Advice Policy Team
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

By email: cp26-10@fca.org.uk

22 May 2026

Dear Advice Policy,

RE: CP26/10 Discussion chapter 4: reviewing our rules on commission payments

UK Private Capital is the industry body and public policy advocate for the private equity (PE), venture capital (VC) and private credit ecosystem in the UK. With a membership of 600 firms, we represent UK-based private capital firms, as well as their professional advisers and a large base of UK and global investors. The private equity, venture capital and private credit industry has a vital role to play in driving national and regional growth. Currently over 13,000 companies, employing more than 2.5 million people, are backed by private capital investment in the UK.

We welcome the FCA's engagement with the industry on the role of commission in the distribution of alternative investment products, including VCTs and EISs.

As a trade association representing firms operating across the venture capital and growth capital ecosystem, we believe it is important that any future policy considerations in this area recognise the distinct characteristics of these markets and the role that non-advised distribution channels play in supporting investor access to long-term growth capital.

VCTs and EIS investments differ materially from mainstream retail investment products. They are specialist, higher-risk investments intended to support smaller and scaling UK businesses and operate within a policy framework specifically designed to encourage long-term investment into innovative UK companies.

Non-advised intermediaries and execution-only platforms play an important role within this ecosystem. In practice, these firms typically provide a range of services beyond simple trade execution, including investor onboarding, appropriateness assessments, educational content, offer access, administration, reporting and ongoing client servicing.

Commission arrangements in this market are used to support these distribution and servicing functions and operate within the existing regulatory framework, including inducement rules, disclosure requirements and the Consumer Duty.

We do not believe the VCT and EIS market should automatically be viewed through the same lens as the historic issues associated with commission in mainstream retail investment markets. These are specialist products, distributed through a relatively diverse mix of advised, non-advised and direct channels, with different operating models and investor needs.

We would encourage the FCA to consider carefully the potential unintended consequences of restricting existing commission arrangements in this market. There is a risk that reducing the commercial viability of non-advised distribution could:

- reduce retail investor access and choice
- increase concentration within advised channels
- create additional barriers for newer or smaller managers seeking to raise capital
- reduce the flow of capital into smaller UK growth businesses.

More broadly, any future intervention should be considered in the context of the government's wider policy objectives for VCTs and EIS schemes. These tax-advantaged schemes are designed to encourage private investment entrepreneurs and smaller companies with high-growth potential. We would therefore caution against changes that could inadvertently reduce investor access or participation.

This is particularly relevant in the context of the wider public policy objective of supporting UK economic growth, innovation and long-term investment.

We recognise the importance of transparency, good consumer outcomes and effective management of conflicts of interest. However, we believe the existing framework (including inducement rules, disclosure obligations, appropriateness assessments and Consumer Duty requirements) already provides significant and appropriate safeguards in this area.

In these circumstances, commission can support a distribution model that provides genuine value to investors and facilitates responsible participation in long-term investment opportunities. We would encourage the FCA to address any poor practice through supervision and enforcement rather than broad restrictions that could unintentionally reduce access and competition within the market.

Question 19: What value does this commission represent to operators of alternative investment products, distributors, and retail investors? What is the impact on firms, consumers and the market if these commissions were not allowed?

These commission arrangements support distribution, administration and investor servicing activities within a specialist market.

They support investor access, distribution choice and efficient capital raising for VCT and EIS managers, while enabling non-advised intermediaries to provide operational, educational and administrative services to investors.

If such commissions were no longer permitted, there is a risk of reduced investor access, increased concentration through advised channels, reduced competition in distribution, and lower capital flows into UK businesses with high growth potential.

Question 20: Do you agree with our proposal to allow platforms to rebate commission received from alternative investment fund managers in the same circumstances as commission received from authorised fund managers?

We support the FCA's proposal to clarify that platforms may rebate commission received from alternative investment fund managers in the same circumstances as commission received from authorised fund managers.

We agree that consistency and clarity within the rules are helpful and support good consumer outcomes.

If you have any questions or there are points it would be helpful to discuss further, please contact Nick Chipperfield (nchipperfield@ukprivatecapital.co.uk) and Tom Taylor (ttaylor@ukprivatecapital.co.uk).

Yours faithfully,

Isobel Clarke
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