Written evidence submitted by International Longevity Centre UK

We are responding to the Committee's invitation to submit evidence on behalf of the International Longevity Centre UK (ILC), the UK's leading authority on the impact of longevity on society. We are delighted to be able to submit evidence, specifically on the benefits and risks to consumers arising from AI across financial services.

About ILC

1. ILC is the UK's leading authority on the impact of longevity on society. We combine evidence, solutions and networks to make change happen. We help governments, policymakers, businesses and employers develop and implement solutions to ensure we all live happier, healthier and more fulfilling longer lives.
2. We want a society where we all live happier, healthier and more fulfilling longer lives, where tomorrow is better than today and where future generations are better off. ILC wants to help forge a new vision for the 100-year life where we all have the opportunity to learn across our lives and where new technology helps us contribute more to society.

What are the benefits and risks to consumers arising from AI, particularly for vulnerable consumers?

3. As we live longer lives and need to make increasingly complex financial decisions across these lives, AI has the potential to bring huge benefits to consumers, including:

4. **Expanded access to services**: Increased access to financial information and advice will be crucial as consumers face a growing number of choices in managing their money. However, figures from the Financial Conduct Authority (FCA) show that only 8% of UK adults received financial advice in 2022.[i] The cost of traditional advice has long been a barrier, but the growing use of AI presents new opportunities to provide affordable, personalised financial support. Personal finance apps, such as Plum[ii], Wally[iii], and Cleo[iv], are emerging as important tools to empower individuals to take control of their financial futures.
5. **24/7 financial services**: AI-driven tools can provide around-the-clock support, delivering understandable and accessible financial information. This allows consumers to access help when they need it, without being constrained by traditional service hours, opening up services to people otherwise locked out of services.
6. **Personalised guidance**: AI can offer more accurate, consistent, and tailored advice to consumers. By using advanced algorithms and real-time data, AI-driven financial tools can deliver personalised robo-advice, tailored savings plans, and financial nudges. These personalised services can improve financial decision-making, helping consumers save more effectively or invest more wisely, based on their personal circumstances.
7. **Prediction and projections**: AI's predictive capabilities allow for better financial forecasting and planning. This can be particularly useful for creating future income projections, retirement planning, and understanding how current financial decisions impact long-term goals. Combining this with the expected Pensions Dashboard would allow people to gain insight into their finances and future scenarios to empower people to make financial decisions and/or seek financial advice.
8. **Improved customer service**: AI can enhance customer service in financial services (FS) by automating routine queries, resolving common issues quickly, and allowing

human agents to focus on more complex problems. AI-powered dashboards can also help consumers track and manage their finances more efficiently. Some pilots show that using AI assistants to do repetitive tasks better and faster, freeing up to 20% of an employee's time.[v] For example, it is helping some teachers cut down the 15+ hours a week they spend on lesson planning and marking in pilots. – could cut down massively on admin tasks and time.

9. However, AI in financial services also presents risks, including:

10. **Bias and discrimination**: AI systems can perpetuate or even exacerbate biases based on sex, race, age, or other characteristics if not properly designed and monitored. This could result in consumer harm, as disadvantaged or diverse communities may experience discrimination. The risk of AI embedding existing societal biases into its algorithms must be carefully addressed.
11. **Digital exclusion**: The reliance on AI-driven technologies could create a new form of digital exclusion, particularly among consumers who lack access to digital infrastructure or who have limited financial or digital literacy. Vulnerable groups may be left behind if they cannot fully engage with AI-based services.
12. While age continues to be the dominant driver of digital capability it is vital that we don't make assumptions, according to Lloyd's Bank's 2024 Consumer Digital Index[vi]:
    - Just 3% of (1.6 million) people are offline, 3.9 million fewer than in 2016.
    - 7.2 million people aged between 70- 79 are online and 42% of those aged between 70-79 believe their digital skills have improved in the last year[vii].
13. And ILC analysis shows that between 2012 and 2022 spending on communication (i.e. phone and internet services) by people aged 65 and over increased by 70%[viii].
14. **Privacy concerns**: AI relies on vast amounts of personal data, raising concerns about privacy and data security. There is a risk that personal data could be misused or exploited if not protected properly. Consumers must trust that their financial and personal information is safe from unauthorised access or misuse.
15. **Exploitation by scammers**: While AI can enhance personal finance apps, it also opens up new opportunities for scammers to exploit vulnerable consumers. Cyber crime makes up half of all crime in the UK. Current estimates suggest that pension savers lose £4 billion to scammers each year, although accurately estimating the scale of pension scams, and fraud more generally, is challenging.[ix] The number of reported cases of fraud in general have been rising, and the amounts involved have also been increasing.[x] As AI and open banking tools become more prevalent, the potential for fraudulent schemes may increase even further, especially if adequate safeguards are not in place.

Recommendations

16. **To expand the role that AI can play in financial literacy, guidance and advice:** To harness the potential of artificial intelligence (AI) in improving financial literacy, guidance, and advice, it is imperative to align regulatory frameworks with technological advancements. The Financial Conduct Authority's (FCA) ongoing review of the advice and guidance boundary should explicitly address AI's role in delivering financial services. This includes evaluating how AI can provide personalized financial guidance while mitigating potential biases and ensuring equitable access. Additionally, developing clear regulations that facilitate AI's use in financial services is crucial, ensuring that AI-driven guidance complies with existing consumer protection standards and promotes financial inclusion.

17. **To make the most of the opportunities of open banking:** To enhance the effectiveness of AI in financial services, greater data sharing will be needed, particularly within the framework of open banking. AI thrives on large datasets to provide personalised recommendations and insights. While open banking developments offer a safer environment for data sharing, legislative reforms may be necessary to ensure proper governance and control over the data-sharing process. Clear and updated regulations will be needed to safeguard consumer data and ensure accountability. Over time, there may also need to be innovations to allow individuals to share health or other data to allow for better personalisation of products and services.
18. **To address biases:** It is crucial that AI algorithms are transparent and regularly audited to detect and correct any biases. This will prevent discriminatory outcomes and ensure that AI systems provide fair and equal services to all consumers, regardless of their background.
19. **To address digital exclusion:** Financial institutions must ensure that AI services are inclusive, by designing products that are accessible to all, including vulnerable consumers who may not have digital skills or reliable internet access. There should also be options for human support to cater to those who are unable or unwilling to use AI-based services.
20. **To address data privacy concerns:** Strict data protection measures should be enforced to ensure that consumer data is anonymised, stored securely and used ethically. Legislation such as GDPR already provides a strong foundation, but additional safeguards specific to AI applications in financial services may be required. Data needs to be fully owned by the individual and not used by software companies

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[i] FCA Financial Lives Survey. Available at: https://www.fca.org.uk/financial-lives
[ii] Money for life | Plum
[iii] Wally - Budgeting made fun
[iv] Cleo | AI meets money
[v] AI opportunities action plan. 2025. See more at: https://www.gov.uk/government/publications/ai-opportunities-action-plan/ai-opportunities-action-plan#fn:13
[vi] L2024 UK Consumer Digital Index and Essential Digital Skills report. Available at: lb-consumer-digital-index-2024-report.pdf
[vii] Lloyds Bank 2024 UK Consumer Digital Index and Essential Digital Skills report. Available at: lb-consumer-digital-index-2024-report.pdf
[viii] Shop 'til you drop? Shopping better, on and offline, in an ageing society. ILC October 2023. Available at: https://ilcuk.org.uk/wp-content/uploads/2023/09/ILC-Longevity-Paper-Retail-final.pdf
[ix] The Behavioural Insights Team (2023). Pension scams in the United Kingdom: evidence review. Skidmore, M. (2020) Protecting people's pensions: Understanding and preventing scams. The Police Foundation.
[x] BDO Fraud Track report. Available at: https://www.bdo.co.uk/en-gb/news/2024/reported-fraud-doubles-in-2023-bdo-report-finds