Work of the FSA & treasury feedback 2007-08 & the request by the TSC in November 2010 for the views from interested parties on whether the RDR will achieve the stated outcomes and whether the outcomes could be achieved in other, potentially better, ways.

In a TSC hearing on Tuesday 23 November, Hector Sants, Chief Executive of the Financial Services Authority told the Treasury Committee that the Retail Distribution Review had three specific outcomes:

A transparent and fairer charging system
A better qualification framework for advisers
Greater clarity around the type of advice being offered

The Treasury Committee has decided to call for written evidence on these specific points: whether the RDR will achieve the stated outcomes and whether the outcomes could be achieved in other, potentially better, ways.

The Treasury Committee will decide whether and how to take this matter further in the light of the written evidence received.

It is important that the TSC sees input from across the IFA spectrum an to make your submission simply follow this link

http://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/news/call-for-written-evidence-on-rdr/

In 2008 many submissions were made by IFAs to the Treasury and they make very interesting reading. I urge you to follow this link and explore what the Government of the day seemed keen to be seen consulting upon but very reluctant to actually do anything with the resulting input- much of it highly detailed, heartfelt and well reasoned.

This process in 2010 I think is very different with a powerful government committee intent upon seeing that deeds and actions are matched.

Here are some extracts from the end of 2008 that have a strangely familiar tone about them.

Memorandum from Mr Bob Perry

I am an Independent Financial Adviser with of 30 years of experience in the financial services industry. I am a Certified Financial Planner and expect to be a Chartered Financial Planner within the next few weeks.

My firm is a very small one with two registered individuals and one administrator/secretary. We provide a highly dedicated service to our small number of clients. Our client base has been established over a number of years and is built on excellent client care. We only advise in those areas in which we are:

1. Qualified.

- 2. Experienced.

We do not mind how we get paid. We are happy to receive payment by fees or commission. There is no problem with commission. The problem is with the commission driven saleforces whose income is dependent upon initial commission. In many cases such salesforces do not clearly explain to their customers (they are not clients because there is little or no after sales service) that the commission is built into the contract charges and is therefore paid for by the client.

The vast majority of small, owner run IFA businesses thrive on Treating Customers Fairly (way before the FSA thought of this) and have built their firms on client referrals. This would not be possible without ensuring clients are fully aware of how the IFA is to be remunerated and how commission is funded. Nor would it be possible without excellent customer care. Unlike a commission driven salesman, small independent IFA's take a longer-term view and put clients first.

The FSA has bowed to pressure from the banks and if the RDR is introduced without major alterations bank customers will continue to be poorly served. It would be interesting for the FSA to investigate how many of the following products have been sold by banks in these turbulent times:

- 1. With profits bonds.
- 2. Corporate Bond funds.
- 3. Structured Products.

I am sure the FOS and FSCS will be receiving numerous complaints re these products over the coming years.

The possible increases in Capital Adequacy will force many small IFA firms out of business. Will the Government plough billions of pounds into small firms?

My firm will continue to trade and provide excellent service to our clients regardless of the outcome of the RDR, However we will continue to grow ever more disillusioned with our Regulator. I am wholly unconvinced that the FSA gave any consideration to small firms of IFA's and listened only to the self centered views of the banks. I am equally wholly unconvinced that the FSA understands how small firms of IFA's operate.

There should be a clear and totally unconfused distinction between advisors and salesmen. Advisers should be qualified to Certified or Chartered Status.

Saleforces should not be allowed to use the words adviser or advice anywhere in their title.

1 December 2008

Memorandum from Mr Alan Crowley

RDR DISCUSSION

1. Whilst I agree in principle with much of the proposals surrounding the IFA market, such as qualification and moving to a fee charging structure. I feel that moving totally to fee's only will drive many IFA's out of Business and leave only a relatively small percentage of the nation willing to pay for financial advice.

2. RDR won't just be damaging to our business, it will be damaging to every financial advice business. Even worse, it will be damaging to clients who, if they cant afford to pay fees for advice, will end up making execution only decisions on financial products sold by "sales people" who know they should tell the client if they're making a mistake but can’t.

3. In respect of fee charging, there should be no problem with this at all, we charge fees as well as receiving commission but it ensures we can dedicate more time, effort and care to the whole process for the client rather than just being a "production line" for arranging financial products.

4. The FSA clearly wasn't a better quality of advice for the customer, but doesn't want advisers to be paid accordingly—they want a top-notch deal for bargain basement reward.

5. I do get the feeling that the IFA/ Broker field is under a sustained attack from the FSA (who are largely staffed by failed bankers) in an attempt to eliminate the competition to the banks own `in house' advisers/ order takers.

1 December 2008

Memorandum from Mr Tim Tilbrook

I would like to let you know my concerns about the review.

The FSA review seems intent on reducing the number of people getting independent financial advice. They will end up with less and less people getting better and better advice until no one gets brilliant advice!

Banks have a vested interest in selling, personal loans, credit cards, mortgages, certain type of investments and protection products. It is difficult to believe that these same people will have the customer as their focus.

I do not believe that education of the public or simple products (although a worthy aim) will work. Stakeholder pensions have not worked. Sometime people have to be sold products.

It must be in the national interest to allow as many people as possible to have access to highly qualified advisers offering independent advice. To allow the payment for this to come from commission. By all means make the commission equal so there is no product bias.

If the RDR goes through, as I understand it, then I think it will be the end of independent financial advice except for a very rich few, surely not what is intended?

1 December 2008

Memorandum from Mr Steve Baker, Alexander Beard Group Plc

Regarding your review of RDR.

As an IFA I would like to say what a waste of time & money the whole issue of RDR & TCF have been & will continue to be.

The FSA continues to try and pick on the easy targets namely small IFA's, instead of looking at the big picture, and properly regulating the people who have caused serious financial problems for the economy as a whole, by which I mean "Banks".

Contrary to popular belief IFA's do not have a commission bias, nor do they seek to actively "rip off", clients.

In the main we do an excellent job for our clients often offering a pro bono service (which is not something you can do if you are fee charging).

A large part of the UK population who benefit from the services offered by IFA's do not have the appetite to pay fees, but do understand that IFA's need to earn a living, they see that commissions are disclosed and take a realistic attitude towards them (it is a pity the FSA do not do the same).

I would also like to point out that IFA's often sacrifice commission to enhance the product offering for their clients.

In these difficult times the last thing IFA's need is more of an administration burden, and more things to worry about.

I believe it is in the interests of the British public to retain a strong IFA base; otherwise the options do not bear thinking about, such as casting them off to be dealt with by truly commission hungry bank assurors offering a restricted range of products and a restricted advice & knowledge base.

1 December 2008

Memorandum from Mr S J Ludlow, Ludlow & Co

I run a medium sized Independent Financial Adviser (IFA) company in Southport and employ 26 people.

In general, I believe that there are significant benefits of the FSA and associated Regulations. However, in recent years, it is my opinion that the FSA have lost their direction and are now no longer an effective Regulator. The following are questions which I believe many in the IFA community would like to ask the FSA.

— Treating Customers Fairly (TCF): The focus is currently on IFAs across the UK and the FSA are looking to "assess" (by way of visits, one to one sessions or telephone assessments) over 10,000 firms over the next two to three years. From up to date information from the FOS, the figures show that only 4% of new complaints to the FOS in the last financial year were complaints against IFA firms. With such a low figure, why are IFAs being targeted, when it is clear that other financial institutions require tighter scrutiny?

▪ — Retail Distribution Review: This review is looking at changing the way IFAs are paid. From a brief review of the recent 220-page paper, it appears that IFAs are to be hit the hardest, with no real reasoning (see above point about FOS). My business actively discusses fees versus commission with all clients. The vast majority does not wish to pay fees.

- — Financial Resources / Prudential requirements for IFA firms: The changes are significant and will probably put many small IFA's out of business, when the risks they pose to the FSA's four Statutory Objectives are insignificant.

3 December 2008

– Treasury Memorandum from Mr Bob Castle, Financial Escape Ltd 1st December 2008

This may be short and sweet and look unprofessional, but I have tried the professional approach with the FSA as have eight out of 10 respondents to their discussion paper only to be ignored with a total refusal to even discuss any longstop, let alone the 15 year long stop every other UK citizen appears entitled to.

I believe the FSA's RDR is fatally flawed, but only re their ignorance of the 15 year long stop and the suggestion of mandatory Professional Body membership/increased min quals. I would draw to your attention the complete lack of confidence IFAs have in the FSA and the believe they have been influenced by political expediency and are NOT independent of the executive. The rest of the RDR I actually think is an own goal on the part of the banks, but very few people have actually realised it yet!

I will be focusing on longstop and Pb/Mandatory Quals only until such time as someone actually realises our Human Rights have been breached and we are NOT going to role over and take our punishment for disobedience as the only profession which is being given NO right to a LONGSTOP for professional negligence.

1 December 2008

To see more of these, which will no doubt assist in the preparation of your submissions, follow this link http://www.publications.parliament.uk/pa/cm200809/cmselect/cmtreasy/98/98we21.htm

But above all, get your views heard.