Finding the AI payback in the middle and back office

For COOs and CFOs at platforms, wealth managers, insurers and advice firms: why the first reliable payback from AI tends to come from the work clients don't see, and how to design those projects around exceptions rather than full automation.

IN BRIEF

The problem

AI budgets tend to go first to client-facing tools, which are visible and easy to demonstrate but carry the most conduct risk and need the most oversight.

Why it happens

A chatbot is easy to show a board; a reconciliation that now runs in a morning is not, even when it saves more money with less risk.

What to do

Start with high-volume internal work where errors are caught before they reach a client, and design each project around the exceptions people will still handle.

01

Why budgets go to client-facing tools first

The belief is that AI's value lies in front of the client: a chatbot that answers queries, a tool that gives guidance, an assistant that talks to customers at any hour. Those tools are visible and easy to demonstrate. They are also where an error reaches a customer directly, where the Consumer Duty's consumer understanding and consumer support outcomes are tested most directly, and where a mistake can become a complaint or a remediation exercise.

The middle and back office looks less exciting and often pays back sooner. The work is high in volume and governed by rules, and an error there can be caught by a person before it reaches anyone outside the firm.

02

Where to start

The table compares five uses on the three things that decide where to start: volume, whether an error reaches a client, and how much oversight the use needs. The FCA's Mills Review, published in July 2026, used drafting suitability letters and summarising fact-finds as examples of how advisers might use AI. Drafting for review keeps an adviser between the tool and the client, which is where the accountability sits.

FIVE AI USES

Volume, exposure and oversight compared

Use	Volume	Error reaches a client?	Oversight needed
Client-facing chat and guidance	High	Directly	Heavy
First drafts of suitability reports	Medium	Only if review fails	Every draft reviewed
Extracting data from documents	High	Rarely	Exceptions and samples
Reconciliations	High	Rarely	Exceptions
File and quality checks	Medium	Not directly	Sample of results

A starting comparison for a typical advice firm or platform. The right order for a given firm depends on its volumes, its data and where its staff time goes.

03

Design for exceptions, not full automation

The payback in back-office AI comes from the share of work the tool handles cleanly, with people dealing with the rest. Chasing full automation is usually where the cost rises fastest, so design the process around the exceptions from the start: how they are flagged, who handles them, and how the tool's straight-through rate is measured.

The straight-through rate, the share of documents the tool handles with no human touch, decides the case.

ILLUSTRATIVE EXAMPLE

What the straight-through rate does to payback

Straight-through rate	Saving a month	Payback on set-up cost
80%	£22,080	7 months
60%	£11,685	13 months
40%	£1,290	Nearly 10 years

Illustrative: 6,000 documents a month at 12 minutes each by hand and £35 an hour (£42,000 a month); the tool costs £9,000 a month plus £150,000 to set up; each exception takes 15 minutes; staff spot-check 5% of clean output at 3 minutes a check.

At 40% the saving barely covers the tool's running cost, and the business case rests on a rate nobody has tested.

FROM EXPERIENCE

At St. James's Place I delivered the Tax Year-End project. Running my own advice firms, with teams of up to 10, I led commercial growth and compliance as well as advising clients.

Both left me with a strong view about where technology earns its keep in financial services: in the high-volume work that has to be right every time, and that clients only notice when it goes wrong.

04

Starting well

Pick one process with high volume, clear rules and good data. Measure today's cost and error rate before anything changes. Agree the straight-through rate the business case needs, and test the tool on your own documents before signing.

Keep the people who do the work today involved: they know where the exceptions are. From 18 March 2027, FCA-authorised firms will have to report operational incidents that meet the FCA's thresholds (PS26/2), including those caused by a supplier's tool, so build incident reporting into the process from the start.

Questions for the board

01 Which of our high-volume internal processes cost the most staff time, and how good is the data behind them?

02 What straight-through rate does each business case assume, and what happens to the payback if that rate is 20 percentage points lower?

03 Where does an error in each process surface, and who would catch it before a client does?

04 For any client-facing AI, who reviews output before it reaches a customer, and how is that evidenced?

05 Have we measured today's cost and error rate, so we can tell whether the tool improved them?

06 Who handles exceptions, and has their time been costed in the business case?

The first reliable returns from AI in financial services tend to be unglamorous: reconciliations, documents and checks. Starting there builds the evidence, skills and controls a firm will need before it puts AI in front of its clients.

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

Talk to Mark

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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.

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