



FCA Consumer Understanding Review:

Key points and practical implications for FCA-regulated firms

Briefing for FCA compliance managers | Based on the
FCA publication 'Consumer understanding: good practice
and areas for improvement' | Published 13 March 2026

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At a glance – the FCA's seven headline messages

1. Use insight from multiple sources to identify where customers struggle.
2. Test communications with real customers before and after changes.
3. Write clearly, simply and accessibly, with key information placed upfront.
4. Design journeys and tools that genuinely improve comprehension.
5. Build vulnerability and accessibility into design, testing and support.
6. Make financial promotions clear, fair, balanced and well monitored.
7. Embed ownership, MI review and action tracking through governance.

What the publication contains – and why it matters

The FCA's March 2026 paper is a thematic review of how firms are delivering the consumer understanding outcome under the Consumer Duty. The core expectation is that retail customers should receive the information they need, at the right time and in a form they can understand so they can make effective, timely and properly informed decisions. The FCA also frames the work as part of its broader priority of helping consumers navigate their financial lives, while encouraging firms to innovate in the way they communicate and support customers.

The publication is relevant to all regulated firms that provide products or services to retail customers. That includes firms that design, manufacture, distribute or support products and services, and firms whose communications or customer journeys influence how customers understand information and make decisions. The FCA says the paper should be read alongside PRIN 2A.5 and Chapter 8 of FG22/5, and alongside the Duty's other outcomes and cross-cutting obligations.

Importantly, this is not a new rulemaking document. The FCA expressly says the examples of good and poor practice do not create new regulatory requirements, and firms do not need to adopt every example. However, firms are expected to use the paper to assess their own approach and identify where improvements may be needed to meet their Consumer Duty obligations.

The FCA built the paper from supervisory findings, form data, behavioural research, and

engagement with industry bodies, charities and consumer groups. It also draws on a September 2025 survey of 38 firms across insurance, retail banking, payments, consumer finance and Contract for Difference markets. The consumer context is important: the FCA cites evidence that 12% of adults, around 6.3 million people, had limited understanding of the products they held; 19%, around 10.3 million, had low confidence with everyday numeracy; and three in ten said their preferred communication channel had been withdrawn. Elsewhere in the paper, the FCA notes that one in seven adults have literacy skills at or below those expected of a 9 to 11-year-old, and that 17.7 million adults have poor or low financial numeracy.

The report is structured around five areas: management information and testing; innovation and communications design; vulnerability and accessibility; financial promotions; and governance and oversight. For smaller firms, the paper is equally relevant. The FCA repeatedly says that governance, monitoring and testing should be proportionate to a firm's size and scale, but smaller firms are not exempt from the need to evidence good consumer outcomes.

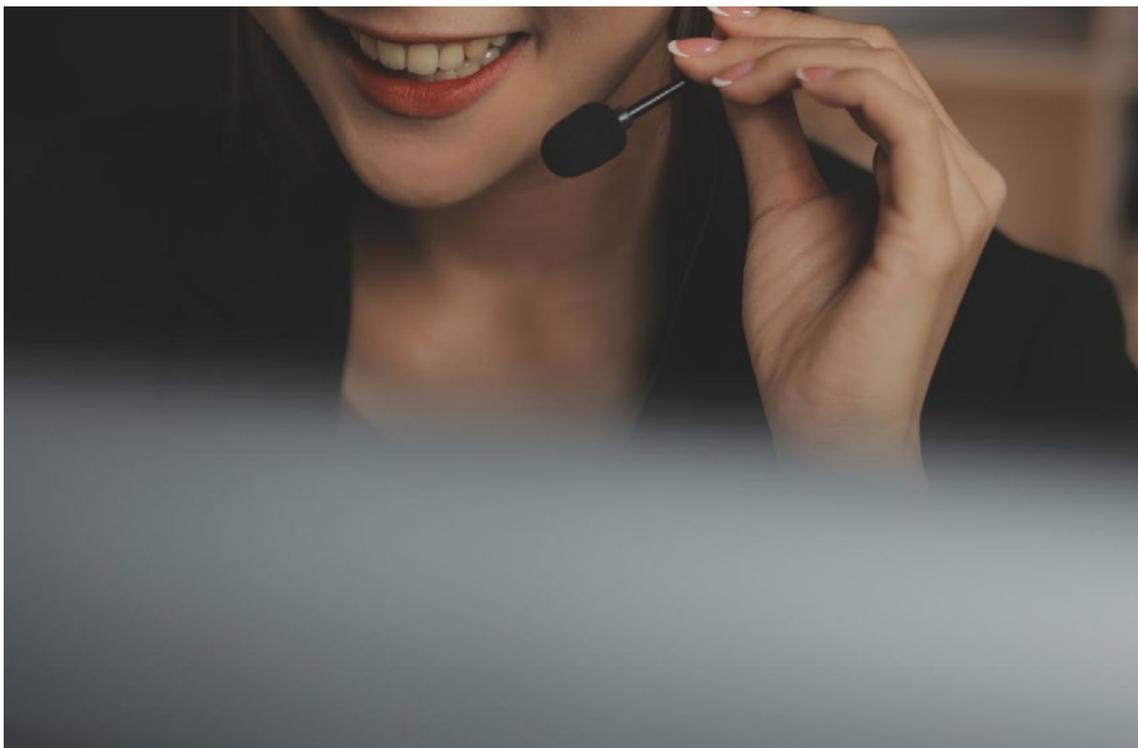
What the FCA expects firms to demonstrate

1. Management information and testing

The FCA wants firms to build an evidence chain from identifying points of confusion to testing changes and measuring whether they genuinely improve understanding. Good practice includes using call listening, complaints, chat transcripts, website analytics, drop-off data and surveys to identify where customers are struggling, then prioritising meaningful improvements rather than cosmetic edits. Firms performing well test before and after launch through short surveys, comprehension checks, A/B tests or customer callbacks, and they document what changed, why it changed and what effect followed. The FCA is critical of weak or one-off testing, poorly documented evidence, unclear use of MI, and any reliance on sales data or the absence of complaints as a proxy for consumer understanding. For compliance managers, the immediate implication is that each significant communication change should have a clear rationale, a target audience, a test method and an outcome measure.

2. Innovation and communications design

The paper treats communication design as a control issue, not merely a branding or copywriting matter. The FCA favours plain language, visual hierarchy, layered information, summaries and signposting that bring essential points, risks, exclusions, costs and next steps to the front of the journey. It also makes clear that real simplification means improving structure and comprehension, not just cutting word count. Helpful examples include summary sheets that sit above long legal terms, calculators, walkthroughs, short videos, clickable FAQs, real-time prompts and carefully designed pauses – sometimes described as positive friction – that help customers avoid harmful snap decisions. The FCA also notes that interactive FAQs can support understanding, but they are not a substitute for clear core communications. The main warning signs are superficial design changes that do not fix sequencing or prominence problems, a lack of testing with real users, one-size-fits-all formats, and long dense documents with weak signposting.



3. Vulnerability and accessibility

A strong theme throughout the paper is that consumer understanding cannot be separated from vulnerability, accessibility and financial capability. The FCA expects firms to identify needs early, tailor communications, offer suitable formats and channels, and test with relevant customer cohorts. Positive examples include vulnerability or capacity assessments at onboarding, renewal and arrears stages; tell-us-once systems that record language or format preferences and apply them across future interactions; and testing that includes customers with lower digital confidence, lower capability or other characteristics of vulnerability. The FCA also highlights the value of monitoring outcomes for vulnerable customers as a distinct MI category. By contrast, weak practice includes reactive handling, vague statements that vulnerability has been ‘considered’, limited alternative formats such as large print, audio or BSL, and pilot initiatives with no evidence of results. The message for firms is that vulnerability controls must be operational, auditable and embedded into business as usual.

4. Financial promotions

The FCA is equally clear that consumer understanding begins before sale. Promotions should match the needs and abilities of the intended audience, remain clear across channels such as mobile, email and social media, and give risks equal prominence to benefits. Good practice includes readability checks, plain English, customer testing where misunderstanding could lead to loss or confusion, and monitoring of questions, complaints, drop-off points and customer behaviour to spot where promotions may mislead. Firms should be able to show how promotional wording was approved and why key risks, exclusions and eligibility

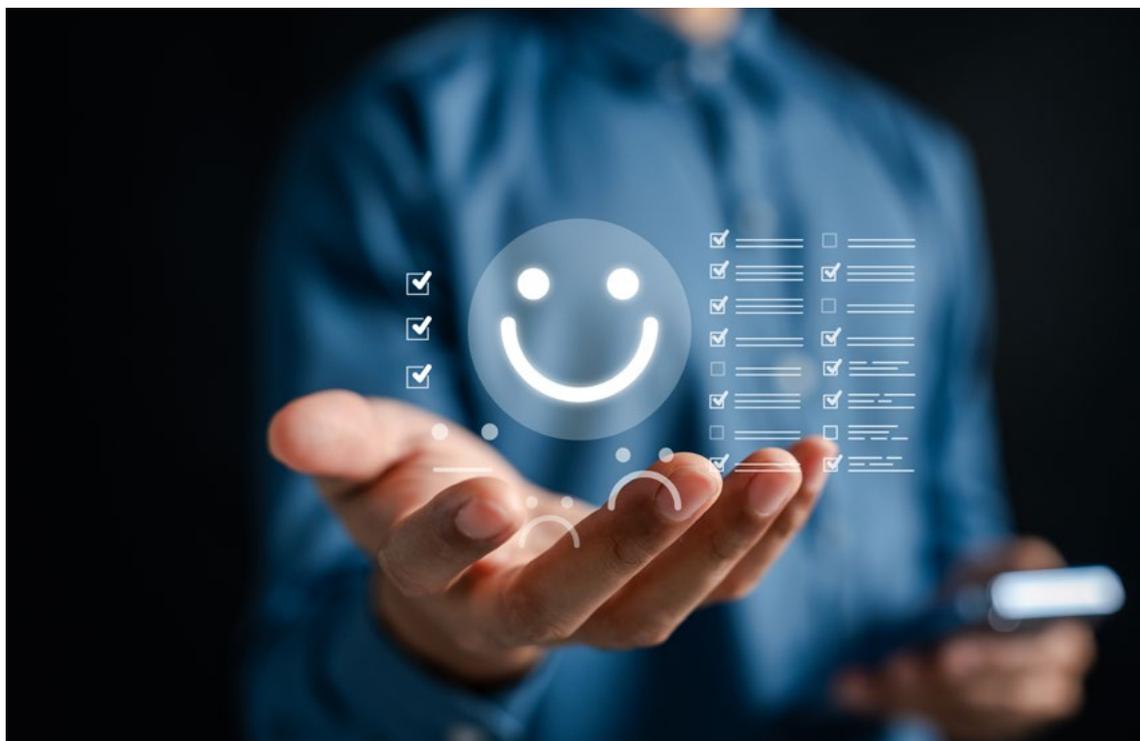
limits are sufficiently prominent. The FCA criticises promotions that overplay benefits, bury warnings, rely only on formal compliance sign-off, or use attention-grabbing design that nudges customers in misleading ways. For compliance teams, this means promotion approval frameworks should test comprehension and balance, not just narrow rule compliance.

5. Governance and oversight

The final theme is that consumer understanding must have clear ownership and structured oversight. Good practice includes named senior responsibility, cross-functional review involving product, operations, customer service, risk and compliance, regular review of customer evidence and KPIs, and documented follow-up actions. Firms performing well do not treat consumer understanding as a standalone Duty project; they build it into routine monitoring, staff training, escalation processes and communication change programmes. Weak practice includes unclear accountability, poor segmentation of MI by customer type, weak feedback loops, and governance committees that receive activity or sentiment data without comprehension-based indicators. The practical implication is that governance packs should show not only what customers did, but what they understood, where they struggled and what the firm changed in response.

Practical implications for compliance managers

Taken together, the paper makes the FCA's expectations more concrete on evidence, accessibility and execution. It is no longer enough for a firm to say that communications are in plain English, that complaints are low, or that a compliance team approved the wording. Firms should be able to show that they understand where customers struggle, have tested



solutions with the right customers, have considered vulnerability and accessibility at design stage, and have governance arrangements that turn insight into change. The report also makes clear that this is an end-to-end obligation: it applies across sales journeys, digital tools, letters, renewal documents, arrears communications, contact centre interactions and financial promotions.

For smaller firms, the FCA's examples are particularly useful because they show that proportionate compliance can still be robust. A small sample test of a renewal letter, post-sale comprehension calls, a simple summary sheet above legal terms, fortnightly testing of high-impact communications, or a single senior lead supported by a clear decision log can all provide meaningful evidence if they are documented and followed through.

Priority actions to consider now

- Refresh the inventory of high-risk customer communications and journeys, including promotions, renewals and arrears communications.
- Define the MI suite used to assess understanding, drawing on complaints, call listening, chat transcripts, drop-off data, surveys and comprehension evidence.
- Introduce pre- and post-change testing for material communications, including customers with relevant accessibility, language or capability needs.
- Review whether vulnerable customer identification, alternative formats and tell-us-once adjustments are sufficiently operational and evidenced.
- Retest financial promotions across channels and devices to confirm that risks, exclusions and eligibility limits are as prominent as benefits.
- Make sure governance packs show actions, owners, deadlines and results, with segmentation that can identify poorer outcomes for particular customer groups.

Overall, the paper gives firms a practical self-assessment framework for evidencing consumer understanding under the Consumer Duty.



For more information please contact:

Jo Davis | 07741 240114 | Jo.Davis@auxillias.com

David Blake | 07857 428722 | David.Blake@auxillias.com