



Model Office-MO® Cost of Compliance Survey 2025

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The FCA: a data led and innovation driven regulator

^We already have a global reputation as a leader in regulatory innovation. In 2014, we launched Project Innovate, which included the world's first Regulatory Sandbox. Our first cohort opened in 2016, where 69 applications with 24 firms were accepted, of which 18 firms went on to test.

Since then, we've received over 2000 applications and gone on to support close to 200 firms in the Regulatory Sandbox. And we are always open, always ready to help.

Firms will begin testing in our newest 'supercharged' sandbox in October and we're thrilled to be collaborating with Nvidia this time. The new Supercharged Sandbox will provide firms with greater computing capabilities, enhanced data sets and more advanced tools. It demonstrates our commitment to helping firms safely experiment with AI.'

Jessica Rusu, FCA Chief Data, Information and Intelligence Officer 2024

"At a recent AI roundtable, we heard very little by way of requests to streamline regulation. Instead, firms are asking to work more closely with us to build confidence, understand customer response, and scale safely.

Our AI Lab will provide a safe space for firms to test market-facing applications. Part of a broader shift – towards a more open, collaborative relationship between regulator and regulated. Built on trust, shared problem-solving and proportionality. So we can win the race for adoption of innovation".

Nikhil Rathi, FCA chief executive 2025

1. Introduction

This year's benchmark Report builds on six years of Model Office-MO® RegTech data across hundreds of retail intermediary advice firms (RIAs). With over 800 firms now using its four platforms, MO® provides a consistent dataset to assess the governance, risk and compliance (GRC) challenges facing the sector.

The regulatory backdrop is shifting in ways that require firms to rethink how they capture, monitor and evidence client outcomes. The FCA's Consumer Duty is now embedded as the central supervisory lens, and the regulator has made clear most recently through its [Price and Value Outcome: Good and Poor Practice Update](#) and through scrutiny of [Consumer Duty Board Reports](#) that the quality, depth and usability of management information will determine whether firms can demonstrate compliance. Poor or incomplete data remains one of the main weaknesses observed, particularly where firms cannot evidence that products and services represent fair value or that ongoing service propositions are delivering against expectations.

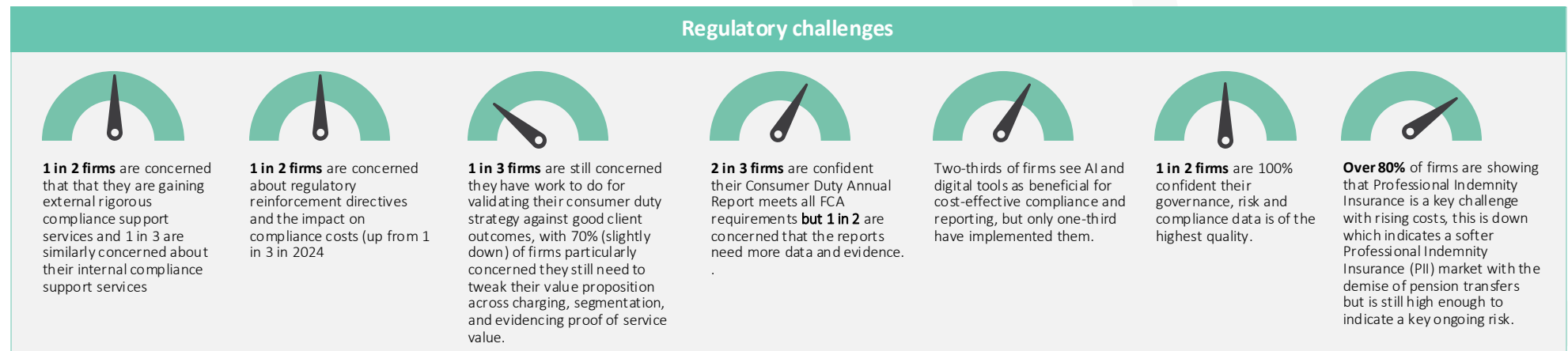
Alongside the Consumer Duty, the FCA's work on [the advice/guidance boundary and its plans for targeted support](#) underline the expectation that firms build more consistent frameworks to ensure consumers access suitable help without unnecessary barriers. This creates both a compliance and commercial challenge, requiring clarity on charging models, communications, and client segmentation.

Profitability pressures remain a structural issue. [The FCA's latest RMAR data](#) highlights sustained margin compression across the sector, with many firms balancing cost-of-living impacts on clients, rising professional indemnity premiums, and the resource drain of regulatory change. The regulator has simultaneously widened its supervisory toolkit ranging from data requests and skilled person reviews to increased use of enforcement and insolvency powers, making clear that evidencing compliance is not optional.






















Technology adoption therefore becomes a key differentiator. While interest in digital tools and AI is growing, uptake remains uneven. Yet, these technologies offer tangible opportunities to improve the quality and timeliness of GRC data, reduce manual oversight costs, and support genuinely data-driven board reporting. For advice firms, embedding AI and RegTech solutions into compliance monitoring and MI frameworks can streamline reporting obligations and improve the ability to track outcomes across diverse client bases.

Against this landscape, this report provides a longitudinal analysis of firms' compliance challenges and identifies where technology, AI and improved data governance can strengthen resilience, reduce regulatory risk, and support sustainable value propositions.

Benchmark trends and themes



When asked what the regulatory challenges are they are most concerned about, our data shows.

	Compliance time	Compliance cost: Direct as % of revenue	Compliance cost: Indirect as % of revenue
RIAs with 1-10 RIs 	 Spend 5-8 Hours  Per week	 Spend 7% 	 Spend 8% 
RIAs with 11-20 	 Spend 12-16 Hours  Per week	 Spend 9% 	 Spend 11% 
RIAs with 21+ RIs 	 Spend 17+ Hours  Per week	 Spend 13% 	 Spend 13% 



Reasons for costs

 2 in 5 say it's professional indemnity insurance (again down slightly on last year) 	 1 in 2 feel compliance officers and senior management contribute significantly 	 1 in 2 points to paraplanning, administration and third-party support 	 2 in 3 attribute the Consumer Duty implementation and on-going validation 	 3 in 5 say it is regulatory costs 	 1 in 2 stipulate lower firm profitability probably due to market volatility and rising cost of living 
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2. The importance of GRC data analytic culture and workflows

[The FCA's 2025/26 Business Plan](#), Consumer Duty updates, and the [CII's research on the quality of data in the annual Consumer Duty Board Reports](#) reinforce the regulator's expectation that retail intermediary advice firms (RIAs) adopt a data-led approach to governance, risk, and compliance (GRC). Despite this, many firms continue to rely on legacy systems, manual checklists, and paper-based processes.

- Regarding board reports it is clear firms need to place more focus and workflows around
- Relationship between data sets e.g. the four outcomes, vulnerability and products and services, costs, client segments
- Data gap analysis and remedy
- Feedback and challenge to avoid status quo bias

These approaches limit firms' ability to evidence compliance, create risks for networks and consolidators, and reduce attractiveness to acquirers. With the FCA embedding a data-driven supervisory model, firms that fail to modernise will face increasing scrutiny and higher supervisory costs.

Through its AI Lab, The FCA has explicitly encouraged firms to harness technology and explore the benefits of artificial intelligence where appropriate. The regulator sees value in AI not only for efficiency but also for improved monitoring of customer outcomes and identification of risks in real time. Firms are therefore expected to adopt digital strategies that enable them to capture relevant data, use analytics to monitor good and poor outcomes, and demonstrate a clear understanding of the drivers behind these outcomes.

High-quality GRC data is becoming a business-critical asset. It supports firms in regulatory engagement and strengthens their positioning with acquirers, compliance oversight bodies, and professional indemnity insurers. The FCA has also signalled that reliance on filing cabinets, spreadsheets, and tick-box audits is not sustainable. Instead, firms need to embed technology to ensure that data is accessible, accurate, and actionable.

While Consumer Duty has sharpened the focus on client outcomes, the FCA has not yet finalised the full set of metrics it will require. However, emerging supervisory expectations point towards structured reporting across business models, size metrics, financial performance, client outcomes, product and service value assessments, people-based measures (such as adviser demographics and client feedback), and systems and controls including operational resilience and cyber risk.



Culture, competence and conduct

Culture remains central to the FCA's supervisory strategy. The regulator has consistently linked poor outcomes to poor culture, weak governance, and inadequate competence frameworks. It continues to emphasise that boards must evidence effective challenge, avoid concentration of authority, and ensure individuals in key roles demonstrate sufficient technical capability.

[The FCA's long-standing five conduct questions programme](#) remains a core tool for assessing how firms identify and manage conduct risk. Alongside this, Consumer Duty requires firms to embed cultural practices that prioritise client outcomes, reinforce accountability, and support an environment where staff are able to raise and address concerns.

Recent supervisory messaging also highlights the role of technology and AI in cultural oversight. Tools that provide data-led insights into adviser performance, board decision-making, and client communications can help firms identify behavioural risks early and demonstrate a commitment to continuous improvement. A strong culture, supported by accurate and timely MI, is increasingly seen as a marker of resilience, profitability, and sustainability.

The Importance of Workflows

The move to a data-driven regulatory environment makes workflows the central mechanism through which firms can embed Consumer Duty, improve cultural alignment, and harness technology. Effective workflows reduce reliance on manual oversight, ensure consistent processes, and generate data that can be analysed for both regulatory and business purposes. Three themes are particularly relevant:

1. Data Quality Health Checks

A structured workflow should start with routine checks on the accuracy, completeness, and timeliness of data. Consumer Duty reporting has already highlighted weaknesses in many firms' MI, with gaps in client segmentation, product value assessments, and service delivery monitoring. By embedding data quality reviews into workflows, firms can detect errors before they affect reporting or supervisory interactions. These reviews should not be limited to compliance teams: client-facing staff, advisers, and operations functions all play a role in ensuring data integrity. High-quality data enables firms to produce meaningful board reports, respond effectively to FCA data requests, and reduce the risk of regulatory challenge.

2. Data Straight-Through Processing

Workflows should also enable straight-through processing of core GRC data—capturing, monitoring, and reporting information in a seamless manner. Manual handling of compliance records, adviser KPIs, and client files creates duplication, increases the risk of error, and limits the ability to conduct timely analysis. By automating the capture of advice documentation, suitability assessments, and training records, firms can ensure that information is readily available and consistently structured. Straight-through workflows also support scalability, which is particularly relevant for consolidators and growing firms. They reduce the burden on compliance staff while providing the board with reliable, near-real-time data on performance and risk.

3. Embedding AI in Workflows

Artificial intelligence is now part of the FCA's forward-looking agenda, with the regulator acknowledging its potential in compliance and risk monitoring. For firms, the practical application lies in embedding AI into workflows to enhance oversight and efficiency. Examples include:

- **Client file reviews:** AI tools can screen large volumes of client records, produce exception reporting flagging anomalies or potential suitability concerns for human review.
- **Compliance document audits:** Automated analysis can check whether policies, disclosures, and communications meet regulatory standards.
- **Training and competence monitoring:** AI can track adviser KPIs, assess behavioural patterns, and identify skills gaps requiring targeted development.

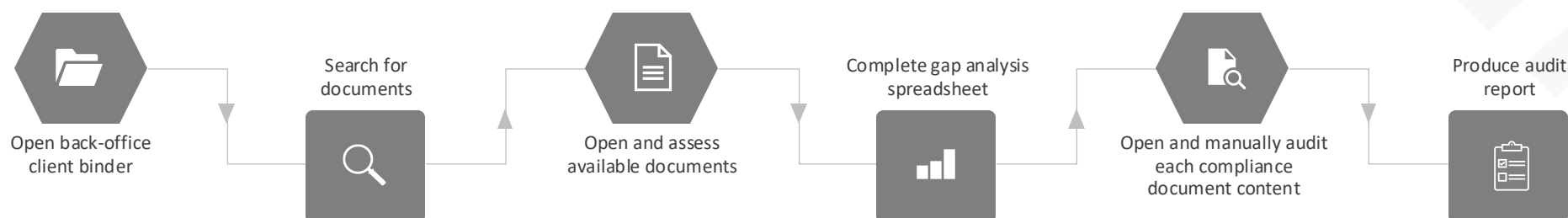
Embedding AI does not replace human judgment but allows compliance teams and boards to focus on higher-value oversight. It also creates a consistent evidence trail that demonstrates to the FCA how the firm monitors and addresses risks.

Model Office MOnitorAI and embedded AI into workflows

The below table illustrates how Model Office integrates AI into workflows to bring efficiencies to key compliance tasks. AI tools should offer specialist, streamlined and end-to-end solutions that are easily embedded into and shorten existing workflows to drive efficiencies.

Client file review example workflows

Human only



AI and Human



The need for a consolidated and integrated tech stack

The above example workflows not only showcase the potential for time and cost savings AI and RegTech can bring, but also the importance for firms to deploy AI and Regtech into their workflows. This will help prevent firms falling fowl of the 'Magpie effect' where bright and shiny new tech is purchased without testing workflows and little or no research and due diligence processes are conducted to ensure the tech is fit for purpose, offers value and enables the type of streamlined efficiencies as detailed in this report.

Example research and due diligence process

1. Identify regulatory and business objectives
 - Map regulations, identify priority areas, set success metrics
2. Conduct initial screening
 - Shortlist vendors based on real needs, assess tech maturity, assess workflow fit
3. Perform technical and regulatory due diligence
 - Data, vendor due diligence, test and trail via internal sandbox
4. Governance and oversight
 - Establish RegTech governance framework, document decisions, allocate roles and responsibilities
5. Training and change management
 - Upskill compliance teams, embed competence frameworks, promote cultural adoption
6. Continuous monitoring and evaluation
 - Set KPIs, SRAs, KRIs, compliance dashboards and engage regulators

3. Cutting compliance deadtime and the cost of inaction






Model Office is already providing efficiency across key audit activities and continues to work with our client's needs to ensure dysfunctional workflows and activities are identified and improved. This streamlines MI and data and saves significant time and costs

This diagram not only highlights the potential return on investment that AI and RegTech can bring but also showcases the cost of inaction. Firm's who do not engage such tech can suffer greatly given the time and cost savings RegTech can bring to compliance activities. Put simply, **the biggest risk to firms is not necessarily AI and RegTech but those it is the firms who deploy AI and RegTech quicker and better than them.**

Figure 1. MO[®]nitorAI forecast cost and time savings potential

	Periodic audit review data gathering	Periodic clients file audit	Compliance document audit	Client outcomes, T&C & regulation audit	Audit, data and gap report output	Audit & regulatory report review & analysis	Total
Traditional: Manual, face to face	2 Hours	1 Hour	2 Hours	3 Hours	1 Hour	3 Hours	= 12 Hours
Hybrid: 'Cyber compliance' RegTech	1 Hour	0.5 Hours	0.5 Hours	1.5 Hours	1 Minute	1 Hours	= 5.5 Hours

Cost benefit example

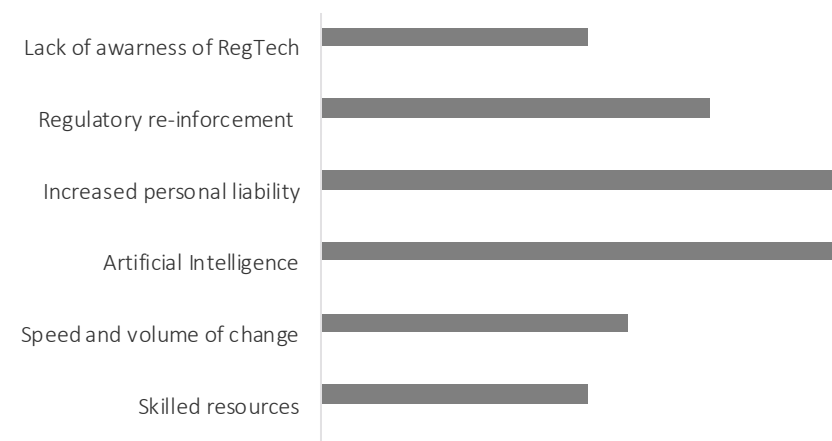
					
	Time saved	Number of firms	Working hours saved pa	Cost per audit (£)	Annual cost savings (£)
Networks / Support services	6.5 hours	234	1,521	100.00	153K
Individual firms	9.5 hours	2	171	450.00	77K

4. The Survey results

Given the longitudinal nature of this annual report, the following survey results show a trend for growing awareness for the adoption of tech and AI in wealth management and financial adviser, planner businesses.

This is good news, but we also still see a drag on adoption for such tech into workflows, rather relaying on current tech stack style adoption which can result in poor usage and integration and thus low long term take up.

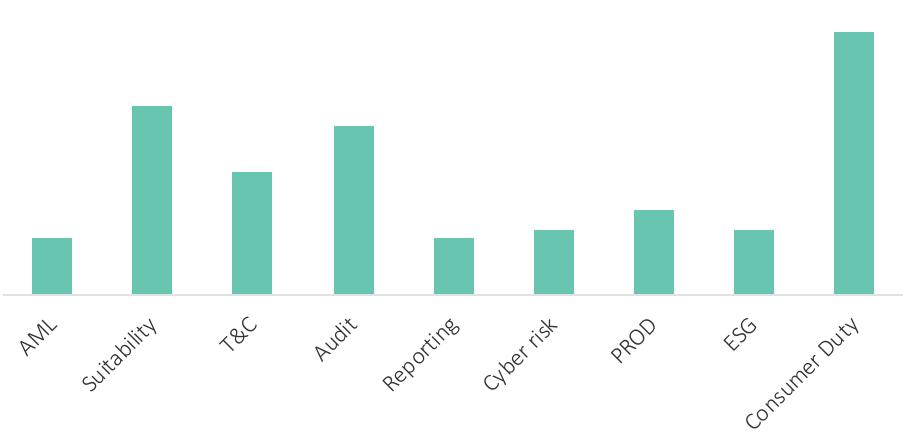
What compliance activities keep you up at night



Regulation is still seen as a significant challenge to firms and keeps compliance officers, COOs, CTOs, advisers and planners up at night! It is the speed and volume of change, AI white noise and increased personal liability that is causing overwhelm.

The good news is there is a strong trend in awareness for AI, RegTech and digital tools across compliance challenges along with the need for skilled resources to help implement this tech.

What are your biggest compliance challenges over the next 12 months



It is clear that compliance with the Consumer Duty remains front and centre for compliance officers and any personnel involved with the advice distribution chain. This has increased from last year.

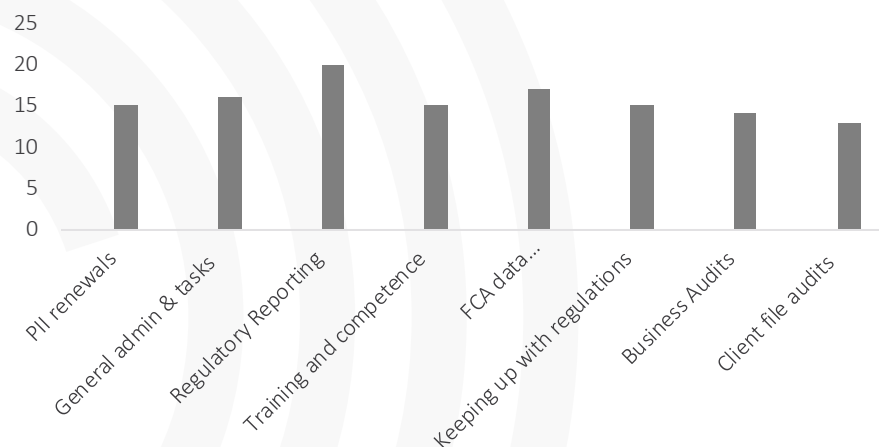
The fact that the FCA are continuing to be vigilant on the Duty's progress and implementation via data information requests and Dear CEO letters, means firms are equally remaining.

The cost of compliance

Time

As last year, the benchmark results are clear in this area, that firms are spending an increasing amount of time on compliance activities within their business. This increases dependent on the size of business yet is still proportional to a sizeable chunk of time no matter how big or small the RIA is. It gets interesting when we look at the compliance activities the firm is taking time to execute.

How much time do you spend on these compliance directives

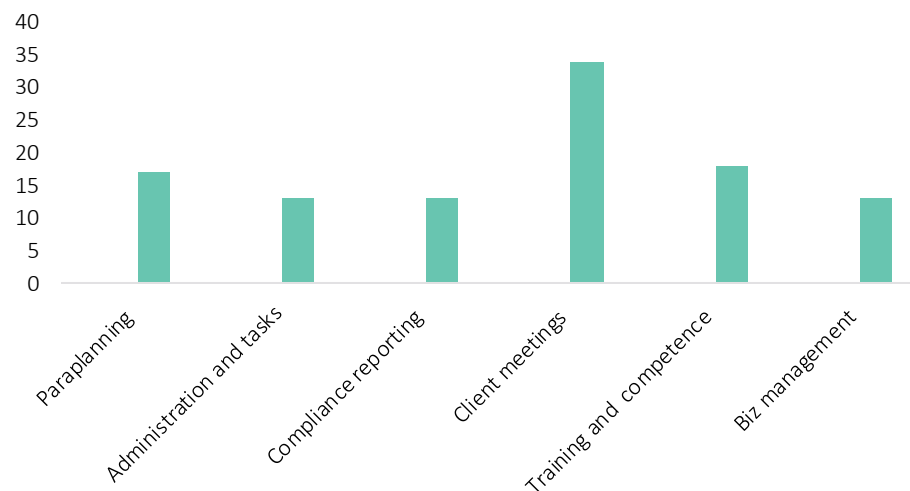


Time is precious particularly when you are responsible for managing client money and ensuring good outcomes. It is clear that data management is now more of a key challenge than previous reports.

Data management has been and is still a major issue, but a solvable one given the new tech and AI platforms available.

We need to crack the nut on fettered APIs, data access, identification, quality, monitoring and reporting and build workflows that streamline issues such as regulatory reporting.

Where do you spend your time



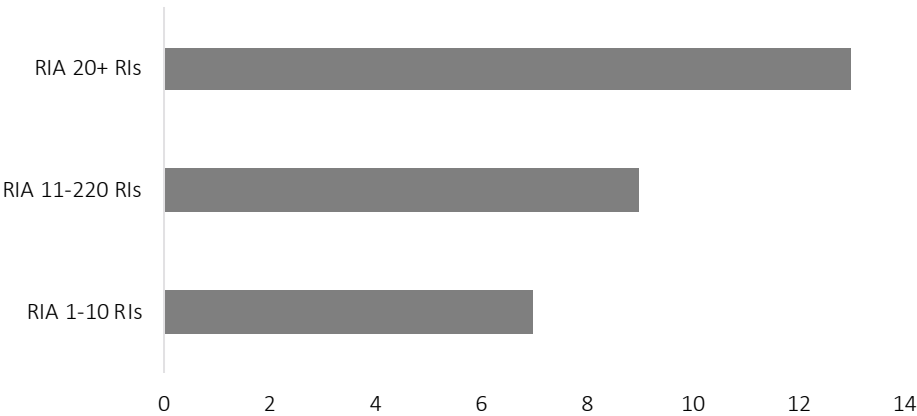
It's the same old story when it comes to time spent on the business and with clients. The business v client ratio has moved from 35% of time spent with clients last year to 34% in 2025.

This tallies with other third-party research and given results in application for RegTech in RIAs increasing we hope we will see a positive movement where wealth managers and advisers are spending more time in what is the most enjoyable part of their jobs spending quality time with their clients.

Monetary

Squeezed margins is a continual theme that runs through these reports year on year and it’s no different in 2025. One of the key concerns we have with the ever-expansive Consumer Duty is the implementation and on-going monitoring costs. There is no doubt, RIAs will have to invest in more business strategy, T&C, audit, and oversight activities to ensure they comply. Generally, this means that some or all this cost may well be passed on to the clients, an unintended consequence maybe, but a significant self-defeating consequence if this happens. Also, even though we are experiencing a ‘softer’ PII market, the indirect and direct costs remain high with the average across all **firms rising significantly to 21% of revenues.**

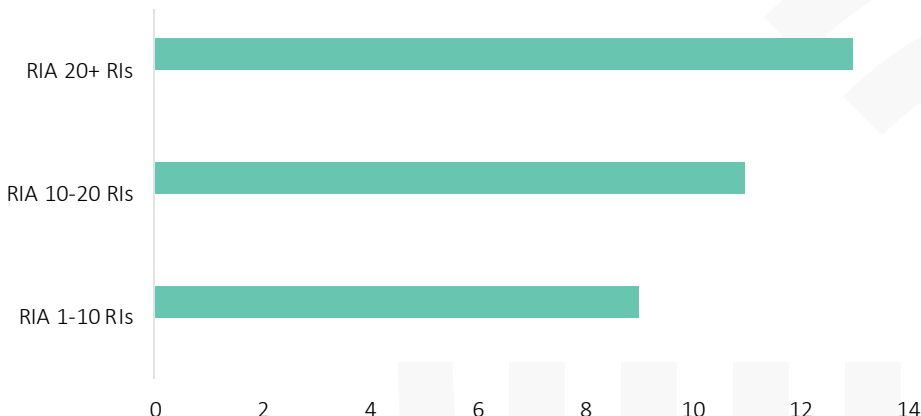
How much is the direct compliance cost as a % of annual revenue



Similar to inflation, when increased pressure is applied one a few areas (in this case compliance) we see an increase in direct costs (Regulatory fees, levies, PII).

Unfortunately, we have seen a significant rise across all business models this year which is reflected in the transition independent firms and consolidators and are facing with the potential for consumer redress payments, increase demand on data reporting and investment in new tech.

How much is the indirect compliance cost as a % of annual revenue?



Indirect costs cover staff training, recruitment compliance support and audits and gain we are seeing an increase in costs from last year’s report.

Increase in Training and Competence activity around incorporation for good outcomes assessment, recruitment for specialist skill sets such as data analysis and CTO expertise, means firms are investing in the future and this must be seen as good news.

When it comes to the total direct and indirect compliance costs the results are very telling:

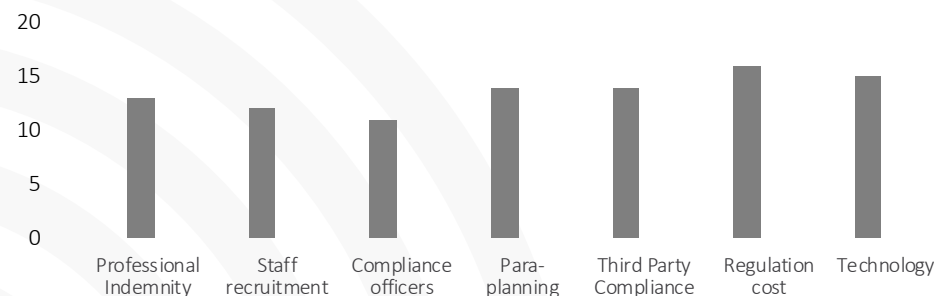
1. RIA 1–10 = 15% revenues

2. RIA 10–20 = 20% revenues

3. RIA 20+ = 26% revenues

Results summary

What are the reasons for the increased compliance costs?



There is good news here, we have seen a 20% increase in tech investment by firms over the past year. The demonstrates RIAs are beginning to adopt, test, trail and embed new tech across their business.

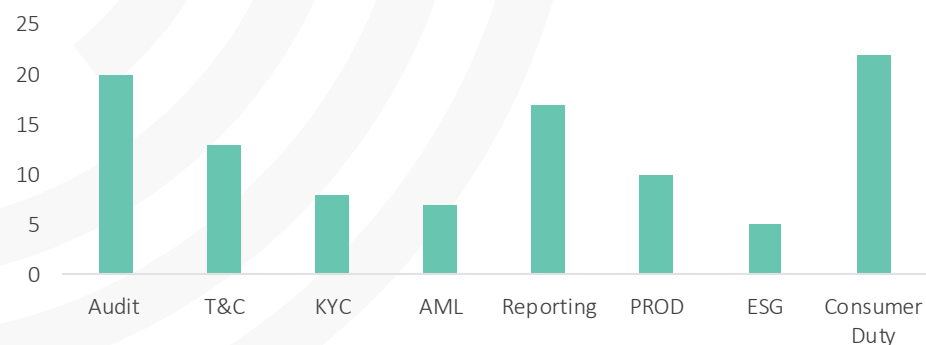
Also, PII costs continue to a downward trend, but the trend is that compliance costs are still placing a significant strain on business resources.

Investing in staff is one of the main drivers for costs as is the cost of direct and indirect compliance activities. Indeed, the overall cost of compliance has increased year on year since this longitudinal study began.

When it comes to AI, it's clear it is too early to tag this new tech as the great leveller where small businesses could leverage Generative AI to compete with larger businesses, and likewise, large firms, although they are investing in AI on a trial basis, are not yet in a position to report serious cost savings in compliance but they are on the journey to do just that.

With this in mind, AI cannot be discounted, the AI train has left the station, and firms should now be embracing tools to test and trial and work through due diligence to ensure they choose and embed the right AI software into their compliance practices. AI will also not necessarily replace compliance officers but bring efficiencies to key areas that could be considered 'low hanging fruit' such as compliance document audits and file checks providing quality MI so officers are provided with solid exception reporting outputs thus saving significant time and costs and focusing more of their time on four eyes sense checking.

In which areas is RegTech saving you costs



When it comes to the benefits for applying tech to Governance, Risk and Compliance, Consumer Duty assessment and reporting is still the number one beneficiary, yet there is still much work to do here, based on the latest CII findings in their paper [Consumer Duty Board Reports One Year On](#).

This highlights key challenges which are reflective of the challenges firms face particularly when it comes to identification, accessing, monitoring and reporting on regulatory data.

Areas such as knowing what data to include, relationship between data sets across the four outcomes, client vulnerability, client segmentation, data gap analysis and challenge to low buy in to improve data quality, all require more work and clarity.

AI deployment

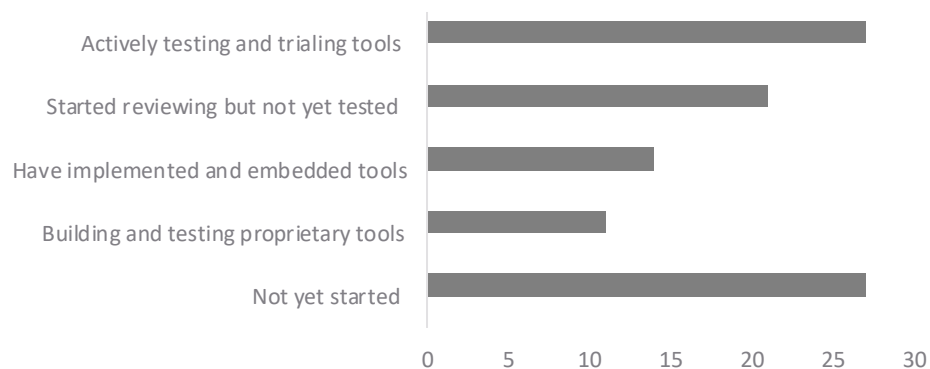
AI presents both opportunity and challenge for financial services firms. Its potential to transform productivity, strengthen compliance, and enhance customer outcomes is clear, yet so are the risks of poor governance, bias, and operational failure.

Early adopters are learning that responsible AI integration depends on disciplined planning, robust oversight, and data transparency. While the technology is still maturing, firms that balance innovation with effective risk management, embedding controls across model design, deployment, and monitoring, will be best placed to capture its value. The goal is not to eliminate uncertainty, but to manage it intelligently and ethically.

Where are you on your AI RegTech adoption journey

Firms are now well on their way in testing, trailing and adopting AI within their GRC practice.

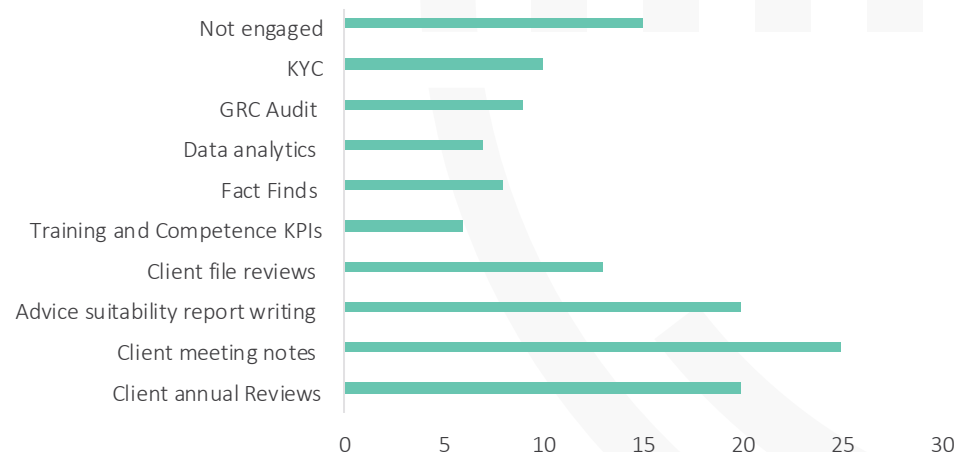
It is clear from the below chart that the majority of firms have already started testing, implementing and even some are embedding AI RegTech, with the majority using third party vendors to manage risks.



What areas do you apply AI in your business

When it comes to AI tools and deployment, firms are clearly focusing on client facing software that should build more efficiency around the advice suitability checking, fact finding, paraplanning and meeting note activities.

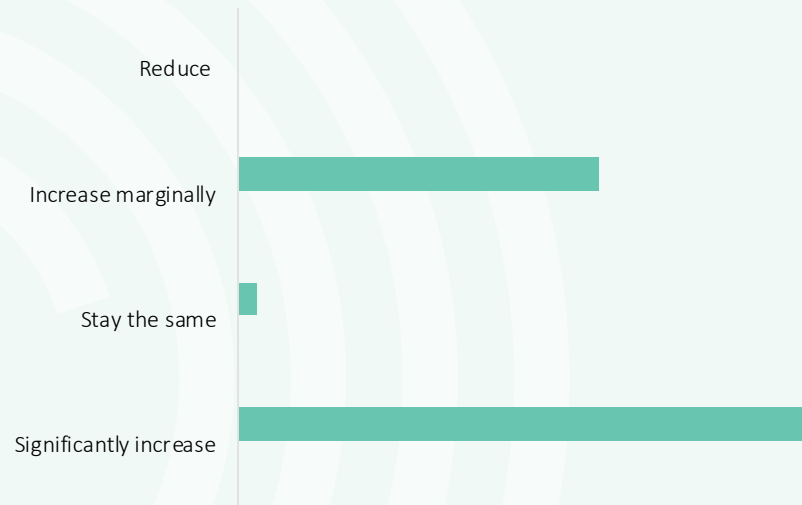
It is no surprise meeting note AI software is the most used given most firms have Microsoft Outlook licenses and Microsoft now incorporates their Co-Pilot AI software within outlook. Other meeting note tech such as Fireflies, OtterAI and Dragon are also in use. The picture this bar chart paints is one of gradual acceptance and engagement for deploying AI but with a view that the AI should be deployed for specific purposes.



5. Summary

Overall, despite continued pressure increased regulation is placing on firms financial and operational resilience, we are seeing firms continue to invest in RegTech and now AI with the view this should provide significant efficiencies over the medium term.

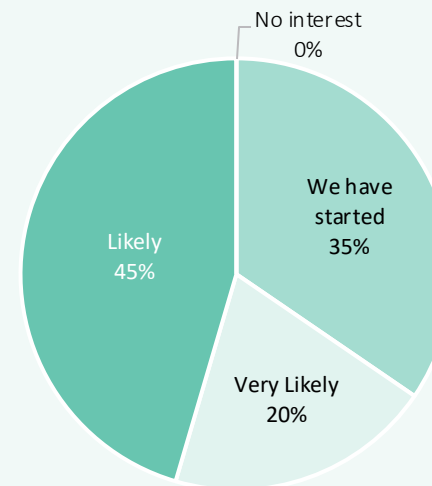
What do you expect of regulatory directives over the next 12 months



It is safe to say, firms continue to expect regulatory directives to come thick and fast. Looking at the FCA radar, given there is strategy to streamline the rule book, this may work in favour for firms, particularly as the FCA are moving to be a data led regulatory so firms may expect more data information requests, and if the firms are also truly data led and deploy some of the workflow examples above then this should release workloads when it comes to regulatory reporting.

Firms then need to ensure they continue to trial and test tech and AI tools within their business. It will be those firms who deploy strategic, high focused end to end RegTech that will gain significant efficiencies and data to evidence continued professional practice and ensure a sustainable business model.

If not already, how likely will you adopt RegTech over the next 12 months



RegTech continues to attract attention as an enabler to evidence a strong culture for governance and oversight whether a firm is directly authorised, restricted or an Appointed Representative (AR)

Indeed, ARs and their networks Principal firms, are adopting tech to ensure the new FCA AR Regime is complied with, and they have the data to prove systems and controls, policies and procedures are in place.

How does Model Office compare to other tools

MO provides comprehensive features for Governance Risk and Compliance management and audit compared to third party tools available.

This means firms gain 'a one stop shop' to manage all compliance activities in one platform, this means each firm's compliance team are always on the same understanding, data is in one place and available in real time with deep integrations available with third party tech such as back-office tech, The FCA register, Companies House, CRMs and cashflow modelling.

For more please visit www.model-office.co.uk or contact us on info@model-office.co.uk

Figure 2. Model Office features and benefits

Features	Model Office - MO®	Other Compliance support services	Other AI Advice Suitability Tech	Other Practice Management Tech	Other Traditional 'Repository' Compliance Tech
Real time regulatory benchmarking	✓				
Auto Audit Reports	✓	✓			
Auto audit trails and alerts	✓	✓			
Integrations	✓	✓	✓	✓	✓
Client file reviews	✓	✓	✓	✓	✓
Automated	✓				
Data quality health checks	✓			✓	
Compliance policy & document auto-audits	✓	✓	✓	✓	
Automated	✓				
Training and Competence KPIs	✓	✓			✓
Automated	✓				
Tech and AI empowered	✓			✓	
AI empowered only			✓		

5. Final thoughts

It is clear compliance costs and time are still placing significant pressure on firms cashflows and now with a data driven directive the FCA is nudging all regulated firms to become more digitally savvy and gain the ability to track compliance performance and deliver data in real time.

This means, firms cannot discount RegTech, as they need to ensure they streamline and automate regulatory compliance processes, , by leveraging tools like AI, machine learning, big data, and blockchain. It helps organisations efficiently manage complex regulatory requirements, reduce costs, improve reporting accuracy, and mitigate risks such as fraud and data breaches.

The Consumer Duty Board Report is a classic example, with the FCA focus and the CII’s recent report, there is more to be done by firms to ensure data reporting requirements across areas such as reporting on relationships and trend analysis between data sets e.g. client segmentation and vulnerable customer needs, improving access to data and buy into provide data across the distribution chain is imperative.

Model Office is now 5 years into our mission to empower firms’ compliance activities by integration, automation and self-regulation. We can see from the data provided and below charts that MO is providing return on investment and enabling firms to become data driven and free time to deploy staff time to other client focused areas ensuring business models are sustainable and compliant at all times.

Figure 3. Firm cost of compliance as a % revenue and potential MO savings

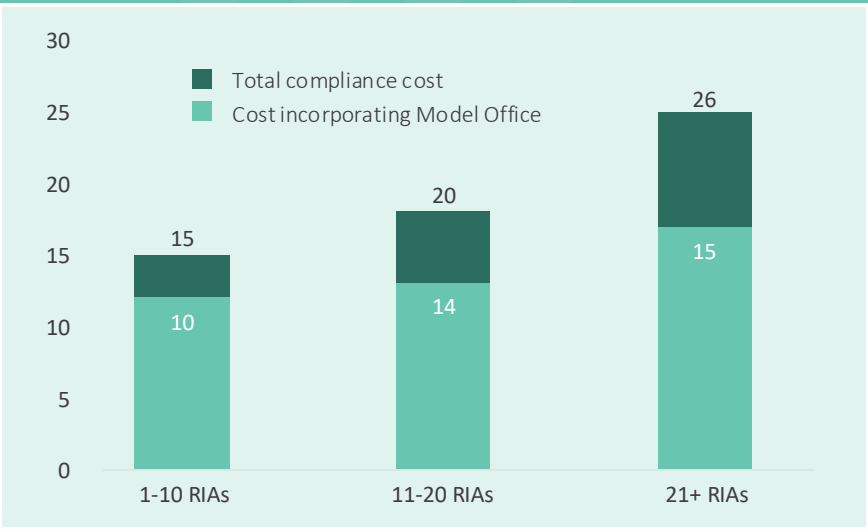


Figure 4. Firm type and potential MO time and cost savings

Firm type	Annual time saving	Annual direct / indirect compliance costs as % revenues	Annual direct/indirect compliance costs savings with MO	Annual direct/indirect compliance costs
1-10 RIs	96 hours	15%	5%	33%
11-20 RIs	145 hours	20%	6%	30%
21+ RIs	250 hours	26%	11%	42%



MODELOFFICE

compliance · alignment · sustainability

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Success by Design