

Stand-alone compliance

What do we mean by 'stand-alone compliance'?

We use the term 'stand-alone compliance' to describe our expectation that every financial promotion must comply with all of the relevant financial promotions rules. It is not acceptable, for example, for firms to omit important risk information just because they intend to give it later in the sales process. All financial promotions must be stand-alone compliant, regardless of their form, content, location or target audience, although these factors will be relevant to firms' assessments of what to include. As ever, it remains the responsibility of firms to assess what information they need to include in a promotion in order to ensure compliance with our rules and guidance.

Why we are taking action

Our routine monitoring and risk mitigation work has identified a trend of firms seeking to defend the non-compliance of their financial promotions on the basis that:

- the promotions were far removed from potential customers' purchasing decisions;
- they were followed up by other promotions, communications or Key Features Documents that clarified the risks;
- they were not 'direct offer' financial promotions that potential customers could use to purchase products; or
- all resulting sales were advised.

This reasoning undermines the very purpose of the financial promotions regime, from a perspective of consumer protection and fair competition between firms. Powerful messages are left by advertising and it is important that consumers' expectations are met by reality, which is why all financial promotions must be stand-alone compliant.

There are some risk warnings and details, like the substantiation of pricing claims, that may be required in financial promotions (regardless of their other content) in order to make them stand-alone compliant.

We publish industry updates on issues or trends that we identify through our routine monitoring of financial promotions compliance. The aim of these is to capture emerging concerns and, where necessary, to clarify our expectations of firms.

Please note this update is meant to help you understand the rules better, but is no substitute for referring to the rules themselves. Firms should always ensure that the promotions they produce comply with all the relevant rules and guidance.

However, the level of detail about other relevant risks should be proportionate to the overall level of detail in the promotion. Where firms elect to include details of specific product benefits, we expect a corresponding disclosure of relevant risks so the promotion as a whole remains balanced and stand-alone compliant. Where space is limited it is for firms to decide which benefits (and consequently which risks) to include. Further detail on our assessment of balance can be found in our [Real Life Cases](#).

In addition, our recent thematic reviews of direct mail advertising and [over 50s life cover](#) identified a number of promotions that consisted of letters sent in packs with other supporting material. Although we assess direct mail promotions as part of the overall chain, we do take into account how consumers would read individual promotions and individual components of a direct mail pack when we assess their overall compliance. We wish to clarify our expectation that, where a firm lists benefits on the covering letter of a direct mail promotion, it should also disclose any relevant risks alongside those benefits and not just in accompanying material that a consumer may not read. As with promotions in other media, firms should consider customer journeys, the proximity of benefits and relevant risk disclosures, and their prominence when designing and approving their financial promotions – for example, we would not expect website users to have to make several clicks between different web pages before seeing relevant risk warnings.

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Investment promotions (COBS4)

In cases where a financial promotion is addressed to or disseminated in such a way that it is likely to be received by a retail client, then stand-alone compliance will also be assessed with reference to rules governing:

- **Balance:** Promotions must be accurate and not emphasise any potential benefits without also giving a fair and prominent indication of any relevant risks, and must not disguise, diminish or obscure important items, statements or warnings.¹
- **Sufficiency:** A firm must ensure that information is sufficient for, and presented in a way that is likely to be understood by, the average member of the group to whom it is directed, or by whom it is likely to be received.² Firms should also consider whether omission of any relevant fact will result in information being insufficient, unclear, unfair or misleading.³
- **Targeting:** In deciding whether and how to communicate information to a particular target audience, a firm should take into account the nature of the product or business, the risks involved, the client's commitment, the likely information needs of the average recipient and the role of the information in the sales process.⁴

Mortgage promotions (MCOB3)

We have seen some mortgage promotions that promote unusual product features as benefits without disclosing certain key risks. An example would be a promotion that mentioned the benefit of a mortgage offering a flexible credit facility without noting the risk that the facility could be revoked in a way that necessitated repayment at short notice.

Firms should take reasonable steps to ensure that a financial promotion for qualifying credit does not omit any matters that may cause it not to be clear, fair and not misleading and that, if it describes a feature of qualifying credit, it gives no less prominence to the possible disadvantages than to the benefits associated with that feature.⁵ In the example above, the firm's decision to include extensive details of an extra flexible credit facility would require a prominent explanation of any particular risks associated with that feature.

Where a small high-level press promotion merely mentions the availability of an additional credit facility without providing further detail, it may not be necessary to disclose more than a similarly high-level reference to the existence of additional terms and conditions limiting its operation.

Insurance promotions (ICOBS2.2)

In order to meet the clear, fair and not misleading rule in ICOBS 2.2.2R firms should consider the inclusion of key information, such as significant policy exclusions or eligibility restrictions, as well as the prominent substantiation of any headline price or savings claims. We would be concerned if unrealistic claims are made simply to encourage consumers to respond and initiate a sales process. We will address insurance pricing claims in greater detail in a forthcoming Industry Update.

Conclusion and next steps

Stand-alone compliance is an important requirement of our financial promotions regime and we expect firms to demonstrate a clear understanding of our expectations.

We will take action against firms that fail to produce stand-alone compliant financial promotions picked up through either our routine monitoring or thematic reviews.

¹ COBS 4.5.2R(2) and (4)

² COBS 4.5.2R(3)

³ COBS 4.5.5.G

⁴ COBS 4.5.4G

⁵ MCOB 3.6.4 E(1) (a) and (b)