



AIFA on RDR: “Opportunity for IFAs to demonstrate the value of advice to consumers”

The Association of Independent Financial Advisers (AIFA) has responded to today’s publication of the Retail Distribution Review (RDR) Consultation Paper from the Financial Services Authority (FSA).

Chris Cummings, Director General of AIFA, said:

“FSA’s Consultation Paper is a positive and considered response that will benefit consumers, and allow the development of the wider industry and IFA profession. We broadly support many of the recommendations in the paper. FSA has rightly refocused the review on the needs of the consumer with the proposals offering real clarity, creating clear blue water between those offering truly independent advice and those offering restricted advice from a limited range of products and providers.

“There is now a real opportunity for IFAs to demonstrate the value of independent advice to consumers. Firms must take advantage of the distinction the RDR has made between those who are on the side of the consumer and those who represent a product provider. We look forward to building on the high level of trust consumers have in IFAs and raising standards of professionalism even further among IFA businesses.

“However, while many of the proposals will be positive for the IFA profession in the long-term, we do urge caution over the cost of proposals. The economic environment is incredibly challenging for firms and the additional costs, both monetary and time, required to fulfill the RDR requirements are substantial and should not be underestimated, or minimised. These changes will result in a more robust financial services industry, and for the industry to make such commitments at this time we expect a prolonged period of regulatory stability.

Describing and disclosing advice “The proposed separation of the market will provide real benefit to consumers. There will now be a clear distinction between independent advice, which is unbiased and unrestricted, and advice that does not meet these requirements and is therefore restricted. Those offering restricted advice will have to make this clear in written and oral disclosure, stating the firm they represent and the limited range of products they can advise on.

Adviser charging

“It is right that investment firms will now set their own charges in agreement with the client. The perception of commission bias has not benefited the industry and we are pleased that this will now be removed, while still crucially allowing consumers to pay for advice through the product. The introduction of adviser charging across the market will provide a level playing field for IFA firms and those firms offering restricted advice. It will now be clear to consumers, regardless of what type of firm they approach, that adviser charges will be levied in addition to any product charges.

“The proposals regarding clarity of ongoing service and associated charges will allow firms to be clear about what they are offering to their clients, underlining the positive long-term relationships many IFAs have with them.

“Further clarity is also required on the issue of factoring. We must remove accusations of provider influence or bias while retaining the ability of consumers, if they so choose, to finance advice through a product. We will be working closely with FSA on this issue during the consultation period.

Professional standards

“Raising professional standards is vital to retaining and building consumer trust in financial services. AIFA continues to support the move to QCA level 4 competence assessment, with many IFAs already advancing on this path. We strongly support the move by FSA to introduce this for both independent advisers and restricted advisers on the same timescale and for reconfirming the ‘no regrets’ policy.

“The decision to allow a form of work based ‘alternative’ assessments, up to 2012, will mean existing advisers will not be forced from the industry. It was important that a rigorous but non-examination based assessment of qualification level four competence was available, in order to maintain access to advice. We are pleased that FSA has listened to our concerns and we will continue to work with FSA on this important aspect of the proposals.

“We also agree with the decision by FSA to approach the issue of a Professional Standards Board separately. The current proposals warrant further scrutiny and discussion and we look forward to the consultation paper later in the year.

Group Personal Pensions

“We feel very strongly that work based advice is vital to engage consumers in their financial future. FSA is right to address the issue of advice for employees entering a group pension but this area does need further investigation. AIFA will carry out immediate work in this area to meet the tight deadline imposed by FSA on responses.”

ENDS

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Notes to Editors

The Association of Independent Financial Advisers was launched in September 1999. Our role is to effectively lobby the Treasury, FSA, government, the EU and other opinion formers and policymakers to ensure the regulatory and business environment is positive toward members. It is AIFA's objective to play a critical but constructive role within the regulation process - offering insights from the "front line" of the market. AIFA is a non-commercial, not-for-profit trade body. It exists solely to bring about a better business environment for our members so they can continue to serve their clients.