

PREPARED BY WE COMPLEMENT

Six months later, could you produce the reasoning?

Why an advice file needs to preserve
the decision, not only the recommendation

For advice firm owners, compliance
leaders, networks and advisers



Six months later, the reason matters.
Fluency is not provenance.



About this paper

This paper sets out why an advice file needs to preserve the decision, not only the recommendation, and how a firm can test whether its files do. It is written for advice firm owners, compliance leaders and networks, and for advisers.

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Introduction

Six months after a recommendation, most firms can find the suitability report. The harder question is whether they can reconstruct why the recommendation was made when it was made.

A report tells the client what was recommended and why it is suitable. The underlying advice file could also contain meeting notes, fact-finds, risk records, research, cashflow outputs, product evidence, emails and challenges. Somewhere across those materials sits the professional judgement that connected the evidence to the decision.

When that reasoning is not captured contemporaneously, it is surprisingly easy to recreate it later in a cleaner, more confident form than the original decision deserved. AI makes that easier again: a system can produce a plausible rationale in seconds. Plausibility after the event is not evidence of what the adviser considered at the time.

This paper argues for a simple standard: a competent person returning to the file later should be able to see the material evidence, the important tensions, the judgement exercised and the reason the final advice was adopted. Not every thought. Not a transcript of the adviser's mind. Enough to reproduce the decision path.

1. The report is important. It is not the whole record.

The suitability report has a clear regulatory purpose. For relevant investment advice, FCA rules require the report to outline the advice given, how the recommendation is suitable and how it meets the client's objectives and personal circumstances. [1]

The FCA also has separate record-keeping requirements. For MiFID business, COBS 9A.4 requires firms to keep records of compliance with the suitability rules and, for retail investment advice, records including the time and date of the advice, the instrument recommended and the suitability report. [2] For most pension and life policy advice, the equivalent provisions sit in COBS 9: COBS 9.4 sets out when a suitability report is required, and COBS 9.5 covers record keeping. [3] Under COBS 9.5.2R, records relating to a pension transfer, pension conversion, pension opt-out or FSAVC must be kept indefinitely. For those cases the question may not be six months later. It may be twenty years later, when the people who originally knew the case are no longer available to explain it.

A client-facing report is written to communicate the recommendation. A decision record has another job as well: to preserve the basis on which the professional reached it and the controls through which it passed.

This paper is not arguing that every firm must create a new regulatory document called a reasoning record. It is arguing that if the material reasoning exists only in someone's memory, or can only be inferred from polished prose written after the decision, the file is weaker than it needs to be.

A useful test

Could another competent professional, with no access to the adviser who made the recommendation, understand the important evidence, trade-offs and judgement that led to it?

2. Decisions are clearer after the outcome is known

Human memory is not a neutral archive. Once we know what happened, earlier uncertainty tends to look smaller and the path to the outcome looks more obvious. Kahneman's work on hindsight bias describes this familiar effect: knowledge of the outcome changes how people remember and interpret the earlier decision. [4]

Advice files are vulnerable to the same problem. Six months later, an adviser could genuinely believe that a particular consideration was central because it now seems obviously important. A manager reviewing a complaint may read the final recommendation and unconsciously reconstruct a neat chain of reasoning towards it. The reconstruction will be sensible, although it still may not be what happened.

Contemporaneous reasoning is therefore valuable precisely because it is imperfect. It records the uncertainty before the outcome tidied it up.

3. Polished prose can hide weak reasoning

A well-written report can make a weak decision look coherent. This is not usually because someone is trying to mislead. Writing naturally imposes order. The final recommendation is known, so the explanation is organised around it. Alternatives that were seriously considered disappear. Contradictions are resolved in prose. A judgement call becomes a declarative sentence.

Generative AI increases the risk. Give a model a recommendation and a bundle of client facts and it can often write a convincing rationale. That capability is useful when the underlying reasoning already exists and the system is helping to express it. It is dangerous when the generated rationale becomes the reasoning by default.

The previous papers in this series drew a boundary between assistance and professional accountability. The same boundary belongs here. AI can organise evidence, surface tensions and draft a summary. The adviser has to recognise the reasoning as their own, amend it where necessary and adopt it before the file treats it as part of the decision record.

4. What needs to survive six months

A useful reasoning record is much smaller than a complete transcript of the case. It preserves the parts that would otherwise be lost when the recommendation is reduced to its final form.

Element	What a later reviewer should be able to see
Material evidence	The facts and documents that materially influenced the recommendation, including relevant versions.
Tensions or uncertainty	Where the evidence conflicted, a client objective pulled in two directions, or an important assumption remained uncertain.
Professional judgement	What the adviser concluded about the tension and why that conclusion was reasonable for this client.

Element	What a later reviewer should be able to see
Material alternatives	The serious alternatives considered and the reason they were not preferred. This does not require documenting every theoretical option.
Challenges	Questions raised by a planner, reviewer, manager or system, and how each material challenge was resolved.
Adoption and sign-off	Who adopted the final reasoning, who authorised the advice under the firm's process and what remained outstanding, if anything.

The aim is provenance, not volume. More notes do not automatically create better evidence. A 40-page audit trail in which nobody can identify the decisive facts may be less useful than a two-page working note that clearly records the material judgement.

Nor should a firm preserve every speculative thought. Data protection, confidentiality and practical usability still matter. The standard is having enough material reasoning to explain the decision, challenge it and learn from it later.

5. The reasoning should exist before the report explains it

Timing is the critical design choice. If the reasoning record is created only after the suitability report is drafted, the firm risks documenting the explanation of a finished recommendation rather than the thinking that produced it.

A stronger sequence is simple. First, assemble and reconcile the evidence. Second, record the material judgement and unresolved questions. Third, challenge and sign that reasoning under the firm's process. Only then should the final client-facing report describe advice that has already been constructed and evidenced.

That sequence does not need to make the process slower. It can remove repeated rewriting later because the report no longer must discover the reasoning while it is trying to express it. More importantly, it separates construction from communication.

Construction before explanation

The report should communicate a decision that has already been reasoned through. It should not be the place where the reasoning is invented.

6. What happens when somebody else needs to read the file?

The original adviser is not the only future reader. A new adviser could inherit the client. A manager may review a pattern across similar cases. A compliance team may investigate an exception. A complaint handler might need to understand what was known at the time. the Financial Ombudsman Service identifies records

such as fact-finds, suitability letters, meeting notes, contact notes and correspondence among the information it may require. [5]

The FCA's review of ongoing financial advice also highlighted the importance of appropriate record-keeping so firms can evidence delivery of services and record the outcome of suitability reviews. [6] The point is broader than complaints. Records are how an organisation retains knowledge after the person, memory and context have moved on.

A file that preserves only the conclusion is fragile. It depends on the continued availability of the person who made the decision. A file that preserves the material reasoning can be understood by someone else.

7. Run the six-month test

A firm does not need new technology to discover whether it has this problem. Take a small sample of completed cases that are old enough for memory to have faded but recent enough that the firm's process is still relevant. Six months is a useful discipline, not a magic period.

For each case, ask a competent reviewer who was not involved originally to reconstruct the decision from the file alone. Do not begin by asking the original adviser to explain it. Their explanation is useful later, but it should not be required to make the record intelligible.

Question	What a strong file allows
What were the decisive client facts?	The reviewer can identify them without guessing which of many recorded facts mattered.
What did not fit neatly?	Conflicts, uncertainty and trade-offs are visible rather than polished away.
Why this recommendation?	The reviewer can trace the conclusion to evidence and professional judgement.
Why not the serious alternative?	The file records the material reason, not a generic statement that the chosen option was suitable.
What was challenged?	The reviewer can see meaningful questions and how they were answered.
Who adopted the decision?	Responsibility and sign-off are visible.

Then ask the original adviser to read the reconstruction. Where the adviser's memory supplies an important reason that the file does not contain, the gap is informative. Where the file suggests a rationale the adviser says was not part of the decision, that is informative too.

The purpose is not to catch people out. It is to test whether the organisation retains its professional reasoning or merely retains documents.

8. AI and professional reasoning

AI can make the reasoning record easier to produce and preserve. It can pull together relevant passages, identify contradictions, list open questions and draft a concise summary of what the adviser has already decided. It can also make the record worse by filling a gap with fluent language.

A few design rules matter:

- Separate extracted evidence from inference. A later reviewer should be able to tell what the source said and what the system concluded from it.
- Preserve source and version. A reasoning statement built on the wrong document is not reliable because the prose sounds good.
- Do not allow a missing reason to be silently completed. The correct output may be a question to the adviser.
- Make adoption explicit. AI-drafted reasoning becomes part of the professional record only when the responsible person accepts or amends it.
- Keep challenge and override visible. A finding that disappears leaves the later reviewer unable to distinguish resolution from omission.

9. Five things a firm can do now

1. Run the six-month test on five completed cases. Ask whether a fresh reviewer can reconstruct the material reasoning without interviewing the adviser.
2. Move material rationale earlier. Capture it while the advice is being constructed, not only when the client report is being written.
3. Record serious alternatives and trade-offs. Do not create an encyclopaedia; preserve the options that genuinely mattered to the decision.
4. Make challenge resolution part of the record. If a manager or system raised a material issue, the later file should show what happened to it.
5. Treat AI-written rationale as a draft until a professional adopts it. Fluency is not provenance.

10. What the firm is really preserving

Advice businesses often think of their records as evidence of compliance. They are also the organisation's memory of professional judgement.

That memory has value. It lets managers compare similar decisions without reducing them to products and outcomes. It lets a future adviser understand why an apparently unusual recommendation made sense. It lets a firm distinguish a justified departure from a pattern from an unexplained one. And it creates material from which people can learn.

The test is not whether the file contains enough words. It is whether the important reasoning survives the passage of time.

Closing thought

Six months later, the firm should not have to invent the reason again. It should be able to produce the reason that was used.

Sources and scope

1. Financial Conduct Authority Handbook, COBS 9A.3.3, Providing a suitability report: MiFID business, effective 23 October 2025.
2. Financial Conduct Authority Handbook, COBS 9A.4, Record keeping and retention periods for suitability records, including COBS 9A.4.2A.
3. Financial Conduct Authority Handbook, COBS 9.4, Suitability reports, and COBS 9.5, Record keeping and retention periods for suitability records (non-MiFID provisions), including COBS 9.5.2R.
4. Daniel Kahneman, Thinking, Fast and Slow (Allen Lane, 2011), discussion of hindsight bias and the way knowledge of outcomes changes the apparent predictability of past events.
5. Financial Ombudsman Service, Information we need from financial businesses, including the records commonly requested in investment and advice complaints.
6. Financial Conduct Authority, Ongoing financial advice services, 24 February 2025, including findings on systems, controls and record-keeping used to evidence delivery of ongoing services.

This paper discusses record quality and professional reasoning in financial advice. Regulatory requirements vary by activity and product. It is not legal or regulatory advice.