits may be hard to measure

Alongside quantifiable outcomes such as financial return, the value of financial advice can extend to more intangible benefits such as the peace of mind or confidence it provides to customers. Indeed, research suggests that the emotional benefits of advice (such as a sense of financial wellbeing) may be just as important to customers as the financial ones.

The FCA has said it does not necessarily expect firms to quantify non-monetary cost and benefits. But it does expect firms to at least provide consideration of these factors[4]. So firms still need to find a robust way to assess them.

4 Demonstrating value puts additional resource burden on the firm

Spending additional time providing robust, data-driven proof of value puts more pressure on a firm's own resources and costs. So, it's important to see how data and findings generated for fair value assessments can be achieved efficiently – and potentially leveraged in other ways throughout the firm (see 'Comment' on page 6).

5 Value assessment timings are not specified

As with much of its retail regulation, the FCA does not say when or how often a value assessment needs to be made. It only says that a distributor must "regularly review its distribution arrangements throughout the life of the product to ensure they remain consistent with the product providing fair value to retail customers in the target market"[5]. Put simply, a firm needs to be ready for a review of its fair value assessment process, along with the three other outcomes of the Consumer Duty, at any time.

Taking the initiative

As with so much principles-based and outcomes-based financial regulation, the responsibility is very much upon firms to interpret the rules and determine what processes or analysis they require to demonstrate fair value on an ongoing basis. In the next section, we'll look at a number of practical steps to help with this process.

4 PS22/9: A new Consumer Duty (fca.org.uk) – 7 – The price and value outcome, page 46.

5 PS22/9 – A new Consumer Duty – Feedback to CP21/36 and final rules – Appendix 1 – Made rules – 2A.4.24 (2)

Seven steps to demonstrating fair value

Advice firms need to demonstrate a clear and consistent framework for assessing fair value. Here are some key stages in that process.

1 Identify your target market(s)

Repeatedly throughout the rules on price and value in the FCA Handbook, the regulator stresses that the fair value must be demonstrated in relation to customers within the target market for a particular product or service.

The regulator may have principally had highly commodified product providers (such as banks, insurers, credit providers and mortgage lenders) in mind when it made this point. But there is still an expectation on service-led firms such as financial advisers to indicate their target market – and the benefits delivered.

Research by NextWealth found that some wealth management firms took time to initially define target markets for their products and services. With these now well established, the focus is more on reviewing and updating target markets as needed. Where firms have different pricing structures for different target markets or client segments this needs to be clearly flagged and rationalised by detailing the different features each service provides.

For more on identifying target markets and segmenting a client base, see the M&G Platform Adviser Guide to Segmentation.

Examples of target markets

These are only a few examples – there may be many more and your target audiences could get more granular (e.g. female business owners, or professionals in a specific sector).

1 Wealth	Low assets – but with potential	Affluent	High net worth	Ultra high net worth
2 Life stage	Young professionals	Mid-life professionals	Pre-retirees	Post-retirees
3 Personal status	Business owners and entrepreneurs	Inheritors	Dual nationalist/ expats	Families
4 Life events	Divorce	Bereavement	Pension transfer	Relocation

COMMENT

"With the industry's focus on ongoing fees and service, segmentation can help advisers to evidence and deliver on Consumer Duty obligations. Encouragingly, our research found that a fifth of advice firms are now looking at segmentation more holistically and exploring characteristics, such as communication preferences and behavioural criteria, that can influence outcomes."

2 Determine what benefits clients receive from your service

The next step is to identify the benefits that a consumer receives from your service and the various features it provides. These can broadly divide into financial, emotional and utilitarian benefits.

In the research that M&G Platform conducted with NextWealth, advisers indicated that emotional benefits such as a client's sense of financial wellbeing are broadly as important as the portfolio returns they achieve.

You may have a good idea of the benefits your service offers. But it may be worth asking clients themselves what they see as its value. Some answers may be aspects you haven't considered but that could resonate with other clients.

Example benefits of financial advice

These are only a few benefits to explore – there may be many more.

Financial benefits	Emotional benefits	Utilitarian benefits
Growth in capital value (net of fees and costs)	Sense of financial well-being	Time saved (e.g. by firm doing all research into products)
Tax saved (net of fees and costs)	Peace of mind	Principles met (e.g. via ethical or responsible investing)
Income target met (net of fees and costs)	Greater confidence (e.g. to take financial action)	Increased understanding (e.g. of financial choices and financial goals)
Reduced volatility		Bespoke solutions
Providing access to lower-cost products/discounts		
Providing access to an affordable service (e.g. hybrid/online)		

Matching features to benefits

Itemising the features provided by your service can rationalise its cost. Going one step further and mapping those features onto client benefits can demonstrate its true value. We've listed one benefit per feature, but of course, each feature can offer multiple benefits.

Example feature	Example benefit
Face-to-face meetings	Reassurance/peace of mind
Online meetings/fact-finds	Time saved
Half-yearly valuation reports	Greater confidence
Quarterly newsletter	Increased understanding
Discretionary fund management	Growth in capital value
Tax and estate planning	Tax saved
Pensions advice	Peace of mind
Cashflow planning	Income goals met

3 Decide how benefits can be assessed and evidenced

The FCA wants clear evidence of the benefits customers are deriving from financial products and services, and to see how firms are collating this evidence. Features of an advice service such as annual reviews, meetings and reports can simply be itemised. But the actual benefits derived from this activity may need to be quantified or qualified.

The FCA has itemised the types of data firms can use to monitor whether they are meeting fair value expectations (see 'Types of data/monitoring firms can use', page 11). But the FCA says firms have full discretion as to factors they use in their value assessments[6].

Financial benefits

Financial performance will, of course, already be built into your client reporting. To demonstrate value, returns can be contextualised against various benchmarks, including inflation, cash deposits, peer groups, an appropriate market index or a client's own goals.

Where firms are using model portfolios, indicative returns should hopefully be straightforward to provide. To assess 'fair' value, the regulator may want to see what returns have been achieved 'net' of all fees and costs. Tax savings are more hypothetical and will tend to be highly client-specific so could be demonstrated through case studies.

Emotional and utilitarian benefits

Emotional benefits are subjective and may need to be assessed by surveying clients. A simple client satisfaction survey, for example, could ask clients to what extent they believe a firm's service has given peace of mind, increased their confidence or knowledge, provided great financial opportunity, and so on. Firms can either survey clients and compare to historic benchmarks, or work with research firms to get comparative benchmarks.

However, in its final Handbook wording, the FCA warns that a firm must 'not rely on individual retail customers to consider whether they believe the product provides fair value in place of the firm's own assessment'[7]. So customer surveys and testing can only ever form an element of a fair value assessment.

6 FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty – section 7.13.

7 PS22/9 – A new Consumer Duty – Feedback to CP21/36 and final rules – Appendix 1 – Made rules – 2A.4.20.

4 Determine the cost to deliver your service

'Fair value' not only means a price that reasonably reflects the benefits derived by the customer. The price you charge also needs to enable you to run a financially sustainable business that can support clients well into the future.

It's therefore important to have data that lays out the cost of delivering your service. This could include the average time spent by staff (e.g. advisers, paraplanners and admin staff) on each component task required to service a client. By assigning each professional an hourly rate, an indicative average cost in pounds can be calculated.

If you have multiple propositions with different servicing levels and charges, this calculation should be conducted for each one. Remember to take account of all operational and regulatory costs too – and an appropriate profit margin to ensure you can continue investing in your business.

TYPES OF DATA/MONITORING FIRMS CAN USE[8]

The FCA lists the following types of data for firms to monitor under the price and value outcome:

- **The expected price paid by customers, including associated fees and charges and those incurred further down the distribution chain**
- **Profitability data, including revenue and profit margins**
- **Customer complaints and root cause analyses**
- **Surveys, net promoter scores, social media rating analysis, focus groups, mystery shopping or other customer research**
- **Data about customer usage and behaviour, such as transactional data, retention rates or relevant A/B testing of variation in product or service design**
- **Operational data which might affect value such as on app or website outages or service call abandonment rates**
- **Feedback from other firms in the distribution chain including manufacturers, intermediaries, appointed representatives or other third parties regarding the value of the product**
- **The cost of providing the product or service, including credit risk**
- **Market conditions, such as the interest rate environment or rates for comparable products**

8 Taken from FG22/5: Final non-Handbook Guidance for firms on the Consumer Duty (fca.org.uk), section 7.50.

Breaking down the cost of delivering your advice service

Below we have listed high-level actions. But each can be broken down into the individual time-costed tasks involved for each staff member.

Task	Adviser At (X £/h)	Paraplanner At (X £/h)	Admin/other staff (at X £/h)	Cost
1. Onboarding clients				
Organise and complete initial fact-find	x hrs	x hrs	x hrs	£x
Discovery meeting with client	x hrs	x hrs	x hrs	£x
Draw up initial recommendations	x hrs	x hrs	x hrs	£x
Confirmation meeting with client	x hrs	x hrs	x hrs	£x
Execute recommendations	x hrs	x hrs	x hrs	£x
Send confirmation report and letter	x hrs	x hrs	x hrs	£x
			Total	£x
2. Ongoing service (per year)				
Portfolio reporting	x hrs	x hrs	x hrs	£x
Client review	x hrs	x hrs	x hrs	£x
Portfolio rebalancing	x hrs	x hrs	x hrs	£x
Newsletters	x hrs	x hrs	x hrs	£x
Client seminars and hospitality	x hrs	x hrs	x hrs	£x
Other ongoing service (detail)	x hrs	x hrs	x hrs	£x
			Total	£x

5 Determine your expected total price

To assess fair value, the regulator expects firms to monitor how much a customer is paying for a service or product, not only initially but over the lifetime of the relationship with a firm[9]. This means all applicable charges across the distribution chain need to be explicit, including:

- Adviser fees (initial and ongoing)
- Investment fees (fund charges, transaction and trading costs)
- Portfolio management costs (including third-party DFM fees)
- Platform fees

The FCA makes it clear that distributors are responsible for ensuring that any third-party services and products they use also offer good value[10]. (Some commentators have suggested this will effectively turn platforms into 'gatekeepers') so overpriced funds and other products are kept out of bounds. However, they are not responsible for carrying out that value assessment – it should be supplied by the provider.

The FCA also says it wants firms to consider any non-financial "costs" that customers may incur, such as the time and effort it takes to access a product[11]. Unclear or misleading information could make it hard for customers to assess their options. Barriers to accessing a service could prevent customers from acting to realise their financial objectives. Demonstrating what your firm has done to minimise these non-financial costs will be a strong positive.

COMMENT

Firms may want to show how their pricing is engineered to help ensure fair value for all customers. For example, tiered pricing structures (with percentage fees falling as a client's assets rise) or price caps can demonstrate that larger clients aren't being overcharged for receiving a similar service to smaller clients. Or fixed fees can be shown to provide customers with clarity and certainty.

9 FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty – section 7.16.

10 FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty – section 7.31-7.33.

11 FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty – sections 7.28-7.29.

6 Benchmark total costs and charges against the market

Although cost does not equate directly to value, the FCA has said it may expect firms to consider the market rates and charges for comparable products or services and whether theirs is a significant outlier compared to these[12].

Benchmarking adviser, platform and investment charges against comparable services can provide valuable context when assessing fair value. While benchmarking should not be used in isolation, it can help firms understand how their charging structure compares with the wider market and identify areas that may warrant further review.

What if your costs are above the market rate?

If benchmarking the costs of advice indicates your charges are higher than your peer group, it is important to ask some questions:

- Which elements are making us more expensive? The more granularity you have, the easier it is to track where higher costs/charges exist
- Can we push back on third-party provider costs? If it's another provider whose charges are bumping up the total cost, make this clear to them
- Is there a rationale for the higher cost? Can you justify the cost as appropriate for a more specialist or work-intensive service or because the service has additional features? After all, it's cost relative to benefit that equates to value – not the absolute cost
- Do we need to withdraw or revise a service? The FCA makes clear that where a product or service does not provide fair value, firms should take appropriate action to mitigate or prevent harm to customers[13]

12 FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty – section 7.10.

13 FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty – section 7.14.

7 A robust fair value framework

The FCA wants to see evidence of a robust framework and process to assess value on an ongoing basis.

Issues to consider when reviewing the framework include:

- What policies and procedures do we have in place to assess and evidence fair value (and other Consumer Duty outcomes) both at the start of a client relationship and on an ongoing basis?
- What oversight, reporting lines and approval processes are given to the fair value assessment? Who is responsible for evaluation and sign-off?
- Are sufficient resources allocated to deliver on the Consumer Duty requirements? If not, how do we plan to resolve this?
- How frequently should we conduct value assessments – and what events would trigger an ad-hoc review (e.g. change in service features, pressure to increase charges, signs of harm to customers)?
- What records of our value assessments do we keep?

KEY QUESTIONS FOR FIRMS

The FCA has reviewed[14] the way firms address Consumer Duty and identified many examples of good and bad practice. Examples of the type of questions firms should be thinking about in relation to the price and value outcome:

- **Is the firm satisfied that it is considering all the relevant factors and available data as part of its fair value assessments? Has it gathered relevant information from other firms in the distribution chain? In its review the FCA particularly singled out firms that had looked across the distribution chain and taken action when they identified poor value as being an example of good practice.**
- **What insight has the firm gained for its value assessments by benchmarking the price and value of its products and services against similar ones in the market? Have the price and value of its older products kept up with market developments? But be aware the FCA doesn't consider benchmarking against the market as being enough to establish fair value, it's about the total product offering.**
- **Can the firm demonstrate that its products and services are fair value for different groups of consumers, including those in vulnerable circumstances or with protected characteristics? Using customer data to identify potential vulnerabilities as part of everyday business is seen as good practice.**
- **If the firm is charging different prices to separate groups of consumers for the same product or service, is the firm satisfied that the pricing is fair for each group? Good practice is putting controls in place for certain groups or customers, for whom charges over a certain amount do not offer fair value, to improve value and remove these charges**
- **What action has the firm taken as a result of its fair value assessments, and how is it ensuring this action is effective in improving consumer outcomes?**
- **What data, MI and other intelligence is the firm using to monitor the fair value of its products and services on an ongoing basis? How regularly is it reviewing this material, and what action is it taking as a result?**

14 https://www.fca.org.uk/publications/good-and-poor-practice/consumer-duty-implementation-good-practice-and-areas-improvement

Putting it all together

The regulator recognises that the nature of the value assessment, and the data and insight firms use will vary depending on the type of product or service, and the size and complexity of the firm[15]. Firms simply must be able to show that they have made an assessment and can demonstrate why they consider the relationship between price and benefits is reasonable.

Firms do have plenty of flexibility to determine a process, content, format and frequency that suits their business and – as far as possible – their available resources. By determining a process and framework that's robust but pragmatic, you should be in a strong position to demonstrate the value of your service whenever requested.

CAN YOU HAVE DIFFERENT PRICES FOR DIFFERENT CUSTOMERS?

The FCA has said the price and value outcome rules do not require firms to charge all customers the same amount[16].

But firms still need to consider whether the price charged in relation to the benefits received represents fair value for each group of consumers. For example, it may be possible for an advice firm to offer a simple, mostly online investment service at low cost and a fully bespoke wealth management service at a higher cost.

But where there is varied pricing, clear client segments that detail the different services and features provided are essential. The FCA's fair pricing work sets out a framework of factors it considers when assessing whether price discrimination is fair. Read more here: FS19/4: Fair Pricing in Financial Services: summary of responses and next steps (fca.org.uk).

15 FG22/5 Financial non-Handbook Guide for firms on the Consumer Duty – section 7.18.

16 FG22/5 Financial non-Handbook Guide for firms on the Consumer Duty – section 7.38.

Final thoughts

1 Think about value in context

As we quoted from the FCA earlier, a product or service that meets all of the other elements of the Consumer Duty (i.e. one that's designed to meet the needs of its target market, is transparently sold, and consumers are properly supported) is generally much more likely to offer fair value. So always consider value alongside these other attributes.

2 Think about pricing

The FCA stresses that low pricing isn't the same as good value, nor is its intention to set prices. Yet pricing is the one aspect of fair value that firms can control. Doing everything possible to benchmark charges against the market, clearly rationalising fees against costs incurred and, where appropriate, using pricing features such as tiering and capping to demonstrate fairness for all, should work in firms' favour.

3 Strategy, culture and governance

In early 2025, the FCA removed its requirement for firms to appoint a Consumer Duty "board champion"[17], updating its Consumer Duty guidance to make the role optional rather than expected. Boards can now decide for themselves whether such a role is useful, and firms may retain or appoint a champion if they wish. However, the FCA was explicit that it still expects boards and senior management to take collective responsibility for embedding the Consumer Duty, ensuring their strategy, culture and decision-making focus on delivering good outcomes for retail customers. The more involvement all staff can have in shaping a firm's fair value and other Consumer Duty processes, the more buy-in these activities should achieve across the business.

4 Be clear and transparent

The FCA points out that a product or service that is designed to meet the needs of its target market and is 'transparently sold' is more likely to offer fair value – both because of the benefits customers receive and because customers then have the information they need to know what they're buying or to decide to pick something else. In other words, absolute clarity on cost, features and terms and conditions are every firm's friend.

17 https://www.fca.org.uk/firms/consumer-duty/information-firms

How M&G Platform can help you demonstrate value for money

The M&G Platform has a range of features to assist you in delivering and demonstrating fair value for your clients.

All-in-one platform charge of 0.3% to 0.06% with no additional charges and including all taxes

In-house dealing service with unlimited trading access to shares, ETFs, investment trusts and bonds through our stockbroking service

A guide for clients to understanding our platform charges and what other charges they may pay – download here

Family linking allows family members to benefit from charge tiering through a group annual platform charge, applied proportionately to each group member

Flexible remuneration options to suit different clients

Integrated support teams to respond to client needs and answer queries and requests swiftly – plus technical teams to keep advisers abreast of tax issues

Supports centralized investment/retirement propositions to enable advice to be highly scalable but still client-specific

Extensive investment range plus a choice of tax wrappers and solutions to meet the needs of different clients throughout their lifetime

Seamless digital journeys making applications quicker and simpler. Digital SIPP with automated drip-feed drawdown, making transfers quicker, reducing time, effort and paperwork

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About NextWealth

NextWealth is a specialist research and consultancy business dedicated to helping firms adapt to what's next in wealth.

We have a genuine passion for wealth management and want to make the industry work better for financial advisers and consumers. We do this through unrivalled research, insight, consultancy and thought leadership to help our clients thrive by turning ideas into action and change.

We are experts on the financial advice market, specially focusing on investment propositions and adviser tech.

We publish syndicated research reports and industry metrics, perform bespoke services and host public events and private roundtables. To sign up to our research panel, email enquiries@nextwealth.co.uk

The NextWealth Directory lists and reviews all of the tech providers supporting financial advice businesses. It is free to use and has over 1,700 reviews from people working in financial planning firms. From back office systems to cashflow modelling – we publish ratings and reviews. Read a review. Leave a review: nextwealth.co.uk/directory

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