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Personal recommendations – when investment advice gets personal

Recent amendments to the scope of the regulated activity of advising on investments now make a distinction between “general advice” and “personal recommendations”. The FCA has recently issued some further guidance ([PS18/3: Perimeter guidance on personal recommendations on retail investments](#)) which provides some indications of the type of activities which, in the view of the FCA, could be considered to be personal recommendations.

What is a personal recommendation?

As from 3 January 2018, the regulated activity of advising on investments has effectively been divided into two activities:

- i) “general advice” which is a slightly expanded version of the previous regulated activity of advising on investments; and
- ii) “personal recommendations” which are broadly regulated advice which is presented as suitable for the person to whom it is made or based on a consideration of the circumstances of that person.

Why does the distinction matter?

The distinction is of interest to firms as, following the changes, FCA–authorised firms do not need a separate FCA permission for advising on investments if their advice is limited to general advice and they are not making personal recommendations.

However, FCA–authorised firms which make personal recommendations need FCA permission for advising on investments if they do not already have it.

This allows greater flexibility for firms which wish to provide high-level guidance to customers but are not authorised to provide regulated advice. However, it means that the distinction between personal recommendations and general advice is now of greater importance to firms.

FCA guidance on personal recommendations

The FCA has provided guidance on the activities which it considers are likely to be, or could potentially be, personal recommendations (although this is not an exhaustive list):

- Presenting an investment as suitable for the customer or for people like the customer.
- Responding to a request from the customer for a recommendation.
- Making recommendations after gathering information on the customer.

- Providing information on investments based on one-to-one interaction e.g. through a telephone call.
- Creating model portfolios for the customer, naming specific investments.
- Notifying a customer holding a specific investment that it is no longer suitable for that customer or has been removed from the firm's best buy list.

Advice is not necessarily prevented from being a personal recommendation simply because it has been sent to more than one customer.

Some of the above examples will not come as a surprise to firms and will already be treated as personal recommendations. However, it would be prudent for FCA-authorized firms which consider that they are only providing general advice to review their activities in light of the guidance and consider whether they are appropriately authorised.

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