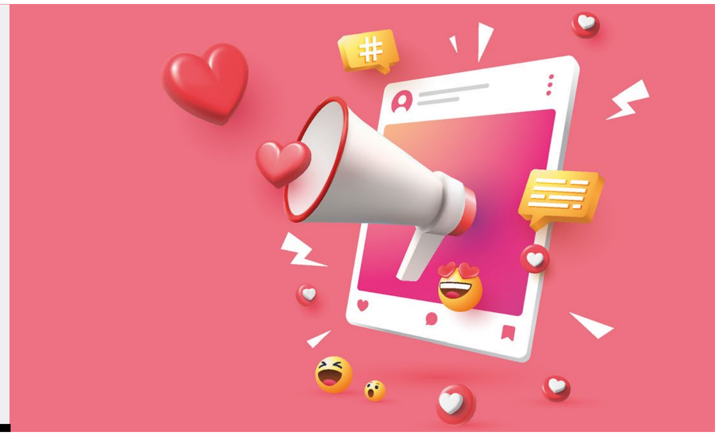
Summary
• An increasing number of savers are looking to social media and influencers to help with crucial financial planning decisions, despite concerns over misinformation and the threat of scams.
• The Financial Conduct Authority is taking growing action on this issue, but industry experts believe there is still a long way to go to protect savers and educate influencers.
• The industry can take a proactive approach to work with credible influencers to break the chain of misinformation and take advantage of existing high engagement levels.



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With more and more savers relying on 'finfluencers' as a guiding hand, Sophie Smith considers whether enough is being done to protect against the threat of misinformation, and how the pensions industry can turn the tide of finfluencers in its favour

It is no secret that more and more savers are opting to rely on social media for important financial decisions, with the Financial Conduct Authority's (FCA) latest *Financial Lives Survey* revealing that one in six investors used social media to either research investment, find new opportunities or get updates on existing investments – rising to half of all investors aged 18 to 24.

AJ Bell director of personal finance, Laura Suter, says that research by AJ Bell's Dodl investing app also backs this up, with almost a third of novice investors saying they use social media platforms to research investment decisions, with Instagram and TikTok being the most popular.

"And the celebrity lure is clear, with more than two-fifths saying that a celebrity endorsement could influence them to buy a financial product and 17 per cent already having done so," she says.

Indeed, Quietroom consultant, Cath Collins, says that it's been a consistent trend for a while that people are looking for wider sources of information.

"And the rise of social media, including short-form curated content, has gained massive popularity in recent years," she continues. "This can be seen through Gen Z using TikTok as a search engine – forgoing Google searches in favour of social media channels."

Financial services is no exception, as Trafalgar House client director, Daniel Taylor, says that finfluencers have "really shaken up the pensions and financial services industry, prompting people to take action and bringing attention to important financial matters".

But Taylor points out that there is a significant amount of public scepticism towards media coverage of pensions, revealing that, in fact, 36 per cent of people view it negatively, compared to only 13 per cent who see it positively.

This, according to Taylor, can present a double-edged sword, as while finfluencers can drive engagement and awareness, they can also spread misinformation and further embed distrust.

Fighting against 'fake news'

This is an issue that the regulator is aware of though, having recently published guidance clarifying their expectations of regulated firms and finfluencers communicating financial promotions on social media to try and improve understanding in this area.

The watchdog has also begun to step up its enforcement action, having recently brought charges against nine individuals, including celebrity influencers that have appeared on reality TV, relating to an unauthorised foreign exchange trading scheme promoted on social media.

Suter suggests that this latest case will raise awareness of the implications of breaching the FCA rules, arguing that "there's no doubt it will make people sit up and listen".

However, influencer marketing expert and Branded Content Marketing Association global head of influencer marketing, Gordon Glenister, argues that while the FCA's efforts are commendable, there are several areas where further action is needed.

In particular, he says that increased monitoring and enforcement is needed, as well as stricter regulations and guidelines, and enhanced reporting mechanisms, to allow consumers to anonymously report suspicious financial advice or activities on social media.

Taylor agrees, arguing that while the FCA's recent actions against unauthorised financial promotions on social media are a good start, there's still a long way to go.

"We need more consistent and comprehensive efforts to protect savers," Taylor argues. "Many finfluencers aren't fully aware of the regulations surrounding financial advice, highlighting the need for better education and clearer guidelines to ensure they're following the rules and safeguarding public trust."

Indeed, Glenister says that the awareness of regulations surrounding financial advice among 'finfluencers' and influencers more broadly is generally considered insufficient, as influencers do not have formal training in financial services and are unaware of the regulatory environment.

Given these concerns, Glenister says that there could be better collaboration with financial institutions, suggesting that providers could even develop training programs for influencers who wish to provide financial advice, ensuring they understand regulatory requirements and ethical considerations.

Glenister suggests that regulators could also work with the social media platforms themselves, to implement policies that mandate disclosure of financial advice qualifications and compliance with local regulations.

Taylor is less optimistic though, suggesting that, given the current level of resources available to regulators, it's very unlikely they can effectively police this space unless something significant changes in social media regulation.

Turning the tide

The industry could instead look to beat influencers at their own game, with the current advice/guidance boundary review expected to help make other sources of information easier to come by.

Indeed, Suter points out that reviewing the advice/guidance boundary and enabling more pension firms to give guidance to individuals would mean that fewer people had to rely on sources like social media for information.

But turning our back on influencers and social media is not the only option, and there are some in the industry who would argue that this is a chance to work with social media influencers to address misinformation concerns, rather than push them out of the space altogether, and risk losing an effective and organic point of engagement with members.

Indeed, Zedra client director, Alastair Meeks, says that viewing finfluencers as tools would be the common, somewhat derogatory, attitude of most pensions professionals.

"Finfluencers could, however, be tools in different ways," he says. "They have learned, where most pensions professionals have not, to speak to their viewers emotionally, viscerally and crucially, simply. They understand that most people are not looking to dive into a swimming pool of gold coins like Scrooge McDuck. They understand that saving and investing is something that people to do live life meaningfully better. And they understand how to connect the two in the minds of the general public."

And whilst many pensions professionals may protest that they are hamstrung by regulation from behaving in the same way, Meeks argues that "far too much communication from the pensions mainstream is plodding, informed by a monastic approach to the regulatory regime".

"This is often a cultural reflex rather than a regulatory requirement," he queried. "Instead of looking askance at finfluencers, perhaps we should work with them more and start communicating more often with emotional intelligence?"

Collins agrees, highlighting this as an "opportunity" for the industry to learn from influencers and think creatively about how it communicates beyond the traditional channels.

"We need to cater for everyone's content needs, as well as considering how they consume information," she says. "New ways of creating and distributing content should be welcomed by the industry as a way of improving engagement and reaching a wider group of people from different demographics."

However, Collins admits that accuracy and trust is "essential", cautioning that companies and finfluencers need to make sure they stay on the right side of the FCA.

"In this 'post-truth' world, trust has never been more important. Get this wrong and we will fundamentally damage the relationship with future generations of pension savers," she says.

"We need a strong regulatory framework to protect savers, but we need to be careful that this framework doesn't stifle creativity and innovation. Otherwise we could just push people towards less trusted or less accurate sources of information."

This is echoed by Taylor, who argues that any industry partnership arrangements must have trust at their foundation.

"While it's important to make information accessible, we must also be careful not to trivialise important decisions," he explains. "Oversimplification can lead to mistrust and inaction. Savers need to feel confident that the information they are receiving is reliable and accurate."

In particular, Glenister stresses the need for companies to choose influencers who have a credible background in finance or have demonstrated a strong understanding of financial topics, and to verify their qualifications, certifications, and previous collaborations to ensure they provide accurate and reliable information.

Written by Sophie Smith