DOES AIFA REPRESENT MEMBERS VIEWS

The RDR is wide ranging but the two most contentious issues are probably the ban on commission and requirements for higher professional qualifications. Where does the Council of the Association of Independent Advisers (AIFA) stand on these issues and do they represent the views of the majority of their wider membership?

The first draft of the AIFA submission to the Treasury Select Committee (TSC), which is in the public domain, said "we recognise that commission had a negative affect in the past which is why AIFA *and our members* have supported the moves to transparency and adviser charging*"*.

This was softened in their final TSC submission to say "AIFA is fully supportive of the original RDR objective and the main elements of the reforms" They also said " AIFA believes that an effective market place requires customers to be clear about the services they are receiving and what they are paying for them". They raised no issues about the commission ban.

AIFA also made it clear in their TSC submission that they support the requirement for higher level qualifications and opposed "grandfathering" for existing advisers. They do explain that they believe work is needed on extending the range of qualifications.

I do want to acknowledge that AIFA have done some excellent work in negotiating with the FSA on RDR which has resulted in them softening their position on a number of issues. Nonetheless on the issue of the ban on commission and higher qualifications I suspect the position of the AIFA Council does not coincide with the majority view of the wider AIFA membership.

I do not want to enter into the commission versus fee debate other than to say there are pro's and con's for each proposition and there is "no one size fits all" solution. One thing is certain though – the overwhelming remuneration to IFA's is by commission. I am told that only 8% of remuneration for personal business is by fees and the leading Providers I have checked say that more than 75% of their new business is commission based.

This would suggest therefore that IFA's supporting a ban on commission is a little like turkey's voting for Christmas. It is on this issue in particular that I suspect AIFA has not accurately reflected the majority of members views.

On the increased qualification issue there is also no doubt that a substantial proportion of existing IFAs are opposed to the requirement to meet QCF level 4. As a result of the requirement it is accepted that the industry is going to lose thousands of experienced Advisers – the estimates range upward from 20% of those currently regulated.

The storm of protest from IFA's to their MPs on RDR made such an impact that finally there was a well attended parliamentary debate which was entirely supportive of the protestors' position. This in turn led to a referral to the TSC which is currently undertaking its review before reporting to Parliament. AIFA have admitted that they did not contribute to the effort that led to the parliamentary debate. The industry awaits the TSC's response with baited breath.

So where does the AIFA Council stand in supporting the majority views of its' wider membership. They have publicly stated that they support the main objectives of the RDR and the move from a commission to a fee based industry. But I seriously doubt the majority of their membership agrees with them.

In there submission to the TSC they said, "We have therefore consulted our membership extensively on the RDR over the 4 year period *to ensure we have taken account of our members' views appropriately* and are representing the interests of the profession". But the outcry from IFAs which led to the parliamentary debate and the TSC review suggests another story.

I have questioned AIFA on the extent to which they have researched their position with their wider membership. The following are the questions I asked and the response I received:-

"Have you ever conducted a survey of your entire membership and posed the commission or RDR question to them directly? e.g.

"Are you in favour or opposed to the RDR?"

"Are you in favour or opposed to the ban on commission?"

The response I received from AIFA to these questions was. "We have conducted research on our membership which is independent, specific and congruent with AIFA's policy. When the time is right we may decide to release the details of it. Releasing data will aggravate factional division, and there is already too much of that".

A leading politician couldn't have provided a better answer and I will leave the reader to draw their own conclusions as to what the answer means.

This response was followed by the following statement, " In AIFA's case the views expressed by members provide a valuable context for Council's deliberations, but the process in this organisation is for members to elect a Council member who then represents their interests in deciding policy. If members are unhappy with AIFA's policy they can elect different members to Council".

This is much like the arguments put forward by the old fashioned trade union barons in support of their actions, but surely a responsible trade association has a duty to be certain it is properly representing the majority views of its' wider membership. I have no idea what proportion of AIFA members vote in Council elections and my request for information on that score was met by silence.

So that brings me back to my original question. On the issues of the ban on commission and higher professional qualifications specifically has AIFA properly represented the views of the majority its' wider membership? The company that I chair has resigned from AIFA on the basis that they have not, but other firms must come to their own conclusions.