Charlotte Hill Discusses FCA Findings on Young Investors, AI and the Limits of Regulatory Protection

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Financial Markets and Funds Partner Charlotte Hill offered commentary on newly published Financial Conduct Authority (FCA) research examining how young UK investors use and understand artificial intelligence (AI) when making investment decisions.

In a survey of 666 UK investors aged 18 to 40, the FCA found that 56 percent trust AI tools for investment help, ahead of television and radio (47 percent), the press (46 percent) and social media influencers (29 percent). Yet the study found significant gaps in understanding: 44 percent mistakenly believe AI-generated financial information is regulated, 38 percent think it is acceptable to invest based solely on AI outputs, and 32 percent wrongly assume the Financial Services Compensation Scheme or Financial Ombudsman Service would cover them if AI advice went wrong. General-purpose AI chatbots fall outside the FCA's regulatory perimeter, while tools built specifically to provide financial advice would likely fall within it.

Charlotte addressed the central tension the findings expose: the distance between how much consumers trust AI and how well they understand its regulatory status. “The FCA's findings highlight an important disconnect between consumers' growing confidence in using AI and their understanding of the regulatory protections that apply to it,” she observed. She emphasized that the issue is not the technology itself, noting that “AI can be an extremely useful tool for investors: it can help explain unfamiliar terminology, analyze information and make complex markets more accessible . . . The concern is not the use of AI itself, but the assumption that an AI-generated answer necessarily comes with the same regulatory safeguards as advice from an authorized firm.”

Charlotte explained that the regulatory analysis “turns on the function being performed, rather than simply the technology being used,” cautioning that “a general-purpose chatbot is very different from a service designed and deployed to provide regulated investment advice, and that distinction may not be obvious to a consumer sitting in front of a screen”. As a result, she noted, firms will need to think carefully about how their tools are described, what consumers are likely to understand them to be doing, and how responsibility is allocated when AI moves from providing information toward influencing an investment decision. In her view, "technological sophistication does not remove the need for regulatory clarity — it makes it more important".

In a separate *Law360* commentary on the FCA's related survey of wealth managers, Charlotte addressed how AI can magnify existing financial crime and data quality weaknesses. "If a company's underlying KYC [Know Your Customer] information is incomplete, stale or inaccurate, AI can process that defective information at greater speed and scale rather than cure the underlying problem," she said. She noted that the risk is particularly acute for wealth managers "because relationships may involve complex ownership structures, family relationships and sources of wealth that cannot always be reduced to straightforward data points".

"Young British investors trust AI more than TV or celebs," *Finextra*, August 27, 2026

"FCA Report on Young Investors and AI: Experts Comment," *DIY Investor*, August 27, 2026

"FCA: 44percent of Young Investors Wrongly Think AI Financial Advice Is Regulated," *Fintechly*, August 27, 2026

"Better Advice Than Down the Pub?" *The Legal Diary*, August 28, 2026

"AI Use By Wealth Managers Ramps Up Financial Crime Risk," *Law360*, August 25, 2026

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