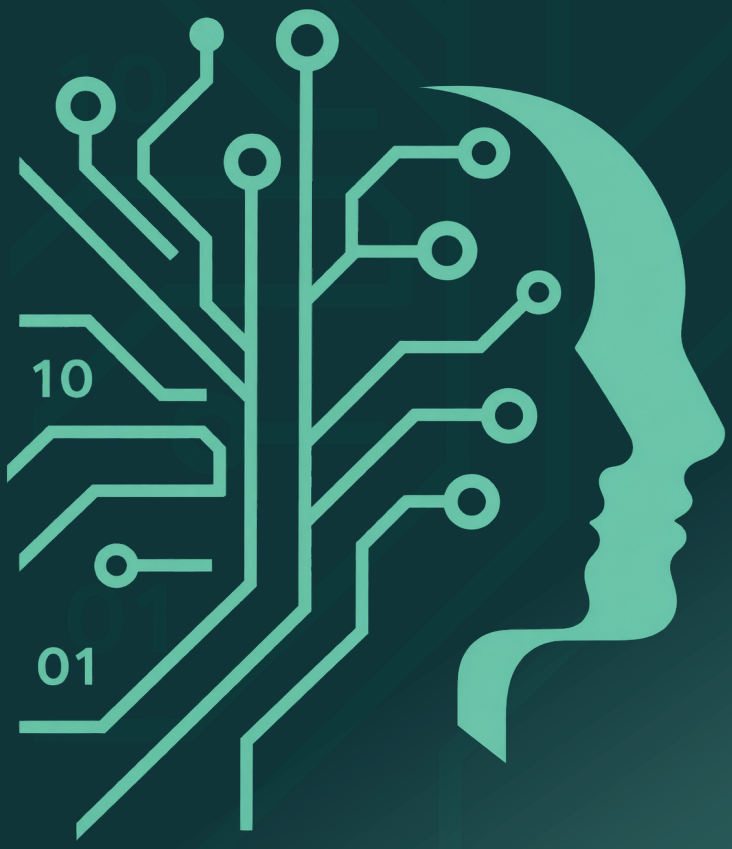
MODEL OFFICE

RESEARCH PAPER
MODEL OFFICE
OCTOBER 2026



The FCA, Data, AI and Your Firm

Building a data-driven financial advice firm for the FCA's next phase of supervision

What UK regulated financial advice firms should collect, connect, monitor and report - and how AI changes the governance requirement.

DATA | OUTCOMES | AI | SECTION 165 | REGULATORY INTELLIGENCE

© Model Office Ltd

Contents

Executive summary 3

The FCA is becoming more data-led 4

Six 165 data themes firms should now continually monitor 5

Research suggests firms have work to do 9

Data and AI readiness 10

Consumer Duty Board Reports: moving from annual reporting to evidence-led oversight . 10

Data and Systems, Controls, Operational & Cyber Resilience 12

What a data-driven advice firm should look like 13

Final Summary 14

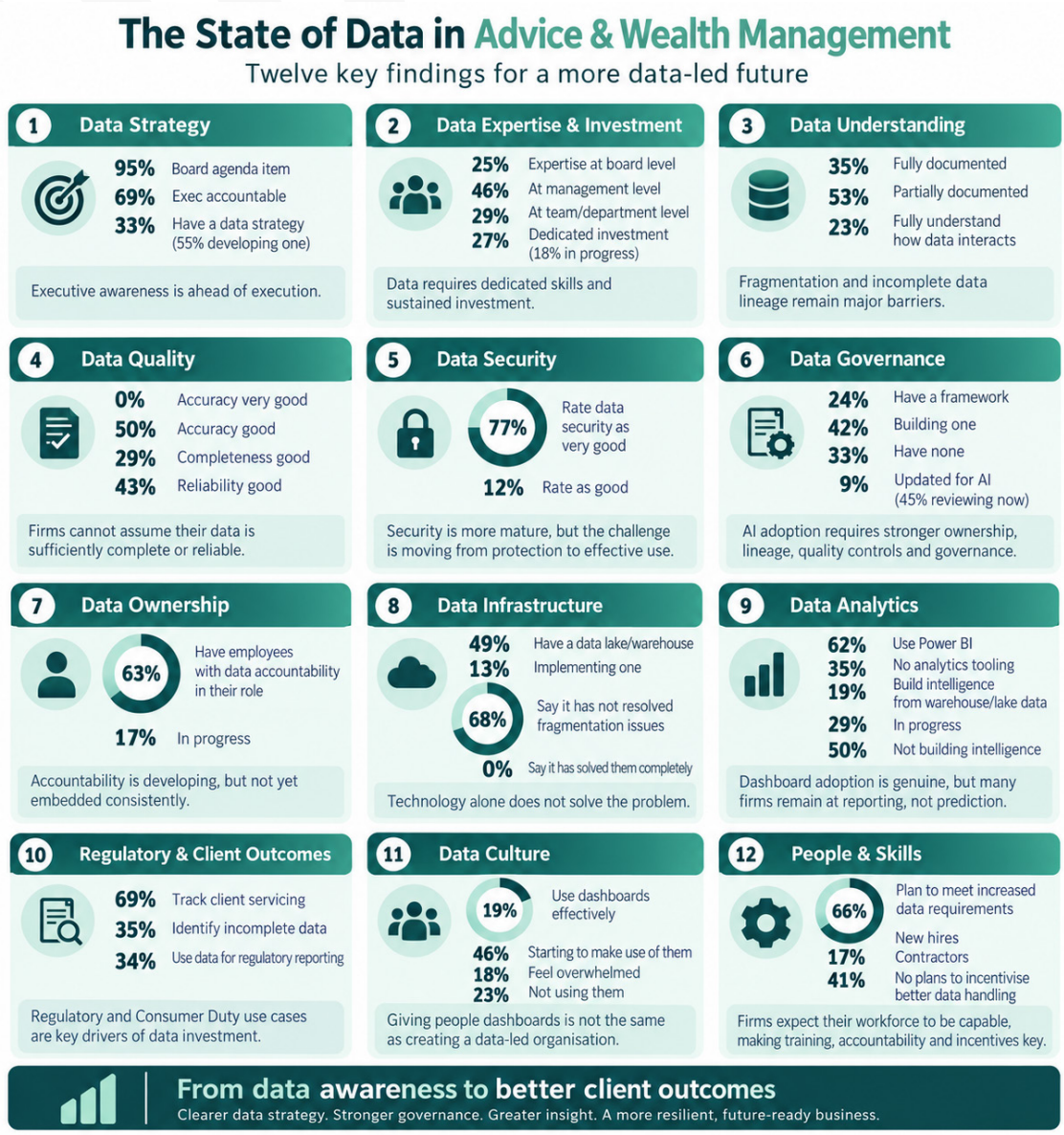
Sources 15

Executive summary

This report addresses the current standing for FCA regulated financial service firms when it comes to their data, AI and regulatory reporting requirements.

The research shows that financial advice firms increasingly recognise data as a strategic business and regulatory asset, with strong Board-level engagement, improving data security and growing use of analytics to monitor client servicing and Consumer Duty outcomes. However, there remains a clear gap between ambition and execution. Data strategies, governance frameworks, ownership and dedicated investment are still developing, while data quality, completeness, integration and fragmentation remain significant challenges.

Analytics adoption is growing, but relatively few firms are yet converting their data into deeper business intelligence, and data literacy across teams remains inconsistent. The priority for firms is therefore to move from collecting and reporting data to governing, connecting and analysing it effectively building the trusted data foundations required for better management decisions, regulatory evidence, improved client outcomes and the safe adoption of AI.



The FCA is becoming more data-led

The FCA's supervisory model increasingly relies on structured information, outcomes monitoring, thematic work and targeted information requests. For advice firms, this changes the practical question from "**do we have the policy?**" to "**can we evidence what is happening, for which clients, why it is happening and what we did about it?**"

The FCA's July 2026 outcomes monitoring review makes the point clearly: collecting data, listing metrics or producing management information is not enough. Firms should be able to explain what the information tells them, how it identifies risk or poor outcomes, what action follows and whether that action worked. The strongest approaches are structured, evidence-based and connected to the customer journey.

This matters for firms of every size. Smaller firms can use a focused set of meaningful indicators and straightforward governance. Medium firms need more consistent MI, segmentation and escalation. Large firms should be able to connect richer datasets across products, channels, customer cohorts, business units and third parties, with clear ownership and audit trails. At Model Office we have a saying: "**If you have not got the data, it did not happen, if you do, it better have happened**".

Section 165 information requests are building regulatory intelligence

Along with reviewing firms individually, the regulator is collecting consistent information across the sector to identify trends, outliers and potential risks before they become consumer harm. Many firms see a Section 165 (S165) information request as a regulatory data exercise and a Section 166 (S166) Skilled Person Review as something to avoid at all costs. In reality, these two supervisory tools are becoming increasingly connected.

The S165 information enables the FCA to understand not only whether firms are compliant, but whether governance arrangements are delivering consistently good customer outcomes. S166 remains one of the FCA's most significant supervisory interventions. Although not an enforcement action, it is often costly, disruptive and resource intensive.

Common triggers include:

- Weak governance and oversight
- Poor systems and controls
- Ineffective risk management
- Consumer Duty failings
- Weak compliance monitoring
- Operational weaknesses
- Regulatory breaches

Section 165: prepare before the request arrives

Section 165 of the Financial Services and Markets Act gives the FCA broad powers to require information and documents from authorised firms. A data-led supervisory environment increases the importance of being able to produce structured, consistent and reproducible information quickly. Preparation should therefore be an operating capability, not an emergency project.

Requirement	Expected evidence
Data ownership	Named owners, definitions and governance
Structured extraction	Reliable Excel/CSV/API exports from source systems
Data quality	Validation, reconciliation, completeness checks
Segmentation	Documented client and product cohort methodology
Audit trail	Source, version, calculation, approval and submission history
Outcomes evidence	MI, thresholds, root causes, actions and effectiveness testing
Governance	Board/senior review, challenge and accountable owners
Supporting evidence	Policies, assumptions, methodology and source documentation

Defining data reporting

One of the key areas the FCA require when it comes to regulatory reporting is how data relates to the regulatory requirements. An example is data should always evidence and support good client outcomes. So, firms should be defining what good outcomes look like across their client service segmentation and ensure the data evidences each group of clients including vulnerable clients are receiving good outcomes that support their ongoing needs and objectives

Six 165 data themes firms should now continually monitor

From our time in the **FCA AI Lab** it is clear the FCA is moving towards continuous, intelligence-led supervision. Section 165 requests provide the regulator with structured data to benchmark firms, identify emerging risks and target supervisory resources more effectively. Where concerns remain, a Section 166 review allows the FCA to commission an independent assessment of a firm's governance, systems and controls.

The message is clear. Compliance is no longer about producing reports when requested. Firms need to generate reliable regulatory data continuously, evidence good customer outcomes and provide boards with meaningful management information (MI).

The below table provides an instant reference for your firm to sense check the key themes the FCA are interested in and what quantitative and qualitative data is required and the primary users who should review the data as part of their due diligence processes and strategy.

Theme	Quantitative data	Qualitative data	Primary users
Business performance	Revenue, AUA/AUM, profitability, adviser and client numbers, capital, liquidity	Strategy, acquisitions, growth plans	Board / Executive
Governance, Risk & Compliance	Complaints, breaches, file reviews, FOS/FSCS, audit findings, risk ratings	Root cause, challenge, Consumer Duty good outcomes evidence	Board / Compliance
Operations & Technology	Uptime, incidents, cyber events, supplier performance	Operational resilience, IBS, outsourcing oversight	COO / Risk
Client & Outcomes	Segmentation, demographics, review completion, vulnerability, suitability	Feedback, foreseeable harm, understanding, support	Consumer Duty Governance / Compliance
AI & Data	AI inventory, data quality, completeness, model performance	AI governance, bias, human oversight, due diligence	Board / Technology
People & Culture	Turnover, CPD, competence, conduct, demographics	Culture, engagement, communications, whistleblowing	HR / Board

1. Business model and financial data

The FCA needs to understand the firm before it can understand the risk. Advice firms should therefore maintain structured data on regulatory permissions, adviser and client numbers, active and dormant clients, revenue by service and product type, initial and ongoing advice income, profitability, capital, liquidity, assets under advice and future business plans. The value comes from joining these measures. Growth in client numbers should be considered against adviser capacity, service levels and review completion. Acquisitions should be considered against operational resilience, complaints and integration risk. Revenue concentration should be visible alongside product, provider and client segmentation. This turns financial MI into supervisory intelligence.

2. Governance, Risk and Compliance

Governance should be supported by measurable evidence. Complaints, FOS referrals, FSCS claims, breaches, file-review results, audit findings, Consumer Duty indicators and training completion should be connected to root-cause analysis, risk appetite, action ownership and evidence of remediation. The FCA's 2026 outcomes work also stresses thresholds and tolerances. A RAG rating has limited value if nobody can explain why the threshold indicates good or poor outcomes. Firms should document the basis for thresholds, review them as performance and risks change, and retain an audit trail from issue to decision, action and outcome.

3. Client engagement and outcomes

Customer outcome data is central to the Consumer Duty. Firms should look beyond aggregate service metrics and monitor the stages of the advice journey: engagement, fact-find, recommendation, implementation, ongoing service, withdrawal or transfer and complaints.

Quantitative	Qualitative
Active clients / service status	**Customer understanding**
Review completion / missed reviews	**Advice suitability**
Age, gender and demographic profile	**Fair value and client objectives**
Vulnerability flags and drivers	**Support and adjustments provided**
Product mix, charges and retention	**Foreseeable harm**
Complaints, cancellations and attrition	**Customer feedback and journey friction**

Two areas that can be utilised to ensure good client outcomes are evidence are

i) Segmentation matters. Firms should be able to identify whether different cohorts- including customers with characteristics of vulnerability- experience different outcomes. The FCA has criticised monitoring that aggregates vulnerability data so heavily that different needs and barriers disappear.

Our client segmentation table below provides example strategy that will ensure firms evidence FCA Consumer Duty client good outcomes and data supports this requirement.

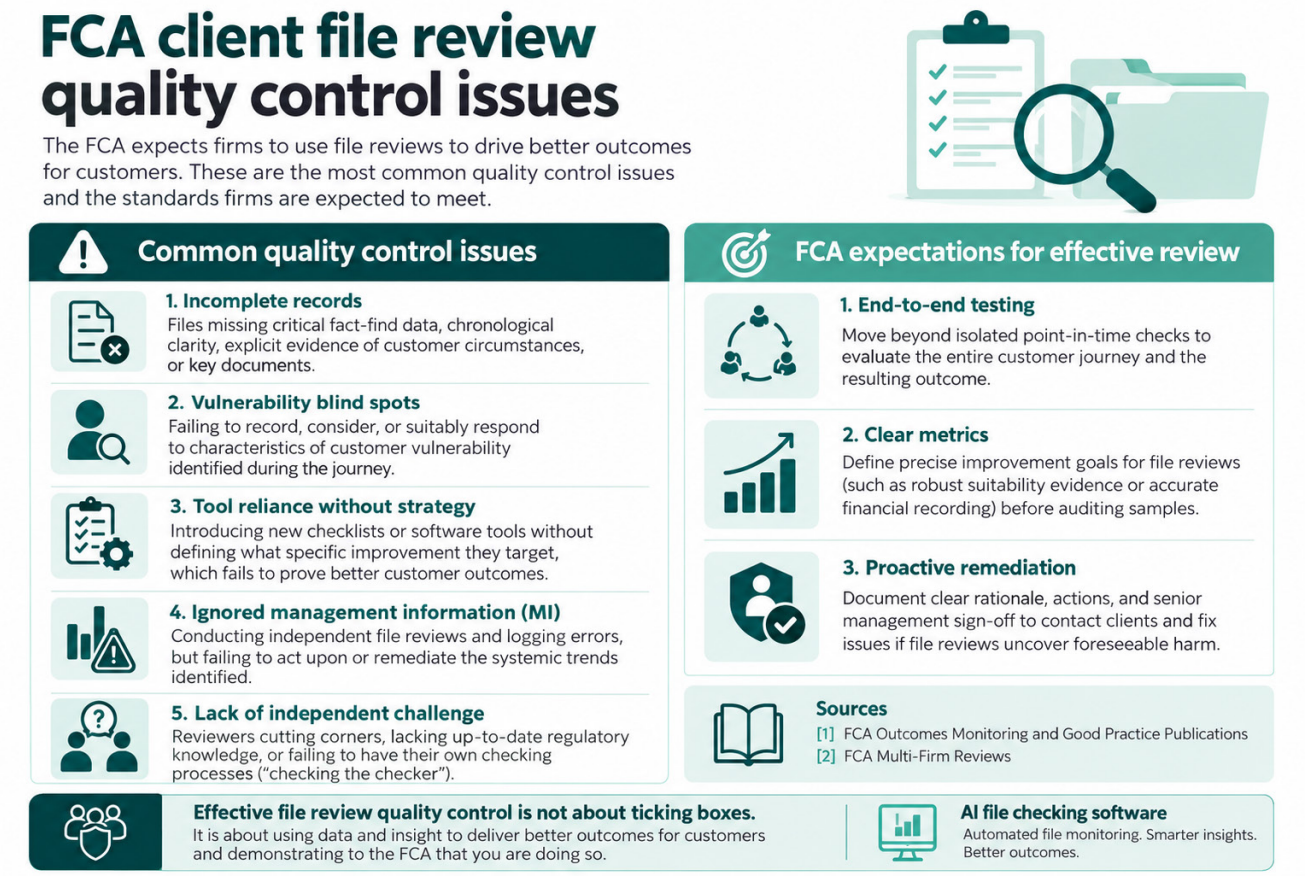
Segment	Sub-Segment	Investment Solution	Platform Selection	Advisory Service	Review service	Clients in vulnerable circumstances	Cost £	
							Initial	PA
Young Accumulators	Job starters	Savings acc, LISA	Simple low cost	Light Touch, Tech, Sustainability	1x pa			
	Young Execs	ISA	DFM	Standard, Tech, Sustainability	1x pa			
Runway to Retirement	Employed	DC, Auto Enrolment	CIP/Model Portfolio Discretionary	Standard, Advanced	1x pa			
	Self-Employed	PPP	CIP	Light/Standard	2x pa			
Retirement Income	Low/No Income	CRP	Invest/Annuity	Standard, Sustainability	2x pa			
	High Income	Growth	Invest/withdrawal	Cashflow/Bespoke, Sustainability	2x pa			
Outliers					1x pa			
Vulnerable	Mental/Physical	Protected	Invest/withdrawal	Tailored suitability	3x pa			

Key questions to ask:

- Who are our clients?
- What are their needs and objectives?
- What is their attitude to risk?
- What services and products meet their needs and when will they need them?
- How do they want to interact with us?
- Why do they behave the way they do?
- Are you aware of any negative markets (unsuitable to client needs and objectives)?

ii) Client file reviews are another area where data can play a crucial part in providing critical evidence for good outcomes and client care. The FCA's 'suitability assessment papers' TR14/21 Retail investment advice; adviser charging and services, 2017 Supervision review report: Acquiring clients from other firms, TR24/1 Thematic review of retirement income advice, and Consumer Duty Price and Value outcome, all point to the important role file reviews play in advice suitability quality control.

These papers point to common quality control issues and FCA expectations commonly missed. One of the contributors to such poor file review data is the sheer scale given the number of clients a firm or an AR network must cover for example. AI Client file review software is now available to alleviate such a challenge, integrating with CRMs to automate client file verification and suitability review checking.



4. Outcomes monitoring: proportionate, but not optional

The FCA's latest review distinguishes proportionality from informality. A small firm does not need a large data team or complex infrastructure, but it still needs to define good outcomes, use meaningful indicators, record decisions and follow actions through.

Firm scale	Practical monitoring expectation
Small firms	Focused indicators using existing data: complaints, feedback, missed service standards, file checks and vulnerability information. Simple thresholds, named senior ownership and an issues/actions log can be sufficient where proportionate.
Medium firms	A joined-up outcomes framework across key customer journeys, with segmentation, documented thresholds, root-cause analysis, dashboards, escalation routes and tracked remediation.
Large firms	Granular MI across products, channels, customer groups and distribution partners; richer testing, benchmarking and trend analysis; formal governance, second-line challenge, internal audit and clear board-level accountability.

5. Technology, operational resilience and AI

A firm cannot become data-driven if it does not know where its data originates, where it is stored, who owns it, who can access it and how it moves between systems. CRM, platforms, document stores, finance systems, HR tools and compliance systems should feed a controlled reporting environment rather than a series of disconnected spreadsheets.
Operational data should cover Important Business Services, incidents, impact tolerances, recovery testing, cyber events, access management, supplier performance and lessons learned. AI adds another layer. Boards should maintain an AI inventory covering purpose, data sources, model or service owner, supplier, human oversight, data protection, testing, bias and ethics, material limitations and review frequency.

The FCA's July 2026 Mills review gives useful examples of AI supporting outcomes monitoring:

- Synthetic testing of communications
- Technology improving consistency of client records and AI-assisted routing of customer support, otherwise known as 'advice like support'.
- The importance of human governance and oversight across development, deployment and monitoring of AI systems

The FCA is therefore looking towards AI-supported supervision capable of identifying emerging risks including hallucinations, bias, deepfake fraud and synthetic identity attacks, while analysing large regulatory datasets and detecting consumer harm much earlier. This builds directly on initiatives such as the **FCA AI Lab**, Open Finance, Supercharged Sandbox and AI Live Testing programme.

The regulatory point is not that AI replaces judgement. It is that technology can improve the quality, consistency and interrogation of data when it operates within appropriate guardrails and human oversight.

6. People and culture

Consumer outcomes are influenced by people as much as systems. Adviser competence, CPD, supervision, complaints by adviser, conduct events, staff turnover, engagement, demographics, communications and whistleblowing should form part of the firm's data picture.

Qualitative evidence matters here: challenge in committees, feedback from frontline staff, lessons learned, coaching and changes to incentives can explain what the numbers alone cannot. For smaller firms, scenario-based training, peer discussion and clear record of training can provide proportionate evidence.

Research suggests firms have work to do

Theme	Key findings	What the data tells us
1. Data Strategy	*95%* say data is a Board agenda item. **69%** have a Board executive accountable for data. But only **33%** have a data strategy in place, with **55% developing one**.	Executive awareness is ahead of execution. Firms increasingly recognise data as a strategic asset, but many are still building the framework required to manage it.
2. Data Expertise & Investment	Data expertise sits at **Board level in only 25%**, management level in **46%** and team/department level in **29%**. Only **27%** report having a specific data investment budget, with another **18% in progressing**.	Data requires dedicated skills and sustained investment rather than being treated solely as an IT project.
3. Data Understanding	Only **35%** have fully documented where all business data is located; **53%** have only partially documented it. Just **23%** fully understand and document how their business data interacts.	Fragmentation and incomplete data lineage remain material barriers to developing a reliable enterprise view of the business.
4. Data Quality	No respondent rated data accuracy or completeness as "**very good**". Accuracy: **50% good**, **29% satisfactory**, **21% poor**. Completeness: **29% good**, **57% satisfactory**, **14% poor**. Reliability: **43% good**, **43% satisfactory**, **14% poor**.	Firms cannot assume that possessing data means it is sufficiently complete or reliable for regulatory reporting, analytics or AI.
5. Data Security	**77%** rate data security as very good and another *12% good*.	Security appears considerably more mature than data quality, completeness and reliability. The challenge is moving beyond protecting data towards managing and exploiting it effectively.
6. Data Governance	Only **24%** have a data governance framework in place; **42% are building one** and **33% have none**. Only **9%** have already updated governance for AI; **45% are reviewing it now**.	AI adoption is exposing the need for stronger ownership, lineage, quality controls and governance. AI readiness starts with data governance.
7. Data Ownership	**63%** have employees with data accountability within their role; another **17%** have this as a work in progress.	Accountability is developing, but data ownership is not yet consistently embedded throughout firms.
8. Data Infrastructure	**49%** have a data lake/warehouse and **13%** are implementing one. Yet **68%** say it has **not resolved all fragmentation issues** and none say it has solved them completely.	Technology infrastructure alone does not solve the data problem. Architecture needs governance, integration, quality controls and clearly defined use cases.
9. Data Analytics	**62%** use Power BI, while **35% use no analytics tooling**. Only **19%** say they are building intelligence from warehouse/lake data; **29% are in progress and 50% are not**.	Dashboard adoption is ahead of genuine business intelligence. Many firms remain closer to reporting what happened than understanding why it happened or predicting what happens next.
10. Regulatory & Client Outcomes	**69%** use data to track, monitor and measure ongoing client servicing. **35%** use analytics to identify incomplete or incorrect data, with another **34% use data for regulatory reporting**. Data warehouses are being used for regulatory reporting, risk management, compliance monitoring, T&C and single-client views.	Regulatory and Consumer Duty use cases are emerging as important drivers of data investment, connecting operational data with evidence of client outcomes and control effectiveness.
11. Data Culture	When presented with dashboards, only **19%** are described as using data effectively. **46% are starting to make use of it**, **18% feel overwhelmed**, and **23% are not using it**.	Giving people dashboards is not the same as creating a data-led organisation. Data literacy and management behaviour are as important as the technology.
12. People & Skills	**66%** plan to meet increased data requirements through upskilling/reskilling, versus **17%** new hires and **18%** contractors. However, **41%** have no plans to incentivise better data handling.	Firms largely expect their existing workforce to become more data capable, making training, accountability and data literacy important components of transformation.

Data and AI readiness

The above research findings highlight that AI readiness is fundamentally dependent on data readiness. Financial advice firms are showing strong Board-level interest in data and increasing adoption of analytics, but weaknesses remain in data quality, integration, governance, ownership and the ability to turn data into intelligence. These gaps become more important as firms deploy AI across RegTech. AI can analyse regulatory, compliance, client, adviser and operational data at a scale that conventional reporting cannot, supporting automated audits, client file reviews, Consumer Duty outcomes monitoring, risk identification and FCA reporting. However, AI outputs will only be as reliable as the underlying data, governance and controls supporting them.

Agentic AI takes this further, moving from analysing information towards AI systems capable of initiating and completing defined regulatory and compliance workflows. This could enable RegTech to identify an exception, interrogate relevant data, assess it against regulatory requirements, escalate the risk, generate management or client reporting and track remediation. For financial advice firms, this creates the potential for more continuous and scalable governance, risk and compliance oversight rather than periodic manual reviews. But the research also points to the controls that must come first: clear data ownership, governance, reliable source data, skilled people and effective human oversight. Firms therefore need to develop AI and Agentic AI alongside their data and governance strategy, ensuring automated decisions and outputs remain traceable, explainable, reviewable and accountable.

Five strategies for data-supported AI in GRC

1. **Establish trusted data foundations** — Map the data required across CRM, client, adviser, compliance, risk, financial and operational systems. Define ownership and improve accuracy, completeness, consistency and timeliness before using the data for AI-driven GRC. Ensure staff data literacy is improved by recruitment and training.
2. **Build AI into the data governance framework** — Establish clear accountability for the data AI can access, how it is processed and how outputs are used. Maintain data lineage, access controls, security, retention and audit trails so AI-generated regulatory evidence can be traced back to its source.
3. **Connect data to regulatory requirements and client outcomes** — Structure data around defined GRC use cases, including Consumer Duty outcomes, suitability, vulnerability, complaints, T&C, operational resilience and regulatory reporting. AI should analyse data against a defined regulatory purpose rather than simply generate information.
4. **Introduce controlled AI and Agentic AI workflows** — Start with bounded activities such as compliance monitoring, document audits, client file reviews, exception identification and MI generation. Require human oversight for material decisions and maintain evidence of the data used, AI output, review, escalation and resulting action.
5. **Move from reporting to continuous intelligence** — Use AI to connect quantitative and qualitative data, identify trends and exceptions, undertake root-cause analysis and highlight emerging risks. The objective should be to move GRC from periodic retrospective reporting towards continuous, data-driven supervision, while retaining accountable human stewardship.

These priorities directly address the research gaps around governance, data quality, fragmentation, analytics and skills, while building on firms' growing Board-level focus on data.

Consumer Duty Board Reports: moving from annual reporting to evidence-led oversight

In their **Consumer Duty Board Report good and poor practice publications** The FCA identified five characteristics of stronger reports: a clear focus on the four Consumer Duty outcomes, good-quality management information, analysis of different customer types including those with characteristics of vulnerability, clear report production and governance processes, and evidence that Consumer Duty is embedded within the firm's culture.

The corresponding weaknesses were equally clear:

1. Inadequate data quality,
2. Insufficient information across distribution chains,
3. Limited cohort analysis,
4. Weak evidence of board challenge and action plans without clear ownership,
5. timescales or measures of effectiveness.

It is clear firms need to connect their board reporting to wider business data strategy. A board should not receive separate and disconnected datasets for complaints, suitability, vulnerability, ongoing service, adviser performance, fees and customer feedback. These data points need to be assessed together so that management can understand what is happening across the client journey and whether the firm's systems, proposition and advice processes are creating good or poor outcomes.

The FCA also expects firms to define what a good outcome actually looks like. High-level statements that products or services are delivering good outcomes are insufficient where they are not supported by appropriate metrics, thresholds and analysis. RAG ratings can be useful, but boards should understand why the thresholds have been set at a particular level and what action is triggered if performance falls outside tolerance.

The below table illustrates the data areas, the importance of defining quantitative and qualitative data points supported by clear communications explaining what this data means and should demonstrate and the data stakeholders.

Data theme	Quantitative data	Qualitative data	What good Board reporting should demonstrate	Primary users
Products & Services	Client numbers by proposition; product usage; sales outside target market; product switching; cancellations; review completion	Product governance reviews; target market assessments; adviser and client feedback; foreseeable harm analysis	Products and services continue to meet identified client needs; differences between client segments are understood; issues lead to documented action	Board, Product Governance, Compliance
Price & Value	Advice charges; ongoing service fees; platform/ product costs; reduction in yield; fee changes; clients receiving services paid for	Fair value assessments; competitor/comparator analysis; rationale for charging structures; client feedback on value	Price and benefits remain reasonable relative to the overall proposition; poor-value cohorts or services are identified and addressed	Board, Finance, Compliance
Consumer Understanding	Communication engagement; digital completion/drop-off; response rates; errors and repeat queries; testing results	Client testing; adviser feedback; communication reviews; accessibility assessment; understanding checks	Communications are clear, timely and support informed decision-making; evidence shows where communications have been improved following testing	Board, Marketing, Compliance
Consumer Support	Response times; abandonment rates; service levels; complaints; transfer times; ongoing review completion	Client feedback; service failure analysis; adviser observations; vulnerable client support experience	Customers can obtain support without unreasonable friction; service problems are identified, root causes understood and improvements measured	Board, Operations, Client Services
Vulnerability & Client Segments	Number and percentage of vulnerable clients; vulnerability drivers; complaints; outcomes by age, gender, service tier or other relevant cohort	Individual client experience; reasonable adjustments; frontline staff feedback; vulnerability case reviews	Outcomes are assessed across different customer groups rather than solely at aggregate level; vulnerable customers are not receiving systematically worse outcomes	Board, Consumer Duty Lead, Compliance
Advice Quality & Suitability	File review results; suitability failures; advice exceptions; remediation; complaints by adviser/product	File-review findings; root-cause analysis; adviser coaching; thematic review findings	Advice quality remains consistent with Consumer Duty requirements and recurring risks are identified, escalated and corrected	Board, Compliance, T&C
Complaints & Harm	Complaint volumes; uphold rates; FOS referrals and outcomes; redress; complaint trends	Root-cause analysis; lessons learned; foreseeable harm assessments; management response	Complaints are used as intelligence rather than simply reported as volumes; trends are linked to products, advisers, processes and customer groups	Board, Risk, Compliance
People & Culture	Competence; CPD; training completion; employee turnover; conduct events; remuneration indicators	Staff feedback; training effectiveness; Board challenge; evidence of Consumer Duty ownership	Consumer Duty is embedded beyond Compliance, with incentives, training, leadership and behaviours aligned to delivering good outcomes	Board, HR, Compliance
Actions & Remediation	Open actions; overdue actions; remediation volumes; completion rates; outcome measures before and after intervention	Action rationale; accountable executive; implementation evidence; effectiveness assessment	Every material issue has a clear owner, timeframe and success measure, and the Board can see whether the action actually improved outcomes	Board, Executive, Risk

Data and Systems, Controls, Operational & Cyber Resilience

For a data-driven financial services firm, systems and controls cannot be separated from operational resilience, cyber security or data protection. The FCA expects firms to understand their technology and operational dependencies, identify where failure could affect customers and demonstrate that risks are being actively monitored and managed.

The regulatory framework is extensive. SYSC 3.1.1R requires firms to maintain appropriate systems and controls, while SYSC 4.1.1R requires robust governance arrangements, effective risk-management processes and adequate internal control mechanisms. SYSC 8 addresses outsourcing, while SYSC 15A establishes the FCA's operational resilience framework. Firms within scope must identify their Important Business Services (IBS), set impact tolerances, map the resources supporting those services and undertake testing to demonstrate their ability to remain within those tolerances.
Consumer Duty adds another dimension. Under PRIN 2A, an operational or technology failure should not be considered purely as an IT incident. Firms need to understand its impact on customers, including whether it creates unreasonable barriers to support, prevents delivery of an ongoing service or disproportionately affects vulnerable customers.

What data should firms monitor?

Data area	Quantitative data	Qualitative evidence	Management use
Systems & Controls	Control failures, breaches, exceptions, outstanding actions	Root cause, control effectiveness, lessons learned	Risk and Board oversight
Operational Resilience	IBS availability, outages, recovery times, tolerance breaches	Scenario testing, mapping, remediation	Evidence resilience
Cyber Security	Incidents, attempted attacks, access violations, patching, recovery testing	Threat assessments, incident reviews, cyber control testing	Identify emerging cyber risk
Third Parties	SLA failures, outages, supplier incidents, concentration measures	Due diligence, resilience assessments, exit planning	Outsourcing oversight
Data Quality	Missing records, reconciliation failures, errors, duplicates	Data lineage, ownership, validation methodology	Reliable regulatory MI
Data Protection	Breaches, DSARs, retention exceptions, access-control failures	DPIAs, lawful basis, privacy assessments	UK GDPR/ICO compliance
Service & Sales	Sales across and outside target market, holdings, redemptions	Good / poor client outcomes, foreseeable harms, fair value	Governance, Risk and Compliance
Customer Impact	Customers affected, service delays, complaints, remediation	Foreseeable harm, vulnerability impact, outcome assessment	Consumer Duty evidence

Access, manage and report

The starting point is knowing where critical data sits and how it moves. Firms should map data flows across CRMs, platforms, finance applications, compliance systems, Microsoft environments, cloud infrastructure and outsourced technology. Critical data elements should have defined owners, consistent definitions and appropriate access controls.

Data should then be integrated where possible rather than repeatedly rekeyed into spreadsheets. Dashboards and regulatory MI should provide management with trends, exceptions and emerging risks rather than simply volumes. A cyber incident dashboard, for example, becomes considerably more useful when it connects the incident to the affected system, Important Business Service, customers, vulnerable clients, financial impact and remediation.

Boards and accountable SMFs should receive MI that answers four questions: **What happened? What is the risk or customer impact? What are we doing about it? Has the action worked?**

Cyber resilience and data protection

Cyber security is fundamentally a governance issue. FCA **Principle 3 – Management and Control**, SYSC requirements and operational resilience rules require appropriate controls around technology risk. Firms should monitor privileged access, authentication, vulnerabilities, backups, recovery, incidents and material third-party dependencies and maintain defined escalation and incident-management procedures.

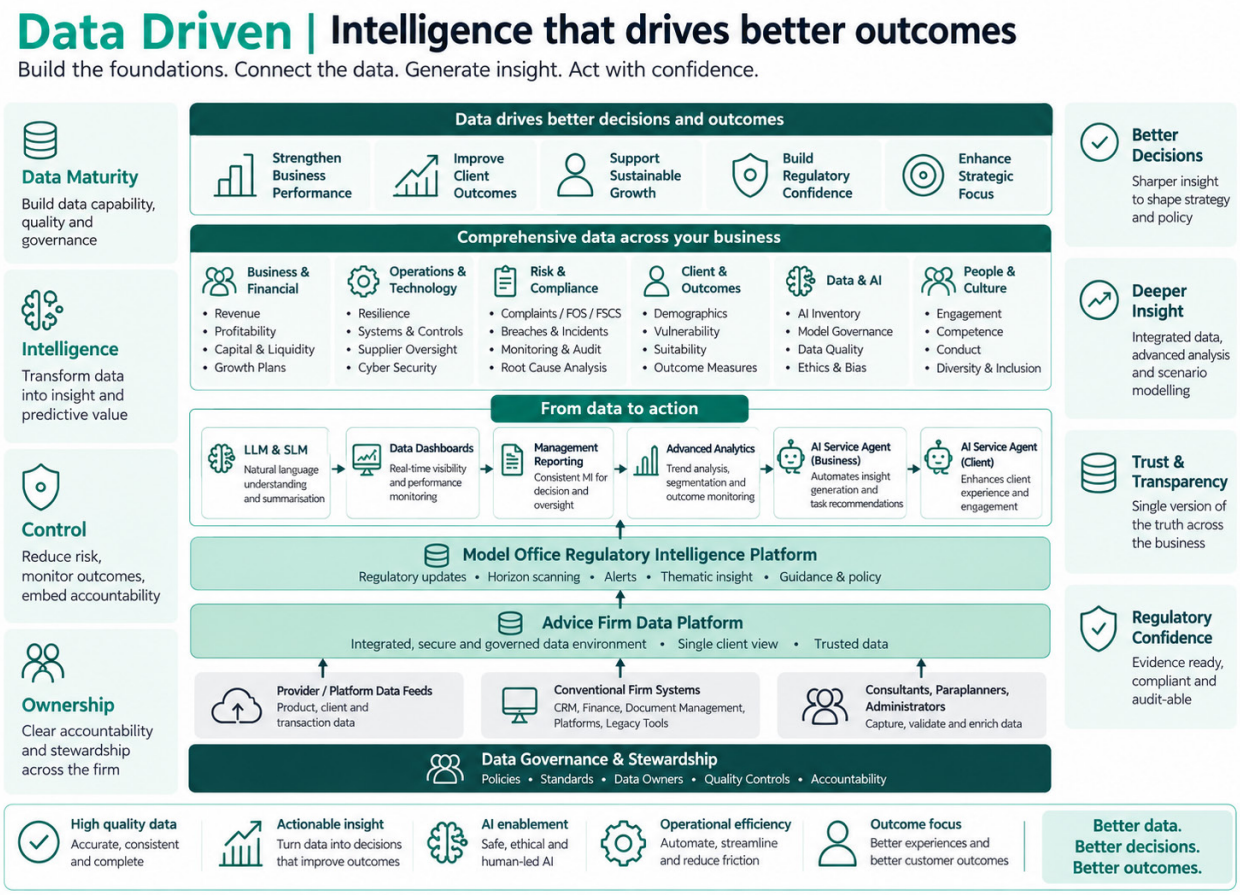
This must operate alongside the UK GDPR and Data Protection Act 2018. Personal data should be processed lawfully, fairly and transparently and subject to the principles of purpose limitation, data minimisation, accuracy, storage limitation, integrity and confidentiality. Access should follow least-privilege principles, with appropriate encryption, retention/deletion policies, audit trails and breach management. Where technology or AI creates elevated privacy risks, firms should consider whether a Data Protection Impact Assessment (DPIA) is required.

AI makes these controls more important, not less. Firms should understand what data AI applications can access, where that information is processed, whether it is retained or used for model training and what third parties or jurisdictions are involved.

The objective is a connected control environment: systems data identifies the event, resilience data measures its operational significance, customer data establishes the outcome, and governance data demonstrates the response. That gives Boards useful intelligence and provides the evidence increasingly required by FCA data-led supervision.

What a data-driven advice firm should look like

The objective is not to collect more data for its own sake. It is to create a governed flow from source systems to insight, decision and action. Business, operational, client, people and regulatory data should be capable of being interrogated together, with AI used where it improves analysis, consistency or automation.



Example: a data-driven operating model connecting firm data, regulatory intelligence, analytics, AI and governance.

The management question is now: what does the data tell us?

The FCA's direction is clear. Data should help firms define outcomes, identify harm, understand different customer groups, challenge performance and evidence what changed. The same infrastructure should also make Section 165 responses faster and more reliable and give boards a clearer view of financial resilience, operational risk and Consumer Duty. For advice firms, this means connecting business performance, governance, client outcomes, technology, AI and people data into a coherent management framework. AI can accelerate interrogation, reporting and compliance activity, but the firm remains accountable for data quality, decisions and customer outcomes.

The practical test is straightforward: can the firm explain where the data came from, what it means, what risk or outcome it identifies, who challenged it, what action followed and whether that action worked? If the answer is yes, the firm is moving from regulatory reporting towards regulatory intelligence.

Final Summary

The direction of travel is clear: **data is becoming central to how financial advice firms are managed, supervised and held accountable**. Firms need to connect business performance, governance and risk, systems and controls, client outcomes, people and culture, and technology into a coherent data framework. This means moving beyond periodic MI and regulatory reporting towards trusted, integrated data that enables Boards and SMFs to understand emerging risks, evidence Consumer Duty outcomes, respond efficiently to Section 165 requests, strengthen operational and cyber resilience, and demonstrate that identified issues lead to effective action.

AI and Agentic AI can accelerate this transition by analysing quantitative and qualitative data, automating GRC activity, supporting client file reviews and identifying risks, exceptions and trends at greater scale. But the report's central message is that **AI readiness depends on data readiness**: firms require reliable data, clear ownership, governance, integration, appropriate controls and accountable human oversight before AI can be deployed effectively. The opportunity is to move from **data → insight → action → evidence**, creating a more continuous model of regulatory intelligence that supports better business decisions, stronger governance and demonstrably better client outcomes.

Sources

- Financial Conduct Authority, Outcomes monitoring: good practice and areas for improvement, 27 July 2026.
- Financial Conduct Authority, Outcomes monitoring: why understanding the consumer experience matters and where firms should focus, 27 July 2026.
- Financial Conduct Authority, Consumer Duty board reports: good practice and areas for improvement, updated 2026.
- Consumer Duty Alliance, Consumer Duty Data Forum, How to Manage and Report on Your Data Report 2026.
- Model Office, The Cost of Compliance Report 2025
- Alirity The Big Shift Webinar 2025

MODELOFFICE

compliance · alignment · sustainability

www.model-office.co.uk

Success by Design