CII Response to FCA Call for Input on Mills Review

Key Points

- Markets can only thrive if they produce good consumer outcomes. The full range of inputs that are needed to produce these outcomes requires a mix of human and technological capacities.
- The CII professional map, compiled with extensive research with employers, provides a thorough taxonomy of all the inputs that are needed to produce good consumer outcomes. It is clear that AI can enhance many of the behaviours and technical skills that consumers need from financial services. However, for AI to be managed properly, we will still need people to apply behaviours such as: curiosity, customer focus and ethical thinking. This is especially true for new challenges, including setting up risk and governance systems to manage the implementation and ongoing servicing of AI systems.
- Professional bodies have a role to play, in collaboration with government and regulators, to ensure that the shift between consumer agency and delegation to AI is focussed on consumer outcomes. For example, the CII will build on our existing good practice guidance to help firms to use AI technology ethically.
- There are benefits and risks of AI use, particularly to vulnerable customers. This is laid out in the CII guide 'Data infrastructure and governance required for AI vulnerability management' and it is one of the main areas of expertise we offer to our members.
- One key risk is around consumer understanding. Consumers may experience a service from AI that is so close to the service that they would get from a person that they are not aware of the different capacities of AI and people. In this way, they may fall into the 'AI fallacy' of thinking that AI has human traits, including the ability to think ethically.
- Retail financial services rely on a skills base, and in the UK this skills base is demonstrably one of the best in the world. In our work as a professional body, the CII sees significant opportunities to use AI to maintain and improve the skills base that underpins a thriving retail financial services market.

Future Evolution of AI Technology

1. **AI technologies: Which emerging or maturing AI technologies do you expect will most transform UK retail financial services from 2030 onwards, and why? Please cite evidence, pilots, or data where possible.**

   AI technologies are already widely used. For example, in insurance and retail financial advice – the sectors in which the CII operates – AI is used in:

   - Underwriting – using machine learning[1] to improve the speed of decision-making and ease of doing business for consumers in the retail and SME markets
   - Risk Modelling – e.g. assessing the impact of climate change[2] by using AI to chart the complex interrelationship between changing weather patterns and developments in demographics and the global built environment
   - Claims – using AI to assess claims,[3] allowing claims professionals to deal with routine claims more efficiently, and focus more attention on complex claims
   - Advice-based services such as SME and wholesale broking and financial planning are only beginning to be influenced by generative AI, to enhance productivity in areas like note-taking. However, there are already examples of generative AI being used by retail consumers for guidance. For example, a survey for BrokerChooser found that 29% of UK adults had used AI for money guidance.[4] Financial services professionals are increasingly developing guidance that can produce better outcomes than generic AI services through specialised training and design.[5]

   It is unlikely that one form of AI technology will be dominant in UK retail financial services from 2030 onwards. This is because different forms of AI intelligence are designed to achieve different objectives. For example, as Artur Niemczewaski, the CII's AI Champion, explains:

   "Put simply, [Generative AI models] attempt to simulate our human cognitive attention function by essentially placing relative importance on a word given all the other words in a string.

   "The models then choose the most probable next word given all the previous words and optimise a reward function (or minimise a loss function) based on prior training before starting all over again.

[1] Sato, K. (2017) *Using machine learning for insurance pricing optimization* at https://cloud.google.com/blog/products/gcp/using-machine-learning-for-insurance-pricing-optimization
[2] Bergman, A., Dodov, B., (2020) How Machine Learning Is Taking Catastrophe Modeling to a New Level at https://www.verisk.com/blog/how-machine-learning-is-taking-catastrophe-modeling-to-a-new-level/
[3] Elliston, L. (2023) AI in Claims; the good, the unknown, and the opportunity at https://www.cii.co.uk/learning/learning-content-hub/articles/ai-in-claims-the-good-the-unknown-and-the-opportunity/c56f6a85-901d-4a03-91da-050dc21dad36?srsltid=AfmBOornaMnWxhvZAyAG1kfavEaGe8YZdO-_jMBoA588eekl6iOnKebB
[4] Rach, S. (2026) More than 2mn adults use AI tools for financial advice at https://www.ftadviser.com/content/5cf84732-9f24-40c1-bcd7-62ee84d5442c
[5] Money Means at https://www.moneymeans.co.uk/

"In effect, these technologies are not designed for decisions (though there are other types of AI better-suited for aiding decision-making), but for providing the most probable sounding text, picture, or sound.

"As a result, Gen AI cannot be trusted to make the right decisions, because the models can't understand right from wrong. You could say that AI has the morals of a calculator."[6]

2. **Agentic AI: What do you see as the future potential and direction of agentic AI? What are the implications for retail finance over the coming decade (including accountability, assurance, and market structure)?**

Agentic AI is expected to operate with more autonomy than current AI models. It is likely that applications that act as sophisticated 'co-pilots' or agents will take on more decision-making and fulfilment tasks, given that many key tasks, such as underwriting, are already highly automated.[7]

It is possible to draw an analogy with self-driving cars, where we have seen an increase in 'driver assistance' tools rather than a single leap to fully self-driving vehicles. Car manufacturers now talk about several levels of autonomy, rather than a binary distinction between human and machine, and it is likely that financial services will follow a similar trajectory.[8]

Key implications for retail finance are:

- Greater competition around elements that consumers find important, including price, suitability of products and quality of service. This is likely to create challenges in situations where product design and communications become increasingly aimed at AI agents, but where there also remains a need for consumers to have a high level of understanding about their products at key stages in the product lifecycle. This situation already exists in the occupational pensions market, where employers often act as agents, leaving consumers with challenges (that have been well documented by the FCA) around understanding and decision making when they reach retirement.[9]

- Issues around testing Agentic AI to ensure it is actioning decisions that lead to good outcomes, especially because its outputs will change over time as it learns.

[6] Khan, A. (2025) 'Gen AI cannot be trusted to make right decisions' at https://www.ftadviser.com/content/ed5ba9e4-35c2-4d5c-99e1-1d5665f05cc1

[7] McKinsey and Company (2025) The future of AI in the insurance industry at https://www.mckinsey.com/industries/financial-services/our-insights/the-future-of-ai-in-the-insurance-industry

[8] Association of British Insurers, Thatcham Research, 'Assisted and Automated Driving' at https://www.abi.org.uk/globalassets/files/publications/public/motor/2018/06/thatcham-research-assisted-and-automated-driving-definitions-summary-june-2018.pdf

[9] FCA (2025) Supporting consumers' pensions and investment decisions: rules for targeted support at https://www.fca.org.uk/publication/policy/ps25-22.pdf

- Issues around access to and the management of data – for example, where agentic AI needs access to medical information for travel, health and life insurance (see our answer to question 3).

3. **Digital technologies: How do you anticipate AI combining with other digital technologies, resources, and infrastructures through 2030? What specific markets, products, controls, standards, and risks could emerge?**

There is the potential for AI to combine with existing data sources to provide better outcomes for consumers. For example, in life and health underwriting there is the potential for medical and insurance professionals to use digitalisation to share medical records more effectively, but there are significant issues around trust and governance to address first which we have detailed in our report, 'Shaping the future of medical records and protection insurance'.[10]

4. **Impact on you: How will AI change your operating model, operating environment, and dependencies from 2030? How might you respond to wider adoption of AI?**

As the CII's overall purpose is to improve public trust in insurance and personal finance, we will be broadening our existing good practice guidance to help firms to apply AI technology within the existing Code of Ethics and ensure good customer outcomes. This will mean providing standards for firms and practitioners to meet, as well as learning and accreditation to ensure those standards can be evidenced. Internally within the CII we see significant opportunities to improve effectiveness of learning delivery through:

- Adaptive learning
- Content curation, mapping, personalisation, localisation and translation
- Content generation (adaptation and versioning)
- Learning effectiveness analysis (e.g. pass-rate correlation with learning models)
- Chatbots (service, support and learning coaching)
- Editorial / QA
- Competence assessment

We believe all of the above will be Human in the Loop; supplementing, not replacing existing expert-led learning and assessment.

5. **The UK: What are the UK's comparative advantages and gaps in AI including compute, data, talent, standards, and regulation relative to other jurisdictions? Which targeted actions might most improve competitiveness?**

[10] CII, SAMI Consulting, (2018) Shaping the Future of Medical Records and Protection Insurance https://media.umbraco.io/ciigroup-dxp/blhpdpqy/cii-shaping-the-future-of-medical-records-protection-insurance-report.pdf

The UK has a strong competitive position for financial services. The City of London Corporation global benchmarking report ranks London second only to Singapore on 'Talent and Skills' and second behind the UK for its 'Tech Ecosystem'. English law is used in 40% of global business and financial transactions.[11]

Skills and a culture of professionalism are the most difficult competitive factors to reproduce. The UK can protect its position of strength in these areas through a partnership between statutory regulators and professional bodies that allows professionals to develop standards of:

- behaviour,
- technical ability and
- technological support

that are sufficiently flexible to allow for innovation and adaption. We see an essential element of this partnership being the development of professional and ethical approaches to the use of AI and other technology.

[11] City of London Corporation (2025) Our global offer to business at https://www.theglobalcity.uk/insights/our-global-offer-to-business

1. **Market structure and customer passthrough: How might AI change concentration in your market? What are the current drivers of concentration, and which could AI disrupt or reinforce? Do you expect AI to increase or decrease barriers to entry? Do you expect AI to increase concentration, reduce it, or reshuffle who the dominant players are? Where there are cost reductions do you expect these to be passed on to customers as lower prices?**

Technological innovation tends to produce different levels of market participation:

- 'Utility' providers, that provide an increasing amount of IT infrastructure, including: operating systems, cloud computing and advanced AI systems such as Large Language Models
- 'Fintechs' that use innovative approaches to technology to compete with (or provide services for) existing participants
- Financial services providers that use utility or fintech services, or generate their own IT infrastructure in-house

The introduction of AI provides opportunities for all these participants to become more competitive through increasing productivity and professionalism.

Currently, larger firms have the resources to access or build large language models and create and maintain large data sets. The FCA has helped to level the playing field to some extent by giving smaller firms access to these resources through the 'supercharged sandbox'.

Over time, if the cost of processing power continues to fall dramatically, the cost of accessing the resources that underpin AI may reduce. However, there may still be a need for regulators and governments to intervene to create a more even playing field between large and small participants and maximise innovation.

Beyond issues affecting large and small firms, a key factor in determining whether or not competition delivers benefits for consumers will be the quality of firms' risk and governance frameworks, and the extent to which they enable firms to apply professional values.

2. **Self-reinforcing dynamics: What evidence do you see of 'winner takes most' dynamics in AI, such as data feedback loops, economies of scale, or network effects, that could entrench market positions? Conversely, could AI reduce switching costs and increase competition? Please distinguish between dynamics you observe today and those you anticipate.**

It is possible that AI will give smaller participants the ability to provide products and services that were previously the preserve of larger firms; however, it is also possible that the small number of firms that are able to act as 'utility providers' could use their market concentration to reduce competition and disadvantage consumers. As we set out in question 1 in this section, the regulator may need to intervene to ensure that small firms have an opportunity to contribute to innovation in this sector.

3. **Control of the customer relationship: Who do you expect will control the primary customer relationship by 2030 onwards: incumbent FS firms, Big Tech, specialist AI intermediaries, or consumers' own AI agents? Do you see parallels with mobile wallets, where value is captured without becoming a traditional regulated provider? What would this shift mean for customers and for competition?**

   It is impossible to generalise about who will control primary customer relationships over different financial sectors, from heavily transactional payment services to complex and tailored advice covering financial goals and long-term investment objectives.

   One useful way to think about how customer relationships might change is through a professional taxonomy, such as the CII's professional map.[12] This sets out the different types of output needed to deliver a professional service. It includes:

   - **Behaviours**, including: curiosity, customer focus, drive to deliver, impact, inclusivity, integrity and insight
   - **Enablers** including: ethics, technology and core business practice (e.g. the role of insurance in the transfer of risk)
   - and **Technical Expertise**

   AI clearly exists as an enabler, allowing professionals to much greater access to relevant technical information and enhancing their ability to deliver strong professional behaviours. However, people will still be needed to give AI outputs meaning through their curiosity, customer focus and insight and to make genuinely ethical decisions.

4. **Regulatory perimeter: Could AI systems provide services functionally equivalent to regulated activities such as advice or intermediation, while remaining outside the regulatory perimeter? How might this occur in your market, and what proportion of value could migrate to such unregulated services?**

[12] CII (2025) The Professional Map at https://www.ciigroup.org/professional-map/

As noted earlier, a survey for BrokerChooser found that 29% of UK adults had already used AI for money guidance.[13] While this creates opportunities to bridge advice gaps, and may replace informal decision-making processes based on social media inputs or conversations with friends, it does also create risks for consumers where functional equivalence is illusory, including:

1. **Misleading advice leading to financial loss**, for example through recommending unsuitable products and missing crucial tax efficiencies

2. **False sense of personalisation**, for example by using minimal data to give consumers a misleading impression of tailored advice.

3. **Vulnerable customer exploitation**, for example, providing overly complex information to individuals with limited financial literacy or missing signs of financial abuse.

4. **Lack of transparency and explainability**, for example, insufficient explanations for recommendations can undermine consumer understanding and trust.

It is therefore important that the regulatory perimeter is set up so that consumers can tell intuitively whether they are operating inside or outside the perimeter, and the extent to which they can rely on the benefits of dealing with an authorised firm (including access to the Financial Ombudsman Service and the Financial Services Compensation Scheme)

[13] Rach, S. (2026) More than 2mn adults use AI tools for financial advice at https://www.ftadviser.com/content/5cf84732-9f24-40c1-bcd7-62ee84d5442c

5. Benefits and risks: How might consumers benefit from AI-enabled retail finance from 2030 and what do you foresee as the greatest risks for consumers?

It is most useful to consider the benefits and risks of AI for vulnerable consumers, which the CII did at the end of last year, in its report, 'Artificial Intelligence and vulnerable consumers'.[14]

Potential benefits include instances when AI:

- Spots missed signals: humans can miss subtle cues during pressured and complex interactions.
- Reduces unconscious bias: When properly designed, AI can flag vulnerability indicators more objectively than human judgment alone.
- Scalability: AI can monitor thousands of customer interactions simultaneously, extending vulnerability identification capacity.
- Reduces reliance on disclosure: Identifies customers who need support but may not realise help is available, or don't know how to ask for it.
- Pattern recognition across time: Detects gradual changes in customer behaviour or circumstances that might escape notice in isolated interactions (for example, incremental withdrawal of funds or changing contact patterns).
- Consistent recording: enables an auditable process for identifying and logging potential vulnerability so long as the firm has the right data infrastructure to begin with, and inferences are confirmed.

Risks include:

- Single-channel blind spots: Solutions focused only on one channel, like telephony, will miss vulnerabilities expressed elsewhere.
- False positives: might over-flag, leading to incorrect assumptions and breaching UK GDPR data accuracy requirements if not verified through direct customer contact.
- Data avalanche: firms can become overwhelmed with data, leading to evidence of vulnerability without a clear plan to act.
- Context blindness: AI may flag temporary stress (a bad day) as evidence of a vulnerability or miss cultural nuances that impact how people express themselves (if training data only reflects dominant cultures).
- Privacy erosion: Analysing tone, emotion, and behavioural patterns represents intensive surveillance that customers may not expect or consent to.

[14] CII (2025) Artificial Intelligence and vulnerable customers https://ciigroup-dxp.euwest01.umbraco.io/media/pacpazee/ai-roundtable.pdf

Future Consumer Trends

1. **Inclusion versus exclusion: Which consumer segments might 'win' or 'lose' in this new world of AI-enabled retail finance?**

   In 'The Future of the Professions', Susskind and Susskind set out the 'AI fallacy' – "the mistaken supposition that the only way to develop systems that perform tasks at the level of experts or higher is to replicate the thinking processes of human specialists." They warn that belief in this fallacy will be to the detriment of professionals, who are emboldened to leap to "the unwarranted conclusion that systems cannot undertake tasks at a higher standard than human beings."[15]

   However, the book does not address the belief in the 'AI fallacy' from the point of view of consumers. AI will, and already is, expanding access to retail finance products to a wider breadth of consumers who may previously have felt priced-out or excluded from similar human-driven solutions. However, does the 'AI fallacy' expand to them in the sense that they believe that the AI-enabled solution 'thinks like' or 'reports into' a human? If so, this common fallacy could embolden the confidence of consumers to seek out products and solutions that had previously been unavailable to them, but then find themselves with limited options to turn to should advice go wrong or a product be unsuitable.

2. **Changes to products and services: How might AI drive changes and personalisation in products and services, and what impact will evolving consumer expectations have? This could be to do with evolving price, value, fraud, security, mis-selling, advice, or other topics pertinent to you.**

   In financial planning, robo-advice already exists, and AI has the capacity to make automated advice more sophisticated. AI also has the scope to improve tools, for example to help investors see how different options may develop in different scenarios. However, as mentioned above, it is important for consumers to understand the limitations of the service they are receiving, especially in terms of inputs like ethical thinking.

   There is also the capacity to use AI to create interactive training scenarios for human advisers, to enable them to develop ways of presenting complex and sensitive issues in a way that will increase consumer understanding.

   Our consumer research[16] with **retail and SME general insurance** customers shows that there are nine outcomes that are especially important for them:

   - Protection: does the insurance policy cover the right risks?

[15] Susskind, R., & Susskind, D. (2015), The Future of the Professions How Technology Will Transform the Work of Human Experts. Oxford University Press.

[16] CII Public Trust Index at https://www.cii.co.uk/about-us/initiatives/social-impact/public-trust-index/?srsltid=AfmBOorm-HV97iwF-bo4SGrxx9MM9SHkYM4O3TZKo80xfGpYF16kiIee

- Confidence: will the insurance company deliver on its promises when the customer needs it to?
- Ease: how easy is it to set up an insurance policy with the insurer?
- Price: is the policy a reasonable price?
- Relationship: does the insurer understand the customer as an individual person or business?
- Loyalty: does the insurer recognise the loyalty of longstanding customers?
- Control: how much control does the customer have over the way the claim is paid, in order to minimise disruption to their lives and businesses?
- Speed: how quickly are claims paid?
- Respect: do customers feel that they are being treated as customers or potential fraudsters during the claims process?

AI has the potential to improve most of these outcomes, for example by:

- **Identifying appropriate levels of protection for consumers** – AI can be used to analyse claims and demographic data, to develop products that more accurately reflect the risks of different groups
- **Increasing the speed of paying claims,** for example, through the use of image recognition
- **Treating customers with greater respect during key interactions such as claims** – AI can take some routine tasks away from claims handlers, giving them more time to engage with customers and find innovative solutions for urgent or unusual circumstances
- **Increasing the ease of doing business** – AI can decrease the time taken to complete processes for customers
- **More competitive pricing** – AI can drive efficiencies that reduce costs, and help consumers to compare products according to price
- **Better customer relationships** – AI can analyse risk to suggest areas where advice and information for customers will be most relevant and helpful
- **Greater rewards for customer loyalty** – AI can help professionals to understand customer behaviour, and find correlations between customer loyalty and behaviour that will help to deliver value to loyal customers where appropriate – for example analysing the relationship between customer loyalty and propensity to commit fraud

3. **Agency and understanding: With the balance shifting between consumer agency and delegation to AI, how might this affect consumer understanding, financial literacy and vulnerability?**

Consumers already delegate authority to other bodies that may have conflicts of interest that are managed through good risk management and governance. For example, in the defined contribution occupational pension arena, Independent Governance Committees exist to ensure delegated responsibility is handled properly.

However, these existing forms of delegation also demonstrate a need to foster a high level of consumer understanding at times when consumers undergo life events that make them more vulnerable, such as reaching retirement or making an insurance claim.

Professional bodies such as the CII and other public bodies, can work together with government and regulators; to ensure that the shift between consumer agency and delegation to AI is well balanced, and that the profession is doing what it can to inform consumers whilst using AI. One example of this is the work the CII has done in collaboration with the FCA to produce guidance for firms on vulnerability.[17]

4. **Fraud: How could AI-driven fraud evolve as consumers increasingly delegate decisions to AI, and what would this mean for consumer agency, harm, and protection in retail financial services?**

As a professional body, the CII manages the risk of fraud in our core work of learning and awarding qualifications. We increasingly use AI tools to help identify the dishonest use of AI in examinations and coursework, and we believe that similar AI tools will used more broadly across financial services to combat financial fraud.

5. **Trust: What might help make AI-driven decisions more understandable and trusted by customers, including how the use of AI may be monetised?**

At the CII, our focus is on driving good customer outcomes through professional standards and ethics. This is about trust in the profession. Our Professional Map is a competency framework for those in the insurance profession, detailing the standards of competencies needed in the developing market. When it comes to technology, we ask our members to act with integrity, impartiality and independence, to demonstrates principled behaviour, to adhere to organisational and professional standards and to manage risk.

The professional map requires members to be compliant and competent when using AI. Use of AI should be subject to regulation and follow relevant policies and training. There needs to be an understanding of AI-related regulations, such as data protection or equality laws, to ensure compliant practice. We want the profession to understand the ethical risks involved with using AI, monitoring outcomes to see if they could be unfair or bias. Ultimately, good governance is

[17] CII (2025) Managing customer vulnerability in insurance and personal finance at https://media.umbraco.io/ciigroup-dxp/eaedofqi/managing-customer-vulnerability-in-insurance-and-personal-finance-a-practical-implementation-guide.pdf

essential; AI outputs require human validation, and should be overridden or reviewed when they conflict with professional judgement.[18]

Future Regulatory Approach

1. **Outcomes-based regulation: What are the opportunities and challenges for the FCA in ensuring an outcomes-based approach to retail regulation in an AI-enabled FS industry?**

Outcomes-based regulation is still valid. Firms should be ensuring good outcomes through high standards of risk management and governance, and where the regulator sees poor outcomes, it can intervene.

The main challenge that is likely to be posed by AI is the speed of change, as systems become more powerful and rates of learning – and therefore changes in outcomes – speed up. As a result, outcomes-based regulation will have to operate faster and more frequently in key sectors than the current process of market studies allows.

2. **Regulatory levers: Are the key FS regulatory levers (Consumer Duty, Operational Resilience, SM&CR, Critical Third Party regime etc) suitable to manage future risks and to enable firms to fully take advantage of AI?**

Yes, AI specific regulation would create more problems than it solves, for example in attempting to define the boundary between AI and non-AI products and services.

However, the guidance and detailed application of existing regulatory levers must be refreshed to ensure that they cover emerging risks introduced by AI, for example accountabilities and competencies within SMCR or ensuring humans remain in the loop for all customer outcomes in Consumer Duty. AI will speed up change, and risk, governance and regulation has to be quicker to respond.

Given the likelihood of complex AI systems being run by large utility providers, the FCA's critical third party regime will have to be extremely agile, as issues emerge around the robustness or market conduct of third-party providers.

3. **Supervisory and enforcement approach**: **Do you have views on the way the FCA should improve or develop its approach to supervision and/or enforcement to respond to increased AI use in the future, including using AI itself?**

[18] CII (2025) The Professional Map - Stepping into tomorrow at https://thejournal.cii.co.uk/2025/10/24/professional-map-stepping-tomorrow

As mentioned in the previous two answers, the FCA's supervisory and enforcement approach will have to match the increased speed of change that is likely to accompany advances in AI.

4. **Growth: In what ways can the FCA continue to support growth and competitiveness in an AI-driven financial services industry in the future?**

The FCA's current approach of providing firms, and in particular smaller firms, data and processing resources to develop and test new approaches to AI sets a very strong foundation for fostering growth.

5. **Frameworks for inspiration**: **Are there other regulatory frameworks (UK or international, other non-FS sectors) which the FCA might consider or emulate to respond to increased AI use in retail financial services?**

Key frameworks are voluntary frameworks, codes and standards such as the CII Code of Ethics[19] and specifically the Digital companion to the Code of Ethics.[20] As a Professional Body we will be providing learning and good practice together with maturity standards for firms to adopt, and would welcome alignment with FCA expectations.

Frameworks that incorporate both human skills and technological enablers such as the CII's Professional Map can also help firms and supervisors build a picture of how the capabilities of both people and AI can combine to create better consumer outcomes.

[19] CII, Code of Ethics at https://www.cii.co.uk/about-us/professional-standards/code-of-ethics/?srsltid=AfmBOopM8BTeMCopKq9tk_DxietMI27QT2oazls6aTZFKCjAgSypR204

[20] CII, Digital companion to the Code of Ethics at https://www.cii.co.uk/membership/join-us/chartered/corporate-chartered/chartered-content-hub/articles/digital-code-of-ethics/f2b2e414-46e6-452b-9338-d36bbf4fc18a?srsltid=AfmBOopC10OS9N-IBp6N3iAapcW2owr5Y4XP_80X7nFHfAaRoyXPB3py