

## Chapter 1

# Introduction

- 1.1** This Guidance clarifies our expectations of firms and others, such as influencers, communicating financial promotions on social media. Our financial promotion rules are technology neutral and apply across all channels used to advertise, including social media.
- 1.2** Under the Consumer Duty (the Duty), financial promotions must support retail customer understanding and communicate information to retail customers in a way that equips them to make effective decisions. We want firms to consider this Guidance alongside their obligations under the Duty to deliver good outcomes for retail customers.
- 1.3** We expect financial promotions to be standalone compliant. This means that each communication must comply with our rules when considered individually.
- 1.4** We expect promotions to provide a balanced view of the benefits and risks, and clearly communicate information that will help consumers make effective, well-informed decisions. Firms should consider factors such as their target audience, what recipients need to know, the kind of decision to be made by recipients, and where confusion could arise in determining how to support consumer understanding.
- 1.5** Some promotions will require specific information, such as a risk warning with prescribed wording, to be displayed prominently. Firms should also be aware of any additional requirements for how this required information is to be displayed. For example, in promotions for high-risk investments (HRIs), we expect the prescribed risk warning to be displayed throughout the promotion and not to be obscured or truncated by a design feature of the social media platform.
- 1.6** Firms working with affiliate marketers, such as influencers, should take proactive responsibility for how their affiliates communicate financial promotions. This includes having appropriate monitoring and oversight systems to ensure that affiliates understand their responsibilities and do not communicate illegal or non-compliant financial promotions. Firms remain responsible for the compliance of every promotion they make or cause to be made.
- 1.7** Unauthorised persons, such as influencers, who promote financial products or services that are subject to regulation without the approval of an FCA authorised person may be committing a criminal offence.
- 1.8** Even when an influencer does not have a commercial relationship with a firm, their communications on social media about financial products or services may still be subject to the financial promotion restriction and require approval to communicate.

- 1.9** Influencers should consider whether they are the right person to promote a product or service. They should also consider what other rules and standards apply to their activities. This includes the Advertising Standard Authority's (ASA) expectation that they must label their content as an advertisement upfront (including affiliate links) if they get any form of payment.

## Background

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- 1.10** Social media is an increasingly important part of firms' marketing strategies, allowing them to reach a large audience with greater speed and frequency. However, poor quality financial promotions on social media can lead to significant consumer harm due to their wide reach and the complex nature of many financial products and services.
- 1.11** In 2023, we consulted on updated guidance for financial promotions on social media. We want to clarify our expectations of firms and address consumer harm that we've seen arising from new and emerging features of social media. Having considered the feedback, we are replacing our previous Guidance (FG15/4: Social media and customer communications) with this Guidance. The Feedback Statement in the Annex summarises the feedback, along with our responses.
- 1.12** The Guidance below does not create new obligations for firms. Rather, it indicates how firms might approach complying with their existing regulatory obligations. The Guidance is also not exhaustive and is not a complete description of the steps which firms should take when communicating financial promotions or approving them for communication on social media. It is up to firms to decide how to ensure that a financial promotion complies with our rules.

## Who this Guidance affects

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- 1.13** This Guidance will be relevant to:
- Authorised persons involved in communicating or approving financial promotions on social media.
  - Unauthorised persons, including influencers or other affiliate marketers, involved in communicating financial promotions on social media.
  - Trade bodies that represent the above groups.

## How this links to our objectives

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- 1.14** The Guidance advances our objectives of securing an appropriate degree of protection for consumers and ensuring that markets function well. By updating our expectations, we aim to promote better compliance by market participants who promote financial products and services. Consumers in turn should be better informed and aware of the risks involved in purchasing financial products and services, helping them to make better decisions that are aligned with their needs and risk profile. Informed consumers are less

likely to experience unexpected loss and loss of trust in financial services. This supports sustainable economic growth in line with our secondary international competitiveness and growth objective.

- 1.15** This Guidance supports the FCA Strategy commitment of enabling consumers to help themselves, and our goal of reducing the number of consumers investing in HRIs who have a low-risk tolerance or one or more characteristics of vulnerability by 2025. Consumers need good information to make good investment decisions. But this doesn't always happen. Instead, they're often targeted with adverts that are illegal, unclear, unfair or misleading. An increasing number of consumers are turning to social media for investment information. It is crucial that they are given information that equips them to make effective, timely and properly informed decisions. This will enable them to make decisions in line with their risk appetite.
- 1.16** We have set out our vision for how the core features of the Consumer Investments market need to work for the sector to collectively function well. This Guidance supports our aim of ensuring consumers have access to information that is proportionate to the complexity of the investment and decision involved, helping them make good decisions. It also reflects our ambition for regulation that supports consumers to accept responsibility for their investment decisions, through being supported to understand the features and risks of the products and services being offered to them.

## Equality and diversity considerations

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- 1.17** We are required under the Equality Act 2010 to have due regard to the need to eliminate discrimination, harassment, victimisation, and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, and to foster good relations between people who share a protected characteristic and those who do not.
- 1.18** This Guidance will not disadvantage or inadvertently discriminate against persons with protected characteristics under the Equality Act of 2010. It seeks to protect all consumers from harm. To the extent that people with protected characteristics are particularly at risk of being targeted by illegal or non-compliant financial promotions, updating our guidance on financial promotions on social media may benefit people with protected characteristics.

## Costs and benefits of our proposals

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- 1.19** As we are not making new rules, our statutory obligation under FSMA to publish a cost-benefit analysis (CBA) does not apply. This Guidance seeks to clarify the application of our existing rules and policies and provide guidance on the financial promotion perimeter.

- 1.20** Our approach to CBAs states that we produce a CBA for guidance about rules ‘if a high-level assessment of the impact of the proposal identifies an element of novelty which may be in effect prescriptive or prohibitive such that significant costs may be incurred’. This Guidance is not prescriptive and clarifies existing expectations that follow from the relevant rules. So, we do not provide a CBA for this Guidance.

## The regulatory regime

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- 1.21** This Guidance has been written based on the regulatory regime in place at the time of publication. It reflects the landscape at the time of writing and should be taken in this spirit rather than as exhaustive. Firms should consider this Guidance alongside the relevant rules and legislation, and other policies such as those from the ASA.
- 1.22** As this is guidance, it does not fall under our Rule Review Framework and is not subject to the framework’s monitoring requirements.