



# The AI Mismatch

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How Mis-Selling and Misunderstanding Are Creating a  
New Risk for the Advice Sector

WHITE PAPER

# Executive Summary

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The UK advice sector is entering a period of profound transformation driven by artificial intelligence. But the sector's understanding of AI is dangerously incomplete. AI is being sold as a system upgrade, a compliance enhancer, or a back-office automation layer. These claims are not only inaccurate — they are structurally impossible. AI is not software. AI is not a module. AI is not a system component. AI is an external intelligence — powerful, capable, but unreliable — and it cannot be embedded into legacy adviser infrastructure. Yet a growing number of “AI product providers” are selling solutions that imply exactly this. Advisers who adopt these offerings are unknowingly increasing their workload, introducing operational fragility, and exposing themselves to significant compliance and liability risk. This white paper explains the mismatch, the mis-selling, and the correct model for adviser adoption of AI.

## 46%

of UK financial services firms have only a “partial understanding” of the AI technologies they use — yet 75% are already deploying AI.

Source: Bank of England / FCA AI in UK Financial Services Survey, November 2024

## The Sector at a Glance

27,500 advisers across 5,300 firms. 87% of firms have 5 or fewer advisers. 50% of advisers are aged 50+. Only 26% are satisfied with their current technology. Into this landscape, 461 AI WealthTech vendors are now selling solutions — an 84% increase in just 12 months. Fewer than 5% of adviser firms have an AI policy in place.

## SECTION 1

# The Foundational Misunderstanding

Most advisers have been encouraged to think of AI as the next iteration of technology: a smarter version of existing software, a new module, a plug-in, a system enhancement. This framing is wrong. Today's AI systems – large language models and agentic systems – are not tools in the traditional sense. They are external intelligences that reason, analyse, write, research, plan and act. They are astonishingly capable, but they are not deterministic, not fully reliable, and not natively integrated into adviser systems. This misunderstanding is the root of the emerging mis-selling problem.

# 55%

of financial services employees have received no official AI training – yet 43% of organisations are already using AI agents for client communications, including personalised advice.

Source: Smarsh UK Survey of 2,000 UK FS employees, April 2025

*AI is not software. It is not hardware. It is not a module. It is intelligence. And intelligence cannot be embedded into a legacy system.*

## How Advisers Are Told AI Works vs How AI Actually Works

### The Vendor Narrative

CRM → "AI Module" → Back Office

AI as a component slotted into existing systems. Deterministic. Predictable. Embedded.

*This is impossible.*

VS

### The Reality

Adviser ↔ "External AI Intelligence" ↔ Systems

AI as an external entity that works alongside systems. Probabilistic. Variable. Supervised.

*This is the correct model.*

# < 5%

of UK adviser firms have a full AI policy, guidelines, and sign-off process in place.

Source: NextWealth AI Index, May 2024

## SECTION 2

# The Rise of AI Product Providers

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A wave of third-party firms has emerged offering “AI back-office systems,” “AI compliance engines,” “AI automation suites,” and “AI-powered advice platforms.” These offerings imply that AI can be embedded into adviser infrastructure in the same way as a CRM, a back-office system or a workflow tool. This is impossible. What these providers are actually selling is consultancy, manual workarounds, brittle automation, agentic scripts and surface-level integrations wrapped in the language of “AI products.” The marketing is polished. The claims are bold. The reality is fragile.

# 46x

AI WealthTech vendors are now targeting the wealth and advice sector — up 84% from 250+ just 12 months earlier.

Source: The Wealth Mosaic AI WealthTech Market Map, October 2025

## AI Investment in UK Financial Services

Metric	Figure	Source
UK fintech investment 2025	USD 3.6bn (534 deals)	Innovate Finance
UK AI in Finance projected 2032	USD 11.6bn (CAGR 28.1%)	Credence Research
UK AI sector revenue 2024	GBP 23.9bn (+68% YoY)	UK Government
Global FS AI spend forecast 2027	USD 97bn (from USD 35bn)	Statista / Gartner
WealthTech vendors prioritising AI copilots	80%+	Celent, 2025

## Treasury Committee Warning — January 2026

The UK Parliament's Treasury Committee stated that the Bank of England, FCA and Treasury are "exposing the public and the financial system to potentially serious harm" through their current approach to AI. The report explicitly flagged "unregulated financial advice from AI search engines" as a consumer risk.

*The marketing is polished. The claims are bold. The reality is fragile.*

## SECTION 3

## The Legacy System Problem

Adviser systems — back office, CRM, platforms, product provider portals — are legacy architectures. Many date back decades. They were not built for probabilistic reasoning, external intelligence, dynamic context windows, agentic behaviour or real-time inference. They cannot host AI. They cannot embed AI. They cannot integrate AI. Trying to "put AI into" a legacy system is like trying to put a person into it. The architecture simply cannot support the intelligence. The result is predictable: workarounds, manual bridges, brittle scripts, inconsistent outputs and operational fragility. This is already happening across the sector.

# 20 years

The UK adviser CRM market has been dominated by the same three providers (Intelliflo, Iress, Time4Advice) for over two decades. Average back-office system age: 12 years.

Source: The Intermediary, 2024; Digital Asset Research

## Why AI Cannot Be “Put Into” Adviser Systems

### Adviser Tech Stack (Legacy)

- Back Office (Intelliflo: 41% share)
- CRM (same 3 providers, 20 years)
- Platforms (Quilter, Aviva, AJ Bell...)
- Product provider portals
- Cashflow modelling tools
- Compliance/file checking

Deterministic. Closed. Siloed. Not built for external intelligence.

### AI Requirements

- Dynamic context windows
- Probabilistic reasoning
- Agentic behaviour
- Real-time inference
- Natural language I/O
- Human oversight loops

Probabilistic. Open. Contextual. Requires human supervision.

The gap between these two architectures is not a technical challenge — it is a structural impossibility.

# 26%

of advisers are satisfied with their current tech stack — the lowest level since tracking began.

Source: NextWealth, September 2024

# 69%

of advisers are ready to “break up” with their CRM system — yet 65% avoid switching due to disruption fears.

Source: Twenty7tec / Smart Money People, 2025

# 35%

Advisers spend only 35% of their time on client meetings. The remaining 65% is consumed by administration and compliance — including 11 hours per week on compliance alone.

Source: Model Office / Fidelity Adviser Solutions, 2024

*Trying to “put AI into” a legacy system is like trying to put a person into it. The architecture simply cannot support the intelligence.*



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