

Financial Services Consumer
Panel response to FSA
Discussion Paper 9:
Examination Review

February 2002

Examination Review

Financial Services Consumer Panel response to FSA Discussion
Paper 9: *Examination Review*

Contents

Introduction	3
Objectives of the Review.....	3
Vision: a single examination framework for financial services.....	4
The International Perspective.....	5
The Process for review.....	6
Maintaining competence	6
About the Financial Services Consumer Panel	7

Panel response to Financial Services Authority

Discussion Paper 9: Examination Review

Introduction

Objectives of the Review

Comments are invited on the issues raised and the objectives of the FSA review

1. The Panel strongly supports the overall objectives of the review. The Panel believes that a competent and effectively supervised work force will lessen the scope for errors and eventually permit a lighter and so less costly regime.
2. The Panel hopes that the examination review will not be constrained by the existing boundaries of the training and competence regime. There appears to be a considerable gap between the requirements applying to individuals covered by the full training and competence regime and those individuals, who are only covered by the general principle that firms should take reasonable care to organise and control their affairs responsibly and effectively. We appreciate the steps FSA has already taken to bring some administrative supervisors into the regime, however we believe that the FSA should start from the viewpoint of consumer needs and not be constrained by the scope of the existing regime.
3. We accept the value of developing international standards and cross-recognition of qualifications. However, this should not be achieved at the cost of reducing domestic requirements, or of reducing the amount of FSA resources available for reviewing the training requirements for staff dealing with ordinary retail consumers. In addition the Panel have severe concerns that the international bodies and forums involved in the process of developing international standards and cross recognition of qualifications are heavily dominated by industry and will not properly reflect consumer interests.
4. Since the publication of this discussion paper, the FSA has published consultation paper 121 Reforming Polarisation: Making the market work for consumers which has invited views on the possibility of developing a system of two-tier advisers. The proposal is for advisers with higher level accreditation and qualifications could continue to advise on all or some especially complex products like pensions while those advisers with an intermediary level of training would only be allowed to advise on a limited range of products. This proposal is likely to have implications for advisers'

training. However, policy makers are increasingly recognising the very large gap in the advice available to consumers at the lower end of the income spectrum, in particular regarding debt repayment, and the proposals do not seem to reflect this and will do nothing to close the gap. We will be commenting further on this issue in our response to CP121 but note here that the training and competence requirements will have to be looked at in their own right when there are clearer proposals for closing this gap.

5. The FSA review also proposes to address the question of designations and the Panel agree that the current confusion allows some advisers to mis-represent the extent of their expertise by displaying a multiplicity of designations, either overlapping or of very little value. However, it is unrealistic to expect consumers to ask about, and understand, a salesperson's qualifications and we believe that responsibility should be placed on firms to ensure that members of staff dealing with consumers have proper qualifications.

Vision: a single examination framework for financial services

Comments are invited on the overall approach to setting out the single examination framework and what risks and benefits to consumers the framework might address

6. The examination review must consciously guard against affecting the structure of the advice market to the detriment of lower-income consumers. While it is entirely appropriate that only suitably qualified people should be allowed to operate in the highly technical area of, for example, equity investment products, the review must avoid designing minimum standards around the needs of higher-income consumers and ignoring debt repayment. In future consultation papers, some assessment on the impact on the market in terms of access to advice should be given.
7. The FSA should design a training and competence regime in a way that will facilitate monitoring. For example, how will employers and regulators check that staff aren't lying about their qualifications? Anybody who lies about qualifications may have an unethical approach to other areas of their work.
8. The FSA should consider the extent to which there are any particular services, such as income drawdown, that should be restricted to those who have passed an appropriate qualification.
9. The 'Treating customers fairly' theme highlighted the risks to consumers from poor communication. Communication skills should be a key requirement of the training regime for any staff dealing with customers.

10. The paper proposes a modular examination structure. This seems sensible, but raises the following questions which should be addressed in the review:
- In a modular structure, what will be the minimum qualifications that a staff member must gain before he or she is allowed to deal with customers (with or without supervision)?
 - How will a modular structure be reflected in any system of designations?
 - What safeguards would ensure that the transferability of qualifications don't pose risks to consumers if a staff member trained in one 'stream' transfers to another stream without the appropriate retraining?
11. Figure one in para 3.4 suggests a 'third tier' of case studies where it is required to produce an overall view for a client. However the training regime should seek to ensure that advisers are able to produce an 'overall view' at the *entry* level – it should *not* be the preserve of the higher-trained. Lower-income consumers must have access to a reasonable breadth of advice, and it is arguable that they need this more than higher-income consumers who can afford to pay for a range of specialist advice. Similarly, front-line staff must be equipped to recognise a wide range of consumer needs, know their own limitations and refer customers appropriately.
12. Para 3.4 also proposes that the core modules should reflect the existing activities in the T&C sourcebook. We question whether perpetuating the status quo is appropriate. The review should examine whether these divisions actually reflect consumer experience.
13. We are pleased to see the proposal for a 'bridging' qualification. This should help to bridge the gap between those within the full T&C regime and other staff, and also between the FSA's consumer education programmes and formal professional qualifications.
14. We encourage the FSA to provide some evidence about the impact of the regime in future consultations in order to enable a more detailed assessment of the risks and benefits to consumers of the proposals. For example, it is difficult to form a judgement on the appropriate level of the passmark without some research among advisers to see if the mark achieved in the qualifying exam makes a significant difference to competence. The follow-up consultation should provide this information.

The International Perspective

Comments are invited on the development of international standards

15. We draw attention to our paragraph 3, above. Consumers must not be put at risk for the sake of achieving common, but low, international standards.

The Process for review

The FSA welcomes comments on the review process, including the process outlined in Annex A

16. A review of competencies is helpful but risks perpetuating the status quo and also reflecting current industry models rather than future consumer needs (or even future industry models). It could also be very time consuming. It must be balanced by a full review of consumer needs – a useful starting point would be the FSA’s work on its risks to its objectives and its consumer framework. Existing work on themes and FSA consumer research may also be helpful – eg the ‘Ageing’ theme suggests some topics likely to be of particular importance in future years.
17. Other regulators should also be consulted, particularly the Mortgage Code Compliance Board, and those with particular expertise in dealing with lower-income consumers, such as advice agencies and the community legal service.
18. Because we see training and competence as a very important way of protecting consumers, we have grave concerns about the same body undertaking both training and examinations. We can see the value of competition between training providers but we think that those responsible for examinations should be separate from such providers, and should be seen as an impartial and independent body, with appropriate governance arrangements reflecting the interests of all stakeholders, including the FSA and consumers.

Maintaining competence

The FSA welcomes comments on how to ensure competence is maintained and how this may be demonstrated

19. We see maintaining competence as an integral part of the review. There are risks arising from some firms’ failure to keep staff up-to-date. A key skill is personal updating and we would expect the regime to test this and also address knowledge of key sources (e.g. budget statements).
20. In achieving this, it will be important that the regime ties in with the monitoring regime. We would also support proposals for compulsory re-testing.

About the Financial Services Consumer Panel

The Financial Services Consumer Panel was established by the Financial Services Authority (FSA) in December 1998 to ensure that consumers' interests are represented in the development of the regulation of financial services. The Panel is independent of the FSA so that it can: advise the FSA on policy as it evolves, monitor the FSA's effectiveness in meeting its statutory objectives towards consumers, review developments in financial services where they impact on consumers, and publicly report its findings and recommendations. It can raise its own concerns and has resources to carry out its own research.

Who is on the Panel?

Colin Brown (Chairman)

Colin is an independent consultant specialising in consumer affairs, working with consumer organisations throughout the EU and in Central and Eastern Europe. Previously Deputy Director of Research at Consumers' Association and Senior Fellow at the Policy Studies Institute, he has over 20 years' experience of research and development in social and consumer research.

Ann Foster (Vice-Chairman)

Ann is a former Director of the Scottish Consumer Council and has over twenty years' experience in the consumer movement. She is also a member of the Health Professional Council and a member of Postwatch, the Consumer Council for Postal Services. She is also a consumer consultant to Oftel.

Jean Gaffin

Jean chaired OFTEL's Advisory Committee on Telecommunications for Disabled and Elderly People until 31 December 1999 and is currently Acting Chair of Harrow & Hillingdon Healthcare NHS Trust. She has extensive experience of working on behalf of vulnerable consumers. Previous posts include: the Executive Director of the National Council for Hospice and Palliative Care Services and Chief Executive of Arthritis Care.

Yvonne Gallacher

Yvonne is Chief Executive of Money Advice Scotland, set up in 1989 by Scottish Consumer Council. She has over thirteen years' experience of consumer credit/money advice issues and of working with vulnerable consumers in a variety of roles, including debt counsellor, trainer and manager. She has also lectured and co-authored a Guide to Money Advice in Scotland. Yvonne is presently a member of the FSA Consumer Education Forum and Credit Union Consultation Panel. Yvonne is a member of the Scottish Consumer Council.

Harriet Hall

Harriet is a solicitor with considerable experience of consumer policy and retail financial services. She is a legal officer with the National Consumer Council, where she has worked on the needs of low income consumers, banking, credit, mortgages, regulation of equity release and long-term care insurance, the Financial Services and Markets Bill and the proposed EU directive on distance selling of financial services.

Dianne Hayter

Dianne is on the Board of both the National Consumer Council and of the newly established National Patient Safety Agency. She was formerly the Chief Executive of the Pelican Centre (a cancer charity) and prior to that was Director of Corporate Affairs for the Wellcome Trust, Chief Executive of the European Parliamentary Labour Party, Director of Alcohol Concern, General Secretary of the Fabian Society, a journalist and trade unions research officer. She is currently also a research student at Queen Mary College, London.

John Howard

John is a solicitor with extensive experience of consumer issues as a former presenter of the daily consumer programme on Radio 4 'You and Yours'. He is currently a freelance broadcaster and his work includes presenting personal finance television programmes. He is a member of the Mortgage Code Compliance Board.

Vinod Kumar

Vinod is a social scientist with market research skills and extensive voluntary and public sector experience of policy analysis and research. Until recently, he was Head of Policy and Research at the Royal National Institute for Deaf People and he has previously worked for the Commission for Racial Equality. Now retired, Vinod is currently a Non-Executive Director of the Barnet Primary Care Trust and member of the Consumer Liaison Group of the Medical Research Council.

Nick Pearson

Nick is the National Money Advice Co-ordinator for the Federation of Information and Advice Centres. A career spent in advice organisations including the National Association of Citizens Advice Bureaux where he was manager of the Money Advice Support Unit, he has particular experience of credit, debt and personal finance issues and of working with vulnerable consumers.

Paul Salvidge

Paul is a former senior civil servant with experience of regulatory work, employment law, competition, consumer protection, telecommunications, financial services and company law. He was previously Competition Policy and Consumer Affairs Director at the Department of Trade and Industry.

Richard Smethurst

Richard is Provost of Worcester College, Oxford University; previously a non-executive Director of IMRO, he chaired their Training Standards Panel. He has served as an economic adviser in Whitehall, and on the Monopolies and Mergers Commission, where he was Deputy Chairman. Richard lectures widely on financial and economic topics to businessmen and adult education groups. He is President of the National Institute of Adult Continuing Education.

Jane Vass

Jane is an independent consumer researcher specialising in financial services. She was previously Head of the Financial and Economic Research Group at Consumers' Association Her current committee memberships include: Council of the Ombudsman for Estate Agents and the FSA Training Advisory Panel.

Dave Watts

Dave is a partner in a media business that is involved in publishing, editing and journalism - personal finance plays a large part in this. He is a former editor of Which? and Money Which? and former Assistant Director of Consumers' Association. He was also a policyholder representative on the Insurance Brokers Registration Council for nine years.

How to contact the Panel

Financial Services Consumer Panel
25 The North Colonnade
Canary Wharf
London
E14 5HS

Tel: +44 (0) 207 676 9346
Fax: +44 (0) 207 676 9711
Email: enquiries@fs-cp.org.uk
Website www.fs-cp.org.uk