

Jeremy Evans
Financial Services Authority
Quayside House
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10 March 2010

Dear Mr Evans

FSA CP 09/31 – Delivering the Retail Distribution Review

On behalf of ILAG, I have the pleasure in submitting comments on the above consultation paper.

ILAG is a trade body representing members from the Life Assurance and Wealth Management industries. ILAG members share and develop their practical experiences and expertise, applying this practitioner knowledge to the development of their businesses, both individually and collectively, for the benefit of members and their customers.

Section 2: Professionalism

Q1: Do you agree, for the reasons outlined above, that the internal model is the least costly and the least complex to establish and will achieve broadly the same outcome as an external PSB?

A1. Whilst we accept that from a cost and practical perspective there are advantages in FSA assuming internal governance of professional standards we have reservations as to whether this is actually a proper role for the FSA. The FSA was established principally to authorise and regulate firms and individuals operating in the business of financial services and we believe that there should be a stronger intellectual case to justify its emergence as an accreditation authority for professional bodies and academic institutes within the industry. Indeed we would ask what has changed in the six months since CP09/18 was issued to account for such a change of heart away from setting up an independent PSB.

More specifically, we believe that concerns over ethics and ethical behaviour, often involving judgements of a subjective nature, do not sit easily in an organisation responsible for rule-making and its enforcement. We would much prefer that if the

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framework of a PSB is to be devised and set up initially within the FSA that it should *subsequently* be afforded independent status.

Q2: Are there any additional criteria that should be included for the initial and ongoing recognition of professional bodies?

A2. No this already seems well covered in your paper.

Q3: Do you agree that the arrangements described will deliver the required increase in the quality and consistency of professional standards across investment advice sectors?

A3. It is a step forward but it will take time to achieve and quantify overall levels of improvement. In passing, we are pleased that the 35 hour CPD minimum as proposed in CP09/18 has been removed.

Q4: Do you agree that updating the FSA Register with further information about advisers' qualifications, and introducing practising certificates for advisers, will contribute to the restoration of consumer trust and confidence?

A4. Yes this should be a regular (yearly?) exercise which should help to enhance the image and professionalism of the financial advice sector and in turn lead, hopefully, to the long-term restoration of consumer trust and confidence.

Q5: Do you think the arrangements described will support the aim of beginning to improve the reputation of retail investment advice?

A5. Yes it should help though more needs to be done to encourage consumers to seek financial advice in the first place.

Q6: Can you provide evidence of any other qualifications meeting all three of the stated criteria?

A6. We are not aware of any.

Q7: Do you agree that option iv is the most pragmatic solution and do you agree that these proposals will provide advisers with transferable evidence of their qualifications?

A7. Yes we prefer an outcomes-based approach to a box-ticking methodology. In addition, we welcome the acceptance of alternative methods of assessment being available on a permanent basis in measuring competence and proficiency amongst advisers. However, there still remains a real danger that the RDR will herald, initially at least, a contraction of adviser numbers and firms negating the whole object of making financial advice more accessible to more customers.

Section 3: Corporate pensions

Q8: Do you have any comments on our analysis of the current GPP market?

A8. No other than it seems accurate. We note that no mention is made of removing the IFA exemption – as proposed in CP09/18. Has it been side-lined or dropped altogether as we doubted whether its abolition was really necessary or justified by events?

Q9: Do you agree with our proposals for applying the principles of adviser charging to the GPP market? If not, please say why.

A9. Yes we believe that this is the right step in the interest of achieving consistency across the range of retail investment products in the long-term.

Q10: Do you have any suggestions for the fairest way of allocating consultancy charges among different members of a GPP, allowing for different ages, different contribution levels, whether an initial member or a subsequent new entrant and any other relevant factors?

A10. No except to recognise that this will be a difficult area.

Q11: Do you have any comments on the CBA outlined in Annex 2 to Section 3?

A11. No.

Section 4: Pure protection

Q12: Please provide any analysis or evidence you may have on the application of professional standards (professional conduct, qualifications and keeping knowledge up-to-date) to pure protection advice, both: a) where it is provided by an investment adviser; and b) where it is provided by an adviser who does not advise on investments.

We are pleased with the decision not to impose adviser charging principles to pure protection products sold under ICOBS, although we continue to believe that the use of fees only for COB based sales of protection will mean this route will impact sales; obviously, the use of ICOB will support the sales although this will add a degree of complexity for the IFA population and confusion for the customer. As we see it, given the overall and recognised need to arrest and reverse the on-going decline in sales no actions should be taken that has the effect, unintended or otherwise, of restricting the pure protection market. In terms of the actual question:-

(a) where pure protection advice is provided by an investment adviser we believe you are proposing a "read -across" of the standards required, irrespective of the product being advised upon; clearly the conduct should be at no less a level irrespective of the product; in terms of qualifications, as the investment adviser would be required to be QCF level 4 qualified then this standard should be appropriate - however, it is not clear how the knowledge of the protection marketplace will be exhibited. A pragmatic approach, probably linked to use of CPD, seems appropriate.

(b) where pure protection advice is provided by an adviser who does not advise on investments, the indicators are that the qualification standard should remain at QCF level 3. Given the nature of the product, a lower level than QCF level 4 would be adequate. Setting too high a level would increase costs and risk reducing the supply of the product. Focused CPD to exhibit professional development could be used with benefit.

Finally, there is also a need for clarity from the FSA on disclosing commission when protection products are sold 'alongside' investment products by advisers operating under the dual codes of ICOB and COB. We look forward to the further proposals on commission disclosure to be published by the FSA in March.

We hope that these comments are useful to you.

Yours sincerely

Doug Thow
Technical Analyst