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To whom it may concern:

Supporting consumers' pensions and investment decisions: proposals for targeted support

We are delighted to have an opportunity to respond to this important consultation.

ProShare has been the voice of employee share ownership since 1992 when we were established by HM Government, a group of FTSE 100 companies, and the London Stock Exchange to promote wider share ownership. Today, we focus solely on helping to promote employee share ownership in the UK and ProShare is the voice of over 1,750 employee share plan practitioners and professionals, representing 150 advisers, providers, and companies, including many of the UK's largest employers.

ProShare is a part of The Chartered Governance Institute UK & Ireland, the professional body for governance, with members in all sectors and a Royal Charter purpose to lead 'effective governance and efficient administration of commerce, industry, and public affairs'. With more than 125 years' experience, we work with regulators and policy makers to champion high standards of governance and provide qualifications, training, and guidance. The Institute is the professional body that qualifies Chartered Secretaries, which includes company secretaries and governance professionals of all kinds. Our members are, therefore, well placed to understand the importance of helping the workforce to build wealth and, within companies, the importance of employee share ownership to foster this goal.

As the consultation document states (paragraph 1.1), "Pensions and retail investments have a vital function in allowing people to build wealth and provide income for later life." The point that we would like to emphasise to the FCA is that in, addition to pensions, Employee Share Plans have an important role to play

here as a company-led tool to support this goal, and there are some relatively minor changes that Government and regulators could make that would increase the effectiveness of this role. In our members' experience, company backed benefits like pensions and share schemes, although requiring individual investment, provide an excellent low-risk, hand-held first step into an investment mindset for employees – especially those that need extra encouragement e.g. younger staff, women, and part-time workers. Often these same individuals, left to their own devices, would not choose to invest, if for no other reason than a lack of awareness, confidence or understanding.

Our 2021 report, [A Stake in Success](#), produced in association with the Social Market Foundation, demonstrated many of the benefits of employee share ownership, including that of bolstering the financial resilience of UK households. In particular, the report demonstrated an “employee share ownership” premium, with employee shareholder households having much higher levels of median financial wealth. This finding holds true across income groups and age groups. Employee shareholders in the lowest income quartile (“the poorest 25%”) have median net financial wealth £10,900 greater than those that are not employee shareholders. This effect was also reflected in evidence from the United States.

ProShare's most recent annual survey on the Share Incentive Plan (SIP) and Save as you Earn (SAYE) market, launched this week, covered 887,468 SAYE accounts across 319 companies and 789,840 SIP participants across 431 companies. These companies are, predominantly, UK companies, from small companies trading on AIM, to medium or large UK companies that are listed on the London Stock Exchange and are from a wide range of sectors. SIP and SAYE are all-employee plans, not just for senior executives, but bring tax-advantaged saving to employees at all levels. As of 31 December 2024, between them, these employees, at all levels in UK companies, held around £5billion worth of shares in SIP accounts and were saving £90million a month - over £1billion a year - in SAYE savings contracts.

There are, therefore, a significant number of individuals taking part in employee share plans and, consequently, living out the government's desire for retail investment in UK companies. But there could be more. The SAYE scheme has been in existence for more than 40 years, and SIP for more than 20 and some of the terms of the schemes are no longer as attractive as they were when they were established. We recently, made the following recommendations to HM Treasury to increase the opportunity for employees to benefit from share plans:

- Reduce the Share Incentive Plan holding period from 5 years to 2 years
- Re-classify resignation a 'good' leaver reason for SAYE & SIP
- Establish a **Cost-of-Living Share Plan** – a brand new one-year free share offer, modelled on the SIP
- Introduce an optional 'lookback' feature for SAYE option exercise prices
- Permit an optional company SAYE contribution on behalf of employees

- Develop a ‘whole-workforce’ approach to share plans
- Review the correction of administrative errors within Non-Discretionary Tax Advantaged Employee Share Plans
- Simplify and make the SIP dividend share tax treatment fair
- Make SAYE more attractive by allowing companies to increase the option price discount
- Encourage companies to report on the operation of ESO plans
- Develop the arrangements for SAYE so that it would attract more favourable accounting treatment under the Accounting for Share-based Payments rules
- Exempt some gains from Non-Discretionary Tax Advantaged Share Schemes from the CGT regime
- Abolish the 10% of salary limit on employees’ SIP contributions
- Develop a government portal with standard documents for a company to download, and a related app for employee participation, and appointing staff to help companies understand SIP and SAYE
- Encourage government to develop the institutional support needed to widen rates of employee share ownership

More details of all these proposals can be found in our [response to HMT’s Call for Evidence](#) in August 2023.

But there are also some specific issues that fall within the purview of the Financial Conduct Authority (FCA) as regulator. The consultation rightly (paragraph 1.7) identifies that “there is a gap in the support available” for those who are, in some cases, making quite complex financial decisions. We agree – but there is not yet a fully developed, or affordable, market to fill that gap in support. We therefore welcome your proposals for “targeted support – in pensions and investments” but we believe that these should be extended beyond regulated firms.

One constant source of frustration that we hear from members, particularly those working in public companies, is that of having to explain the functionality of their share plans – and the complex tax rules that apply to them – to relatively low-paid individuals who would never have expected to need to seek financial advice. This is a particular frustration when, through ignorance, they see a colleague taking action – or not taking action – which will see them lose potentially thousands of pounds in share scheme benefits by, for example, choosing to exercise or not exercise an SAYE option, and yet are precluded – possibly through an abundance of caution - from giving ‘financial advice’ that would help that individual mitigate such a loss.

This issue is exacerbated by the recent lowering of capital gains tax (CGT) thresholds which will, unless reversed, bring more employees into the scope of CGT as a result of the vesting of employee share plans. In many cases, these will be individuals who have never previously been liable to this tax. In the spirit of “targeted support”, we urge the FCA to draw a clear distinction between personal financial advice, which

should only be provided by a properly regulated financial adviser, and guidance given by appropriately experienced or qualified professionals – for example Chartered Governance Professionals or those holding the [Chartered Governance Institute Certificate in Employee Share Plans](#) - in the course of their employment as company secretaries or share plan professionals in respect of the company's own employee share ownership plans by creating a 'safe-harbour' in such cases.

I emphasise that this is not a proposal that such people should be licensed to give financial advice –but rather that they should be given the necessary flexibility to help colleagues avoid costly errors and take advantage of tax structures that the government has put in place to support individual saving. For example, we are beginning to see an increasing trend of transfer to ISA from share plans. This is a positive development, which we and many of our members have supported, and is an example of how other investment vehicles may follow a similar trend if employees can be helped to have greater confidence in their ongoing wealth management.

It should also be noted that in our members' experience, many independent financial advisers are less than clear on the operation and effect of employee share plans – again, this is an area where both the Institute and ProShare would be keen to work with the FCA to develop standards/ levels of training etc that would further support the improvement of the advice provides around employee share plans by these advisors.

Governance and share plan professionals are experts on how to talk about shares to all types of employee. They know the words to use and those not to use, but need a regulatory 'safe harbour' in order to be able to do so. ProShare is always keen to help with further assessment, research, evidence-gathering, and analysis of the impact of employee share ownership. Please do not hesitate to contact me for more details or further discussion. I am happy for ProShare's response to be published by the FCA if appropriate.

Yours faithfully,

Peter Swabey

Policy & Research Director

The Chartered Governance Institute