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CP26/23: The FCA Is Narrowing Consumer Duty, Not Retreating

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CP26/23: The FCA Is Narrowing Consumer Duty, Not Retreating

CP26/23 closes 18 September 2026 and proposes to remove non-UK customers from Consumer Duty scope; here is what to change and what not to.

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Why this consultation matters to firms who think Consumer Duty is settled

Consumer Duty has been in force since July 2023 for open products and July 2024 for closed products, and many firms have treated it as a finished implementation project rather than a live rulebook. CP26/23 is the FCA's reminder that it is not finished. On 29 June 2026 the FCA published Consultation Paper CP26/23, "Consumer Duty: scope and proportionality," and the consultation closes on 18 September 2026, less than a month from now. The FCA expects to publish a policy statement summarising responses and to make any new rules in Q1 2027.

This sits between two of the FCA's other current priorities, but earns its place in this list because of both its breadth and its timing. Unlike the cryptoasset gateway or CASS 15, which affect specific sectors, Consumer Duty proposals touch every FCA-regulated firm that has retail customers or sits in a distribution chain that reaches them, which includes payments and e-money firms, cryptoasset firms serving retail customers, consumer credit firms, investment firms and IFAs alike. And unlike CCI or motor finance redress, the response window closes within weeks, not months.

What the FCA is actually proposing

CP26/23 follows a commitment the FCA made to the Chancellor after the 2025 Mansion House speech, to address concerns that the Duty was being applied too broadly to firms and activities that are not really retail-facing. The consultation's core proposals are:

- **Removing non-UK customers from scope.** The FCA proposes that the Duty apply only to retail market business where the retail customer is ordinarily resident in the UK, judged by residential address or place of establishment, subject to a small number of targeted exceptions. Firms with international retail books currently applying full Consumer Duty processes to non-UK customers would no longer be required to.
- **Clarifying where the Duty applies and does not apply.** The FCA wants to reduce the current ambiguity that has led some firms with primarily wholesale business models to apply full retail-grade Consumer Duty processes defensively, out of uncertainty rather than genuine need.
- **Distribution chain reliance and proportionality.** The proposals address when and how firms working together in a distribution chain can rely on each other's Consumer Duty work, rather than

every firm in the chain independently re-performing the same fair value and outcomes assessments. This is squarely relevant to firms that manufacture products which are then distributed by others, and to firms that distribute products manufactured elsewhere, a structure common in consumer credit and investment products.

- **Interaction with other product governance rules.** The consultation looks at how Consumer Duty requirements interact with existing product governance obligations (such as those under PROD) so firms are not required to run two parallel, overlapping assessments of essentially the same question.

What firms should not change yet

The single most important message for a compliance officer reading CP26/23 is that these are proposals, not rules. The FCA's own timeline: consultation closes 18 September 2026, and only after considering responses does it expect to publish a policy statement and make final rules, in Q1 2027. Firms should not:

- Stop applying Consumer Duty processes to non-UK retail customers now, on the assumption the proposed carve-out will definitely be adopted in its current form. The FCA regularly narrows or adjusts proposals in response to consultation feedback, and the wholesale/retail boundary is exactly the kind of issue likely to attract detailed responses that could shift the final position.
- Restructure distribution chain reliance arrangements based on the proposed approach before the policy statement is published. Doing so risks having to unwind or rebuild governance documentation twice, once now and once when final rules land, and risks a supervisory finding in the interim that current, still-binding rules were not being followed.
- Treat "primarily wholesale" as a self-assessed exemption already in force. The current scope of the Duty, as it stands today, is unchanged until the FCA publishes final rules following this consultation.

The proportionate response for most firms is to use the consultation period to prepare for the changes, not to pre-empt them: identify where the proposed non-UK customer carve-out would actually change your Consumer Duty population, map your distribution chain relationships and identify where reliance arrangements are currently duplicative, and consider whether to respond to the consultation directly if the proposals would materially change your compliance burden.

Who is most affected

- **Payments and e-money firms with cross-border retail customer bases** (a common model for e-money institutions serving both UK and EU/international customers) stand to see the clearest scope reduction if the non-UK customer proposal is adopted, but should not act on it before the rules are final.
- **Investment firms and IFAs operating in product manufacturer/distributor chains**, where the same fair value assessment is currently sometimes duplicated by both manufacturer and distributor, are the most likely beneficiaries of the distribution chain reliance clarifications.

- **Consumer credit firms with wholesale-facing or intermediary business lines** that have been applying full Consumer Duty processes defensively due to scope ambiguity are a direct target of the "clarity on application" proposals.
- **Cryptoasset firms preparing for FSMA authorisation** should note that once authorised, most retail-facing cryptoasset activities will fall within Consumer Duty's scope in the same way as any other retail financial service; the scope clarifications in CP26/23 are relevant background for building compliant retail processes from the outset rather than retrofitting them later.

Dated table: CP26/23 timeline

Date	Event
2025 (Mansion House speech follow-up)	FCA commits to Chancellor to review Consumer Duty application to wholesale-focused firms
29 June 2026	FCA publishes CP26/23: Consumer Duty - scope and proportionality
18 September 2026	Consultation closes
Q1 2027 (expected)	FCA to publish policy statement summarising responses and make any new rules

What to do next

1. Read CP26/23 in full against your own retail customer book; identify the actual number and proportion of non-UK customers currently receiving full Consumer Duty treatment, so you know the real-world size of the proposed change to you.
2. Map every distribution chain relationship where you are either manufacturer or distributor, and document where fair value or outcomes assessments are currently duplicated across firms in the chain; this is the input you need both to respond to the consultation and to implement final rules quickly once published.
3. Decide by early September 2026 whether to submit a consultation response; firms whose business model is materially affected by the wholesale/retail boundary have a direct interest in shaping the final rules before the window closes 18 September 2026.
4. Do not amend current Consumer Duty governance, board reporting, or MI based on the proposals; continue applying the Duty as it stands today until a policy statement changes it.
5. Build a rules-change response plan now (who updates policies, who retrains staff, what MI changes) so that when the Q1 2027 policy statement lands, implementation is fast rather than starting from a blank page.
6. Watch for the policy statement in Q1 2027 specifically for any change in scope, since the FCA's history with Consumer Duty consultations shows the final position can differ from the initial proposal in ways that matter operationally.

Sources

1. https://www.fca.org.uk/publications/consultation-papers/cp26-23-consumer-duty-scope-and-proportionality, publication date 29 June 2026, consultation close date 18 September 2026, proposals on non-UK customer scope, distribution chain reliance, and expected Q1 2027 policy statement timeline. Accessed 23 August 2026.
2. https://www.fca.org.uk/publication/consultation/cp26-23.pdf, primary consultation paper document, confirming CP26/23 as the reference number and title. Accessed 23 August 2026 (existence and title confirmed via FCA site; full text not separately re-verified beyond the consultation landing page summary).

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