

Emma Thomas
Conduct Policy
Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

28 June 2010

Dear Emma

FSA CP10/8 – Pure protection sales by retail investment firms: remuneration transparency and COBS/ICOBS election

On behalf of ILAG, I have pleasure in submitting a response to the above consultation paper.

ILAG represents 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.

At the outset, we support the basic approach not to impose Adviser Charging on pure protection products where firms elect to sell under COBS rules reflecting the fact that commission-based sales are an established feature of this particular market. However, whilst accepting the case for remuneration transparency where pure protection products are sold in association with investment products under COBS, we do not believe that linking it to a time period is a practicable proposition; instead reliance should be placed on the wording and obligations of existing FSA guidance.

In responding to the individual questions:-

Q1: Do you agree that we should change our rules that allow firms to elect to sell pure protection under COBS so that they can do so without applying the Adviser Charging rules to their pure protection business?

Yes, we do not see any detriment in retaining commission for pure protection sales under either COB or ICOB – this also applies to standalone sales of protection business that are not linked to sales of investment products.

Tel: 01428 607191
Mobile: 07984 019811
doug.thow@ilag.org.uk

We agree with the change in rules as it will allow consumers to have access to protection advice, without having to suffer an upfront or disproportionate charge for advice; this therefore means that seeking to close the 'protection gap' still remains a realistic objective.

Q2: Do you agree with our proposals for increased remuneration transparency for sales of pure protection products associated with investment advice?

Yes, the objective of all disclosure should be to enable the client to make an informed decision about the coverage of the product as well as the services being offered by the retailer of that product.

Q3. Do you think our alternative proposal to require remuneration transparency according to the permissions held by a firm, rather than the circumstances of the transaction, is preferable?

No, different styles of disclosures for the sale of the same product are likely to lead to consumer confusion so making it difficult for consumers to compare various offers.

Q4. Do you have any comments on our draft rules and guidance, particularly our guidance on the circumstances when a pure protection service is considered to be associated with investment advice?

Whilst noting the proposed "window" of 12 months to consider the agreement of an investment advice charge, where protection is sold in association with investment advice, we feel that *any* time period would be difficult to police or monitor without any inherent benefit for the customer.

A simpler approach would be for COBS guidance to re-affirm that advisers make clear the remuneration arrangements for both the investment and protection plans – as per 2.13 – and to replicate from ICOBS guidance that if the customer specifically requests to know the actual size of commission on the protection part the firm should tell them – as per 2.12.

Finally, we await a debate on the FSA's views on transparency for standalone protection sales.

We hope that these comments are useful to you.

Yours sincerely

Doug Thow
Technical Analyst