Exerts from FCA papers on cash interest

FOR ADVISER USE ONLY

CP25/37 - December 2025

Retention of interest earned on retail client money

4.19 Under CASS 7.11.32R, firms must pay interest earned on client money to the client unless they have previously notified the client in writing. However, merely notifying a retail client may not be sufficient to meet the Duty. For example, under the Duty, firms must ensure that retail clients understand the implications of interest retention and that the arrangement delivers fair value. In our December 2023 Dear CEO Letter: The retention of interest earned on customers' cash balances, we said we were concerned that investment firms and SIPP operators were not complying with the Duty when retaining interest on retail clients' money.

4.20 We propose to amend CASS 7.11.32R and related guidance in CASS 7.11.33G to clarify that, for retail clients, a firm may only retain interest earned on their client money if it has both notified the client and doing so is compatible with the Duty. We are not proposing any amendments relating to the retention of non-retail client money.

Source: CP25/37: Targeted clarifications of Handbook materials | FCA

Dear CEO Letter – December 2023 (1/2)

“Our findings suggest firms can do much more to achieve that and as such we expect firms to:

• **Review their approach to the retention of interest** on customers’ cash balances under the Duty **and take action** to address the concerns raised in this letter.

• Ensure that their approach to retention of interest **represents fair value** for the firm’s customers.

○ Firms should consider any decision to retain a portion of the interest earned on customers’ cash balances in their Fair Value Assessments, including setting out how the retention of interest relates to the cost of managing the cash (and what that cost is and how it has evolved in recent years), how it benefits the customer, and any other relevant considerations.

○ Where firms state to consumers that the retention is to cover the cost of the cash management service, then our expectation is that firms ensure the amount retained is reasonable in light of the actual costs of providing this service.

• Cease the practice of double-dipping.

Source: Dear CEO Letter: The retention of interest earned on customers’ cash balances

Dear CEO Letter – December 2023 (2/2)

More generally, ensure their **communications** meet the rules under the consumer understanding outcome, in particular so:

• customers can easily locate the information they need to make effective and properly informed decisions about their cash balances, and

• communications, including websites and literature, explain the firm's policy for retaining interest on customers' cash balances in a way that is clear, fair and not misleading, and likely to be understood by the firm's retail customers.

Source: Dear CEO Letter: The retention of interest earned on customers' cash balances

Handbook Notice No.142 – June 2026

Interest

CASS 7.11.32 | 25/09/2026 | R

A *firm* must pay a *retail client* any interest earned on *client money* held for that *client* unless:

(1) it has otherwise notified them in writing; and

(2) not paying the *client* all or some of the interest is compatible with the *Consumer Duty*.

Source: FCA Handbook Notice 142

CP26/24 – July 2026

Notifying consumers before they choose their service provider

3.10 Consumers should understand how much interest they will earn on cash, or if they will be charged a fee for holding cash. This should apply to all customers whether they are accessing investments directly or through an adviser. They should have this information before committing to a service provider. We want firms to help consumers assess the value of the whole offer and how they expect to use the service, whether that is choosing a provider that charges fees and passes on interest in full, or one which retains some or all interest on their cash balances but does not charge fees.

3.11 We propose that where firms are charging fees on customers' cash and passing on interest earned in full, they should explain this to the consumer in a prominent place on their website or platform with their other fees information.

3.12 Where firms retain some or all of the interest on their customers' cash holdings instead of charging a fee on it, they should state this in a prominent place on their website or platform with their other fees information. With this information, they should clearly set out the rate of interest they will pay to the client, and how they set that rate (consistent with the proposal in CP25/37).

3.13 Firms should explain, in a consumer-friendly way, how they set the interest rate paid to customers. For example, they could explain if they benchmark against the Bank of England base rate or if they set a particular value which is kept under periodic review. Where firms do not pay interest, they may explain this in the context of their overall value offer to customers.

Source: CP26/24: Simplifying consumer investment disclosures | FCA