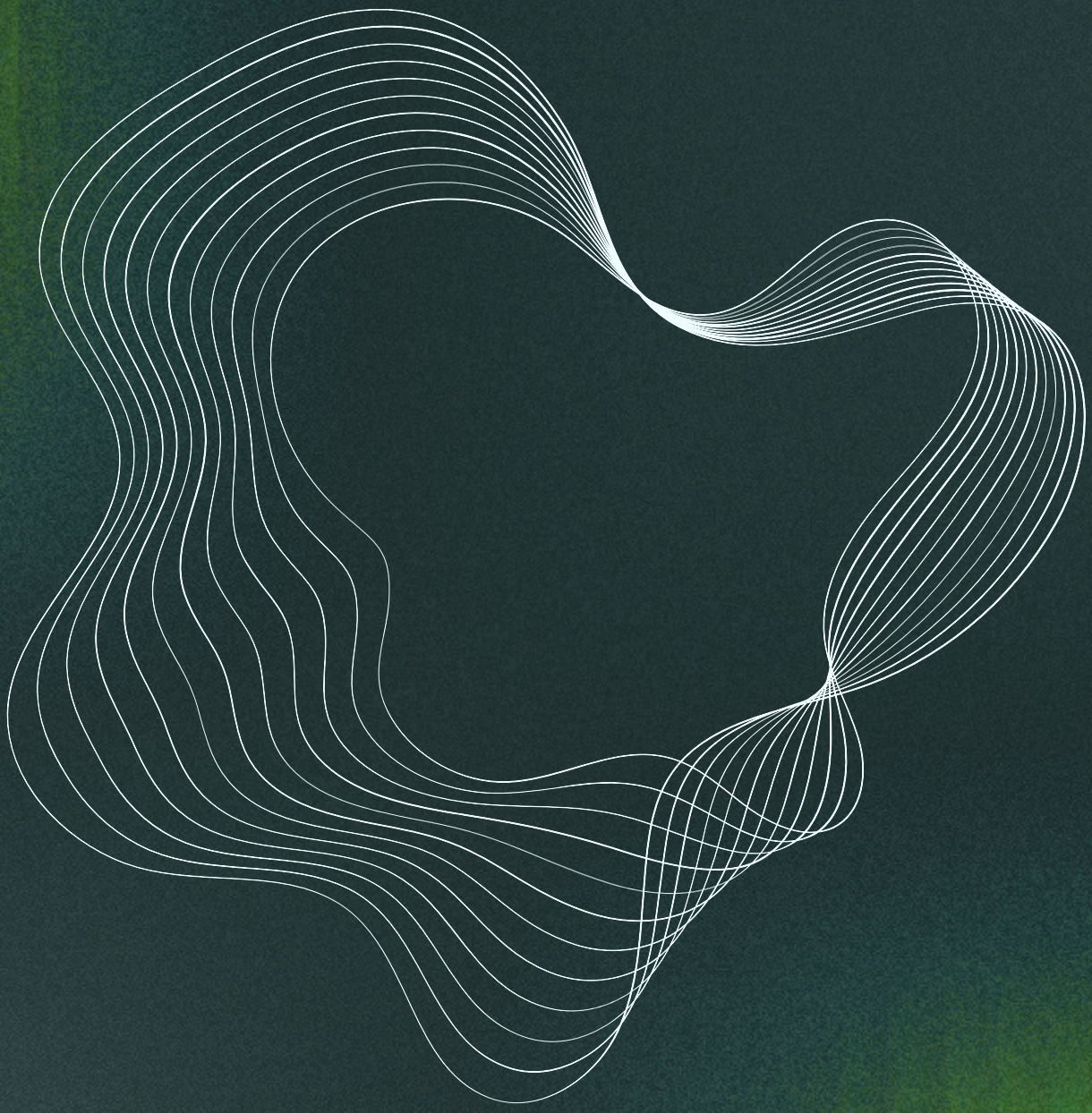
STARTUP C*ALITION

Fit For The Future

Opening up Britain's markets to more investors. Report three of Bullish Britain, Startup Coalition's blueprint for a UK Retail Investment Strategy



November 2026

Author

Clio Batchelor
Fintech Policy Lead
Startup Coalition

About Startup Coalition

Startup Coalition, formerly the Coalition for a Digital Economy (Coadec), is an independent advocacy group that serves as the policy voice for Britain's technology-led startups and scaleups. Startup Coalition was founded in 2010 by Mike Butcher, Editor-at-Large of technology news publisher TechCrunch, and Jeff Lynn, Chairman and Co-Founder of online investment platform Seedrs. Startup Coalition works across a broad range of policy areas that matter the most to startups and scaleups: Access to Talent, Access to Finance & Regulation.

Methodology

The polling cited in this report was commissioned by Startup Coalition and carried out by Stack Data Strategy, an opinion research consultancy. Stack surveyed 2008 UK adults between 13 and 18 October 2026. All interviews were conducted online. To ensure the sample was nationally representative, in-depth quotas were used during data collection and weighting was applied in post-processing. The sample was balanced to be representative of the UK adults by age, gender, region/nation and education. Data tables are available here: https://www.stackdatastrategy.com/data

Several questions involved a 'split sample' approach to testing visual stimuli to test the impact on consumers of having financial information presented to them in different ways. In these tests there were two stimulus variants, with each individual respondent being randomly assigned one. The visuals used are shown in the report.

Percentages cited and shown in visuals may not always sum up to 100%, due to 'rounding effect'.

Executive Summary

Britain has a major problem with how wealth is created. Over the last few decades, everyday savers have been cut off from owning shares in the fast-growing companies that drive the UK economy. The number of ordinary people investing in the UK stock market has dropped from 54% in 1963 to roughly 11% today, leaving Britain falling behind other countries. Meanwhile, over £870 billion is sitting in cash savings, where its real value is slowly eaten away by inflation. People want to invest, but outdated and over-protective rules actively stop normal consumers from building long-term wealth

Right now, standard risk warnings scare consumers away from sensible, long-term investments. Mandatory phrases like "capital at risk" or harsh warnings about losing everything make a lot of the public think that regulated, spread-out index funds are just a gamble. On the other hand, cash gets a free pass. High-street banks can advertise low-interest cash accounts that are guaranteed to lose value in real terms, and they market them in a way that could materially mislead, with names like "Smart Saver" or "Rainy Day Saver", without having to explain the downsides of keeping your money in an account that pays a rate of interest that is under inflation.

Access to high-growth or unlisted investments is almost entirely blocked off unless you are very rich or an institution. A wealthy person with zero financial knowledge is allowed to invest, but a highly skilled retail investor on a normal salary is banned. Everyday British savers are locked out of the country's best growth opportunities, including public IPOs, private secondary markets (PISCES), and workplace pension funds. Even with modern digital assets like crypto, forced delays like 24-hour cooling-off periods fail to protect consumers and instead push people to use unregulated platforms based overseas.

Our polling found:

- **Risk warnings distort reality:** When consumers read the words "capital at risk," only 27% understand that it means they could lose *some* of their money. The largest group (37%) assumes it means they could lose *all* of it. Also, 54% of people overestimate the chance of a global tracker fund losing money over ten years, and 32% simply do not know.
- **Plain English encourages investing:** When we replaced harsh warnings with clear records of past performance and simple descriptions, willingness to invest in a global fund jumped from 24% to 37%. This worked best for the groups we most want to reach: willingness nearly doubled among women (17% to 32%) and went up significantly for lower-income households (18% to 29%)
- **The inflation blind spot:** When we tested whether the public knew the rate of inflation, the answers were good and most people did know or could guess. However, 32% of people incorrectly thought that money in a 1% savings account would still grow when inflation is at 2%. Only 43% understood that their money would actually buy less.
- **Transparency changes behaviour:** When we showed savers the inflation rate right next to their interest rate, satisfaction with a poor savings account dropped massively (from 51% to 30%). 57% of the public agreed that savings providers should be legally forced to show the inflation rate next to the interest rate
- **Skills should matter more than wealth:** Over 74% of the public agreed that an experienced person, like a software engineer earning £55,000, should be allowed to invest in unlisted

companies. Interestingly, 65% of people incorrectly assumed this engineer was already allowed to invest under current rules

- **Cooling-off periods backfire:** When faced with a forced 24-hour waiting period to buy crypto, over 40% of people simply bypassed the delay by switching to secondary apps (22%) or alternative platforms (18.3%). Only 10% decided not to invest at all, proving that these delays just move the activity somewhere else rather than reducing risk.

What we are asking for

The Government should:

- Change the law to create a new "Emerging Investor" category, separating them from standard retail investors.
- Allow these Emerging Investors to trade on PISCES so they can safely back British growth.
- Remove the Securities Transfer Tax for anyone buying shares in UK companies through a stocks and shares ISA.
- Work with the Department for Education to add cryptoassets to the national financial education curriculum.
- Ask pension trustees to explain how they are doing their jobs properly if their default funds have almost no exposure to private markets, and report every year on progress.
- Make sure pensions dashboards show exactly where money is invested, including how much is in UK growth assets, and include pensions in new open data schemes.

The FCA should:

- Focus on helping consumers understand risk, rather than just covering banks' backs. They should confirm that the exact words "capital at risk" are not required, and instead test messages that explain the realistic chances of outcomes.
- Force banks to show the CPI inflation rate right next to the interest rate on all cash savings products, apps, and marketing.
- Stop banks from using misleading names (like 'Smart' or 'Saver') for accounts that pay less than inflation.
- Set up the Emerging Investor category for people earning over £50,000 or with £50,000 in assets, provided they pass a knowledge test or have relevant experience. Their investments in these high-risk areas should be capped at 10% of their total assets per year.
- Review the rules for digital assets financial promotions and replace the 24-hour cooling-off period with better, education-focused tools

Chapter 1: Warning people out of wealth

“Capital at risk”

The phrase “capital at risk” appears everywhere on TV adverts, app screens, fund factsheets, and online investment platforms. It exists to tell consumers that the value of an investment can fall as well as rise. And yet, the FCA does not in fact require those exact words to be displayed, in December 2025 confirming that it doesn’t prescribe risk wording for mainstream investments, and that its testing suggests simply stating “capital at risk” is often ineffective.[1] Firms have nonetheless kept using the phrase, not least because of worries that moving away from familiar wording could expose them to regulatory or legal challenge. The Investment Association’s Risk Warnings Review found that firms want to explain risk better but lack the confidence to depart from standard wording.[2] The cost of that caution falls on consumers. A warning that fails to explain risk does little to help people judge it, and can put them off investing altogether.

Our polling shows what consumers take from those three words in reality. When we asked people what message they would draw from seeing “capital at risk” on an investment, only 27% said they could lose some of the money they put in. The largest group, 37%, took it to mean they could lose all of their money. A further 19% read it as a sign that the product is basically a gamble, and 9% did not know what it meant. While losing everything is technically possible in theory for any investment, it is exceptionally unlikely for a globally diversified fund holding shares across thousands of companies. Yet total loss is the message more people take from the warning than any other, demonstrating how the present framing can distort reality and scare people away from sensible wealth building.

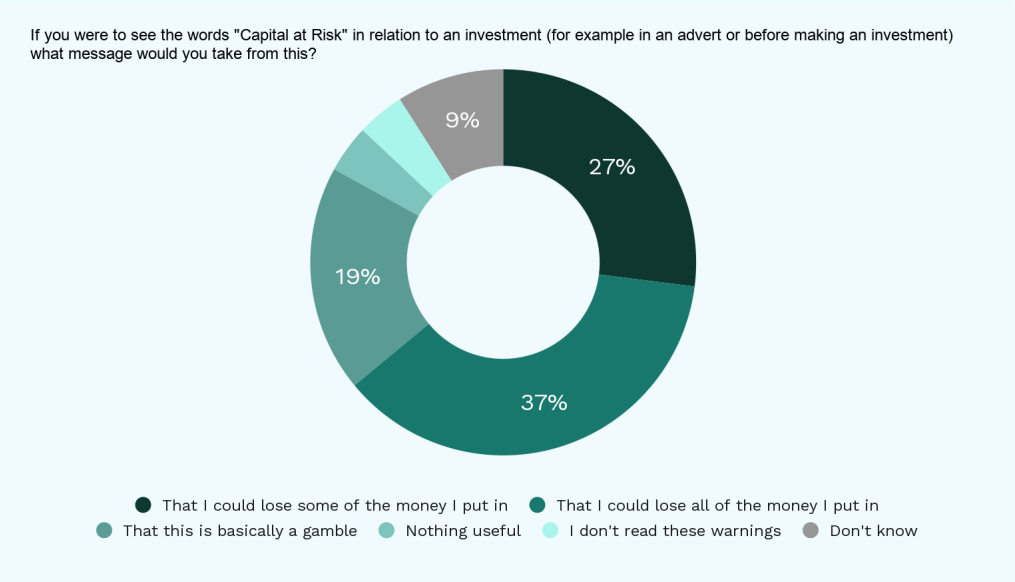


Figure 1 - If you were to see the words "Capital at Risk" in relation to an investment (for example in an advert or before making an investment) what message would you take from this?

[1] https://www.fca.org.uk/firms/risk-warnings-mainstream-investments
[2] https://www.theia.org/industry-policy-and-current-initiatives/risk-warnings-review

Barclays' long-running Equity Gilt Study shows that UK shares have beaten cash in 91% of ten-year periods over the past 123 years.[3] That puts the historical chance of losing money over a decade below one in ten. Most people are therefore judging long-term investment on a risk of loss far larger than history suggests. This shows that the fear of loss runs deeper than any single warning. It suggests people bring that fear with them before they read a word of a fund's documents. A single disclosure at the point of sale is not enough to shift it. This demonstrates why fixing the wording of risk warnings is necessary but cannot be the whole answer. People also need a basic understanding of how investments behave over time, which *See the Light*, the first report in this *Bullish Britain* series, argued financial education should provide. Without it, savers who believe the odds of losing money are far worse than they are will keep choosing cash.

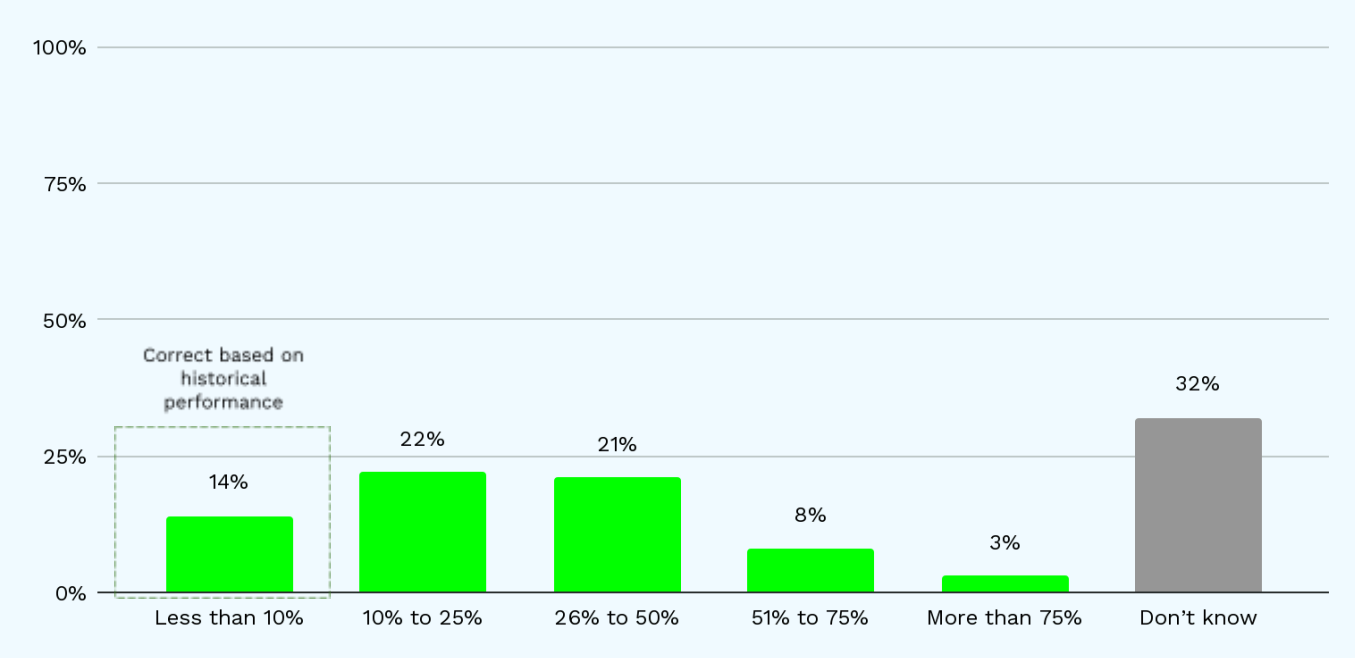


Figure 2, If someone invested in a fund that tracks the global stock market and left that investment for ten years, what do you think the chance is that they would end up with less money than they put in? (Split sample, 971 respondents who saw the fund description with the high-risk warning)

Our findings sit alongside a growing body of evidence. A survey of 2,000 non-investors by IG found that 72% said disclaimers such as "capital at risk" deter them from investing.[4] The same survey found that 35% of non-investors would consider investing if warnings explained both risk and reward. Scottish Friendly found that 51% of UK adults say risk warnings put them off investing in stocks and shares.[5] Vanguard's research found that traditional risk warnings are poorly understood and actively discourage

[3] https://www.schroders.com/en-gb/uk/individual/insights/uk-shares-the-70-shot-at-beating-cash/

[4] https://www.ig.com/uk/media-centre/press-release-overview/three-in-five-uk-savers-avoid-investing-because-it-feels-too-ris

[5] https://www.scottishfinancialnews.com/articles/scottish-friendly-risk-warnings-deterring-half-of-uk-adults-from-investing

many new or less confident investors.[6] Fidelity International found that customers, and women in particular, feel more engaged when risk is explained in balanced terms.[7]

The issue of standardized risk warnings extends directly into digital assets. Despite a comprehensive regulatory regime taking effect in October 2027, regulated crypto firms will still be mandated to display stark, loss-focused disclaimers. These warnings mirror traditional "capital at risk" labels, discouraging retail investors and obscuring real risk profiles. In practice, crypto risk warnings and "capital at risk" disclaimers are two sides of the same coin, stemming from an overly defensive regulatory approach that deters Brits from building long-term wealth. For major digital assets, this framing ignores market realities: Bitcoin's 12-month realized volatility is lower than eight FTSE 100 constituents, while the top five non-stablecoin cryptoassets each have daily trading volumes exceeding any single FTSE stock. Bitcoin has averaged 24 times the volume of Rolls-Royce.[8] Retaining blunt, loss-heavy warnings fails to help consumers evaluate actual risk and prevents them from engaging with modern wealth creation.

The Government has recognised the problem. Former Chancellor Rachel Reeves commissioned the Risk Warnings Review in July 2025 as part of the Leeds Reforms, to make sure warnings help people accurately judge risk levels.[9] Reporting in April 2026, the review found that standardised, loss-focused warnings such as “capital at risk” are not fit for purpose. It concluded that this framing creates a culture of risk aversion that deters people from investing without improving their understanding. It recommended that firms replace “capital at risk” and other jargon with plain language that explains what investment risk means in practice, and that the FCA amend its financial promotion rules in COBS 4. The FCA has since committed to consult on risk information for mainstream investments in the first half of 2027.[10] Startup Coalition’s polling offers that consultation direct evidence of what a better disclosure can achieve.

Testing an alternative

We wanted to test what happens when ‘capital at risk’ is replaced with information about how a fund has performed. We split our sample in half and showed each half the same investment, a fund holding shares in companies around the world. One half saw the fund alongside the high-risk warning. The other half saw a plain-English description of how investments like it have behaved over five and ten years, including the potential returns and the realistic range of outcomes.

Willingness to invest rose by 13 percentage points, from 24% to 37%, among those shown the plain-English description.

---

6 https://www.vanguard.co.uk/content/dam/intl/europe/documents/en/building-consumer-confidence-reframing-risk-and-guiding-investor-behaviour.pdf

7 https://ifamagazine.com/fidelity-international-capital-at-risk-empowering-investors-requires-smart-regulation-and-consumer-centric-policy-change/

8 https://international.schwab.com/story/bitcoin-volatility-shrinks-to-magnificent-7-levels

9 https://www.investcentre.co.uk/node/2204

10 https://www.fca.org.uk/publications/feedback-statements/fs26-3-expanding-consumer-access-investments-feedback-dp25-3

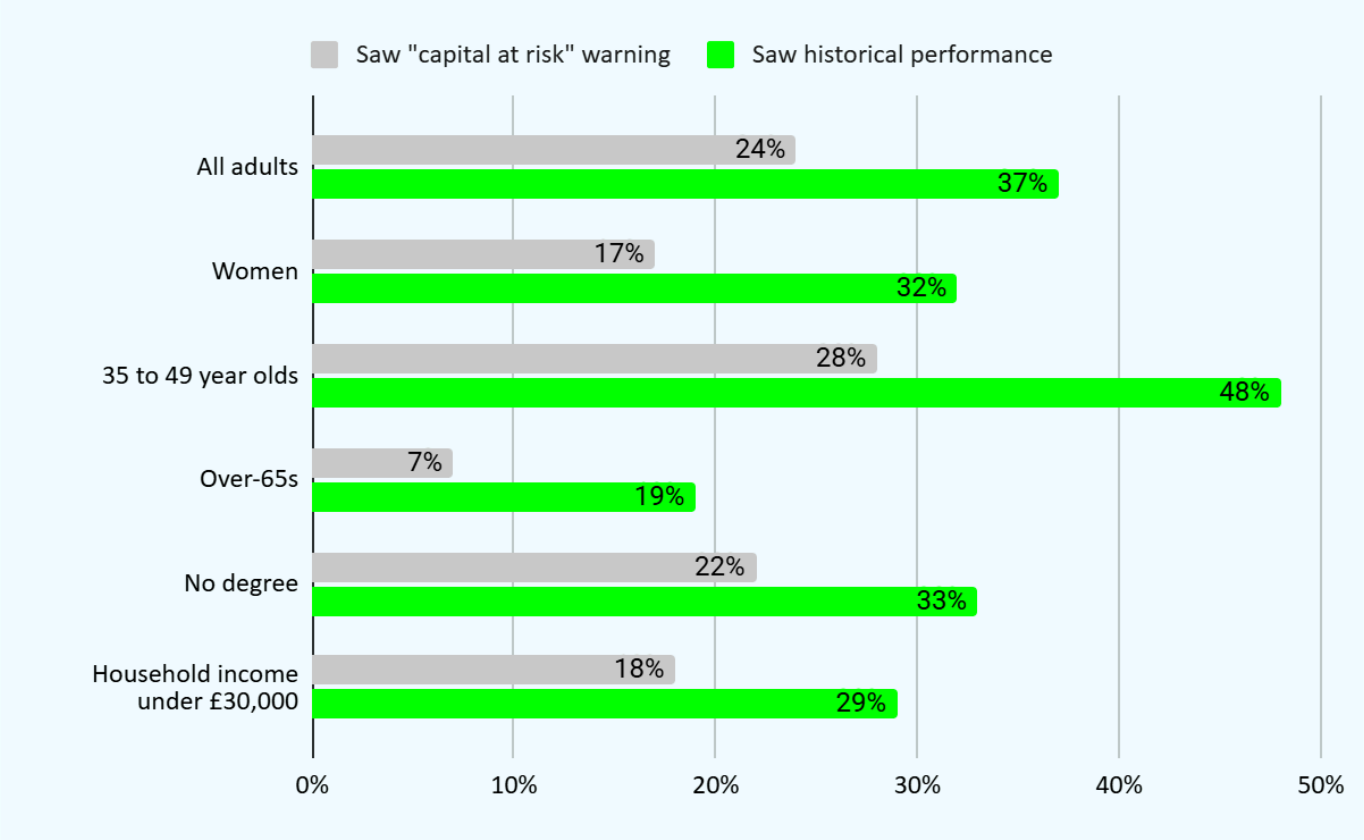


Figure 3, How likely would you be to invest in this? Share very or fairly likely, by version of the fund description seen.

The effect is largest among exactly the groups the Government says it wants to reach. Among women, willingness nearly doubled, moving from 17% to 32%, supporting Fidelity's finding that balanced explanations particularly engage women. Among 35 to 49 year olds it went from 28% to 48%. Among people without a degree it moved from 22% to 33%, and among people in households earning under £30,000 it moved from 18% to 29%. Among over-65s, the group most likely to be sitting on cash, it went from 7% to 19%.

The obvious objection is that we simply made a risky product look safe. The evidence says otherwise. Seven in ten (69%) of those shown performance information still described the fund as very or fairly risky. What changed was how risky they thought it was. Far fewer called it very risky (16%, down from 37%), and more settled on fairly risky. Performance information moved people towards the middle of the scale without persuading them the fund was safe.

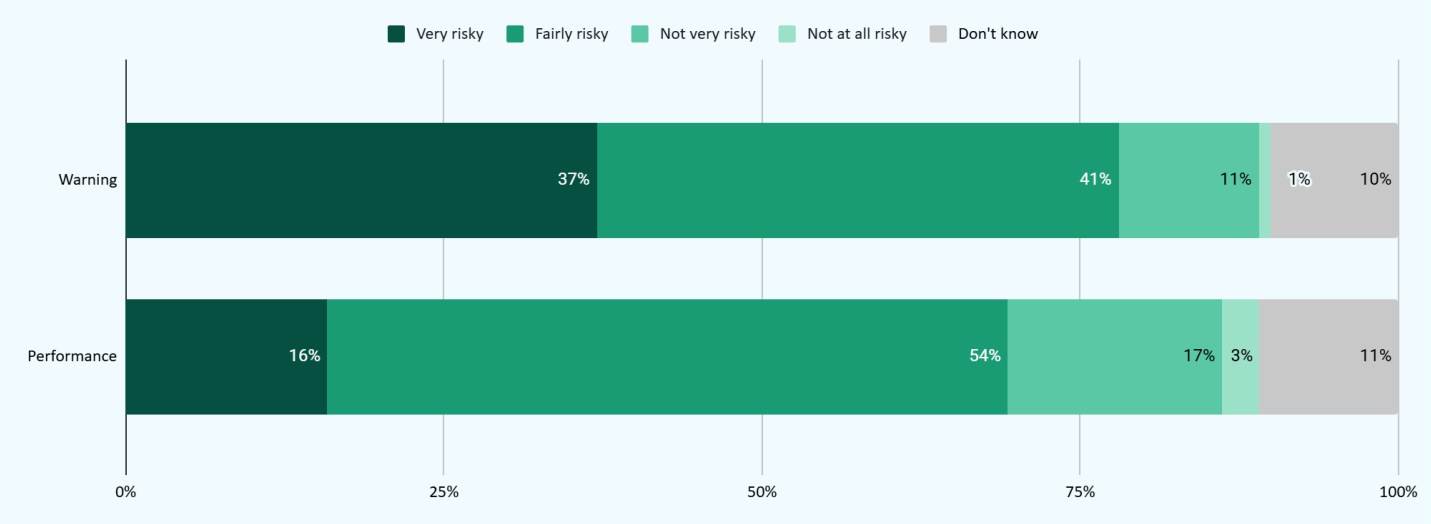


Figure 4 - How risky do you think this investment is? By version of the fund description seen. (Split sample, 971 saw the warning and 1,037 saw historical performance)

Performance information also gave people a more realistic sense of long-term investing. Those who saw it were more likely to say that investments like this one lose money over ten years only occasionally or almost never (31%, up from 20%). That is much closer to what the historical record shows. Fewer people were left guessing, and fewer assumed the worst. People given the performance information still saw risk, and they placed it closer to where the evidence puts it. That is the job a disclosure is supposed to do.

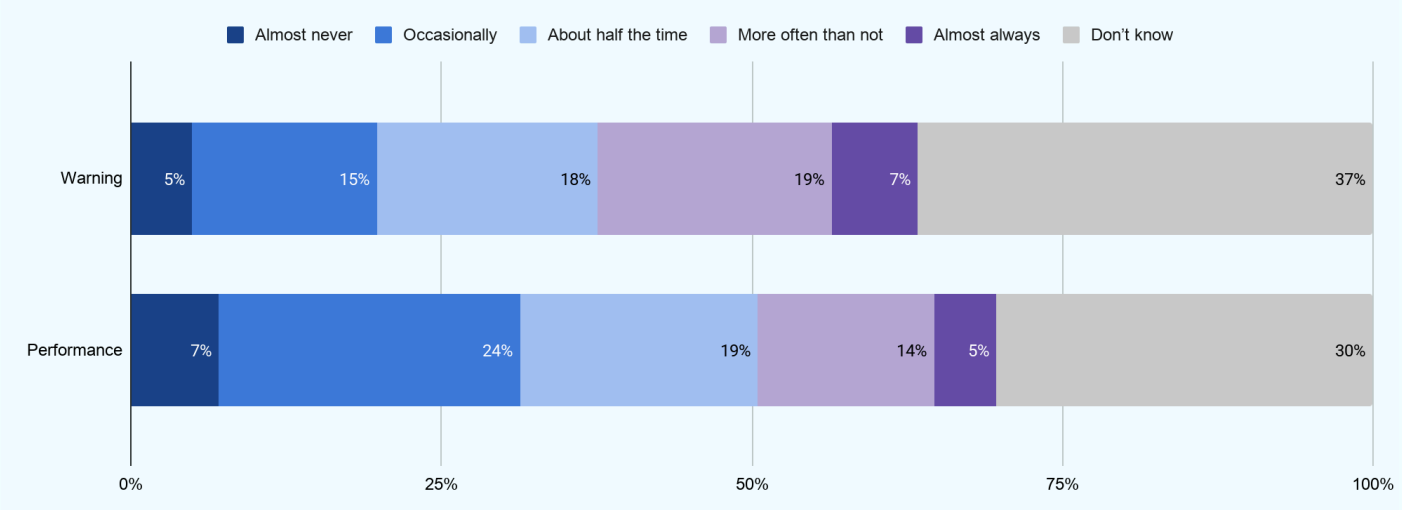


Figure 5 - Over a ten-year period, roughly how often have investments like this one lost money? By version of the fund description seen. (Split sample, 971 saw the warning and 1,037 saw historical performance)

Our recommendations

The FCA should

- **Codify that the exact words “capital at risk” warnings are not required**, and that a firm using plain-language risk communication will not be criticised for doing so.
- **Use the H1 2027 consultation on risk information to test wording** that describes the realistic distribution of outcomes, including the probability of loss over a holding period, rather than the maximum theoretical loss alone.
- **Require that any mandated wording be consumer-tested** for comprehension before it is adopted, and republish the results.

Chapter 2: Cash gets a free pass

The Consumer Duty requires firms to act to deliver good outcomes for retail customers, and one of the four outcomes it sets out concerns consumer understanding. Under PRIN 2A.5 a firm's communications must be clear, fair and not misleading, and must equip the customer to make effective, timely and properly informed decisions.[11] When the FCA published its findings on that outcome in March 2026 it was explicit that financial promotions should be balanced, and that risks should be given prominence equal to benefits. What the Duty does require is that a customer is given what they need to judge the product in front of them.

For a savings account there is exactly one thing a customer needs in order to make that judgement, which is how the interest rate compares to inflation. An interest rate of 2% means nothing on its own. It is a good rate when prices are rising at 1% and a loss of purchasing power when they are rising at 3.5%. The provider is legally obliged to display interest and is under no obligation whatsoever to display inflation or let the customer know that if their savings account is paying under inflation, their money is losing purchasing value. A customer who takes the information they are given at face value, who sees 1% interest and assumes that means something positive without seeing the impact it has on their money, is not heading for a good outcome.

High street savings and account labelling

Most people keep their savings with the bank that holds their current account. The FCA's Cash Savings Market Review found that 75% of savings account holders hold their savings account with their main current account provider.[12] The same review found that competition is delivering better rates for savers who shop around, but many longstanding easy access customers are penalised. When the FCA returned to the market in 2024, it found that the largest firms generally continue to pay below the market average for standard easy access products.[13] The savers least likely to switch are therefore often those earning the least on their money

Several of these accounts carry names that point to a positive outcome. Barclays offers a 'Rainy Day Saver' and an 'Everyday Saver', and the Co-operative Bank offers a 'Smart Saver'. Lloyds offers 'Smart Start' to 11 to 15 year olds, Nationwide offers a 'Children's Future Saver' and NatWest offers a 'First Saver' for children under 16. Each of these accounts currently pays an interest rate below CPI inflation, as the table below shows. Nothing in the name or the headline rate tells the customer that the real value of their savings will fall.

Provider and product	Advertised rate	Real return at CPI of 3.5%
Barclays Everyday Saver	1.00%	−2.5%
HSBC Flexible Saver	1.05%	−2.45%

[11] https://www.fca.org.uk/firms/consumer-duty
[12] https://www.fca.org.uk/publication/multi-firm-reviews/cash-savings-market-review-2023.pdf
[13] https://www.fca.org.uk/publications/multi-firm-reviews/fca-update-cash-savings-september-2024/printable/print

Co-operative Bank Smart Saver	1.40%	−2.1%
NatWest First Saver	1.60%	−1.9%
Barclays Rainy Day Saver	1.85%	−1.65%
Santander Easy Access Saver	2.00%	−1.5%
Lloyds Smart Start	2.25%	−1.25%
Nationwide Children's Future Saver	2.80%	−0.7%

Advertised rates as at 5th November 2026. CPI of 3.5% is the annual rate for the twelve months to September 2026, published by the ONS on 21st October 2026.

Every account in that table reduces the real value of the money placed in it but none of the providers are required to state this.

The most astonishing part of this is the accounts marketed towards parents for their children. The long horizon in front of children turns an annual erosion into a lifelong substantial one. Money placed in a child's account at birth will sit there for the better part of two decades. A £1,000 gift into a Children's Future Saver would be worth around £934 in today's terms after ten years and around £885 after eighteen, assuming the gap between the rate and inflation holds. The account will have paid interest every year of that period and the statement will have shown the balance rising throughout, because technically, the interest is positive.

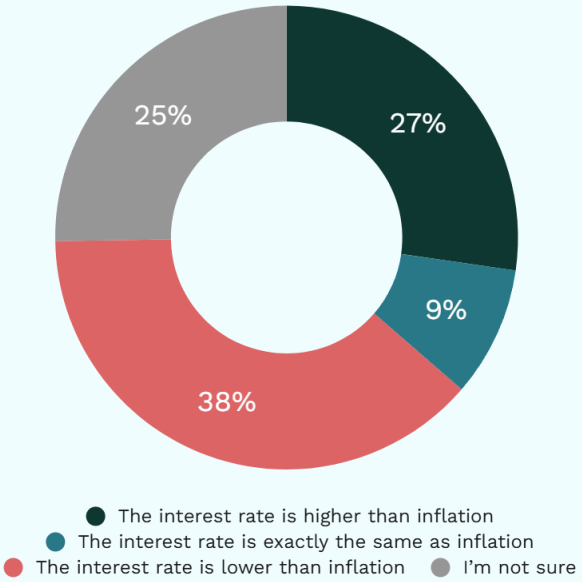


Figure 6, is the interest rate on your regular savings account higher or lower than the current rate of inflation?

It is not surprising, then, that when asked how much interest their savings accounts pay, the majority of savers estimate rates below current inflation. A critical disconnect persists: while consumers track inflation accurately, fewer than half (43%) recognise how a sub-inflation yield actively erodes real purchasing power over time, with 32% incorrectly believing their money continues to grow. One could be

understandably concerned that it is misleading to call a product a "Smart Saver", when the practical impact is the erosion of value over a time.

Our earlier report in this series, *See the Light,* found the reason this happens, and it is not that people do not know what inflation is. Asked to estimate the current rate, the public got it almost exactly right, with a median guess of 3.2% against an actual rate of 3.1% at the time of fielding. Asked whether money earning 1% a year grows or shrinks when inflation is 2%, fewer than half could answer correctly and a third thought their money would grow. This is a huge worry. People hold the number and cannot apply it to their own money, which is a different problem and has a different solution. We need to help consumers make the connection by requiring the inflation number to sit next to the interest number.

Testing an inflation disclosure

We tested what happens when that connection is made for them. We split our sample in half and showed each half a summary of the same savings account paying 2% interest. One half saw the interest rate on its own. The other half also saw that inflation was 3.1% (as it was at the time of fieldwork) and that money in the account was losing value in real terms. Among those who saw only the interest rate, half (51%) said they would be satisfied with having their money in the account. Among those who also saw inflation, satisfaction fell to 30%. More than half (57%) said they would be dissatisfied.

Satisfaction with a below-inflation savings account fell by 21 percentage points, from 51% to 30%, when savers were shown the inflation rate.

The account was the same in both versions and paid the same rate of interest. The only difference was whether the customer could see what that interest meant for the real value of their money. Much of the satisfaction with an account like this therefore rests on the customer not knowing what it does to their savings. A customer who would be unhappy with a product once they understood it has not been equipped to make the properly informed decision the Consumer Duty requires. The effect was strongest among over-65s, the group most likely to be sitting on cash, where satisfaction fell from 30% to just 9%. Among people who do not currently invest, and so rely most heavily on cash, it fell from 52% to 21%. Disclosure also changes what people do. Two thirds (65%) of those shown inflation said they would be likely to look for an alternative account, up from 58%. The share very likely to do so rose by half, from 22% to 33%. Among over-65s it rose from 28% to 45%. The savers least likely to shop around are often those earning the least on their money, and a short inflation disclosure gives them a reason to move.

Most people agree with us and think that providers should be required to let consumers know about the risk of putting their money into a savings account that earns less interest than inflation.

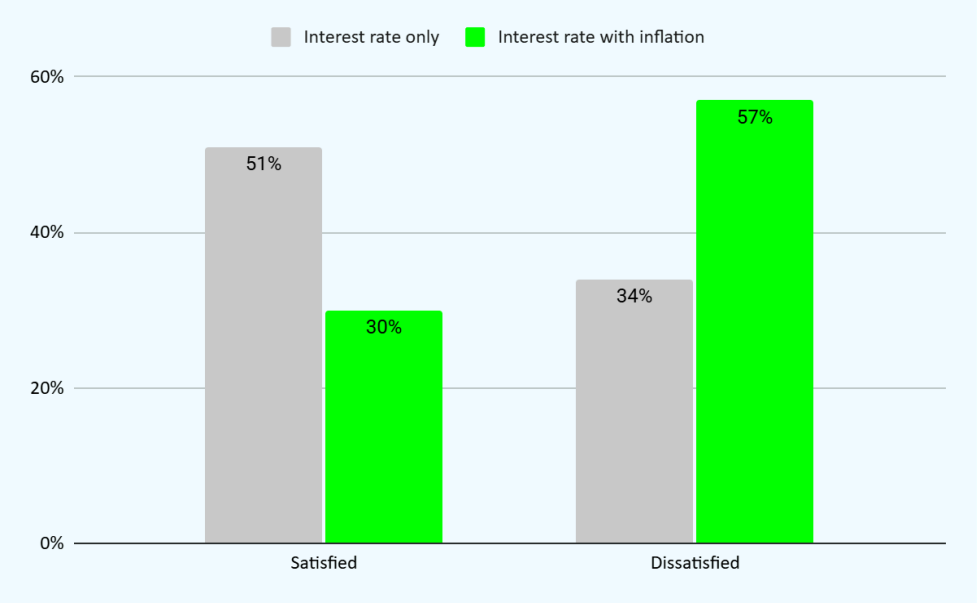


Figure 7, How satisfied would you be with having your money in this account? Share very or fairly satisfied and very or fairly dissatisfied, by version of the account summary seen. (Split sample, 1,060 saw the interest rate alone and 948 saw the interest rate alongside inflation)[14]

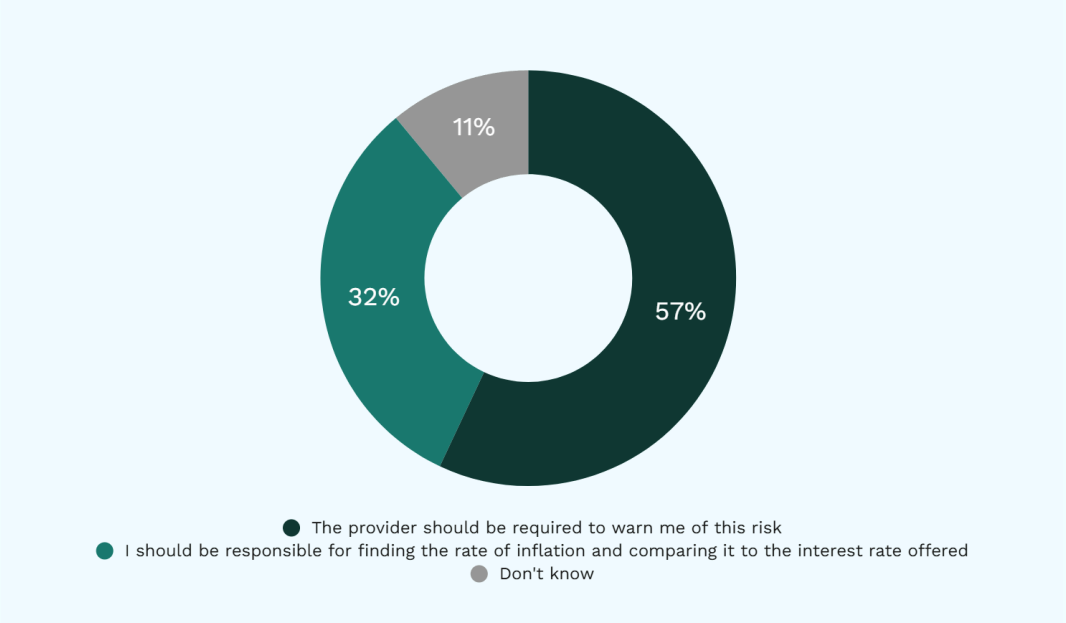


Figure 8 - When someone opens a savings account, the provider is legally required to tell them what interest rate their savings will earn. They are not required to tell them what the current rate of inflation is. Imagine you were opening a savings account where the interest rate was lower than inflation. This would mean the real value of your savings would fall over time. Regardless of legal requirements, who do you think should be responsible for making sure this risk is understood before the account is opened?

[14] Both versions showed the same hypothetical account, the ACME Flexible Saver, paying 2.00% AER (1.98% gross). The account had a £1 minimum deposit and unlimited withdrawals, with a variable rate and interest paid monthly. The second version added a highlighted box beneath the interest rate reading “Inflation is currently 3.1%. Money in this account is losing value in real terms.” Both versions were marked as a hypothetical product shown for research purposes only.

Our recommendations:

The FCA should:

- **Mandate side-by-side inflation disclosure:** Mandate that all savings providers display the current rate of inflation (CPI) directly alongside advertised interest rates across all digital apps, online portals, and marketing materials. Giving consumers direct, side-by-side visual context will help them immediately connect nominal rates with real purchasing power. Under Consumer Duty banks are also required to "deliver fair value" and "not rely on customer inertia". More weight should be placed on banks proving both of these points.
- **Restrict misleading advertising and product titles:** Review and and restrict the use of deceptive product names like 'Smart', 'Future', or 'Saver' for accounts that offer returns below inflation. Under Consumer Duty rules requiring fair, clear, and non-misleading communications, banks should be prohibited from using language that implies growth or prudence on products that guarantee a real-terms loss.

Chapter 3: Sorted by wealth not by knowledge

The UK's financial regulatory framework relies heavily on categorising investors to determine what products they are allowed to buy. The underlying premise is sensible: higher-risk, illiquid, or complex investments should only be sold to people who can either understand the risks or absorb the potential losses. However, the mechanism the UK uses to achieve this is fundamentally broken. We have built a system that uses wealth as a crude proxy for financial literacy.

Today, if you want to invest your money, the system places you into one of a few primary buckets, which dictates what doors are open to you:

- Retail Investors: The default category for the vast majority of the British public. Retail investors benefit from the highest level of regulatory protection (such as the Financial Ombudsman Service and the Financial Services Compensation Scheme) but face severe restrictions on what they can invest in. They are largely locked out of private markets, unlisted startups, and many high-growth assets.
- High Net Worth (HNW) Individuals: Investors who earn above a certain income threshold or hold substantial net assets (excluding their primary residence and pension). By certifying as HNW, these individuals give up certain retail protections in exchange for access to unlisted shares, private equity, and early-stage startup investments.
- Sophisticated / Professional Investors: Those who can demonstrate significant investing experience, work in private equity, or are part of a network of business angels.

In practice, the dividing line between being locked out and being let in is not what you know, but what you own.

An outdated paradigm

This architecture was built for a different era, a time when private market investing was a niche activity conducted in closed networks, and when it was broadly assumed that only the wealthy had the capability to evaluate complex financial products. Today, that assumption is entirely outdated. Wealth does not equal financial literacy. The Financial Conduct Authority's (FCA) recent CP25/36 consultation on professional investor classification explicitly acknowledges this, noting that substantial wealth does not equate to investment expertise. A multi-million-pound portfolio might belong to someone who inherited it or sold a traditional business, yet who has no understanding of venture capital, diversification, or illiquidity. Despite this, CP25/36 still proposes a £10 million "wealth-only" route to professional status, allowing the very rich to bypass capability assessments entirely.

Meanwhile, this system actively discriminates against financially literate retail investors who earn a standard wage. A software engineer building artificial intelligence tools for a living might possess a profound understanding of a new tech startup's business model, technology, and market viability. Yet, because she does not meet an arbitrary wealth threshold, she can't invest her own money into it through traditional routes. This tension is not unique to the UK. In Australia, regulators have grappled with similar

flaws in their "sophisticated investor" tests, where surging property values and superannuation balances have accidentally pushed ordinary "mum and dad" investors over wealth thresholds, exposing the flaw of using raw wealth as a proxy for financial knowledge. In the UK, we have the opposite problem: we are using wealth tests to lock a highly educated, digitally native generation out of the wealth-generating core of the modern economy.

The British public understands how illogical this system is. When we polled the public, we presented them with a direct comparison to test the fairness of the current rules.

We described two individuals:

- The Engineer: A software engineer who has worked at three technology startups, has invested their own money in public markets for ten years, and earns £55,000 a year.
- The Inheritor: A person who inherited £300,000 last year and has never invested before.

We asked who should be able to put £2,000 into an unlisted British technology company. The public's response was: three in four said the engineer should be allowed, and seven in ten said the inheritor should. So people think money and skills matter almost equally, with skills just topping wealth. The most interesting part is that 65% of the public assumed the engineer already possessed the right to invest. They are wrong. Under current FCA rules, the inheritor qualifies comfortably for restricted investments, while the experienced engineer does not. The regulatory perimeter is completely misaligned with both public expectation and common sense.

	A software engineer who has worked at three technology startups and has been investing their own money for ten years. They earn £55,000 a year.	**Someone who inherited £300,000 last year and has never invested before.**	**Both**	**Neither**	**Don't Know**
% Think is *currently* allowed	17%	9%	49%	5%	21%
% Think *should* be allowed	**12%**	8%	**62%**	4%	14%

Table 1, Two people each want to invest £2,000 of their own money in a startup British technology company that is growing quickly. The company's shares are not listed on the stock exchange. Under current rules, who do you think can currently have access to making such an investment? And who do you think should have access to making such an investment? (All respondents, % selecting each answer) (n=2008)

Introducing: the "Emerging Investor"

To solve this structural failure of access, we propose the creation of a new, regulated investor classification: the Emerging Investor. The Emerging Investor category is designed to bridge the chasm between restricted retail investors and wealthy sophisticated categories. Investment sophistication exists on a spectrum and can be demonstrated through multiple pathways beyond traditional legacy wealth or employment metrics. To qualify as an Emerging Investor, an individual would need to satisfy requirements across both financial capacity and financial literacy:

- Financial Capacity: An income over £50,000 per year, or net investable assets (excluding their home and pension) over £50,000.
- Financial Literacy: The successful completion of an FCA-recognised investment literacy quiz.

To ensure consumer protection, the Emerging Investor category would not be a free-for-all. Allocations to high-risk or unlisted assets under this category would be strictly limited to a maximum of 10% of an individual's investable assets annually, and we advocate for an annual suitability review to be imposed.

Implementing the Emerging Investor category would deliver immediate, transformative benefits by fundamentally democratising wealth creation across the United Kingdom. For decades, everyday, knowledgeable citizens have been disconnected from the high-growth engines of the UK economy, forced to watch from the sidelines while institutional capital captures the upside of domestic innovation. By replacing defensive, exclusionary wealth barriers, such as the £100,000 income or £250,000 net-asset requirement, with a much more proportionate baseline of a £50,000 income or £50,000 in net assets, paired with a capability gateway based on education, investing history, or professional experience, the regulatory system would finally align investment risk with actual financial literacy. This shift ensures that financial capacity still plays a role in consumer protection, but the threshold is lowered to include standard working professionals rather than just the exceptionally wealthy. It means that the very people who build, use, and most intimately understand innovative British companies are afforded the opportunity to share in their financial upside long before those businesses list on public markets, appropriately rewarding capability and responsible risk-taking.

Beyond the immediate benefits to individual savers, the introduction of this category would act as a powerful catalyst for the wider economy, directly unlocking much-needed domestic capital for British scaleups. At a time when technology startups and high-growth businesses are desperately seeking funding to scale and compete globally, expanding the pool of eligible investors taps into a vast, dormant reserve of retail capital. Furthermore, this influx of capable retail investment would supercharge recent market innovations, most notably the government's new Private Intermittent Securities and Capital Exchange System (PISCES). While PISCES represents a brilliant piece of market architecture designed to let private company shareholders sell shares intermittently, its current restrictions limit participation almost exclusively to institutional investors, direct employees, and the wealthy. Opening PISCES to the Emerging Investor category would inject vital liquidity into the system, providing knowledgeable citizens with a safe, regulated, and dynamic venue to confidently back British growth.

In some markets, the FCA is also moving towards treating elective professional clients exactly as it treats retail clients. In most of the rulebook, an investor who proves their experience and opts up to elective professional status gives up some retail protections in exchange for wider choice. The incoming cryptoasset regime removes that choice. Under the FCA's final rules, published in June 2026, orders for both retail and elective professional clients must be executed on UK-authorised venues, with no option for an elective professional to choose otherwise.[15] The FCA's aim is to protect market integrity and stop business being routed to less regulated venues, which is a legitimate goal. Applied to elective professionals, though, it means an investor who has demonstrated their expertise to a firm is treated no differently from one who has not. Read alongside CP25/36, the rules are moving in two directions at once. Wealth alone can buy more freedom, while demonstrated capability buys less. A categorisation

[15] https://www.fca.org.uk/publication/policy/ps26-11.pdf

system meant to match protection to capability should work the other way round, and the Emerging Investor category is designed to put capability back at its centre.

Britain cannot build a modern, technology-led economy if its regulatory architecture continues to treat ordinary savers as universally incapable of understanding the businesses being built around them. The Emerging Investor category replaces defensive, wealth-based friction with an empowering, capability-based gateway. It is time to let knowledgeable Britons back their own future.

Our recommendations:

The Government should:

- **Formally amend statutory legislation to legally create the Emerging Investor category**, carving them out from the standard retail classification
- **Add Emerging Investors to the legally approved list of buyers permitted to participate on PISCES,** ensuring this demographic is explicitly recognized in the overarching sandbox regulations.

The FCA should:

- **Create an Emerging Investor category in its rules.** It should sit between retail investors and the high net worth and sophisticated categories. Qualification should require financial capacity, meaning an income or net investable assets above £50,000. It should also require proof of capability, through an FCA-recognised knowledge assessment, a record of investing, or relevant professional experience. Authorised firms should then be able to offer Emerging Investors the high-risk investments currently limited to high net worth and sophisticated investors.
- **Cap Emerging Investor exposure at 10% of investable assets a year.** This mirrors the limit already applied to restricted investors.

Chapter 4: Get Britain investing in growth assets

Individual ownership of UK quoted shares has fallen from around 54% in 1963 to 12% in 2020.[16] That decline is usually discussed as a narrow problem for the London market, a liquidity and valuation headache for stock exchanges and corporate boards. But that framing misses the real world impact of this lack of exposure in the financial outcomes of everyday people. Share ownership is one of the key ways to capture value from economic growth in the UK. If we want the nation to be richer, we need to dramatically increase these numbers.

That problem is now getting worse, because value is increasingly being captured in private markets. Over the past two years, policymakers have reformed each of the main routes by which an ordinary person can own a share of a growing British business: through their pension, by buying shares in a private company, and by buying shares on the public markets. Each of those reforms is an important improvement, but the overall effect is that an ordinary person is shut out of the growth of British companies. Their pension, which could own those companies on their behalf, is barely scratching the surface of the opportunity: the largest workplace pension providers hold just £0.5bn in UK private equity.[17] They cannot buy in directly while the company is private. And by the time it lists, if it lists in London at all, much of the value has already been captured. This chapter sets out to change this.

Value is now created before the listing

The tech sector has not merely outperformed the broader economy; it has done so by a considerable margin. Between 2010 and 2022, the UK's digital sector grew by 81% in real terms, against 22% for the economy as a whole.[18] But the companies driving that growth are increasingly doing so out of public view.

The most valuable companies are staying private for longer, and the steepest part of their value creation curve now happens before they ever reach a stock exchange. Research by Professor Jay Ritter at the University of Florida shows the median age of a company at IPO rose from 6 years in 1980 to 10 in 2018 and 14 in 2024.[19] The median technology company now arrives with far more revenue too: around $174m in 2018, against $12m in 1999.[20] Companies are not just waiting longer; they are arriving at the public market having already completed much of their high-growth phase.

When Microsoft went public in 1986, its market capitalisation was $777m.[21] Oracle listed the same year at around $270m.[22] The bulk of their extraordinary value was created on the public markets, where an

---

16 https://www.ons.gov.uk/economy/investmentspensionsandtrusts/bulletins/ownershipofukquotedshares/2020

17 https://www.professionalpensions.com/news/4537634/mansion-house-accord-private-capital-allocations-rise-66-dc-assets

18 https://gov.uk/government/statistics/economic-estimates-digital-sector-monthly-gva-to-march-2024/using-annual-estimates-from-summed-monthly-gva-data-digital-sector

19 https://site.warrington.ufl.edu/ritter/files/IPOs-Age.pdf

20 https://explore.research.ufl.edu/mr-ipo.html

21 https://www.goldmansachs.com/our-firm/history/moments/1986-microsoft-ipo

22 https://capitalgains.thediff.co/p/staying-private-longer-and-bigger

ordinary saver could own it through a listed equity fund. That model no longer describes today's highest-growth companies. Revolut, the UK's most valuable fintech, was valued at $75bn in 2025, more than many listed UK banks, and has run five employee share sales without an IPO.[23] There are now more than 1,800 unicorns globally.[24] In the US, Apollo Global Management estimates that 81% of companies with revenue above $100m are privately held.[25] In the UK the shift is particularly pronounced: London saw 121 IPOs in 2021, against 23 in 2025.[26]

The public market is shrinking as an opportunity set at the same time. The number of companies listed on US exchanges peaked at over 8,000 in 1996 and had roughly halved by 2012.[27] Private markets assets under management grew from around £2.3 trillion in 2010 to £11.5 trillion in 2024, according to McKinsey.[28] By the time a company does list, public market investors are buying in at a valuation already many multiples above the early-stage price, and the venture and growth investors who backed it through its formative years have captured the steepest part of the curve.

This has two consequences. First, it matters more than ever that ordinary people have some way to be exposed to private growth assets, because a saver who can only own listed shares is now structurally locked out of where much of the economy's new value is being created. Second, the obvious place for most people to get that exposure is the one they already have: their pension. Few individuals will ever buy shares in a private company directly, but almost every worker already owns a pension pot that could do so on their behalf, with professional management, diversification and a time horizon measured in decades.

Pensions: owning it without knowing

Pensions are the route almost everybody is already on, but usually the one they see least. They are also where the largest sums sit, with around £3.2 trillion in UK pension assets.[29]

Startup Coalition has argued for several years that pension allocation is among the largest levers available to the Government's growth mission. In Whitehall that argument has essentially been won. The Mansion House Compact under one Chancellor and the Mansion House Accord under the next produced voluntary commitments to shift allocation towards unlisted assets, with seventeen providers now committed to holding 10% of defined contribution default funds in private assets by 2030 and half of that in the United Kingdom.[30] Local Government Pension Scheme pooling and defined contribution consolidation have given funds the scale to invest meaningfully in illiquid assets, and the Pension Schemes Act 2026 added scale requirements on top.[31] The regulatory barriers trustees pointed to have largely been cleared.

---

[23] https://www.retailbankerinternational.com/news/revolut-reaches-75bn-valuation/
[24] https://www.pwc.co.uk/services/audit/insights/global-top-100-unicorns.html
[25] https://www.apolloacademy.com/wp-content/uploads/2026/02/020726_Public-VS-Private_Chart-Book_v3.pdf
[26] https://ey.com/en_uk/news/2022/01/record-breaking-ipo-activity-in-2021-expected-to-continue-in-early-2022-but-headwinds-could-threaten-ipo-success-later-in-the-year; https://www.uktech.news/markets/london-stock-exchange-set-for-2026-rebound-as-listing-activity-gains-momentum-20260106
[27] https://www.nber.org/digest/sep15/why-are-there-so-few-public-companies-us
[28] https://www.mckinsey.com/industries/private-capital/our-insights/global-private-markets-report
[29] https://www.pensionspolicyinstitute.org.uk/media/i2cgonin/20250604-pension-scheme-assets-2025-final.pdf
[30] https://www.theglobalcity.uk/insights/mansion-house-accord
[31] https://www.lcp.com/en/pensions-benefits/pension-schemes-act

The capital has only partly followed, and very little of it has reached growth companies. At the end of 2025 the seventeen Accord signatories held 6.6% of their default growth assets in private markets and 3.3% in UK private markets. But of the £11.1bn invested in the UK, £8bn was in property and just £0.5bn in private equity.[32] New Financial's cross-country analysis finds UK pension funds allocating around 6% combined to private equity and infrastructure, compared with 34% for Canadian public sector pensions[33] and 14% for Australian superannuation.[34] Aviva's My Future Growth fund, one of the largest default funds in the country, holds roughly 73% in listed equities, 22% in bonds and less than 0.1% in private markets.[35] It is, in every meaningful sense, a two-asset-class fund.

The cost of that lands on the saver. Over the 2020 to 2024 period My Future Growth averaged 5.2% a year, against a simple average of 7.9% for Canada and Australia.[36] A 2.7 percentage point annual gap sounds modest and compounds brutally. A saver earning £50,000 and making minimum auto-enrolment contributions of 8% across a thirty-year career would retire with a pot of roughly £265,000 on UK default performance, and roughly £352,000 at the Canadian and Australian average. The difference is around £120,000, or about £500 a month less income across a twenty-year retirement.

The two-asset-class structure fails in both directions. In 2022, when listed equities and bonds fell together, Aviva savers lost 9.3%,[37] while the median Australian growth fund, with substantial unlisted infrastructure and private equity, lost 4.6%.[38] The bonds did not protect savers, they contributed to the loss. In 2021, when the MSCI World index returned roughly 23% in sterling terms,[39] My Future Growth returned 9.5%.[40] Savers were denied most of the upside in one year and took the full downside in the next, which is the structural consequence of a portfolio with no third return stream.

Startup Coalition does not support mandating allocation. We think the better question is whether the duty is currently being met. If British pensioners are receiving materially worse outcomes than their Canadian and Australian counterparts, and the funds delivering those better outcomes allocate several times more capital to private markets, then trustees avoiding growth assets have a case to answer about whether their duty is discharged by a portfolio with no exposure to where value is now created.

PISCES: another vehicle for exposure

Pensions will be the main route for most people, but they should not be the only one. Some savers want to back British growth companies directly, and the Government has already built the market that could let them.

PISCES, the Private Intermittent Securities and Capital Exchange System, was created to give shareholders in private companies a way to sell without waiting for an IPO or a trade sale. The FCA published final rules in June 2025 and the system operates inside a regulatory sandbox running to June

[32] https://www.professionalpensions.com/news/4537634/mansion-house-accord-private-capital-allocations-rise-66-dc-assets
[33]. https://www.newfinancial.org/reports/comparing-the-asset-allocation-of-global-pension-systems
[34] https://www.pensionspolicyinstitute.org.uk/media/3p1lnqd2/20260602-assessing-megafund-pension-reforms.pdf
[35]
[36]
[37]
[38] https://www.chantwest.com.au/media/dtuecqrz/chant-west-media-release-19-january-2023.pdf
[39] https://www.msci.com/documents/10199/1cfd0af5-9cfa-48d9-95dc-b2533175adb5
[40]

2030, with the London Stock Exchange so far the only approved operator, trading as its Private Securities Market.[41] Transactions are exempt from stamp duty and stamp duty reserve tax, on the same basis as AIM.[42] It is a genuinely useful piece of market architecture and the Government deserves credit for building it.

Four categories of buyer are permitted: institutional investors, employees of the participating company, certified high net worth individuals, and self-certified or certified sophisticated investors.[43] Ordinary retail investors are excluded by design, on the reasoning that private company shares carry higher risk and thinner protections than listed ones.

The difficulty is with the gate rather than the principle. Three of those four categories are defined by wealth or by institutional status, and the fourth, employment, is defined by an accident of where somebody happens to work. Our polling put a version of this directly to the public. We described a software engineer who has worked at three technology startups, has invested their own money for ten years and earns £55,000, and a person who inherited £300,000 last year and has never invested. Asked who should be able to put £2,000 into an unlisted British technology company, 74.6% said the engineer should be allowed and 70.1% said the inheritor should.

Under the current rules the inheritor qualifies comfortably and the engineer does not, unless the company in question happens to employ her. Two thirds of the public (65%) assume she already can.

The engineer is not a hypothetical. The companies trading on PISCES are precisely the kind of business whose products, customers and competitors are best understood by the people who work in that sector, and those people are overwhelmingly not certified high net worth individuals. Chapter 3 sets out Startup Coalition's proposal for an Emerging Investor category qualified by professional experience, investing history or a standardised knowledge assessment. PISCES is the clearest practical case for it. A controlled extension of PISCES access to that category, capped at 10% of investable assets a year, would give more people a direct route into the growth assets that are increasingly out of reach on the public markets.

Retail investment in public markets

Even as more value is created privately, the public markets remain the route most individual investors actually use, and here too the system works against the saver backing British companies.

Stamp duty reserve tax applies at 0.5% to purchases of shares in UK-incorporated companies, and does not apply to shares in companies incorporated anywhere else.[44] A retail investor who puts £10,000 into a British stock through a stocks and shares ISA pays £50 to the Exchequer for doing so. The same investor putting the same money into an American technology company pays nothing at all. The charge falls at the point of purchase, which means a saver pays it before the investment has produced anything. The effect is that British savers pay a premium for backing British businesses.

---

[41] https://www.fca.org.uk/publication/policy/ps25-6.pdf
; https://www.fca.org.uk/news/press-releases/first-pisces-operator-gets-greenlight-drive-growth
[42] https://www.gov.uk/hmrc-internal-manuals/stamp-taxes-shares-manual/stsm041570
[43] https://www.fca.org.uk/publication/policy/ps25-6.pdf
[44] https://www.gov.uk/government/statistics/uk-stamp-tax-statistics/uk-stamp-tax-statistics-2023-to-2024-commentary

That tax is now being rebuilt. Stamp duty and stamp duty reserve tax are both being abolished and replaced by a single Securities Transfer Tax, which HMRC describes as a modern, digital, self-assessed tax.[45] The measure will be legislated through the Finance Bill 2026-27 for commencement in late 2027.[46] The main rate carries across unchanged at 0.5%, and the Treasury has been clear throughout that the reform modernises the machinery rather than reducing the burden.

The Government has already accepted that this tax discourages investing behaviour. AIM shares have been exempt since 2014 through the recognised growth market exemption.[47] PISCES transactions were given the same treatment when the system was created.[48] And at Autumn Budget 2025 the Chancellor introduced UK Listing Relief, which removes the 0.5% charge for both initial and subsequent buyers of shares in any company first listed on a UK regulated market on or after 27 November 2025, for three years following that listing,[49] at an expected cost of £50m a year.[50] Each of those three decisions rests on the same proposition, which is that charging a transfer tax on UK shares suppresses the ownership of UK companies. The draft Securities Transfer Tax legislation carries both the growth market exemption and the new listings relief forward.

What it does not carry forward is anything for the ordinary investor. The draft provides more than forty named reliefs and exemptions, among them transfers to charities, transfers connected with divorce, share incentive plans, transfers to government departments and maintenance funds for historic buildings.[51] None of these cover general investment accounts or ISAs.

AJ Bell has estimated that removing the charge from UK shares held in stocks and shares ISAs would cost the Exchequer around £120m a year, which is under 3% of the £4.3bn that stamp taxes on shares raised in 2024-25.[52] Startup Coalition's view is that the Securities Transfer Tax should not apply to purchases of shares in UK companies held within a stocks and shares ISA.

Retail investors are also largely shut out of new listings. In 2021, London's busiest year for IPOs since 2007, retail investors had access to only six of them.[53] Yet demand is there whenever the door opens: around 690,000 people received shares in the 2013 Royal Mail flotation, and UK retail investors put around £25m into Shawbrook's IPO in 2025.[54]

---

45 https://www.gov.uk/government/publications/securities-transfer-tax-modernisation-of-the-stamp-taxes-on-shares-framework/modernisation-of-the-stamp-taxes-on-shares-framework-securities-transfer-tax

46 https://www.investmentweek.co.uk/news/4537996/budget-26-stamp-duty-shares-replaced-securities-transfer-tax

47 https://www.legislation.gov.uk/ukpga/2014/26/notes/division/1/115

48 https://www.gov.uk/hmrc-internal-manuals/stamp-taxes-shares-manual/stsm041570

49

50 https://www.gov.uk/government/publications/stamp-duty-reserve-tax-relief-changes/stamp-duty-reserve-tax-uk-listing-relief; https://taxscape.deloitte.com/measures-autumn-budget-2025/stamp-duty-reserve-tax-uk-listing-relief.aspx

51 https://www.gov.uk/government/publications/securities-transfer-tax-modernisation-of-the-stamp-taxes-on-shares-framework

52 https://www.ajbell.co.uk/group/news/rachel-reeves-sets-scene-isa-reform-heres-how-she-can-radically-simplify-system-and-boost-uk ; https://www.gov.uk/government/statistics/uk-stamp-tax-statistics

53 https://www.cityam.com/?p=1870405

54 https://www.cityam.com/royal-mail-floats-330p/ ; https://www.slaughterandmay.com/services/case-studies/shawbrook-s-landmark-ipo/

The Public Offers and Admissions to Trading Regulations, which took effect on 19 January 2026, removed many of the legal obstacles. The minimum period a prospectus must be public before an IPO with a retail offer closes fell from six working days to three, the threshold for requiring a prospectus on follow-on issues rose from 20% to 75% of existing share capital, and protected forward-looking statements improved disclosure quality.[55] But the new regime created no expectation that issuers or their advisers actually include a retail offer, and ten months in, the proportion of UK IPOs doing so has barely moved. The plumbing has been fixed, but the water still isn't flowing.

Each of these reforms made something easier for institutions and left the individual roughly where they were. The Mansion House Accord moved pension capital towards British growth assets through a mechanism the saver cannot see, and very little of that capital has yet reached growth companies. PISCES built a market in private company shares and admitted buyers on a narrow basis. And the tax system still charges the ordinary saver more to buy a British share than a foreign one.

Our recommendations

HM Treasury, DWP and FCA should:

- **Ask trustees to demonstrate how a default fund with negligible private markets exposure discharges the fiduciary duty**, given the outcomes achieved by comparable international systems, rather than mandating allocation.
- **Report annually on progress against the Mansion House Accord by provider**, including allocation to unlisted equities against the 2030 commitment.
- **Require pensions dashboards to display asset allocation**, including exposure to UK growth assets, once the consumer service launches, and bring pensions data into the first wave of smart data schemes under the Data (Use and Access) Act.
- **Extend PISCES access to the Emerging Investor category** proposed in Chapter 3, within the existing sandbox and subject to a 10% cap on investable assets, and evaluate the results before the sandbox concludes in 2030.
- **Exempt purchases of shares in UK companies held within a stocks and shares ISA from the Securities Transfer Tax.**
- **Publish annual data on the proportion of UK IPOs including a retail offer**, and on retail demand against allocation where a tranche was offered, so that the effect of the January 2026 reforms can be measured.

[55] https://www.fca.org.uk/publications/policy-statements/ps25-9-new-rules-public-offers-admissions-trading-regime

Chapter 5: Cooling off isn't the answer

Almost a third of UK adults (31%) either hold cryptoassets or want to. Around a third of that group (10% of all adults) already hold them. Interest is concentrated among younger adults, with 52% of 18 to 24 year olds and 49% of 25 to 34 year olds already holding them or intending to. For many of them, cryptoassets are the first step into investing. Vanguard recently found that a third of Gen Z investors made cryptoassets their first investment, compared with 9% of Gen X.[56]

This is not a transient fad; it is a structural shift in how young people engage with capital markets. Regulators cannot afford to ignore this trend. Attempting to suppress consumer interest through blunt, paternalistic hurdles misunderstands modern market dynamics. When regulatory frameworks rely on arbitrary friction, such as mandatory cooling-off periods, consumers do not simply walk away; they adapt. Over half of the youngest cohort say they would route around local delays by switching platforms or turning to unregulated offshore venues. In practice, arbitrary friction succeeds far more at displacing economic activity to overseas jurisdictions with lower regulatory oversight than at curtailing risk.

The FCA has already moved distance here, and faster than most of its international peers. In October 2025 it opened retail access to crypto exchange traded notes, having concluded that the market had matured and the products were better understood, and required that they trade on an FCA-approved UK recognised investment exchange.[57] The authorisation gateway for cryptoasset firms opened on 30 September 2026, ahead of the regime commencing in October 2027. And in FS26/3 the regulator committed to reviewing its financial promotion rules for high-risk investments, including whether products with similar risks are treated consistently.[58]

The upcoming FCA review of risk warnings provides a pivotal opportunity for a constructive, forward-looking dialogue. Rather than relying on generic, blanket disclaimers that consumers routinely ignore, regulation should focus on sophisticated, targeted transparency. Real consumer protection stems not from artificial barriers, but from empowering individuals through high-quality financial education. Demystifying cryptoassets within the broader educational landscape ensures that investors understand asset characteristics, market volatility, and key safety features before transacting.

This trajectory highlights a growing tension at the heart of the regulatory framework. While the FCA has demonstrated a willingness to modernise product access and refine financial promotion rules, the underlying architecture governing high-risk retail investments was conceived under very different market conditions. Connecting this forward-looking posture with the actual rules facing everyday investors requires re-examining the foundational assumptions behind current restriction regimes, including

---

56 https://www.professionaladviser.com/news/4532434/vanguard-gen-leads-investing-shift-prepares-targeted-support-offering

57 https://www.fca.org.uk/news/press-releases/fca-opens-retail-access-crypto-etns

58 https://www.fca.org.uk/publications/feedback-statements/fs26-3-expanding-consumer-access-investments-feedback-dp25-3

specifically whether policy tools engineered to contain non-standard, illiquid risks are suited to standardising access for liquid, continuously traded digital assets.

What the category was built to do

The restricted mass market investments (RMMI) category came out of a genuine crisis. It was created in the reforms that followed the collapse of London Capital & Finance in 2019, when around 11,600 people lost roughly £237m on mini-bonds they believed were something close to savings products. The defining features of that harm were that the instruments were unlisted, illiquid, opaque and priced by nobody in particular. An ordinary buyer could not find out what the instrument was worth, could not sell it if they changed their mind, and had no way of checking the claims being made about it. Friction and warnings were a reasonable answer to that, because the fundamental problem was that the buyer could not see what they were holding.

Qualifying cryptoassets were added to that category in October 2023, alongside non-readily realisable securities and peer-to-peer agreements. The category therefore now contains an unlisted share in a crowdfunded company, a loan to a small business, and bitcoin. The first two share the characteristics the category was built around. The third does not share most of them. Major cryptoassets trade continuously on global venues with visible prices twenty-four hours a day, and a buyer can exit a position in seconds. Whatever risks they carry, and we won't deny that any investment carries risk, illiquidity and the absence of price discovery are not among them.

The gap has widened considerably since 2023. The US Securities and Exchange Commission approved spot bitcoin exchange traded funds in January 2024 and spot ether funds that July. The FCA opened retail access to crypto exchange traded notes in October 2025, requiring that they trade on an FCA-approved UK recognised investment exchange. From October 2027 the UK regime goes further again, bringing trading venues, custody, dealing, arranging, staking and stablecoin issuance inside the regulatory perimeter, with firms able to apply for authorisation since 30th September 2026. The asset class has acquired institutional infrastructure, regulated venues, regulated wrappers and, shortly, regulated firms. From October 2027, crypto firms will be held to the exacting regulatory standards of the full Financial Services and Markets Act (FSMA) framework. Custodians, exchanges, and all involved entities will be highly regulated to the FSMA bar. This has to mean something. There will be high standards for information disclosure and document preparation, and we already have risk warnings mandated by law. Furthermore, volatility for the top cryptoassets has decreased over the years as the market has become more regulated and concentrated around major tokens. By some measures, bitcoin is now around half as volatile as it was five years ago.[59] It has at times been less volatile than some of the largest US technology stocks. In 2024, Fidelity Digital Assets found it had recently been less volatile than 33 companies in the S&P 500.[60] Retaining the restrictive RMMI classification simply does not match the reality of this maturing market.

This is the point at which the right regulatory question changes. For an asset nobody can price and nobody can exit, restricting access is a sensible response. For an asset that is liquid, continuously priced and about to be intermediated by authorised firms, the useful levers are market integrity, custody standards, segregation of client assets, disclosure and a clear tax treatment.

[59] https://international.schwab.com/story/bitcoin-volatility-shrinks-to-magnificent-7-levels
[60] https://www.fidelitydigitalassets.com/research-and-insights/closer-look-bitcoins-volatility

We think that a reconsideration of the RMMI category is needed.

At minimum we should relook at the 24-hour cooling off period. The FCA has already shown that the category can be refined. In June 2026 it excluded UK-issued qualifying stablecoins from the definition of restricted mass market investments.[61] In FS26/3 it committed to review whether its high-risk investment promotion rules treat products with similar risks consistently.[62] We think the most liquid cryptoassets are the obvious next case for that review.

We asked people who hold or want to hold cryptoassets what they would do if an app they had just downloaded told them to wait twenty-four hours before their first investment. Fewer than half, 42%, said they would wait. Just over a fifth said they would look for another app without the wait. A further 18% said they would use a different app they already hold. One in ten said they would decide not to invest in cryptoassets at all.

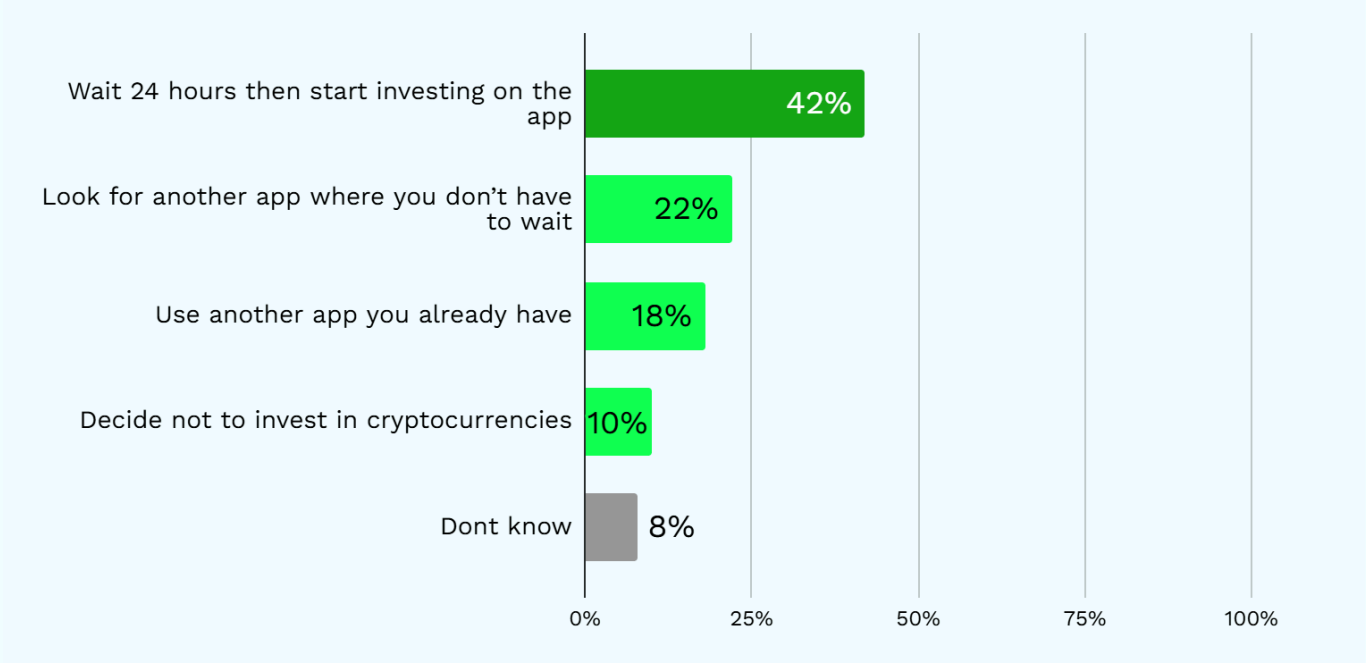


Figure 9 - Please imagine you had downloaded a new app you wanted to use for investing in cryptocurrencies. Imagine that after setting up the app you saw a message saying you had to wait for 24 hours to pass before you could make your first investment. What would you be most likely to do?

Overall, the cooling-off period redirects 40% of prospective investors when combining those who seek an alternative app without a waiting period (22%) and those who use an alternative platform they already hold (18%). Given that fewer than 10% decide against investing entirely, the cooling-off period is four times more effective at relocating transactions than at preventing transactions. Among 18-24 year olds this dynamic is even more pronounced. Only 30% are willing to wait it out, while 27% seek out alternative apps and 26% switch to platforms they already use. Therefore, 53% of young people are redirected, the highest of any age group.

[61] https://www.fca.org.uk/publication/policy/ps26-13.pdf

[62] https://www.fca.org.uk/publications/feedback-statements/fs26-3-expanding-consumer-access-investments-feedback-dp25-3

Cooling off periods were implemented with clear protective intent, but their practical effect is no longer risk reduction but the displacement of activity towards alternative venues, which could be unregulated. The market reality already demonstrates this because despite the FCA taking strict action to prevent certain major offshore exchanges from onboarding new UK customers, these platforms continue to record massive trading volumes from vast bases of existing British users trading on their global domains. Because this strict 24-hour waiting period is unique to the UK, a British consumer looking for an app without a wait can easily go elsewhere, often ending up on unregulated international platforms. We need to open the door to consider what should come instead.

What people say would help instead

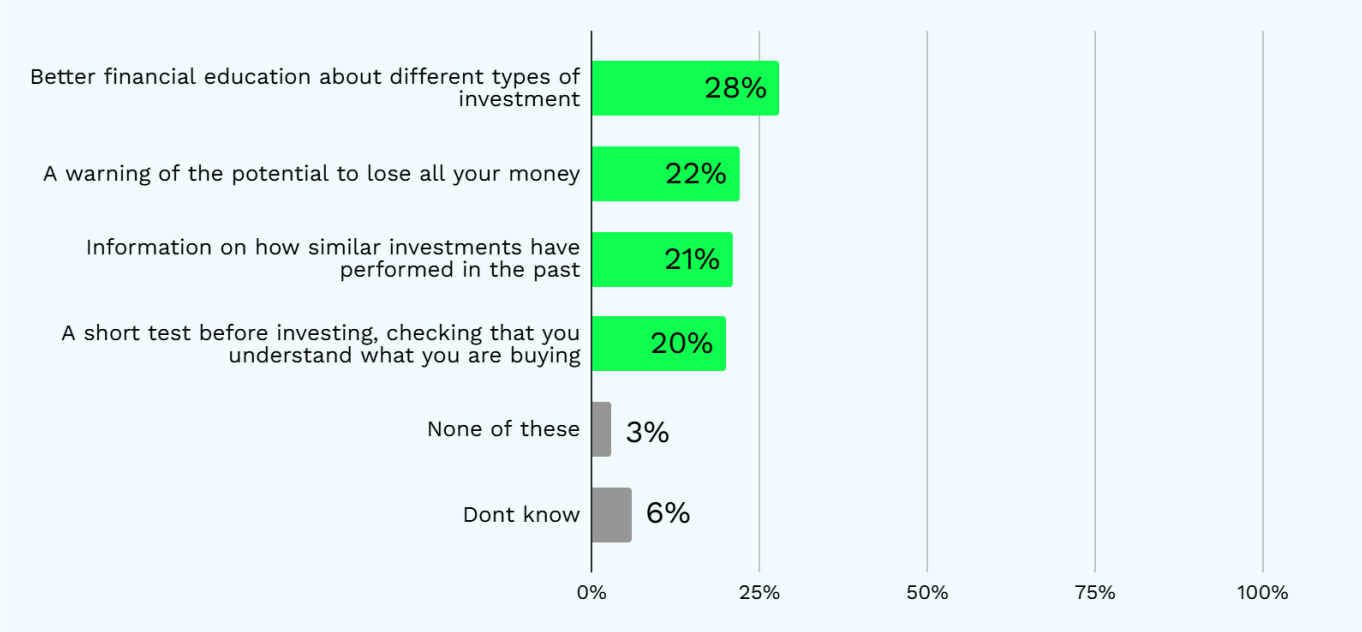


Figure 10 - Now thinking in general - which one of the following do you think would be most useful for helping people like you decide whether to invest in cryptocurrencies?

Among those interested in investing in cryptoassets who have not yet done so, the most popular answer to what would most help them decide was better financial education about different types of investment, at 28%. A warning about the potential to lose all your money came second at 22%, information on how similar investments have performed came third at 21%, and a short test of understanding before investing came fourth at 20%. No intervention commands anything close to a majority, so a multi-pronged approach is required The regime currently relies almost entirely on the second of those four, delivered as a standardised block of text, and provides none of the other three. Among 25 to 34 year olds, past performance information beats the warning outright at 31% to 18%.

See the Light set out Startup Coalition's case for proper financial education in schools and for a national standard that fintechs help deliver. Cryptoassets belong in that curriculum, because we can no longer ignore them. Not as an endorsement, but as part of an honest account of the range of things a person can put money into and how they differ. A generation that is going to encounter cryptoassets whether or not anybody teaches them about it is better served by accurate information in advance than by a waiting

screen at the point of purchase. 18-24 year olds were the age group most likely to say that they want more financial education about cryptoassets than any other type of tool, so we should give it to them.

Where the friction should go

The objective of retail investor protection is not to eliminate friction entirely, but to ensure that friction serves a precise, educational purpose rather than acting as a blunt instrument of exclusion. As liquid digital assets mature within established market structures, regulatory tools must evolve from time-based barriers toward dynamic, capability-based standards. We encourage the FCA to reopen the conversation around the Restricted Mass Market Investments (RMMI) framework to explore targeted modernisations that align regulatory safeguards with contemporary consumer behavior:

Our recommendations

The FCA should:

- **Open a constructive dialogue on asset categorisation.** Re-examine whether qualifying cryptoassets belong in the RMMI framework given their continuous price discovery, high liquidity and the introduction of a comprehensive regulatory regime for cryptoassets. For example, the regulator should consider reforming the rules to disapply restrictions for the top, most liquid tokens.
    - In these conversations we should particularly re-evaluate and modernise the cooling-off period. Acknowledge that the 24-hour cooling-off period primarily displaces retail activity toward alternative venues, often offshore and unregulated, rather than reducing consumer risk, and replace it with proportionate, education-driven tools like portable comprehension checks. Crucially, the regulator should utilise the window before the new FSMA regulatory framework commences in October 2027 to decide on these reforms
- **Integrate crypto into Financial Education:** Work with the Department for Education and HM Treasury to include cryptoassets within the national financial education standard (building on See the Light), ensuring young people receive transparent, objective information before reaching the point of purchase.

Conclusion

Britain's investment rules are built around one kind of risk. They treat the chance of losing money on an investment as the main danger consumers need protecting from. They give almost no weight to the money people lose by staying in cash, or to the growth they miss by never investing. But a diversified fund carries a warning that most people read as total loss and a savings account that loses value to inflation every year carries no warning at all.

The cost of caution falls unevenly. The people the Government most wants to bring into investing are the ones the current rules hold back hardest. Women, people without a degree and lower-income households responded most strongly when we replaced a warning with a plain account of performance. People on lower incomes were also the least willing to sit through a cooling-off period when investing in cryptoassets. Meanwhile, a person with enough money can certify as high net worth and reach investments that an experienced investor on an ordinary salary cannot.

When the rules fail to stop people, they move them. A saver put off by a warning moves into cash. A crypto buyer put off by a wait moves to another app, potentially one outside UK rules. *See the Light* found the same pattern in advice, where people who cannot get help from regulated firms are asking unregulated chatbots instead. Rules that push people outside the regulatory perimeter leave them less protected than before. The real measure of a consumer protection rule is where the consumer ends up.

The Consumer Duty already points in the right direction. It asks firms to show that customers understand what they are buying and that they reach good outcomes. Much of the older rulebook was written before the Duty came into force. We think the rules should treat the risks of cash and the risks of investing with the same seriousness. That means more honesty about cash and more proportion about investing. Almost every rule in this report is under review in the next twelve months. The FCA will consult on risk information in the first half of 2027. It is reviewing the appropriateness assessment and its promotion rules for high-risk investments. It is about to finalise its client categorisation rules, and the new cryptoasset regime begins in October 2027. The question is whether those reviews keep the old balance or correct it.

Most of the effort to get Britain investing has gone into persuasion, through campaigns, mascots and new products. Across three reports, Bullish Britain has found that the larger obstacles sit in the rules people meet once they decide to act. See the Light found that almost nobody is allowed to help them. Squirrelled Away found the products too complicated to navigate. Fit for the Future has found the rules on access and risk aimed at the wrong dangers. A retail investment strategy worth the name would start with all three.

If we want a truly bullish Britain, the Government and the FCA must stop building walls to protect consumers from growth. It is time to abandon defensive friction, stop treating everyday savers as universally incapable, and finally let knowledgeable citizens back their own future.

STARTUP
C*ALITION