

UK Economy Leads G7 Growth as Financial Advice Rules Face Landmark Overhaul

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The UK economy grew by 0.7 percent in the first quarter of 2025, marking its strongest performance in a year and placing the country at the top of the G7 growth rankings. The rebound was driven largely by the manufacturing and services sectors, which saw a boost from strong domestic demand and a wave of activity linked to global trade adjustments. Despite this positive headline figure, concerns remain over

the broader economic picture, particularly as household disposable income fell and savings rates declined, reflecting ongoing cost-of-living pressures faced by many families.

While business leaders welcomed the return to growth, economists warned that it may not signal a long-term trend. Slower figures from April suggest the economy is still vulnerable to inflationary headwinds, cautious consumer spending, and geopolitical uncertainty. Still, the first quarter's momentum has offered some encouragement to policymakers, who see it as a sign of resilience amid global instability.

In a parallel development, the Financial Conduct Authority has announced what it describes as a “once-in-a-generation” overhaul of the UK's financial advice framework. The reform package is designed to address the persistent gap in access to affordable and reliable investment advice, particularly for those managing pensions or large cash holdings. Under the new rules, financial firms will be permitted to offer low-cost, tailored guidance to consumers without triggering the full regulatory requirements traditionally associated with financial advice. This is intended to give more people the tools to make confident and informed decisions about their savings.

Chancellor Rachel Reeves backed the reforms, emphasizing the need for a system that supports long-term financial security for working families and retirees. The Financial Conduct Authority noted that safeguards will be in place to prevent confusion between general guidance and regulated advice, helping consumers understand their options without facing high costs.

Meanwhile, City Minister Emma Reynolds announced plans to limit the powers of the Financial Ombudsman Service, allowing financial firms to appeal decisions to the regulator. The move is part of a broader push to streamline financial regulation while maintaining fairness. Together, these economic and regulatory shifts reflect a cautious optimism about the UK's path forward, balancing recovery with reform.