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Rt. Hon. David Cameron, Prime Minister
10 Downing Street
London

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OPEN LETTER

Dear Mr Cameron

I have a serious concern about the introduction by the Financial Services Authority (FSA) of the Retail Distribution Review (RDR), which will endanger the business of many thousands of independent financial advisors (IFAs) and their staff, and will deprive a large section of the public of access to independent advice.

Before going any further, and to provide the context for my concerns, I should like to refer to some of the sentiments expressed by you and the Government over the past week. We have heard a great deal about "*fairness*", "*involvement*" and "*we all in this together*". You said "*I'll get behind the doers and grafters*" - as reported in the "Sunday Telegraph" on 24th October. You also said, in your speech to the CBI on Monday 25th October, "*We will go with the grain of what is already working.* Sadly, I believe that one of your colleagues is not on message.

Mr Cameron, you will be aware that the Treasury Select Committee met last Wednesday, 20th October, to discuss the RDR. I have attached a copy of the transcript and it makes interesting reading. Mark Hoban, Financial Secretary to the Treasury was asked many questions by the Committee and chose to answer only one. He also grossly insulted both IFAs and McDonalds with his comment that IFA qualifications are akin to those of McDonalds. I attach two relevant articles talking about "McDonification" of IFA qualifications. Perhaps I digress, although it worth pointing out that Mr Hoban's words were offensive to a large number of people.

You may be aware that one of the provisions of RDR is that all IFAs are required to have achieved a new base level qualification by 2012, or lose their businesses/jobs. No IFA can argue against the need for continuous professional development and the acquisition of greater knowledge and skills, but there are significant issues arising from RDR.

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You speak of "Fairness"...

Arguably it is unfair that all registered level 3 IFA's must re-qualify or become disbarred on 1st January 2012. The new examinations apply to all these IFAs no matter what their age and experience. It is expected that about 10,000 IFAs will leave the business prematurely. This is because re-qualifying in their late 50s and into their 60s is not viable. The alternative for these IFAs is to face further study of around 450 hours. The opportunity cost, merely to carry on doing the same type of business upon re-qualification, will not be recouped by those with relatively short working lives ahead of them - this is especially the case for the many sole practitioners and partners of small to medium firms where the average age is in excess of 50.

The sense of unfairness and anger is exacerbated by the following factors:

1. No other profession is treated in such an offhand, harsh and, inconsiderate manner.

2. Jobs will be lost at a sensitive age for thousands of older IFAs with little chance of re-employment. Their staff will also lose their jobs, and many thousands of members of the public will lose access to impartial advice through an IFA.

3. The additional subject requirements for the newly imposed level of qualification are often irrelevant and unnecessary for a specialist practitioner. For example, investment advisors are required to know about pensions when it is not their business. Current Continuing Professional Development (CPD) requirements, on the other hand, require practitioners to undertake the acquisition of further knowledge and to keep up to date on relevant subjects only. Rather like specialist doctors or lawyers, specialist IFAs refer to other specialists in areas where they are not competent. The proponents of RDR seem to lack an understanding of the way IFAs work - unless there is a hidden agenda to provide advantage to the discredited banking sector by eliminating sole practitioners and small and medium sized IFA firms. *Paul Selly of HBOS said of RDR "Bank-assurers were set to benefit".*

4. In 2010 IFAs attracted just 2% of complaints received by the Financial Ombudsman Service. The banks attracted 61% of complaints. At the same time Standard & Poors reported that for 2010 IFAs held 67% of personal finance business, a level that the banks covet.

5. Many IFAs fail to understand why the Financial Secretary who supports the pro-bank RDR will not allow the survival of some 10,000 IFAs through the universally accepted process of “grand-fathering”.

6. Bank and the regulator’s executives, e.g. Fred Goodwin, do not appear to need to be so qualified.

"I'll get behind the doers and grafters".......
The 10,000 IFAs would not have remained business for so many years had they not provided a good service to their clients. Further, IFAs have adapted to enormous changes over the past 25 years with continuous and over-burdensome regulatory revision, and have embraced the IT revolution to a greater extent than many other professionals – all this is certainly demonstrating **doing and grafting** on the part of IFAs.

"We will go with the grain of what is already working".......
I think not, unless Mr Hoban can be brought back on message.

Mr Cameron, I ask you and your colleagues to whom this message is addressed, to listen to the concerns of significant numbers of IFAs, and instigate a review of the intention and effect of the Retail Distribution Review.

Yours sincerely

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Principal

Distributed to selected Parliamentarians, press contacts and via business/social networks.