Questions to put to an AI vendor, and whether to build or buy

For COOs, CTOs, procurement and risk leads at insurers, asset managers, platforms and advice firms: seven questions for any AI supplier, how to weigh building against buying, and what UK rules already expect of the firm.

IN BRIEF

The problem

AI tools are often bought on the strength of a demonstration; questions about data, the underlying model, cost at scale and exit come later or not at all.

Why it happens

Many AI products sit on another firm's model, so the supplier's answers depend on a third party the buyer rarely meets.

What to do

Put the same seven questions to every supplier before contract, compare buying with building on the same terms, knowing the firm stays responsible for the outcome.

01

Why the questions matter more for AI

Many AI tools sold to financial services firms are built on a model from one of a small number of providers. In the Bank of England and FCA survey published in November 2024, a third of firms' AI use cases were third-party implementations, and the top three providers accounted for 44% of all the model providers firms named.

That chain of dependency doesn't change who is accountable. The FCA has said it will rely on existing rules for AI rather than write new ones. The Mills Review, commissioned by the FCA and published in July 2026, put it plainly: "Firms remain responsible for outcomes even where systems rely on external models or infrastructure."

02

Seven questions for any AI supplier

1. What happens to our data? Where it is stored, whether it is used to train or improve any model, who can see it, and how it is deleted when the contract ends.

2. What sits underneath? Which model the tool uses, who provides it, and what happens to us if that provider changes its terms, its prices or the model itself.

3. How accurate is it on our work? Results on our own documents and cases, not a demonstration set, and how errors are measured and reported to us.

4. Can we explain an output? The audit trail behind each output, so the firm can answer a complaint or a regulator. In its February 2026 response to the Mills Review, the Financial Ombudsman Service asked the FCA to set clear expectations for firms to explain, to it and to the consumer, how AI contributed to an outcome.

5. What does it cost at our volumes in year three? Including usage-based charges, price review terms and the cost of the staff time needed to check the output.

6. How do we leave? Data export in a usable form, transition support and notice periods, agreed before signing rather than at exit.

7. How will you tell us when something goes wrong? From March 2027, FCA-authorised firms will have to report significant operational incidents under the FCA's new incident reporting rules (PS26/2), including incidents that start at a supplier. Check that the supplier's notification terms let the firm do that.

03

Build or buy

Building on a provider's model sits between buying a finished tool and building one in-house from scratch. Each has a place, and the comparison is worth making on the same terms.

COMPARISON

Three routes to the same tool

	Buy a finished tool	Build on a provider's model	Build in-house
Time to first use	Weeks	Months	Many months
Upfront cost	Low	Medium	High
Running cost	Licence and usage	Usage and upkeep	Team and infrastructure
Control of data	Through the contract	Shared with the provider	Highest
Dependence on suppliers	High	Medium	Lowest
Skills needed in-house	Oversight	Engineering and oversight	Full team

A starting comparison. Few financial services firms need to build a model from scratch; the real choice is usually between buying and building on a provider's model.

For many firms the first two routes are the realistic ones, and the right answer depends on how central the task is to what the firm sells. A tool for summarising internal documents is a commodity to buy. A tool that shapes pricing or advice may justify building on a provider's model, where the firm controls more of the logic and the data.

FROM EXPERIENCE

At St. James's Place I owned the firm's relationship with Voyant, the financial planning software provider, and sponsored a new strategic offshore bond relationship. Both made the firm depend on another business for something clients and advisers relied on.

Managing those relationships taught me to ask early what happens to the data, what happens if the supplier changes, and how the firm would leave.

04

What existing rules already expect

A firm that outsources an important function stays fully responsible for its regulatory obligations, under the FCA's systems and controls rules (SYSC 8.1.6R), and insurers within Solvency UK are subject to the PRA's expectations on outsourcing and third-party risk management (supervisory statement SS2/21). Ask, too, whether the tool makes significant decisions about customers with no meaningful human involvement. If it does, data protection law, rewritten on this point by the Data (Use and Access) Act 2025 from February 2026, requires safeguards that the contract has to support.

Questions for the board

01 Which of our AI tools rely on a third-party model, and do we know which one?

02 What happens to our data, and our clients' data, inside each tool?

03 Have we tested each tool's accuracy on our own work, and who checks its output in use?

04 What would it cost to leave each supplier, and how long would it take?

05 Will our suppliers' notification terms let us meet the incident reporting rules from March 2027?

06 Where we have built rather than bought, what is it costing us each year to maintain?

Put the seven questions to every shortlisted supplier in writing before contract, and compare the answers side by side. A vague answer on data, exit or incident notice is a risk the firm would be taking on.

If this is on your table, a 30-minute conversation is usually enough to tell whether I can help.

Talk to Mark

mark@markwoodruff.co.uk · 07391 820971 · markwoodruff.co.uk

ABOUT THE AUTHOR

Mark Woodruff is a Chartered Actuary (FIA) and Chartered Financial Planner (FPFS). He spent 15 years pricing and building products at Aviva, Prudential, Partnership and St. James's Place, then more than seven years founding and running advice firms through to a substantial sale. Through Mark Woodruff Consultancy he works with financial services firms on product, pricing, distribution and governance.

Regulatory notice. Mark Woodruff Consultancy works with businesses only. I don't give regulated personal financial advice to individuals.

Disclaimer. This briefing is general information for financial services firms. It is not tailored to any firm's circumstances and is not legal, regulatory or financial advice. Work is agreed in a written letter of engagement before it starts.

Published October 2026
Regulatory references correct at October 2026
© Mark Woodruff Consultancy 2026